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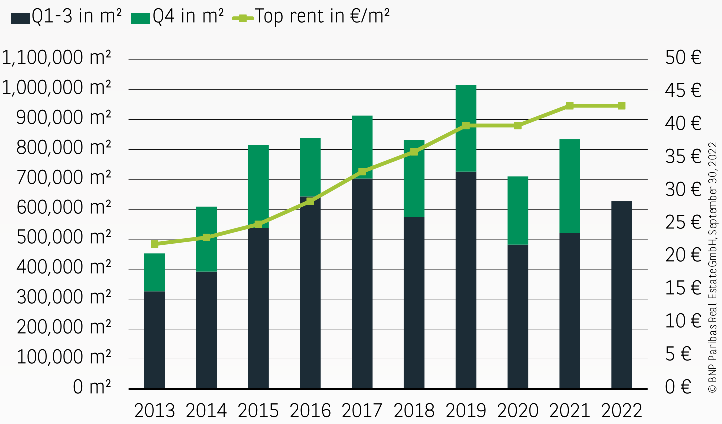
RESEARCH

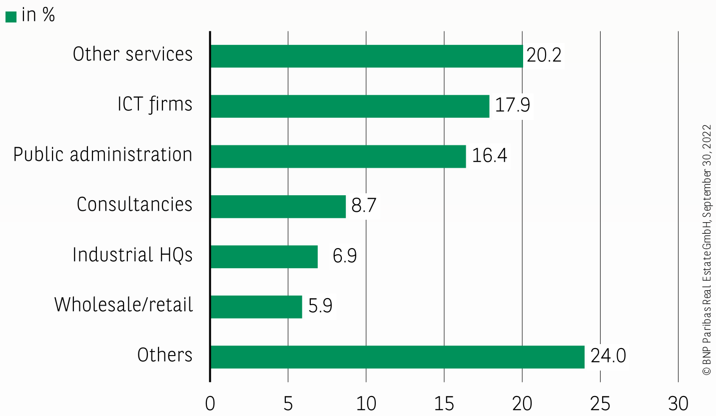
At a Glance Q3 2022

OFFICE MARKET BERLIN

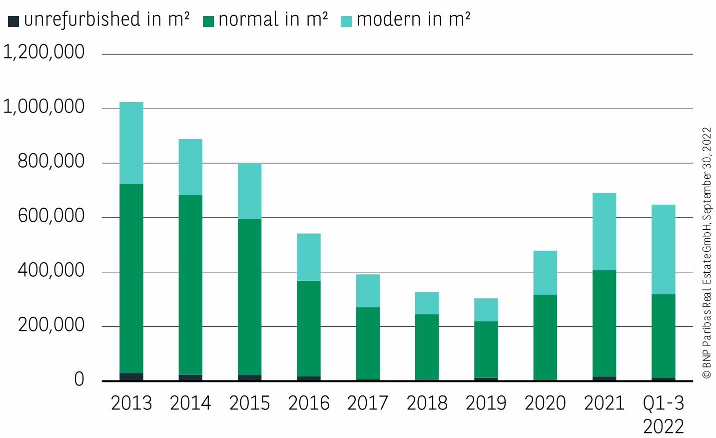
Development of take-up and top rents



Take-up by sector Q1-3 2022



Development of vacant space



SIGNIFICANT INCREASE IN TAKE-UP IN Q3

Letting activity on the Berlin office market accelerated significantly in the third quarter, with take-up totalling 627,000 m² at the end of September. This exceeded the result for the same period last year by almost 21% and the 10-year-average by an impressive 13%. It was the strong third quarter in particular that was responsible for the good result. In the three summer months, 263,000 m² (incl. 3,500 m² owner-occupiers) of take-up were registered. It was thus the third-strongest Q3 in history and ranks behind the top years of 2017 and 2019. It seems that the Berlin office market is preparing to continue its success story from before the outbreak of the Corona pandemic. Particularly in the size classes below 5,000 m², market activity is much more dynamic than in previous months. However, the large scale segment also increased significantly. In the third quarter, four contracts beyond the 10,000 m² mark (totalling 74,000 m²) were concluded.

