Prime CBD rents are on average 1.7% above their peak rents and will continue to grow in 2018. In Q3 2017, prime CBD rents grew 3.3% year-on-year whereas non-CBD rents are rising at a slower pace than previously anticipated.

Non-CBD rents increased 1.7% year-on-year and are on average 30% cheaper than the CBD. Tenants are choosing to pay the higher rents for good quality assets instead of relocating to secondary or non-CBD locations.

The average vacancy rate across our survey area fell to 6.9% yoy. The vacancy rate has been falling consistently since 2010 with the majority of markets already at their historic low.

Tenant incentives are going down and tenants need to start their search early when relocating. Serviced office providers are providing short-term, temporary solutions to the office shortage with tenants choosing short to medium lease terms instead of committing to longer leases in a less-than-desirable building or location.

“Despite the rising costs, tenants are still willing to pay over and above for the best office in their preferred location.” Alice Marwick, Savills European Research
**Renewed economic optimism**

The economic picture looks positive across Europe with the EU economy as a whole set to beat previous forecasts with annual growth of 2.3%, up from 1.9% forecast in the spring. The EU28 unemployment rate has been in steady decline and is down to 7.5% from the 2013 high of 10.9% and office based employment is set to grow by 2.0% annually in 2018 and 2019. In October, the Economic Sentiment Indicator (ESI) increased by 1.1 points in the EU (to 114.2), reaching the highest levels since June 2007.

While the economic fundamentals appear positive, the political scene has become more unstable in recent months. The Catalan independence movement has been grabbing headlines and the tension between regional authorities and the central government is not likely to subside any time soon.

Manuel Macron and Angela Merkel's plan for greater economic integration is under strain with Merkel's failure to win a majority in the September election and the recent collapse of talks between the Christian Democrats, the Free Democrats (FDP) and the Greens.

**Demand**

Occupier demand remains strong across Europe but availability is dropping and lack of supply is holding up. Total take-up from Q1-Q3 reached 8.2m sq m which is on par with the same period last year and 2% up on the five-year average. Limited options for occupiers low development completions have resulted in sharp year-on-year falls in Brussels (-60%), Vienna (-46%) and Paris La Defense (-58%). Very few significant increases were recorded as tenants compete for the existing spaces. Take-up will continue to be strained well into 2018 due to lack of supply but we expect to see a pickup in 2019.

The office market is still weighed in favour of the landlord and unlikely to change in 2018. The average lease length has remained unchanged across much of our survey area with large discrepancies between cities remaining; the longest lease lengths of 120 months were recorded in Amsterdam, London City and London WE and the shortest average lease length was recorded in Copenhagen (36 months). Only London City and London WE have recorded an increase in the prime office rent-free period, due to, among other things, uncertainty surrounding the Brexit negotiations.

**Development**

More and more tenants are securing good quality office space through pre-lets. Tenants who are looking for the best quality space in prime locations must be willing to wait 12-18 months for new or renovated office space.

An increasing number of tenants will opt for short to medium lease terms instead of committing to longer leases in a location or office which is not their preferred choice. The number of lettings for less than 5,000 sq m is down and tenants are turning to alternative office solutions as they struggle for space. Serviced office providers are continuously on the increase and co-working is heavily influencing the sector as tenants are looking for temporary, short-term solutions to the supply shortage. Lender caution has held back development completions and immediate opportunities lie in renovation as new developments will not come through any time soon.

We expect office completions in our survey area to rise by 17% yoy next year and 18% the year after with about 36% of this space already pre let. This will gradually decompress the tension between demand and supply.

**Vacancy**

The average vacancy rate across our survey area fell to 6.9% yoy. The vacancy rate has been falling consistently since 2010 with the majority of markets already at their historic low. The cities with the vacancy rate still well above their historic low vacancy rate are Warsaw (-670 bps below the historic low), Paris La Defense (-351bps), Milan (-190bps), London City (-170bps) and London WE (-120bps).

Unsurprisingly, the cities with the highest vacancy rates have seen the greatest falls; the Amsterdam vacancy rate has shifted -550bps to 7.4% and Warsaw -170bps to 12.9%. Only Madrid, Milan, Helsinki and Warsaw are recording vacancy rates above 10%, however with take-up levels in these cities expected to increase, it is likely Madrid and Milan will see the vacancy rate fall below 10% next year.

