

# Office Market Report 2021



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## INTRODUCTION

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# The office market of the future

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The office market is and remains one of the most exciting and important markets in Austria. Nevertheless, the pandemic has also brought some challenges to this asset class and is driving change in the working environment even faster. The way we will work today and in the future and the associated priorities are changing. Working from home and remote working are playing an increasingly important role and these trends are not going away. We observe that many companies are currently looking at their future direction and evaluating both their space strategies and ways of working.

Of course, this will also have an impact on the rental market. 2021 will be the weakest year in Vienna since records began. Reasons for that are slow location decisions paired with a low vacancy rate and a low completion rate.

Other markets such as Graz and Linz are also gaining more and more of a dynamic. These are not yet as institutionally positioned as Vienna, but the current trends will gradually take hold here as well, resulting in a change in the structure of the existing markets.

The demand from investors, especially for core office properties, remains high. However, the focus is no longer only on criteria such as a good location and tenant structure with a corresponding remaining lease term, but sustainability aspects also play a major role in the purchase of new properties. As supply is currently limited, investment in office space has lost some of its momentum.

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# Office Occupier Sentiment Survey 2021



## OFFICE OCCUPIER SENTIMENT SURVEY 2021

# What will the future of work look like?

**What do office users think about remote working? What does their future space strategy look like and are all locations even open again yet? CBRE addressed these and other questions in this year's EMEA Office Occupier Sentiment Survey.**

## Offices are filling up again

Access to offices remains limited, but companies are making considerable efforts to facilitate a more comprehensive return. Most of them strive for a return to normal before the end of the year.

## Framework conditions for hybrid working still uncertain

Most companies and almost 80% of larger companies tend towards some form of hybrid working model. The exact results may depend on the decision-making processes and the extent of employee influence.

## The role of the office is changing

With very few companies aiming for a full remote solution, working in the office remains an important element. One third of the companies expect to expand their portfolio in the next three years.

## New working concepts accelerate the growth of flex-space markets

Companies' interest in flexible space will increase, partly to compensate for fluctuations in demand, but also to offer employees a wider choice of working environment.

## Focus on collaboration, interaction and culture

A higher proportion of office space is used for teamwork. Companies are willing to work with pilot projects in selected locations as a start.



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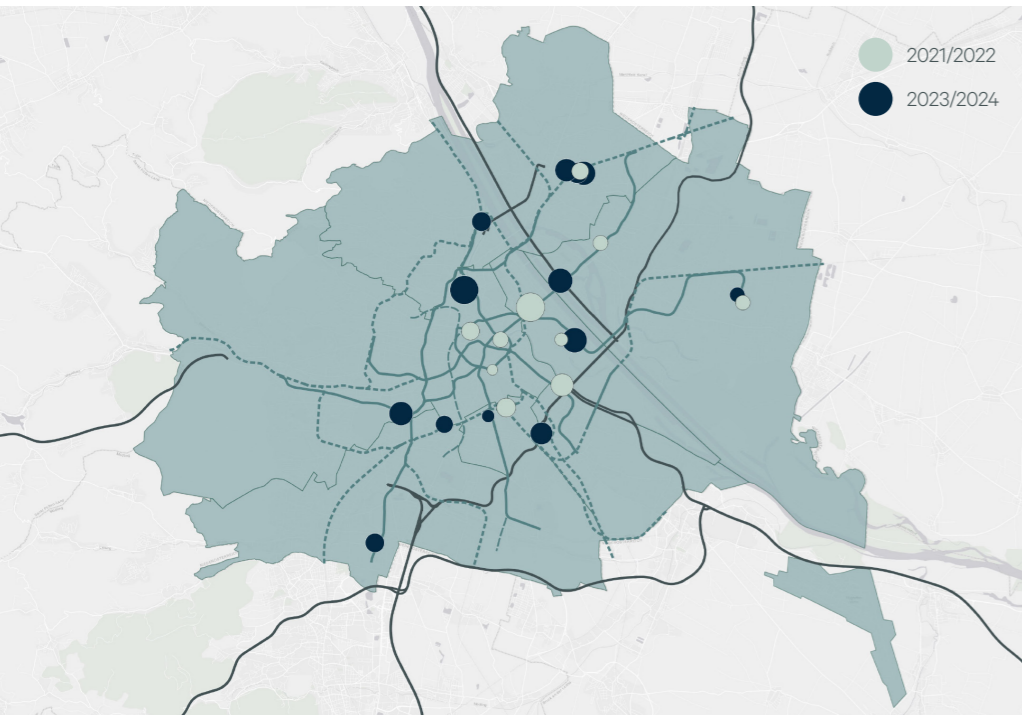
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# Office Market Vienna



