Office Market Report
Vienna | Autumn 2023

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EHL

Introduction

The Vienna office market is currently being very strongly influenced and shaped by ESG. As a result, not only investors and landlords, but also prospective tenants are paying close attention to sustainability and innovation. Improved quality and sustainability remain the key drivers for relocation.

Given the challenging economic environment, demand is pleasingly high and there is currently a manageable supply of high-quality first-time occupancy space in well-developed locations. In some sub-segments and locations, there is evidence that supply and demand are not currently in sync.

In a challenging market environment, it is particularly crucial to make successful long-term decisions. Our EHL office specialists will be very happy to advise you on the development of your individual and sustainable real estate strategy!

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Executive Summary

New space production and vacancy rate at historic lows

The low production of new space in recent years, which has reached just 45,800 sqm this year, has led to a steady decline in the vacancy rate. It is currently at a very low level by international standards, at just 3.6 %.

High pre-letting rate for new properties

Just under 85 % of the office space due for completion in 2023 and just under 45 % due for completion in 2024 is currently pre-let. Supply for short-term requests over 3,000 sqm is therefore very limited and in some locations severely restricted or non-existent.

Rising rent levels for modern first-time occupancy space

Rents are generally rising due to high demand in prime locations, increased construction costs and persistently high inflation. Prime rents are rising to EUR 27.50/sqm.

Investment

Like all other asset classes, office property is under price pressure. Older existing properties that do not meet ESG criteria are experiencing significant price declines and a gradual pricing in of energy upgrade measures. In contrast, new-build properties that comply with the EU taxonomy are in high demand, although availability in Vienna is limited.

Demand* | Supply 2023	
Production of new space	45,800 sqm
Take-up*	170,000 sqm

Market indicators (cf. 2022/2023)	
Production of new space	downward trend
Take-up	stable
Vacancies	downward trend
Prime yields	4.5

Rental prices (cf. 2022/2023)	
Average rents	leicht steigend
Prime rents	leicht steigend

Office supply	Total market**	VRF***
Office space in sqm	11,649,000	6,044,927
Vacancy rate	3.6 %	3.8 %

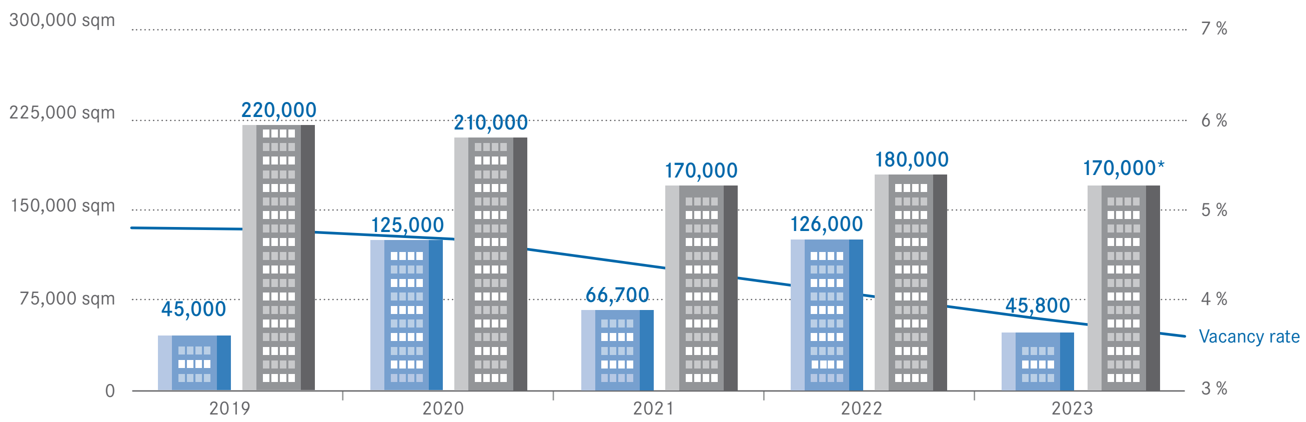
Rents I First-time occupancy***(in EUR/sqm per month)	
Prime location	18.0 - 27.5
Quality location	14.0 - 19.0
Standard location	12.0 - 15.0
Prime rents	27.5

