

# Berlin Office Market



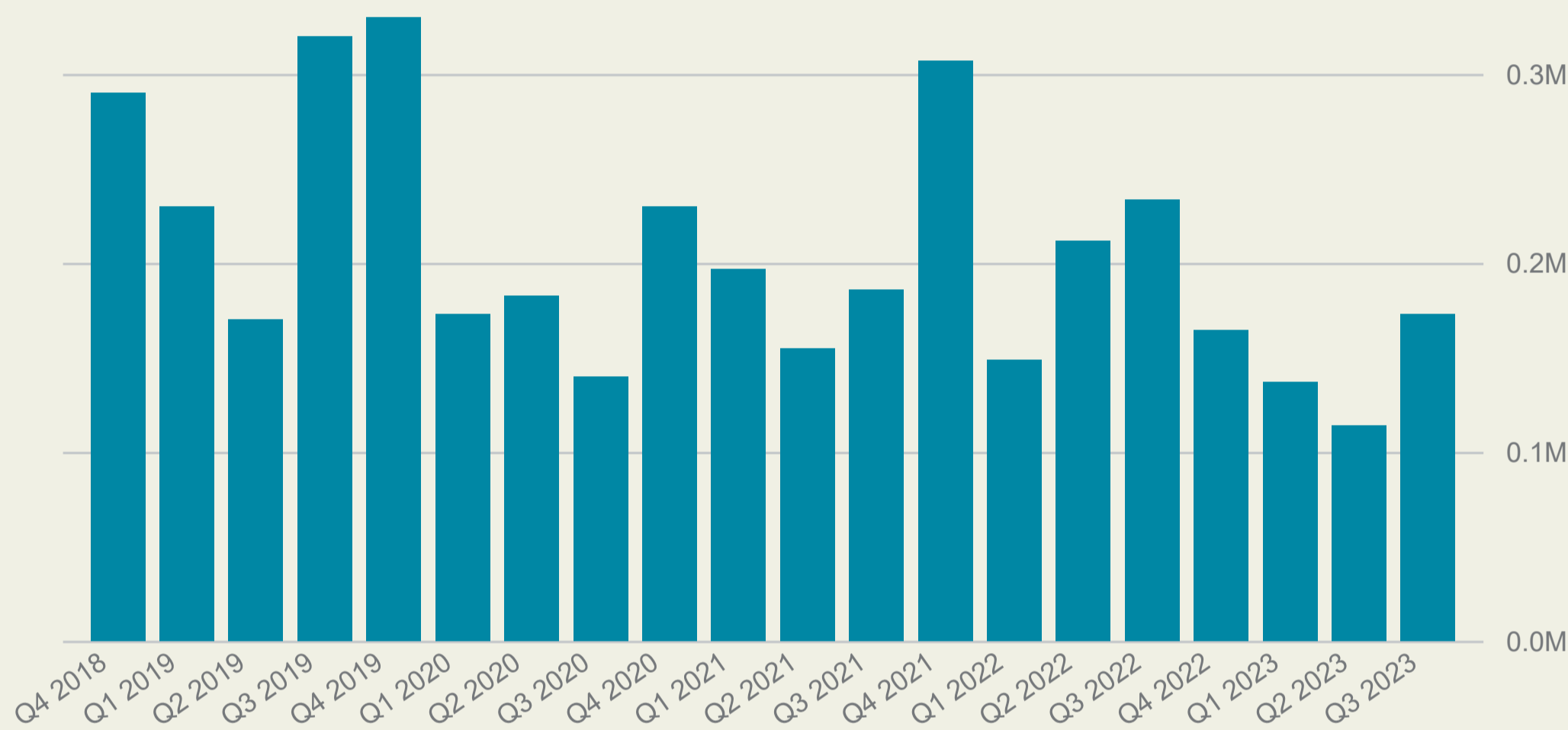
Q3 2023

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

[knightfrank.com/research](https://knightfrank.com/research)

