



OFFICE MARKET REPORT
VIENNA

Autumn / Winter

2018

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SPECIALISTS

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supports you in all questions concerning commercial real estate - on a national as well as on international levels. The focus is clear: customer-oriented solutions that lead to targeted and integrated profits.

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Modesta Real Estate is the specialist in the search for investment properties, office, logistics, industrial or commercial properties in Austria and the CEE region as well as for the subsequent location analyses and contract negotiations. Modesta Real Estate also offers professional consulting and valuations, corporate real estate services and the implementation of highly-efficient marketing strategies for existing properties. With their expertise, they help clients to make the right decisions in real estate-specific issues.

Modesta Real Estate's network extends from locations in Vienna and Bratislava throughout Austria to the entire CEE region and includes European and American investment companies and private investors.

A young, dynamic team is specially trained in the commercial real estate sector and thus guarantees professional real estate consulting at the highest level.

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ORIENTED SOLUTIONS

OFFICE MARKET VIENNA | OVERVIEW

Rental prices

Prime rents	26.00 €	↓
Rents in good locations	13.50 € - 17.00 €	↑
Rents in peripheral locations	11.00 € - 13.50 €	↑

Leased office space230,000 m²**Vacancy rate**

5.3 %

**Office space supply**

Existing space	11.06 mil. m ²	↔
New space development	260,000 m ²	↑

Investment

Investment volume 2018	3.00 bn. EUR	↓
Prime yields	3.75 %	↓
Yields in Class B locations	4.5 %	↓
Yields for logistics space	5.5 % - 8.5 %	↓

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OVERALL ECONOMIC SITUATION

The strongest economic growth in six years with an increase of 2.6 percent was already recorded in 2017. Economic output will continue to thrive this year and GDP will increase by a further 3 percent (according to WIFO – the Austrian Institute of Economic Research). In an international comparison, the Austrian economy has so far shown itself to be surprisingly robust. The decline in foreign trade activity in important eurozone countries has been weighing on the economy since the beginning of the year. In Austria, as well, growth seems to have peaked, but the momentum has lost only little of its energy. World trade is currently being overshadowed by major problems: Currency crises in some emerging markets, the US trade policy strategy and the so far inconclusive search for a regulation to allow the United Kingdom to withdraw from the EU in 2019. A slowdown in export growth is therefore also to be expected in Austria in 2019. This will dampen some companies' willingness to invest. The economy will continue to be supported by private household consumption, but this will not fully compensate for the demand decline in foreign trade. Economic growth in Austria will likely slow down to 2 percent.

The number of unemployed registered with the AMS (Public Employment Service Austria) continues to reduce (annual average in 2018 was 28,000). The labour market continues to benefit from the good economic situation and 88,000 new jobs will be available in 2018 – an increase of 2.5 percent. Although the monthly figures indicate an end to the decline as early as the summer, this is due to a decrease in training activities. This positive development will continue until about the end of the year. In 2019 the decline in unemployment will continue but will be somewhat less significant than in 2018. The **unemployment rate** will fall to 7.3 percent by 2019.

The **inflation rate** will remain static at 2.1 percent in 2018, despite a strong economy. This figure is only slightly above the ECB's target for the eurozone as a whole (just under 2 percent). The rise in energy prices in particular is driving up consumer prices this year. Inflation is expected to remain at 2.1 percent in 2019.

At the end of 2018, the government debt is expected to amount to around € 288.5 billion and to fall to around € 285.7 billion by the end of 2019. With GDP forecast to reach around € 387.3 billion in 2018 and around € 402.8 billion in 2019, the overall national **debt ratio** will be 74.5 percent at the end of 2018 and 70.9 percent at the end of 2019 (according to the Austrian Federal Ministry of Finance).

CO-WORKING SPACES

Co-Working Spaces are spaces in large office complexes where not only work but also networking is the order of the day. Long regarded as a temporary trend, this model has now established itself in the new world of business, including the Vienna market. One of the reasons for this is that not only the self-employed benefit from co-working spaces, but more and more large companies are discovering the model for themselves. This brings an exciting new stimulus to the Viennese office market.

