Office Market Report
Vienna| Autumn 2018

We stand for
real estate.

EHL

Introduction

Exciting news in October: Our successful office and retail departments were further upgraded and, as of 1 October, now form the newly founded EHL Gewerbeimmobilien GmbH. This step reflects our continuously expanding market position in these areas and will allow us to remain flexible and close to our customers with short decision paths in spite of our strong growth. The team in our new EHL Gewerbeimmobilien GmbH will also provide you with top-quality support for the optimal marketing of office space or your search for a new location in the future.

The offering of attractive office space on the Vienna real estate market was rarely as large and diverse as this year. The second half of 2018 will see the completion of numerous remarkable, high-quality office properties which are, fortunately, facing a sustainably strong demand for space. This trend has been supported not only by the sound condition of the economy, but also by the market shake-out in recent years and the subsequent elimination of outdated space from the market through conversion or demolition. The result is a healthy, balanced market with stable rental prices and a wide range of first-class office space in all price categories.

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Executive Summary

Market activity fuelled by production of new space

Approximately 260,000 sqm of new, high-quality space will be completed in 2018. In line with the motto “supply creates its own demand“, this development will drive the take-up – which was weakened last year by the limited offering and is now expanding significantly.

Substantial rise in average rents

Most of the recent lettings are found in new, high-quality buildings. This trend has led to an increase in average rents to EUR 14.80/sqm.

Good opportunities for standing investments

Standing investments that have been refurbished to meet current market standards are in high demand by price-conscious tenants.

Non-core properties dominate the investment market

Due to the limited offering of prime properties, a growing number of investors are turning to office buildings in the lower quality segments. This shift has reduced the gap between prime yields and the yields in non-core properties.

Demand* | Supply 2018	
Deliveries	260,000 sqm
Take-up*	230,000 sqm

Market indicators	
Deliveries	strongly increasing
Take-up	increasing
Vacancy rate	slightly increasing
Prime yield	slightly decreasing

Rental rates	
Average rents	slightly increasing
Prime rents	stable

Office Market	Total space**	VRF***
Office space in sqm	11,075,600	5,835,000
Vacancy rate	5.1%	4.8%

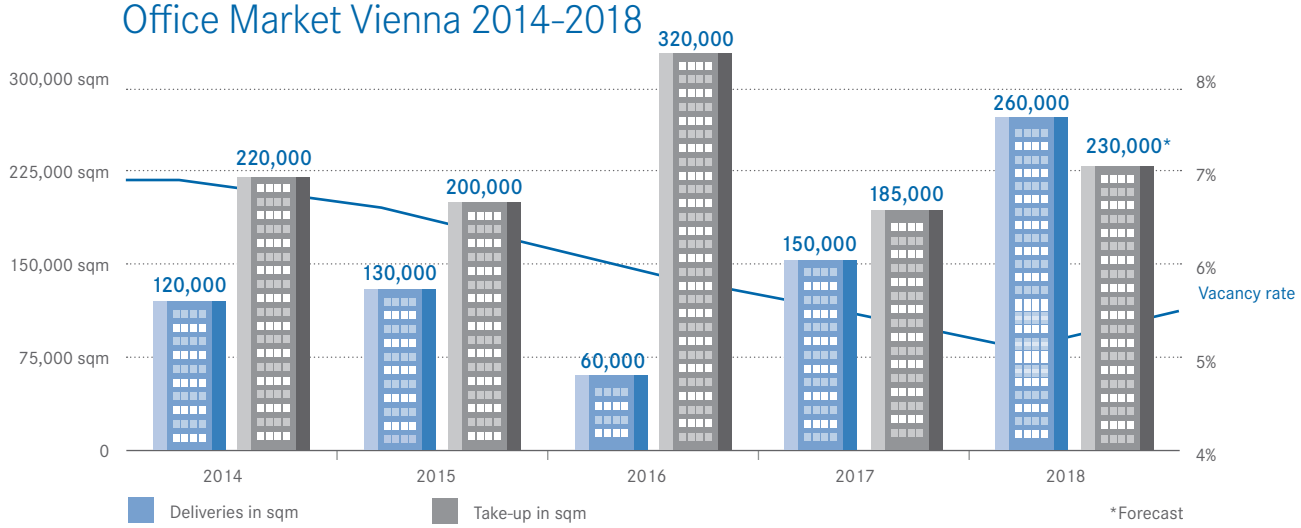
Rents I First occupancy**** (in EUR/sqm/m.)	
Prime locations	16.0 -25.5
Quality locations	13.5 -17.5
Standard locations	11.0 -13.5
Prime rents	25.5