OFFICE MARKET VIENNA

# Easing in the office market from 2023



**STOCK**  
11.37 million sq m

**PIPELINE**  
440,000 sq m  
until 2024

**TAKE-UP**  
105,000 m<sup>2</sup>  
(Q1 – Q3 2021)

**VACANCY**  
4.3%

**VACANCY A**  
4.7%

**VACANCY B**  
2.4%

**PRIME RENT**  
€ 26.00/sq m/month

**AVERAGE RENT**  
€ 14.00/sq m/month



## Stock & Pipeline

The office stock in Vienna comprises a total of approximately 11.4 m sq m. Around 5.8 m sq m correspond to buildings within classes A and B and consequently comprises of modern stock. Vienna's CBD is still the largest submarket with a stock of around 4.9 m sq m.

In 2021 and 2022, the completion rate in Vienna will be below average at around 73,000 sq m and 111,000 sq m respectively. The high level of pre-letting of these projects means that the already tight situation on the office market will continue for the time being. The market is expected to ease from 2023 onwards, as the pipeline until 2024 is well filled. A total of around 260,000 sq m will come onto the market in these two years.

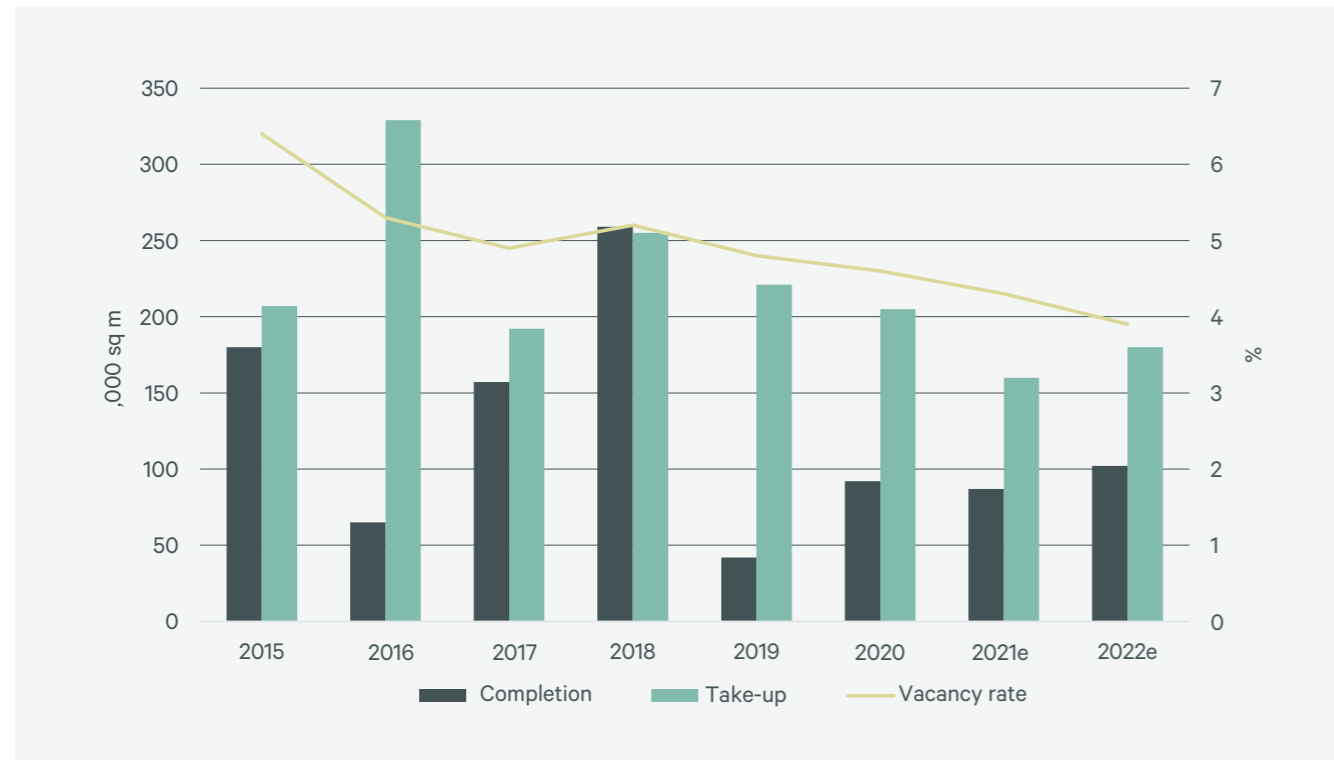
**Low vacancy rates as well as a low completion rate make the Viennese office market an absolute landlord's market. This development results in rising rents and fewer incentives granted to tenants when renting space.**

