

Market Survey

Commercial | Office Letting

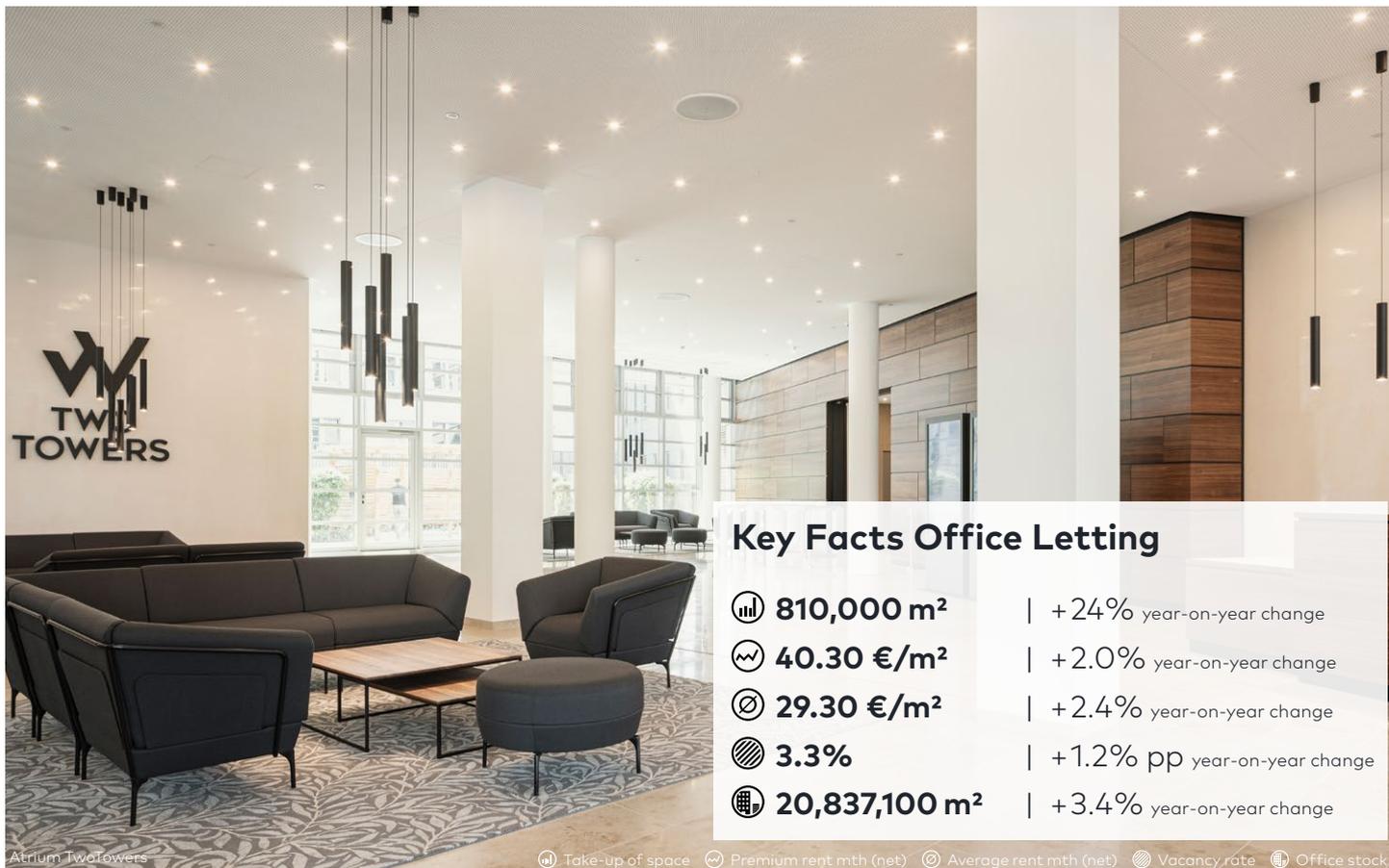


2021/Q 1-4
Berlin

Hamburg | Sylt | Berlin



Grossmann & Berger



“Berlin has already reached pre-COVID levels of office-letting.”