**Headline rents still increasing**

“Competition for prime spaces is heating up and tenants must be willing to wait at least 18 months for good quality space in prime locations.”

Alice Marwick, Savills European Research

GRAPH 4

2017 Stock New supply has not been enough to combat shortage of available space

Graph source: Savills
Prime CBD achievable rents are on average 1.7% above their past peak. It is likely rents will grow even further in 2018 before some price corrections occur in 2019. Peripheral locations still have room to grow as they are on average 15% below their past peak. Core cities have already surpassed their peak rent by 3.5% and the average Nordic rent is 29% above their 2007 peak. Cities where rents are still significantly below their past peak and likely to see even greater rent increases are Athens (-23%), Barcelona (-29%), Madrid (-29%) and Warsaw (-43%).

In Q3 2017, prime CBD rents grew an average of 3.3% yoy across our survey area, a slight increase from the 2.0% rental growth recorded in Q3 2016. However, fewer cities are recording double digit rental growth compared to previous years. By year end, Savills forecasts rental growth to be on average 4.9% above the same level in 2016.

The peripheral markets recorded the largest average yoy increase of 5.7%, largely driven by double digit rental increases in Athens (+15% yoy) and Madrid (+15% yoy). The core markets have seen the average CBD rent fall slightly so this may be a sign of price corrections occurring for markets ahead of the cycle.

Secondary and non-CBD locations with higher vacancy rates are seeing increasing interest from bargain hunting tenants who are moving out of the CBD. Non-CBD rents grew 1.73% yoy and are on average 30% lower than the CBD. Frankfurt, Madrid, Amsterdam and Vienna offering tenants the best value for money in non-CBD locations where rents are on average 46% cheaper. Non-CBD rents are growing at a slower pace than the CBD (the exception being Amsterdam and Brussels where non-CBD rents grew 29% and 5.6% respectively yoy) with the majority of cities seeing little or no rental growth.

Larger businesses, however, will not be willing to relocate to save on property costs if staff retention becomes an issue. These businesses will continue to pay the higher rents instead of paying the relocation costs.

### OUTLOOK

Lack of good quality space will continue to be an issue to tenants

- The economic outlook for 2018 appears positive and Oxford Economics have upgraded their five-year forecast for EU growth to 1.8% per annum. The unemployment rate continues to fall and office based employment is forecast to grow on average of 2% per annum across the cities in this report.

- Paris, Frankfurt and Dublin are likely to benefit from the uncertainties regarding Brexit negotiations with some financial services jobs expected to relocate out of London. Tenants no longer have the privilege to “wait and see” and are making relocation decisions as far ahead to 2020. We predict that incentives will decrease and landlords will hold the upper hand throughout 2018.

- By year end, Savills forecasts rental growth to be on average 4.9% above the same level recorded in 2016. As availability of good quality spaces continue to be limited, prime rents will continue to grow in locations which are earlier in the cycle with some price corrections occurring in 2019 as new supply rises.

- Total take-up across our markets by end of 2017 is expected to fall by 3% due to lack of stock. Paris La Defense (-65.0%), Brussels (-64.6%) and Vienna (-32.0%) forecasting the greatest year-on-year falls. The number of pre-lets occurring will increase with tenants starting their search earlier than before to secure space.

- Savills forecasts the vacancy rate to increase slightly to 7.1% across our markets. There is room for the vacancy rate to contract in the peripheral markets which are still recovering economically; This will likely translate into an increase in prime rents across these markets.

**GRAPH 6**

Prime CBD rental growth

Rents rising at a faster pace in the peripheral markets

**GRAPH 7**

Average vacancy rates Expected to increase slightly by year end

Graph sources: Savills/core=UK,DE,FR,Peripheral=ES,IT,IR,GR,Nordics=NO,FI,SW,DK

graph source: Savills
European city review

Amsterdam
Demand for office space in the Amsterdam agglomeration, had two strong quarters with take-up over 100,000 sq m. The third quarter’s take-up reached 70,000 sqm, which is low compared to the previous quarters. The reason of this lower take-up is due to the lack of available products in the market. Amsterdam centre was the number one occupier destination accounting for 31% of all take-up. The combination of large occupier demand and the transformation of outdated stock pushed supply further down to around 534,467 sq m for the agglomeration. The corresponding vacancy now stands at 7.6% for the agglomeration and lowest availability rates can be found in the city centre (2.6%). Annual prime headline rents in the South Axis increased to €400 per sqm and stabilised in Amsterdam Southeast at €195. Rents at less attractive office areas can start at €80 per sq m/year. Forecasts for the remainder of the year and the beginning of 2018 are positive, as occupier demand is strong and availability is dropping.

