

EMEA Office Market Dynamics

Q2 2024



Research

EMEA

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Positive sentiment has started to translate into increased leasing activity



The European Office rental Index continued to increase during Q2 2024, albeit at a slower pace, growing by +0.9% q-o-q and +5.4% y-o-y.



Q2 take-up totalled 2.2 million sqm, up by 7% y-o-y and 8% q-o-q.

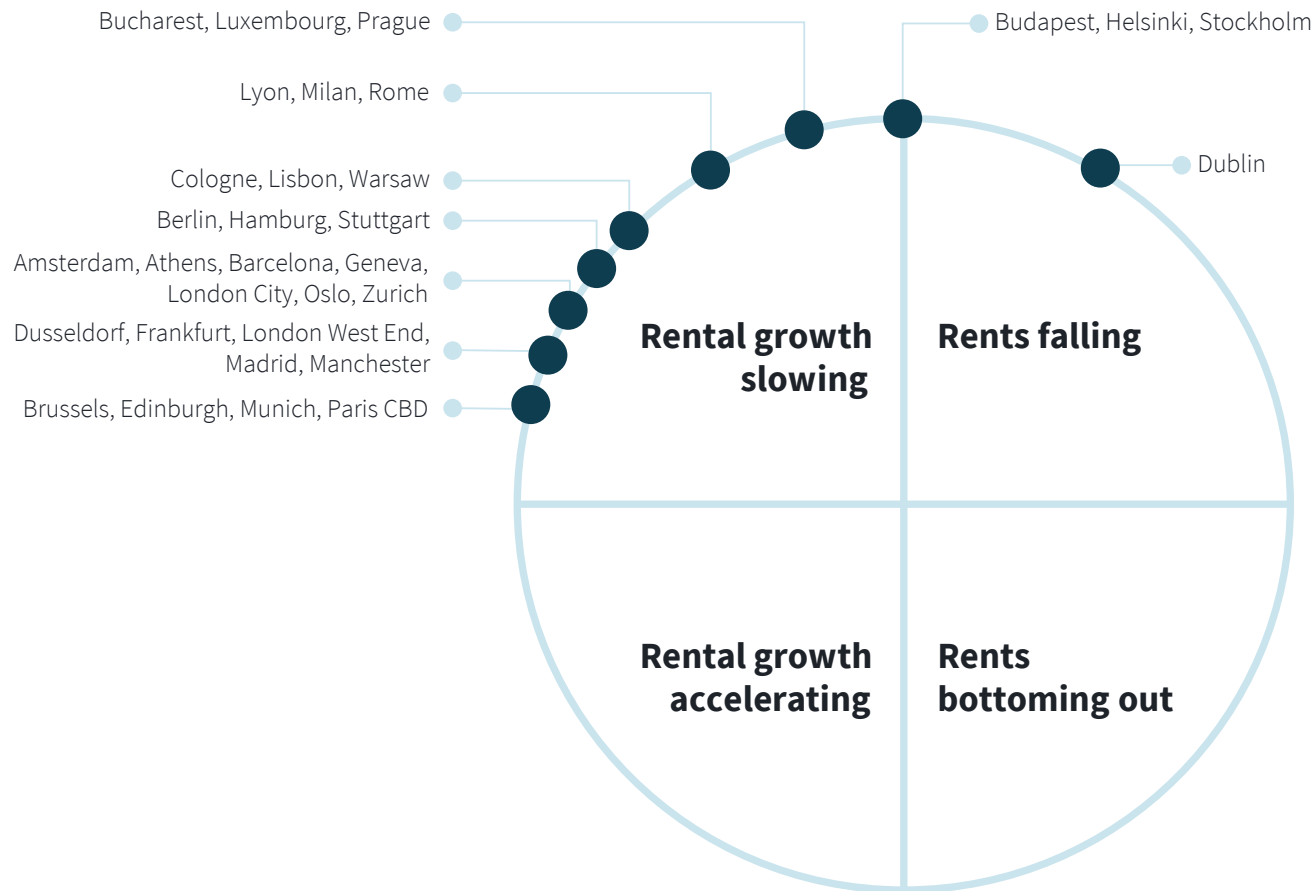


European office vacancy increased slightly q-o-q from 8.1% to 8.2% in Q2 2024, the highest rate since Q3 2015.