Holger Michaelis | Managing director

Take-up of space

Take-up of space returns to pre-COVID levels

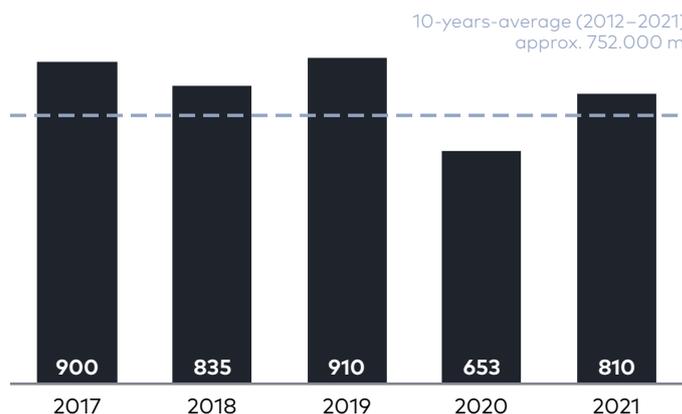
Due to the coronavirus pandemic take-up fell in 2020, but the market recovered well in 2021 to post agreements for a total of 810,000 m²; this is slightly below the 5-year average of 821,000 m² but well above the 10-year average of 752,000 m². Year on year take-up grew by 24%, partly because, as in the past, the public sector signed numerous agreements for large amounts of space, but also because a wide variety of firms in the private business sector rented different types of office. Owner-occupiers accounted for 6% of the market, similar to the long-term average and on a par with the prior year.

In 2021 a total of 40 agreements were signed for premises larger than 5,000 m², 16 more than in 2020. The overall volume of agreements in this size segment rose from 395,000 m² to 437,000 m² and their share of total take-up rose from 49% to 54%. Of these leases for large premises, 21 were signed for at least 10,000 m² of space; these transactions alone totalled 294,000 m² and the largest single lease was for 35,000 m².

In terms of volume of space agreed in a rental or owner-occupier construction contract, the biggest new clients were DKB Bank, which rented about 34,850 m² in CA Immo’s Upbeat (Heidestrasse | Tiergarten), the Federal Ministry for Economic Affairs, which took some 21,400 m² in the former Vattenfall headquarters (Chausseestrasse 23 | Mitte) and the Federal Agency for Consumer Protection and Food Safety, which took about 20,000 m² in New Courts (Gerichtstrasse 48–51 | Mitte). Additionally, agreements for large office suites were signed by BASF Services Europe (about 14,700 m² in the Scale | Storkower Strasse 142–146 | Periphery North) and the online furniture

Take-up of space

2017–2021/Q1–4 | in 000m² | incl. owner-occupiers



Source: Grossmann & Berger GmbH

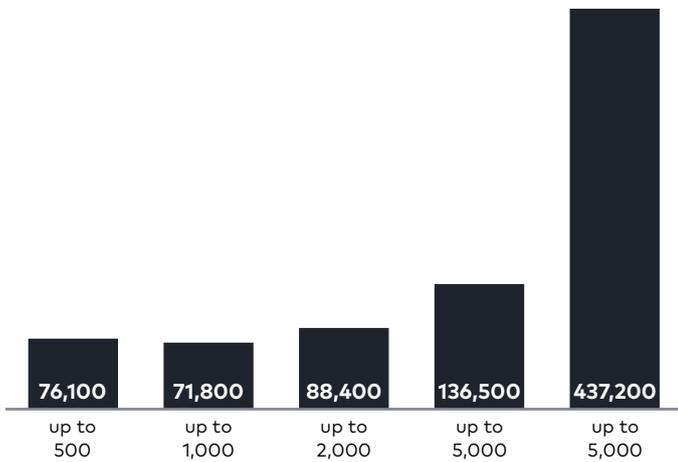
1. **DKB Bank** | Heidestrasse 23 | 34.850 m²
2. **BMfW** | Chausseestrasse 23 | 21.400 m²
3. **BVL** | Gerichtstrasse 48-51 | 20.000 m²
4. **BASF Europe** | Storkower Strasse 142-146 | 14.700 m²
5. **Factory** | Karl-Marx-Strasse 101 | 13.000 m²
6. **Home24** | Landsberger Allee 104 | 13.000 m²
7. **SRH Berlin** | Sonnenallee 221 | 12.920 m²
8. **Forschungszentrum Jülich** | Lützowstrasse 107 | 12.300 m²
9. **Gegenbauer FM** | Eisenhutweg 120 | 10.630 m²
10. **Mister Spex** | Hermann-Blankenstein-Strasse 32 | 9.800 m²