**Six-month outlook**  
Take-up: up  
Supply: down  
Prime Rents: up

![Graph of Amsterdam](https://example.com/graph8.png)

**Graph source:** Savills

Athens
Demand in the Athens office market mainly derives from the relocation of firms to prime properties, combined with cost rationalisation as rents are at attractive levels. The supply of quality spaces is depleting, inducing users at occupying such spaces swiftly. As a result rents for Grade A offices during 2017 have marginally increased. The Athens North is the most important submarket in terms of size and attractiveness and from 2016 onwards we observe an upward trend. Rents range between €10-€14 per sq m/month while rents for higher quality office spaces may exceed €15 per sq m/month. Vacancy has decreased and lies between 3-5% for Grade A premises. The second most popular office submarket is the Athens CBD with rents for Grade A suites also exhibiting a positive run, ranging between €17-€23 per sq m/month. The Athens CBD offers a limited supply of Grade A suites, therefore vacancy has stabilised below 5% while for Grade B and inferior quality suites vacancy remains high due to the age and poor quality of the stock available.

**Six-month outlook**  
Take-up: up  
Supply: stable  
Prime Rents: up

![Graph of Athens](https://example.com/graph9.png)

**Graph source:** Savills

Barcelona
In the third quarter of 2017 the vacancy rate has continued its downward trend, standing at 6.9%, the lowest level in the last decade. Due to the scarcity of supply in the most consolidated areas, take-up has moved to the outer zones (New Business District and Periphery), both areas concentrate 61% of the total absorption, 6% above 2016. With take-up of almost 250,000 sq m in the first nine months of 2017, Barcelona letting market has achieved 82% of the total take-up, the average per deal achieved is 894 sq m, almost 200 sq m more than 2016. At the end of Q3 the weighted average rent in Barcelona is €14.31 per sq m/month, showing a 9.3% yoy growth. Furthermore, prime rent stands at €17.98 per sq m/month, reaching the highest figure since 2010. In view of the good performance of the Barcelona office market during the nine first months of the year and the difficulty for planning ahead in an uncertain political environment, Savills expects a stable achievable rent of €22.50 per sq m/month by the end of 2017, while take-up will be around the figures of 2016 that reached 300,000 sq m.

**Six-month outlook**  
Take-up: up  
Supply: down  
Prime Rents: up

![Graph of Barcelona](https://example.com/graph10.png)

**Graph source:** Savills

savills.com/research 04
**Berlin**

Take-up over the first nine months totalled 765,600 sq m, representing an increase of 9.3% compared with the corresponding period last year. Deals completed in the third quarter totalled almost 308,000 sq m, which is the highest quarterly volume for the German capital in history. The expansion plans of many tech companies have been a particular driver of further take-up growth. Lettings to IT and communications firms accounted for 43.6% of take-up. As a result of the immense demand for space, Berlin now has by far the lowest vacancy rate among the top six cities.

**Six-month outlook**

- Take-up: down
- Supply: down
- Prime Rents: up

The vacancy rate in the capital fell by a further 40 basis points during the third quarter to 2.1%. This shortage of space is leading tenants to increasingly shift their attention to B-locations. Consequently, vacancy rates are also declining in submarkets such as Lichtenberg and Reinickendorf. The beneficiaries of the supply shortage are landlords. The average rent rose by 7% compared with the previous quarter to €18.30 per sq m/month. Prime rents increased by 1.3% compared with the previous quarter to €30.20 per sq m/month.

**Graph source: Savills**

![Graph 11: Berlin](https://example.com/graph11.png)

**Brussels**

The Brussels take-up stood at around 65,000 sq m, taking into account only lettings and extensions. This is just below the 5 year average of 72,000 sq m. Taking into account also renewals and transactions for own occupation, total take-up stood at around 70,000 sq m. The most notable transaction was the letting of 9,000 sqm in the Arcadia Building by a Brussels administration, close to the famous Mont des Arts and the Royal palace. Except in the pentagon and North districts, take up in the other CBD districts was well below average for Q3 2017. Vacancy in the Leopold district dropped from 10% to below 4.8% in Q3 2017. In the next coming months, it is expected to increase slightly as several speculative developments are completed. However, in the medium term we expect vacancy rate to increase even further as a result of numerous large developments that will be delivered in the period 2019-2021. The vacancy of the whole Brussels market stands at around 8.8%. Vacancy in the periphery remains high (21%).