Flexibility, collaboration, sustainability

In the design of Co-Working Spaces, open spaces play an important role in addition to **flexible structures** with open space concepts, creative spaces and generous communication areas. This particularly promotes the network concept behind Co-Working Spaces.

In everyday working life in a Co-Working Space, it is quite common for complete strangers to meet in the offices, talk and suddenly begin working on a **joint project**. Being able to rely on the strengths of the other co-workers and having the opportunity to benefit from their abilities also plays an important role.

Working in the Co-Working Space **conserves resources** and is therefore **sustainable**. Most offices are equipped with a variety of electronic devices such as beamers, printers, telephones, etc. that can be used by everyone. This not only reduces the costs for each individual but is also good for the environment.

Co-Working Spaces are ideally located in an area that is very easy to reach thanks to a welldeveloped infrastructure. In addition, many office complexes attach importance to barrier-free accessibility. In general terms, co-working should be accessible to everyone by creating as few hurdles as possible. Developers often design part of the usable space as Co-Working Spaces already during the planning phase. In the ORBI Tower, for example, 4,000 m² were specifically designated for co-working. In terms of price, there is no difference to classic office spaces. Project developers thus generate an additional benefit for their usual tenants, who can also use the Co-Working Space for short-term additional requirements or rent the creative zones that are often missing in traditional office structures on a project-by-project basis.



OFFICE LOCATIONS

Inner city and outskirts (CBD)

Vienna's historic city center remains the number one office location and is one of the most representative addresses in Austria. The majority of office space can be found in high-quality renovated old buildings, which are mostly used for office, residential and commercial purposes.

The strict monument conservation laws in the inner city hardly permit new construction, so that existing buildings are modernized at the highest level and equipped to a high standard.

	Property	Available Space	Description
	Alte Post	8,700 m ²	<ul style="list-style-type: none"> • Flexible usage • Offices with all-round service • Innovative design • Excellent infrastructure
	Georg-Coch-Platz 2 – Post Building	4,200 m ²	<ul style="list-style-type: none"> • Famous Jugendstil building • Excellent inner-city location • Potential for development • Good transport links (U3, U4, trams, train station Wien Mitte)
	Goldenes Quartier Office	1,300 m ²	<ul style="list-style-type: none"> • Office building in a prominent location • Modern and high-quality facilities • Best infrastructure and links to public transport (U1, U3)

