

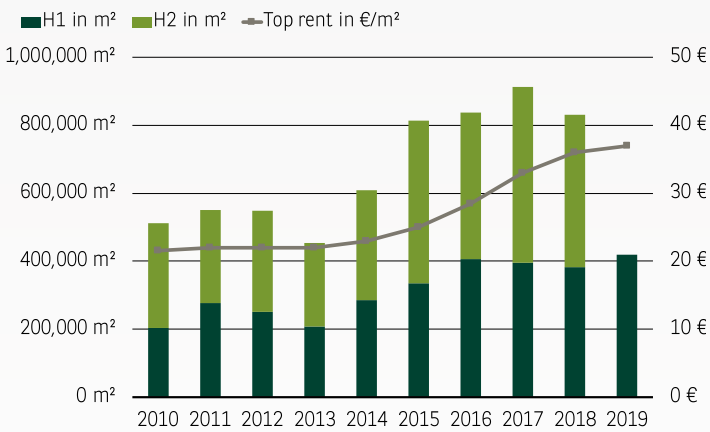


**RESEARCH**

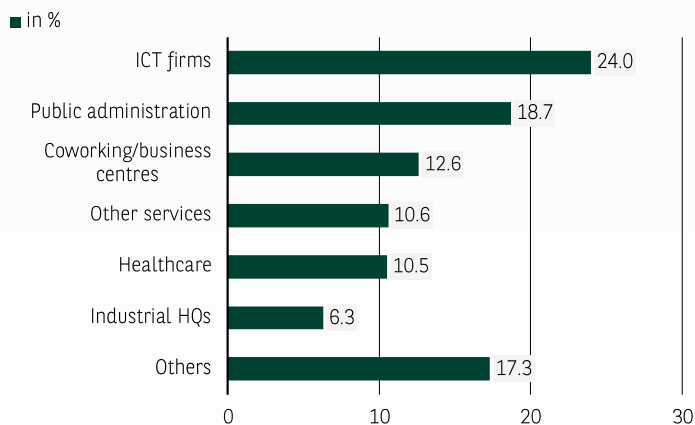
At a Glance **Q2 2019**

# OFFICE MARKET BERLIN

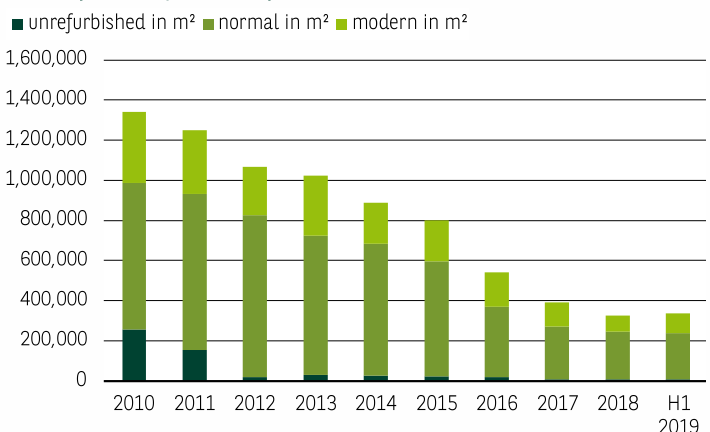
### Development of take-up and top rents



### Take-up by sector H1 2019



### Development of vacant space



### ➤ AFTER THE RECORD IS BEFORE THE RECORD

With a take-up of 418,000 m², the Berlin office market seamlessly continues the very good start to the year and also brings the capital a new record in the middle of the year. In a nationwide comparison, however, the metropolis has to settle for second place after Munich, where around 428,000 m² of office space found new users. The supply side is still the bottleneck on the Berlin market. Due to the low availability of office space in existing buildings, companies are increasingly resorting to new construction space, where the availability has increased somewhat thanks to higher construction activity - however, this is often associated with considerable time delays before occupancy. The supply of space is now largely made up of available space under construction, with vacancies accounting for significantly less than a half. Accordingly, the share of new buildings in the take-up is high at a good one-third. However, the supply of existing space is still low, especially for larger contiguous units, so that the proportion of new buildings in this segment is even higher.

### ➤ IUK TECHNOLOGIES IN 1ST PLACE

The information and communication technologies traditionally strong in Berlin also ranked first among the largest demanders for space (24%) in the first half of the year. They account for by far the largest number of transactions. The public administration is responsible for significantly fewer but very large contracts and ranks second (19%). The more than 23,000 m² office property for the Federal Ministry of Health, the refurbishment of which began in the first half of the year, is also included here. Coworking providers and business centers also continue to play a strong role in the market, accounting for almost 13%. Other services and healthcare contributed a further 11%. The last-named owes its good position primarily due to the major deal of the fitness chain McFit Global Group/RSG Group with over 19,500 m² in the Topcity West.

