

Q1 2024

The Berlin office market started 2024 with a quarterly take-up totaling 145,000 sq m, which is slightly above last year's result. The vacancy rate increased significantly and the prime rent showed a sideways movement.

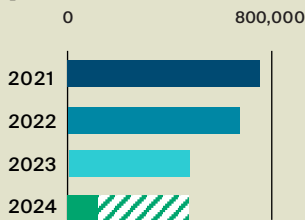
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The public sector dominates take-up in the first quarter of 2024

► Despite restrained leasing activity, the previous year's result was slightly increased thanks to two large-volume deals from the public sector.

In the first quarter of 2024, office take-up in the Berlin market amounted to some 145,000 sq m. In comparison to the previous year, this represents an increase of 5.7%. However, when compared to the 5-year average, the result falls short by 9.5%. The stable performance compared to the

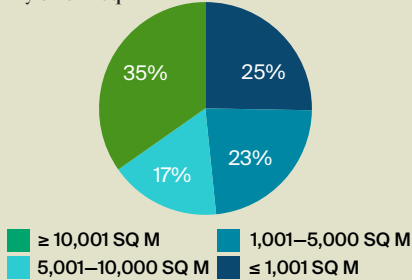
Take-up
In sq m



Source: Knight Frank Berlin GmbH

previous year is primarily based on two large-volume transactions of over 10,001 sq m each, both involving the public sector: The first transaction took place in the new X8 property and totalled to 25,000 sq m. The second transaction was the commencement of construction for the Federal Chancellery, which also accounts for some 25,000 sq m. Thus, the size segment of >10,001 sq m saw a

Take-up
By size in sq m



Source: Knight Frank Berlin GmbH

significant increase of 56% compared to the previous year 56%. The 5,001 to 10,000 sq m size sector recorded the same result as the first quarter of 2023. However, in the smaller size range, activity decreased, resulting in a slight decline in both transaction volume and overall activity.

The "Public Administration" sector holds the largest share by industry, accounting for some 46%. In second place, companies from the IT sector contribute around 12%.

Furthermore, the dominance of the public sector in take-up is reflected in specific submarkets with Tiergarten (25%) and Presseviertel (20%) leading the rankings.

Indicators

(Q1 2024; change y/y)

Take-up in sq m	144,900	+5.7%
Completion in sq m	129,000	+12.2%
Vacancy in sq m	1,085,000	+43.8%
Stock in sq m million	21.7	+2.1%
Vacancy rate in %	5.0	+140 bps
Prime rent in €/sq m/month	45.00	+ 3,4%
Average rent in €/sq m/month	28.90	+2,5%

VACANCY AND RENTS

Due to negative net absorption, the vacancy rose significantly by around 44% to 1.09 million m² within the first three months of 2024. The vacancy rate quot-

Rental Range by Submarket

In €/sq m/month

Ku'damm 1A	25.00 - 43.00
Charlottenburg	18.00 - 35.00
Schöneberg/Wilmersdorf	19.00 - 34.00
Tiergarten	21.00 - 34.00
Wedding/Moabit	15.50 - 30.00
Siemensstadt	15.00 - 28.00
Europacity	27.00 - 37.00
Mitte	20.00 - 41.00
Prenzlauer Berg	18.00 - 38.00
Hackescher Markt	25.00 - 43.50
Potsdamer Pl./Leipziger Pl.	31.00 - 45.00
Gendarmenmarkt	25.00 - 41.00
Presseviertel	23.00 - 37.50
Mediaspree	25.00 - 39.50
Kreuzkölln	20.50 - 34.50
Friedrichshain	22.00 - 31.50
Südkreuz	24.00 - 30.00
Adlershof	14.00 - 21.00
Schönefeld	13.00 - 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.



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1 <https://www.berlin.de/aktuelles/8792398-958090-wirtschaft-im-vergangenen-jahr-um-16-pro.html>

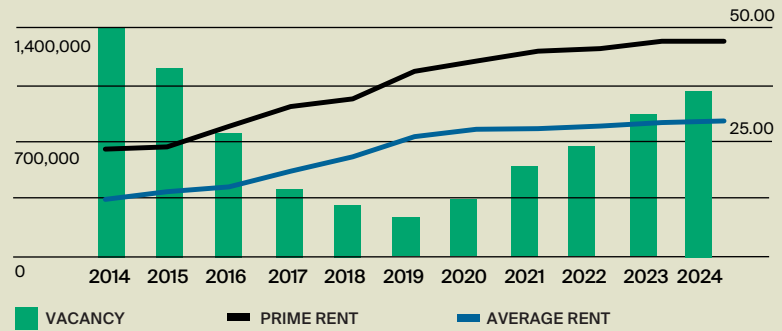
2 <https://www.ifo.de/fakten/2024-03-22/ifo-geschaeftsklimaindex-gestiegen-maerz-2024>

3 <https://www.zew.de/presse/pressearchiv/optimistischere-konjunkturerwartungen-und-erwartete-zinswende>

4 https://www.destatis.de/DE/Themen/Wirtschaft/Preise/Verbraucherpreisindex/_inhalt.html#238920

Vacancy vs. Prime and Average Rent

In sq m; in €/sq m/month



Source: Knight Frank Berlin GmbH

ed at 5.0% at the end of March, an increase of 140 basis points. The achievable prime rent remains at €45.00/sq m/month, compared to last quarter. Annually it saw an increase of 3.4%. However, currently, it is under downward pressure, due to the

general reluctance of market players. The average rent increased slightly by 2.5% to 28.90 €/sq m/month at the end of March.

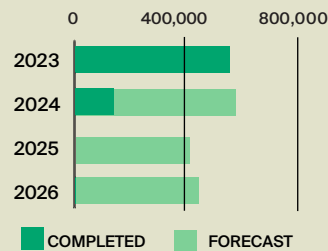
PROJECTS

The project volume will decline in the upcoming years due to bankruptcies and hesitant pre-lettings. However, some 1.3 million sq m of office space is still under construction.

In 2024 so far, approximately 129,000 sq m of office space was completed, 12% less than the previous year. The Edge East Side project in the Mediaspree submarket accounts for 50% of the office space. A further 430,000 sq m is expected to follow by the end of 2024; 46% of this space has already been pre-let.

Completion

In sq m (under construction and planned)



Source: Knight Frank Berlin GmbH

„Positive impulses are emerging from the economy, but it will take some time for them to manifest in the rental market.“

Philip Schneider

BERLIN 2024

The Gross Domestic Product (GDP) of Berlin for the year 2023 increased by 1.6% compared to the previous year, setting it apart from the negative growth rate of -0.3% recorded by Germany as a whole.¹ Currently, there are further hopes stemming from improved economic expectations: The ifo index rose significantly in March compared to the previous month (by 2.1 points to 87.8)², and the ZEW index also increased (by 11.8 points to 31.7)³. Simultaneously, the inflation rate for March was as low as 2.2%, the lowest since

April 2021.⁴ In the best-case scenario, we anticipate increased leasing activity starting from the second half of the year. If this occurs, the rental turnover for the entire year of 2024 could reach levels similar to the previous year.

The prime rent is expected to face upward pressure in the medium term when demand for high-quality, ESG-compliant spaces rebounds. A declining project pipeline will favour this development. Additionally, construction stoppages and project delays will mitigate further increase in the vacancy rate.