



Gesellschaft für
Immobilienwirtschaftliche
Forschung e.V.

Society of Property
Researchers, Germany

Mosbacher Straße 9
D- 65187 Wiesbaden

Telefon (0611) 23 68 10 70
Telefax (0611) 23 68 10 75

E-Mail info@gif-ev.de
Internet <http://www.gif-ev.de>

Office Market Definitions

June 2008

© gif Gesellschaft für
Immobilienwirtschaftliche
Forschung e.V.

Arbeitskreis 2
**Marktanalysen und
Bedarfsprognosen**

Contents

- 1 Preamble.....3
- 2 Office Space, Stock, Changes in Stock.....3
- 3 Office workers4
- 4 Demand4
- 5 Enquiries (= searches for accommodation).....4
- 6 Take-up.....4
 - 6.1 Letting take-up5
 - 6.2 Take-up by owner-occupiers.....5
 - 6.3 Net absorption.....5
- 7 Space available.....6
- 8 Rents.....6
 - 8.1 Contractual principles.....6
 - 8.2 Rents Relevant to the Market Report.....7
- 9 Comments.....8

1 Preamble

The gif Office Market Definitions are intended to serve as a basis for a consistent statistical record of the fundamental circumstances and trends in the German office markets.

As well as stating binding provisions on the content of office market reports, they also provide for the clear and unequivocal spatial and temporal classification of survey dates and areas. Although the area covered and the specific content are left to the discretion of the undertaking compiling the report, for the sake of improved comparability published market reports should always indicate their geographical coverage, based on municipality boundaries. In particular, figures relating to the core municipality of a market region should be presented separately.

2 Office Space, Stock, Changes in Stock

Office space is defined as accommodation in which typical desk activities are carried out or could be carried out and that is dealt with on the office market, i.e. accommodation that could be let as office space. It includes both private and public-sector owner-occupied accommodation as well as space reclassified as offices, in addition to independently lettable office space in mixed-use complexes, particularly in business parks.

All quantitative statements referring to office space (letting performance, space available on the market, office stock etc.) must either be uniformly based on the definitions of areas in the "Standard for Calculating the Rental Area of Commercial Premises (RA-C)" published by the Gesellschaft für Immobilienwirtschaftliche Forschung e. V. (gif) or be converted to that basis. This also applies to indicators such as space indices (sq m per workplace) and vacancy rates.

Office stock

Office stock: The total area of completed (occupied and vacant) office space, as defined in Paragraph 1.

Changes in stock

Space that is planned, or can be expected, to undergo comprehensive refurbishment (involving complete vacation and conversion works lasting at least 12 months) will be taken out of the stock. The same rule applies to office accommodation that is to be used for other purposes (e.g. residential hotel, retail, leisure) or demolished.

New office accommodation coming onto the market and space returning to the market after refurbishment should be registered under "Space Available" (item 7a, b or c) as soon as the information becomes available. Newly-completed accommodation (either already occupied or capable of occupation within three months) should be added to the stock in accordance with item 7a.

Changes in stock should be recorded at the relevant date of compilation (at the end of a reporting period).

[Go to comments](#)

3 Office workers

Workers who make use of office space.

[Go to comments](#)

4 Demand

The sum of all the additional office space that is necessary in order to provide a defined standard of provision in a defined market area, at a particular date.

The area demanded is comprised of:

Unsatisfied demand:

The total amount of office accommodation that is required in order to compensate for a relative undersupply (= below average occupation of space per worker).

Additional demand:

The total amount of additional office accommodation that is required, on the basis of a forecast increase in the number of office workers or the expected space occupation per office worker.

Replacement demand:

The total amount of office accommodation that is required in to compensate for space that has been removed from the market or as a replacement for space that is no longer in line with market requirements.

[Go to comments](#)

5 Enquiries (= searches for accommodation)

"Enquiries" refers to active searches for space in a clearly-defined and demarcated (sub-)market for office property, in a defined period. It includes enquiries from both potential tenants and owner-occupiers presumed to be interested in long-term occupation.

[Go to comments](#)

6 Take-up

The take-up is the total area of space that was let, leased under a leasing agreement or sold to owner-occupiers in a clearly demarcated (sub-)market for office property, in a defined period. Take-up by owner occupiers is included in order to represent the whole market.

Sub-lettings, both of space subject to a head lease and of owner-occupied accommodation, are also to be included.

[Go to comments](#)

6.1 Letting take-up

The total area of all lettings that were concluded in a clearly demarcated (sub-)market for office property, in a defined period. The relevant date is that on which the letting was concluded, rather than the date the tenant moved in.