ICT FIRMS WITH GOOD RESULTS

Other services once again topped the list of the sectors with a market share of over 20% in the first nine months of the year. This result was mainly due to brisk market activity in the small and medium-sized segment. In this sector, the letting of Enpal, which was accompanied by BNPPRE, was outstanding. The company, which specializes in leasing solar systems, obtained around 17,100 m² in the Officehome Ostkreuz Campus project. Berlin's ICT companies ranked second with a market share of almost 18%. With around 112,000 m², they recorded the third highest take-up of the decade, including major deals by Cariad SE (VW) with 22,500 m² and Mercedes-Benz AG (Mbition) with 17,400 m². Public administration contributed another 16% to the current result.

FURTHER DECLINE IN VACANCY

For the third quarter in a row, a decline in vacancy volume can be registered for the Berlin market. For the moment, there are many indications that a peak of 691,000 m² was recorded at the end of 2021. Currently, around 648,000 m² are available for short-term letting, which corresponds to a decrease of a good 6% over the course of the year. The vacancy rate in the market area is therefore low at 3.1%. Vacant space is particularly rare in the premium Topcity location. The volume here amounts to just 31,000 m².

Major contracts

Sub-market	Company	m²
2.5	Land Berlin	40,000
2.1	Cariad SE	22,500
3.3	Mercedes-Benz [Mbition]	17,400
4.5	Bezirksamt Mitte [Anna-Lindh Schule]	17,400
3.2	Enpal	17,100
4.1	Siemens Mobility	16,000

Trends in important market indicators

	Q1-3 2021	Q1-3 2022	Trend remaining year
Take-up	520,000 m²	627,000 m²	→
Vacant space	650,000 m²	648,000 m²	→
Space under construction (total)	1,311,000 m²	1,596,000 m²	→
Space under construction (available)	743,000 m²	1,036,000 m²	↘
Top rent	42.00 €/m²	43.00 €/m²	→

CONSTRUCTION VOLUME RISES AGAIN

Project developers' confidence in the Berlin office market remains unbroken. Once again, construction volumes have recently risen, with an increase of a good 24% since the beginning of the year to the current level of 1.6 million m² has been recorded. Consequently construction activity in the German capital has reached a high since the turn of the millennium. The pre-letting rate is currently around 35%. A differentiated analysis at submarket level exhibit that new project space is being absorbed very quickly by the market, particularly in central locations. One example is the submarket Central Station, which is clearly an important development focus with around 143,000 m² of space under construction, and where the pre-letting rate is a high 65%.

PRIME RENT STABLE, AVERAGE RENT RISING

Since the end of 2021, the prime rent in the Berlin market area has remained stable at 43.00 €/m². In contrast, the average rent has risen for the second quarter in succession to 28.50 €/m². It has thus reached a new high and remains by far the highest in Germany. Compared with September 2021, the average rent in Berlin has risen by just under 5%.

OUTLOOK

Despite the still very challenging economic and geopolitical environment, the Berlin office market is holding its course and is set to achieve a very good result well above the 800,000 m² mark. Due to the high level of take-up in the modern space segment combined with a continued low vacancy rate of around 3%, rental levels are likely to continue their upward trend

Key indicators Q1-3 2022

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	Q1-3 2022	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		39.50	32,000	16,000	11,000	3,500	75,600	56,700	72,700	10,000
1.2	Topcity East		43.00	36,500	15,000	13,000	0	7,000	0	15,000	0
1.3	Potsdamer/ Leipziger Platz		42.00	16,000	24,000	22,500	3,500	0	0	24,000	33,300
2	City Centre	32.00 -	39.50	248,000	203,000	94,500	16,000	545,600	328,800	531,800	732,300
3	Centre Fringe	30.00 -	37.00	184,000	160,000	84,000	22,000	713,100	440,400	600,400	1,040,600
4	Subcentres	18.00 -	20.00	110,500	230,000	103,000	71,000	254,700	210,100	440,100	1,545,800
	Total			**627,000**	**648,000**	**328,000**	**116,000**	**1,596,000**	**1,036,000**	**1,684,000**	**3,362,000**

* 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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