

Savills: European office demand moves above five-year average

3 years ago



According to Savills latest research, office take up volumes in Europe recovered to 4.9m sq m in H2 2021, above the five year H2 average, as pent up occupier demand resulted in higher deal flow in the final quarter of the year.

Looking ahead, the international real estate advisor expects to see European office demand overall to slightly reduce over the next five years as more companies are looking to exit older buildings in favour of those that meet their corporate ESG targets and more flexible working strategies.

James Burke, Director, Savills Regional Investment Advisory EMEA, says: “With more and more investors and tenants having to meet strict ESG targets we are starting to see a widening gap in pricing for new core offices versus outdated offices in less easily accessible locations. As a result, we anticipate that value add investors, led in many instances by private equity houses, seeking to asset manage office stock to improve ESG ratings will grow as a trend over the next couple of years. Indeed, the average yield spread between BREEAM-certified and all offices has widened by 44 basis points over the last 12 months as obsolescence risk becomes more apparent.”

Newly developed, more sustainable office stock is likely to be more efficient than older stock, increasing the potential for higher office densities. For example, floor to ceiling windows and fewer structural pillars allow larger floorplates and maximise usable space. Savills is already seeing a number of occupiers willing to pay higher rents for newer, energy efficient premises.

As well as focusing on ESG, many occupiers are also working out whether they will adopt a more agile working approach to reduce the number of desks in their workspaces and increase desk-sharing. For

example, Savills analysis of occupiers across Spain indicates that 60% of occupiers are adopting 40% flexibility in their workplaces. Tenants who are making reductions in workstations, such as adopting a 60% flexibility ratio, may reduce their overall demand, however at the same time, some of these companies are doubling their open-plan working areas.

Mike Barnes, Associate Director, Savills European Research, comments: “Overall, we anticipate the net effect of desk-sharing to outweigh the increased demand for workspace per worker over the next five years, implying an average 10% fall in European office demand by 2026. German top 7 and Nordics cities remain among the more resilient due to higher levels of pre pandemic working, early signs of a faster return to office occupancy, stronger office based employment growth and higher workplace density regulation.”

Read the full report [here](#)

Image credit: Savills