



# Office Market Report Vienna

*Spring 2021*



## FOREWORD

After the year 2020, which was marked by the Corona pandemic, the office real estate market is gradually settling down; the fears and negative forecasts have not materialized. However, owners are still increasingly concerned about security and pay attention to the long-term creditworthiness of tenants.

Flexible working solutions are increasingly coming to the fore, many companies rely on the merging of work areas through more home and remote work. Meeting spaces remain important.

## TAKE UP

What nobody would have expected in March 2020 - the Viennese office market remained stable despite the Corona crisis and at the end of 2020, with a letting performance of around 210,000 m<sup>2</sup>, was only slightly below the comparable period of the previous year (see 2019: 220,000 m<sup>2</sup>). With two large lease completions in the 3<sup>rd</sup> quarter and a very positive end to the 4<sup>th</sup> quarter (60,000 m<sup>2</sup>) led to this consistently unexpected result.

The 1<sup>st</sup> quarter of 2021 also continues to be positive. This is evidenced by the letting performance of around 37,000 m<sup>2</sup>, which is significantly above that of the first quarter of the previous year (around 13,000 m<sup>2</sup>).

The Demand for modern office space and for offices in prime locations continues to grow steadily.

### OFFICE TAKE UP

#### VACANCY

Q4 2020 **4,3%**  
Q1 2021 **4,0%**

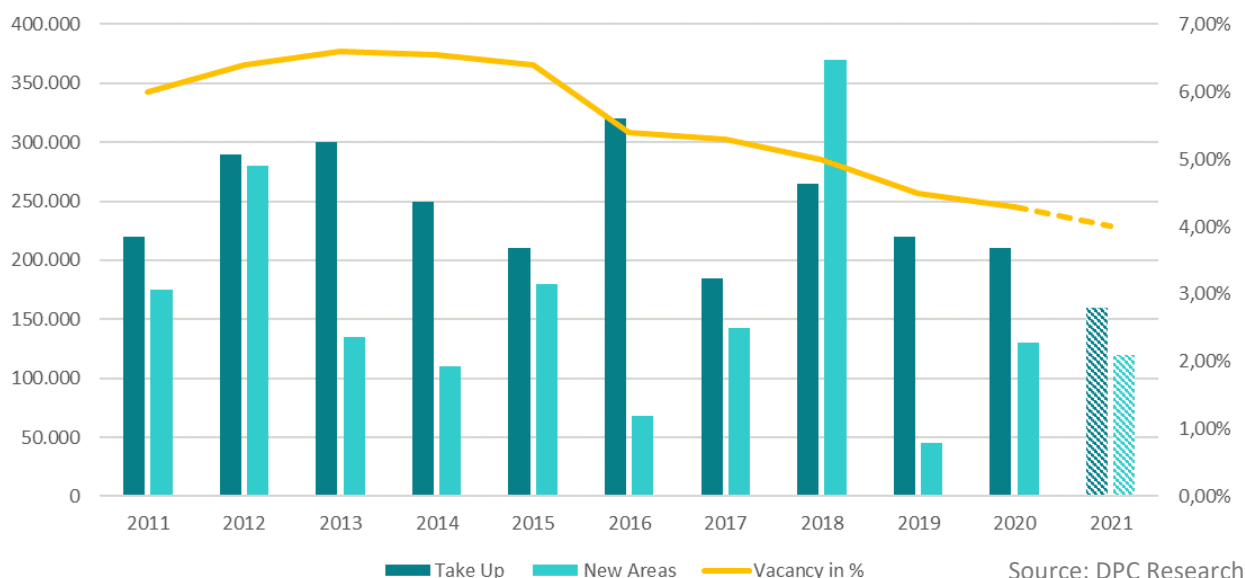
13,000 m<sup>2</sup>

37,000 m<sup>2</sup>

Q1  
2020

Q1  
2021

### TURNOVER AND VACANCY DEVELOPMENT



## VACANCY & RENT LEVELS

### Rental levels stable despite pandemic - vacancy rate remains low.

The vacancy rate has fallen even further and currently stands at around 4.0 %. This figure is not expected to change significantly, as very little office space continues to be built and completed in Vienna, and most of it has already been pre-let.

