

Shortage of prime office space supresses take-up in key European markets

1 year ago



Take-up across 22 European office markets fell 17% against the pre-pandemic average, according to new analysis by Savills, driven by a lack of prime space for occupiers to move into, however Oslo, Milan, Lisbon and Paris's CBD all bucked the trend by all recording increases in their take-up.

According to the international real estate advisor, prime European office rents rose an average of 4.3% in 2023 despite vacancy rates rising 60 basis points year-on-year to 8.4%, demonstrating that the flight to quality trend continues. Occupiers are reducing space in lower quality buildings and competing on an ever-smaller amount of best-in-class space in key locations.

Christina Sigliano, EMEA Head of Global Occupier Services at Savills, comments: "The last 12 months saw more space returned to the market as occupiers consolidated their hybrid working policies and released space that either doesn't meet their current standards or is situated in less than ideal locations, leading to an increase in the average vacancy rate. However, given in the same period the average prime office rent rose indicates that demand is there for top quality offices, but take-up has been suppressed by a lack of good stock, which has been hampered by a shortage of construction activity in most markets. Landlords delivering top spec offices into these locations should therefore see healthy demand."

Mike Barnes, associate director in Savills European research team, adds: "Oslo, Milan and Lisbon's office markets were all stand-out performers in 2023, but even though we saw take-up fall by an average of 17% last year this is lower than we projected at the start of the year. We expect 2024 will see prime rents growing in markets where the development pipeline remains scarce, as occupiers compete for the best space to appeal to employees and reduce carbon emissions, but remaining flat where office space does not meet corporate and environmental requirements."



To read the full report, please [click here](#).