### Take-up

The take-up in Vienna in the first three quarters of 2021 was approx. 105,000 sq m, which is around 30% lower than in the same period of the previous year. Overall, with a take-up of only approx. 160,000 sq m, we expect 2021 to be the weakest year since records began. The reasons for this are, for example, the low availability of space, which is further aggravated by the persistently low completion performance, and the already low vacancy rate, which will decline in parallel to a historic low of 4.3% by the end of the year.

Larger requests for space can currently only be met to a limited extent. This is partly remedied by capacities created through the provision of sublet space.

In order to be able to meet the demand for modern space in good inner-city locations in the future, the redevelopment and refurbishment of existing buildings must be further focused. The available urban space is limited, and the additional creation of new areas will become even more difficult in the future within the framework of the EU taxonomy and the accompanying ecological regulations.



### Rental development

Landlords of office space in Vienna are currently in a relatively comfortable position. The shortage of space is causing rents to rise and incentive-rates to fall.

Due to current market conditions a rise in market prices was registered in Vienna's CBD and in good locations such as Donau City and Prater over the course of the year. The prime rent is currently around € 26.00/sq m/month.



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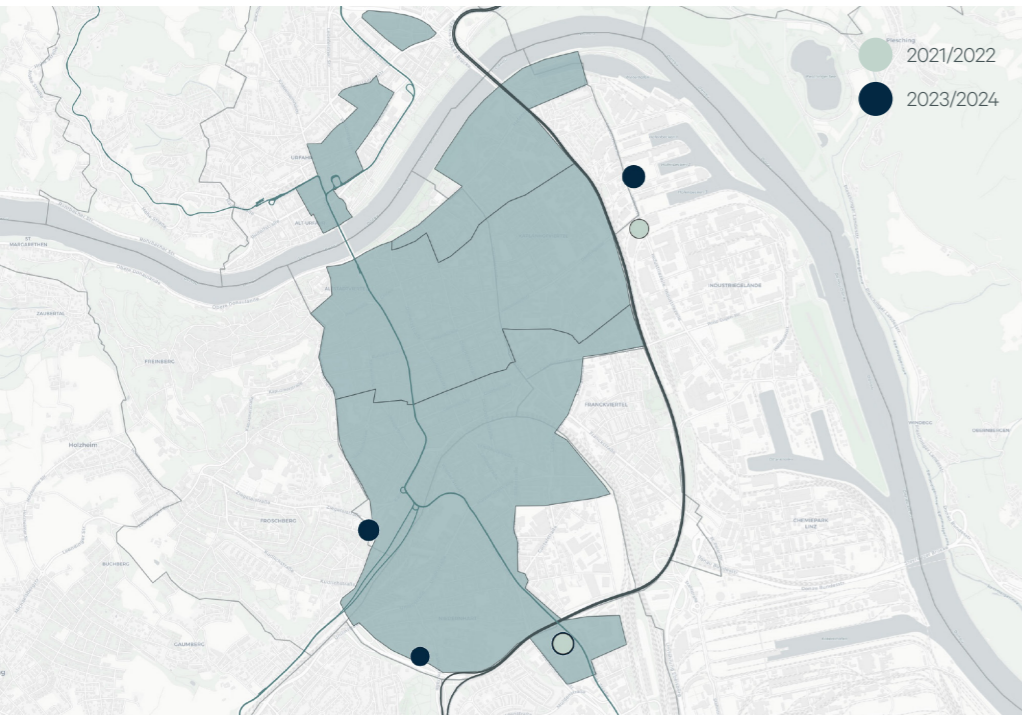
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# Office Market Linz



OFFICE MARKET LINZ

# The office market in Linz is growing



**STOCK**  
660,000 sq m

**PIPELINE**  
70,000 sq m  
until 2024

**PRIME RENT**  
€ 14.50/sq m/month

**AVERAGE RENT**  
€ 9.00 – 12.00/sq m/month

## Stock & Pipeline

The office stock in the submarkets of Linz defined by CBRE – Urfahr, Donaulände, Innenstadt and Bahnhof – remains at around 660,000 sq m. Around two thirds of the stock is located in the submarkets Bahnhof and Innenstadt. The submarkets Donaulände and Urfahr have approx. 17% and 15% of the office space, respectively.