## Take up

Over the last 5 years, square metres



Source: Knight Frank Research

## OCCUPIER MARKET KEY FIGURES

**173,200 SQM**

Take up

**€ 534 PSQM**

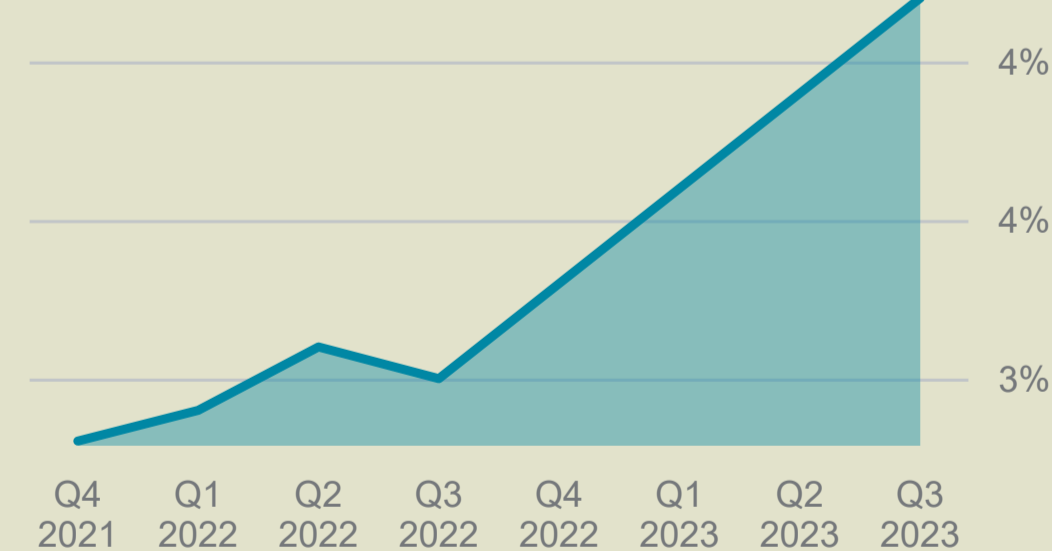
Prime Rent

**4.2%**

Vacancy Rate

## Vacancy Rate

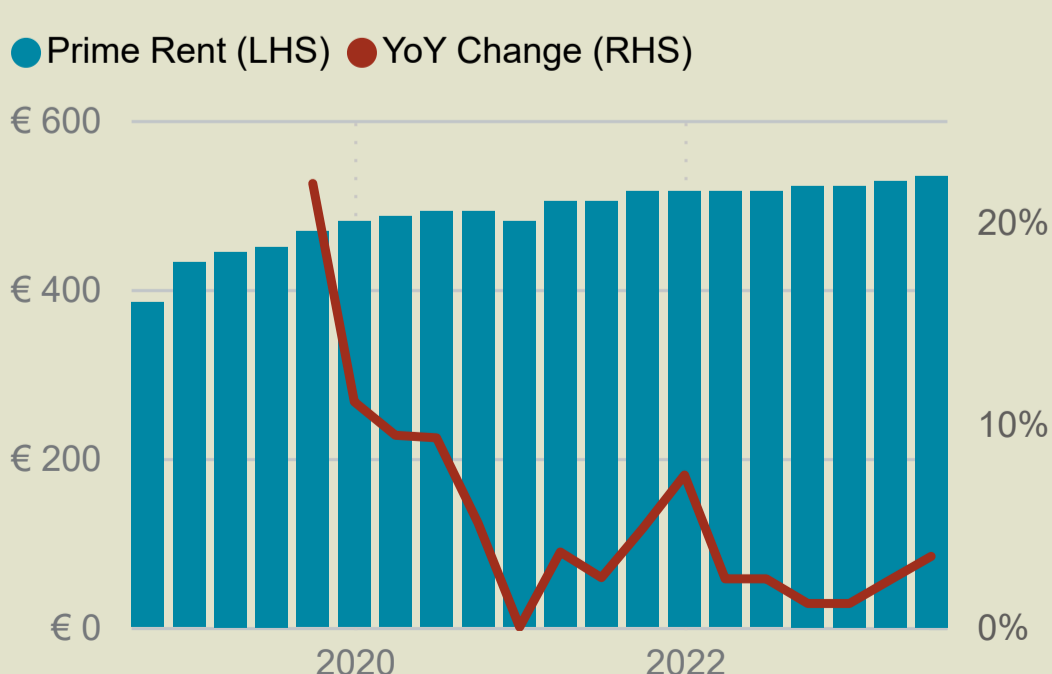
Measured in percentage terms



Source: Knight Frank Research

## Prime Rent

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



Source: Knight Frank Research

## OCCUPIER HEADLINES

Office take up in the Berlin market totalled 424,300 sqm in the first three quarters of 2023, down 28.5% from the volume seen in Q1-Q3 2022. The third quarter was the strongest so far this year, reaching 173,200 sqm, but nevertheless remains 25.8% below the Q3 2022 take-up.

New remote and hybrid concepts have led to higher demand for small and medium size segments. The 5,000-10,000 sqm segment is the only one that experienced growth of 6%, while there were only three deals above 10,000 sqm year to date. The public sector contributed 18% of the overall take-up.

