

Q4 2023

The office space take-up for 2023 is around 33.9 % below the 10 yr average. The demand for quality once again drove up the rent level. The vacancy rate continued to rise slightly.

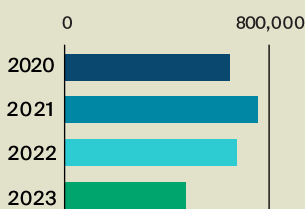
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Berlin's office market ends the year with a weak result

► In addition to economic uncertainties, a smaller-scale demand for space due to structural changes in work concepts also had a negative impact on leasing activity in the Berlin office market.

The year 2023 ends with a historically low result. Only 111,500 sq m of office space was let in the Berlin market in the last quarter, a decrease of 32% compared to the previous year and 63% compared to Q4 2021. Accordingly, the full-year result was down 29% compared to the previous year and 37% compared to 2021.

Take-up
In sq m



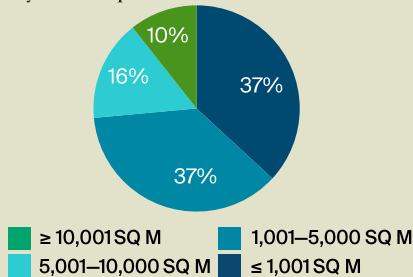
Source: Knight Frank Berlin GmbH

A decline can be reported in all size segments. The lack of large deals had the greatest negative impact on the result. There was a shortfall of 87,000 sq m in the 10,000 sq m and above size category alone compared to the previous year.

A look at the urban area shows a clear dominance of the eastern part of the

city, but this is also due to the higher level of new construction there. At the

Take-up
By size in sq m



Source: Knight Frank Berlin GmbH

submarket level, the Eastern Periphery is the strongest performer. This submarket is also home to a new construction project of the public sector, which with a share of around 19%, dominates take-up by sector.

VACANCY AND RENTS

By the end of 2023, the vacancy rate had risen to 4.4%, up from 3.3% at the end of 2022. In terms of space, this represents an increase of around 38%.

Sublet space accounts for over 20% of the vacancy rate. Quite a few tenants

Indicators (Q1-Q4 2023)

Take-up in sq m

535,800

Completion in sq m

540,200

Vacancy in sq m

954,200

Stock in sq m million

21.6

Vacancy rate in %

4.4

Prime rent in €/sq m/month

45.00

Average rent in €/sq m/month

28.80

with pre-letting agreements from before the COVID-19 pandemic no longer want to fully occupy their offices.

A series of transactions of high-quality space in the submarket City East, more

Rental Range by Submarket

In €/sq m/month

Ku'damm 1A	24.00 - 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	26.00 - 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.



Research enquiries

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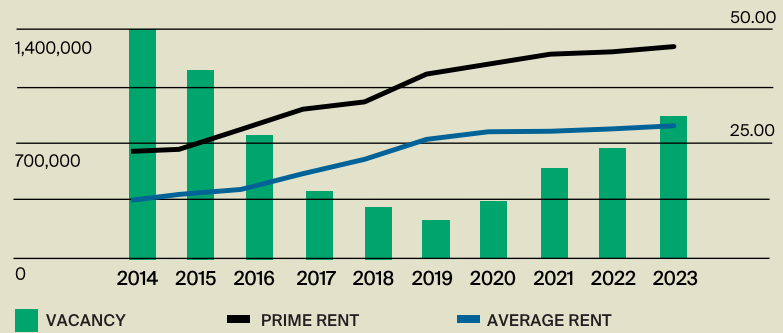


Office Leasing enquiries

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Vacancy vs. Prime and Average Rent

In sq m; in €/sq m/month



Source: Knight Frank Berlin GmbH

precisely in the submarkets Potsdamer Platz, Gendarmenmarkt, and Hackescher Markt, led to a further increase in the prime rent by €0.50 to €45.00/sq m/month and the average rent by €0.10 to €28.80/sq m/month.

PROJECTS

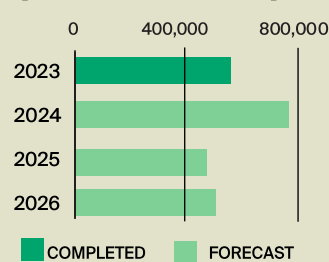
Around 540,000 sq m of office space was completed in 2023 as a whole, 14% less than in the previous year. Of this, 164,000sq m were accounted for in the last quarter. As a result of uncertainties and upheavals in the market, numerous construction projects were either permanently stopped or postponed.

Furthermore, approx. 1.3 million sq m are under construction. By the end of 2024, around 740,000sq m are expected to be added to the market, with a pre-letting rate of 57%.

The development hotspot is the Mediaspree submarket, where in 2024, among other things, the Edge East Side will be handed over to the new tenant.

Completion

In sq m (under construction and planned)



Source: Knight Frank Berlin GmbH

It is clear that at the end of 2023, the occupier has the upper hand at the negotiating table. Due to the current uncertainties, lease extensions are attractive. The prospect of lower additional energy costs or a better layout of space can make a move attractive in 2024, even if the underlying conditions continue to be challenging.

BERLIN 2024 The year 2023 was characterized by crises and economic uncertainties, which is reflected in a cautious leasing policy. However, it also became clear over the course of the year that the change in working concepts has now led to lower demand for space among all types of companies and sectors. And even price conscious companies usually do not benefit from more space if the office does not meet the basic requirements, e.g. in terms of connectivity or energy costs.

In 2024, the overall economic situation may brighten slightly on the basis of a more stable interest rate environment. A letting volume of some 600,000 sq m is then conceivable in the Berlin office space market.

Berlin's talent pool continues to speak in favour of relocating to the German capital. The focus on high-quality space will keep rents at a high level.