Economic Data 2018*		
Unemployment rate (Eurostat)		Austria 5.5%
		EU (28) 7.3%
		Eurozone (19) 8.5%
Nom. GDP EUR bn.		387.9
Economic growth		3.00%
Inflation		2.00%
State budget deficit		-0.40%

* Forecast
** All figures in the report refer to total office space consisting of modern office properties and office space in older buildings
*** according to Vienna Research Forum, www.viennaresearchforum.at
**** EHL-average rent levels of 100 newly built or refurbished office buildings at various locations

Source: EHL Market Research | Autumn 2018

Office Market Vienna 2014-2018



*Forecast

Source: EHL Market Research | Autumn 2018

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Boom at established office locations

The Vienna office market has witnessed a remarkable constant for many years: The continuous and dynamic development of a small number of office clusters, which have generated above-average growth rates and higher rental prices due to their optimal traffic connections, excellent infrastructure, outstanding architecture and, not least, due to their image as prestigious business locations. Among others, examples include the Austria Campus, Viertel Zwei, Quartier Belvedere (QBC, The Icon Vienna) and the Wienerberg (Euro Plaza, myhive on the Wienerberg). Modern, recently constructed buildings at established office locations have been responsible for 61% of the take-up in the > 1,000 sqm-segment this year. At EUR 14.00 to EUR 22.00/sqm, rents are higher than comparable locations outside these concentrated areas, and investors are also prepared to pay a "cluster bonus" – prime yields currently equal approximately 3.75% in the clusters and are 25 to 50 bps higher at less trendy locations.

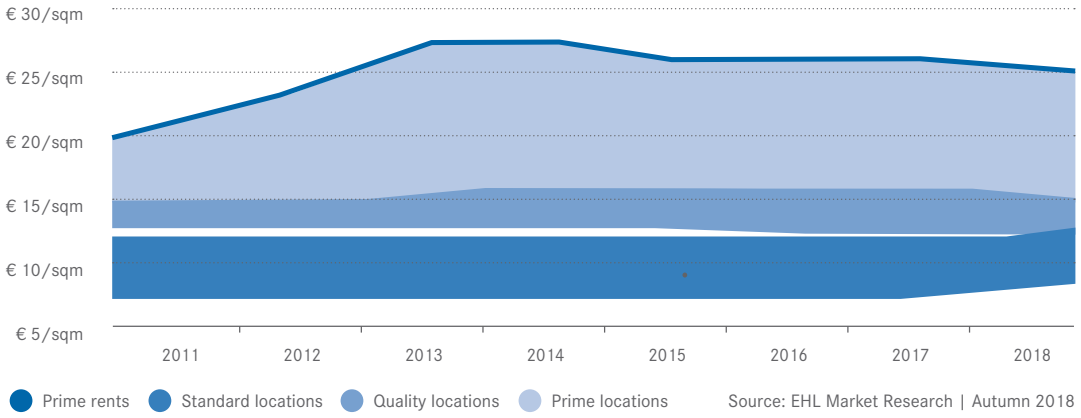
The dominant position of these few locations has recently grown even stronger, as is demonstrated by large rentals like Regus/Spaces at the Central Railway Station, Austro Control and Asfinag in Erdberg and RHI and Rewe on the Wienerberg and also by spectacular investment deals well above EUR 500 million (e.g. the sale of The Icon Vienna to Allianz and the Austria Campus to PGIM Real Estate). One main reason for this development is the greater weight given to qualitative aspects over cost considerations in location decisions.

The pull of the clusters is leading to a stronger market segmentation. Well-known corporations are tending towards modern office clusters with first-time occupancy, while other potential tenants, e.g. innovative start-ups, are consciously looking for alternatives in trendy residential areas. For companies with a focus on low-cost rents, locations outside the popular office clusters provide good opportunities for high-quality rentals at comparatively lower costs.

> „Take-up is increasingly concentrated in modern space at established locations."

