SECOND QUARTER MAINTAINS MOMENTUM

The Berlin office market not only witnessed an extremely dynamic start to the year, but also took that momentum on into the second quarter. At around 395,000 m², take-up at the six-month point only just failed to match the record set in the same period last year (405,000 m²). A not inconsiderable role in this year’s total was played by the first-quarter purchase of the former Vattenfall headquarters (more than 47,000 m²) by the BImA for the Federal Criminal Police Office. But the second quarter was also extremely lively, with space turnover of more than 200,000 m². The Centre Fringe has accounted for the lion’s share of the result, generating more than half of the total (206,000 m²). In second place come the City Centre precincts, with around 103,000 m². The favoured Topcity locations, where space supply is lowest, were responsible for a further 46,500 m².

RETAIL SECTOR AND PUBLIC ADMINISTRATION HEAD FIELD

The business-sector distribution of take-up has been shaped heavily by the major leases. Supported by several sizeable contracts, retail companies are now in first place with almost 28 %, while the second place achieved by public administration (21 %) clearly reflects the large-scale BImA deal. Information and communications technology firms, customarily strong in the Berlin market, occupy third place with around 13 %. That puts them ahead of the other services sector, with just under 12 %. Other sizeable contributions were made by healthcare and consultants, each with slightly more than 6 %. Together, all the other sectors generated just under 15 % of the total.

VACANCY CONTINUES TO SHRINK

Due to the high level of demand, vacancy has continued to fall significantly. Currently, vacant space in the market area totals around 515,000 m², around one quarter less than a year ago. The proportion of this comprising the coveted segment of modern empty premises remains low, at about 35 %. What is particularly problematic, though, is the way the vacant space is spread across the market area: the most sought-after locations – Topcity, City Centre and Centre Fringe – only account for just about half of the volume. The vacancy rate has meanwhile slipped below the 3 % mark; it currently stands at 2.7 %.
MORE SPACE UNDER CONSTRUCTION, BUT...

Even though construction activity has risen year-on-year, only little has changed in terms of the space available to the market. At 358,000 m², the total volume of space under construction is about one-third higher than a year ago, but only 162,000 m² of this is still available for letting. And where most of the new space is concerned, potential tenants will anyway have to wait quite a time: only around 49,000 m² is scheduled for completion within the next 12 months. The total available supply currently stands at 677,000 m², which is well below the prior-year level (-17%).

SHARP RISE IN PRIME RENT

The extreme shortage of space has prompted a further rise in the prime rent. The figure for premium offices premises is now up to 30 €/m², a good 13 % higher than in the middle of 2016. Moreover, top rents in many other submarkets have also posted sharp double-digit rises. The supply bottleneck is also reflected by numerous increases in average rents.

OUTLOOK

Despite the limited space available in existing buildings, the Berlin office market is still producing strong take-up figures. The first six months admittedly featured some major deals which are not likely to be repeated on this scale on a regular basis, but the second half of the year should also generate a substantial take-up volume. At present, there are good signs that just as in the two previous years – the 800,000 m² mark can again be surpassed. By what extent, however, remains to be seen.