

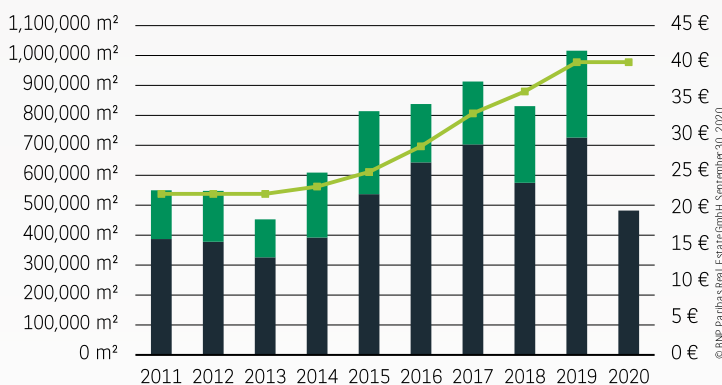


At a Glance **Q3 2020**

OFFICE MARKET BERLIN

Development of take-up and top rents

■ Q1-3 in m² ■ Q4 in m² — Top rent in €/m²

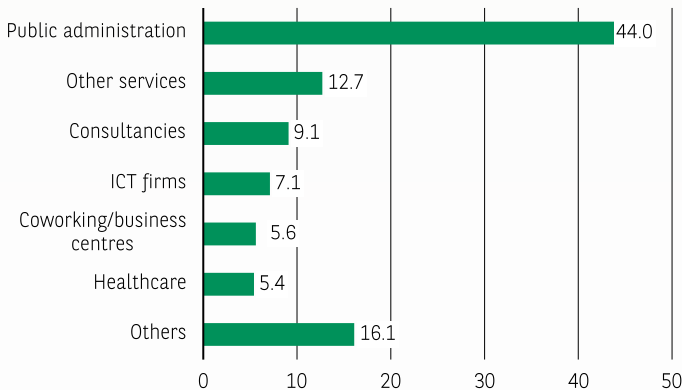


➤ SIGNIFICANT INCREASE OF TAKE-UP

The German capital once again leads the ranking of German office markets and puts Munich in second place. The take-up at the end of September amounts to 482,000 m². This means that although the latest result falls 34% short of the previous year's record level, it is only 6% below the ten-year average. The effects of the Corona pandemic are clearly noticeable on the Berlin office market in autumn 2020. Letting activity is currently not very dynamic by capital-city standards, with only 141,000 m² in the third quarter. Large-scale lettings of more than 10,000 m² are making a significant contribution to stabilizing take-up. Their share currently amounts to an above-average 39%. In the third quarter four major deals were completed with a total of around 58,000 m². Leasing activity has remained relatively constant for spaces between 500 and 2,000 m². Their market share is currently 26%, slightly above the previous year's level. Significantly less change is registered for deals between 2,000 and 5,000 m². This applies to both the long-term and the annual comparison. Compared to the strong previous year, the number of contracts has fallen by two thirds (Q1-Q3 2020: 12 contracts), and the letting volume has more than halved to around 40,000 m². Moreover, the ten-year average of 91,000 m² is clearly out of reach.

Take-up by sector Q1-3 2020

■ in %

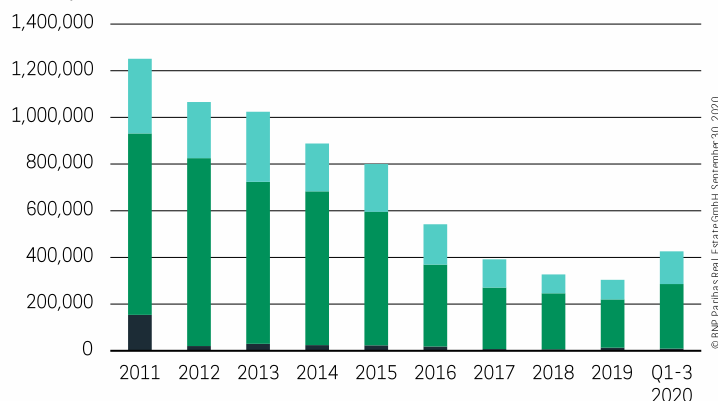


➤ PUBLIC SECTOR REMAINS STRONG

The public sector's market share increased further compared to the previous quarter and currently amounts to 44%. Among other factors, this development was driven by the four major contracts concluded by this sector in the past quarter, each involving more than 10,000 m². The letting activity in the other services sector remains brisk. Consultancies and ICT companies, which are especially important for Berlin, remain dynamic but with significantly lower market share.