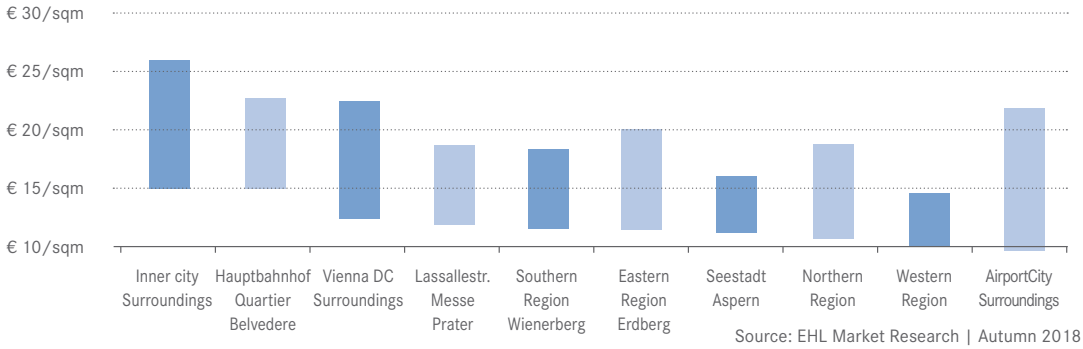
The focal points for growth over the coming years will include, among others, micro-locations to the south and north of Vienna, the AirportCity and other areas in Vienna where larger projects are currently under realisation (e.g. Silo Plus, myhive on the Wienerberg, Forum Donaustadt, Office Park 4). Suitable alternatives can also be found at the still comparatively small office site in Seestadt Aspern, which is becoming more popular as a residential location and will attract a growing number of high-quality office workplaces in the future.

Development of rents 2011-2018



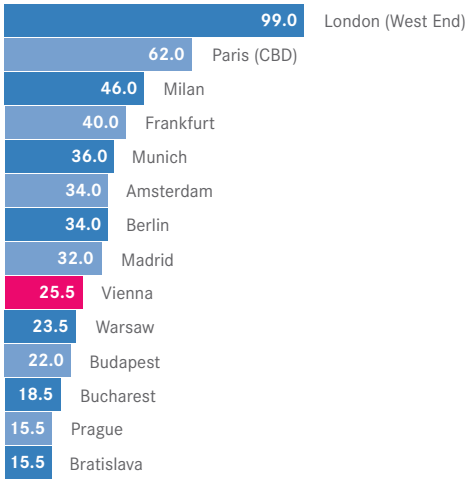
Source: EHL Market Research | Autumn 2018

Rental rates in Vienna office regions

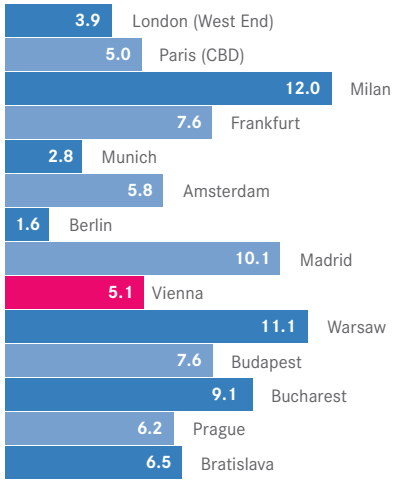


Source: EHL Market Research | Autumn 2018

Prime rents (in EUR/sqm/m.)



Vacancy rates (in %)



Source: EHL Market Research | Autumn 2018

Vienna Office Regions

The Vienna office market consists of several cluster regions where office production is concentrated. The following map provides an overview of the most important office axes as well as indicators for the supply, demand and development of rent levels.