Completions totaled 1.4 million sqm in Q2 2024, with Munich, Paris, Milan, and Berlin accounting for nearly half of the office space being delivered.

European offices rental clock Q2 2024



Economic overview

Economic conditions in the Eurozone were stable in Q2 2024. Headline Eurozone inflation was at 2.5% which, whilst still above the European Central Bank (ECB)'s target, it was slightly lower than in Q1 2024. The ECB made the first move in its monetary policy loosening cycle in June 2024, cutting its main policy rates by 25 bps, while the Swiss National Bank made a second cut to its headline rate later in the month. With inflationary pressures abating, the Bank of England (BoE) made its first 25 bps cut to the Bank Rate in August, and the US Federal Reserve could move as soon as September. Markets are anticipating a soft start to the cutting cycle, with just one further cut from the ECB and the BoE before year end. Exchange rates with the Euro were relatively stable across the quarter, except for Japanese yen which saw continued depreciation.

The composite Eurozone PMI ticked up above the 50-mark that separates expansion from contraction in March 2024 and remained above for the duration of the quarter. The manufacturing index remained in contractionary territory, while the services index indicated expansion. The construction industry continued to suffer. At the country level, the PMIs suggested that the UK, German, Italian and Spanish economies are expanding, while the French economy was not. Looking ahead, the market median GDP growth forecast was further revised up for most European economies over the quarter, indicating a strengthening growth profile as we head into 2025.

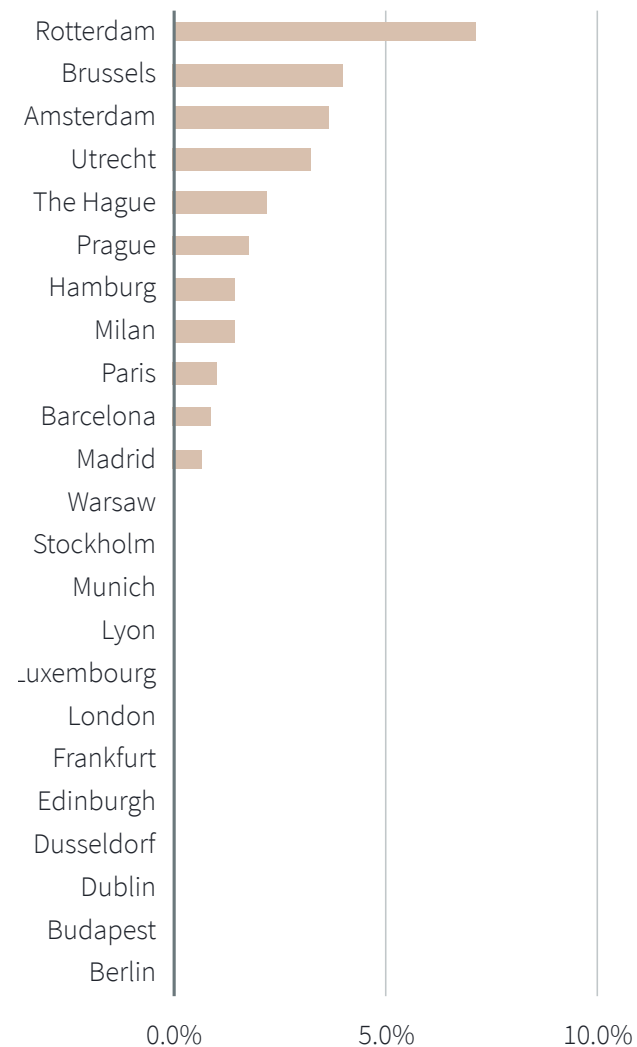


01 Office rents

The European office rental index continued to increase in Q2 2024 (+0.9% q-o-q), albeit at a slower rate. At 5.4%, annual European office rental growth remained well above the 10-year average of 3.9%.