Office building
Sachsendamm 63/64 | SCHÖNEBERG | approx. 5.400 m²

Take-up of space

2021/Q1-4 | in 000m² | by size of lettings



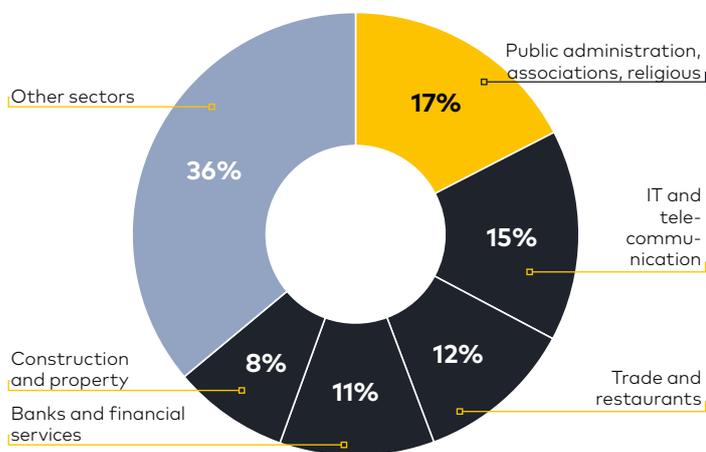
Source: Grossmann & Berger GmbH

trader Home24 (about 13,000 m² in the DSTRCT | Landsberger Allee 104 | Periphery North). In several different sub-markets, 16 other agreements for more than 10,000 m² of space were concluded. The other 19 agreements for space in excess of 5,000 m² were distributed throughout the entire market.

As a result of the big individual agreements already named, Mitte sub-market generated the greatest share of take-up in 2021 (191,200 m² or 23.6% of the total), followed by Periphery North with some 13.1% (about 106,100 m²), Tiergarten with 11.6% (94,000 m²) and Periphery South with 10.4% (some 84,200 m²). Kreuzberg sub-market posted 6.1% of take-up (about 49,400 m²), closely followed by Friedrichshain with 5.8% (about 47,000 m²) and Periphery West with 5.4% (about 43,700 m²). Each of the other sub-markets contributed less than 5% to the total volume of take-up.

Take-up of space

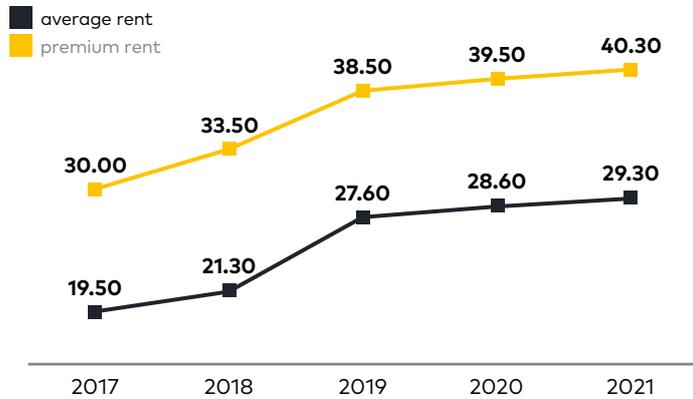
2021/Q1-4 | by industry



Source: Grossmann & Berger GmbH

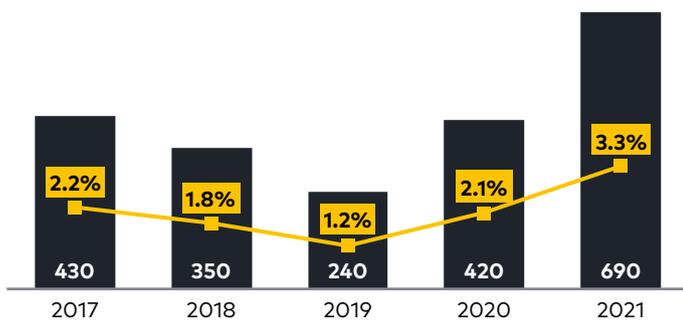
For many years the greatest demand for Berlin offices has come from the information and telecommunications industry including their associated internet service providers and start-ups, and from the public administration/associations/churches sector. These two groups regularly alternated between first and second place. This time the public sector retained its leading position and again occupied the top slot in 2021, although its share of the market, at 17.4%, (about 141,000 m²) was far lower than a year before (41.5%). Altogether, demand was so evenly spread that each of four sectors took at least 10% of the market, including the information and telecommunications industry which placed second overall with a share of 15.4% (about 124,700 m²). Retail and restaurants followed with 11.5% (93,200 m²), just ahead of banks and financial services with 11.2% (about 90,700 m²). Next in line were the construction and real estate sector (8.4% | 68,000 m²), followed by consultancies and education facilities—the latter two with a share of 6.4% of take-up each (51,800 m²). All other sectors of industry accounted for less than 6% each.

