

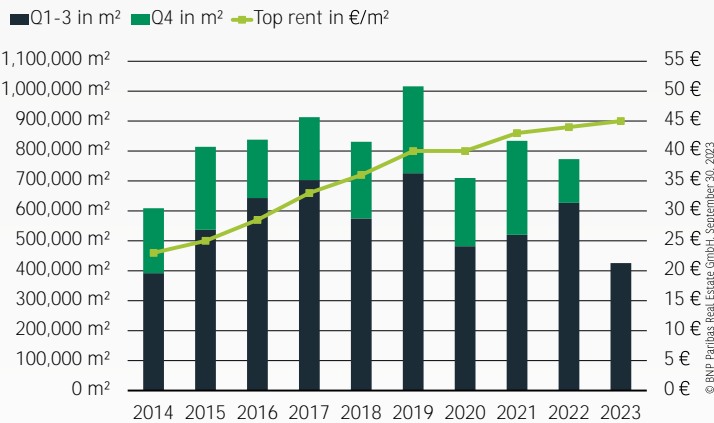


RESEARCH

At a Glance **Q3 2023**

OFFICE MARKET BERLIN

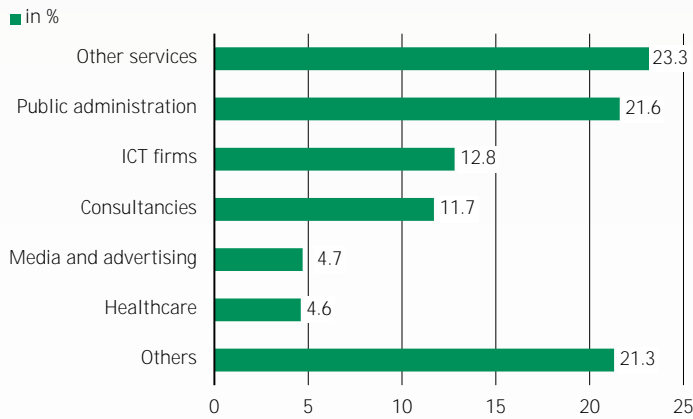
Development of take-up and top rents



➤ SIGNIFICANT INCREASE IN TAKE-UP IN Q3

As expected, take-up in Berlin, as in all other major cities, remains at a very moderate level. At the end of the third quarter, take-up totaled 426,000 m², which is 32% below the previous year's figure. The ten-year average is also missed by a good 24%. As in the past, the subdued economy is having a very clear impact on the rental markets. However, it is encouraging that the market picked up noticeably in the third quarter. With take-up of 164,000 m², the results of the two previous quarters were significantly improved and the comparable figure from 2020 was topped. The take-up figure for 2021 was only narrowly missed, too. In a nationwide comparison, Berlin remains the undisputed leader, relegating Munich (324,000 m²) to second place by a wide margin. The very homogeneous distribution of take-up across all size categories is also noteworthy. The capital thus confirms that, even in a difficult macroeconomic environment, there is a broad foundation of demand overall.