**Six-month outlook**

- Take-up: up
- Supply: stable
- Prime Rents: up

**Graph source: Savills**

![Graph 12: Brussels](https://example.com/graph12.png)

**Cologne**

Take-up in Cologne’s office market during the first three quarters totalled 253,700 sq m, representing a decrease of 15% compared with last year. This is partly attributable to a smaller number of large deals than in 2016. While five deals for more than 10,000 sq m were completed in the first three quarters of last year, only two transactions in this size category have been completed during the year to date. Consequently, take-up in Deutz over the last twelve months has exceeded the five-year average by 57%. Other locations outside the City submarket, such as Kalk/Mülheim and Bayenthal/

Marienburg are also performing ahead of their multi-year average figures. Take-up in the City submarket itself, on the other hand, is 16% below the average figure over the last several years. This shift from the centre to the periphery is primarily attributable to the supply shortage in central submarkets and the exploitation of availability in the peripheral locations. Savills expects vacancies to fall below the 5% mark by the end of the year. We also expect take-up for the full year of up to 380,000 sq m, which would be significantly above the five and ten-year averages of 290,000 and 280,000 sq m respectively.

**Six-month outlook**

- Take-up: down
- Supply: down
- Prime Rents: up

**Graph source: Savills**

![Graph 13: Cologne](https://example.com/graph13.png)
Copenhagen
Office take-up in Copenhagen is increasing, which is reflected by declining office vacancy and a limited rental supply. In Q3 2017, vacancy in Copenhagen is registered at 6.1% which is 1.7 pp lower than Q3 2016. Since the financial crisis companies have focused on reducing costs and have via effective space planning squeezed more employees into their existing facilities. Companies have postponed the need for larger offices. Over the last 18 months numerous companies have taken the leap towards larger facilities, which have prompted more bustle in the letting market. The companies often seek presentable and larger leases, better locations, just as infrastructure is typically a priority. Over the past year, rent prices in Copenhagen have increased slightly, and we have seen a phasing-out of various introductory discounts, which also contributes to increasing the rental profit. Competition has increased among the tenants. It has become more common that companies make an unsuccessful offer or willing to pay a higher rent. Over the next 12 months, we expect increases in base rents of approximately 100-150 DKK (€13-€20) per sq m/year.

Dublin
Ireland’s economy continues to perform exceptionally well with output now rising at a rate of 5.8% per annum. Underpinning this is the continued improvement of the labour market. Nationally, employment has risen by 2.4% in the last 12 months. Dublin office-based employment has grown at a faster rate of 2.8%. This jobs creation is the fundamental driver of increased demand for office space in the capital. After a very strong H1 2017, letting activity fell to just 29,628 sq m in Q3. Although this represents the lowest quarterly lettings total for three years it reflects a quirk of timing more than anything else. A large amount of space is currently committed and will be contracted in Q4. Therefore we still expect total take-up for the year to approach the record levels set in 2015. With net completions outstripping net absorption by 15,605 sq m over the first nine months of 2017, Dublin’s vacancy rate has risen from 9.0% last December to 9.3%. While lettings are expected to be particularly strong in Q4, a pick-up in net completions is likely to result in vacancy rising to around 10% by year-end. Prime headline rents have risen from €646 per sq m per annum in December 2016 to €678 currently. Looking ahead, our econometric model is forecasting that rents will rise further in 2018 to €685.