Inner districts

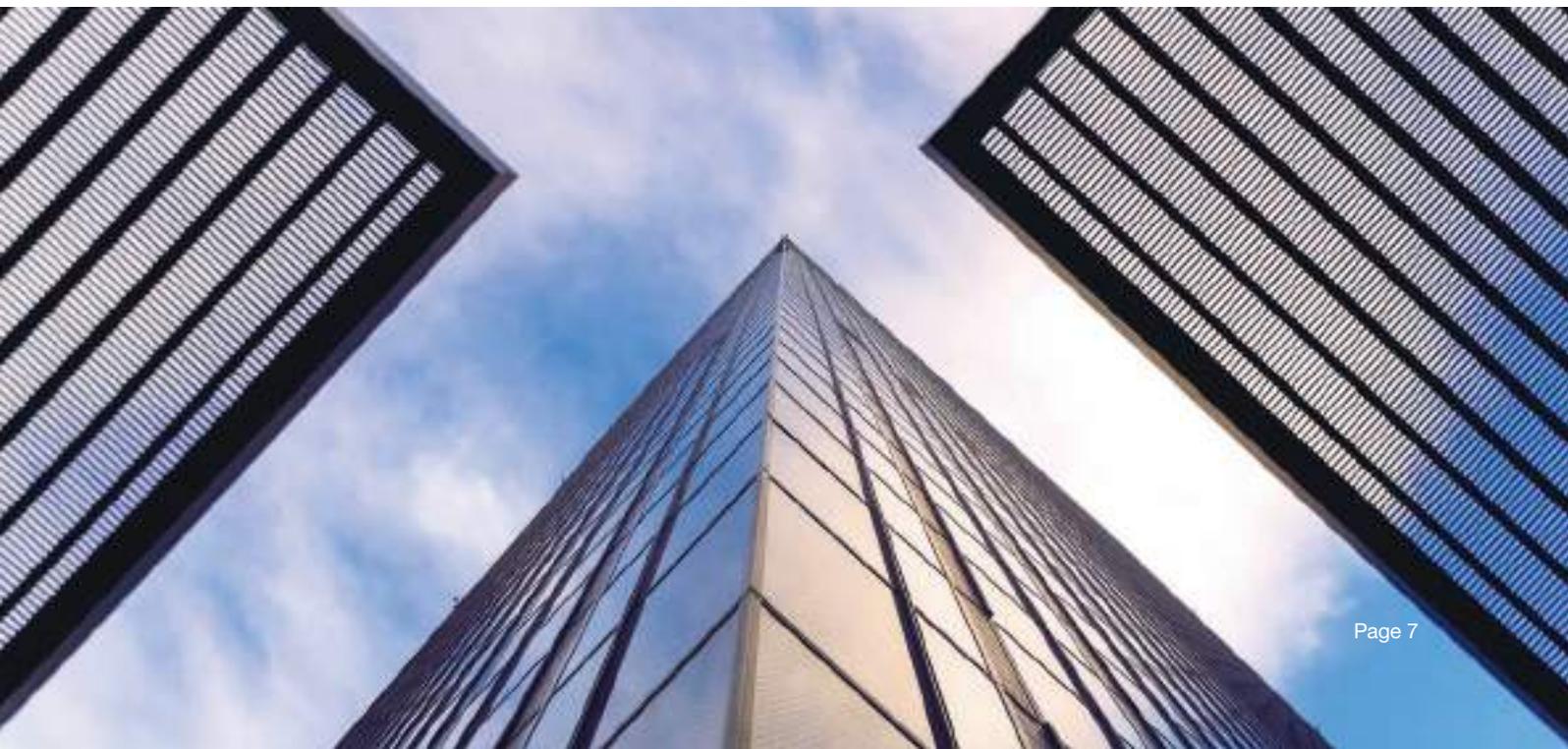
The inner districts of Vienna (2nd to 9th districts) extend from the Ring around the inner city to the Gürtel and are not to be regarded as a directly-connected office space market. Nevertheless, the office buildings continue to serve as an important office location, especially for smaller companies and start-ups. Renovations of old buildings are particularly noticeable at the beginning of Mariahilfer Strasse near the Museumsquartier and at the Rennweg.

	Property	Available Space	Description
	myhive Ungargasse 37	7,000 m ²	<ul style="list-style-type: none"> • Flexible office design • Excellent transportation connections • Versatile location • Co-Working Spaces

Hauptbahnhof (central station) / Quartier Belvedere

The area around Vienna’s new central station is the largest construction site in Austria. The core of the office parks is the triangle Wiedner Gürtel - Arsenalstraße – Hauptbahnhof, where hotels as well as office and retail spaces are being constructed until 2020. Plans call for 550,000 m² of total floor area intended for commercial premises, creating more than 20,000 jobs. Building components 1 and 2 in the QBC will add a further 49,000 m² of office space to the existing area by 2020.

	Property	Available Space	Description
	HBF 1	3,700 m²	<ul style="list-style-type: none"> • Directly at the new central station • Modern architecture • Best transportation links
	QBC Building Phase 1-2	31,100 m²	<ul style="list-style-type: none"> • High-quality facilities and flexible floor planning • Directly at Quartier Belvedere • Completion 2020
	The ICON Vienna	30,600 m²	<ul style="list-style-type: none"> • Directly at the central station • Perfect transportation connections (underground, trams, buses, local and longdistance trains) • Flexible office spaces



North-East (Donau City - Prater - Lassallestraße - Dresdner Spange)

The North-East submarket extends from Praterstern via Lassallestraße and Messe Wien to Donau City and Dresdner Spange. Due to the excellent underground connections and its proximity to the city center, the submarket North-East has grown in recent years to become one of the most important office locations outside the inner districts. Above all, the redesign of the area around the Praterstern and the station located there has upgraded that part of town. Several large companies such as Unicredit Bank Austria have already settled in Lassallestraße. Furthermore, numerous new office spaces are also being developed in the vicinity of the Messezentrum, which borders on the Prater, Vienna's largest centrally-located green recreation area.