The vacancy rate continued to increase in Q3 by 30 bps since last quarter, coming to 4.2%. This represents a 41% rise over the year and can be attributed to lower market activity, ongoing high completion figures and an increase in sublet space.

Prime rents increased to € 534 psqm per annum, demonstrating a willingness to pay top rents for high-quality and ESG-compliant spaces in well-connected locations. This demand, together with inflationary price pressures, has led to a 3.5% increase in prime rents year-on-year.

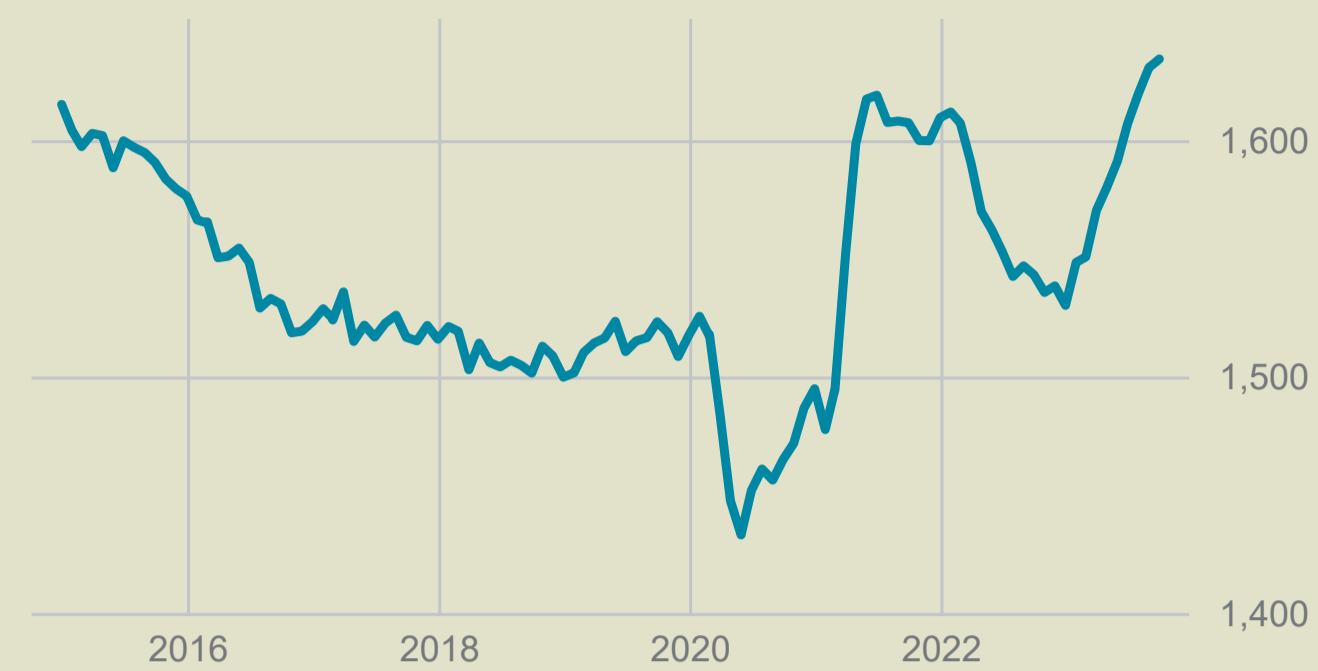
There were 376,600 sqm of construction completions in the first three quarters, 13% more than in the same period the previous year. Looking ahead, construction activity remains high and an approximated 1.3 million sqm of office space is currently under construction.