Rent levels also remain stable. Despite the crisis, prime rents are still around € 26.00 and are being achieved in the CBD submarket. Prime rents are also expected to remain unchanged. Demand for attractive space in prime locations remains high and exceeds the current supply.

### SELECTED LETTINGS Q4 2020 – Q1 2021

Tenant	Space sqm	Zip Code	Property
AUVA	10,000	1100	Twin Towers
Swietelsky	6,600	1130	Hietzinger Kai 133
AOP Orphan	4,700	1190	Muthgasse
Eppendorf Austria	1,400	1220	Ares Tower
Institutional tenant	1,250	1030	ViE
MS Motionsoft GmbH*	377	1100	QBC 1

\*DPC Project  
Source: DPC Research

## RENT LEVELS AT A GLANCE

- The **TOP RENTS** are achieved in the CBD at a high level of **€ 17.00 - € 26.00** net. per m<sup>2</sup> per month.

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- ↗ In **GOOD LOCATIONS** in 2020, rents ranged between **€ 13.50 and € 19.00** per m<sup>2</sup> per month and were thus slightly higher than in 2019.

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- ↘ Rents in **AVERAGE LOCATIONS** were between **€ 10.50 - € 12.50** per m<sup>2</sup> per month.

## AREA DEVELOPMENT & OUTLOOK

With regard to the supply of new space, no major increases are to be expected in 2021; a large proportion of the space has already been pre-let. The trend towards subletting will remain in 2021 due to the Corona situation and the resetting of office space will also be an issue in the first half of the year, which will somewhat offset the low supply. Many companies have already responded to the changes in working conditions brought about by home offices and are optimizing their space requirements. Concepts such as open-plan offices need to be reconsidered; the trend in the medium to long term is back to small or group offices. On the other hand, there is a need to create more or larger communal areas so that the office can become a future "meeting place".

### PLANNED COMPLETIONS 2021

Property	Space sqm	Zip Code
Quartier 2 Lassallestraße 5	53,160	1020
Quartier 1 Lassallestraße 1	28,925	1020
Bel & Main/ ERSTE Tower	17,000	1100
Silo next	9,674	1230
Trillple	8,500	1030
Technologiezentrum Aspern BT 3	6,800	1220
Doppio Due	5,930	1090

Source: DPC Research



## THE INVESTMENT MARKET IN THE YEAR OF COVID

The investment market in 2020 was dominated by the COVID 19 crisis and therefore cannot be compared with the record year 2019 (€ 6 billion total investment volume). There was a significant decline in investment activity, particularly in the first half of the year. A volume of around € 3.25 billion was recorded for 2020 as a whole, roughly the same as in 2016. Some deals were recorded in the first quarter of 2021, but investment activity was nevertheless curbed by lockdowns and was roughly in line with the comparative period Q1 2020.