	Property	Available Space	Description
	Messecarre Wien Nord	900 m ²	<ul style="list-style-type: none"> • Mixed usage • Customized offices spaces available • Ideal connections (U2, tram, train and bus)
	Austria Campus	49,400 m ²	<ul style="list-style-type: none"> • Perfect connections (U1, U2, buses and trams) • Close to city center • Large green areas
	Denk Drei	520 m ²	<ul style="list-style-type: none"> • New development at the Prater near the trotting racetrack • Modern architecture and best facilities • U2 station Krieau

Süd-Ost (Erdberg-Gasometer)

In the Neu Marx, Erdberg and Gasometer areas, along the underground line U3, an attractive office location has developed in recent years. Many companies are especially attracted to the new buildings with modern equipment and efficiently-designed floor plans. The South-East location also offers an excellent connection to the transportation networks since the Südosttangente motorway A23 or the airport motorway A4 can be reached within a few minutes.

	Property	Available Space	Description
	Erdbergstraße 200	6,000 m ²	<ul style="list-style-type: none"> • Gastronomy facility with service • Roofed green courtyard • Private underground garage • Directly near the U3
	MGC Office Park	2,550 m ²	<ul style="list-style-type: none"> • Flexible floor planning • Facility Management, Business Center, Post service, Café • "Blue Building" • U3, 71 tram, 72A bus

	Property	Available Space	Description
	OBI Zentrale	3,900 m ²	<ul style="list-style-type: none"> • Modern office space • High-quality facilities and technology • 100 m² terrace • Close to the Südosttangente A23, and the U3 (St. Marx)

Region South (Wienerberg)

Since the beginning of the 1990s, the South submarket around the Wienerberg has developed into a relevant office location. In addition to the office towers, a shopping and entertainment center as well as numerous residential projects have emerged here.

In 2019 the extension of the Inno-center Meidling (INNO PLAZA) in the immediate vicinity of the EURO PLAZA with 10,900 m² of usable space is expected to be completed. Furthermore, the construction of the "The Brick" project has begun this year. The forecast completion date is 2019 that will create a further 25,040 m² of usable space.

	Property	Available Space	Description
	Business Park Vienna	12,650 m ²	<ul style="list-style-type: none"> • Close proximity to the A2-Südbahn • Very green and bright • First multi-functional center in Vienna • Shuttle bus to the U6
	Euro Plaza, BT 6	12,700 m ²	<ul style="list-style-type: none"> • Flexible office sharing and modern features • Conference rooms for rent • Good infrastructure close to the Südosttangente motorway A23
	myhive Twin Towers	6,000 m ²	<ul style="list-style-type: none"> • Full infrastructure • Excellent transportation connections (A2, A21) • 24h shuttle service to Meidling station (U6)
	The Brick – former Coca Cola grounds	8,300 m ²	<ul style="list-style-type: none"> • Ecologically innovative multiuse building complex (offices, hotel, industry, gastronomy) • Completion 2019 • Bus connection to U6 and U1, local train, Baden train
	Inno Plaza	6,800 m ²	<ul style="list-style-type: none"> • Innovative, sustainable structure and technology • Located directly at the Meidling station/Euro Plaza (U6, train connections, close to motorways) • Completion 2018

Region West (Schönbrunn)

The West submarket is currently the smallest office space subsector in Vienna and cannot be regarded in the same context as the others. It comprises office properties along the underground line U4 on the Rechte and the Linke Wienzeile, Linzer Straße and Hietzinger Kai and extends as far as the Bahnhof City Wien-West in the east.

