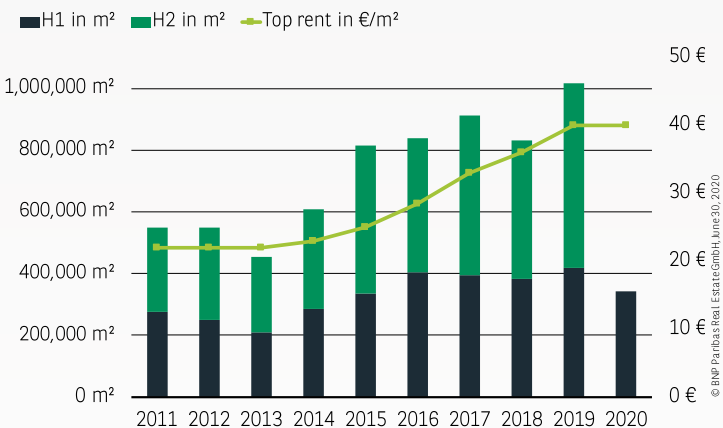




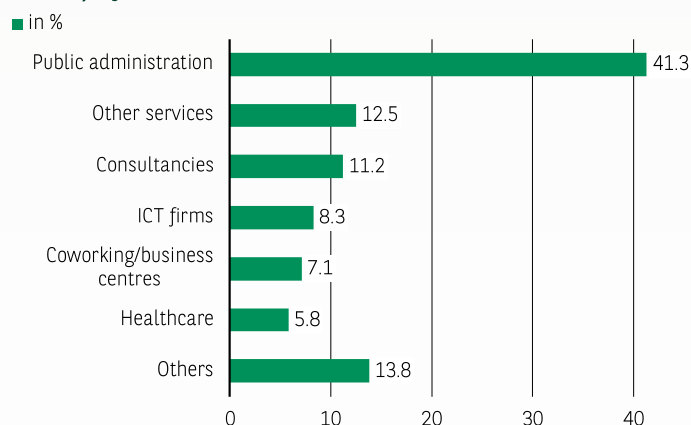
At a Glance **Q2 2020**

OFFICE MARKET BERLIN

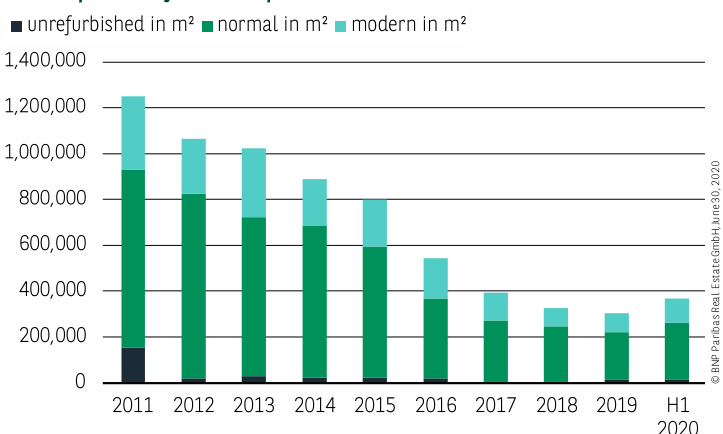
Development of take-up and top rents



Take-up by sector H1 2020



Development of vacant space



TAKE-UP AT THE LEVEL OF THE LONG-TERM AVERAGE

With a take-up of 341,000 m² the half-year result in Berlin is 18% below the previous year's figure. In contrast, the ten-year average was exceeded by a good 3%. Thus, compared to the rest of Germany, the capital city is in a good shape and recorded a below-average decline in connection with the corona pandemic and the lockdown. However, it should be noted that some major deals were already negotiated before the corona crisis. After the sharp rise in the number of infections, the nationwide lockdown with a ban on contact and the looming recession in 2020, many companies in Berlin, too, have either put their planned leases on hold for an indefinite period or - which is predominantly the case - postponed them. This is also reflected in the fact that the number of leases almost halved in the second quarter. The most important contracts include a good 84,000 m² from the German pension insurance company and just under 13,000 m² from Zalando, both in the Mediaspree office market zone, as well as 22,500 m² from KPMG and 11,900 m² from the Autobahn GmbH des Bundes, both in the central station zone.

