

Market Survey

Commercial | Office Letting



2019/Q 1-4
Berlin



Hamburg | Sylt | Berlin

Grossmann & Berger



Key Facts Office Letting

 910.000 m²	+ 9% year-on-year change
 38,50 €/m²	+ 15% year-on-year change
 27,60 €/m²	+ 30% year-on-year change
 1,2%	- 0,6% pp year-on-year change
 19.821.500 m²	+ 2% year-on-year change

Stresemannstraße/Potsdamer Platz

 Take-up of space  Premium rent mth (net)  Average rent mth (net)  Vacancy rate  Office stock

“We haven't seen Berlin offices renting for €38.50 per square metre since 1993.”

Holger Michaelis | Geschäftsführer

Take-up of space

Best total ever recorded

For the 5th time in succession take-up of office space in Berlin topped the 800,000m² mark to end the year 2019 on an all-time high of 910,000m². This represents growth of 9%. As in the past, numerous agreements for very large amounts of space led to this very good result. Owner-occupiers comprised only 3.5% of the total market, well below both the long-term average and the prior year's figure.

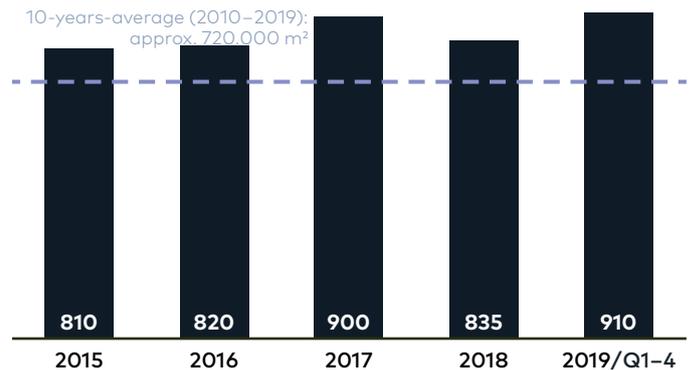
In 2019 a total of 44 agreements were signed for premises larger than 5,000m², four more than in 2018. In terms of space, total take-up in this size category rose from 406,500m² to 537,500m² and as a percentage of the overall market, from 49% to 59%. A total of 15 contracts for office suites measuring 10,000m² or more pushed take-up past the record set in 2017.

The biggest tenant or owner-occupier transactions were Amazon's decision to rent about 63,500m² off-plan in the

BVK/Edge development at Ostbahnhof station (Tamar-Danz-Strasse | Friedrichshain) and a lease taken by BIMA for the Federal Criminal Police Office (about 30,900m², Kynaststrasse 13-15 | Friedrichshain). Other large rental agreements were signed by SAP for some 30,900m² in QH Track H (Heidestrasse | Tiergarten) and by the German pension fund Rentenversicherung Bund for about 28,000m² (Gorkistrasse | Reinickendorf); in various sub-markets a further 12 agreements for more than 10,000m² of space were noted. The other 32 agreements for space in excess of 5,000m² were distributed throughout the entire market.