Economic data for Austria October 2023*	
Unemployment rate (acc. to AMS)	5.7 %
Nom. GDP EUR billion (acc. to WKO)	481.7
Economic growth real change in GDP (acc. to WKO)	+ 0.4 %
Inflation rate	8.0 %

* Forecast
** All indicators are based on the total market (old and new buildings), unless indicated otherwise
*** According to the Vienna Research Forum,www.viennaresearchforum.at
**** EHL Rent Index of 100 existing and/or refurbished office buildings at various locations

Source: EHL Market Research | Q3 2023

Office Market Vienna 2019 - 2023



*Forecast, Source: EHL Market Research | Q3 2023

Focus on quality and sustainability stronger than ever

In a challenging economic environment, companies are currently examining and exploring the market very carefully, so decision-making processes are taking longer than they did two to three years ago. Energy efficiency, sustainability and the feel-good factor are the main drivers for current location requests. ESG requirements are giving this trend an additional boost.

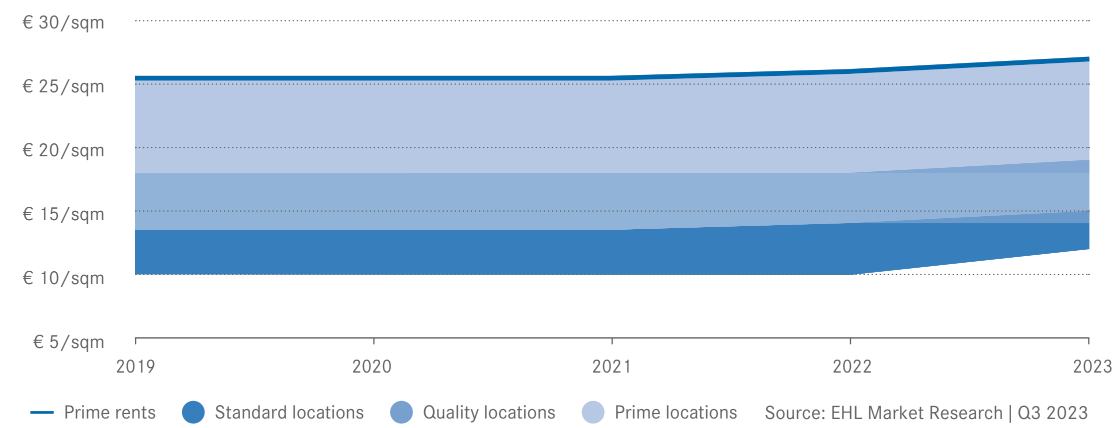
At a time when there is a shortage of skilled workers, a high-quality furnished office plays a key role in recruiting and retaining employees as a communicative focal point of the corporate culture. In terms of ESG requirements, employers are also more concerned than ever to offer their employees an innovative and pleasant working environment.

Smaller but better is currently the motto of many location requests. While the demands on the quality and location of the building are increasing, the amount of office space required per employee is in many cases decreasing due to flexible and hybrid forms of working.

Project developers are responding to this development by planning and building particularly sustainable and flexible office properties. This year, for example, the modern new buildings Vio Plaza (approx. 22,000 sqm) and Muthgasse 109A (approx. 3,300 sqm) as well as the striking URBAN GARDEN refurbishment in myhive on Wienerberg (approx. 15,000 sqm) will be completed. The occupancy rate of the 2023 projects is 85 % on average.

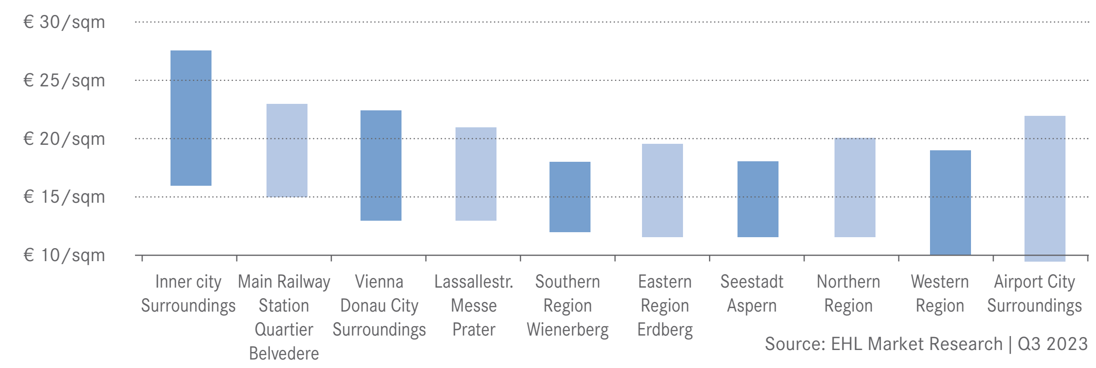
In the next two years, other high-quality new buildings will be completed, such as FRANCIS in the Althan Quarter (approx. 47,700 sqm), Grand Central in Floridsdorf (approx. 12,500 sqm), CARRÉ Muthgasse (approx. 13,000 sqm) and ROBIN Seestadt (approx. 10,000 sqm) in Aspern. All of the above-mentioned projects already have pre-letting rates of at least 30 %.

