



OFFICE  
MARKET  
REPORT  
**VIENNA**

Autumn / Winter

2017

**MODESTA**<sup>®</sup>  
REAL ESTATE

Austria | Slovakia

YOUR COMMERCIAL  
REAL ESTATE SPECIALISTS

# MODESTA REAL ESTATE

offers support with advice on all questions relating to office- and commercial real estate – on the national as well as international levels.

The focus is clearly defined:

targeted and integrated solutions that are customer-oriented and lead to profit.

Modesta Real Estate is an expert in finding investment properties, offices, logistics, industrial and commercial real estate in Austria or the CEE region, together with the subsequent locations analyses and contract negotiations. Modesta Real Estate also offers professional consultation and valuations, corporate real estate services as well as the implementation of highly-efficient marketing strategies for existing properties. With their in-depth knowledge, they help clients to make the right decisions regarding property-specific questions. Modesta Real Estate's network extends from the two office locations in Vienna and Bratislava across Austria and the CEE region and consists of European and American investment companies and private investors. The young, dynamic team is exclusively trained in the field of commercial properties and guarantees high standards of professional real estate advice.

# FOCUS ON CLIENT- ORIENTED SOLUTIONS

## VIENNA OFFICE MARKET | OVERVIEW

Rents		
Prime Rents	26,00 €	→
Rents – Inner Districts	13,50 € - 16,50 €	↑
Rents – Peripheral Locations	10,00 € - 13,50 €	↑
Leased Office Space		
	260.000 sqm	↓
Vacancy Rate		
	5,1 %	↓
Office Space Supply		
Existing Space	10,95 Mio sqm	→
Development	165.000 sqm	↑
Investment		
Investment Volume 2017	4,5 Mrd. EUR	↑
Prime Yields	4,00 %	↓
Yields in Class B Locations	5,00 %	→
Yields for Logistics Space	6,00 % - 8,00 %	→

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## OFFICE LOCATIONS

### Inner City (CBD)

Vienna's historic inner city is still the number one office location and ranks among the most prestigious addresses in Austria. The office spaces are mostly located in high-quality renovated old buildings that are usually used for residential, office or commercial purposes.

The strict monument conservation laws in the inner city hardly allow for any new construction, which means that the existing buildings are renovated to the highest standards using high-quality materials.

	Property	Available space	Information
	Kohlmarkt 8	5.300 sqm	<ul style="list-style-type: none"> <li>Office building in best location</li> <li>Office spaces of highest standards</li> <li>Excellent infrastructure (Underground line U3)</li> </ul>
	Schwarzenbergplatz 3	6.800 sqm	<ul style="list-style-type: none"> <li>Centrally-located office building</li> <li>Exclusive office facilities</li> <li>Good public-transport accessibility (Lines U2, U3 and U4)</li> </ul>
	TOSCA Schottengasse 6 – 8	30.000 sqm	<ul style="list-style-type: none"> <li>Office space in representative bank building</li> <li>Excellent location with ideal infrastructure</li> </ul>

### Inner Districts

Vienna's inner districts 2 to 9 extend from the Ring around the inner city to the Gürtel and are not regarded as a directly-connected office space market. Nevertheless, the office buildings serve as important commercial locations particularly for smaller enterprises and start-ups. Renovations of old buildings can be notably seen at the beginning of the Mariahilferstrasse near the Museumsquartier and on the Rennweg. At the moment the Postzentrale on the Rochusmarkt, which was completed and opened in September 2017, is definitely the most representative new construction in the inner districts.

	Property	Available space	Information
	Rochusmarkt, Postzentrale	23.000 sqm	<ul style="list-style-type: none"> <li>New building on the Rochusmarkt (completed 3rd Q/2017)</li> <li>Modern office building with the best infrastructure (Underground Line U3)</li> </ul>

## OVERALL ECONOMIC SITUATION

At the beginning of 2017, after years of stagnation, the Austrian economy has shown the most substantial growth in six years. While the gross domestic product (GDP) grew by 1.5 % in 2016, the Austrian Institute of Economic Research (WIFO) expects an increase of around +3,0 % for the current year 2017. A similar increase of +3,0 % is anticipated by the institute for the coming year 2018. This **economic growth** can be particularly attributed to the increased private consumer spending, rising investments as well as Austria's expanding export activity.