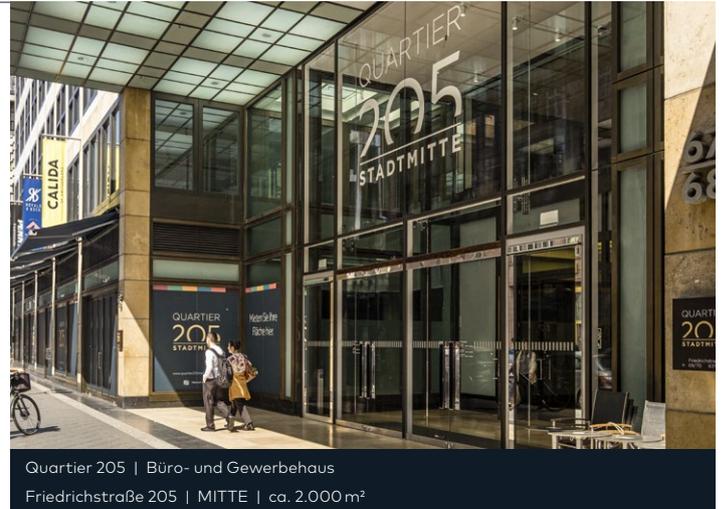
Take-up of space

2015-2019/Q1-4 | in 000m² | incl. owner-occupiers



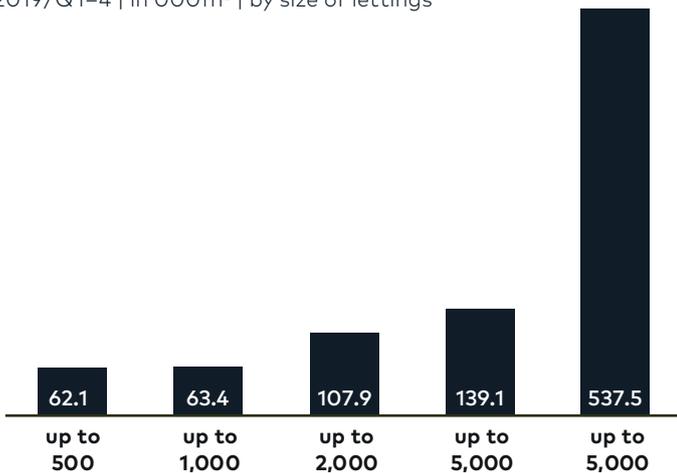
Source: Grossmann & Berger GmbH

1. **Amazon** | Tamara-Danz-Strasse 1 | 63.500m²
2. **Bundeskriminalamt** | Kynaststrasse 13-15 | 30.900m²
3. **SAP Deutschland AG & Co. KG** | Heidestrasse 10 | 30.900m²
4. **DRV Bund** | Gorkistrasse 21 | 28.000m²
5. **KPMG AG** | Jean-Monnet-Strasse 5 | 23.000m²
6. **RSG Group GmbH** | Kurfürstendamm 227-228 | 19.510m²
7. **Lieferando** | Cuvrystrasse 51 | 16.232m²
8. **VW** | Mollstrasse 1 | 13.882m²
9. **WeWork** | Neue Bahnhofstrasse 11-17 | 13.533m²
10. **BIMA** | Friedrichstrasse 108-109 | 12.000m²



Take-up of space

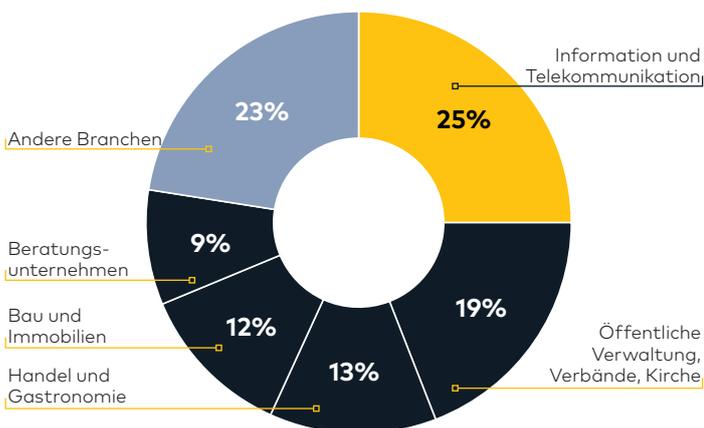
2019/Q1-4 | in 000m² | by size of lettings



Source: Grossmann & Berger GmbH

Take-up of space

2019/Q1-4 | by industry



Source: Grossmann & Berger GmbH

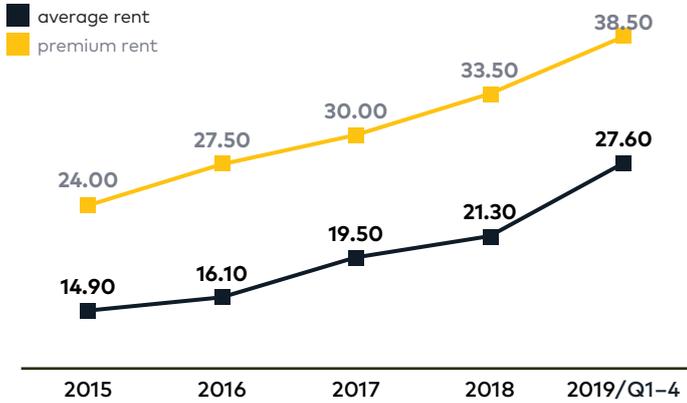
As a result of the big individual agreements already named, the greatest share of take-up in 2019 was posted in Friedrichshain sub-market (164,000m² or 18%), followed by Tiergarten with some 11.5% (about 104,000m²) and Kreuzberg with 10.7% (some 98,000m²).

Yet again, neither Mitte nor Mitte 1a placed in the top 2 of the sub-markets ranking—a strong indication that lack of available space has shifted office-letting activity out of the CBD and into the neighbouring districts. Accounting for a market share of 9.9% (about 90,100m²) Mitte ranked third, followed by Periphery North with some 8.5% (about 76,900m²). Looking at sub-markets below the 10% mark, one finds Ku'damm + side roads with a share of 6.5% of take-up (59,300m²) and Charlottenburg with 6.2% (56,400m²). Mitte 1a trailed behind in eighth place with some 5.8% (about 53,000m²). All the other sub-markets contributed less than 5% to the total volume of take-up.

