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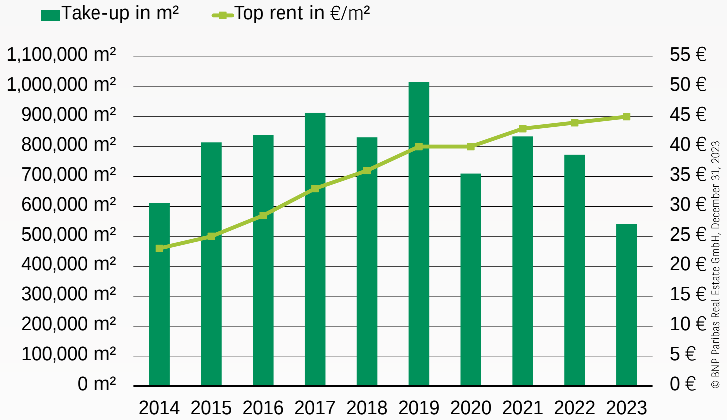
RESEARCH

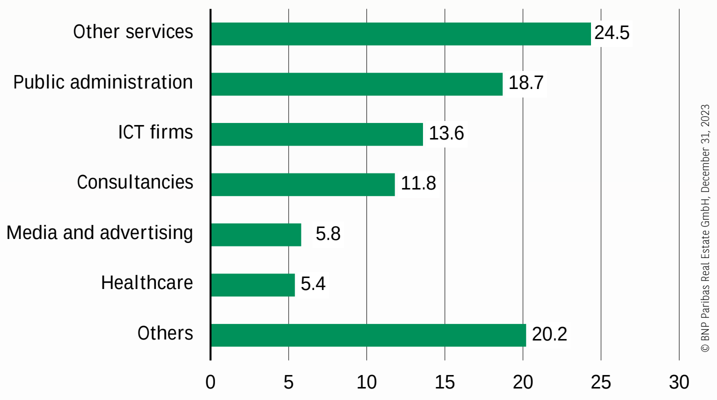
At a Glance Q4 2023

OFFICE MARKET BERLIN

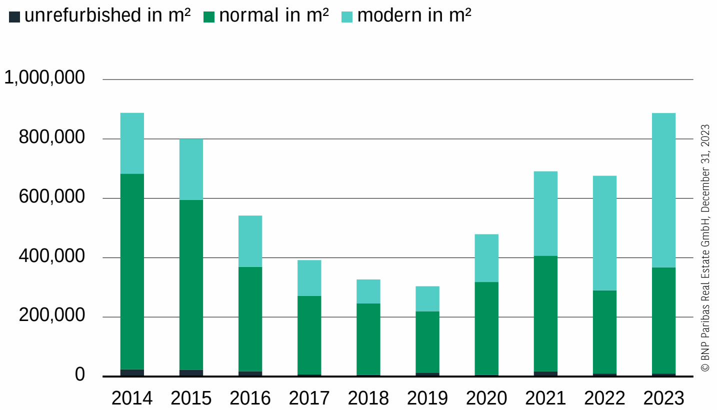
Development of take-up and top rents



Take-up by sector 2023



Development of vacant space



WEAK ECONOMY STILL NOTICEABLE

Demand for office space continues to be affected by the weak economy and the comparatively moderate outlook. With take-up of only 541,000 m² in 2023, the capital city therefore achieved its weakest result in the last ten years. Compared to the previous year, the decline amounts to 30%, and the ten-year average was also undercut by a comparable margin. Below-average demand was observed in the large-size segment in particular. Looking at the results of the last quarter demonstrates just the extent of uncertainty regarding the overall economic development. At just 115,000 m², the result was roughly on a par with 2008 and 2009. The fact that, in addition to the weak economic situation, geopolitical risks, which could have a negative impact on the global recovery, have certainly contributed to this. Despite all, Berlin has once again taken the lead among the major German office locations, ranking ahead of Munich (467,000 m²) and Hamburg (450,000 m²).