Dusseldorf
Take-up in Düsseldorf’s office market was 12.5% higher in the third quarter of this year than in Q3 16 at 285,000 sq m. This was the second highest take-up growth among the top six office lettings markets in Germany. Demand is being driven by companies relocating from surrounding areas as well as from cities such as Essen and Bochum. In addition, companies already based in the city and former start-ups, such as Trivago, are expanding. With its relatively large development pipeline, the office lettings market will remain capable of managing the growing demand. Conversely, the supply of existing space is slowly diminishing. This is particularly reflected in the further decline in the vacancy rate, albeit this remains relatively high compared with the other top markets. The vacancy rate in the third quarter fell by a further 20 basis points compared with the previous quarter to 7.8%. Availability is significantly scarcer in central locations, resulting in ever greater interest in adjacent locations such as Seestern. Despite the large development pipeline and relatively high vacancy rate, occupiers seeking space larger than 1,000 sq m should commence their search as early.
Frankfurt
Office take-up in Germany’s financial centre totalled 427,800 sq m, representing an increase of 25.8% compared with last year and the largest growth among the top German office markets. This impressive result is less attributable to lettings as a result of the impending Brexit and more a consequence of positive economic growth as well as the constant increase in demand in central and peripheral locations. There are currently seven major requirements totalling approximately 100,000 sq m in the CBD compared with only around 38,000 sq m of available modern space larger than 1,000 sq m. This supply shortage, which is already impeding lettings of large modern office space, is set to persist despite the development pipeline. The total of 184,400 sq m scheduled to come to the market over the next two years will only partially satisfy the surplus demand. The anticipated consequences of Brexit are particularly expected to exert increasing pressure on the office market. The prime rent reached the €40 per sq m/month mark during the third quarter and is likely to rise somewhat further by the end of the year.

Six-month outlook Take-up: down Supply: down Prime Rents: stable

Hamburg
Take-up in Hamburg’s office lettings market during the first nine months of the year totalled 437,500 sq m, which is 12% higher than in the corresponding period last year. Demand is strongly characterised by the individual requirements of companies and their employees, with new office concepts such as co-working spaces significantly influencing the sector. Providers of co-working concepts accounted for 5% of take-up. Co-working spaces also represent a suitable temporary solution for major companies seeking new space. Furthermore, the completion volume of approximately 185,000 sq m scheduled for 2018 and 2019 is relatively low. Without a major new office district, such as the extension of HafenCity through the Elbbrückenquartier area, the strain on the market is not expected to be relieved over the coming years. While the City South submarket previously represented a sound alternative for price-sensitive occupiers, these are now forced to move even further into the outskirts since the average rent in City South has risen by approximately 15% over the last 12 to 18 months to more than €13 per sq m/month. Savills therefore expects rents to rise modestly further by the end of the year.

Six-month outlook Take-up: down Supply: down Prime Rents: up

Helsinki
The office market fundamentals have remained positive. Clearly improving leasing activity is reflected in increased number of new leases and rental growth. High demand for prime space is driving relocation to attractive locations and upgrading to more efficient properties. Gross take-up is slightly increasing. Despite stronger market volumes, new supply entering the market will retain the amount of vacant space high. However, diversity between submarkets and properties is significant. Rents for modern or redeveloped well located premises have been showing the strongest performance. The gap between properties widens yield spreads and increases risks of secondary segment. Occupier interest in sustainable, functionally efficient and flexible space is a driving force for active office development. Demand for serviced office space, co-working and other flexible space solutions included, have rapidly gained foothold. Varied rental periods and flexible lease agreements are becoming more common. Several large corporations will be moving into new premises that will feature the latest smart technology and promote new ways of working with sustainability in focus.

Six-month outlook Take-up: up Supply: stable Prime Rents: up

Graph source: Savills

Graph source: Savills

Graph source: Realia
London City

In Q3 we saw a total of 1.6m sq ft (149,000 sq m) being transacted, of which 80% was of a grade A standard. This brought total take-up for the year-to-date to 4.8m sq ft (450,000 sq m), of which 80% has also been of a grade A standard. This is 20% up on this point last year and 11% up on the long-term average take-up for the first three quarters. The strong take-up seen this year could partly be attributed to the circa 900,000 sq ft of pre-lets that have occurred, the largest of which being Deutsche Bank committing to 469,000 sq ft (44,000 sq m) at 21 Moorfields, EC2 on a 25 year lease.

So far this year, the Tech & Media sector have accounted for the greatest proportion of take-up at 23%, followed by Professional services at 15%, Banking at 13%, and Insurance & Financial services at 13%. There has been continued strong demand from Retail & Leisure at 8% and Serviced Office Providers who have accounted for 6% of City take-up at the end of Q3. The vacancy rate stands at 6.1%, which is up on this point last year by just 60bps, and still down on the 10-year average by 50bps. We would expect the vacancy rate at the end of the year to be between 6% and 6.5%.

Six-month outlook  Take-up: down  Supply: up  Prime Rents: down

London West End

In Q3 we saw a total of 1.6m sq ft (149,000 sq m) being transacted, of which 82% was of a grade A standard. This brought total take-up for the year-to-date to 4m sq ft (372,000 sq m), of which 79% has also been of a grade A standard. This is 26% up on this point last year and 38% up on the long-term average take-up for the first three quarters. The strong take-up seen this year could partly be attributed to the high levels of take-up from the Serviced Office Provider sector, and especially provider WeWork.

