

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.1 mn Take-up (cum.), m ²	▲	▲
8.2% Vacancy Rate	▲	▲
5.2% Prime Rent Growth*	▲	▲
2.9 mn Under Construction, m ²	▼	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
0.05% Germany GDP Growth (Q4 2024 vs. Q4 2023)	▬	▲
6.0% Germany Unemployment Rate (Dec 2024)	▲	▲

* Average annual change in the prime rent index
Source: Moody's Analytics, Federal Employment Agency

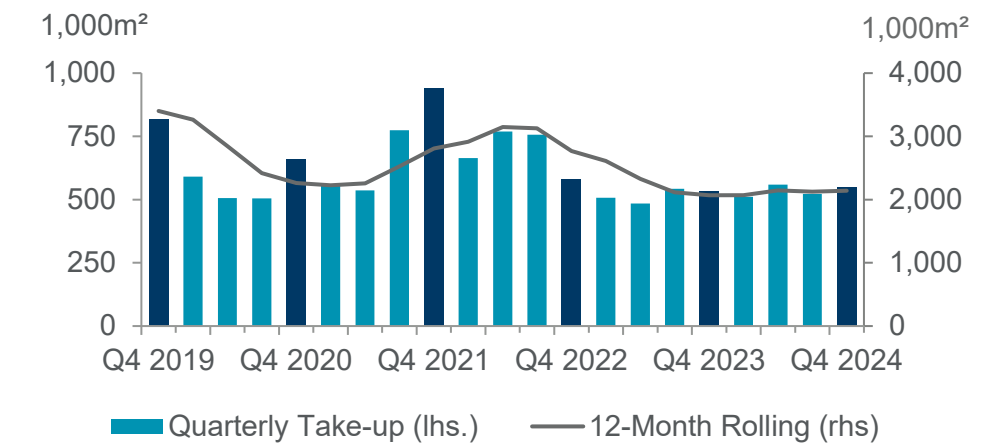
OFFICE LETTING MARKET SLIGHTLY ABOVE PREVIOUS YEAR

Around 2.14 million m² of office space was taken up in the top 5 office markets in 2024. This is 4% above the previous year's figure, but 18% below the 5-year average. The office lettings market is caught between a poor economic situation and a structural shift in demand in the wake of hybrid office solutions. Strong differences can be observed in the individual markets with regard to the increase or decrease in letting performance. Düsseldorf (-15%), Hamburg (-5%) and Frankfurt (-3%) fell short of the respective previous year's results. This is due in particular to a decline in the number of deals for 5,000m² or more. Munich (+29%) and Berlin (+2%) achieved growth in take-up due to a higher number of deals of 10,000m² or more. In 2024, the number of deals remained stable compared to the previous year at around 2,600. Looking at the size categories, there was an increase in deals of 10,000m² and above. A total of 23 such deals were concluded (previous year: twelve), of which eight were in Berlin, seven in Munich, six in Hamburg and two in Frankfurt. At around 26,000m², the largest deal in Q4 2024 is the owner-occupier purchase of the HCOB headquarters on Gerhart-Hauptmann-Platz by the City of Hamburg.

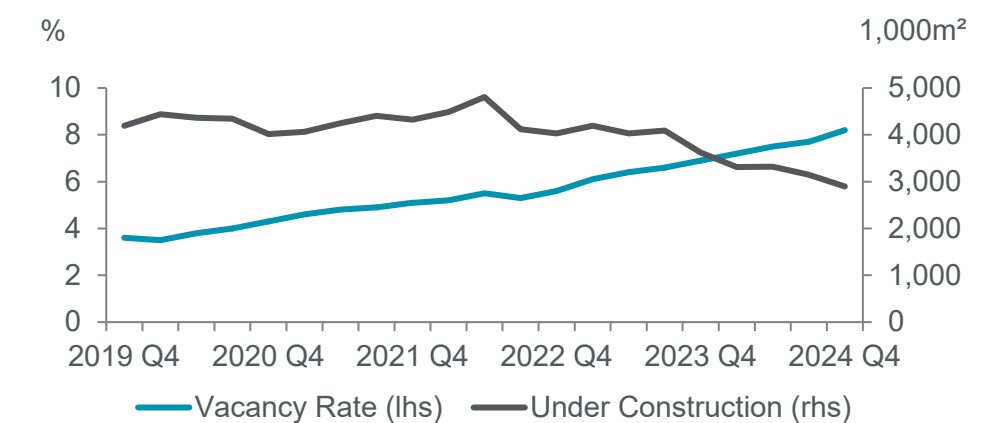
VACANCY INCREASES FURTHER - CONSTRUCTION VOLUME FALLS

The office vacancy in the top 5 markets stood at 6.44 million m² at the end of the 4th quarter of 2024. This corresponds to a vacancy rate of 8.2% and is 1.3 percentage points higher than twelve months ago. Among the top 5 markets, Hamburg still has the lowest vacancy rate at 5.5%, while Düsseldorf has the highest at 10.5%. A total of around 1.2 million m² of office space was completed in the four quarters of 2024. 60% of this was let or occupied by owner-occupiers at the time of completion. Berlin accounted for by far the largest volume of completions with 650,000m². Munich ranks second with 234,000m². The construction volume of office space has been falling continuously for several quarters and has reached its lowest level since summer 2018.