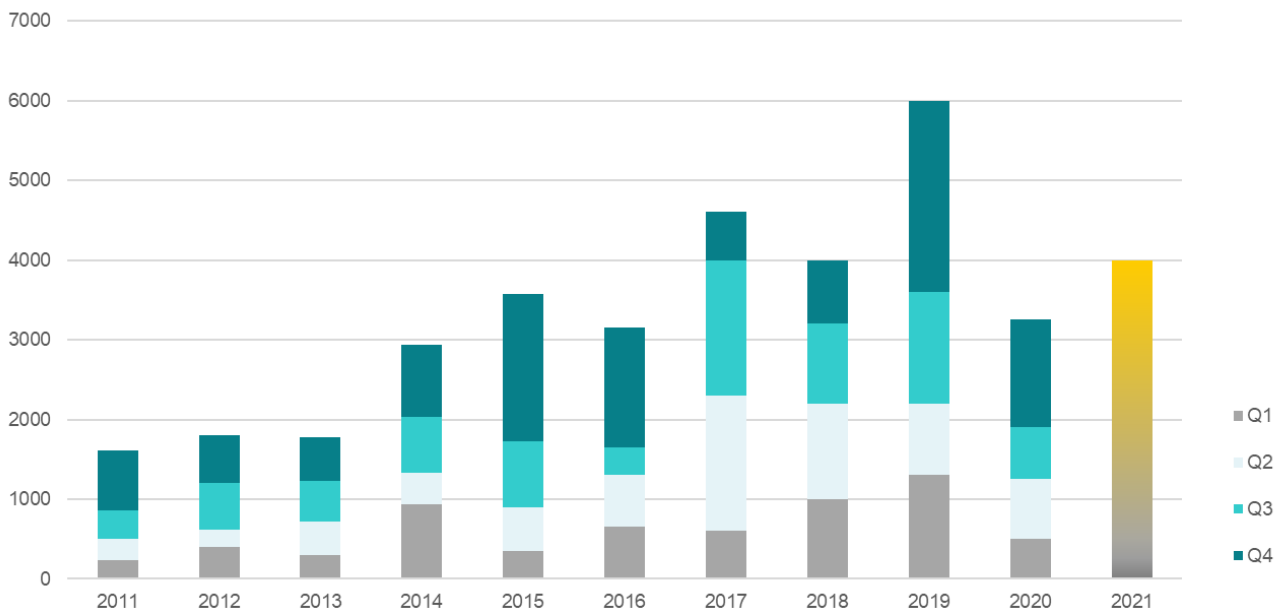
COVID-19 also noticeable on the investment market

Residential and logistics real estate winners of the crisis

Investment volume in 2020 around the same level as 2016 at around € 3.25 billion

Recovery expected for 2021

### INVESTMENT VOLUME IN AUSTRIA (in mill. Euro)



Source: DPC Research

## DEVELOPMENT OF THE ASSET CLASSES

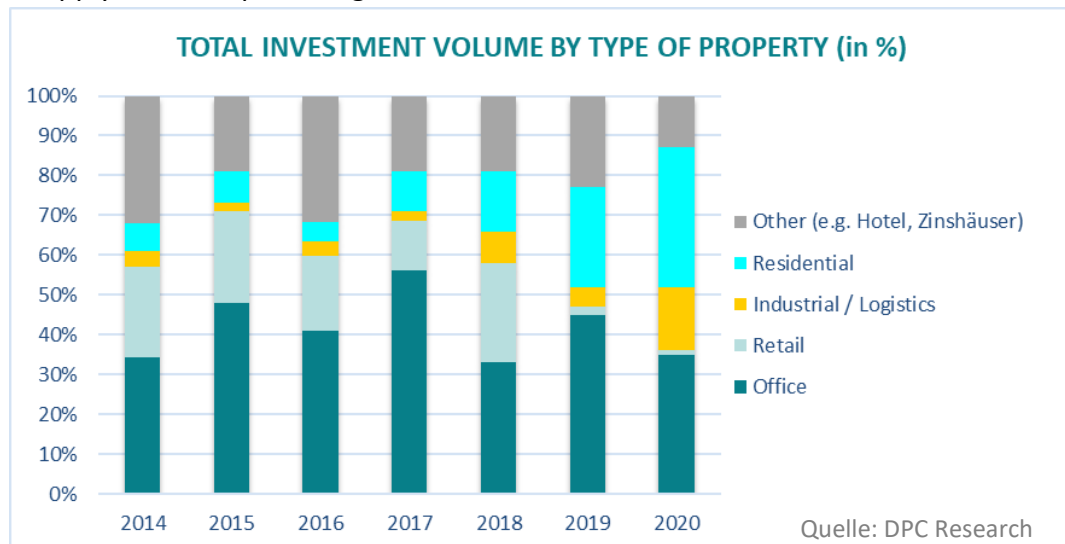
Residential and offices were the most important or strongest asset classes for investors in 2020, and this trend continued at the beginning of 2021. The focus remains on long-term leased properties. For office properties, the prime yield is stable at 3.5 % and no major price reductions or increases in prime yields are expected for 2021 either. For older properties with larger vacancies, the current uncertainty will also be reflected in risk premiums and thus in an increase in yields.