Development of rents 2019 - 2023



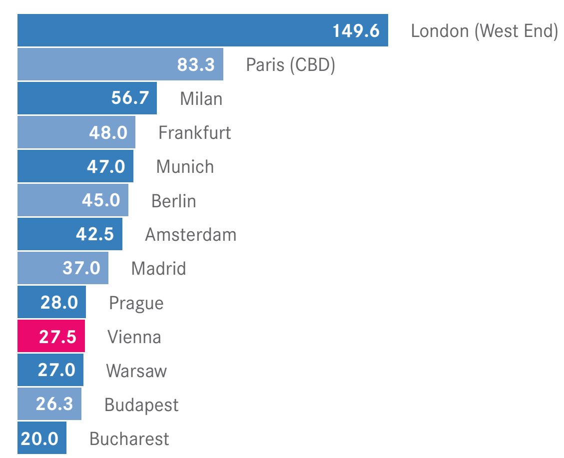
Source: EHL Market Research | Q3 2023

Rental rates in Vienna office regions

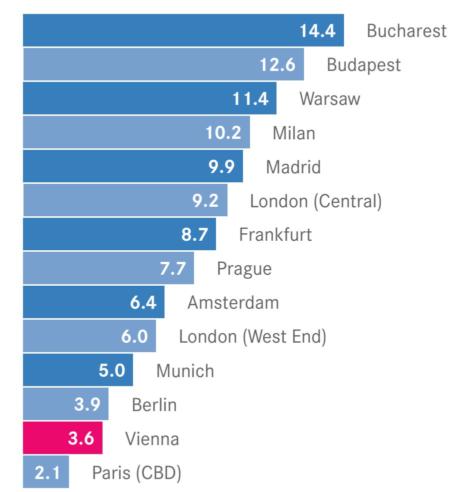


Source: EHL Market Research | Q3 2023

Prime rents (in EUR/sqm/mth.)