The favorable economic situation is reflected on the job market: at the end of November 2017 there were around 443.000 people in Austria who were unemployed or doing training, which is an **unemployment rate\*** of about 5.4 %. This is a significant drop from the figures of 2015 and 2016 as well as those of the EU average that registered 7.4 % for November 2017. Despite the positive shift, it is too early for all-clear signals since particularly older and low-skilled workers remain unemployed longer and raise the residual unemployment rate. In addition, the manpower boom from Eastern Europe that resulted from the relaxed entry regulations in 2011 and 2013 continues to flourish.

The national consumer price index (CPI, 2015=100) was 103.9 in 2017, which is an increase of 2.3 % from last year. An **inflation rate** of 1.9 % is expected for the entire current year before it drops slightly in 2018. This is clearly above the 1 % rate registered in 2016. The increase in inflation rate is primarily owed to the higher raw material prices – particularly those of crude oil. Furthermore, unexpected developments such as weather-related price increases of unprocessed food products or rising prices of flight tickets also contributed to higher rates of inflation.

The state revenue for 2016 was around 173.1 billion Euros compared to expenditures of 178.5 billion Euros. This resulted in a general government deficit of 1.6 % of GDP. The **public debt level** for 2016 was 295.7 billion Euros. The **debt ratio** of 84.6 % of GDP, however, fell slightly in comparison to 2015 when it amounted to 290.5 billion or 85.5 %. The banking rescue package is the main reason for the rise of the debt level, which would have otherwise been reduced to 78 % in 2016.

\*according to ILO statistics

**Hauptbahnhof (Main Station)**

The area around the main train station is the largest building site in Austria. Its core being the triangle of Wiednergürtel – Arsenalstraße – Main Train Station, where hotels, office and retail spaces are being constructed until 2020. The projected total floor area of 550,000 sqm intended for commercial premises will create more than 20,000 jobs. The head office of the Erste Bank has already been relocated to the new part of the city near the main station.

The Quartier Belvedere Central (QBC) building components 3, 4, 5 and 6 were completed in the summer of 2017 and are already fully leased. Construction on the QBC 1 and 2 with a total office area of 35,000 sqm has already begun this year and is expected to be completed by the spring of 2020.

