



EMEA

CITY OFFICES

QUARTER 3 | 2019



FIGURE 1:
RENTAL GROWTH
PRIME RENTS | left

SECONDARY RENTS | right

[Click here for our office rent & occupier conditions map](#)

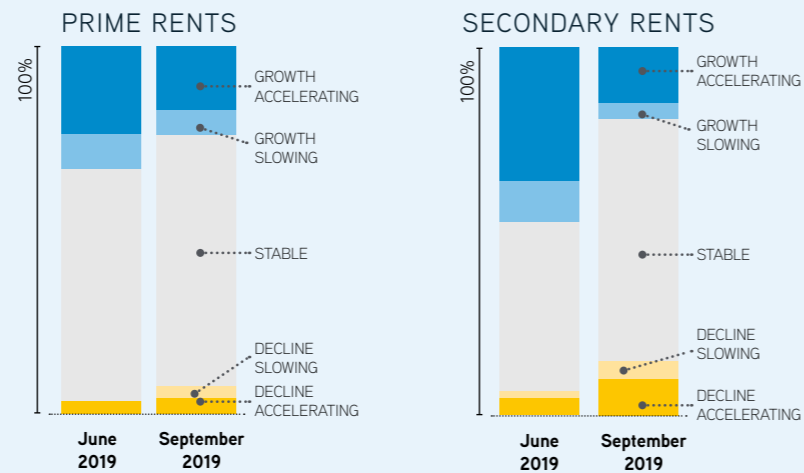


FIGURE 2:
AVERAGE 3 MONTH SHIFT IN VACANCY RATES
| left

VACANCY GROWTH
| right

*City size is based on population catchment.

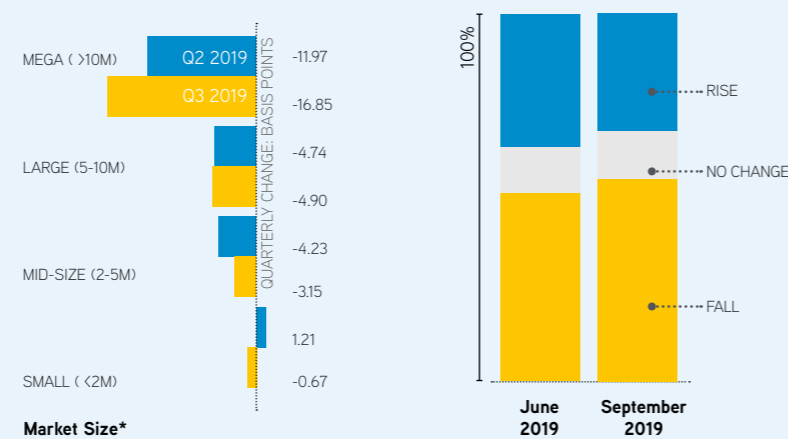
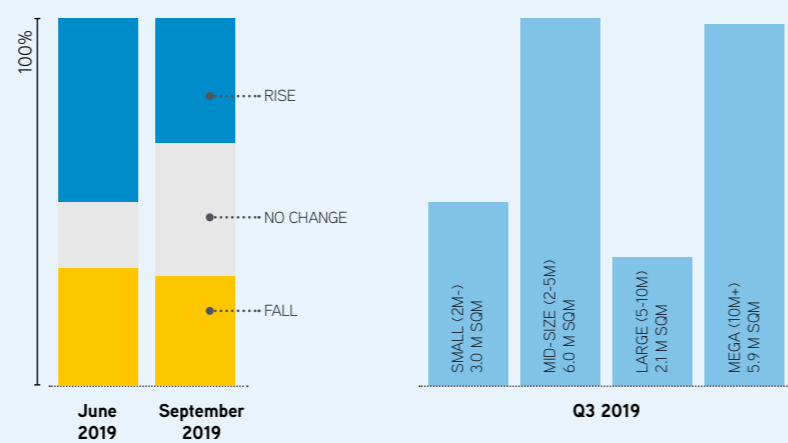


FIGURE 3:
CHANGE IN TOTAL SPACE UNDER CONSTRUCTION
| left

SPACE UNDER ACTIVE CONSTRUCTION Q3 '19*
BY MARKET SIZE [SQM]
| right

*City size is based on population catchment.



Sources: Figure 1: Colliers International | Figure 2: Colliers International | Figure 3: Colliers International

RENTAL GROWTH MODERATES, SECONDARY STOCK PERFORMANCE STILL BEHIND PRIME

Demand growth started to cool last year, and we are seeing this feed into rental trends across EMEA. Although the percentage of markets reporting rental growth remained in the double digits for both prime and secondary space, both have lost momentum compared to the previous quarter. Only 16% of EMEA cities (Fig 1) saw prime rents accelerate in Q3 2019, against 24% in Q2 2019. The number of cities reporting rental growth for secondary space decelerated at a faster pace, with 15% of markets reporting growth in Q3 2019, compared to 36% the previous quarter.