THREE INDUSTRY GROUPS WITH DOUBLE-DIGIT SHARES

This moderate demand is primarily due to economic factors and not structural changes, which is reflected in the fact that the traditionally strong industry groups once again contributed the most. The ranking is led by the collective group of other services, which contributed 24.5% to take-up. Public administration follows in second place with a share of just under 19%, which is attributable to lettings by the Bundeskriminalamt (over 25,000 m² in Kreuzberg/Neukölln) and the Marzahn-Hellersdorf Job Centre (just under 13,000 m²), among others. ICT firms ranked third with almost 14%, closely followed by consultancies with around 12%, accounting for a slightly larger share of the result than usual.

FURTHER INCREASE IN VACANCIES

As expected, the vacancy volume has continued to rise. Year-on-year, it has increased by around 31% to currently 887,000 m². However, this development slowed slightly in the last quarter of 2023. The vacancies preferred by tenants with modern quality fit-out have increased by a good third since the end of 2022, although these spaces remain comparatively limited in the top locations, especially in Topcity East. The vacancy rate has soared to 4.1% in the market as a whole and to 3.6% in the CBD.

Major contracts

Sub-market	Company	m²
2.5	BImA (BKA Bundeskriminalamt)	25,000
2.2	The Boston Consulting Group	19,200
3.6	Job Centre Marzahn-Hellersdorf	12,800
1.3	Berlinovo Immobilien	9,900
2.2	Universal Music	8,500
2.2	BImA	8,200

Trends in important market indicators

	2022	2023	Trend 2024
Take-up	773,000 m²	541,000 m²	→
Vacant space	676,000 m²	887,000 m²	↗
Space under construction (total)	1,491,000 m²	852,000 m²	↘
Space under construction (available)	985,000 m²	617,000 m²	→
Top rent	44.00 €/m²	45.00 €/m²	→

SIGNIFICANT DROP IN CONSTRUCTION ACTIVITY

The second supply component, space under construction, has developed in the opposite direction. At 852,000 m², there is currently 43% less office space under construction than a year ago. The construction space still available for the letting market has also fallen by over 37% to 617,000 m². At 72%, the proportion of space remaining unlet is only slightly higher than at the end of 2022. Due to the different development of the two components, the total available supply (vacancies + available space under construction) has even fallen by almost 10% year-on-year to around € 1.5 million.

RENT LEVELS ONLY SLIGHTLY CHANGED

Given the comparatively moderate demand, it is not surprising that rent levels have changed only slightly. In a year-on-year comparison, the prime rent has risen by a good 2% to currently €45/m². In contrast, the average rent, which is generally more strongly determined by high-quality large contracts and therefore more volatile, has declined and stands at €27.90/m² (-2%).

OUTLOOK

Demand is generally expected to rise in 2024, as the German economy is likely to gain momentum and the financing environment is expected to become more predictable for companies. Nevertheless, the current geopolitical risks remain a factor that should not be underestimated in the further development of both sentiment and demand. In terms of supply, the contrasting trend of significantly rising vacancy volume and a simultaneous decline in construction volume is likely to continue. A further moderate increase in prime rents for modern space in top locations cannot be ruled out.

Key indicators 2023

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	2023	total	modern	of this, since completion	total	available	available	projec
arkets**	1		2	3	4	5	6	7	8 = (3 + 7)	9
Topcity										
Topcity West		40.00	16,600	39,100	26,700	3,700	18,400	18,400	57,500	
Topcity East		45.00	24,400	27,500	13,300	0	0	0	27,500	
Potsdamer/ Leipziger Platz		45.00	30,600	42,200	39,700	0	0	0	42,200	3
City Centre	33.00 -	40.00	348,400	442,900	259,400	12,100	644,400	480,700	923,600	1,52
Centre Fringe	18.00 -	28.00	121,000	335,300	179,900	22,200	189,200	117,900	453,200	2,08
Total			541,000	887,000	519,000	38,000	852,000	617,000	1,504,000	3,65

* 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 2023

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