Only unconditional lease contracts may be included, i.e. not declarations of intent or provisional agreements.

Extensions to leases are only to be included if the amount of space let is greater than that occupied before. In such cases only the additional area let will be taken into account as take-up in the existing location.

Apart from this exception, on principle the extension or renewal of existing leases is not to be included in take-up.

[Go to comments](#)

6.2 Take-up by owner-occupiers

Office take-up by owner-occupiers is defined by the long-term characteristics of the project:

- a. Either the occupier buys a property with the intention to occupy it for its own offices – e.g. a building (completed or in course of construction) or a site/project.
- b. Or an occupier constructs a building intended for owner-occupation on a site of its own.
- c. Or the occupation is based on a long-term financial or contractual instrument (e.g. leasing, letting by a property holding company).

Take-up by an owner-occupier is to be recorded at the date of signing of the purchase contract or the contract for long-term occupation of a building or part(s) of a building.

In the case of a project development for owner-occupation, recording as take-up should take place at the latest on the commencement of development or, at the earliest, as at the date when it becomes known that a construction contract, fixing the lettable area to be built and the date of realisation, had been concluded.

[Go to comments](#)

6.3 Net absorption

The change in the amount of office space occupied in a defined market area, during a specified period.

Net absorption may be calculated in various ways (please see comments).

[Go to comments](#)

7 Space available

Space available includes the following categories of accommodation that, as at the date of compilation (at the end of each quarter) are planned to be marketed and are still available (i.e. on which no contract has yet been concluded):

a. Vacancy (= supply of office space available in the short term)

The total area of all completed office space that is vacant at the date of survey, is being offered for letting, sub-letting or sale (for the purposes of continued occupation) and is capable of being occupied within three months. Sub-let space should be separately identified.

b. Space under construction (= supply of office space available in the medium term)

Accommodation that is currently in course of construction and that has not yet been taken (i.e. not yet let or sold to an owner-occupier)

c. Pipeline (= supply available in the long term)

Office accommodation in projects for which a contract for occupation could be agreed, although construction has not yet commenced.

[Go to comments](#)

8 Rents

8.1 Contractual principles

a) Nominal rent

The nominal rent (headline rent) is the initial rent stated in the lease, without taking into account landlord's incentives, ancillary charges and local taxes.

b) Effective rent

The effective rent takes into account rent-free periods, special review clauses, other benefits of monetary value, stepped rent agreements and any other agreements (incentives).

In order to calculate the effective rent, the nominal rent is adjusted by the annual equivalent of the present value of the incentives conceded, up to the first opportunity to terminate the lease (including any break clauses).

8.2 Rents Relevant to the Market Report

The rents defined in the following section relate to newly-agreed leases, not to existing leases. They are to be calculated on the basis of nominal rents and apply to lettable areas in accordance with the gif definition.

Top rents

a1) Top rents realised

In the relevant market area, the top rent realised represents the median of the uppermost price segment, with a market share of 3% of the total letting take-up (excluding owner-occupiers), during the last 12 months. It should include at least 3 lettings that have been agreed.

a2) Prime rents achievable

Achievable prime rents may, *in addition*, be estimated in accordance with the usual international method. The prime rent so determined represents the achievable nominal rent for high-quality office units, not smaller than 500 sq m, in the best sub-market at the date of the report. It primarily represents a view of the trend of the market, although it is also based on the analysis of actual transactions. In this case, it must be pointed out in publications that the figure is estimated.

b) Average rent realised

In order to calculate the average rent, the individual rents of all leases newly concluded in a defined period are averaged, with weighting by the lettable area of each lease.

It is not usually possible to record all the leases that have been agreed. For this reason, an average may only be reported if the lease contracts (by area and rent) included in the calculation represent at least 50% of the take-up of space (excluding owner-occupiers) in the market.

[Go to comments](#)

9 Comments

With reference to 2. Office space, stock:

In this context, "dealt with" means that a unit can be separately occupied as office accommodation. It must therefore be a self-contained unit, or the accommodation must take up a whole floor of a building. In this context, marketability expressly does not mean that ease of letting or sale would be impeded by the condition of the building, the surroundings of the property or in a specific phase of the market.

Under this definition, the definition of office accommodation does not include e.g. a study in a private residence; offices within shop premises; administrative offices in schools; office areas integrated in workshops; shop units that are occupied for clerical activities (e.g. by travel agents) or post office or railway station service halls (to provide only a few examples).

On the other hand, office wings or sections of buildings occupied by industrial companies, theatres, hospitals, department stores, libraries etc. are to be regarded as office space in exactly the same way as that in owner-occupied and public-sector office buildings. Doctors' surgeries are also to be included as office space, as they occupy accommodation that is dealt with in the office market.

