

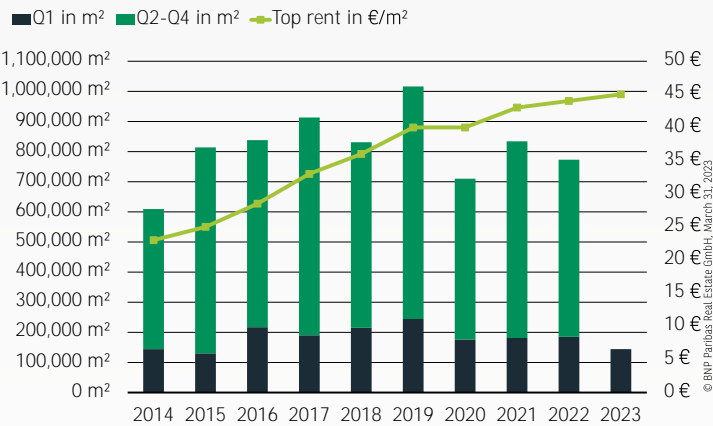


RESEARCH

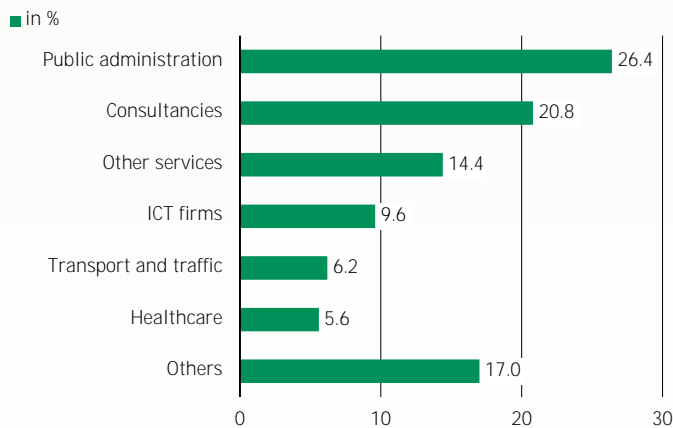
At a Glance **Q1 2023**

OFFICE MARKET BERLIN

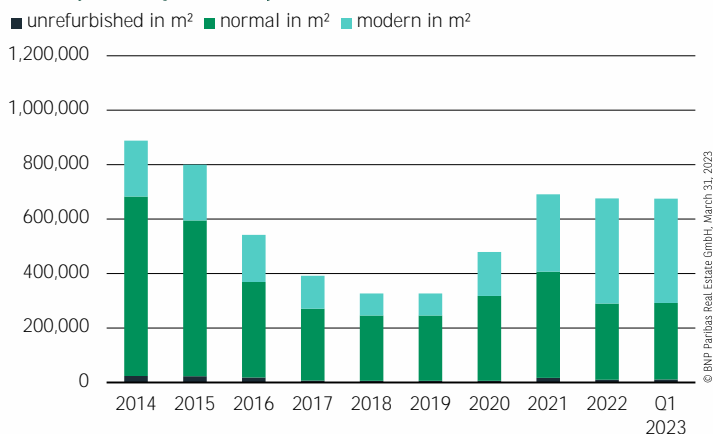
Development of take-up and top rents



Take-up by sector Q1 2023



Development of vacant space



➤ DESPITE DIFFICULT CONDITIONS, A RATHER STABLE MARKET

Since the end of last year it was already apparent that the weakening economy and rising interest rates as a result of the Ukraine war were having a dampening effect on demand for office space. As the uncertainty about the further overall economic development has not yet completely disappeared despite increasing positive signals, take-up in the first quarter of 2023 was relatively moderate. At 144,000 m², both the previous year's result and the ten-year average were missed by a good fifth. In a nationwide comparison, the capital is once again in the lead ahead of Munich. Against the backdrop of the current difficult conditions, however, the overall result converse for a thoroughly robust Berlin office market. This statement is underlined by the fact that demand is generally wide distributed across all market segments. Major lettings larger than 5,000 m² also make a substantial contribution to the result, accounting for around 30%. The most important lettings include a good 19,000 m² for the Boston Consulting Group in Mediaspree and almost 13,000 m² for the Marzahn-Hellersdorf Job Centre.

