

Office Market

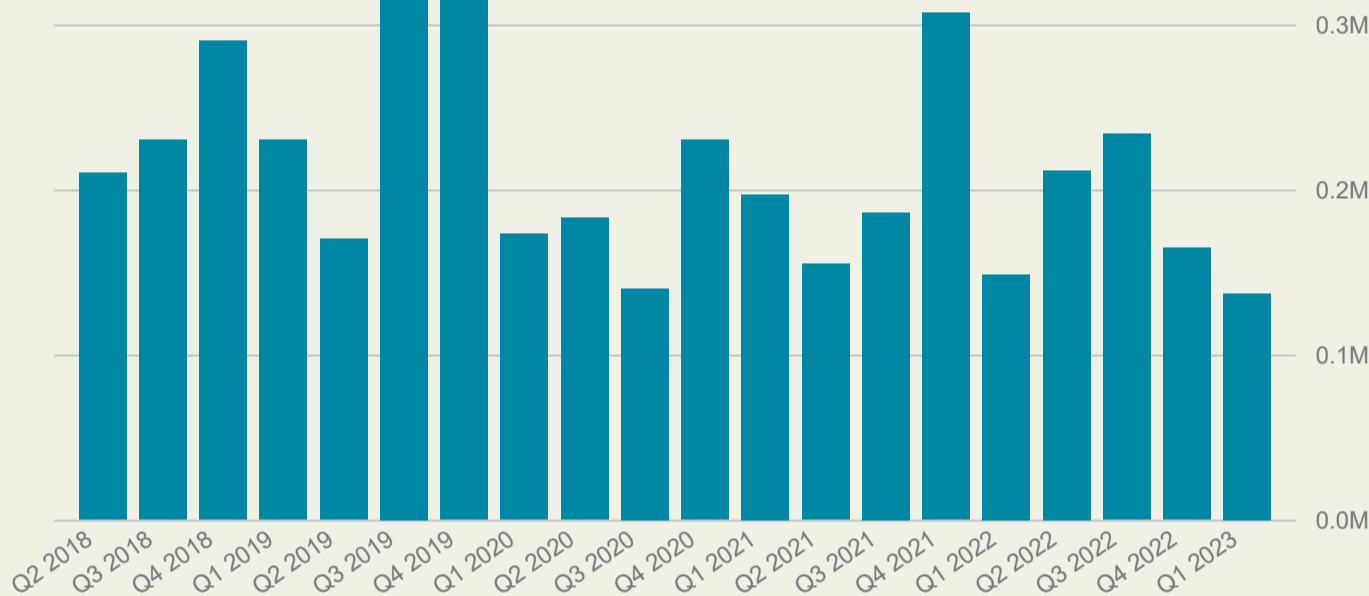
Q1 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