1. Inner City | Surroundings

© EHL

Top properties
1010, Goldenes Quartier Office
1010, Fleischmarkt 1
1010, Haus am Schottentor
1010, Kärntnerringhof
1010, Schwarzenbergplatz 3
1030, myhive Ungargasse 37
1040, Bureau am Belvedere

Rents	€ 15.0–25.5
Rents tendency	→
Demand	→
Supply	↘

2. Northern Region

© Henning Kraft

Top properties
1190, Skyline
1190, Square 1
1200, Rivergate
1200, Millennium Tower
1200, Optimum
1210, Florido Tower
1220, Forum Donaustadt*

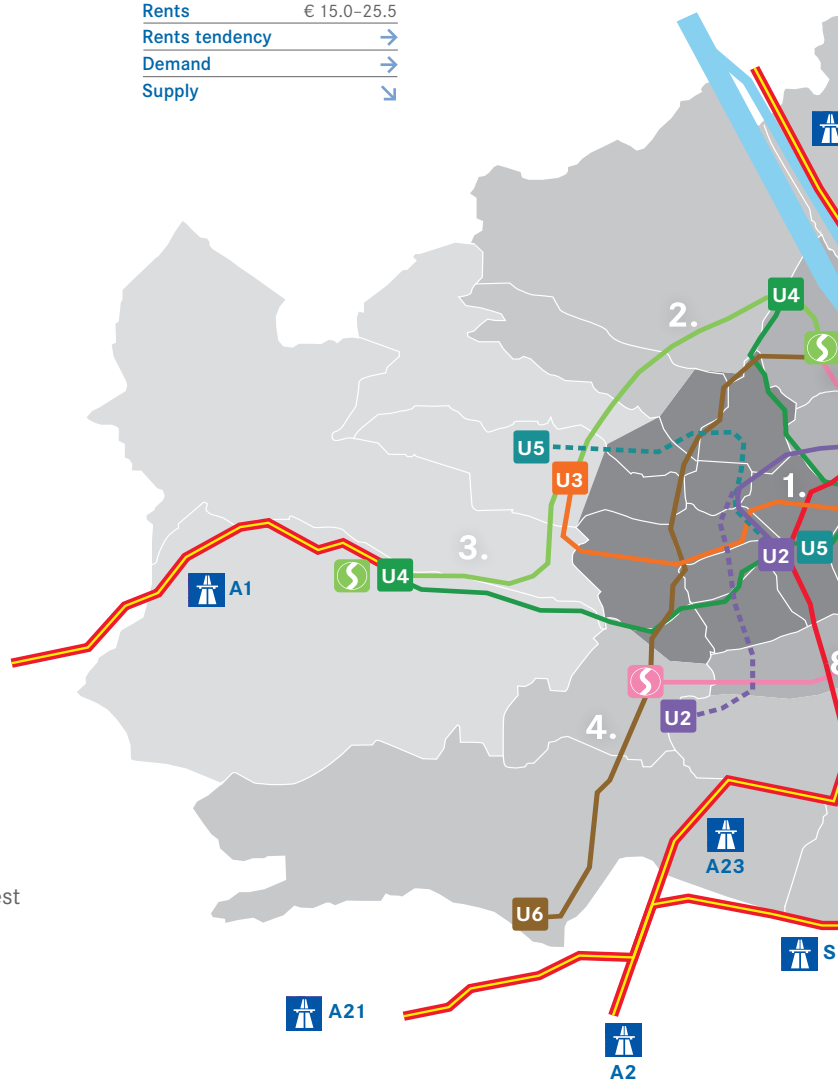
Rents	€ 11.0–18.5
Rents tendency	→
Demand	→
Supply	↗

3. Western Region

© REDEVCO

Top properties
1060, MaHü77
1120, Forum Schönbrunn
1120, Arcade Meidling
1140, Bergmillergasse 5
1140, Scheringgasse 2
1150, BahnhofCity Wien West

Rents	€ 10,0–14,5
Rents tendency	→
Demand	→
Supply	→



4. Southern Region | Wienerberg

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Top properties
1100, myhive am Wienerberg
1100, The Brick - Biotope Offices am Wienerberg*
1120, Euro Plaza
1120, Inno Plaza
1230, Silo Plus*
2345, Campus 21

