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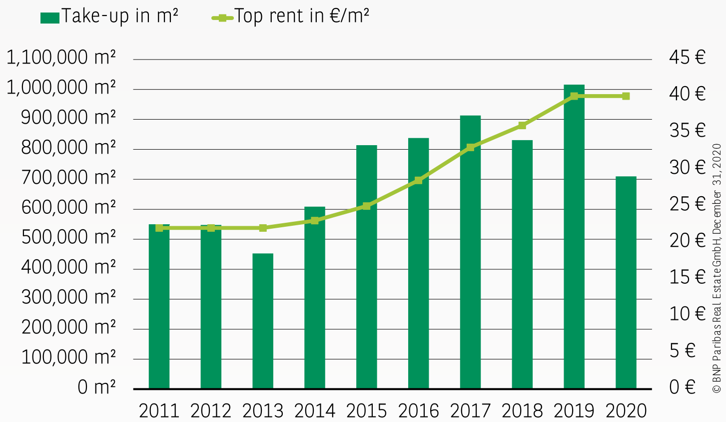
RESEARCH

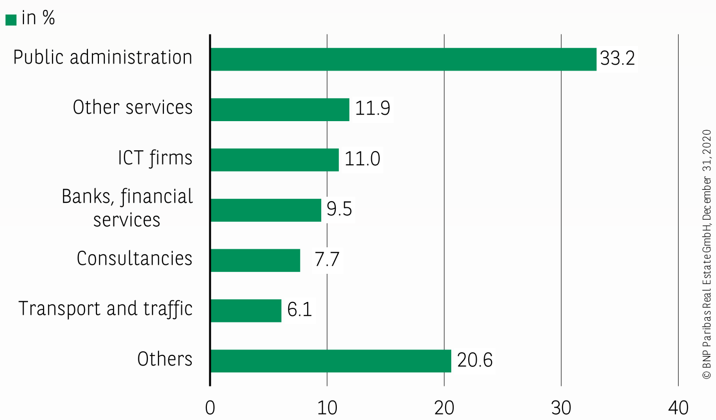
At a Glance Q4 2020

OFFICE MARKET BERLIN

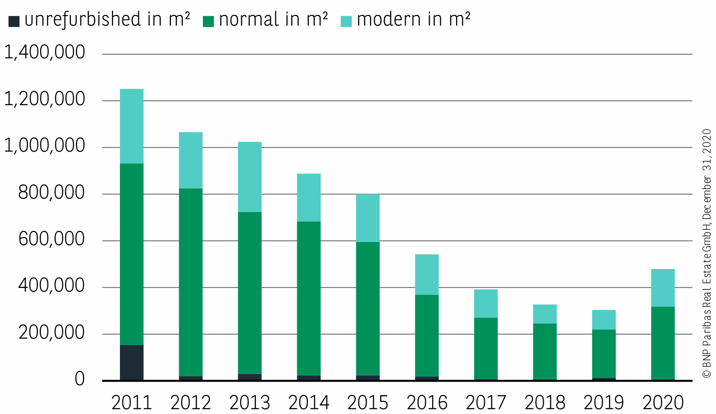
Development of take-up and top rents



Take-up by sector 2020



Development of vacant space



EVEN IN THE CRISIS YEAR 2020 ONE OF A KIND

The Berlin office market, like all other office markets, has faced a difficult year. The effects of the Corona pandemic and in particular the first lockdown have been and continue to be clearly noticeable. However, the federal capital demonstrates its great potential in these times of crisis in an impressive manner. As expected, the record result from the previous year was missed by 30%, but with a take-up of 710,000 m² Berlin clearly beats its big competitor Munich (568,000 m²). The take-up volume is also quite respectable in a long-term comparison. Certainly, the Corona year 2020 did not match the successful years from 2015 to 2019, in which Berlin finally developed into the most important German office market and was able to catch up with the other European metropolises. Nevertheless, the letting performance is well above the annual results that were usual until 2014 - not to mention that Berlin did not record any take-up beyond 600,000 m² until 2014 and that in the decade between 2005 and 2014 only 510,400 m² were let on average annually. The very strong final quarter of 2020 with 228,000 m² of take-up already indicates that the story of the capital will soon continue with above-average take-up.