Accordingly, no completions have taken place in or near the area surveyed by CBRE since the initial stock survey in the fall of 2020. However, this will change in the upcoming years. A total of approx. 70,000 sq m of new office space is to be built in Linz by 2024. Except for the project Techbase, which will be completed in two phases and the project



The Office on the Hanuschstrasse, the majority of these projects are located on the periphery of the submarkets recorded to date. The office market is consequently expanding beyond the most important office centres. A prominent example is, among others, the new development of the Hafenportal with approx. 18,000 sq m of office space, which is being built as part of the Neuland project at Linz harbour.

## Rental development

The rent level in Linz has remained stable compared to the previous year. The prime rent for office space in very good locations is € 14.50/sq m/month. Average rents between € 9.00 and € 12.00/sq m/month continue to be achieved here. The increasing demand for modern office space is also causing prime rents to rise in Linz. Sharply rising construction costs and the recent higher inflation rates are also being passed on by developers in terms of increased rents accordingly.

**Office-based employment in the region Linz-Wels is developing in parallel with the planned completion rate. An increase of approx. 5% is forecast until 2024, which corresponds to a space requirement of approx. 70,000 sq m.**

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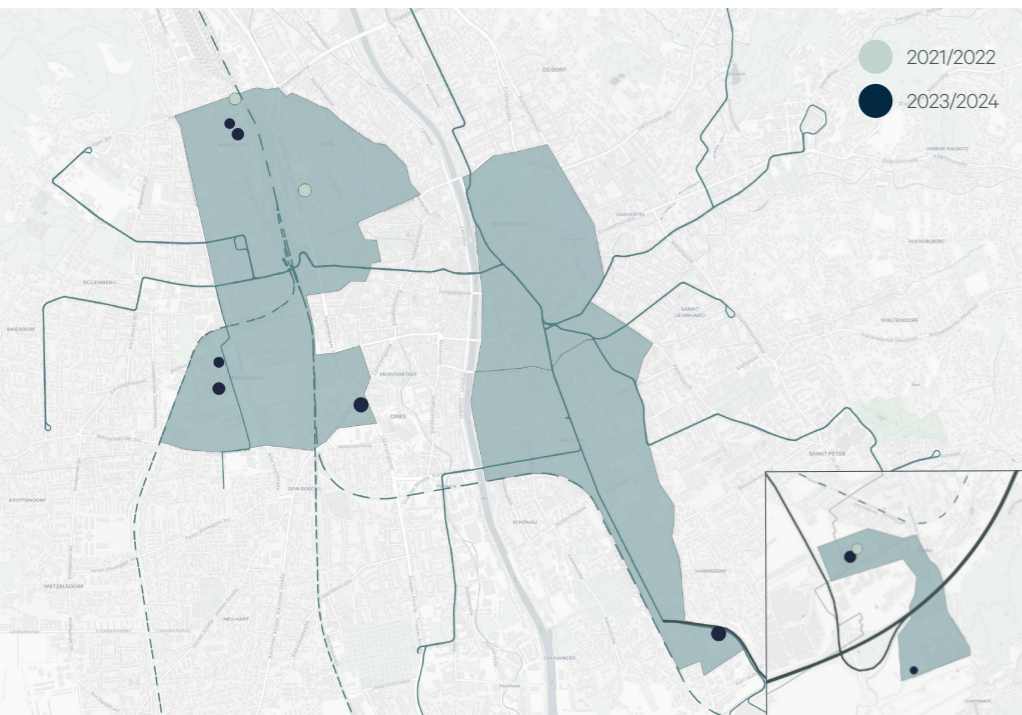
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# Office Market Graz



OFFICE MARKET GRAZ

# The small-scale nature of Graz is equalizing



**STOCK**  
510,000 sq m

**PIPELINE**  
91,000 sq m  
bis 2024

**PRIME RENT**  
€ 16.50/sq m/month

**AVERAGE RENT**  
€ 11.00 – 13.50/sq m/month

## Stock & Pipeline

After a revision of the submarkets we defined and an expansion of the Raaba-Grambach office location, the total stock in Graz currently amounts to approx. 510,000 sq m. The submarket Upcoming is still the largest submarket with a share of 30%. The city centre and Raaba-Grambach account for approx. 27% and 25% respectively.