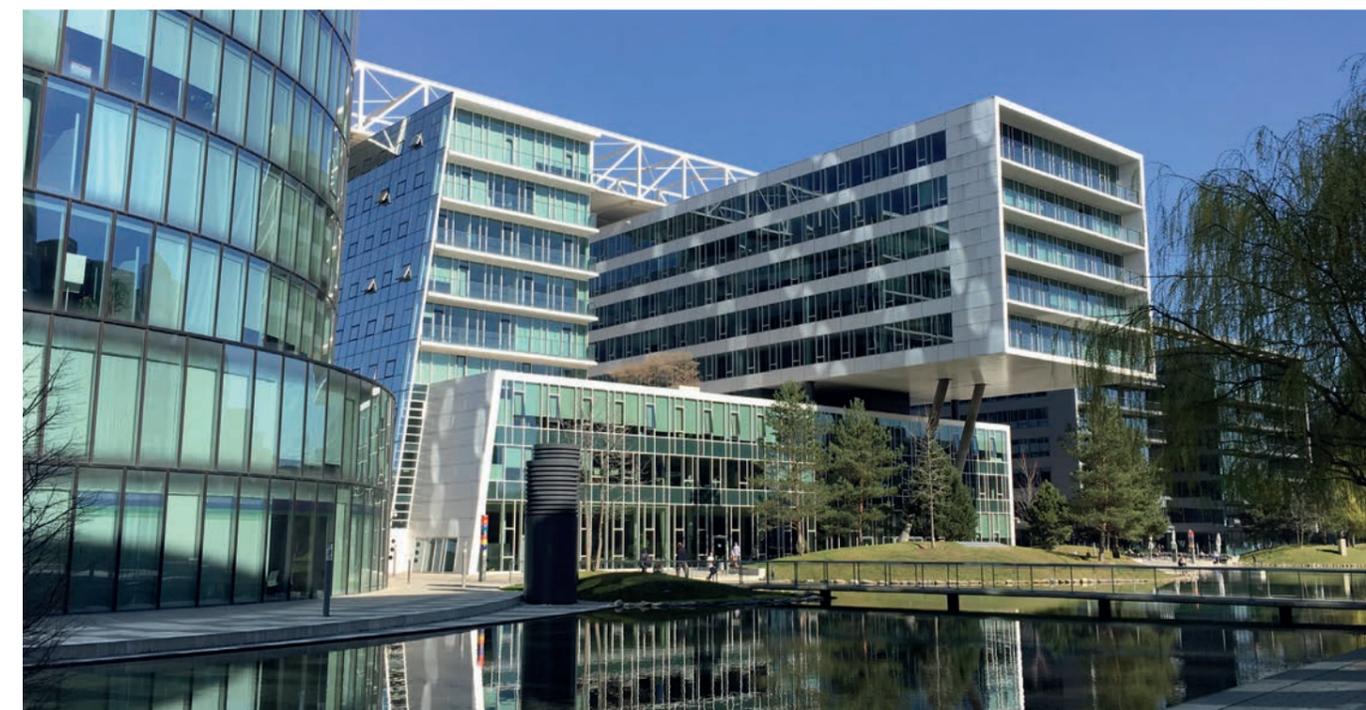
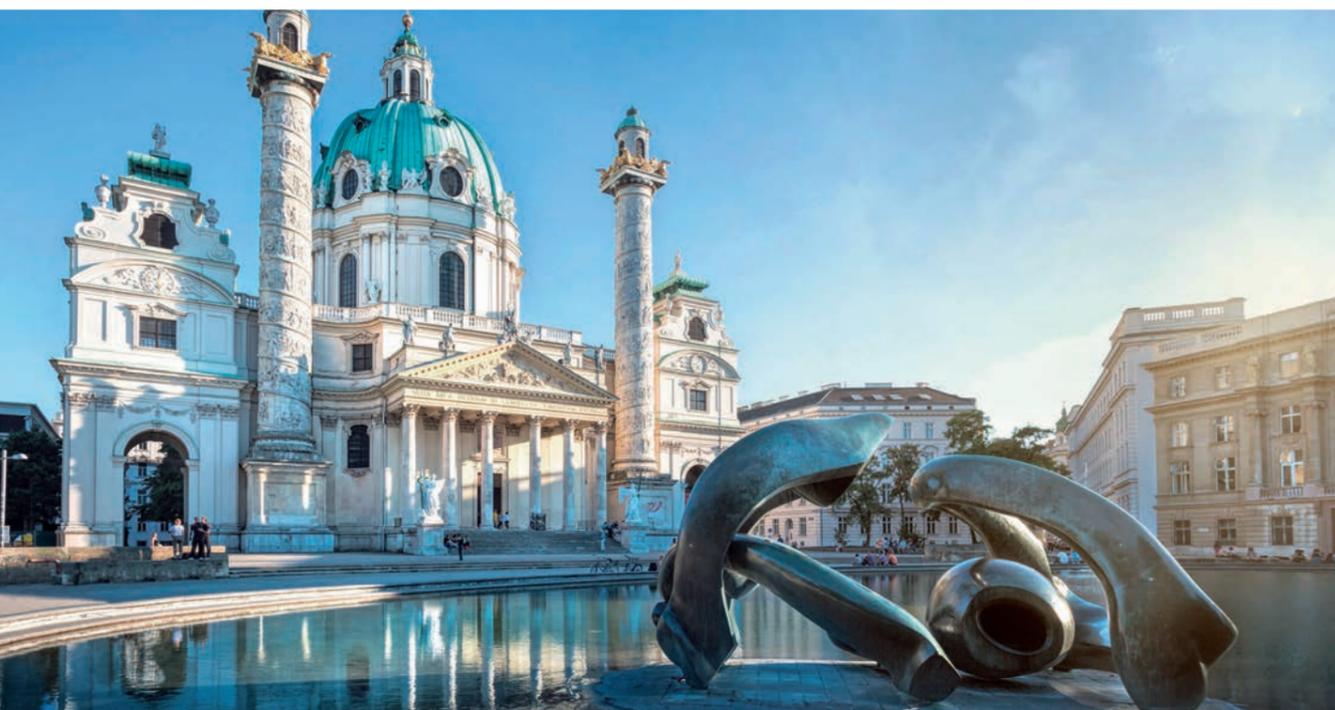
The ICON Vienna is currently under construction and will be completed in spring of 2018. The ICON consists of three building complexes of which the 28,000 sqm tower has already been rented out to BAWAG.