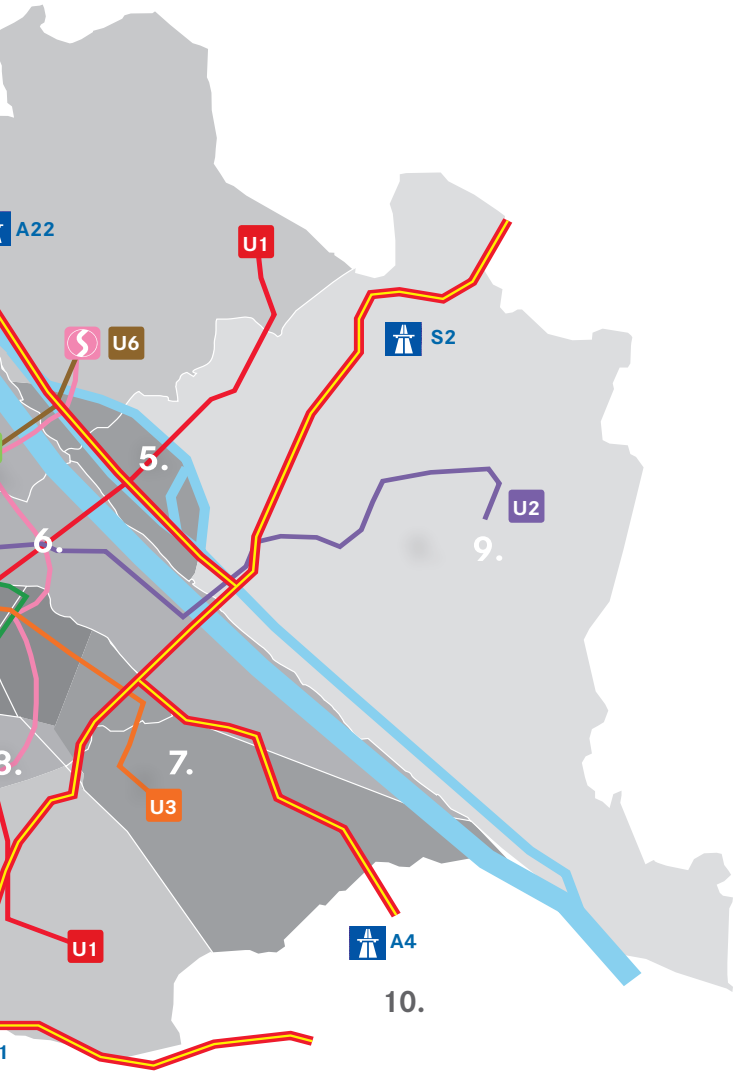
Rents	€ 11.5–18.0
Rents tendency	→
Demand	↗
Supply	↗

5. Vienna DC | Surroundings

© expressiv.at

Top properties
1220, Ares Tower
1220, DC Tower
1220, Andromeda Tower
1220, Tech Gate Vienna
1220, IZD Tower

Rents	€ 12.5–22.0
Rents tendency	→
Demand	→
Supply	→



6. Lassallestraße | Messe | Prater

© IC DEVELOPMENT / MCA

Rents	€ 12.0–18.0
Rents tendency	↗
Demand	→
Supply	↑

Top properties

1020, Green Worx
1020, Austria Campus
1020, messecarree Wien
1020, Denk Drei, Viertel Zwei
1020, Galaxy 21
1020, E-Zone
1020, Lassallestraße 5
1020, Weitblick, Viertel Zwei*
1020, Prater Glacis*

7. Eastern Region | Erdberg

© I ZOOM VP

Rents	€ 11.5–19.5
Rents tendency	→
Demand	→
Supply	↗

Top properties

1030, Austro Tower*
1030, Marxbox
1030, Solaris
1030, ORBI Tower
1030, MGC Office Park
1030, ViE
1030, Erdbergstraße 200
1110, OCG Office Campus Gasometer

8. Hauptbahnhof | Quartier Belvedere

© SIGNA

Rents	€ 15.0–22.0
Rents tendency	→
Demand	↗
Supply	↑

Top properties

1100, QBC
1100, The Icon Vienna
1100, Laxenburger Straße 36
1100, HBF 1*
1100, Columbus Center
1100, LX2

10. AirportCity Vienna | Surroundings

© HNP Architects

Rents	€ 9.5–22.0
Rents tendendy	→
Demand	↗
Supply	↗

Top properties

1300, Office Park 1
1300, Office Park 2
1300, Office Park 3
1300, Office Park 4*
2320, Concorde Business Park

9. Seestadt Aspern

© ATP ARCHITEKTEN INGENIEURE / TELEGRAM71

Rents	€ 11.5–16.0
Rents tendency	→
Demand	↗
Supply	↗

Top properties

1220, Hoho Wien
1220, Campus West
1220, Technologiezentrum Seestadt, 2nd Building phase*

*Project

Substantial increase in take-up

The production of new space will reach a high 260,000 sqm this year and has also been reflected in steady growth in lettings. The take-up for the first six months amounted to 122,000 sqm, which represents a year-on-year increase of roughly 42%. More than two-thirds of this market volume is attributable to rentals over 1,000 sqm, generally in new buildings at established office clusters. The vacancy rate has declined further as a result of these developments and now equals 4.8%, based on the definition of the Vienna Research Forum, for modern office buildings.