knightfrank.com/research

Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

137,100 SQM

Take up

€ 522 PSQM

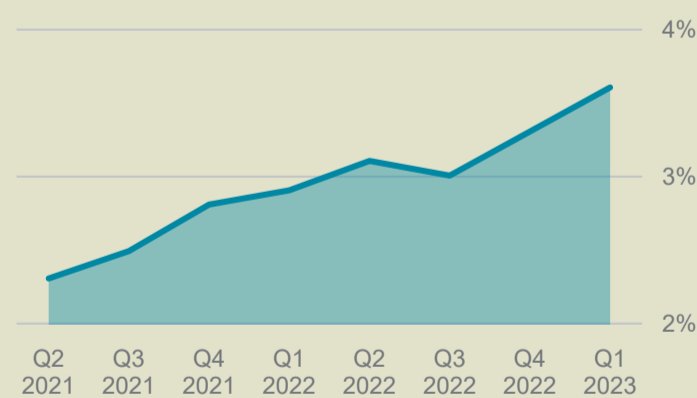
Prime Rent

3.6%

Vacancy Rate

Vacancy Rate

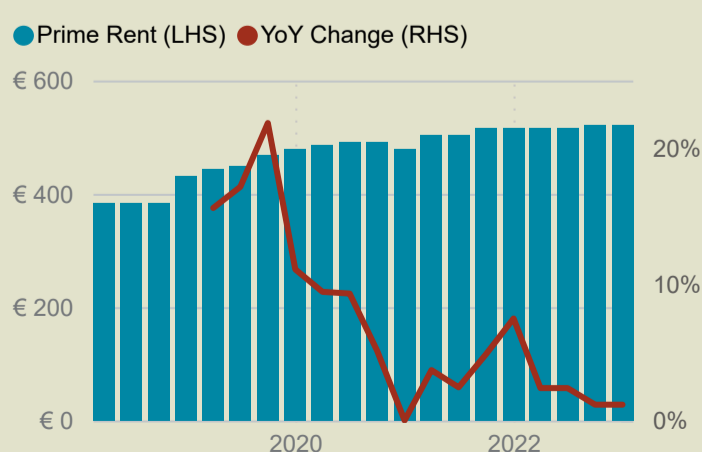
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

OCCUPIER HEADLINES

In the first quarter of 2023, the Berlin market saw 137,100 square metres of leasing activity, representing a 7.7% decline compared to Q1 2022 and falling 30% below the 5-year average. However, some larger deal sizes were reported, including two deals above 10,000 sqm, a size range that was absent from what was seen in the first quarter last year. These included Boston Consulting Group and the Mazahn Job center committing to 19,000 and 12,000 sqm respectively.

With 754,400 sqm of vacancy in the Berlin office market, the vacancy rate ticked upwards 30 basis points since last quarter to 3.60% in Q1 2023. This is a 24% increase year-over-year from 2.90% in Q1 2022, and while it remains above the 5-year average of 2.14%, it is still well below ten-year highs of 8.30% seen back in 2013.

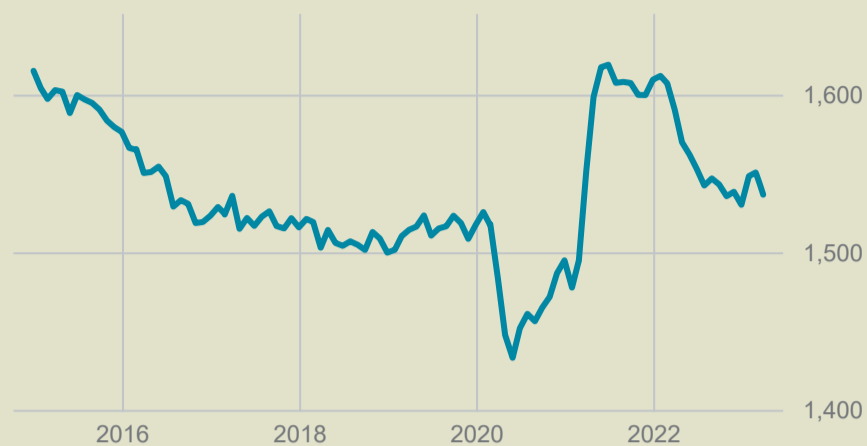
Some 115,000 sqm of office space was completed this quarter, 30% pre-let. Under construction volumes for the remainder of the year total 629,000 sqm, of which 70% are pre-let. With a development pipeline in excess of 600,000 sqm every year until 2026, it is expected that vacancy rates may continue to climb in upcoming quarters. As a result, the balanced market may tip in favour of the tenant in 2024.

Prime rental rates were unchanged this quarter at €522 psqm, up 1.2% year-over-year.