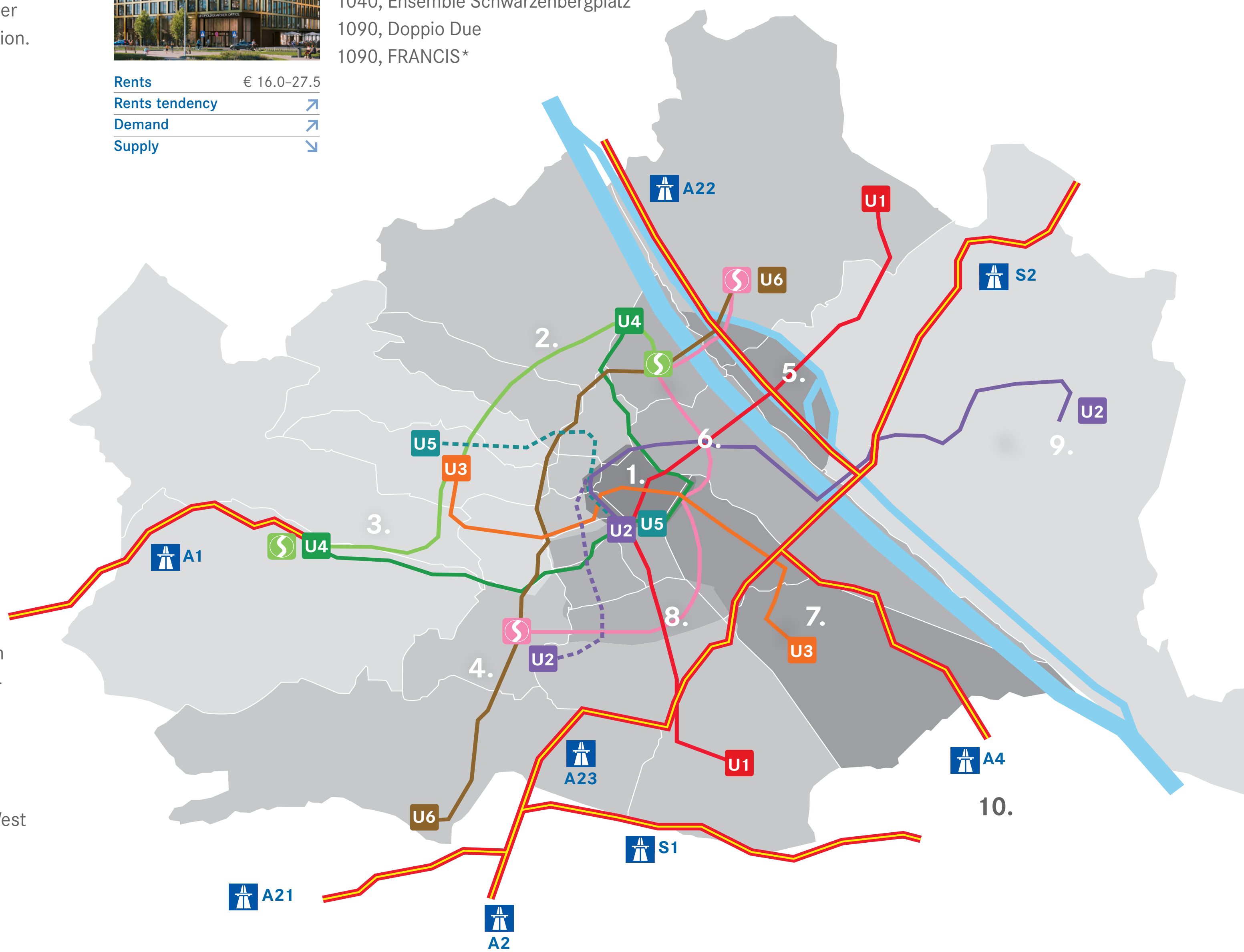
Vacancy rates (in %)



Source: EHL Market Research | BNP Paribas Real Estate | Q3 2023

Vienna Office Regions

The Vienna office market is structured in several cluster regions which form the focal points for new construction. The following map provides an overview of the most important office axes as well as indicators for the development of supply, demand and rental prices.



1. Inner City | Surroundings


© UBM Development

Top Properties
1010, Deutschmeisterplatz 2
1010, Goldenes Quartier Office
1010, Haus am Schottentor
1020, LeopoldQuartier*
1040, Ensemble Schwarzenbergplatz
1090, Doppio Due
1090, FRANCIS*

Rents	€ 16.0-27.5
Rents tendency	↗
Demand	↗
Supply	↘

2. Northern Region


© HNP Architects

Top Properties
1190, CARRÉ Muthgasse*
1190, Muthgasse 9*
1190, Muthgasse 109A*
1190, Square 1
1200, Millennium Tower
1210, Grand Central*
1210, Peak Vienna
1210, Plus Energie Quartier 21*
1210, TwentyOne

Rents	€ 11.5-20.0
Rents tendency	↗
Demand	↗
Supply	↗

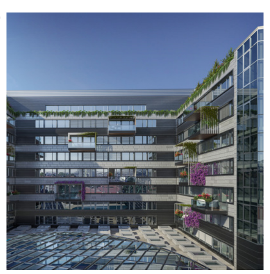
3. Western Region


© Telegram71

Top Properties
1120, Forum Schoenbrunn
1120, Linke Wienzeile 234
1120, O.A.X*
1120, VIO Plaza
1130, Hietzinger Kai 137*
1130, Hietzinger Kai 139*
1140, Workstation Wien West

Rents	€ 10.0-19.0
Rents tendency	↗
Demand	↗
Supply	↗

4. Southern Region | Wienerberg


© IFAG

Top Properties
1100, myhive am Wienerberg
1100, The Brick
1120, Euro Plaza
1120, Inno Plaza
1230, Silo Next*
1230, Silo Plus
2345, Campus 21

