

Office Market

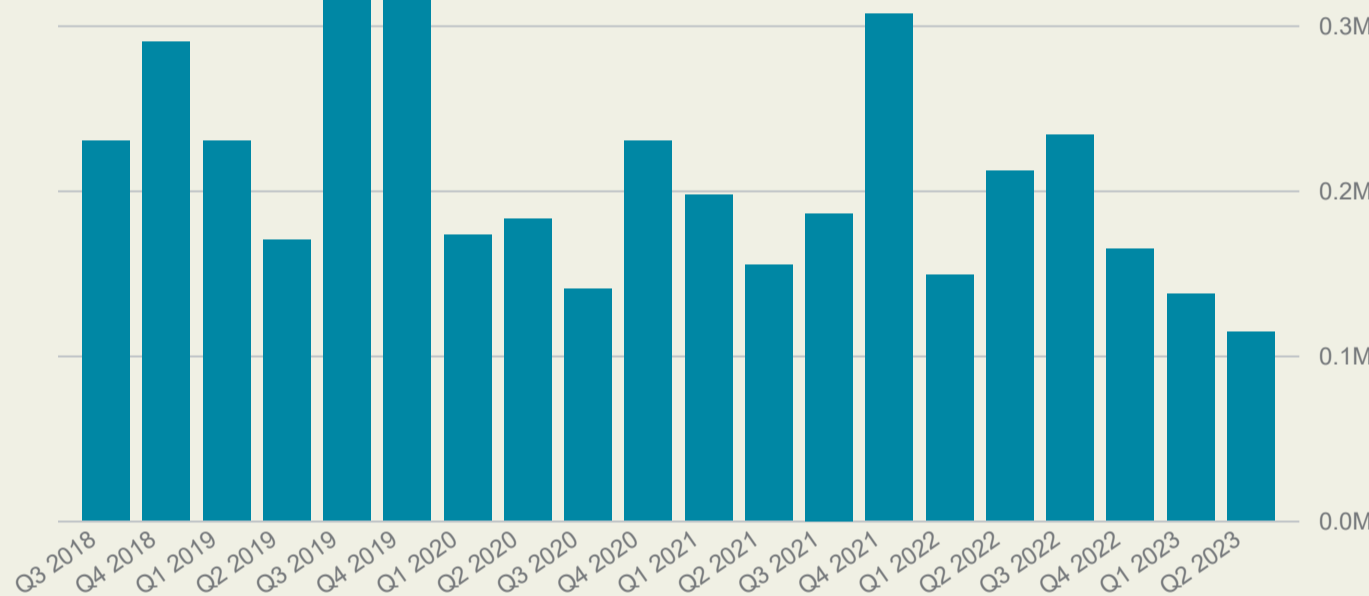
Q2 2023

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

114,000 SQM

Take up

€ 528 PSQM

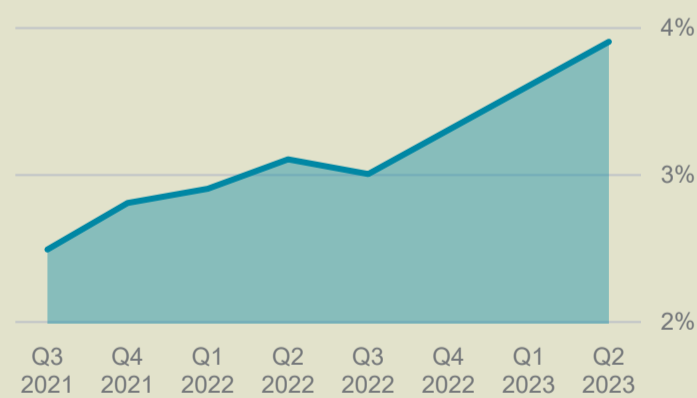
Prime Rent

3.9%

Vacancy Rate

Vacancy Rate

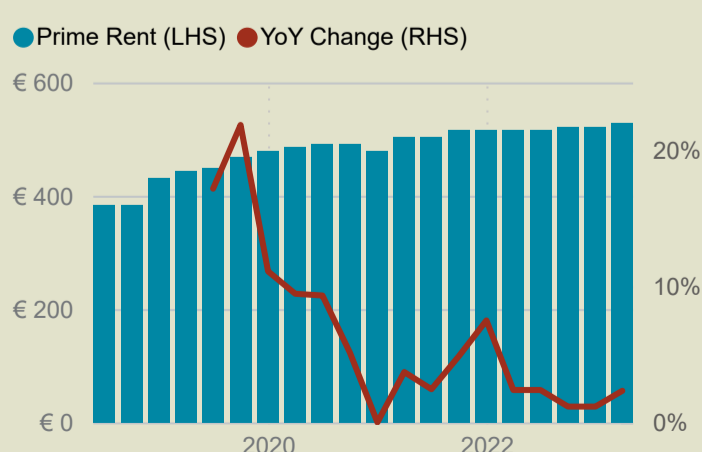
Measured in percentage terms



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 114,000 sqm in the second quarter of 2023, down 46% from the volume seen in Q2 2022. This level of take up has not been seen since about ten years ago.

New remote and hybrid concepts have led to higher demand for small and medium size segments, and these size ranges showed steady activity. There were no deals larger than 10,000 sqm recorded in Q2, while there were two in Q1.

The vacancy rate in Q2 increased 30 bps since last quarter, coming to 3.9%. This represents a 29% increase year-on-year, and can in large part be attributed to sublet space.

Prime rents increased to € 528 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 2.3% increase in prime rents year-on-year.