ECONOMIC INDICATORS

New Businesses in Germany

12-month Rolling Average

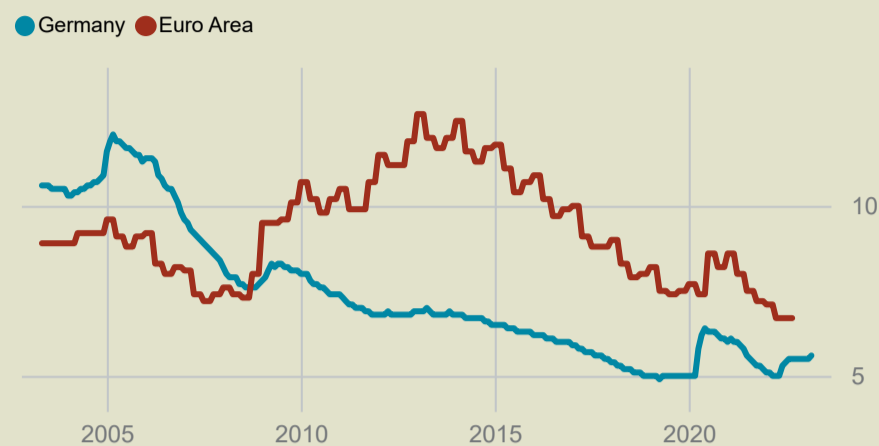


Source: German Federal Statistical Office (Statistisches Bundesamt)

After a slump in new business starts during the pandemic in Germany, activity exceeded pre-COVID normals in 2021 and have since levelled slightly in 2022. Preliminary figures from Q1 2023 show more activity than the 5-year average.

Unemployment Rate in Germany

vs Euro Area, as a Percent of Civilian Labour Force, %



Source: Eurostat/ German Federal Employment Agency (Bundesagentur fuer Arbeit)

The unemployment rate in Germany increased to 5.6% in March 2023 after staying firm at 5.5% since August 2022. The highest jobless rates were reported in Bremen and Berlin (8.9%), and the lowest in Bayern and Baden-Württemberg.

Employment Expectations in the Service Sector in Germany

Over the next 3 months, %

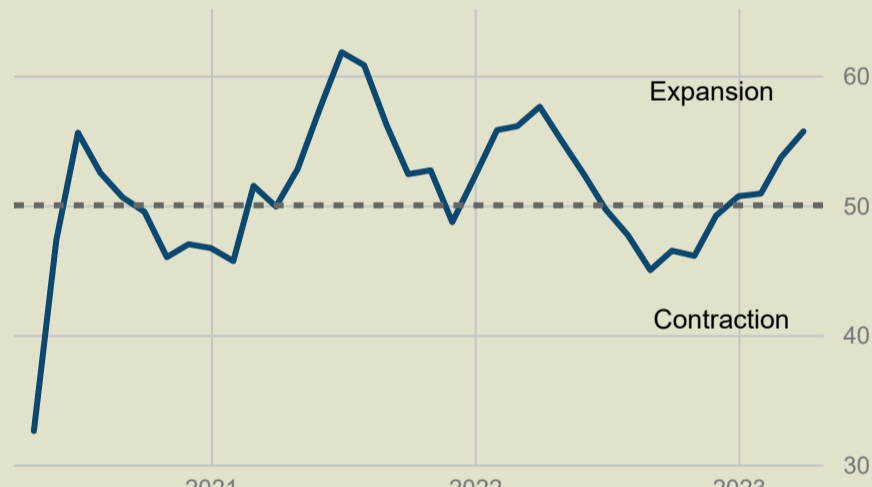


Source: European Commission (DG ECFIN)

Employment expectations in the German service sector fluctuated in Q1 2023, coming to 10.4 in March. This is below the 5-year average for the metric but well above negative levels seen in 2020.

Services PMI in Germany

Services PMI for the last 5 years, Index



Source: S&P Global

The service sector PMI in Germany continued to improve in Q1 2023 after the positive trajectory in Q4 2022. It reached 53.7 in March, returning to expansionary territory. This latest reading suggested there was an acceleration in services activity growth, supported by a pick-up in underlying demand.

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

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