Rents	€ 12.0-18.0
Rents tendency	→
Demand	→
Supply	↗

5. Vienna Donau City | Surroundings


© k18 | SIGNA, ARE

Top Properties
1220, Andromeda Tower
1220, Ares Tower
1220, DC Tower 1+2*
1220, IZD Tower
1220, Saturn Tower
1220, VIENNA TWENTYTWO*

Rents	€ 13.0-22.5
Rents tendency	↗
Demand	→
Supply	↗

*Project

10. Airport City Vienna | Surroundings


© Flughafen Wien AG

Top Properties
1300, Office Park 1
1300, Office Park 2
1300, Office Park 3
1300, Office Park 4
2320, Concorde Business Park

Rents	€ 9.5-22.0
Rents tendency	→
Demand	→
Supply	→

6. Lassallestrasse | Messe | Prater

Top Properties
1020, 2nd Central
1020, Austria Campus
1020, E-Zone
1020, Galaxy Tower
1020, Lassallestrasse 3
1020, Nordbahnstrasse 50*
1020, Quartier Lassalle
1020, Vienna Works
1020, Weitblick, Viertel Zwei*

Rents	€ 13.0-21.0
Rents tendency	↗
Demand	↗
Supply	↗

7. Eastern Region | Erdberg

Top Properties
1030, ENNA*
1030, Landmarx
1030, Marxbox
1030, MQM
1030, ORBI Tower
1030, Solaris
1030, Tricore
1030, ViE
1110, OCG Office Campus Gasometer

Rents	€ 11.5-19.5
Rents tendency	→
Demand	→
Supply	→

8. Main Railway Station | Quartier Belvedere


© Henning Kreft

Top Properties
1100, LAX 2B
1100, QBC
1100, The Icon Vienna
1100, Tower Canettistrasse

Rents	€ 15.0-23.0
Rents tendency	↗
Demand	↗
Supply	↘

9. Seestadt Aspern


© Patricia Bagienski-Grandits

Top Properties
1220, Campus West
1220, HOHO Wien
1220, Mischa
1220, ROBIN Seestadt*
1220, SeeHub
1220, Seeparq
1220, Sirius
1220, Technologiezentrum Seestadt

Rents	€ 11.5-18.0
Rents tendency	↗
Demand	↗
Supply	↗

*Project

Landlord market in prime locations

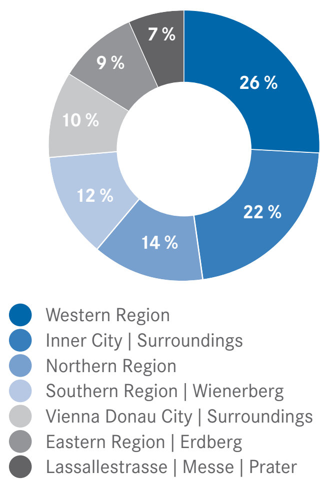
Both the production of new space at 45,800 sqm and the vacancy rate at 3.6 % will reach historic lows in 2023. In 2024, completions will remain subdued at just under 110,000 sqm, so the situation will remain tense. This will lead to rising rents and declining incentives in particularly sought-after locations, for example in and around the city centre, the main railway station, Praterstern and Lassallestrasse.

Completions 2023/2024

	Property	Size	Address
2023	VIO Plaza	22,600 sqm	12; Schönbrunner Strasse 230
2023	Myhive am Wienerberg URBAN GARDEN	15,000 sqm	10; Wienerbergstrasse 3-5
2023	Gösserhalle	4,700 sqm	10, Laxenburger Strasse 2B
2023	Muthgasse 109A	3,500 sqm	19; Muthgasse 109A
2024	FRANCIS	47,700 sqm	9; Althanstrasse
2024	Twenty One/Central Hub	26,000 sqm	21; Siemensstrasse 87-89
2024	CARRÉ Muthgasse	13,000 sqm	19; Muthgasse 105
2024	Grand Central	12,500 sqm	21; Schlosshoferstrasse 17
2024	ROBIN Seestadt	10,100 sqm	22; Seestadt

Source: EHL Market Research | Q3 2023

Take-up by regions*



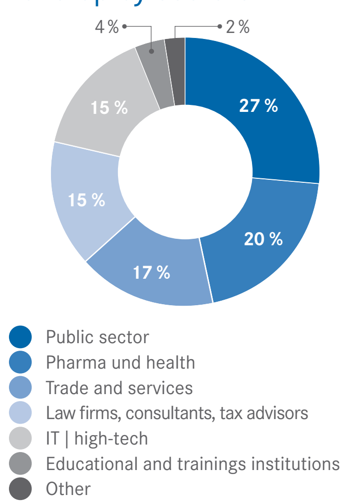
Rentals 2023 (selected examples)