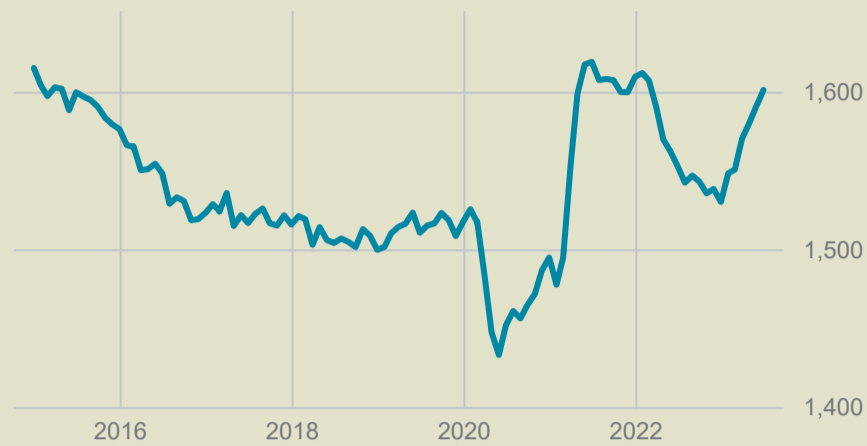
There were 174,000 sqm of construction completions in Q2, bringing the total for the first half of the year to 289,000 sqm. This represents 29% more than in the same period in 2022. Looking ahead, the development pipeline is expected to deliver an approximated 1.1 million sqm of stock by the end of 2024, of which 59% are pre-let.

Expectations for the second half of the year are subdued. Many companies are taking their time to make decisions, intensively examining their renewal options before signing a new contract. Furthermore, the trend toward smaller spaces coupled with a shortage of skilled workers makes it unlikely for the market to see a short-term return of take up volumes seen prior to the pandemic. Prime rent is expected to remain at a high level along with rising vacancy, as the necessity for ESG-compliant space is increasingly decisive for a growing number of companies.

ECONOMIC INDICATORS

New Businesses in Germany

12-month Rolling Average

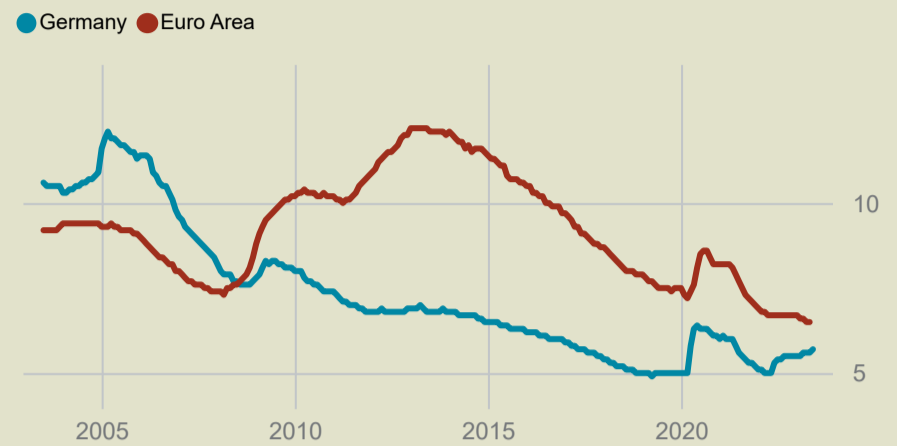


Source: German Federal Statistical Office (Statistisches Bundesamt)

The pace of new business starts in Germany was strong in late 2021 to early 2022, but slowed for the remainder of the year. Preliminary figures from the pace of activity in H1 2023 are above the five-year average, but 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 ticked upwards in June 2023 by 10bps to 5.7%. The recent rise in unemployment and a pickup in insolvencies may suggest waning labour market resilience. Unemployment may edge a little higher from June's 5.7%, but broad-based job cuts are not expected.

Employment Expectations in the Service Sector in Germany

Over the next 3 months, %

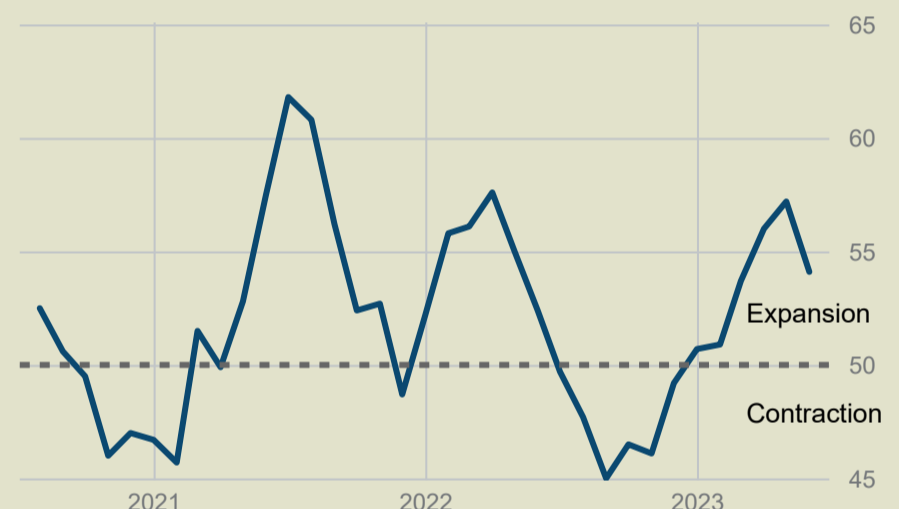


Source: European Commission (DG ECFIN)

Employment expectations in the German service sector fluctuated in Q2 2023, coming to 8.2 in June. 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

In the second quarter of the year, the service sector PMI in Germany continues to suggest expanding services activity. However the June reading is less positive than two months ago and may be pointing to the start of a downward trend as seen in other countries, with only tourism-related activities outperforming.

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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