So far this year, the Tech & Media sector have accounted for the greatest proportion of take-up at 29%, followed by Serviced Office Providers at 18%, and Insurance & Financial services at 11%. There has been continued demand from Professional services at 8% and Retail & Leisure who have accounted for 5% of West End take-up at the end of Q3. There is currently 4.7m sq ft of (437,000sq m) available supply, equating to a vacancy rate of 3.9%, which is up on this point last year by just 60bps, and still down on the 10-year average by 30bps. The average prime rent in the West End is up by 5%, and up on the 10-year average by 26%. The average grade A rent has also risen on last year by 4% and is up on the 10-year average by 30%.

Six-month outlook  Take-up: down  Supply: up  Prime Rents: down

Madrid

Third consecutive quarter without megadeals (≥10,000 sq m) despite gross take-up in the first three quarters of 2017 being slightly above 410,000 sq m (up 12%yoy), showing the low dependence of the market on larger deals to grow. Having reached more than 400,000 sq m within the first three quarters it is very likely to get an annual volume over 500,000 sq m for the third consecutive year, considered the healthy level of the market.

Average closing market rent increased constantly since the beginning of the year. The strongest increases took place inside the M-30 and in the most consolidated submarkets outside the M-30, although there are some areas in the outer periphery where rents are still stable or even decreasing. The highest rents were reached in renewed office buildings which recently came back onto the market. The demand has become more and more exigent and now is focused on the high quality spaces despite its higher rents. Vacant stock remain on the downward trend. Looking forward, c. 175,000 sq m from new and renewed schemes are expected to come onto the market until the end of 2018, improving the still high level of obsolescence of the Madrid office market.

Six-month outlook  Take-up: up  Supply: up  Prime Rents: up

Graph source: Savills
Manchester
Manchester is on track for a fourth consecutive year of above average take-up. Take-up in the city centre in the third quarter of 2017 was the strongest third quarter since 2010, and brings the year-to-date total for 2017 to 911,677 sq ft (85,000 sq m). Strong leasing activity, particularly for Grade A space, has led to a continued fall in the Grade A availability across the City. We estimate that there is currently only 376,417 sq ft (35,000 sq m) of Grade A office space available for occupation in the next six months, which compares to an average annual take-up of such space of 457,658 sq ft (43,000 sq m) per annum. Grade B availability however has risen this year, albeit only from 2.4m sq ft (223,000 sq m) at the end of 2016 to 2.6m sq ft (242,000 sq m) at the end of Q3 2017. Planned development and refurbishment activity for 2018 and 2019 will not be enough to stall the steady rise in headline rents that have been achieved on Grade A space in the city centre over the last few years. The latest lettings at Two St Peter's Square and Vantage Point demonstrate that rents in excess of £33 per sq ft (€403 per sq m) are eminently achievable, and we expect to see gentle upward pressure on headline rents over the next few years.

Six-month outlook  Take-up: stable  Supply: stable  Prime Rents: stable

Milan
Italy's economy at Q2 2017 posted an additional expansion, underpinned by resilient household spending and a rebound in fixed investment, which is benefiting from lower corporate taxes. In addition, data for the first two months of Q3 highlights that the economy has broadly maintained its pace of growth. Milan office market is a clear example of this renewed confidence and positive growth highlighted by the increase of prime rental values at €520 per sq m with a further growth in the horizon by year end, mainly due to the strong demand for high quality building and low availability of prime products.

Six-month outlook  Take-up: stable  Supply: stable  Prime Rents: up

Munich
Take-up in the Munich office lettings market in the first three quarters totalled 583,900 sq m, which is almost 10% higher than in the corresponding period last year. Rents remained unchanged compared with the previous quarter. The prime rent on Munich office space held at €355 per sq m/month while the average rent stands at €16.50 per sq m/month. However, Savills expects rents to increase modestly during the remainder of the year and beyond. With demand exceeding supply in the City submarket, business parks are also becoming increasingly attractive. Good transport links are a prerequisite, however, with an S-Bahn or underground line situated within a ten-minute walk, for example. There is also growing interest in development projects. We are increasingly seeing tenants committing themselves 24 months prior to completion, and not only on larger space but even in the 2,000 sq m size category. Developers can even achieve rents of €16 per sq m/month or significantly higher in locations with good transport links outside the main ring road (Mittlerer Ring). There is also an increase in speculative developments, such as Kap West, My.O and Bavaria Towers.

