Q-Trend Berlin

Q1 - Q4 2024

The Q-Trend examines the latest quarterly data on the Berlin office market, categorises it in the context of current market trends and provides an outlook on future market developments.

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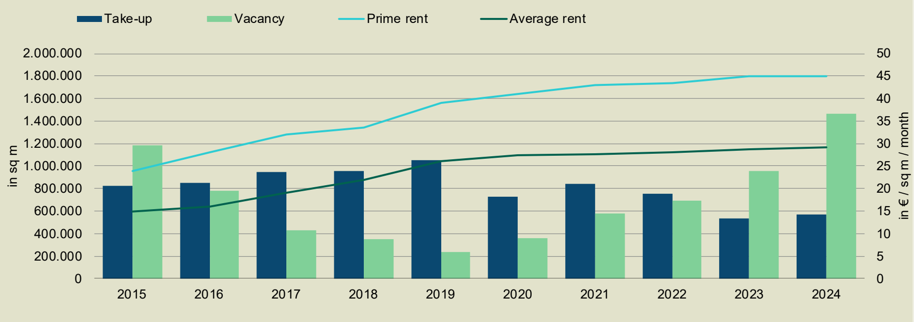
More leasing transactions and take-up, but also rising vacancy rates

More leasing transactions in the smaller space segment led to an increase in take-up compared to the previous year. The vacancy rate has nevertheless risen sharply. Rents remained unaffected by this development. The negotiating position of tenants has improved.

At 573,800 sq m, slightly more space was taken up on Berlin's office leasing market last year than in the previous year. Nevertheless, this figure is well below the average achieved in the five years before the start of the Covid-19 pandemic (926,000 sq m) and also below the yearly average for 2020-2022 (776,000 sq m). Various influencing factors such as the sluggish economy and a greater spread of hybrid working models have prevented take-up from reaching the 600,000 sq m mark in the past two years. Against the backdrop of uncertain growth prospects, companies are increasingly deciding against relocating and - if possible - in favour of remaining in their existing space.

In any case, the trend is moving in the direction for smaller spaces. If the market is divided into a small (up to 3,000 sq m) and a large (3,000 sq m and above) space segment, the shift towards the smaller space segment is clearly recognisable. While the number of deals in this size category has risen significantly, particularly from 2020 onwards, the number of larger deals has declined. Compared to the average in the three years prior to Covid-19, this number has fallen by two thirds to 25 in 2024. Due to the economic situation and the uncertainty as to when a recovery will take place, large companies are comparatively cautious. In addition, these companies in particular are planning with significantly less space than they

Take-up, vacancy and rents in longterm comparison



Source: Knight Frank Berlin GmbH

Key figures

(Change against previous year)

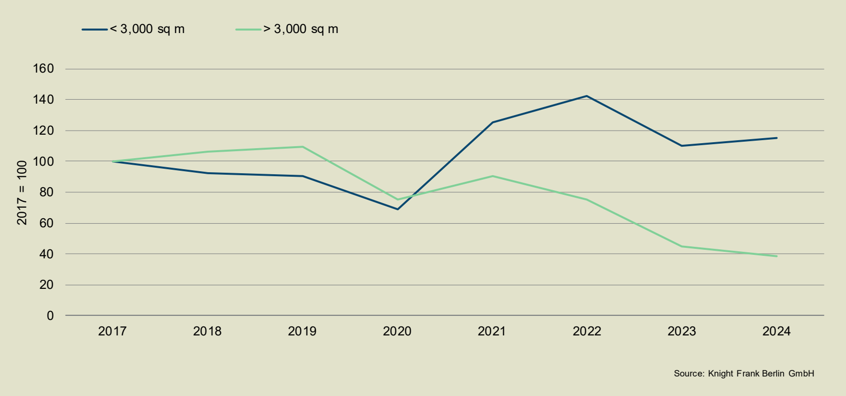
Take-up in sq m	573,800	+7.1%
Completions in sq m	559,300	+3.5%
Vacancy in sq m	1,467,300	+53.8%
Stock in million sq m	21.9	+1.4%
Vacancy rate in %	6.7	+230bps
Prime rent in €/sq m/month	45.00	+/-0.0%
Average rent in €/sq m/month	29.20	+1.4%

Rental range by submarket

In €/sq m/month

Ku'damm 1A	24.00 - 43.00
Charlottenburg	18.00 - 35.00
Schöneberg/Wilmersdorf	17.00 - 35.00
Tiergarten	25.00 - 36.00
Wedding/Moabit	18.00 - 28.00
Siemensstadt	15.00 - 28.00
Europacity	27.00 - 37.00
Mitte	20.00 - 42.00
Prenzlauer Berg	20.00 - 39.00
Hackescher Markt	27.00 - 43.00
Potsdamer Pl./Leipziger Pl.	29.00 - 49.00
Gendarmenmarkt	27.00 - 41.00
Presseviertel	21.00 - 37.00
Mediaspree	21.00 - 34.00
Kreuzkölln	19.00 - 34.00
Friedrichshain	21.00 - 30.00
Südkreuz	24.00 - 30.00
Adlershof	15.00 - 21.00
Schönefeld	15.00 - 20.00
Periphery West	15.00 - 21.00
Periphery North	10.00 - 24.00
Periphery East	12.00 - 23.00
Periphery South	18.00 - 21.00

Development of number of transactions by size segment



By contrast, the number in the smaller space segment has risen by a good 20% compared to the 3-year average prior to Covid-19. This is also accompanied by a shift in the proportion of total take-up accounted for by the two space segments. While the ratio before Covid-19 was still 60:40 in favour of large transactions, this has now practically reversed. On average, a transaction in 2024 was 905 sq m in size and therefore slightly larger than in the previous year, but was below the 1,000 m² threshold for the third year in a row.

The comparatively low demand coupled with the simultaneous completion of 560,000 m² of new office space on the Berlin market led to negative net absorption and caused the vacancy rate to swell significantly compared to the previous year. Absolute vacancy totalled 1.47 million sq m at the end of the year. The last time there was a higher absolute vacancy rate was in 2013. This is reflected in a vacancy rate of 6.7%, which is likely to rise further in the remainder of 2025.

As a result, tenants once again have several alternatives to choose from and are in a much better negotiating position. Owners are therefore increasingly willing to retain their existing tenants with (higher) development cost subsidies and rent-free periods or to create an attractive offer for new tenants.

Rental trends were unaffected by the circumstances last year. While the prime rent remained stable at EUR 45.00 per sq m /month throughout the year, the average rent increased by 1.4% to EUR 29.20 per sq m /month compared to the previous year.

Outlook

Where is Berlin's office letting market heading in 2025?

Given the uncertain economic outlook, overall demand from companies in 2025 is unlikely to change significantly compared to the previous year. Take-up is therefore likely to remain roughly at the previous year's level. As around 400,000 m² of office space is expected to be completed in 2025, around half of which is already let, it can be assumed that the increase in vacancies will continue unabated. The gap in rents could widen somewhat further: Prime rents should at least remain stable, perhaps even rise again, whereas average rents could fall slightly, as many landlords will have to make nominal or effective concessions to their potential tenants due to the rental market situation.

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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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