### ➤ VACANCY RATE AT 1.7%

Since the end of 2017, the vacancy rate has more than halved to 336,000 m², which corresponds to a vacancy rate of 1.7%. Short-term offers are limited, especially in the particularly popular Topcity, the city centre locations and the city fringe: In total, these locations account for only around 40% of vacancies, the remaining 60% being located in the subcentres. Around 29% of the vacancies are of modern quality, and here, too, a not inconsiderable proportion (48%) are in secondary locations alone.

## Major contracts

| Sub-market | Company                           | m <sup>2</sup> |
|------------|-----------------------------------|----------------|
| 1.2        | Federal Ministry of Health        | 23,200         |
| 1.1        | McFit Global Group/RSG Group      | 19,500         |
| 2.5        | VW Diconium                       | 16,000         |
| 2.6        | Federal Environment Agency        | 14,200         |
| 2.5        | The Office Group                  | 10,300         |
| 3.3        | BIM Berliner Immobilienmanagement | 10,100         |

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## Trends in important market indicators

|                                      | H1 2018                | H1 2019                  | Trend remaining year |
|--------------------------------------|------------------------|--------------------------|----------------------|
| Take-up                              | 382,000 m <sup>2</sup> | 418,000 m <sup>2</sup>   | ➔                    |
| Vacant space                         | 405,000 m <sup>2</sup> | 336,000 m <sup>2</sup>   | ➡                    |
| Space under construction (total)     | 622,000 m <sup>2</sup> | 1,047,000 m <sup>2</sup> | ➔                    |
| Space under construction (available) | 344,000 m <sup>2</sup> | 541,000 m <sup>2</sup>   | ➔                    |
| Top rent                             | 34.00 €/m <sup>2</sup> | 37.00 €/m <sup>2</sup>   | ↗                    |

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➤ MORE THAN 1 MILLION M<sup>2</sup> UNDER CONSTRUCTION

As a result of the pressure of demand, construction activity has accelerated considerably in the last 12 months. At 1.05 million m<sup>2</sup> (+68%), the areas under construction totalled more than 1 million m<sup>2</sup> for the first time since 1997. The space actually available for the market has also increased, albeit to a lesser extent at 57%, and amounts to 541,000 m<sup>2</sup>. They thus now also represent the main component of the available space (vacancy plus available space under construction), which rose by 17% year-on-year to 877,000 m<sup>2</sup>.

## ➤ RENTAL PRICE GROWTH ACROSS THE BOARD

Rental growth continued in the first half of the year. There has been a broad-based increase in both top and average rents. In most submarkets, growth rates are even in the double digits. The highest rent in the overall market is now 37 €/m<sup>2</sup> (+9%) and is achieved not only in Topcity Ost but also at Potsdamer/Leipziger Platz. In the same period, the average rent for the Berlin market even rose by an impressive 21% to 24.40 €/m<sup>2</sup>.

## ➤ OUTLOOK

In view of the tense supply situation, it is almost impossible to make a full-year forecast. It seems certain, however, that the excess demand will remain the dominant topic in the market in the second half of the year despite increased construction activity. Against this backdrop, rents are unlikely to have reached their maximum yet.

## Key indicators H1 2019

| Submarkets**                  | Top rent* (€/m <sup>2</sup> ) |       | Take-up (m <sup>2</sup> ) | Vacant space (m <sup>2</sup> ) |               |                           | Space under construction (m <sup>2</sup> ) |                | Space on offer (m <sup>2</sup> ) |                  |
|-------------------------------|-------------------------------|-------|---------------------------|--------------------------------|---------------|---------------------------|--|----------------|----------------------------------|------------------|
|                               | from                          | to    | H1 2019                   | 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              |                               | 36.00 | 35,000                    | 9,100                          | 2,400         | 0                         | 64,700                                     | 26,800         | 35,900                           | 40,000           |
| 1.2 Topcity East              |                               | 37.00 | 55,000                    | 7,200                          | 6,200         | 0                         | 5,700                                      | 0              | 7,200                            | 17,000           |
| 1.3 Potsdamer/Leipziger Platz |                               | 37.00 | 2,000                     | 16,000                         | 13,000        | 0                         | 6,800                                      | 6,800          | 22,800                           | 0                |
| 2 City Centre                 | 27.50 -                       | 34.00 | 165,600                   | 47,700                         | 17,400        | 0                         | 497,100                                    | 266,500        | 314,200                          | 844,200          |
| 3 Centre Fringe               | 24.00 -                       | 34.00 | 116,400                   | 56,000                         | 12,000        | 1,000                     | 416,100                                    | 194,100        | 250,100                          | 1,108,300        |
| 4 Subcentres                  | 14.50 -                       | 17.00 | 44,000                    | 200,000                        | 47,000        | 4,000                     | 56,600                                     | 46,800         | 246,800                          | 903,500          |
| <b>Total</b>                  |                               |       | <b>418,000</b>            | <b>336,000</b>                 | <b>98,000</b> | <b>5,000</b>              | <b>1,047,000</b>                           | <b>541,000</b> | <b>877,000</b>                   | <b>2,913,000</b> |

\* The top rent given applies to a market segment of 35 % in each case.

\*\* The relevant office market zone can be found on our website under "Research".

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