THE CAPITAL BENEFITS FROM THE PUBLIC SECTOR

Particularly in difficult economic times, Berlin benefits from the traditionally high share of take-up by the public sector. This has been particularly confirmed in the first half of 2020, as this sector group has clearly taken the lead with a disproportionately high share of a good 41%. Above all, the mentioned signing of the German pension insurance contract has contributed to this result to a large extent. However, Berlin continues to be an important location for other industries as well, as the contribution of the consulting companies (a good 11%) underlines. Although the share of the coworking sector, which has become increasingly important in recent years, has declined somewhat, it still reaches a significant level of a good 7%.

VACANCY STILL VERY LOW DESPITE INCREASE

Since the beginning of the year the volume of vacant space has increased by 21% to 369,000 m². In the most important segment of modern quality space, the increase amounts to 29%, but in absolute terms this represents only a rise of 24,000 m². Even if the supply bottleneck in the market has eased somewhat, there is still no real relief of the situation. This is also underlined by the vacancy rate, which has risen slightly but remains at a very low level of 1.9%. The capital city also continues to have the lowest vacancy rate in a nationwide comparison.

Major contracts

Sub-market	Company	m²
3.1	DRV Bund	84,300
2.1	KPMG	22,500
3.1	Zalando	12,900
2.1	Die Autobahn GmbH des Bundes	11,900
3.2	Bundesdruckerei	9,600
4.5	BlmA	8,600

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Trends in important market indicators

	H1 2019	H1 2020	Trend remaining year
Take-up	418,000 m²	341,000 m²	➔
Vacant space	336,000 m²	369,000 m²	➔
Space under construction (total)	1,047,000 m²	1,382,000 m²	➔
Space under construction (available)	541,000 m²	730,000 m²	➔
Top rent	37.00 €/m²	40.00 €/m²	➔

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➤ ONLY MODERATE INCREASE IN SPACE UNDER CONSTRUCTION

Since the beginning of the year, only a moderate increase of around 5% to 1.38 million m² has been observed for space under construction. 730,000 m² of this space is still available for the letting market, which is only 4% more than at the end of 2019. Conversely, this means that almost half of the space has already been pre-let or is being built for owner-occupiers. The importance of a sufficient supply of new modern space, especially for large users, is also shown by the fact that almost one third of the take-up is attributable to properties under construction and project developments.

➤ RENTAL PRICE LEVELS REMAIN UNCHANGED

Despite the noticeable decline in demand in the second quarter, as expected, rent levels remain stable. On the one hand, this is due to the low level of supply, but on the other hand also to the fact that most market participants expect a rapid economic recovery with a noticeable increase in demand from 2021 at the latest. The top rent is therefore still at 40 €/m². The average rent has even increased slightly to 28.60 €/m² because of the high proportion of leases for new buildings.

➤ OUTLOOK

The after-effects of the lockdown as well as the expected recession will still be noticeable in the second half of the year, so that a take-up of less than 700,000 m² for the year as a whole cannot be ruled out. However, in the medium term everything suggests that the long-term upward trend after the crisis will continue. Since supply is likely to remain at a low level despite a moderate increase in vacancies, it can be assumed that rental price levels will also tend to remain stable in the upcoming quarters.

Key indicators H1 2020

Submarkets**	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	H1 2020	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	38.50		10,000	13,500	2,500	0	75,400	46,600	60,100	15,000
1.2 Topcity East	38.00		11,500	9,000	6,500	0	5,700	0	9,000	13,000
1.3 Potsdamer/Leipziger Platz	40.00		4,000	8,500	6,500	0	6,800	6,800	15,300	0
2 City Centre	28.50 - 35.00		108,500	63,000	21,000	2,500	533,000	357,000	420,000	759,500
3 Centre Fringe	26.00 - 36.00		159,500	98,500	30,500	4,000	602,500	194,700	293,200	1,179,100
4 Subcentres	16.00 - 20.00		47,500	176,500	41,000	2,100	158,600	124,900	301,400	1,437,400
Total			341,000	369,000	108,000	8,600	1,382,000	730,000	1,099,000	3,404,000

* The top rent given applies to a market segment of 35 % in each case.

** The relevant office market zone can be found on our website under "Research".

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