	Property	Available Space	Description
	Arcade Meidling	1,450 m ²	<ul style="list-style-type: none"> • Directly at the highly-frequented Meidling station • Modern facilities • Ample parking
	Forum Schönbrunn	3,000 m ²	<ul style="list-style-type: none"> • Modern features • Flexible floor planning • At the intersection of the South/West axis • Connection to the U4 underground
	U4-Center	700 m ²	<ul style="list-style-type: none"> • Directly above the Meidling Hauptstraße U4 station • Excellent accessibility • Private underground parking

Region North (Heiligenstadt)

The office locations in the north of Vienna are gaining in importance because of their proximity to the city center and a good infrastructure. Many of the office properties in this submarket are characterized above all by their striking architecture and high-quality facilities.

	Property	Available Space	Description
	Florida Tower	10,000 m ²	<ul style="list-style-type: none"> • Wide-ranging offer of services • Modern offices • Ideal transportation links (U6 within walking distance, tram, local train, bus) • Spectacular view across Vienna
	Millennium Tower	2,600 m ²	<ul style="list-style-type: none"> • Offices, shopping and services, leisure and residential spaces • Private underground parking • Offices with modern facilities available in nearly every size • Directly at the U6 and the local train
	Square Plus	27,600 m ²	<ul style="list-style-type: none"> • Modern structure • High-quality facilities • Located directly at the U4 underground
	Optimum	1,280 m ²	<ul style="list-style-type: none"> • Private underground parking • Roof terraces • Close proximity to the city center • Excellent infrastructure

Vienna DC | Surroundings

Over the past ten years, the VIENNA DC has developed into a lively urban center with highlyfunctional architectural standards and the best quality of living. Directly in the Donau-City there is a wide range of gastronomy offerings as well as a comprehensive infrastructure. The location is truly exceptional being directly beside Europe's largest outdoor inner-city recreation area, the "Donauinsel."

According to international experts, Donau-City is "currently one of the most interesting urban development areas in Europe" due to its special location directly on the waterfront and the adjacent recreational areas of the "Donauinsel", the "Donaupark" and the "Alte Donau."

	Property	Available Space	Description
	Tech Gate	1,840 m ²	<ul style="list-style-type: none"> • Close proximity to Austria's largest congress center • Centrally located • Excellent transportation links • Hourly shuttle-bus service
	Ares Tower	3,600 m ²	<ul style="list-style-type: none"> • Sky Lobby, Cafeteria, underground parking • Unobstructable view over old Vienna and the Danube • Direct proximity to the U1

Aspern Seestadt

As one of the largest urban development areas in Europe, the business location Seestadt has already convinced numerous companies. Whether individual entrepreneurs from the creative sector, start-ups from the tech scene or international industrial companies - Seestadt offers the top premises for the most diverse needs. Next year the second component of the Aspern Technology Center with 7,100 m² will be completed in this submarket, and the third component with 6,800 m² is to be finalized by 2021.

	Property	Available Space	Description
	HoHo Wien	11,450 m ²	<ul style="list-style-type: none"> • Directly on the waterfront • Beside the U2 station Seestadt • Underground parking in the building
	Technologiezentrum Seestadt – Bauteil 2	5,100 m ²	<ul style="list-style-type: none"> • Accessible within 25 minutes from city center (U2) • Produces more energy than it consumes • Multi-functional spaces

RENTAL RATES



The **prime rental rates** in Vienna's city center have remained stable at **€ 26.00 net** per m² per month.



The rents in **good office locations** (inner districts) rose slightly in comparison to last year to **€ 13.50 to € 17.00** net per m² per month. In particular locations with good underground links and directly adjacent to the city center were able to obtain higher rents last year.



The rents in **average and peripheral** locations ranged between **€ 11.00 and € 13.50** net per m² per month in the first half of the year. This represents a slight increase compared to the previous year.