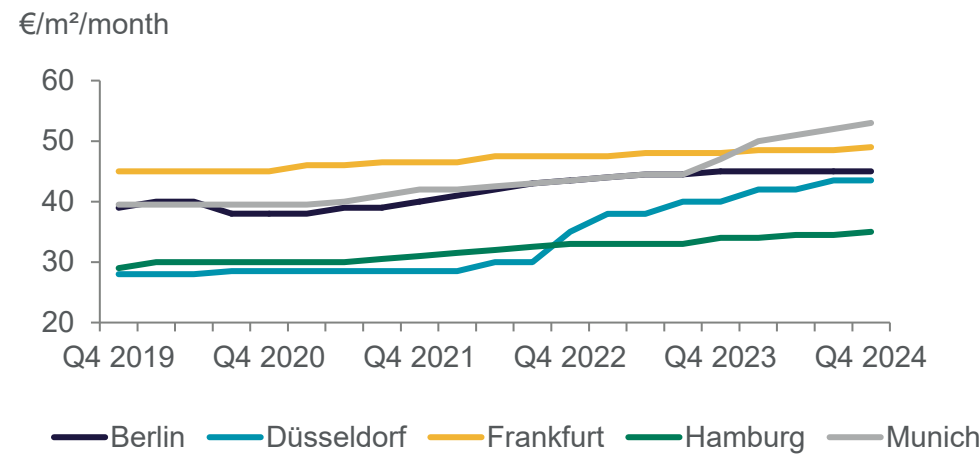
TAKE-UP



VACANCY / UNDER CONSTRUCTION



PRIME RENTS



RENTS CONTINUE TO RISE

Apart from a period of stability in the first year of Covid-19, prime rents have risen continuously over the last ten years. On average, prime rents in the top 5 markets have risen by 5.2%. The strongest increase was in Munich (12.8% or €6.00/m²/month) to €53.00. In Düsseldorf, the increase over the course of the year amounted to €3.50 (8.8%). Average rents continue to show a mixed picture of growth (Frankfurt +€2.45, Munich +€1.25), stability (Hamburg and Berlin) and decline (Düsseldorf -€1.30). The average increase in average rents in the top 5 markets was 1.4% compared to the same quarter of the previous year.

OUTLOOK

- Take-up is expected to reach 2.3 million m² in 2025 - up 8% on 2024. The economic slowdown and space reductions will continue to influence the market.
- The vacancy rate is expected to rise to around 8.8% by the end of 2025.
- Around 1.4 million m² of new office space will be completed in 2025. In the following year, the figure is expected to fall further and will no longer reach the 1 million m² mark
- In 2025, prime rents will grow by an average of 1.3 %. This will therefore not be as strong as in 2024. Translated with DeepL.com (free version)

SELECTED TAKE-UP TRANSACTIONS Q4 2024

Property	Address	Market	Submarket	Tenant	m ²	Type
	Gerhart-Hauptmann-Platz 50	Hamburg	Inner City	City of Hamburg	25,600	Owner-occupier
Arne Jacobsen Haus	Überseering 12	Hamburg	City North	Bezirksamt Hamburg-Nord	24,100	Pre-let
Hackesches Quartier	Henriette-Herz-Platz 3-4 / An der Spandauer Brücke 10	Berlin	Hackescher Markt – Alexanderplatz	Deloitte	20,300	New lease
LAB CAMPUS	Nordallee (Flughafen)	Munich	Periphery North	Technische Universität München	19,300	Pre-let
Der Bogen	Prinzregentenstraße 159 a-d	Munich	Inner City East	Capgemini Deutschland	13,600	New lease

MARKET STATISTICS

Market	Stock (m ²)	Vacancy (m ²)	Vacancy Rate (%)	Take-up YTD (m ²)	Completions YTD (m ²)	Under Construction (m ²)	Prime Rent* (€/m ² /month)	Average Rent** (€/m ² /month)	Prime Yield* (%)
Berlin	21,309,300	1,871,300	8.8	546,400	559,400	1,132,700	45.00	29.15	4.80
Düsseldorf	9,410,700	989,200	10.5	222,900	109,300	394,000	43.50	19.00	5.10
Frankfurt	11,774,800	1,201,000	10.2	351,000	178,900	364,500	49.00	26.10	4.90
Hamburg	14,126,200	776,300	5.5	416,000	148,000	422,600	35.00	21.20	4.90
Munich	21,741,000	1,604,500	7.4	605,200	233,700	583,800	53.00	25.20	4.60
Total	78,362,000	6,442,300	8.2	2,141,500	1,229,300	2,897,600	-	-	4.86

* Rental /Yields rates reflect achievable values

** Weighted average (12 months)

EXPLANATION OF TERMS

Take-up: Office space that has been newly let, acquired by owner-occupiers or whose construction has been started for owner-occupation. This also includes subleases, interim leases and expansions. However, extensions do not count.

Vacancies: Office space that is unused on the reporting date, ready for marketing and available for occupation at short notice. This also includes sublet space offered on the market by a main tenant for a sublease with third parties.

Vacancy rate: Share of vacancies as percentage of total office stock.

Completions: Newly built or completely refurbished office space that was ready for occupation in the period under review or is ready for occupation in the short term. Space for which the tenant fit-out only begins once the tenant has been confirmed is considered completed.

Space under construction: Space in all new construction and core refurbishment projects that are in the development phase. This begins with the laying of the foundations.

Prime rent: The sustainably achievable prime rent is the nominal rent that can be expected for a high-quality space of at least 500 m² in the best submarket at the end of the period under review.

Average rent: Space-weighted average rent of all new lettings in the past twelve months.

Prime yield: Net initial yield for a property in a prime location and of the best quality that can be achieved at the end of the period under review. It is based on the market assessment of local experts and recent transactions.

TOP 5 MARKETS**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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