Logistics real estate has had an exciting 2020. Rightly called the "winner" of the Corona crisis, at least if you look at the price development in the last 12 to 15 months. While interest in logistics real estate had also increased significantly prior to 2020, 2020 saw a tremendous acceleration in this trend, which has also been sustained in 2020 due to the e-commerce boom. Yields have declined by approximately 90 basis points since the beginning of 2020 due to low supply, and the prime logistics

yield is currently approximately 4.25 %. Demand remains enormously high, so we see enormous pressure on yields in 2021 as well.

Hotel and especially retail are currently the asset classes with the most difficulties. The increasing share of online retail was already putting pressure on the retail sector before Corona. This is now being compounded by a lack of tourists, which is causing major problems for high-street retail and the urban hotel segment in particular. Rent defaults, losses due to turnover rent agreements and tenant insolvencies are the effects; investor interest is falling accordingly and yields are rising.

Irrespective of the asset class, it can be seen that investors are paying more attention than ever to the creditworthiness and crisis resistance or default risks of tenants. In the event of vacancies or rent defaults, corresponding risk premiums are considered.



Offices and residential record the largest investment volume

Prime yield office remains at 3.5

Logistics winners of the Corona crisis - biggest increase compared to previous years

Retail asset class remains under pressure

## SELECTED INVESTMENT DEALS Q4 2020 – Q1 2021

Property	Use	Sqm	Seller	Buyer
MGC Office Park	Office	69,000	MGC Mode- und Textil GHC	Hallmann Holding
Sevice Hub/ TwentyOne	Mix	60,000	Bondi Consult	Interxion
„Alpha 2“+ „Gamma 3“ Industrial Campus Vienna East	Logistics	41,000	Deutsche Logistik Holding (DLH)	Deka Immobilien
“Beta” Industrial Campus Vienna East	Logistics	40,000	Deutsche Logistik Holding (DLH)	Deka Immobilien
Rechenzentrum Geiselbergstraße	Office	34,000	Erste Group	ARE
Lassallestraße 1	Office	29,000	Ramses	EPH
Hoch zehn	Residential	25,800	6B47	S+B
The Metropolitan	Residential	24,700	STC Swiss Town Consult	Art Invest
Semmelweis-Areal, 1180	Education	23,297	F.R.F.-HPM Beteiligungen	Vermeehrt
City Park Vienna	Logistics	20,100	SEGRO	Nuveen Real Estate
Höchstädtplatz/ Town Up	Residential	17,400	6B47	S+B Gruppe
Nordbahnstraße 50	Office	16,000	REInvest	Nemat Farrokhnia (Stiftung)
Brehmstraße 14	Office	13,830	Warburg HIH	Blue Colibri Capital
Komet-Gründe	Mix	12,000	HPD Holding	Real Treuhand
VBC 4 St. Marx	Serviced Apartments	10,300	S+B Gruppe + i Live Group	Commerz Real Kapitalverwaltungsgesellschaft
Danubeflats	Residential	10,000	Soravia, S+B Gruppe	Auris Immo Solutions

Source: DPC Research

## VIENNA NO. 1, OTHER CITIES CATCH UP

Vienna is and remains the main location for investments, this remains unchanged for the office asset class. However, investor interest is also increasing in other Austrian cities such as Graz, Linz and Salzburg, especially also in the residential segment.

In the logistics asset class, institutional investors are focusing on the submarkets of Graz and Linz/Wels in addition to Vienna.

Domestic investors and German investors in particular are currently shaping the Austrian investment market. Whereas the last few years were clearly more international, in 2020 around 90% of the investment volume was divided between Austrian and German investors.



## INVESTMENT – OUTLOOK 2021 AND 2022

Activities on the investment market were still somewhat restrained in the first quarter of 2021 due to the general conditions - keyword lockdown. For the next few months and thus for the entire first half of 2021, the market will still be somewhat slowed down due to the Corona crisis.

