

Berlin Office Market



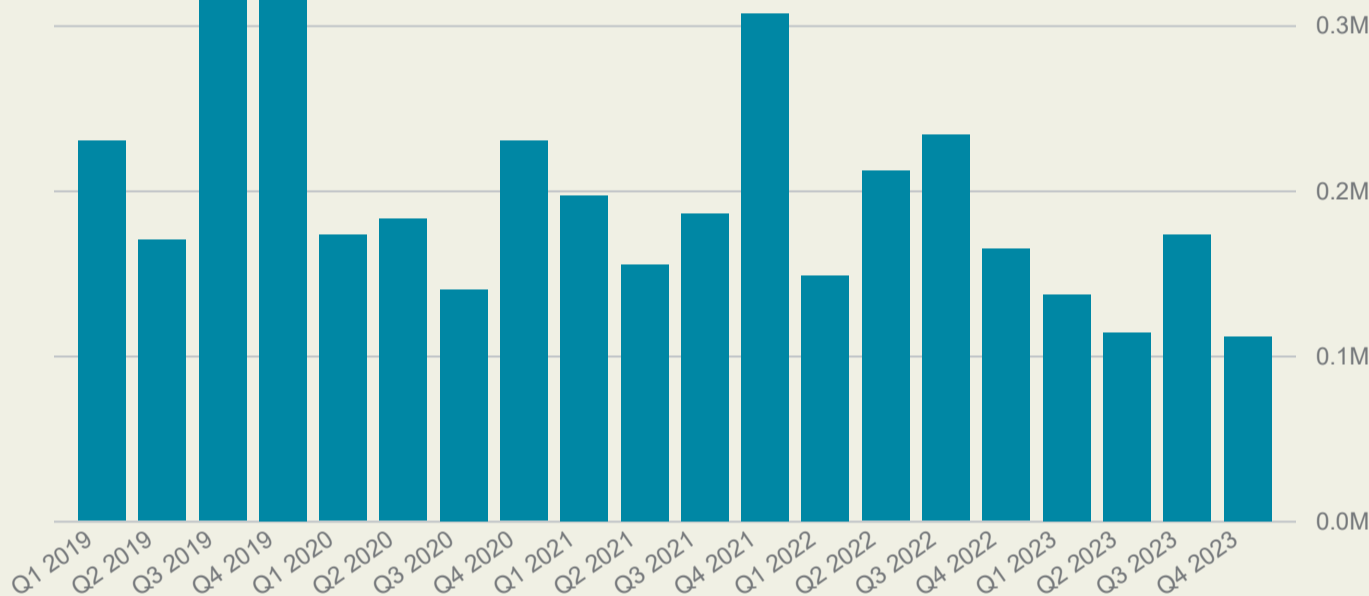
Q4 2023

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

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Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

111,500 SQM

Take up

€ 540 PSQM

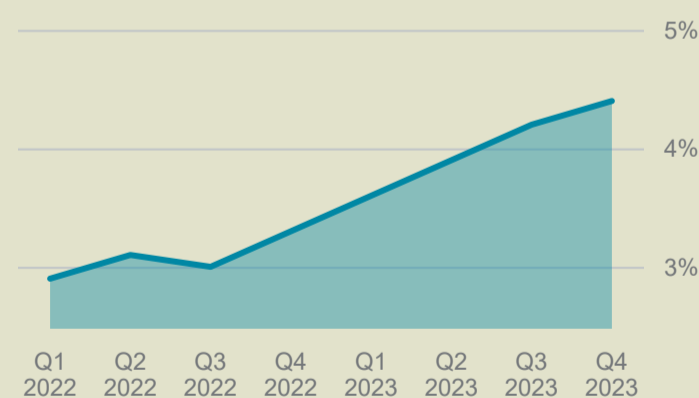
Prime Rent

4.4%

Vacancy Rate

Vacancy Rate

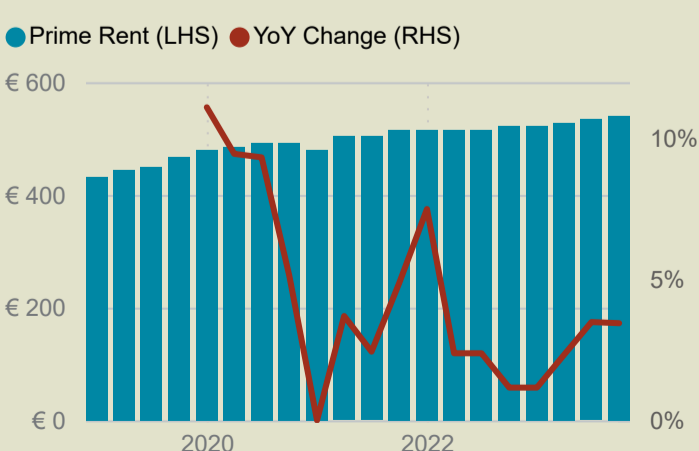
Measured in percentage terms



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 111,500 sqm in the fourth quarter of 2023, down 32% from the volume seen in Q4 2022. The full-year take up was down 29% compared to the previous year and 37% lower compared to 2021. There was a decline in take up across all size segments.