Rental increases were witnessed in 11 of 23 index markets including Rotterdam (+7.1% q-o-q), Brussels (+4.0% q-o-q), Amsterdam (+3.6% q-o-q), Utrecht (+3.2% q-o-q) and the Hague (+2.2% q-o-q). The remaining 12 markets saw no rental growth in Q2 2024.

Prime office rental change Q2 2024 (% q-o-q)



02 Office demand

Following a slow start to the year, positive sentiment has started to translate into increased leasing activity. Q2 2024 data pointed to an upward movement in leasing transactions on an annual basis (+7%), at 2.2 million sqm.

Occupiers are increasingly compelled to avoid delays in their decision-making processes. In some cases, tenants who have initially decreased their office footprint are now looking to lease more space to meet their return-to-office requirements. It is becoming increasingly apparent that space availability is limited beyond the CBDs and the previously overlooked good quality buildings are becoming more attractive.

Compared annually, 14 markets witnessed a rise in office demand. These include the Hague (+499% y-o-y), Utrecht (+439% y-o-y), Dublin (+126% y-o-y), Prague (+96% y-o-y), Amsterdam (+82% y-o-y) and Brussels (+41% y-o-y). The remaining 9 cities recorded a fall in take-up, including Stockholm (-57% y-o-y),

Edinburgh (-35% y-o-y), Warsaw (-28% y-o-y) and Lyon (-22% y-o-y).

In Paris, leasing activity was subdued in Q2 2024. With 409,000 sqm, office take-up was down by 9% compared to the same quarter last year. Leasing volumes in Q2 2024 were also 21% below the Q2 10-year average.