Banks and law courts – including banking halls and courtrooms – are classed as office accommodation in their entirety. Police stations are also considered to be office space. However, in radio and television stations, the only areas that are counted as office space are those that satisfy the above criteria.

The term "office accommodation" also includes ancillary space. This refers not only to circulation space and building services areas but also usable floor space such as conference rooms, staff rooms and filing rooms.

[Return](#)

With reference to 3. Office workers:

In order to calculate the number of office workers, it is recommended that the number of civil servants, self-employed people and workers registered for social insurance should be multiplied by the proportion of office workers in the workforce concerned.

Workers registered for social insurance are classified by occupation. Gif recommends that the proportions of office workers shown in the table at the end of the comments (Figure 10) should be used as a model.

The recommended proportion of office workers is 50% for civil servants and 30% for self-employed persons.

The number of civil servants can be taken from the statistics of federal employees, available from the state offices of statistics.

The number of self-employed persons is available only to limited extent, at *Anpassungsschicht* (adaptation layer) level (at least 500,000 inhabitants), from the micro census at the state offices of statistics.

The classification by occupation of workers registered for social insurance can be requested from the federal labour agency as a special evaluation of the statistics.

[Return](#)

With reference to 4. Demand:

The standard of provision varies by town/city and region and must be clearly defined in each case.

Unlike unsatisfied demand and additional demand, meeting the replacement demand has a neutral effect on stock, although it increases the volume of new construction required.

Unlike enquiries, which can be determined empirically and specifically (see Figure 4), "demand" is an abstract term – regardless of the actual effective demand in the market – that is derived from theoretical assumptions, normative parameters and/or value concepts.

The calculation of unsatisfied demand and additional demand can result in negative figures (in the case of higher-than-average occupation of space per office worker, or of an anticipated fall in the number of office workers or the space index).

Only a part of the calculated requirements will actually have an effect on demand.

[Return](#)

With reference to 5. Enquiries:

A distinction is made between new enquiries (new enquiries made during the reporting period) and active enquiries (the total of all unsatisfied enquiries at the date of the report).

Office enquiries from potential tenants and owner occupiers will be recorded in a similar way.

"Enquiries" comprises all known enquiries for office space in the market, each of which, however, may only be included once.

Office enquiries will be recorded at the date of their being made (i.e. not at the date of their planned realisation).

The volume of demand ("active enquiries") will be updated (to a particular date), i.e. completed enquiries will be removed and new enquiries will be added.

Only a part of the volume of enquiries will have an effect on take-up.

Although "demand" as defined here differs from the usual definition of the term used in economics, it is typical for the office market.

[Return](#)

With reference to 6. Take-up:

The accommodation actually subject to each lease/purchase contract or owner occupied accommodation is to be reflected.

The date of registration is the date the contract was concluded or, for owner occupation, the date at which the construction contract became known/ date of commencement of construction for project developments.

Generalmietverträge (head leases) are not to be included in take-up.

In statements specific to particular firms made by agents, so-called common areas may only be taken into account proportionally.

Leases agreed that are subject to confidentiality provisions should be included, taking into account the normal rules for the protection of individual data in the compilation of statistics.

[Return](#)**With reference to 6.1 Letting take-up:**

Sale and leaseback transactions are not to be regarded as lettings.

Where a building is undergoing gutting and full refurbishment, during which the occupier(s) temporarily vacate(s) the space and rent(s) interim accommodation, with the aim of returning to the original building on completion of the refurbishment, the interim letting will be recorded as take-up but not, however, the return to the old building on resumption of the original lease.

A reduction in the amount of accommodation rented on an extension of a lease (negative balance of the office space occupied) will not be recorded in the form of a "negative take-up": it will nevertheless be reflected in the compilation of the space available on the market and in the net absorption of office space.

[Return](#)**With reference to 6.2. Take-up by owner-occupiers:**

Long-term leasing contracts (usually for at least 10 years, often 15 years or more) are concluded on office space. Long-term contractual and financial conditions (e.g. leasing payments etc) are agreed for the period of occupation.

Traditional owner-occupier take-up involves the construction or purchase of an office building, which is transferred to the ownership of the relevant company. However, in order to optimise the financing and administration of the corresponding development or purchasing decisions, special property holding companies are ever-increasingly being founded. These companies take over the construction, purchase and administration of the property and let the office space to parent or associate companies in the long term. Usually, but not essentially, there are therefore close financial connections between the long-term occupier of the property and the freeholder (property holding company).