Tenant		Size	Address
aws Austria Wirtschaftsservice GmbH	EHL	5,500 sqm	12; Vio Plaza
Public sector tenants		5,000 sqm	3; City Point
Public sector tenants	EHL	3,700 sqm	1; Deutschmeisterplatz 2
Medical services	EHL	3,500 sqm	9; Francis
Woom GmbH	EHL	3,300 sqm	19; Muthgasse 109A
Austria Power Grid		3,100 sqm	22; IZD- Tower
ECOVIS Austria Wirtschaftsprüfungs- und Steuerberatungsgesellschaft m.b.H.	EHL	2,900 sqm	12; Vio Plaza
Gewista		2,700 sqm	3; Orbi Tower
Brandl Talos Rechtsanwälte GmbH	EHL	2,400 sqm	12; Vio Plaza
Plus Training OG	EHL	2,300 sqm	19; Mooslackengasse 17
Stadt Wien		2,100 sqm	3; TownTown
Medical services	EHL	2,000 sqm	21; Grand Central
Medical services	EHL	2,000 sqm	12; Vio Plaza

EHL provided consulting services to tenants and/or lessors.

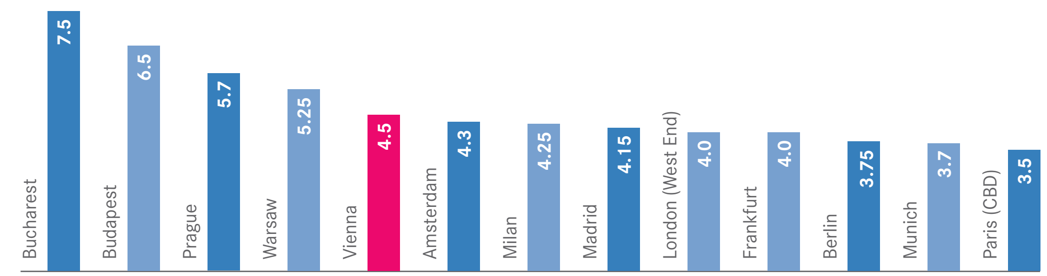
Source: EHL Market Research | Q3 2023

Take-up by sectors*



* Take-up > 1,000 sqm included
Source: EHL Market Research | Q3 2023

Prime yields on office properties in European comparison (in %)



Source: EHL Market Research | BNP Paribas Real Estate | Q2 2023

Investment market

The Austrian real estate investment market recovered slightly in the third quarter of the year, achieving a thoroughly satisfactory result with a transaction volume of just over EUR 1 billion. However, the total investment volume recorded up to the end of September is almost 30 % below the corresponding figure for the same period last year due to the challenging environment. The main reasons for this are high inflation and the sharp rise in interest rates to combat inflation, which have fundamentally changed the capital market environment and the investment market. In addition, the economic outlook has become more pessimistic. The result is a rise in yields and a sharp decline in transactions. The Austrian market is thus in line with the overall European trend.

Office lettings have been very strong in the first three quarters of the year and rents are rising. However, this can only partially compensate for investors' rapidly increasing return requirements, which is ultimately leading to falling price levels.

Older existing properties not compliant with the ESG criteria in weaker locations that do not meet investors' sustainability requirements have been particularly hard hit, with prices falling significantly in some cases. The price adjustment is much more modest for new-build office properties that comply with the EU taxonomy and meet sustainability and quality requirements. Institutional investors are also showing significantly more interest in these properties in the current market environment.

It is worth noting that despite general reluctance from investors, there were some notable large transactions in excess of EUR 100 million. These include, for example, the sales of the Vienna Twin Towers to S IMMO, space2move to Raiffeisen Immobilien Treuhand and Saturn Tower to Amisola.

EHL is cautiously optimistic for 2023 as a whole. We are already seeing significantly more investor interest than in previous months. However, the gap between potential buyers and sellers' price expectations is currently still too wide in many cases, which means that fewer transactions are currently being concluded. It will probably take some time for the market to rebalance, but we do not expect the ECB to continue raising interest rates in 2024. However, the general conditions are currently challenging in all areas of the investment market.