For many years the greatest demand for Berlin offices has come from the information and telecommunications industry including their associated internet service providers and start-ups, and from the public administration/associations/churches sector. These two groups regularly take either first or second place. In 2019 most demand was generated by the IT and communication sector (25% or about 228,000m²), which finished some way ahead of the public sector with its share of 9.1% (about 174,000m²), thus swapping the places held in 2018. The main reasons for the excellent result returned by IT and communication were a combination of big single agreements (e.g. SAP's off-plan rental agreement) and this sector of the economy's undiminished demand for office space offering between 2,000m² and 5,000m². The retail and gastronomy sector follows some way behind with a share of 12.7% (115,600m²), just ahead of construction and real estate (11.9%, 108,300m²); the latter category includes coworking space providers, who took the lion's share of 68,000m². Consultancy firms accounted for 8.8% (80,000m²). All other sectors of industry accounted for less than 5% each.

Premium and average rent

2015-2019/Q1-4 | in €/m²/mth (net)



Source: Grossmann & Berger GmbH

Rents

Rents rocketing

It is clear that rents in the German capital are soaring non-stop.

Year on year the average rent, weighted by space leased, surged across the board due to the shortage of available real estate. Whereas in 2017 only 10 leases were agreed at rents over €30/m² (7.7% of total take-up), in 2019 this mark was passed in 80 agreements (34.1% of take-up). In 2019 the average rent rose to a new record figure of €27.60/m²/month, an amazing 30% higher than the year before. The premium rent also shot up by 15% from €33.50/m²/month to €38.50/m²/month and thus hit a mark last seen in Berlin in 1993.

Available and vacant space

Volume of completions again rising appreciably

At present only around 240,000m² of office space is available at short notice in Berlin, 31% less than a year ago. With total office stock standing at 19.98m m², this translates into a vacancy rate (including sublet space) at an all-time low of 1.2% compared with 1.8% in the preceding year. This is the tenth consecutive annual fall in vacancies, which have been trending downwards since 2004.

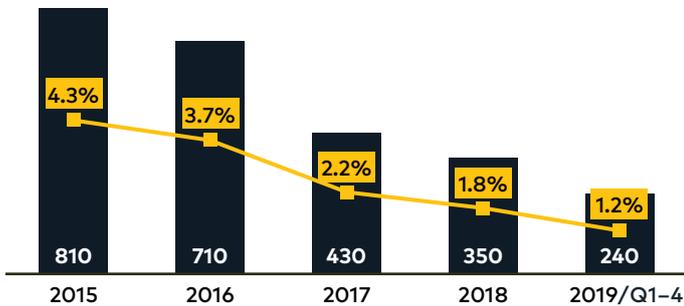
The ongoing decrease in vacant space is due to very high take-up coupled with a volume of speculative completions that remains too low. As in the five preceding years, these accounted for a relatively small proportion (20%) of newly completed office space in 2019—70,000m² out of a total of only 339,500m².

In each of the next two years over 500,000m² of new-build space will be finished. Completions in 2020 are expected to deliver some 563,500m² and the anticipated volume in 2021 totals some 504,300m². Volumes this high were last seen on the market in the period 1997-1999. The pre-let ratio for these two years, 2020 and 2021, is currently about 56% of the anticipated completion volume of around 1,067,800m².

Most of the customers looking for offices suites larger than 5,000m² will remain unable to find what they want in the CBD, unless they opt for space in a new-build and can wait for 18 to 24 months.

Vacant space | Vacancy rate

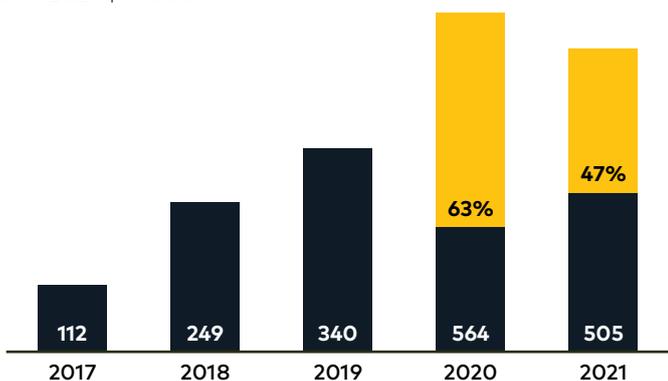
2015-2019/Q1-4 | in 000s m²



Source: Grossmann & Berger GmbH

Completions | Pre-let rate

2017-2021 | in 000m²



Source: Grossmann & Berger GmbH

Outlook

Upswing loses vigour in 2020—no short-term effects on employment

At present firms in Berlin have numerous job vacancies. Latest figures from the Agency for Labour show that it does, however, remain difficult to find staff with the right qualifications. The jobless rate was 7.7% in December, but it had been 7.6% the year before. Over the course of the year the number of jobless rose by 5,600 to 152,366.