The letting or sale of office accommodation to subsidiary, associate or parent companies will only be counted as take-up if it actually results in an occupier moving into the accommodation. All "pseudo-take-up" resulting from restructuring, hiving off,

changes of company name etc. will not be included as office take-up. Commencement of occupation of previously vacant owner-occupied space by its owner does not represent take-up.

A prerequisite for the inclusion of new occupation by an owner-occupier as office take-up is that - in accordance with the definition of "office accommodation" - the office building must also be capable of occupation by a different office occupier, or that the owner-occupier could also have moved into a different office building. Construction or purchase decisions related to buildings mainly designed for special uses (with little - if any - potential adaptability, e.g. cultural and medical facilities) is not to be counted as office take-up.

News of a construction contracts or an owner occupier project development is not always promptly available. If the existence of such a contract is not known about until later, the local market players should jointly agree to record the contract in the take-up statistics as at the date of it becoming known. This avoids the need for a retrospective change in the take-up figures.

[Return](#)

With reference to 6.3. Net absorption:

The calculation can be carried out in three different ways:

Total space occupied, recorded at the end of the period concerned, less that at the beginning of the period.

The space recorded as newly-occupied less the amount of space known to have been vacated. New occupations are to be recorded at the date of moving-in.

New space coming on to the market, less office accommodation that has left the market and the change in total vacancy during the period concerned.

The difficulties in obtaining the data required for the first two methods normally mean that only the third method of calculation is possible. There should be no differentiation between owner-occupiers and tenants.

It is recommended that net absorption should be calculated not just for the previous calendar year but also for the last three years.

Net absorption can be a negative figure.

The absorption factor is the proportion of the relevant total take-up that has been absorbed. This factor allows a comparison of individual office markets to be made.

[Return](#)

With reference to 7. Space Available / Vacancy:

Accommodation that is unoccupied at the date of the survey but that is not being offered for sale or letting is not to be included in vacancy (e.g. space in buildings scheduled for refurbishment or demolition).

Accommodation that is being offered but that could not be occupied within a three-month period is also not to be included in vacancy. This applies in particular to all not-yet-completed new space.

On the other hand, unoccupied accommodation on which only a *Generalmietvertrag* (head lease) has been agreed is to be included in vacancy.

Also to be included in vacancy is accommodation that was still being occupied at the date of survey but that is known to be available for new occupation within three months and that is already being offered on the market. This type of vacancy will occasionally be referred to as "latent vacancy".

With respect to new accommodation under construction, a distinction should be made between space that has been pre-let and that which is still available.

Return

With reference to 8. Rents:

As exact information concerning incentives is not always available for the calculation of effective rents, percentage deductions may also be made. Example: In the case of a 10-year lease with an assumed rent-free period of 6 months (i.e. 6/120 months = 5%) a 5% deduction would be permissible.

Indexation provisions linked to criteria that are not yet known are not to be taken into account.

Isolated figures above the top rents should be referred to as *Maximum values*.

Rents may also be determined and reported on the basis of effective rents, in which case they must be appropriately identified.

The Median is defined as the mid-value of all the values of a variable (in this case rents) when sorted by magnitude. It divides the distribution into two parts, each of which should ideally include the same number of data. The rents are firstly sorted by magnitude, then the mid-value of this range is taken. When there is an even number of figures this can be inconclusive – any value between the two innermost values could be taken as the median. Alternatively, the average of the two innermost values may be calculated.

The reference to the minimum basis for the calculation of the average rent (50% of take-up) refers to the take-up figures determined by gif for the previous year.

The Average rent realised is calculated using the following formula:

$$\frac{\sum_{i=1}^n (F_i \times p_i)}{\sum_{i=1}^n F_i}$$

F = newly-let space; p = monthly rent per sq m for newly-let space; i = sequential lease number

Example:

Lease (i)	Office space let (F)	Rent Euro/m ² /month (p)	F*p
1	864	9.00	7,776.00
2	350	9.50	3,325.00
3	266	21.60	5,745.60
4	756	25.00	18,900.00
5	654	25.00	16,350.00
6	260	11.60	3,016.00
7	360	12.00	4,320.00
8	670	14.00	9,380.00
9	769	14.80	11,381.20
10	252	12.50	3,150.00
11	416	11.00	4,576.00
12	273	9.68	2,642.64
13	550	7.50	4,125.00
Total of all F	6,440	Total of all (F*p)	94,687.44

weighted average rent

$$\begin{aligned}
 &= \text{(total of all F*p) divided by (total of all F)} \\
 &= 94,687 / 6,440 \\
 &= 14.70
 \end{aligned}$$

Return

The IAB Institut für Arbeitsmarkt- und Berufsforschung (institute of labour market and occupational research, the research facility of the federal labour ministry) distinguishes 319 different occupational groups. These are based on a classification of occupations carried out in 1988. The occupational classifications that are relevant for a consideration of the market for office accommodation, together with the suggested proportion of office workers in each classification, are shown below.