Around 18% of the office space is located in Jakomini-Liebenau. The office market in Graz has a relatively small-scale structure and in the past the production of new space was comparatively low. The only project completed in 2021 is the new construction phase of Techno Park Raaba. However, approx. 91,000 sq m of new office space will be



completed by 2024, which will primarily give larger companies the opportunity to consolidate their offices and employees in one place. The majority of the projects, such as the Smart Tower with approx. 6,000 sq m, are located in the submarket Upcoming around the urban development areas Smart City Graz and Reininghaus Gründe. More space is also being added in Raaba-Grambach.

## Office-based employment

Office-based employment in Graz will grow by approx. 5% by 2024. This corresponds to an additional space requirement of approx. 61,000 sq m. The construction of new space will enable a restructuring of the existing market. Larger, contiguous modern spaces will be created offering greater flexibility to occupiers. To avoid vacancies, the largely small-scale stock areas could gradually be converted into residential space.

**Rents have remained stable compared to the previous year. The prime rent is still around € 16.50/sq m/month. On average, rents of € 11.00 – € 13.50/sq m/month are being achieved.**

# IS YOUR OFFICE GETTING OLD?

Be smart,  
work smart.  
Relocate to a  
new office in the  
Smart Tower  
Graz.

If your employees would rather work at home because the technology and furniture in their children's rooms are better and nicer than at your office, then it's about time to find a new office. For example, in the new Smart Tower Graz.

Secure space now and move in in 2022! More Infos:  
CBRE, T 01/533 40 80 33 or [officevienna@cbre.com](mailto:officevienna@cbre.com)

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# Investment Market

INVESTMENT MARKET

# Less office investments in 2021

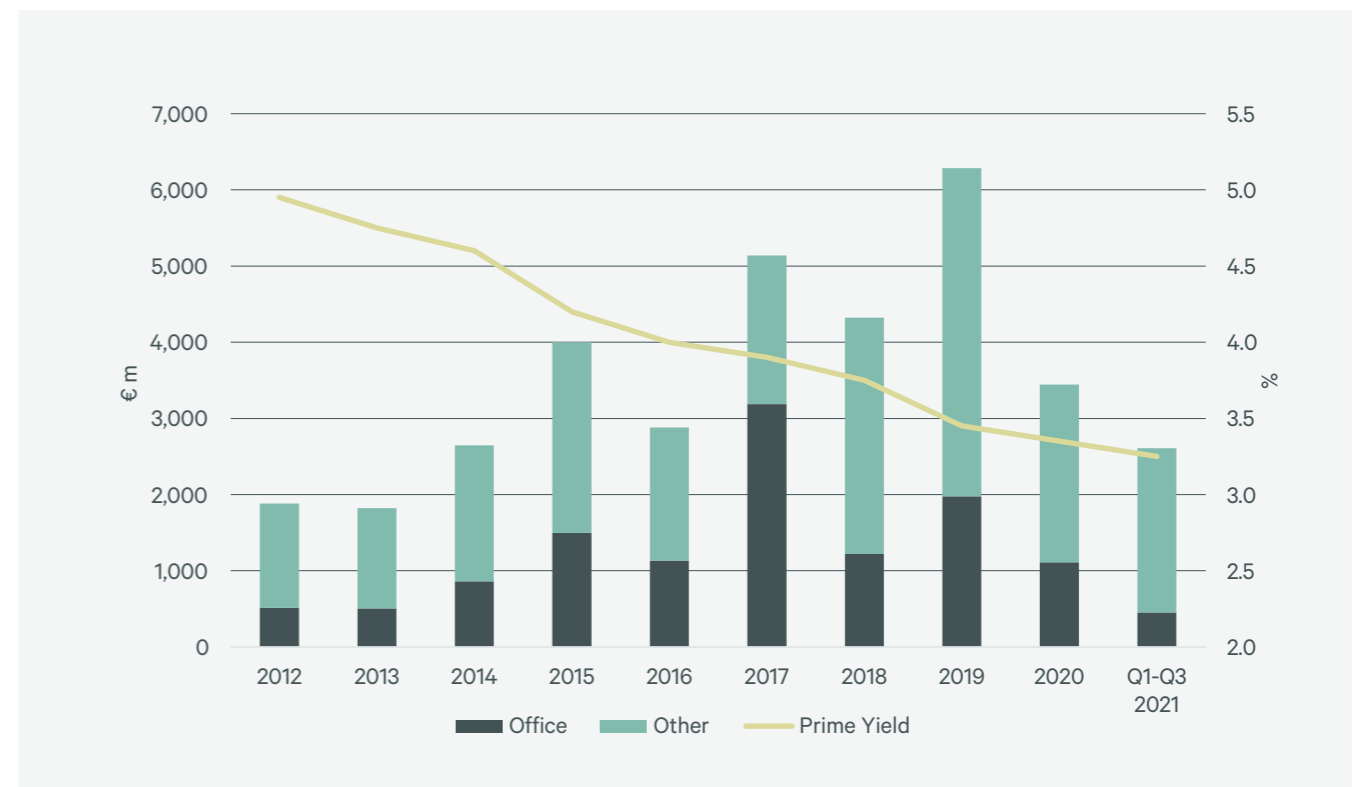
**So far, the Austrian investment market has been developing in line with our expectations. Overall, we are seeing a return to stronger investment activity in 2021 – but the share of offices is declining.**