In December 2019 the ifo employment barometer revealed that German firms are now slightly more cautious about adding to their payrolls. However, although the rate has slowed somewhat, jobs are still being created. Logistics and IT firms are important job motors. The barometer fell from 99.5 points in November to 98.9 points in December. Overall however, Germany's business managers are optimistic about the coming year. At the end of 2019 the ifo index of business confidence rose from 95.1 points in November to 96.3 points in December. In the services sector the index rose to the highest value seen in six months and managers are taking a cautiously optimistic view of the months ahead. During the course of 2019 the risks to foreign trade receded a little, so that the economy has stabilized. Figures from the World Economy Institute (HWWI) indicate that economic growth was 0.6% in 2019. Growth of 1.4% is forecast for 2020, followed by 1.5% in 2021. However, the Institute warns that foreign trade risks and the associated danger of recession have not disappeared.

Take-up of space

As far as one can tell, take-up of space in 2020 will remain high and total some 750,000m². However, the enormous reduction in the amount of empty space means that practically no alternatives are available to those now seeking premises.

Rents

The current ratio of supply to demand indicates that rental rates will continue to trend upwards. This will affect both the average and the premium rents. However, the rate of increase will continue to slow down.

Available space

In view of the high pre-letting ratio for newly built offices available in 2020, the vacancy rate is set to contract further, thus nearing the 1.0% mark. Experts therefore continue to rate the likelihood of finding tenants for top quality new-build projects in easily accessible locations as very good. Growing focus is now on locations outside the S-Bahn ring line, especially those that lie on the way to the new BER airport, now at long last due to open in October 2020.



Office building close to circular railway.

Grossmann & Berger's Promise.

