

Q2 2023

Office take-up during the first half of 2023 was 30% below last year's figure. There was however a slight increase in the prime rent, and project volumes remain high.

knightfrank.com/research

Berlin offices in the medium-sized space segment lead the way

► In terms of take up volumes in the first half of 2023, the Berlin office market is moving at the same level of 2013/2014. The space segment from 1,000 to 5,000 sq m proved to be relatively stable.

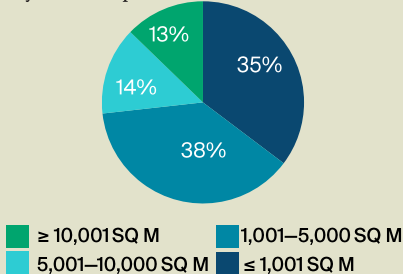
Office take-up in the Berlin market totalled 251,100 sq m in the first half of 2023, down 30% on the previous year. The second quarter accounted for 114,000 sq m, making it one of the weakest quarterly results of the last ten years (-46% y-o-y).

The small and medium segments proved steady, but could not compensate for the lack of large scale transactions. Despite the two deals $\geq 10,001$ sq m recorded in Q1, no deals of this size followed in Q2. The largest contract signed in Q2 was the lease agreement in the submarket

Presseviertel for 5,500 sq m. At 38%, the 1,000 to 5,000 sq m size category was the best performer in the first half of the year and was able to increase its share compared to previous years (H1 2021: 27%, H1 2022: 3%).

Take-up

By size in sq m



Source: Knight Frank Berlin GmbH

TAKE-UP BY SUBMARKET

Over the two quarters, letting activity centered primarily in Berlin's eastern locations, with Peripherie East the strongest submarket with around 12%, followed by Mediaspree with 10%.

Indicators (H1 2023)

Take-up in sq m

251,100

Completion in sq m

289,000

Vacancy in sq m

827,750

Stock in sq m million

21.4

Vacancy rate in %

3.9

Prime rent in €/sq m/month

44.00

Average rent in €/sq m/month

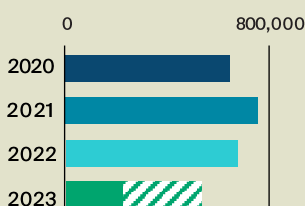
28.30

VACANCY AND RENTS

Vacancy rose by 29% year-on-year, mainly boosted by an increase in sublet space. The vacancy rate has increased

Take-up

In sq m



Source: Knight Frank Berlin GmbH

Rental Range by Submarket

In €/sq m/month

Ku'damm 1A	23.00 - 43.00
Charlottenburg	17.00 - 35.00
Schöneberg/Wilmersdorf	19.00 - 34.00
Tiergarten	21.00 - 34.00
Wedding/Moabit	15.50 - 30.00
Siemensstadt	14.50 - 28.00
Europacity	27.00 - 36.00
Mitte	20.00 - 41.00
Prenzlauer Berg	18.00 - 38.00
Hackescher Markt	25.00 - 43.00
Potsdamer Pl./Leipziger Pl.	28.00 - 45.00
Gendarmenmarkt	26.00 - 40.00
Presseviertel	23.00 - 37.50
Mediaspree	25.00 - 37.50
Kreuzkölln	20.50 - 34.50
Friedrichshain	22.00 - 31.50
Südkreuz	24.00 - 30.00
Adlershof	14.00 - 21.00
Schönefeld	12.50 - 19.00
Peripherie West	12.00 - 25.00
Peripherie North	12.00 - 25.00
Peripherie East	11.00 - 25.00
Peripherie South	12.00 - 28.00

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Research enquiries

Jutta Susanne Rehfeld
+49 30 23 25 74-385
jutta.rehfeld@knightfrank.com



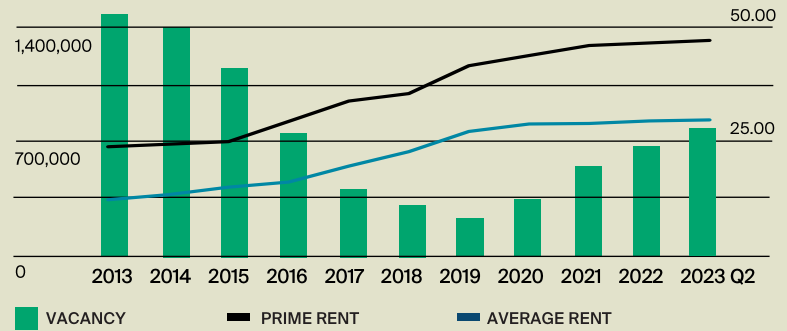
Office Leasing enquiries

Hanna Pawlowski
+49 30 23 25 74-372
hanna.pawlowski@knightfrank.com

¹ ifo business climate index June 2023: <https://www.ifo.de/fakten/2023-06-26/ifo-geschaeftsklimaindex-sinkt-juni-2023>

Vacancy vs. Prime and Average Rent

In sq m; in €/sq m/month



Source: Knight Frank Berlin GmbH

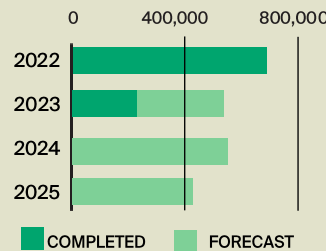
from 3.1% to 3.9%.

At the end of June, the prime rent was €44.00/sq m/month, which shows users are willing to pay high rents for high-quality, ESG-compli-

ant spaces in well-connected locations. This demand, together with inflation-related price increases, led to a 2.3% increase in prime rents within one year. Compared to Q2 2022, the average rent fell by 0.7% to €28.30/sq m/month.

Completion

In sq m (under construction and planned)



Source: Knight Frank Berlin GmbH

UNDER CONSTRUCTION

There are increasing delays in project developments and the start of many new construction projects are being postponed. Nevertheless, approx. 1.3m sq m of office space is under construction. By the end of 2024, including planning, around 1.1m sq m of stock should come onto the market, with 59% pre-let.

New remote and hybrid concepts lead to higher demand for smaller/medium size segments. With well-designed and flexible layouts, the dependency between the number of employees and space requirements decreases.

BERLIN 2023 Expectations for the second half of the year are subdued. This is also reflected in the ifo business climate index, which fell in both May and June.¹ Many companies are taking their time to make decisions, intensively examining their renewal options before signing a new contract. Furthermore, the trend towards smaller spaces in connection with new work and a shortage of skilled workers

also speaks less for a short-term return of the take-up volumes of 2018/2019, when approx. 1 million square meter of space was transacted. For 2023 we see a result of up to 600,000 sq m still possible. The prime rent will remain at a high level along with rising vacancy. The advantages or even the necessity of leasing ESG-compliant space will become decisive for a growing number of companies.