In general, the office sector is the most important asset class in terms of investment volume and accounts for a large proportion of the total transaction volume. The long-term average is approx. 35%. This year, the situation is somewhat different. In the first three quarters of 2021, around € 450 m was invested in Austrian office properties, which corresponds to a share of around 17%.

However, the comparatively low result is not due to a decline in demand from investors, but rather to the very limited supply currently available on the Austrian market. Office properties, especially core properties in good locations, continue to attract very high investor interest and are among the drivers alongside residential and logistics.

As in the case of leasing performance, the low completion performance in Vienna also has a direct impact on the investment market. Currently, only a few new office buildings are being completed and the majority of projects to be completed up to and including 2022 have already been sold to end investors.

From today's perspective, the office investment market will remain challenging in the coming months. There is plenty of capital in the market and investors are under a certain amount of investment pressure. Combined with the limited supply, yields will continue to decline. By the end of 2021, we expect a prime yield of around 3.2%, which equals a historic low. Incidentally, falling yields can not only be seen in Austria, but in all European investment markets.



FUTURE OF WORK

# Realizing potential in spaces

**We know offices, office equipment, office design and employee needs like no one else. And that's true all over the world. Why?**

Quite simply because our consultants, project managers, architects and workplace strategists are constantly sharing knowledge with each other. Both locally and worldwide. CBRE's own global research provides the latest findings based on representative surveys and analysis of relevant facts and data. Which enables CBRE to identify and evaluate trends early on and be proactive for our clients.

**Do you want to rent out your office space?**

Then talk to the CBRE Office Agency team. We will fill your office building with national and international companies. To do so, we will use our global network, our expertise in commercial real estate and our in-depth research data. On request, our full-service in-house agency can assist you with marketing.

**Are you looking for new office space?**

Our real estate consultants know the current and future office market and are guaranteed to find the optimal office space for you. On top of this, our experts will see you through to the signing of the lease agreement with all-inclusive services and additional services such as the space planning tool, Floored Plans.

**Are you moving? Do you want to redesign your office?**

CBRE Building Consultancy project managers and architects are looking forward to working with you on your project. They will take care of the organizational and structural challenges and develop an individual design for your new office based on a customized workplace strategy.



500 Offices	Dallas Headquarter
100+ Countries	90+ Fortune 100 Clients
100,000 Employees	

CBRE is the world leader in commercial real estate services and investments.

**CBRE**



# Realizing potential in Graz

Graz is on the move. Even without CBRE. But wherever dynamic, future-oriented urban development is happening, we're there on the spot. With the opening of our office in Graz in 2021, we can be even closer to the action and accompany you throughout the entire life cycle of your property.

No matter what you need and when you need it, we'll be there to support you. With strategic, technical and commercial consultants for every size and type of transaction. With appraisers and property managers. With architects, project managers and building services specialists. But above all, with a passion for real estate and a focus on personalized advice and consulting.

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