BNP Paribas Real Estate: European office take-up falls in Q4 2011

The take-up of office space in the main office markets in Western Europe dropped slightly in Q4 2011 on a rolling year basis compared to Q3 2011, according to the latest research by BNP Paribas Real Estate.

The leading international property adviser’s Q4 market report shows the greatest level of activity was in the German cities of Frankfurt, Berlin, Munich and Hamburg, which recorded strong demand for offices in the year’s final quarter as throughout the year. The average vacancy rate of the nine major markets recorded a third consecutive fall in Q4 2011.

Following the exceptional result in 2010, take-up in Central London fell by 34%, but the 1 million sq m of office space taken up corresponds to the average take-up of the past ten years.

Prime rents for the nine primary cities studied came close to stabilising in the second half of the year with the exception of Brussels where prime rents seem to be falling in a context of weak market fundamentals. Yields for prime offices remained stable in the past two quarters, with the exception of Milan where rising yields reflect the increasing risks in the Italian market.

Andrew Cruickshank, international investment director at BNP Paribas Real Estate, says: “Economic conditions deteriorated in the Euro area during the last quarter of 2011 and many expect that the Euro area is expected to enter a short period of recession which may last through the first half of 2012.”
“We expect the German market to remain the strongest in the Euro area while Italy and Spain seem to be heading back into recession. In the labour market, the Euro area unemployment rate is expected to rise further during 2012 and is likely to impact on office demand.

“Despite the ongoing tensions in financial markets, office investment volume held up relatively well in Q4 2011 with significant rises in German cities and in Central Paris, where a large number of deals characterised the market.