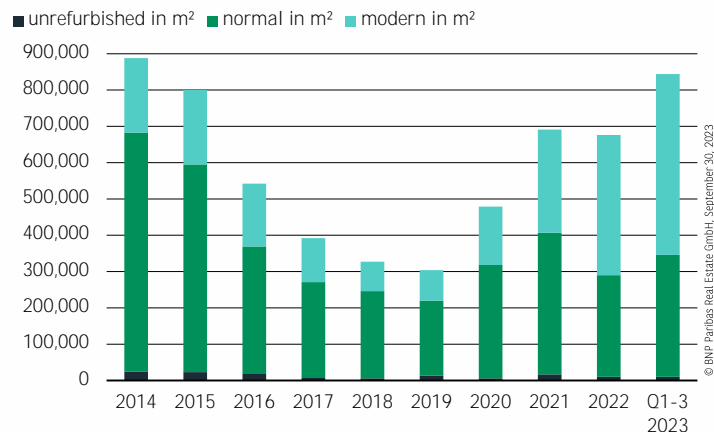
Take-up by sector Q1-3 2023



➤ PUBLIC ADMINISTRATION WITH HIGH SHARE

The distribution of take-up by sectors also indicates a comparatively broad demand base. This statement is underlined by the fact that the very mixed collective category of other services leads the ranking with a good 23%. In second place ranks public administration, which is traditionally strong in Berlin, with almost 22%. A number of major contracts contributed to this, such as the letting of 25,000 m² to the Federal Criminal Police Office in Kreuzberg/Neukölln or just under 13,000 m² to the Marzahn Hellersdorf Job Center in the eastern part of the city. Larger contributions to take-up were also made by ICT firms (just under 13%) and consultancies (almost 12%).

Development of vacant space



➤ VACANCY GROWTH LOST PACE

Year-on-year, vacancy increased by 30% to 844,000 m². However, the significant increase slowed in Q3, where a rise of only 2% was recorded. In the case of modern vacancies, which are in particularly high demand, an increase of a good half was in fact recorded. Consequently, around 59% of all vacancies have a modern fit-out. As a result, the vacancy rate climbed year-on-year to 4.0%. In the CBD, it currently stands at 3.5%. However, these continue to be relatively moderate figures by both national and international standards.

Major contracts

Sub-market	Company	m ²
2.5	BlmA (BKA Bundeskriminalamt)	25,000
2.2	The Boston Consulting Group	19,200
3.6	Jobcenter Marzahn-Hellersdorf	12,800
1.3	Berlinovo Immobilien	9,900
2.2	BlmA	8,200
3.4	Bezirksamt Pankow	6,500

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DECLINING CONSTRUCTION ACTIVITY

The increased construction costs, the challenging financing environment and the moderate letting activity are reflected in the development of construction activity. At just under 1.04 million m², the current construction volume is 35% below the previous year's figure and roughly back to the level of 2019, with around two-thirds being still available to the rental market (-35%). In absolute terms, the market has less available office space under construction (678,000 m²) than in 2020, meaning that the capital is still far from experiencing an oversupply situation.

RENTAL GROWTH CURRENTLY SLOWING DOWN

The strong rental growth of recent years has currently slowed slightly due to the weaker take-up caused by the economic situation. Year-on-year, however, prime rent still rose by just under 5%, even though it tended to move sideways in Q3. Average rent rose by 1.4%.

Trends in important market indicators

	Q1-3 2022	Q1-3 2023	Trend remaining year
Take-up	627,000 m ²	426,000 m ²	➔
Vacant space	648,000 m ²	844,000 m ²	➔
Space under construction (total)	1,596,000 m ²	1,037,000 m ²	➔
Space under construction (available)	1,036,000 m ²	678,000 m ²	➔
Top rent	43.00 €/m ²	45.00 €/m ²	➔

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OUTLOOK

Although the slight upward trend in take-up is likely to continue in the final quarter, exceeding the 600,000 m² mark for the year as a whole can already be considered as a success. A real revival in take-up is not expected until 2024, once the economy picks up noticeably. Vacancy volume will continue to rise somewhat, particularly in the case of lower-quality space, whereas construction activity should continue to decline. Rents are expected to move sideways in the last three months, before rising more sharply again in 2024 as the economy gains momentum.

Key indicators Q1-3 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	Q1-3 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		12,000	31,700	19,600	0	18,400	18,400	50,100	7,400
1.2 Topcity East	45.00		15,000	29,400	14,700	0	40,200	15,200	44,600	8,200
1.3 Potsdamer/Leipziger Platz	44.00		22,000	43,700	41,200	0	0	0	43,700	33,300
2 City Centre	33.00 - 40.00		276,000	397,300	233,900	9,000	733,000	494,800	892,100	1,539,900
3 Centre Fringe	18.00 - 28.00		101,000	341,900	188,600	10,000	245,400	149,600	491,500	2,038,200
Total			426,000	844,000	498,000	19,000	1,037,000	678,000	1,522,000	3,627,000

* 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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