Expectations for the remainder of the year are subdued as the challenging economic environment continues to weigh on the real estate market. The prime rent is expected to remain under upward pressure amid high construction costs and limited high quality ESG-compliant space.

## ECONOMIC INDICATORS

### New Businesses in Germany

12-month Rolling Average

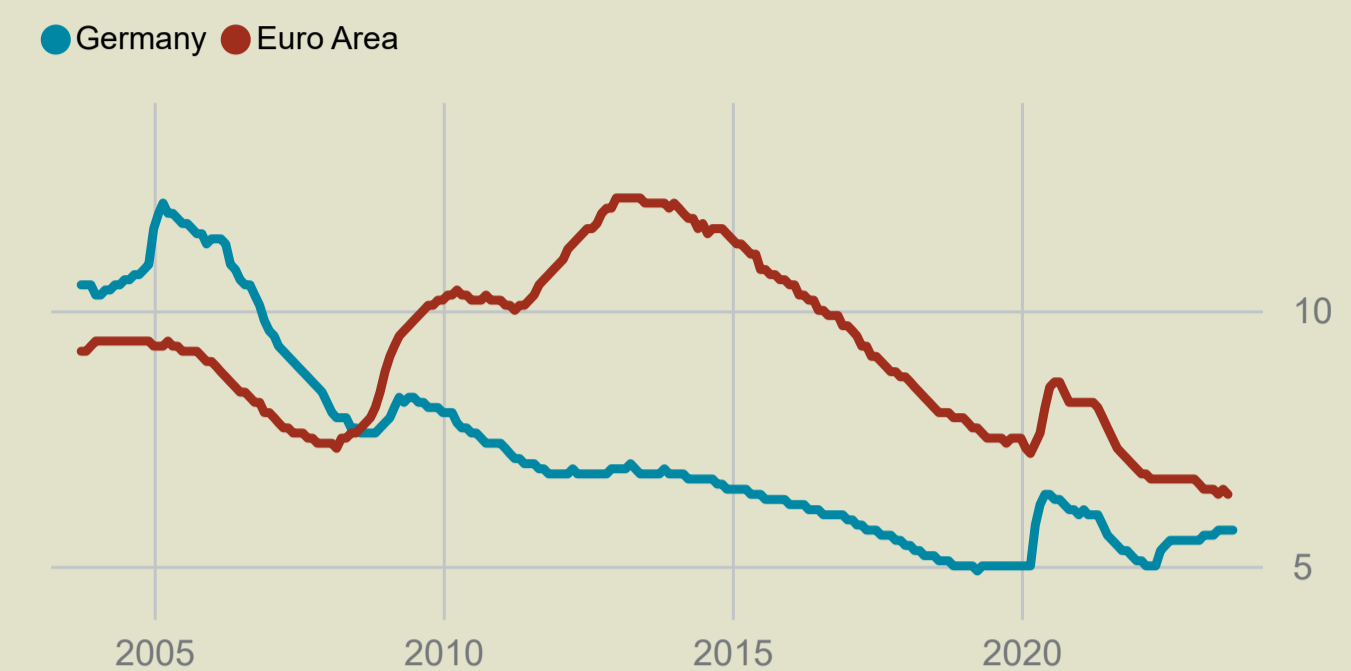


Source: German Federal Statistical Office (Statistisches Bundesamt)

The pace of new business starts in Germany has remained strong in Q3 2023, above the five-year average. However, this may be impeded by the challenging economic environment.