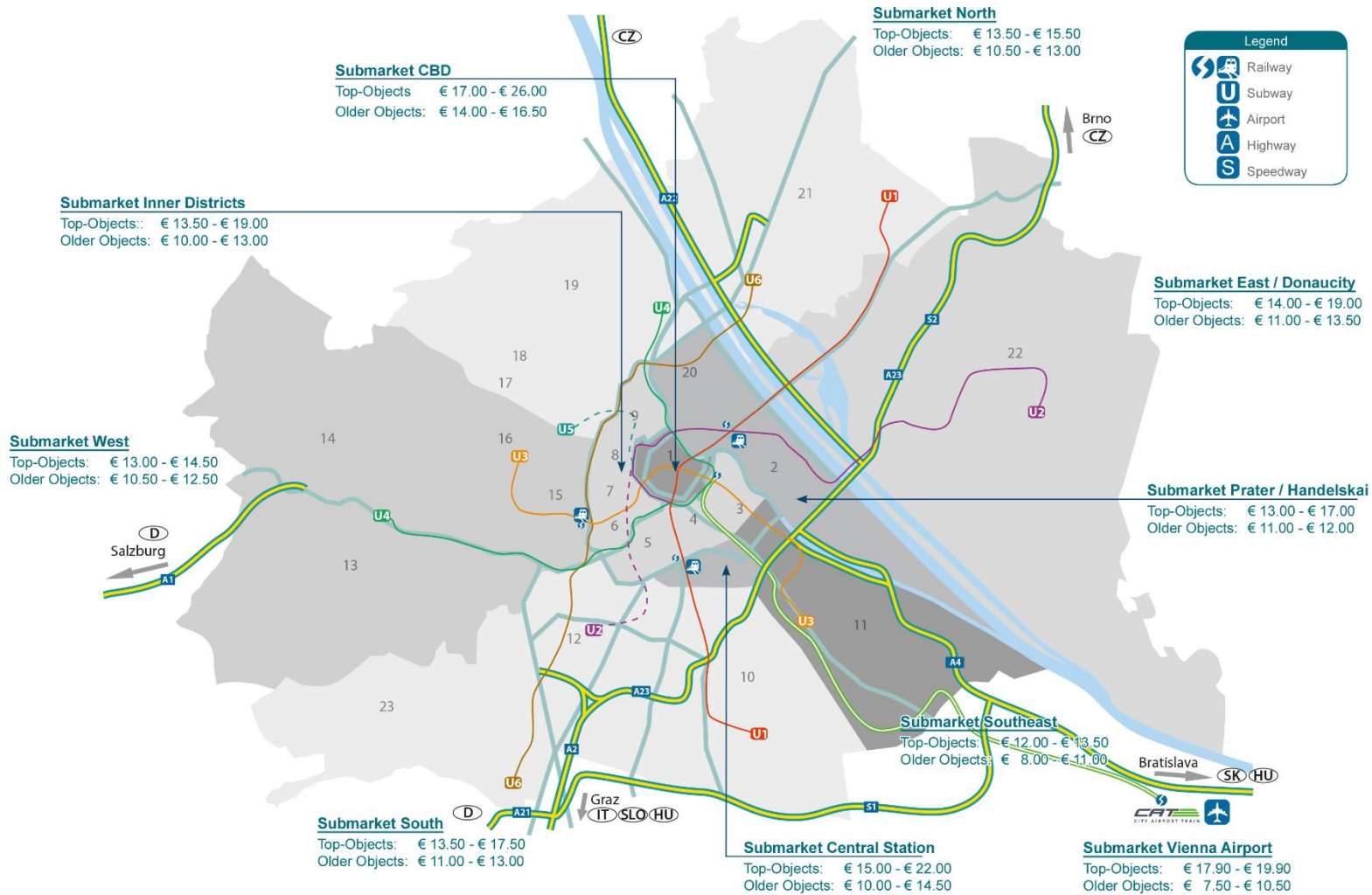
However, the investment market should pick up speed in the second half of 2021. We expect a slight increase in total investment volume in 2021 compared with 2020. This year, the share of asset classes will be dominated by the office and residential sectors, as in 2020, and also increasingly by logistics investments.



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SUBMARKETS VIENNA



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