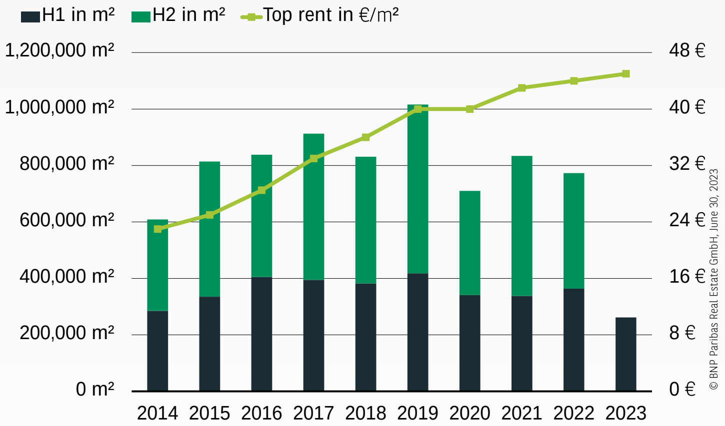
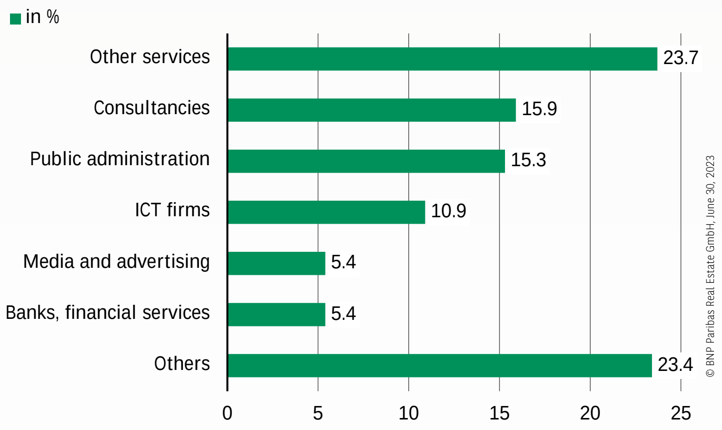
At a Glance Q2 2023

OFFICE MARKET BERLIN

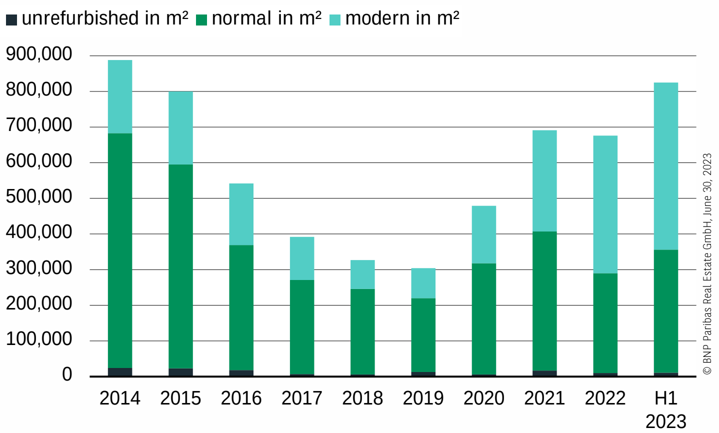
Development of take-up and top rents



Take-up by sector H1 2023



Development of vacant space



MARKET DYNAMICS LOSING PACE

The momentum on the Berlin office market dropped significantly in the spring. Two factors play a crucial role in this. On the one hand, the market can hardly detract the generally weakening economy; the number of companies on a growth course decreased significantly. On the other hand, the current cost pressure is considered in many rental decisions, as is the proportion of remote working that has increased since the pandemic and the overall change in working patterns. The trend towards less, but higher-quality space in locations that are easily accessible, especially by public transport is visible. A take-up of 118,000 m² was registered for the second quarter, so that the result for the half-year amounts only to 262,000 m². This corresponds to a decline of 28% compared to the previous year's result. The 10-year average (353,000 m²) remained unmatched. Nevertheless, Berlin leads nationwide, relegating Munich (237,000 m²) and Hamburg (223,000 m²) to second and third place.