Six-month outlook  Take-up: down  Supply: down  Prime Rents: up

Graph source: Savills

Graph source: Savills

Graph source: Savills
Oslo

The Oslo office market has experienced a rental increase of about 10% measured on a four-quarter rolling average of signed lease agreements measured in Q3 2016 vs. Q3 2017. The vacancy is developing differently in the sub segments. The western fringe of Greater Oslo is experiencing high vacancy and while the city centre has low vacancy between 3-9% in the different sub-segments. Office take up has increased over the past year, and new construction is low, both in gross and net terms. The positive effects of higher conversion to residential past two years, is peaking this year, and is expected to decrease over the next few years due to the cooldown in the residential market. In terms of achievable rents, the market is strongest for small and medium leases. The larger tenants are very attractive and the continuous yield compression combined with many development projects in need of an anchor tenant has forced developers to lower rents get their project initiated. Despite that rents are increasing on average, the larger contracts (above 1,500 sq m) seem to be on a flat or slightly decreasing trend. However, outlooks of flat yield development and higher economic growth supports further increase in office rents.

Six-month outlook  Take-up: up  Supply: down  Prime Rents: up

Paris CBD

In Q3 2017, Paris recorded a take-up of 525,000 sq m. Still predominant, the CBD accounted for 44% of the French capital take-up. Whilst submarkets generally evolve quite sporadically, letting activity in the CBD has been characterized by a high degree of consistency throughout 2017 (approx. 100,000 sq m per quarter). Take-up to Q3 2017 totaled 314,530, in line with last year’s result (316,129 sq m). It is clear that despite the chronic lack of supply, the CBD remains the preferred location for companies seeking to attract talents in a well-connected urban and lively environment. The level of available office space is plummeting due to the rising demand. In Q3, the available stock in the CBD decreased by 28% yoy and stands below the 200,000 sq m threshold (186,000 sq m). Thus the vacancy rate hit a low 2.8%, its lowest level ever. In this situation of scarcity of supply, rents are under pressure. Prime rent increases slightly by +3% to reach €787 sq m/year. Secondary rent growths by 9% and stands at €573 per sq m/year (compared to €525 per sq m per year last year).

Six-month outlook  Take-up: up  Supply: down  Prime Rents: up

Paris La Defense

Only 21,204 sq m were let in La Defense in Q3 2017 compared to 44,723 sq m in Q2. This brings the total take-up since the beginning of the year to 97,692 sq m, which is 58% down on last year during the same period and the lowest result recorded in ten years. Immediate supply continued decreasing and reached 293,000 sq m at the end of Q3 2017, of which only 11% are newly built. In this context, both the prime and the secondary rents decreased by 2% (€475 per sq m/ year) and 15% (€380 per sq m/ year) respectively. La Defense office market is currently struggling with two issues: first, the lack of newly built towers which restrains the market activity and competition with the surrounding submarkets located within the Western Crescent where new office premises can be found at more competitive prices (€437 sq m/ year in South End and €429 sq m/ year in Neuilly –Levallois). We expect La Defense office market will pick up in 2018, in conjunction with the office development pipeline.

Six-month outlook  Take-up: up  Supply: down  Prime Rents: up
Stockholm

The corporate sector in Stockholm is strong and labour shortage is critical in many sectors. The population growth is strong and has increased by 20 percent since 2005. The strong growth has led to a strong demand for office space. The vacancy rate in Stockholm CBD reached an all-time low in Q4 2016 at 2.5% and in Q3 vacancy rates increased marginally to 3.3% due to some projects reaching the market. The scarcity of office space in combination with a high demand has led to rapidly increasing market rents. Prime rents in Stockholm CBD are currently stand at SEK 6,500 per sq m/year, a growth of just under 10% in the last twelve months. Market rents have not only increased in the CBD area, but in most of the office sub-markets in the central parts of the city has increased as well. Forecast for 2018 remains positive, with an expected upward pressure on market rents and vacancy rates remaining at low levels. The negative aspect of the long period of low vacancies is that a significant lock-in effect has been noticed from a tenant perspective. The development pipeline in the inner city is fairly limited and consists mainly of redevelopments. The office stock in the inner city will decrease in 2017 due to large conversions of office spaces to hotels.

