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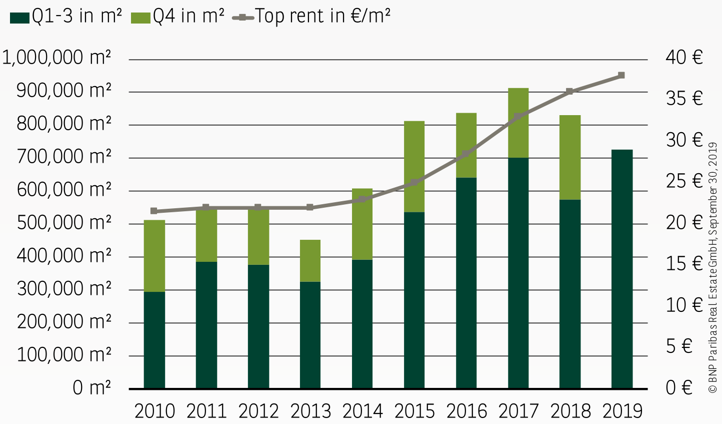
RESEARCH

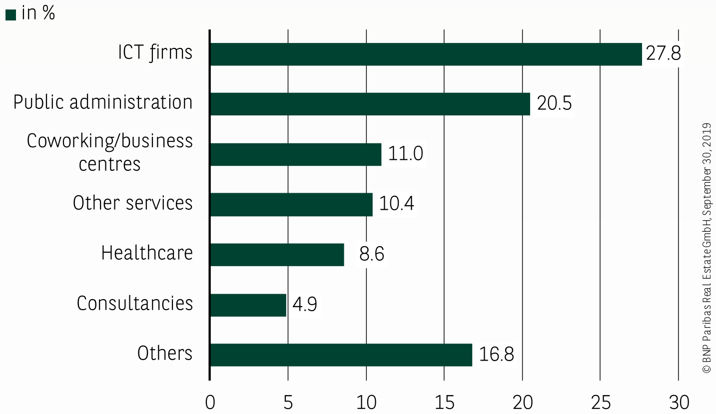
At a Glance Q3 2019

OFFICE MARKET BERLIN

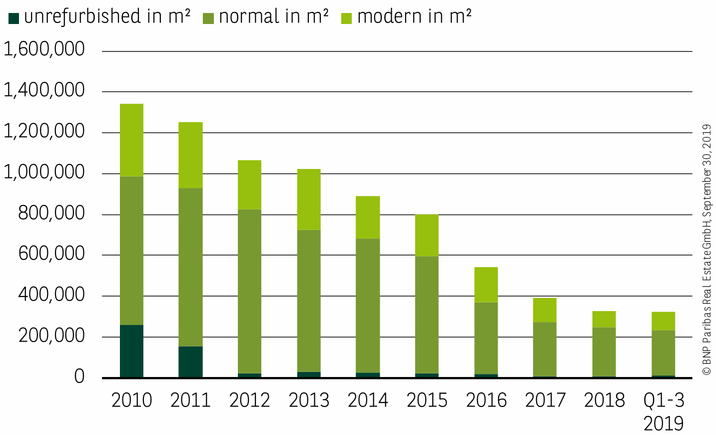
Development of take-up and top rents



Take-up by sector Q1-3 2019



Development of vacant space



ON THE WAY TO THE NEXT RECORD

The German capital again announces a record: with a take-up of 726,000 m² in the first three quarters of the years, the Berlin office market has once again set a new all-time high. Compared to the first nine months of last year, the result increased by an impressive 26%, and topped the ten-year average by an outstanding 46%. Thus, Berlin overtook the Bavarian state capital in the third quarter, which ranks second among the largest office markets with 622,000 m². The new Berlin record was mainly due to large contracts from 5,000 m² upwards. In the segment between 5,000 and 10,000 m² as well as in the largest category over 10,000 m² the volume more than doubled compared to the same period last year. Against the backdrop of the for quite some time extremely scarce supply, these figures are surprising at first glance. However, the majority of these contracts are in fact deals for space not yet completed. For units of 5,000 m² or more, incomplete space is responsible for around two thirds of take-up. In contrast to this development, the size clusters between 500 and 5,000 m² were unable to maintain their previous year's Q1-3 figures. In this category, many companies have a short-term space demand or are unable to wait several years for completion, so that project deals are out of the question for them. The slight decline in these categories therefore reflects the tight supply situation.