Proportion of office workers in all workers registered for social security

No.	Occupational classification	Proportion
31	Managers in agriculture and livestock breeding	35 %
32	Agricultural engineers, agricultural advisers	40 %
52	Landscape architects, garden managers	70 %
171	Typesetters	100 %
172	Printers	60 %
303	Dental technicians	40 %
601	Mechanical engineers, automotive construction engineers	75 %
602	Electrical engineers	75 %
603	Architects, building engineers	95 %
604	Surveyors	100 %
605	Mining, steelworks, foundry engineers	60 %
606	Production engineers	65 %
607	Other engineers	80 %
611	Chemists, chemical engineers	75 %
612	Physicists, physics engineers, mathematicians	100 %
621	Mechanical engineering technicians	60 %
622	Electrical technicians	50 %
623	Construction engineers	100 %
624	Surveying technicians	100 %
625	Mining, steelworks, foundry technicians	35 %
626	Chemical technicians, physical technicians	60 %
627	Other manufacturing technicians	50 %
628	Other technicians	70 %
631	Skilled biotechnical workers	100 %
632	Skilled physics and mathematic-technical workers	45 %
633	Chemical laboratory assistants	100 %
634	Photolaboratory assistants	100 %
635	Technical draftsmen	100 %
681	Wholesale and retail administrative staff, buyers	45 %
688	Door-to-door salesmen	
683	Publishing managers, booksellers	65 %
691	Bank staff	100 %
692	Building society staff	100 %
693	Health insurance workers	65 %
694	Life and general insurance staff	
701	Transport and distribution managers	100 %
702	Tourism managers	10 %
703	Advertising staff	100 %
704	Brokers	100 %
705	Letting agents, negotiators, auctioneers	60 %
713	Other transport drivers, conductors	25 %
726	Air transport occupations	10 %
734	Telephonists	100 %
751	Businessmen, directors, area managers	100 %
752	Corporate advisers, organisers	100 %
753	Auditors, accountants	100 %
761	MPs, ministers, elected officials	100 %
762	Leading and decision-making administrative staff	100 %

No.	Occupational classification	Proportion
763	Head of association, high-ranking officials	100 %
771	Cost accountants, estimators	100 %
772	Book-keepers	100 %
773	Cashiers	55 %
774	Data processing staff	100 %
781	Office staff	95 %
782	Stenographers, audio typists, typists	90 %
783	Entry clerks	100 %
784	Office assistants	95 %
791	Plant security officers, detectives	20 %
801	Servicemen, border guards, police employees	30 %
802	Firefighters	10 %
803	Security inspectors	85 %
805	Health and safety occupations	65 %
811	Legal administrators	100 %
812	Judicial officers	100 %
813	Legal representatives, advisers	100 %
814	Balliffs	20 %
821	Publicists	100 %
822	Interpreters, translators	100 %
823	Librarians, archivists, museum staff	100 %
831	Musicians	5 %
832	Performing artists	5 %
833	Visual artists, graphic designers	95 %
835	Artistic and associated occupations of theatrical, visual and sound technology	45 %
836	Trade show organisers	25 %
841	Doctors	30 %
842	Dentists	90 %
843	Veterinarians	100 %
844	Chemists	10 %
851	Alternative practitioners	100 %
852	Masseurs, physiotherapists and associated occupations	65 %
855	Dietary assistants, pharmaceutical assistants	15 %
856	Surgery assistants	90 %
857	Medical laboratory assistants	50 %
861	Social workers, care workers	10 %
862	Directors of homes, social education workers	10 %
864	Kindergarten staff, nursery nurses	10 %
863	Careers advisers	100 %
871	University lecturers, lecturers at higher technical colleges and academies	75 %
881	Economists and social scientists, statisticians	100 %
882	Humanists etc.	90 %
883	Scientists etc.	100 %
891	Pastors and ministers	90 %
902	Hygienists	10 %
911	Pub landlords, hoteliers, restaurant staff	15 %
921	Housekeeping administrators	10 %
922	Consumer advisers	
991	Staff without more exact occupational details	5 %

The proportion of office workers in all occupational classifications not shown in the table should be taken to be 0%

Source: Dobberstein, Monika: Bürobeschäftigte Empirische Ermittlung von Bürobeschäftigtenquoten für Büroflächenanalysen –, in: Grundstücksmarkt und Grundstückswert, 8th Year, 6/1998