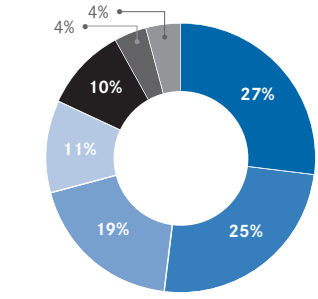
Completions 2018 | 2019

	Property	Size	Location
2018	Austria Campus	160,000 sqm	1020, Walcherstraße 1
2018	The Icon Vienna	74,200 sqm	1100, Wiedner Gürtel 11
2018	ViE/Lände 3	13,800 sqm	1030, Erdberger Lände 26A
2018	FUTUREbase	7,100 sqm	1210, Giefinggasse 4
2018	messecarree Wien	4,600 sqm	1020, Ausstellungsstraße 50
2018	HBF 1	3,500 sqm	1100, G.-Fröhlich-Sandner-Straße
2019	Haus am Schottentor*	20,000 sqm	1010, Schottengasse 6-8
2019	Inno Plaza	11,000 sqm	1120, Pottendorfer Straße 23-25
2019	Silo Plus	11,000 sqm	1230, Lemböckgasse 57-59
2019	Wienerbergstraße 7-9*	10,000 sqm	1100, Wienerbergstraße 7-9
2019	Rathausstraße 1**	9,000 sqm	1010, Rathausstraße 1
2019	HoHo Wien	7,700 sqm	1220, Seestadt Aspern
2019	Technologiezentrum Seestadt, phase 2	7,100 sqm	1220, Christine-Touaillon-Straße 11

*Refurbishment **owner-occupied Source: EHL Market Research | Autumn 2018

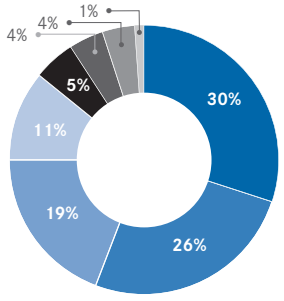
The table only includes those properties for which construction has already begun. Numerous projects for which construction will only commence when pre-let to a suitable degree are not included.

Take-up by regions*



- Neu Marx | Erdberg
- Inner city and surroundings
- Wienerberg | Southern Region
- Northern Region
- Hauptbahnhof | Quartier Belvedere
- Lassallestraße | Messe | Prater
- Vienna DC

Take-up by sectors*



- Serviced Office | Co-Working
- Public sector
- IT | High-Tech
- Trade and services
- Banks and insurances
- Private educational and training institutions
- Law firms, consultants and tax advisors
- Pharma and health care

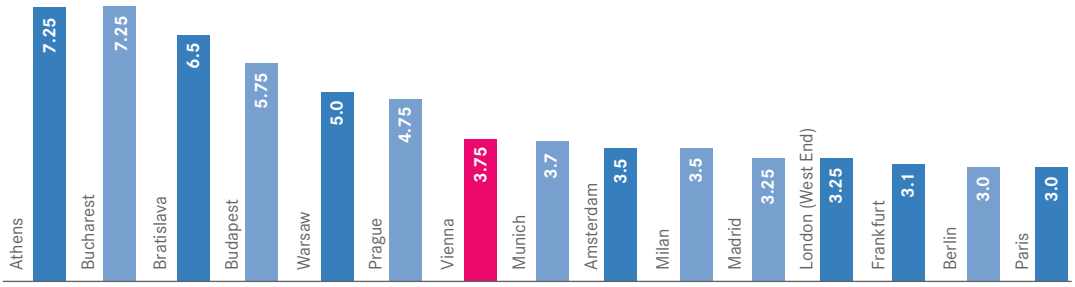
*lettings of more than 1,000 sqm
Source: EHL Market Research | Autumn 2018