ICT FIRMS AND THE PUBLIC SECTOR DOMINATE

As in the previous year, ICT firms occupy first place among the largest office space demanders with around 28% share of take-up. The public administration was also extraordinarily active, contributing around one fifth to the outcome and accounting for one of the largest deals (23,200 m²; Federal Ministry of Health) as well. Business centres and coworking providers, which are responsible for 11% of the result, are also becoming increasingly important.

VACANCY RATE DOWN TO 1.6%

The vacancy rate of the Berlin market has been below the fluctuation reserve for some time now. Nevertheless, the volume of space available at short notice even further decreased by 15% year-on-year to 324,000 m². More than half of this space is located in secondary sites. Accordingly, the supply situation in the highly demanded Topcity, City- and City fringe zones is particularly tense. The vacancy rate at the end of the third quarter was 1.6%.

Major contracts

Sub-market	Company	m²
2.1	SAP Deutschland	29,800
1.2	Federal Ministry of Health	23,200
1.1	McFit Global Group/RSG Group	19,500
3.2	Yourdelivery	16,100
2.5	VW Diconium	16,000
3.2	Strato	15,900

Trends in important market indicators

	Q1-3 2018	Q1-3 2019	Trend remaining year
Take-up	575,000 m²	726,000 m²	↗
Vacant space	380,000 m²	324,000 m²	↘
Space under construction (total)	678,000 m²	1,078,000 m²	↗
Space under construction (available)	378,000 m²	487,000 m²	→
Top rent	34.00 €/m²	38.00 €/m²	↘

DEVELOPERS ARE EXTREMELY ACTIVE

Hardly any supply, rising prices and no end to this development in sight - these general conditions have led to a significant increase in construction volume. Within a year, space under construction has skyrocketed by 59% to 1.08 million m². Of this, 45% or 487,000 m² are still available to the market. Most construction takes place in the submarkets of the City (486,300 m²) and the City fringe (417,600 m²). Thanks to the increase in development activity, the total space available (vacancy plus available space under construction) amounts to 811,000 m² and is therefore 7% higher than twelve months ago.

ONGOING RENT GROWTH

Against the backdrop of the scarce supply, the further increase in prime rents to 38 €/m² (+12%) is not surprising at all. It is achieved at Potsdamer/Leipziger Platz. In the meantime, out of 20 Berlin submarkets 11 already have a top rent which is above the 30 €/m² mark. Modern space for less than 20 €/m² is only available in the secondary locations. In the same period, the average rent even rose by 25% to 26 €/m²; which also reflects the high take-up share of new buildings.

OUTLOOK

Berlin is one of the most exciting markets in Europe and is increasingly performing its role as the capital. Both national and global players are looking for space and are keeping demand high. On the supply side, despite increased construction activity, there is hardly any sign of easing. Nevertheless, everything points to the fact that the 1 million m² mark will be exceeded for the first time at the end of the year and a new record will be set at the national level as well.

Key indicators Q1-3 2019

Submarkets**		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	Q1-3 2019	total	modern	of this, since completion	total	available	available	projected
		1		2	3	4	5	6	7	8 = (3 + 7)	9
1	Topcity										
1.1	Topcity West		37.00	42,000	8,500	500	0	82,000	42,800	51,300	40,000
1.2	Topcity East		37.00	60,000	8,500	5,000	0	5,700	0	8,500	7,000
1.3	Potsdamer/ Leipziger Platz		38.00	7,000	14,000	11,000	0	6,800	6,800	20,800	0
2	City Centre	28.00 -	34.00	252,000	52,000	20,000	8,000	486,300	264,300	316,300	787,000
3	Centre Fringe	25.00 -	34.50	252,000	63,500	21,500	1,000	417,600	125,800	189,300	1,173,100
4	Subcentres	15.00 -	18.00	113,000	177,500	33,000	7,000	79,600	47,300	224,800	1,003,900
	Total			**726,000**	**324,000**	**91,000**	**16,000**	**1,078,000**	**487,000**	**811,000**	**3,011,000**

* The top rent given applies to a market segment of 3-5 % in each case.
** The relevant office market zone can be found on our website under "Research".

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