	Property	Available space	Information
	<b>QBC Construction Phase 1-2</b>	35.000 sqm	<ul style="list-style-type: none"> <li>• High-quality facilities and flexible layouts</li> <li>• Directly in Quartier Belvedere</li> <li>• Completion 2020</li> </ul>
	<b>The ICON Vienna</b>	85.000 sqm	<ul style="list-style-type: none"> <li>• Directly at Vienna Central Train Station</li> <li>• Excellent transport connections</li> <li>• Completion 2018</li> </ul>
	<b>HBF 1</b>	4.200 sqm	<ul style="list-style-type: none"> <li>• Directly at the new Central Station</li> <li>• Latest architectural design with perfect accessibility</li> <li>• Completion 2018</li> </ul>

**North-East (Donau City – Prater - Lasallestraße – Dresdner Spange)**

The North-East submarket covers the area from Praterstern over the Lasallestraße and Messe Wien spreading out to the Donau City and the Dresdner Spange. Because of the ideal underground connections and the proximity to the city center, the North-East sub-sector has developed into one of the most significant office locations outside of the inner districts in the course of the last few years. Above all the renewal of the area around Praterstern and the station located there has contributed to the upgrading of that part of town. Several large companies such as the Unicredit Bank Austria have relocated to the Lasallestraße. Furthermore, numerous new office spaces are being developed in the vicinity of the Messezentrum bordering on the Prater, which is Vienna's largest centrally-located recreation area. The establishment of Vienna's Economics University (WU) and the head offices of the Unicredit Bank Austria have further enhanced the district.

	Property	Available space	Information
	<b>Messecarre Wien Nord</b>	4.600 sqm	<ul style="list-style-type: none"> <li>• Variable usage</li> <li>• Customized office spaces available</li> <li>• Ideal underground connection (Line U2)</li> <li>• Completion 2017</li> </ul>
	<b>Austria Campus</b>	78.000 sqm	<ul style="list-style-type: none"> <li>• New development at the former Vienna North Station: new office and residential campus at the Prater</li> <li>• Completion 2018</li> </ul>
	<b>Denk Drei, Viertel zwei</b>	23.000 sqm	<ul style="list-style-type: none"> <li>• New development in the Prater at the Trotting Race Course</li> <li>• Latest architectural design with best facilities</li> <li>• Completion 2017</li> </ul>



**South-East (Erdberg-Gasometer)**

In the course of the last couple of years, an attractive office space location has developed along the underground line U3 in the region of Neu Marx, Erdberg and Gasometer. Companies are particularly attracted by the new buildings with modern facilities and efficiently-designed layouts. Current new developments include the ORBI Tower or the Project VIE/Lände 3. The South-East location also offers the perfect connection to the transportation system and both the Südosttangente A23 and the airport motorway A4 are accessible within few minutes.