OFFICE SPACE LETTINGS



At 131,000 m², the letting performance of modern office space in 2018 (quarters 1 to 3) increased significantly compared to the weak previous year. Currently, numerous rental contract negotiations with large companies are still ongoing and we are forecasting a letting result of around 230,000 m² this year, a significantly higher accomplishment than in 2017.

The largest lettings were achieved in the submarkets **Heiligenstadt** (north), **Wienerberg** (south) and **Hauptbahnhof** (central station).

VACANCY



The vacancy rate according to the VRF was 5.2 percent in the first quarter of 2018. According to our research, it could rise to around 6 percent by the end of the year.

Rentals 2018	Objekt	Tenant	Size
Inner City	1010, Schwarzenbergplatz 3	Aon Jauch & Hübener GmbH	2,700 m ²
	1010, Hohenstauffengasse 6	SAE Institute GmbH	2,800 m ²
Innere Districts	1020, Denk Drei	Volvo	1,000 m ²
	1020, Media Tower	Helvetica	1,500 m ²
	1020, E-Zone	Wiener Sozialdienste	3,100 m ²
	1090, Liechtensteinstr. 111-115	Talent Garden AT GmbH	5,000 m ²
North	1190, Franz-Kleingasse 5	AQ	1,000 m ²
	1190, Square Plus	Regus	7,900 m ²
	1220, IZD Tower	Huawei	1,500 m ²
South	1120, Euro Plaza	RHI	7,500 m ²
	1120, Euro Plaza	REWE	4,200 m ²
	1120, Gaudenzdorfer Gürtel 67	Sonepar Österreich GmbH	3,200 m ²
	1230, Zetschegasse 11	Thyssenkrupp Aufzüge GmbH	3,200 m ²
	1230, Silo Plus	Daikin	2,500 m ²
South-East	1030, T-Center	Stadt Wien	3,000 m ²
	1030, ViE	Austria Tabak GmbH (JTI)	2,700 m ²
	1030, ORBI Tower	Wien IT EDV Dienstleistungs GmbH	5,000 m ²
	1030, ORBI Tower	Spaces Österreich	4,000 m ²
	1100, Business Park Vienna	RHI	7,500 m ²
	1100, myhive Twin Towers	Coveris	880 m ²
Hauptbahnhof (Central Station)	1100, Laxenburger Straße 36	Magistrat der Stadt Wien – MA 67	2,700 m ²
	1100, THE ICON	Regus	6,500 m ²
	1100, THE ICON	L'Oréal	2,800 m ²
	1100, THE ICON	Nestlé Österreich GmbH	3,800 m ²
	1100, THE ICON	TPA Steuerberatung GmbH	8,600 m ²
	1100, THE ICON	Procter&Gamble	760 m ²

OFFICE SPACE OFFERS



Office space portfolio 2018: 11.06 million m²



New space production 2018: 260,000 m² (according to current estimates)



Forecast for 2019:

For 2019 it is expected that only around 40,000 m² of office space will be completed. For the years 2020 and 2021, however, a large number of projects are expected again. The letting performance of modern office space is being estimated at around 185,000 m².

(SCHEDULED) COMPLETIONS FROM 2018:

Objekt	Submarket	Area	Completion
The ICON Vienna	Hauptbahnhof (Central Station)	74,200 m ²	2018
HBf1	Hauptbahnhof	3,500 m ²	2019
QBC, Bauphase 1-2	Hauptbahnhof	35,000 m ²	2020
Messecarre Wien Nord	North-East	4,600 m ²	2018
Austria Campus	Prater – Lassallestraße (North-East)	160,000 m ²	2018
HoHo	Seestadt (North-East)	8,000 m ²	2018
ViE / Lände 3	Erdberg – St. Marx (South-East)	13,800 m ²	2018
Inno Plaza	Wienerberg (South)	11,000 m ²	2018
SILO Plus	Wienerberg (South)	11,000 m ²	2019
The Brick (Coca Cola grounds)	Wienerberg (South)	20,000 m ²	2019
Future Base	Floridsdorf (South)	7,100 m ²	2018