CONSULTANCIES WITH TOP RESULTS

The traditionally strong other services are still ahead in the first half of 2023. They contributed around 24% to the result, including the next big letting from Enpal B.V. over 5,200 m². The take-up of almost 42,000 m², by consulting companies, is remarkable. In addition to the large number of deals with a lettable area of less than 1,000 m², the letting of the Boston Consulting Group for more than 19,2000 m² was decisive for this result, which is also outstanding on a 10-year average. The rental activity of the public administration is well below average, but it is still the third strongest sector with a take-up of a good 40,000 m², including the rental by the Marzahn-Hellersdorf job center with 12,800 m².

VACANCY RISES SIGNIFICANTLY

The vacancy volume rose to 825,000 m² in the second quarter (excluding sublet space) and has thus reached a level that was last recorded in the Berlin market in 2014. What is striking here is the high proportion of modern space, which amounts to almost 57% and caused primarily by expiration of lettings and less the completion of new space. However, the vacancy analysis also shows that there is still a shortage of modern space in the top city and the vacancy rate in the market area is still at a low 3.9%.

Major contracts

Sub-market	Company	m²
2.2	The Boston Consulting Group	19,200
3.6	Jobcenter Marzahn-Hellersdorf	12,800
2.1	JP Morgan	5,500
2.1	SEFE Securing Energy for Europe	5,500
2.1	BIM (LEA)	5,300
2.4	Enpal B.V.	5,200

Trends in important market indicators

	H1 2022	H1 2023	Trend remaining year
Take-up	364,000 m²	262,000 m²	→
Vacant space	673,000 m²	825,000 m²	↗
Space under construction (total)	1,452,000 m²	1,071,000 m²	↘
Space under construction (available)	894,000 m²	683,000 m²	↘
Top rent	43.00 €/m²	45.00 €/m²	↗

CONSTRUCTION ACTIVITY CONTINUES TO FALL

The changed financing environment, the phase of economic weakness and the declining rental activity are increasingly reflected in construction activity. The volume of space under construction fell for the third quarter in a row to just under 1.1 million m². A value below the 1-million-mark was last registered in 2018. The pre-letting rate is currently at 36% and has thereby been surprisingly stable for around a year. It is striking that the volume of space under construction that is still available in city locations is particularly high at 495,000 m².

STABLE RENTAL LEVEL OVERALL

The prime rent has remained stable at 45 €/m² for the second quarter in a row. It is thus almost 5% above the previous year's value and is achieved in Topcity Ost. The generally more volatile average rent remains above the 29 €/m² mark, although it has recently fallen slightly compared to the previous quarter to 29.20 €/m². It thus remains by far the highest nationwide and is 3.5% above the previous year's value.

OUTLOOK

The framework conditions for the Berlin office market will remain challenging for the time being, as the German economy has not yet regained a sustainable footing. Furthermore, the trend is likely to solidify that many companies prefers smaller but better quality spaces. An extensive expansion of the rental volume is therefore unlikely in the short term. Nevertheless, the continuing high demand for top space should lead to a further increase in prime rents.

Key indicators H1 2023

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	H1 2023	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		40.00	8,500	23,000	14,000	0	18,400	18,400	41,400	5,000
1.2	Topcity East		45.00	11,000	30,000	13,500	0	40,200	15,200	45,200	8,200
1.3	Potsdamer/ Leipziger Platz		43.00	8,000	27,000	24,000	0	0	0	27,000	33,300
2	City Centre	33.00 -	40.00	178,000	376,000	218,000	9,000	756,900	495,000	871,000	1,606,600
3	Centre Fringe	18.00 -	28.00	56,500	369,000	199,500	30,000	255,500	154,400	523,400	2,120,900
	Total			262,000	825,000	469,000	39,000	1,071,000	683,000	1,508,000	3,774,000

* 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".

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 30.06.2023

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