Selected Lettings 2018

Tenant	Size	Location
Austro Control	12,700 sqm	1030, Austro Tower
Asfinag	9,400 sqm	1030, Austro Tower
Spaces	7,900 sqm	1190, Square Plus
RHI	7,600 sqm	1120, Euro Plaza 6
Spaces	5,000 sqm	1100, The Icon Vienna
Talent Garden	4,900 sqm	1090, Liechtensteinstraße 111-115
REWE	4,200 sqm	1120, Euro Plaza 4
L'Oréal	2,800 sqm	1100, The Icon Vienna
IBIS Acam	2,600 sqm	1100, Oberlaaer Straße 276
Daikin	2,500 sqm	1230, Silo Plus
GfK Austria	2,300 sqm	1030, ViE
JTI Austria	2,300 sqm	1030, ViE
Bitpanda	2,300 sqm	1020, Austria Campus

Source: EHL Market Research | Autumn 2018

Prime office yields across Europe (in %)



Source: EHL Market Research | Autumn 2018

Investment market

Signs are pointing towards an exceptionally high transaction volume for the Austrian real estate investment market in 2018. Transactions totalled EUR 2.16 billion in the first six months and were only slightly lower than the first half of the previous year. At 23% of the total transaction volume, office properties were not the strongest segment for the first time after a longer period. This is due to a single spectacular transaction in the retail segment: the takeover of the financially troubled kika/Leiner furniture retailer by the Signa Group for a rumoured purchase price of more than EUR 500 million. After the deduction of this unusual deal, roughly 30% of the market volume is attributable to office transactions.

Medium-sized deals dominate

The high volume of transactions in the first six months of 2018 is even more impressive because, in contrast to the previous year, there were no megadeals in the office sector. This year's high pace of market activity was supported by numerous medium-sized transactions. The general absence of offers in the large-volume segment did, however, not weaken the interest of investors in the Austrian market and buyers are increasingly turning to properties in the EUR 20 to 100 million range outside the core segment. Domestic investors have been the largest group to date in 2018, followed by German institutional investors. Together they were responsible for 97% of the transaction volume in the first half-year. The activities of other international investors remained, in contrast, behind expectations because this group of buyers is generally looking for large-scale investments and there are virtually no suitable properties on the market.

> „The interest of local and international investors in the Austrian market remains strong."

The investment market is still characterised by a substantial demand overhang and a high price level. Yields in the office segment have remained stable compared with the beginning of the year. The prime yield for office properties is now roughly 3.75%, with downward pressure towards 3.5%. The difference between prime yields and the yields in the non-core segment is narrowing as a result of the rising market activity in the non-core segment. A high pace of investment activity is forecasted for the third and fourth quarters. The transaction volume is expected to approach the record prior year level of EUR 4.7 billion, whereby these sound results will be supported, above all, by non-core properties as well as the growing importance of the residential segment.