Thaerstrasse | Friedrichshain | ca. 10.000 m²

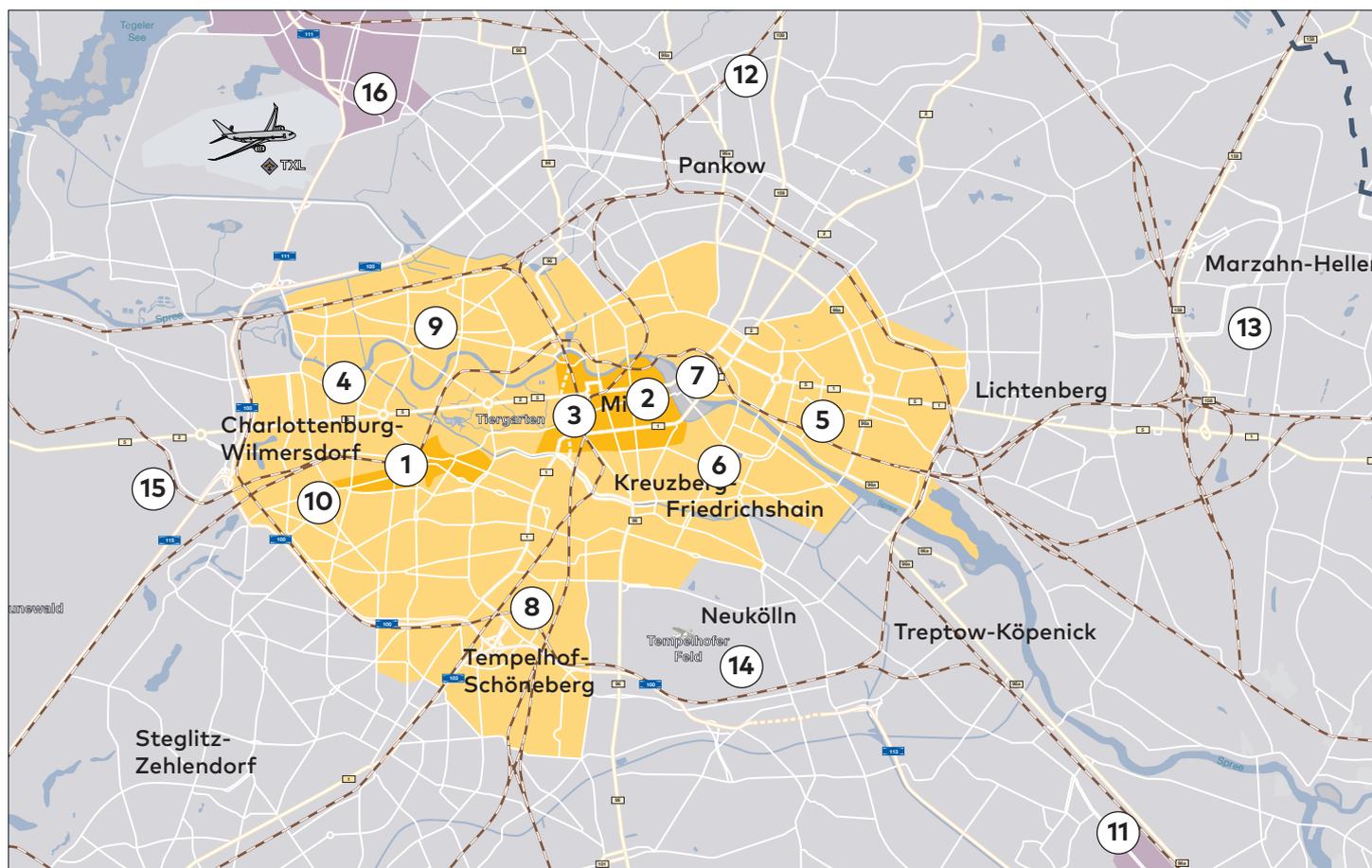


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Overview of office sub-markets Berlin

2019/Q1-4



Sub-markets	Take-up of space in m ² incl. owner-occupier	Rents paid longer-term in €/m ² /mth (net)	Average rent in €/m ² /mth (net)	Completions 2020/2021 in m ²
1 KU'DAMM + SEITENSTRASSEN	59,300	17.50 – 40.00	31.90	98,300
2 MITTE 1A	52,500	10.70 – 37.00	29.80	75,700
3 POTSDAMER-/LEIPZIGER PLATZ	18,800	37.40 – 44.00	37.40	6,500
4 CHARLOTTENBURG	56,400	15.10 – 35.00	23.77	90,100
5 FRIEDRICHSHAIN	163,700	20.00 – 40.00	31.00	179,500
6 KREUZBERG	97,600	8.50 – 40.00	30.10	41,300
7 MITTE	90,100	17.00 – 41.80	30.70	122,200
8 SCHÖNEBERG	33,400	8.50 – 34.00	24.30	56,900
9 TIERGARTEN	104,200	15.90 – 37.00	30.00	91,800
10 WILMERSDORF	11,500	10.00 – 37.50	22.40	12,000
11 ADLERSHOF	10,100	10.20 – 17.00	15.20	59,600
12 PERIPHERIE-NORD	76,900	10.00 – 30.00	24.50	86,000
13 PERIPHERIE-OST	26,900	9.00 – 21.90	16.10	16,000
14 PERIPHERIE-SÜD	36,500	8.50 – 31.30	20.50	65,600
15 PERIPHERIE-WEST	30,400	7.50 – 18.50	14.80	—
16 REINICKENDORF	41,700	8.10 – 23.00	20.43	28,000
TOTAL	910,000	8.50 – 44.00	27.60	1,029,500

Skilled consultancy

Services and contacts



What can we do for you?

An analysis of the property markets is an important part of the wide-ranging consultancy services offered by Grossmann & Berger. We would be pleased to be of assistance in your decision-making process and can draft an offer that is tailored to your specific requirements.

Glossar

Definitions, office market

Take-up of space: Take-up of space is the total of all space newly let plus that sold to or built by an owner-occupier during the period under review. The operative date for inclusion in the statistics is the date on which the lease or purchase agreement was signed. Lease renewals are not counted as take-up. Areas are stated on the basis of the guide for calculating the rental area in commercial leases (MF/G).

Premium rent: The premium rent is that paid for the most expensive 3% of the market for new lets (not counting owner-occupiers) during the 12 months just ended and is stated as the average of such rents.

Average rent: The average rent paid is calculated by taking the individual rents agreed in all leases signed over the past 12 months, weighting them by the amount of space rented and computing the mean value. Figures refer to nominal net rents ex services.

Vacancies: Vacancies include all office space that is available to new tenants within three months. Sub-let space is counted as vacancy.

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We draw your attention to the fact that all statements made here are non-binding. Most of the information is based on third-party reports. The sole intention of this market survey is to provide general information for our clients.

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