	Property	Available space	Information
	<b>ORBI Tower</b>	21.800 sqm	<ul style="list-style-type: none"> <li>• Energy-efficient high-rise</li> <li>• Flexible layouts</li> <li>• Ideal underground connection (Line U3)</li> <li>• Completion 2017</li> </ul>
	<b>ViE / Lände 3</b>	12.700 sqm	<ul style="list-style-type: none"> <li>• New office building in the Erdberger Lände</li> <li>• Modern and high-quality facilities</li> <li>• Completion 2018</li> </ul>
	<b>Erdbergstraße</b>	14.900 sqm	<ul style="list-style-type: none"> <li>• Modern office building directly beside the ORBI Tower</li> <li>• Very good underground connection (Line U3)</li> </ul>
	<b>Ungargasse</b>	5.000 sqm	<ul style="list-style-type: none"> <li>• Modern office building at the corner of Ungargasse and Rennweg</li> <li>• Excellent facilities and flexible layouts</li> <li>• Perfect transport connection (S-Bahn station „Rennweg“)</li> </ul>

**South (Wienerberg)**

Since the beginning of the 1990s, the South submarket around the Wienerberg has developed into a relevant office space location. Besides office towers, a shopping mall and an entertainment center, numerous residential projects have emerged. Along with the Silo Plus + Next, the Inno Plaza as well as the building complex The Brick, further modern office and commercial properties with an area of more than 55,000 sqm are being developed.

	Property	Available space	Information
	<b>Euro Plaza, BT 6</b>	12.700 sqm	<ul style="list-style-type: none"> <li>• Flexible office spacing and modern facilities</li> <li>• Conference rooms for rent</li> <li>• Good infrastructure and proximity to the Süd-Ost Tangente (A23)</li> </ul>
	<b>Silo Plus + Next</b>	20.000 sqm	<ul style="list-style-type: none"> <li>• Latest architectural design with best facilities</li> <li>• Located directly on the underground line U3 in the 23rd district</li> </ul>

	Property	Available space	Information
	<b>The Brick – ehem. Coca Cola Gründe</b>	23.500 sqm	<ul style="list-style-type: none"> <li>• Ecologically-innovative multi-use building complex (office, hotel, industry, gastronomy)</li> <li>• Completion 2019</li> </ul>
	<b>Inno Plaza</b>	14.000 sqm	<ul style="list-style-type: none"> <li>• Innovative, sustainable architecture and technology</li> <li>• Directly at the axis of Meidling Station and Euro Plaza (Underground line U6, train connections and close to motorway)</li> <li>• Completion 2018</li> </ul>

**West (Schönbrunn)**

The West submarket is currently the smallest office space sub-sector in Vienna and cannot be regarded in context with the others. It comprises the office properties along the underground line U4 in the Rechte and Linke Wienzeile, the Linzerstraße as well as the Hietzinger Kai and stretches as far as the Bahnhof City Wien-West in the East.

	Property	Available space	Information
	<b>Forum Schönbrunn</b>	6.000 sqm	<ul style="list-style-type: none"> <li>• Modern facilities</li> <li>• Flexible floor layouts</li> <li>• At the intersection South/West axis</li> <li>• At the underground line U4</li> </ul>

**North (Heiligenstadt)**

The office space locations in North Vienna are gaining importance because of the proximity to the inner city and good infrastructure. Many of the office properties in this submarket are characterized above all by the distinctive architecture and high-quality facilities.

	Property	Available space	Information
	<b>Space2Move</b>	3.400 sqm	<ul style="list-style-type: none"> <li>• Interesting architectural design</li> <li>• Flexible layouts, modern facilities</li> <li>• Underground parking</li> <li>• Connection to underground line U4</li> <li>• Close to the Q19 shopping mall</li> </ul>
	<b>Square Plus</b>	38.000 sqm	<ul style="list-style-type: none"> <li>• Latest architectural design</li> <li>• High-quality office facilities</li> <li>• Directly on the underground line U4</li> <li>• Completion 2017</li> </ul>

## RENTAL RATES



The **prime rental rates** in the first half of 2017 were **€ 26,00 net** / sqm / month. Compared with last year, therefore, the top rental rates for office spaces in the best inner city locations with the highest quality facilities have remained unchanged.



The rents in **good office locations** (inner districts) have risen slightly in comparison to last year to between **€ 13,50 to € 16,50 net** / sqm/ month. Above all locations with good connections to the underground and directly adjacent to the city center were able to obtain higher rental rates.