In any case, the office asset class will continue to form a significant part of institutional investors' portfolios in the future and will enjoy corresponding demand.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Market Activity

Selected investment transactions

Property	Type of use	Size / sqm	Seller	Buyer
Twin Tower	Office	66,380	Immofinanz	S Immo AG
Space2Move	Office	52,000	Union Investment	Raiffeisen Immobilien Treuhand
Donaumarina Tower *	Office	44,350	SIGNA	UBM
Saturn Tower	Office	33,000	Quadoro	Amisola
U6 Center	Office	24,818	Westcore Europe	Privatinvestor
Erdberger Lände 40-48	Office	18,200	KGAL	Art-Invest
Green Worx	Office	17,000	Union Investment	ARE Austrian Real Estate
Bureau am Belvedere	Office	9,000	Immofinanz	Real Treuhand Immobilien
Space One | Technologie Park	Office	9,000	Konsortium von Privatinvestoren	GalCap Europe
High Five	Residential	16,862	STC/Roombuus	ZBI AG
Dresdner Strasse 90	Commercial housing	21,000	S+B Gruppe	Greystar
SkyLog Park	Logistics | Industry	18,000	DLH	DEKA
Cross Dock Upper Austria	Logistics | Industry	12,979	Meir Immobilien-Gruppe	KanAm Grund Group
Kika-/Leiner-Portfolio	Retail	n.a.	SIGNA	Supernova-Gruppe
Apple-Gebäude Wien	Mixed use	3,060	SIGNA	JR Investment
Medicent Innsbruck	Other	7,500	SIGNA	Tiroler Wirtschaftskammer

*Development site

Source: EHL Market Research | Q3 2023

Reference projects

Investment

© EHL


AMS Wagramer Str.

EHL brokered the sale of the office building at Wagramer Strasse 224c, which is let long-term to the Austrian Public Employment Service, to NEXT Generation Invest.

GLA 3.770 sqm
Client Pine Asia

© Green Worx


Green Worx

EHL brokered the Green Worx office and commercial building with around 17,000 sqm of usable space, situated in a prime location near the Praterstern at Walcherstrasse 6/Lasallestrasse 7A, to ARE Austrian Real Estate.

GLA 17.000 sqm
Client Union Investment

© EHL


Bureau am Belvedere

EHL brokered the fully let office building in an excellent location on Prinz-Eugen-Strasse with approx. 9,000 sqm of usable space to Real-Treuhand Immobilien.

GLA 9.000 sqm
Client Immofinanz

© KGAL Investment Management


Erdberger Lände 40-48

EHL brokered the fully let office building on Erdberger Lände with around 18,200 sqm of space and 220 parking spaces to Art-Invest Real Estate.

GLA 18.200 sqm
Client KGAL

Letting

© WOOW Studio


FRANCIS

A medical institute (approx. 3,500 sqm) and the modern medical institute Valmedica Althan GmbH (approx. 1,200 sqm) opted to rent space in the FRANCIS. EHL acted in an advisory capacity on the tenant or landlord side.

Address 9., Julius-Tandler-Platz
GLA 47.700 sqm

© Telegram 71


VIO PLAZA

Brandl Talos (approx. 2,400 sqm), Ecovis Austria (approx. 2,800 sqm) and aws Austria Wirtschaftsservice (approx. 5,500 sqm) opted to rent space in the spectacular new Vio Plaza building project, among others. EHL acted in an advisory capacity on the tenant or landlord side.

Address 12., Schönbrunner Str.230
GLA 22.000 sqm

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Muthgasse 109A

woom, the leading children's bicycle manufacturer from Austria, rents an innovative timber construction office building at Muthgasse 109 A (approx. 3,300 sqm) as a single tenant. EHL acted in an advisory capacity on the tenant and landlord side.

Address 19., Muthgasse 109A
GLA 3.300 sqm

© Hannes Buchinger


EURO PLAZA

Amadys Telecom Austria GmbH (approx. 1,000 sqm) and HPC IBK GmbH (approx. 400 sqm) opted for the Euro Plaza location. EHL acted in an advisory capacity on the tenant and/or landlord side.

Address 12., Am Europlatz 1-5
GLA 26.550 sqm

Cover: VIENNA TWENTYTWO | © k18/ SIGNA, ARE

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