➤ RELATIVELY BROAD DISTRIBUTION ACROSS THE SECTORS

Take-up is relatively broad spread across different sectors, which indicates a stable demand base. In total, three sector groups have double-digit market shares. In first place ranks the public administration, traditionally strong in Berlin, which with a good 26% has a high share even by its standards. Consultancies also have a disproportionately high volume with almost 21%, which as high-quality service providers appreciate the attractiveness of the Berlin market. In third place ranks the traditionally strong other services segment, which contribute a good 14%. In addition, ICT firms account for just under 10%, which is somewhat below their usual average.

➤ VACANCY BARELY CHANGED

Total vacancy currently stands at around 675,000 m², as it did at the end of December 2022, which corresponds to a decline of 4% compared to the same period last year. The vacancy rate remains unchanged at a low 3.2% in the market area and 1.8% in the CBD. However, sublet space is increasingly becoming an issue in the federal capital. Their volume now amounts to 290,000 m², although it remains to be seen to what extent these spaces will become relevant to the market. Past market phases have shown that in the case of sublettings the effort of lettings often exceeds the potential income.

Major contracts

Sub-market	Company	m ²
2.2	The Boston Consulting Group	19,200
3.6	Jobcenter Marzahn-Hellersdorf	12,800
2.1	SEFE	5,500
2.1	BIM (LEA)	5,300
3.6	ASML Berlin	4,400
2.6	BlmA	4,000

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Trends in important market indicators

	Q1 2022	Q1 2023	Trend remaining year
Take-up	185,000 m ²	144,000 m ²	➔
Vacant space	706,000 m ²	675,000 m ²	➔
Space under construction (total)	1,286,000 m ²	1,292,000 m ²	➔
Space under construction (available)	724,000 m ²	791,000 m ²	➔
Top rent	43.00 €/m ²	45.00 €/m ²	➔

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➔ SLIGHT DECLINE IN CONSTRUCTION ACTIVITY

Compared to the previous year, total construction activity remained unchanged at a good 1.29 million m². In the last three months, however, it has fallen by a good 13%. The decline in the segment of space still available for the rental market is much more significant. At 791,000 m², there is almost 20% less new space available on the market than three months ago. Almost 40% of the current construction volume has already been pre-let or is being built by owner-occupiers. The focus of construction activity is in the Mediaspree (224,000 m²), Europacity (170,000 m²), Mitte (159,000 m²) and Kreuzberg/Neukölln (140,000 m²) submarkets.

➔ RENTAL PRIZES CONTINUED TO RISE

The fundamental stability of the market is also indicated by the fact that rent levels have continued to move upwards even in the difficult environment. At 45 €/m², the prime rent is almost 5% higher than a year ago and has also risen slightly by a good 2% in the last three months. The average rent has even risen by almost 7% year-on-year and by 3.5% since the beginning of the year.

➔ OUTLOOK

Even if a certain degree of uncertainty about the expected economic upswing is still lingering, the positive signals that the economy is likely to grow noticeably in the second half of the year are accumulating. Despite some structural influencing factors, such as a possibly somewhat higher proportion of home offices in the future, demand will probably remain relatively stable for the rest of the year. Nevertheless, annual take-up is not expected to reach the previous year's results. In terms of rental levels, further slight increases are most likely.

Key indicators Q1 2023

Submarkets**	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	Q1 2023	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	40.00		4,500	16,000	11,300	3,500	75,300	56,700	72,700	15,000
1.2 Topcity East	45.00		4,300	14,700	8,700	0	40,200	15,200	29,900	3,200
1.3 Potsdamer/Leipziger Platz	42.00		4,000	19,500	17,500	0	0	0	19,500	33,300
2 City Centre	32.00 - 39.00		93,700	306,100	175,000	9,200	906,400	544,600	850,700	1,634,500
3 Centre Fringe	18.00 - 28.00		37,500	318,700	170,500	9,300	270,100	174,500	493,200	2,134,000
Total			144,000	675,000	383,000	22,000	1,292,000	791,000	1,466,000	3,820,000

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* 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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