INVESTMENT MARKET



Demand is expected to remain strong in 2018, but the record level of the previous year (total transaction volume of EUR 4.7 billion) is likely to be difficult to achieve again due to the low supply of large-volume prime properties. As demand exceeds supply, prices will continue to rise and prime yields for office properties will continue to fall. At the end of 2017 they were at around 3.75 percent and are expected to move in the direction of 3.5 percent in the course of 2018. However, international investors are showing growing interest in the domestic real estate market. Above all, investors from the Asian region are increasingly appearing as potential buyers and will play a significantly important role in the market alongside the German investors, who have clearly dominated the market to date.



TOP RETURNS - OFFICE PROPERTIES



The **top yields** for office space in Vienna currently stand at **3.75** percent and have thus fallen slightly compared to the previous year (2017: 4 percent). In a European comparison, however, Vienna still generates higher returns than London, Munich, Paris or Madrid, for example.



Returns have also fallen to around 4.5 percent in the **Class B locations**.



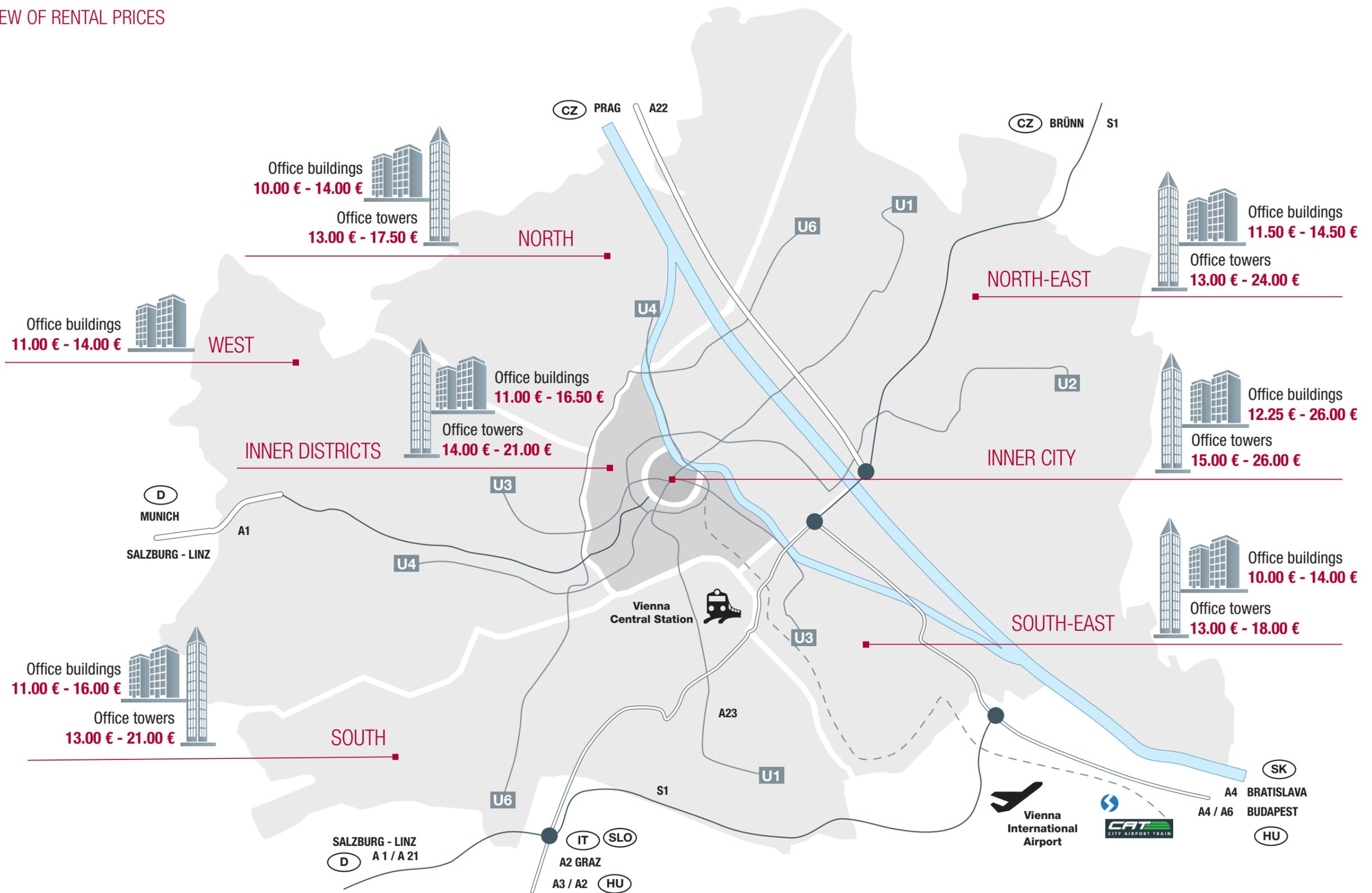
The **top yields** for modern logistics properties in Vienna surrounding areas and in very good locations is currently 5.5 percent. The yields for industrial and logistics properties in Austria are between 5.5 and 8.0 percent. These are determined by the location, age, size, flexibility, secured rental period, credit rating of the tenant and the possibility of subsequent use (third-party use) of the property.



