

## Savills: European office vacancy rates stabilise at 7.2%

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According to Savills latest research, average European office vacancy rates have stabilised at 7.2%, having not moved since Q3 2021. This is partly due to a shortage of new deliveries of space and tenants withdrawing stock which was previously openly marketed. The ten-year average vacancy rate is 7.8%.

As a result of stabilising vacancy Central Business District (CBD) rates, the international real estate advisor has seen lease incentives move back in, from 11.1% of average total contracted rent in Q4 2020 to 10.5% of contracted rent in Q1 2022. For example, in Warsaw rent free periods have contracted by 10 basis points due to resilient office demand, however, space is tight in Berlin and Paris-CBD with vacancy rates of 2.7% and 2.9% respectively.

Georgia Ferris, European Research Analyst at Savills, comments: “Looking ahead, we expect rents for prime offices to increase, with lease indexation contributing to upward pressure. Rising construction costs are supporting rental levels for standing stock as occupiers demand higher quality space.”

Matthew Fitzgerald, Director, Cross Border Tenant Advisory EMEA at Savills, says: “As we come to the end of the first quarter without restrictions in many European cities, demand is strong for high quality space in prime locations with the best amenities.”

Increasingly occupiers are considering flexible space options alongside conventional according to Savills. This is no longer just fast moving technology companies but now extends to financial and professional services companies that are increasing their flex office footprint in order to attract talent back to the workplace and provide flexibility in their existing office portfolio.

“Predictably sustainability is fast becoming the key theme surrounding office demand in 2022. Occupiers

are competing to find the best-in-class space and this includes having high environmental credentials as a result of both corporate statements and employee demand,” adds Fitzgerald.