The rents in **average or peripheral locations** amounted to between **€ 10,00 and € 13,50 net** / sqm / month. Thus, rising slightly when compared to the year before.

## OFFICE SPACE LETTINGS



Despite high demand, a slight decline in letting results is anticipated according to the current calculations for 2017. While in 2016 around 300,000 sqm of office space was rented out, apparently 260,000 sqm are expected to be leased in the current year.

The largest lettings took place in the submarket areas of **Prater/Lasallestraße, Hauptbahnhof** and **Wienerberg (South)**.

## VACANT SPACES



Compared to 2016 the **vacancy rate** in office buildings has sunk to **5.3 %** in the third quarter of 2017. In the individual Viennese submarkets, the vacancy rate ranges from 2.4 % in the inner city – CBD – to 10.5 % in the Wienerberg (South). The low vacancy rate is due to the continuing high demand combined with limited completion capacity. Until the end of the year, a vacancy rate of nearly 5.1 % is expected.

Rentals 2017	Object	Tenant	Size
Inner City CBD	1010, Neutorgasse 4	XING AG	1.400 sqm
	1010, Schubertring 3	Privatbank	1.200 sqm
	1020, Praterstraße 31	Bundesverwaltungsgericht	3.000 sqm
Inner Districts	1020, Denk Drei	Dentsu Aegis Network Austria GmbH	2.600 sqm
	1020, Viertel Zwei	BIG	8.500 sqm
	1020, E-Zone	Wiener Sozialdienste	3.100 sqm
	1020, Messecarre	Regus	1.500 sqm
	1030, Hintere Zollamstraße	SVA	11.400 sqm
	1040, Wohllebengasse 14-16	Avconjet AG	1.100 sqm
	1050, Bräuhausgasse 37	Verein WUK	1.200 sqm
North-East	1220, Ares Tower	VRVis (Zentrum für Virtual Reality and Visualisierung Forschungs-GmbH)	1.500 sqm
	1220, DC Tower	PwC	16.000 sqm
South-East	1030, Media Quarter Marx (MQM)	ATV	1.900 sqm
	1030, Gasometer C	Jugend am Werk	2.800 sqm
	1030, ORBI Tower	Regus	3.500 sqm
	1030, ORBI Tower	Wien IT	4.000 sqm
	1100, Business Park Vienna	RHI	7.500 sqm
	1100, myhive Twin Towers	Bacher Systems EDV GmbH	1.600 sqm
	1110, Brehmstraße 10 – 12	Otto Bock Healthcare Products GmbH	4.500 sqm
Hauptbahnhof (Main Station)	1110, Office Campus Gasometer	Magistrat der Stadt Wien	5.200 sqm
	1120, Euro Plaza – BT 6	PULS Vario GmbH	1.100 sqm
	1100, QBC 3	Autobank AG	1.400 sqm
	1100, QBC 3	Schwabe, Ley & Greiner GmbH	1.000 sqm
	1100, THE ICON	TPA Steuerberatung GmbH	8.500 sqm
	1100, THE ICON	BAWAG	28.000 sqm

## OFFICE SPACE OFFERS



**Existing office space 2017:** 10.95 million sqm



**Production of new space 2017:** 165,000 sqm (according to current estimates)



**Forecast for 2018:** It is expected that around 330,000 sqm office space area will be completed in 2018.

(SCHEDULED) COMPLETIONS FROM 2017:

Object	Submarket	Size	Completion
Rochusmarkt, Post-Zentrale	Inner City (CBD)	25.000 sqm	2017
QBC, Bauphase 3-4	Hauptbahnhof (Main Station)	24.300 sqm	2017
The ICON Vienna	Hauptbahnhof (Main Station)	85.000 sqm	2018
HBF1	Hauptbahnhof (Main Station)	4.200 sqm	2018
QBC, Bauphase 1-2	Hauptbahnhof (Main Station)	35.000 sqm	2020
Square Plus	North-East	38.000 sqm	2017
Denk Drei, Viertel Zwei	Prater – Lassallestraße (North-East)	23.000 sqm	2017
Seepark Campus West	Donaucity (North-East)	11.000 sqm	2017
Messecarre Wien Nord	North-East	4.600 sqm	2017
Austria Campus	Prater – Lassallestraße (North-East)	78.000 sqm	2018
HoHo	Seestadt (North-East)	4.500 sqm	2018
ORBI Tower	Erdberg – St. Marx (South-East)	21.800 sqm	2017
ViE / Lände 3	Erdberg – St. Marx (South-East)	12.700 sqm	2018
Euro Plaza, BT 6	Wienerberg (South)	12.700 sqm	2017
Inno Plaza	Wienerberg (South)	12.300 sqm	2018
SILO Plus	Wienerberg (South)	11.000 sqm	2018
The Brick (Coca Cola Gründe)	Wienerberg (South)	23.500 sqm	2019
Future Base	Floridsdorf (North)	11.000 sqm	2018

INVESTMENT MARKET



Already in the first half of 2017, around 2.4 billion Euros have been invested on the Austrian commercial property market. This corresponds to an increase of about 80 % compared with the second half of 2016. A total investment volume of around 4.5 billion Euros is expected for the entire year of 2017. The majority of the transactions (60 %) were conducted in the field of office premises as well as 9 % in each of the submarkets of retail and hotels.

German and Austrian investors continue to dominate the Austrian commercial property market with a 54 % and 30 % share, respectively. However, the Austrian market is becoming more attractive to investors from North America as well as Asia.

TOPYIELDS



At present **top yields** for office properties in Vienna are at 4 %, thereby showing a slight decline compared to 4.25 % in 2016. In comparison with London, Munich, Paris or Zurich, however, a higher rate of return can still be obtained in Vienna.



In the **secondary locations** a yield of about 5 % could be achieved, as prices are dropping in less favorable areas with poorer quality.