THE MOST IMPORTANT INSTITUTIONAL TRANSACTIONS 2017/18

Objekt	Usage	Size	Seller	Buyer
Austria Campus	Office	100,000 m ²	Signa	PGIM Real Estate
Conwert ECO Portfolio (Österreichweit)	Office / Retail	104,000 m ²	conwert	HanseMerkur
The ICON Vienna	Office	81,500 m ²	Signa	Allianz
DC Tower	Office	74,500 m ²	BAI	Deka Immobilien
OMV-Zentrale (Hoch Zwei Plus Zwei)	Office	43,000 m ²	S Immo AG	Deka Immobilien
Obere Donaustraße 23-27 + 29	Office	40,000 m ²	Deka	Reitenburg GmbH
Millennium Tower	Office	38,000 m ²	Morgan Stanley	Art-Invest Real Estate
UBM-Portfolio (Wien / Graz)	Office / Hotel	37,300 m ²	UBM Development AG	Privatinvestor
ORBI Tower	Office	23,500 m ²	IWS TownTown AG	Bank Austria Real Invest
Qbik	Office	17,790 m ²	Savills Investment Management	Bank Austria Real Invest
Marximum Bauteil 2+4	Office	15,980 m ²	Hochtief	Swiss Life
Skyline	Office	15,770 m ²	Savills Investment Management	KGAL
Seeparkcampus West	Office	15,500 m ²	Kerbler-Gruppe	Erste Immobilien KAG
IKANO Office Park	Office	9,700 m ²	Privatinvestor	Privatinvestor
Lindenpark Linz	Office	4,000 m ²	RHW Immobilien	Deutsche
Wagramer Straße	Office	3,770 m ²	Construct	Pine Asia Asset Management
Einzelhandelsportfolio	Retail	70,000 m ²	ADIA	BVK
ZIB Salzburg	Retail	16,650 m ²	Immofinanz AG	Privatinvestor
ELI – Einkaufszentrum	Retail	15,000 m ²	Rutter	KGAL
Hornbach Stadlau	Retail	13,000 m ²	Privatinvestoren	Leasinvest
FMZ Stadlau	Retail	11,000 m ²	Privatinvestoren	Leasinvest
EKZ Hietzing	Retail	9,420 m ²	Privatinvestoren	INVESTER United Benefits
Leiner Flagshipstore Mariahilfer Straße	Retail	7,370 m ²	Steinoff	Laura Privatstiftung
Westbahnhof A3	Retail / Hotel / Office	25,000 m ²	Acron	Real I.S. AG

OVERVIEW OF RENTAL PRICES





SIOR

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