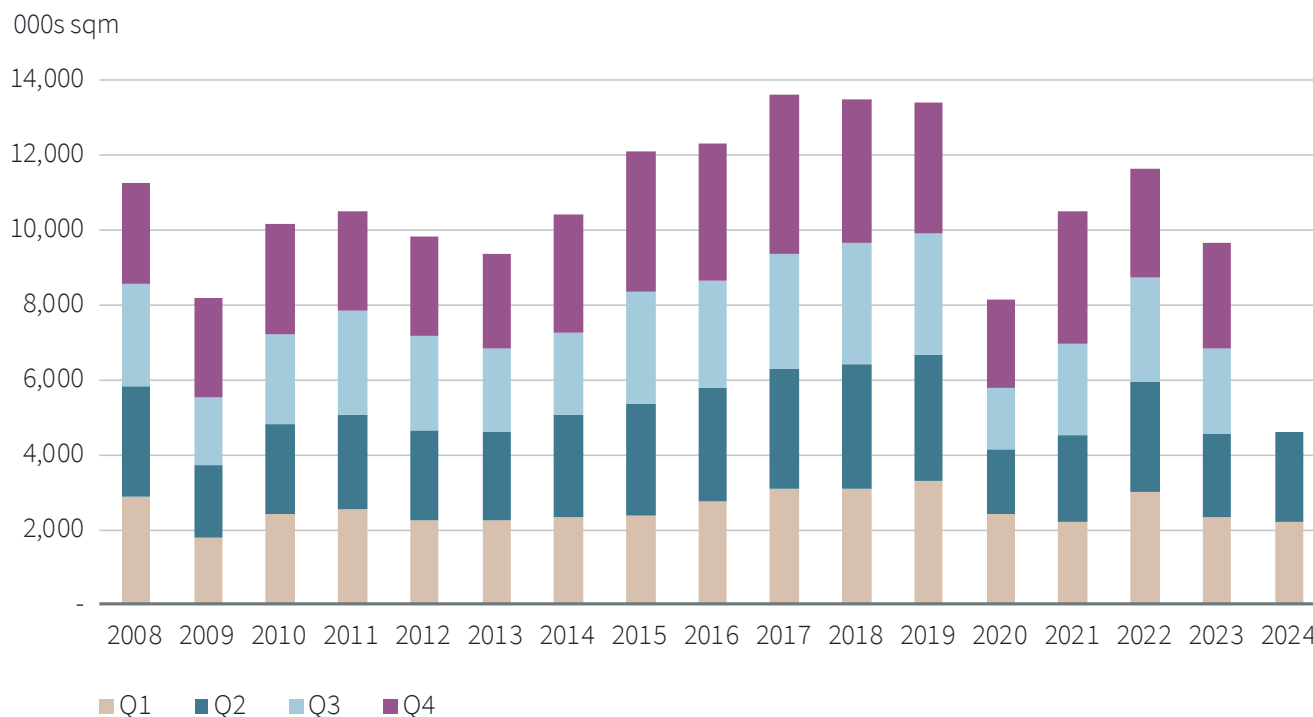




In Central London, an uptick in under-offer volumes has started to translate into increased office take-up. Leasing volumes reached 199,000 sqm in Q2 2024, an increase of 4% compared to the corresponding quarter last year and 28% up compared to Q1 2024.

In the German Big 5 markets, office take-up in Q2 2024 reached 557,000 sqm. This was up by 12% compared to Q2 volumes in 2023. Demand levels increased in 4 out of 5 markets in Q2 2024. These included Dusseldorf (+35% y-o-y), Berlin (+32% y-o-y), Munich (+20% y-o-y) and Frankfurt (+2% y-o-y).

European office take-up



03 Office supply

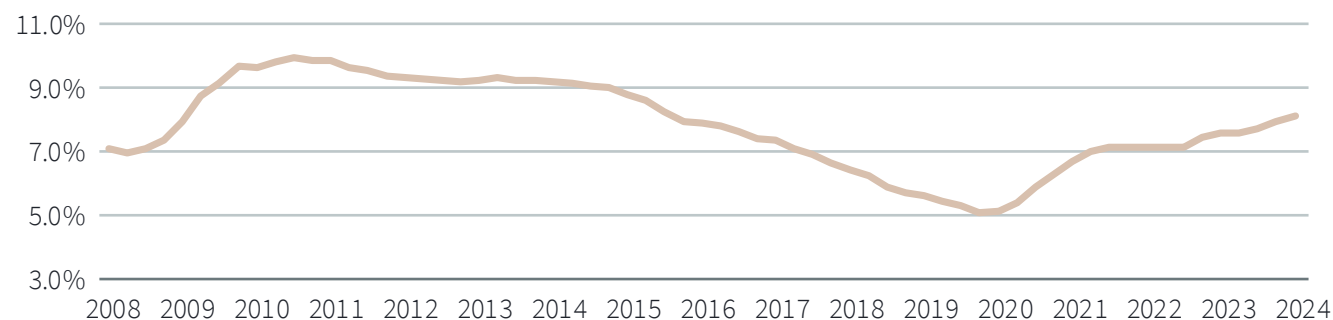
European office vacancy reached 8.2% during Q2 2024, up 10 bps from the previous quarter, and reaching the highest rate since Q3 2015. However, in most European markets, high vacancies remain concentrated in older stock in the outer areas, whilst CBD locations continue to outperform with significantly stronger occupancy rates.

14 of the 23 index markets recorded an increase in vacancy in Q2 2024 compared to the previous quarter, including Brussels (+80 bps to 8.3%), Edinburgh (+70 bps to 7.4%), Stockholm (+70

bps to 13.5%) and Munich (+50 bps to 6.2%). 8 markets saw a decrease in available supply, including Amsterdam (-100 bps to 6.5%), Madrid (-70 bps to 9.5%), the Hague (-60 bps to 3.3%), Utrecht (-60 bps to 4.4%) and London (-40 bps to 8.5%). Frankfurt remained stable.

Completions totaled 1.4 million sqm in Q2 2024. Munich (211,000 sqm), Paris (207,000 sqm), Milan (143,000 sqm) and Berlin (120,000 sqm) accounted for nearly half of the office space being delivered in Q2 2024.

European office vacancy



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