In addition, the percentage of markets reporting declines practically doubled across both space categories. For prime space, 7% reported declines vs just under 4% the previous quarter. For secondary space, the corresponding figure also doubled to 15% from 7% in Q2.

Overall, rents have plateaued in most cities (67% for prime and 65% for secondary stock), suggesting we are now at, or very close to, the peak of the office occupier market in terms of pricing.

OCCUPIER CONDITIONS REMAIN FAVOURABLE TO LANDLORDS

Vacancy rates declined marginally in all EMEA city categories in Q3 2019 (Fig 2) against a backdrop of constrained availability. Volumes of space under construction actually increased in Q3, but relatively low completions levels (0.6 mn sqm in q3 - vs the quarterly average of just under 1m sqm over the past 12 months) helped drive vacancy rates lower as absorption rates held-up.

Looking at EMEA overall, 55% of cities reported vacancy falls compared to 51% in Q2. Vacancy rises were reported in just 33% of cities. Other locations remained constant.

City size was directly related to the pace of vacancy rate declines, whereby the larger the city, the faster the decrease. Mega cities (with population catchments of over 10 Mn) registered the biggest vacancy rate declines across all city sizes - falling by 16.89 basis points compared to 12 basis points the previous quarter. Large cities (5-10 Mn), saw vacancy rates drop by only 4.9 basis points, mid-size cities (2-5 Mn), by 3.15 basis points and small cities (<2 Mn) by a very negligible 67 basis points. Signs that the demand /supply balance is starting to reach greater equilibrium.

SUPPLY SHORTAGES ARE INCREASING IN MEGA CITIES

Our review of space under active construction (UAC) indicates that EMEA supply levels are actually growing, although only 35% markets reported a rise in their development pipelines compared to 50% the previous quarter. Total UAC volumes increased from 16.5mn to 17.1mn sqm in Q3, pointing to a bigger supply-side response in markets reporting an increase in pipelines, while almost all other markets reported steady UAC levels.

Pipeline activity in Mega-cities (5.9 Mn sqm of space UAC), remained on par with smaller and notably Mid-size cities where space UAC reached 6 Mn sqm, but lower completions relative to demand has seen much faster vacancy declines. Many of the markets responding to low vacancy on the supply side were across the Big7 in Germany, such as Hamburg with q/q growth in the triple digits.

OUTLOOK

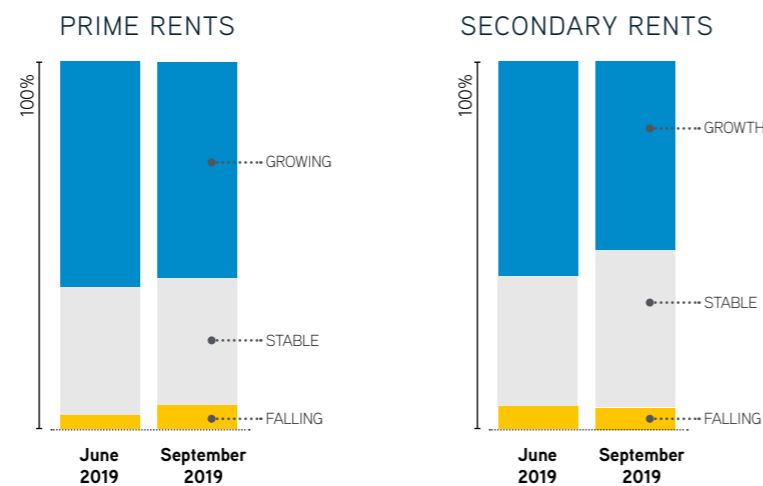
Eurozone Q3 GDP growth estimates of 0.2% q/q reflected the same rate of growth as in Q2, defying expectations of a sharper downturn, with full-year GDP forecasts at 1.1% for 2019 and 2020. Although the unemployment rate in September remained at the lowest level (7.5%) it has been since July 2008, the pace of job creation is slowing down. The number of unemployed decreased by only 90,000 in Q3, substantially lower than seen in H1. Current Oxford Economics projections forecast the unemployment rate to drop marginally to 7.4% in 2020, pointing to limited further jobs growth and thus a limited net increase demand for space.

In terms of office market activity, the outlook remains robust but growth expectations have moderated. The majority of EMEA cities surveyed in this report (58% for prime and 51% for secondary space) think that rents will expand in the year ahead on the back of low vacancy and availability.

However, when we compare these percentages with the previous quarter, it is clear that current projections are more subdued, particularly for secondary space. In the previous quarter, 62% of EMEA cities made the assumption that prime rents would be expanding in the year ahead (58% in the case of secondary rents).