The vacancy rate stood at 4.4% at the end of 2023, up from 3.3% at the end of 2022. This represents an increase of 38% of available office space. In addition to the economic uncertainty, many companies have changed their work concepts and consequently require less office space. This process leads to more vacancies and, above all, an increase in sub-lease space on the market.

A number of transactions of high quality space in the City East submarket led to a further increase in the prime rent to €540 per sqm per year. Over the course of 2023, the prime rent rose by 3.4% which represents an even stronger increase than in the previous year. The demand for high quality and ESG compliant space will likely keep rents at a high level.

Around 540,000 sqm of office space was completed in 2023, 14% less than in the previous year. Several construction projects were halted or postponed due to uncertain market conditions. Around 1.3 million sqm of space is currently under construction and by the end of 2024, some 740,000 sqm are expected to be added to the market, with a pre-letting rate of 57%.

Berlin remains attractive to companies due to its large pool of talent. Therefore, take up of around 600,000 sqm seems achievable in the Berlin market in 2024 if the economic outlook improves.

ECONOMIC INDICATORS

New Businesses in Germany

12-month Rolling Average

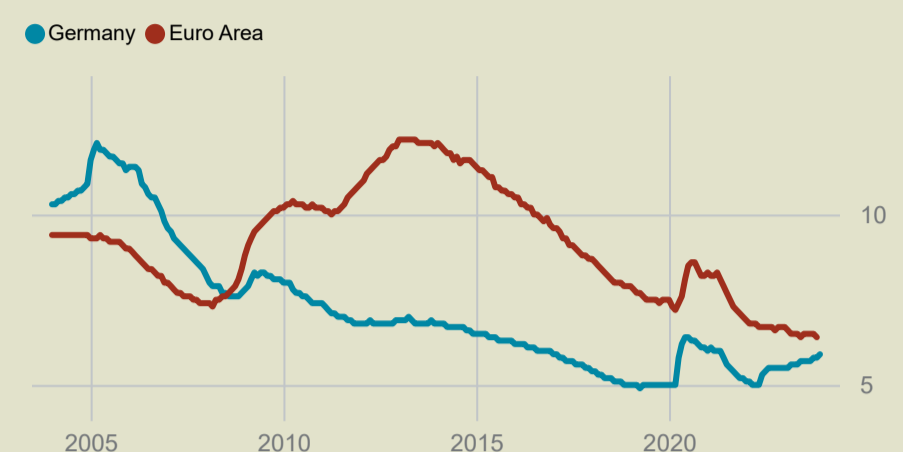


Source: German Federal Statistical Office (Statistisches Bundesamt)

The pace of new business starts in Germany has remained strong in Q4 2023, above the five-year average, despite weakness in the broader economy.

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 up to 5.9% at the end of Q4 2023. Despite the cooling labour market, the unemployment rate remains well below the LTA of 8.2%.

Employment Expectations in the Service Sector in Germany

Over the next 3 months, %

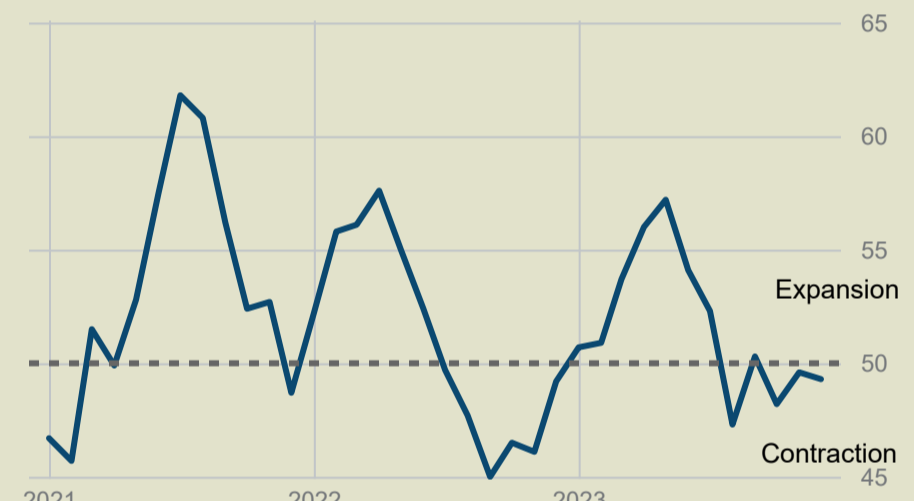


Source: European Commission (DG ECFIN)

Employment expectations in the German service sector slightly improved in December, compared to Q3 2023 but remain well below levels seen in 2022. Overall, this indicates a weaker labour market.

Services PMI in Germany

Services PMI for the last 3 years, Index



Source: S&P Global

The German service sector PMI remained in contractionary territory at the end of Q4 2023 due to weakness in the broader economy. Clients were hesitant as a result of the political uncertainty and the geopolitical tension weigh on the service sector. Moreover, service providers reduced staff numbers at the quickest pace since June 2020 amid an effort to cut costs.

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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