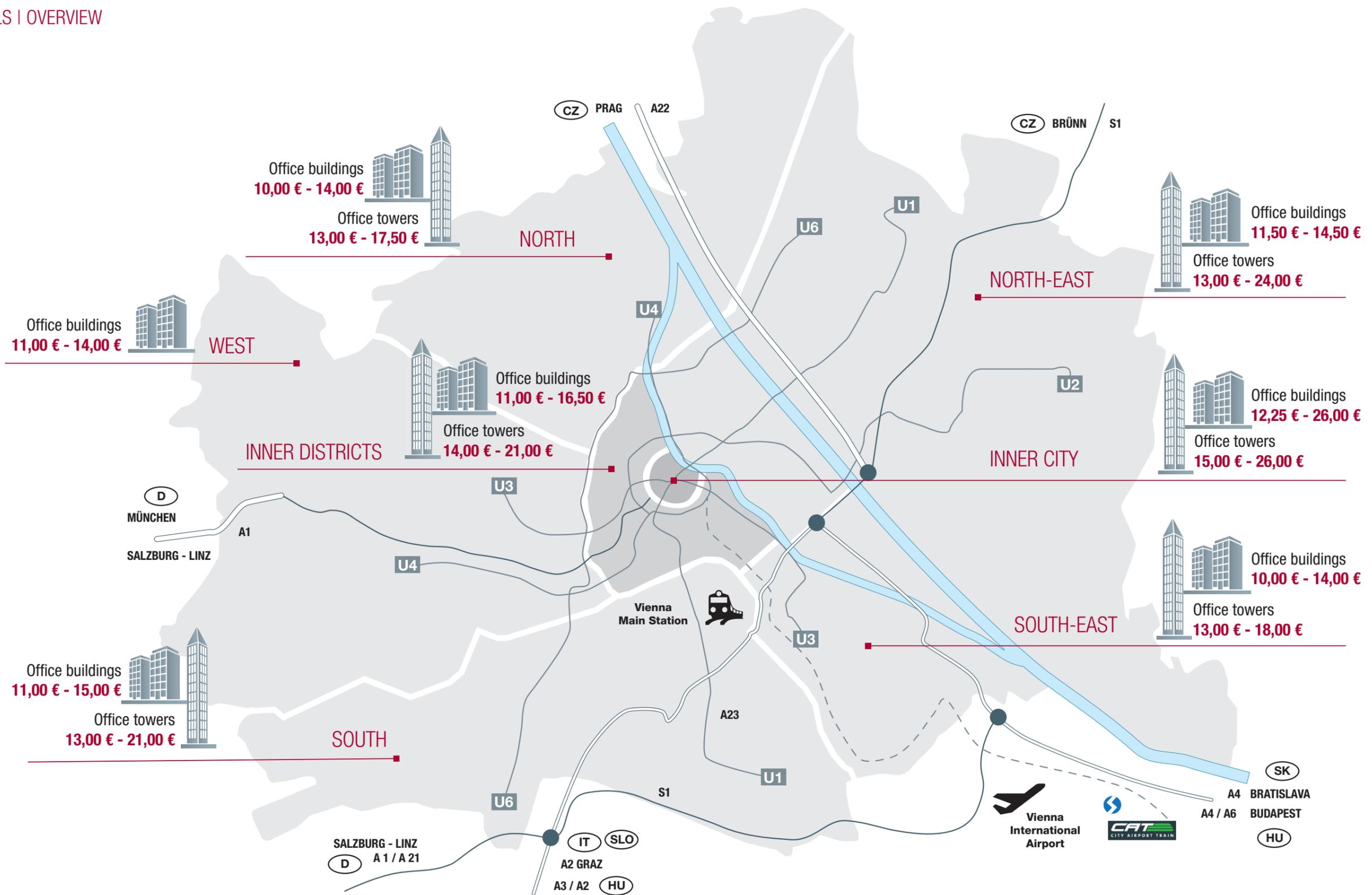


Austria's **logistics and industrial properties** continue to provide an attractive alternative for investors. Depending on the location, size, flexibility, rental terms, usage as well as expansion capabilities, the return on investment for logistics and industrial real estate remains constant at 6,50 to 8 %.

THE MOST IMPORTANT INSTITUTIONAL TRANSACTIONS 2017

Object	Usage	Size	Seller	Buyer
Austria Campus	Office	130.000 sqm	Signa	PGIM Real Estate
Conwert ECO Portfolio (Austria)	Office/Retail	104.000 sqm	conwert	HanseMercur
The ICON Vienna	Office	74.200 sqm	Signa	Allianz
DC Tower	Office/Hotel	74.000 sqm	BAI	Deka Immobilien
OMV-Zentrale (Hoch Zwei)	Office	43.000 sqm	S Immo AG	Deka Immobilien
Obere Donaustraße 23-27 + 29	Office	40.000 sqm	Deka	Reitenburg GmbH
UBM-Portfolio (Vienna / Graz)	Office/Hotel	37.300 sqm	UBM Development AG	Privatinvestor
ORBI Tower	Office	21.600 sqm	IWS TownTown AG	Bank Austria Real Invest
Qbik	Office	17.400 sqm	Savills Investment Management	Bank Austria Real Invest
Skyline	Office	15.770 sqm	Savills Investment Management	KGAL
Seeparkcampus West	Office	15.500 sqm	Kerbler-Gruppe	Erste Immobilien KAG
Businesspark Marimum	Office/Logistics	9.700 sqm	Hochtief Development Austria	Bank Austria Real Invest
Cumberlandstraße 32-34	Office	6.600 sqm	XXX	Nexco Group
FMZ Hatric BA 2 (8230 Hartberg)	Retail	16.000 sqm	Rutter Immobilien Gruppe	Union Investment
Log4Real CargoCenter (1300 Schwechat)	Logistics/Industrial	220.000 sqm	Privatinvestor	Log4Real
Schemmerlstraße 66-70	Logistics/Industrial	29.500 sqm	Wolseley Group	Privatinvestor
Forstinger Headquarter	Logistics/Industrial	24.680 sqm	Immofinanz	XXXLutz
Quehenberger-Portfolio (Vienna / Graz)	Logistics/Industrial	20.000 sqm	Quehenberger	Soini
K1 Kagraner Platz	Mixed	11.600 sqm	M&A Real Consult	Akron Real Estate

RENTALS | OVERVIEW





**SIOR**

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