Occupier conditions also suggest we are at the top of the cycle. Whereas a clear majority of 62% of cities reported landlord-favourable conditions in Q3, there was a quarterly decline, albeit slight (vs 64% in Q2).

FIGURE 4:
**12 MONTH OUTLOOK
PRIME RENTS** | left
**12 MONTH OUTLOOK
SECONDARY
RENT** | right



Source: Figure 4: Colliers International

TABLE 1:
EMEA MARKET KEY FIGURES

City	Prime CBD Office Rent € / sqm / mth	Office Vacancy Rate %	Office Occupier Conditions Indicator
Aarhus	16.2	9.0	Neutral
Abu Dhabi	27.6	32.0	Tenant
Amsterdam	38.8	5.9	Landlord
Athens	23.0	5.0	Landlord
Barcelona	27.5	4.5	Landlord
Belgrade	16.5	3.8	Landlord
Berlin	37.5	1.3	Landlord
Birmingham	34.4	7.0	Landlord
Bratislava	16.0	8.8	Tenant
Bristol	35.5	5.6	Landlord
Bucharest	18.0	10.5	Neutral
Budapest	21.0	5.9	Landlord
Cairo	24.3	14.0	Tenant
Cologne	25.0	2.3	Landlord
Copenhagen	22.9	5.9	Landlord
Dubai	43.2	25.0	Tenant
Dublin	55.8	7.0	Landlord
Dusseldorf	28.0	6.0	Neutral
Edinburgh	35.5	n/a	Landlord
Frankfurt	45.0	7.0	Tenant
Gdansk	15.5	4.8	Landlord
Glasgow	32.9	n/a	Landlord
Hamburg	28.5	2.7	Landlord
Istanbul	31.2	33.5	Tenant
Krakow	16.0	9.4	Neutral
Kyiv	27.6	n/a	Landlord
Leeds	30.4	7.3	Landlord
Lisbon	23.0	5.0	Landlord
London - City	70.9	5.0	Neutral
London - West End	121.5	4.4	Neutral
Madrid	36.0	8.5	Landlord
Manchester	38.0	7.7	Landlord
Milan	48.3	11.5	Neutral
Moscow	68.9	5.6	Neutral
Munich	41.0	1.9	Landlord
Oslo	47.2	5.4	Landlord
Paris	70.0	5.0	Landlord
Paris - La Défense	45.0	5.0	Landlord
Porto	16.8	n/a	Landlord
Poznan	15.5	11.4	Landlord
Prague	22.5	5.1	Landlord
Riga	16.0	8.0	Tenant
Rome	35.8	8.1	Tenant
Rotterdam	19.2	11.7	Tenant
Sofia	16.0	10.5	Landlord
Stockholm	59.2	5.0	Landlord
St. Petersburg	28.4	5.1	Landlord
Stuttgart	24.0	2.1	Landlord
Tallinn	16.7	6.7	Neutral
Vienna	28.0	4.3	Tenant
Vilnius	16.5	3.7	Landlord
Warsaw	25.0	8.2	Tenant
Wroclaw	15.5	10.0	Neutral
Zagreb	15.0	5.0	Landlord

Source: Table 1: Colliers International

FOR MORE INFORMATION

Peter Leyburn

Head of Cross Border Tenant Representation
| EMEA
+44 20 7487 7018
peter.leyburn@colliers.com

Damian Harrington

Director, Head of Research
| EMEA
+44 7867 360489
damian.harrington@colliers.com

Istvan Toth

Associate Director | EMEA Research
+44 20 7487 1899
istvan.toth@colliers.com

Andrew Hallissey

Executive Managing Director – Occupier Services
| EMEA
+44 20 7344 6552
andrew.hallissey@colliers.com

Juliane Priesemeister

Information Designer | EMEA Research
+31 620 24 17 10
juliane.priesemeister@colliers.com

Beatriz Valle

Senior Analyst | EMEA Research
+44 20 7487 1718
beatriz.valle@colliers.com

This report gives information based primarily on Colliers International data, which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to, the forecasts, figures or conclusions contained in this report and they must not be relied on for investment or any other purposes. This report does not constitute and must not be treated as investment or valuation advice or an offer to buy or sell property.

Colliers International is the licensed trading name of Colliers International Property Advisers UK LLP (a limited liability partnership registered in England and Wales with registered number OC385143) and its subsidiary companies, the full list of which can be found on www.colliers.com/ukdisclaimer. Our registered office is at 50 George Street, London W1U 7GA.

This publication is the copyrighted property of Colliers International and/or its licensor(s).

© 2019. All rights reserved.

Colliers International
50 George Street
London W1U 7GA



Research & Forecasting