Development of vacant space

■ unrefurbished in m² ■ normal in m² ■ modern in m²



➤ VACANT SPACE SLIGHTLY INCREASING

Office vacancies has continued to rise during the summer months and, for the first time since 2017, more than 400,000 m² are available at short term notice. However, the vacancy rate remains at a low 2.1% and thus well below the fluctuation reserve. The situation remains tense, particularly in Berlin's prime locations and for modern space.

Major contracts

Sub-market	Company	m²
3.1	Deutsche Rentenversicherung DRV Bund	84,300
2.1	KPMG	22,500
3.2	Public administration	16,700
2.6	Deutsche Rentenversicherung DRV Bund	15,600
4.5	Deutsche Rentenversicherung DRV Bund	13,400
3.1	Zalando	12,900

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Trends in important market indicators

	Q1-3 2019	Q1-3 2020	Trend remaining year
Take-up	726,000 m²	482,000 m²	↗
Vacant space	324,000 m²	426,000 m²	↗
Space under construction (total)	1,078,000 m²	1,365,000 m²	→
Space under construction (available)	487,000 m²	765,000 m²	↘
Top rent	38.00 €/m²	40.00 €/m²	→

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➤ CONSTRUCTION ACTIVITY STABLE

Construction activity decreased slightly compared to the previous quarter to 1.36 million m² (-1%). However, new projects were also selectively started in the third quarter of 2020 and underline the confidence of market players in Berlin as a prime location. Construction activity continues to be primarily the City submarkets with 533,000 m² and the Centre Fringe submarket with 571,000 m² of space under construction. The total available space currently amounts to 1.91 million m², with still a high pre-letting rate of 44%.

➤ HARDLY ANY MOVEMENT OF RENT LEVELS

Despite the comparatively restrained level of leasing activity in the year to date, rents have remained stable overall. This is not surprising given the ongoing tense vacancy situation. The top rent remains constant at 40 €/m² (+5% compared to Q3 2019). The average rent, which stands at 27.70 €/m² at present (+6.5% above the previous year's figure), has fallen slightly.

➤ OUTLOOK

The effects of the Corona pandemic will continue to dominate the market in the coming months. It is likely that take-up will not exceed the 700,000 m² level. Vacant space are forecasted to rise at a moderate pace and pressure on rents will decrease. For the time being, this may well provide relief for Berlin as a growth location. In the long term, the business metropolis of Berlin will establish itself at the top of the German office markets and continue to play successfully in the league of European capitals.

Key indicators Q1-3 2020

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1-3 2020	total	modern	of this, since completion	total	available	available	projected
	1	2	3	4	5		6	7	8 = (3 + 7)	9
Submarkets**										
1 Topcity										
1.1 Topcity West		38.50	14,000	11,500	3,000	0	75,400	46,600	58,100	15,000
1.2 Topcity East		39.50	14,000	12,500	11,500	0	0	0	12,500	13,000
1.3 Potsdamer/Leipziger Platz		40.00	7,000	10,000	8,000	0	6,800	6,800	16,800	0
2 City Centre	28.50 - 36.00		161,000	90,500	40,000	1,500	532,800	354,200	444,700	776,000
3 Centre Fringe	26.00 - 36.00		210,000	122,500	34,000	3,500	570,700	208,800	331,300	1,221,500
4 Subcentres	16.00 - 20.00		76,000	179,000	43,500	4,000	179,300	148,600	327,600	1,431,500
Total			482,000	426,000	140,000	9,000	1,365,000	765,000	1,191,000	3,457,000

* 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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