**Graph 29**

**Stockholm**

<table>
<thead>
<tr>
<th>Prime rents</th>
<th>Secondary rents</th>
<th>Prime rental growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>€700</td>
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<td>15%</td>
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</tr>
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<td>5%</td>
</tr>
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<tr>
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<td>€200</td>
<td>-15%</td>
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</tr>
<tr>
<td>€150</td>
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<td>-30%</td>
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</table>

Graph source: Savills

**Graph 30**

**Vienna**

<table>
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<tr>
<td>€100</td>
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<td>-20%</td>
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Graph source: EHL

**Graph 31**

**Warsaw**

<table>
<thead>
<tr>
<th>Prime rents</th>
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<th>Prime rental growth</th>
</tr>
</thead>
<tbody>
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<tr>
<td>€150</td>
<td>€50</td>
<td>-12%</td>
</tr>
</tbody>
</table>

Graph source: Savills

**Six-month outlook**

**Take-up:** up  
**Supply:** stable  
**Prime Rents:** up

**Vienna**

Sharply decreasing take-up, but strong demand for quality office space – a perfect summary of the development of the Vienna office market. Take-up in Q3 amounted to only 28,000 sq m, overall 114,000 sq m have been let in 2017 so far. This subdued development is due to the scarce supply of new space as almost all of the space in the properties which become ready for occupancy in 2017 is already let. From a qualitative perspective the market developed much better: demand is concentrated heavily on prestigious and newly constructed office properties and quality aspects such as an attractive working environment and good connections to public transport played a more important role in decision-making than pure cost factors. Rents remained stable in Q3 with average rents being at €14.30 per sq m and prime rents at €26 per sq m. The vacancy rate continued to decrease to 5.3% for modern office space. In Q4 several large-scale lettings, that are currently in advanced stages of negotiation, are expected to be completed. In 2018 a total of 330,000 sq m of new space in modern high-quality properties will come on the market and will boost demand.

**Six-month outlook**

**Take-up:** up  
**Supply:** up  
**Prime Rents:** stable

**Warsaw**

From September 2017, Warsaw’s office take-up stood at 590,000 sq m, which was almost 11% higher than in the corresponding period in the previous year. The biggest transaction during the first three quarters of the year was a lease renewal of 18,900 sq m by Millennium Bank in Millennium Park (Mokotów). There was 672,700 sq m of the available modern office space in Warsaw which translates into vacancy of 12.9%, down by 170 bps yoy. The highest vacancy rate (27%) was recorded in Zwirki i Wigury which was mostly effected by developing the second phase of Business Garden which was completed with no office space committed to. Currently the are few large projects under construction such as Varso, the Warsaw Hub and Menicca Legacy Tower. It is worth knowing that for example in the Warsaw Hub, part of the complex (ca. 21,000 sq m) will be dedicated to two hotels: Crowne Plaza and Holiday Inn Express. Prime headline rents in the CBD and city centre range from €21-€25 per sq m/month in top floors in tower buildings. On the other scale are well-known but older office buildings that offer a quality standard and an excellent location offered at below €17 per sq m/month depending on the size of the potential transaction.

**Six-month outlook**

**Take-up:** stable  
**Supply:** stable  
**Prime Rents:** down
## Key office indicators

Prime\(^1\) CBD rents\(^2\), letting data in Q3 17

<table>
<thead>
<tr>
<th>City</th>
<th>National GDP growth 17*</th>
<th>National employment growth 17*</th>
<th>City GDP growth 17*</th>
<th>Prime rent</th>
<th>Prime rental growth(^3) Q3 16-17</th>
<th>Take-up growth(^4) Q3 16-17</th>
<th>Vacancy rate Q3 17</th>
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<tr>
<td>Amsterdam</td>
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<td>Vienna</td>
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<td>4.3%</td>
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<td>4.5%</td>
<td>276</td>
<td>5%</td>
<td>11%</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

Source: Savills /*Oxford Economics forecast /Coreside Serbia/Realia Finland/EHL, Austria/Nybolig Entreverv Denmark/Malling Norway

Note 1: Prime rents refer to modern office space, minimum 1,000 sq m
Note 2: All costs are in euros per sq m/year
Note 3: Rental growth is annual and calculated in local currencies
Note 4: Take-up growth is annual
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