Market activity

Selected investment transactions 2018

Property	Location	Type of use	Size	Seller	Buyer
Lassallestraße 1-5	Vienna	Office	111,500 sqm	Unicredit Bank Austria	Imfarr
Adler & Ameise	Vienna	Office	23,930 sqm	Wealthcap	TH Real Estate
Business Boulevard Salzburg	Salzburg	Office | Retail	16,700 sqm	Triuva	Private investors
Kai 20	Vienna	Office	7,260 sqm	6B47	Private investor
Competence Center	Vienna	Office	5,810 sqm	Wealthcap	Deutsche Pensionskasse
Biocenter	Vienna	Office	4,350 sqm	Wealthcap	Deutsche Pensionskasse
Kika/Leiner-Portfolio	Austria	Retail	n.a.	Steinhoff-Group	Signa
Retail portfolio AT	Austria	Retail	70,000 sqm	ADIA	BVK
Shopolis	Vienna	Retail	25,600 sqm	Blue Asset | Tristan Capital	BVK
50% Weberzeile Ried	Ried	Retail	25,000 sqm	SES	TH Real Estate
Commercial building Mariahilfer Straße	Vienna	Retail	16,000 sqm	M&A Real Consult	Imfarr
K1 Kittsee	Kittsee	Retail	13,100 sqm	Private investor	TH Real Estate
Arena Mattersburg	Mattersburg	Retail	13,000 sqm	Private investor	Semper Constantia
Pittarello Vösendorf	Vösendorf	Retail	10,000 sqm	Semper Constantia	Private investors
Welas Park	Wels	Retail	9,500 sqm	Private investor	Rutter Group
Mariahilfer Straße 31	Vienna	Retail	3,650 sqm	Private investor	BBB Holding
Styria Center Graz	Graz	mixed use	15,050 sqm	Developer	Union Investment
Max Tower Graz	Graz	mixed use	6,200 sqm	Private investor	Union Investment Immofonds I
Residential share Wipplinger Straße 35	Vienna	mixed use	4,450 sqm	PGIM Real Estate	Hallmann Holding
Erdberger Lände 36-38, BT 1-5	Vienna	Residential	25,590 sqm	ARE | Premium	Art-Invest
Erdberger Lände 36-38, BT 9+10	Vienna	Residential	16,340 sqm	ARE | Premium	Aberdeen Standard Investments
Linke Wienzeile 280	Vienna	Residential	10,300 sqm	STRABAG Real Estate	BUWOG
Residential project Franz Joseph	Vienna	Residential	10,000 sqm	Moser | Bauwerk	Aberdeen Standard Investments
Grünangergasse 2	Vienna	Residential	n.a.	Private investor	BBB Holding
Logistics portfolio AT	Austria	Logistics | Industry	98,500 sqm	Alpha Industrial	Frasers Property Investments
Cineplexx Innsbruck	Innsbruck	other	6,640 sqm	Trivalue | Immovate	Privatinvestoren

Source: EHL Market Research | Autumn 2018

Reference projects

Investment

© TH Real Estate

Adler & Ameise

EHL sold the 24,000 sqm "Adler & Ameise" office property, which was built in the Gasometer City during 2001, to the Austria Property Fund, managed by TH Real Estate.

GLA	24,000 sqm
Client	Wealthcap

DAS ENSEMBLE © ARE Development / PREMIUM Immobilien / Brick Visual

Das Ensemble, sections 1-5

Art-Invest Real Estate, a Cologne firm, acquired five of the ten building sections in "Das Ensemble", a project with 390 apartments located on Erdberger Lände, through a forward purchase.

GLA	25,590 sqm
Client	Art-Invest

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Pittarello Vösendorf

EHL advised private investors on the acquisition of the Pittarello grounds with 10,000 sqm of selling space north of the SCS shopping centre. In addition to Pittarello, other well-known chain store operators are located here.

GLA	10,000 sqm
Client	Private investors

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Business Boulevard Salzburg

EHL brokered the 16,700 sqm "Business Boulevard" office and retail complex to a private investor group through a structured process.

GLA	16,700 sqm
Client	Triuva

Leasing

© IC Development | Office Le Nomade

Dentsu Aegis

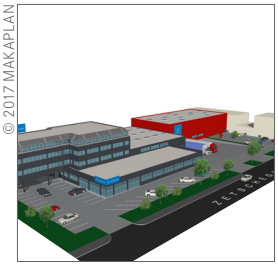
The communications agency leased 2,600 sqm of office space in the "Denk Drei" in "Viertel Zwei". EHL supported Dentsu from the market evaluation up to the contract signing.

GLA	2,600 sqm
Tenant	Dentsu Aegis Network Austria GmbH

Pioneer Investments Austria

EHL brokered 2,700 sqm of office space on Schwarzenbergplatz to Pioneer Investments Austria, a member company of the Amundi Group.

GLA	2,700 sqm
Tenant	Pioneer Investments Austria GmbH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thyssenkrupp

thyssenkrupp leased a refurbished single-tenant building in Liesing. EHL advised thyssenkrupp from the market evaluation up to the conclusion of the rental agreement.

GLA	3,200 sqm
Tenant	thyssenkrupp Aufzüge GmbH

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Mariahilfer Straße 41-43

EHL was appointed the exclusive agent for brokering the office space in this property and reached full occupancy shortly after completion.

GLA	2,500 sqm
Tenant	Erste Group Immorent

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The EHL Group makes its corporate values come alive.
Every day. In all areas of its business.

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