### 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 has held firm in Q3 2023 at 5.7%. According to Oxford Economics, it is expected to tick upwards to 5.8% in Q4 this year and trend around 5.6% in 2024, which is well below the LTA of 8.2%.

### Employment Expectations in the Service Sector in Germany

Over the next 3 months, %

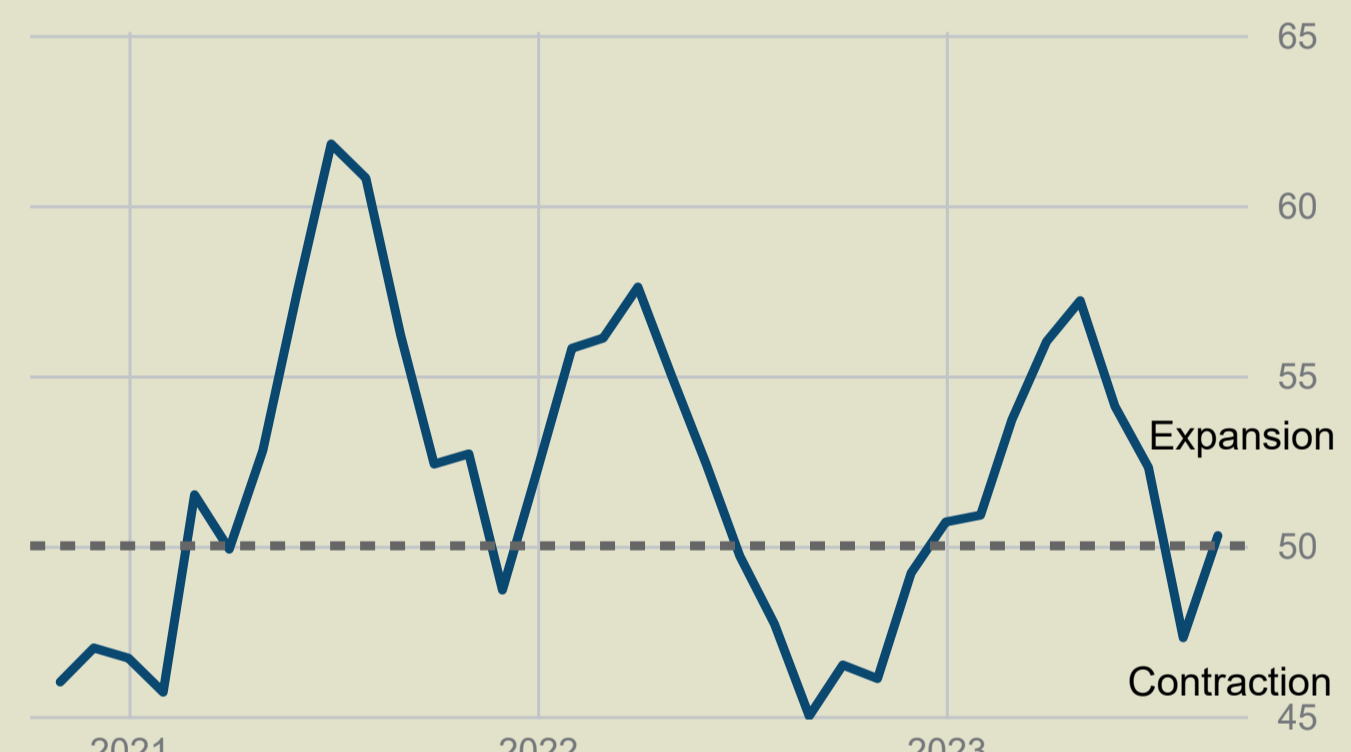


Source: European Commission (DG ECFIN)

Employment expectations in the German service sector continued their downward trend in Q3 2023, falling to 3.1 in September. This suggests cooling labour market activity.

### Services PMI in Germany

Services PMI for the last 3 years, Index



Source: S&P Global

The German service sector PMI dipped into contractionary territory for the first time this year in August, with a reading of 47.3, driven by a slump to client hesitancy amid tighter financial conditions. The figure improved in September to 50.3, although the overall outlook appears gloomy for the rest of the year.

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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