DIVERSIFIED TENANT BASE IN STRONG Q4

The public sector clearly drove the market in the quarters of Q2 and Q3, which were characterised by a great deal of uncertainty. In particular, the large deals closed by the public institutions up to the end of September had a positive impact. However, in the fourth quarter the public sector contributed only 10% to take-up, and other sectors such as banks and financial service providers as well as ICT firms have clearly caught up. It is particularly pleasing that the large deals above 10,000 m² (four contracts for a total of around 91,000 m²) in Q4 were all concluded by companies from the private sector.

DESPITE INCREASE: VACANCY BELOW FLUCTUATION RESERVE

The volume of vacant space continues to expand and has risen by a total of around 175,000 m² to 479,000 m² over the course of the year. However, the current vacancy rate of 2.4% is still well below the fluctuation reserve. Particularly in Berlin's highly demanded prime locations, modern space available at short notice is still in very short supply.

Major contracts

Sub-market	Company	m²
3.1	Deutsche Rentenversicherung Bund	84,300
2.8	Deutsche Bahn	30,000
2.1	KPMG	22,500
4.1	Berliner Sparkasse	22,300
3.2	SumUp	20,000
2.3	Delivery Hero	18,300

Trends in important market indicators

	2019	2020	Trend 2021
Take-up	1,016,000 m²	710,000 m²	→
Vacant space	304,000 m²	479,000 m²	↗
Space under construction (total)	1,318,000 m²	1,341,000 m²	→
Space under construction (available)	701,000 m²	759,000 m²	↗
Top rent	40.00 €/m²	40.00 €/m²	↗

CONSTRUCTION ACTIVITY REMAINS HIGH

There is no sign of a slowdown in construction activity despite the Corona pandemic. With 1.34 million m² of space under construction, the current figure is at the previous year's level (+1.7%). The main focus of construction activity is on the submarkets of Kreuzberg/Friedrichshain and Mediaspree, which are in high demand, followed by the Central Station. Despite the overall weaker demand, large parts of the construction projects have already been pre-let. The share of space still available to the rental market has only risen slightly from 53% (end of 2019) to just under 57%. The market is therefore still characterised by a shortage of supply, particularly in the high-quality segment.

AVERAGE RENT INCREASES, PRIME RENTS STABLE

Although demand has fallen considerably and vacancy rates have risen, rents remain under upward pressure. The average rent has increased by 4.2% over the course of the year to currently 27.50 €/m² and the top rent is still at 40.00 €/m². Even at the end of 2020, some leases were registered above the 40 € mark. The prime rent is likely to rise further in the course of 2021 if the user market picks up again.

OUTLOOK

In 2020, the Berlin market has proven to be quite resistant to the current crisis. Companies believe in Berlin and have concluded very extensive and long-term contracts despite the difficult circumstances. The business location now shines well beyond Germany's borders and Berlin is likely to be the office market that will be the first to successfully emerge from this crisis - with rising take-up and rents.

Key indicators 2020

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	2020	total	modern	of this, since completion	total	available	available	projected
Submarkets**		1		2	3	4	5	6	7	8 = (3 + 7)	9
1	Topcity										
1.1	Topcity West		38.50	19,000	13,000	6,000	0	75,400	46,600	59,600	15,800
1.2	Topcity East		39.50	25,000	14,500	13,000	0	0	0	14,500	13,000
1.3	Potsdamer/ Leipziger Platz		40.00	14,000	12,500	11,000	0	8,000	8,000	20,500	0
2	City Centre	30.00 -	36.00	270,000	97,000	44,000	500	504,500	345,900	442,900	785,500
3	Centre Fringe	26.00 -	36.00	261,000	141,000	36,000	3,500	558,700	200,800	341,800	1,228,500
4	Subcentres	16.00 -	20.00	121,000	201,000	51,000	10,000	194,400	157,700	358,700	1,453,200
	Total			**710,000**	**479,000**	**161,000**	**14,000**	**1,341,000**	**759,000**	**1,238,000**	**3,496,000**

* The top rent given applies to a market segment of 3-5 % in each case.
** The office market zone map and the key indicator table at submarket level can be found under the following link: Office market zone map and key indicator table 2020

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Further Information BNP Paribas Real Estate GmbH | Branch office Berlin | Phone +49 (0)30-884 65-0 | www.realestate.bnpparibas.de