Premium and average rent
2017-2021/Q1-4 | in €/m²/mth (net)



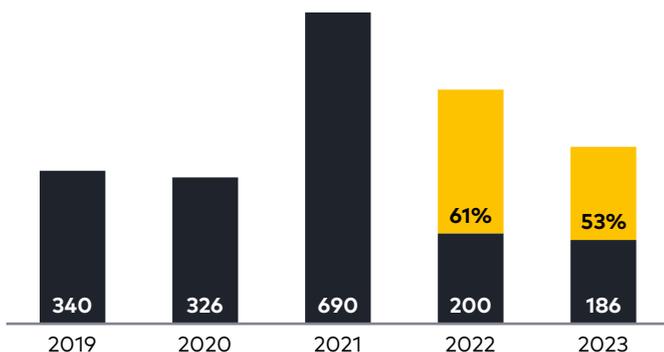
Source: Grossmann & Berger GmbH

Vacant space | Vacancy rate
2017-2021/Q1-4 | in 000s m²



Source: Grossmann & Berger GmbH

Completions | Pre-let rate
2019-2023 | in 000m²



Source: Grossmann & Berger GmbH

Rents

Rates are rising

Although rents softened in the course of 2021, the year closed with rates 2.0% higher than at the end of 2020, at € 40.30/m²/month. For the first time since 1992 the premium rent exceeded € 40.00/m²/month; the average rent, weighted by space occupied, climbed to a new record high of € 29.30/m²/month—2.4% above the figure for 2020.

Individual new buildings in the city centre commanded rents of up to € 50/m²/month; however, these were isolated cases and, in accordance with the German Society for Real Estate Research (gif) definition of a premium rent, are not included in the market survey.

The Berlin office-letting market thus continued to grow and maintain momentum—quite independent of activity on the other seven A-grade markets in Germany.

Available and vacant space

Reserve of empty space still growing

At present around 690,000 m² of office space is available at short notice in Berlin, 64% more than a year ago. The reversal that was apparent at the end of 2020 has become a steady trend in the German capital. With total office stock standing at 20.8m m², this translates into a vacancy rate of 3.3% (including sublet space) compared with 2.1% in the preceding year.

The growth of empty space is, above all, due to a large volume of completions, which added 690,000 m² to the supply of office space in 2021, more than in any year since 1997. At the end of the year, 36% of this space (about 250,000 m²) had not been let and it was thus the major reason for the increase in vacancies.

In the years 2022/2023 some 0.9m m² of new office space will come onto the Berlin market, of which 518,000 m² is scheduled for 2022. 525,000 m² (58%) of the space in the pipeline for 2022/2023 has been let already. It is to be expected that the pre-let ratio will continue to rise a little over the coming months.

Outlook

Effects on the labour market

Business in Berlin is coping well with the coronavirus pandemic and this also has a positive impact on the city's labour market. The jobless rate fell to 8.8 % in December 2021, whereas it had been 10.1 % the year before. Over the course of the year the number of jobless rose by 23,000 to 179,300. Nationwide, Germany's unemployment rate was 5.1 % in December.

By contrast, the ifo Institute paints a more pessimistic picture for the country as a whole. For December, the employment barometer indicated that German companies were less eager to hire than in the month before. Events organizers and firms in the hospitality and tourism sector announced job cuts due to a new wave of COVID infections.

The ifo index of business confidence fell from 96.6 points in November to 94.7 points in December. According to the ifo, the mood among business managers darkened over the Christmas period. Those in service industries and retailing say the worsening pandemic is hitting them hard. They also take a more pessimistic view of the first half of 2022. The Hamburg World Economy Institute (HWWI) believes that the fourth wave of the pandemic, together with problems in obtaining supplies and materials, will continue to hold the recovery back well into the spring of 2022. As these difficulties recede, however, the HWWI expects the recovery, coupled with the effects of pent-up demand, to gather momentum in the summer half-year of 2022.

Overall, it is to be expected that the German economy will continue its recovery in 2022. The HWWI forecasts economic growth of 3.5 % in 2022 followed by 2.0 % in 2023.

Take-up of space

Take-up of space in Berlin is likely to total some 800,000 m² in 2022 because the city's economy, especially the technology sector, is thriving.

Rents

Based on the shortage of space available in the CBD, the premium rent is likely to remain as it is or increase a little; the weighted average rent is likewise expected to move sideways.

Available space

In view of a pre-let ratio of 61 % for new office space due for completion in 2022, it is assumed that the vacancy rate will drift upwards to around 4.0 %. However, there is every reason to believe that top-quality new-build space in readily accessible locations – especially in the central city – will remain easy to let whereas there is unlikely to be much demand for locations outside the S-Bahn rail ring line that are not served by public transport. The probable exceptions are properties that are oriented towards the new BER airport.



Office building close to federal highway B1.
Grossmann & Berger's Promise.

Frankfurter Allee 206 | Lichtenberg | approx. 20.000 m²

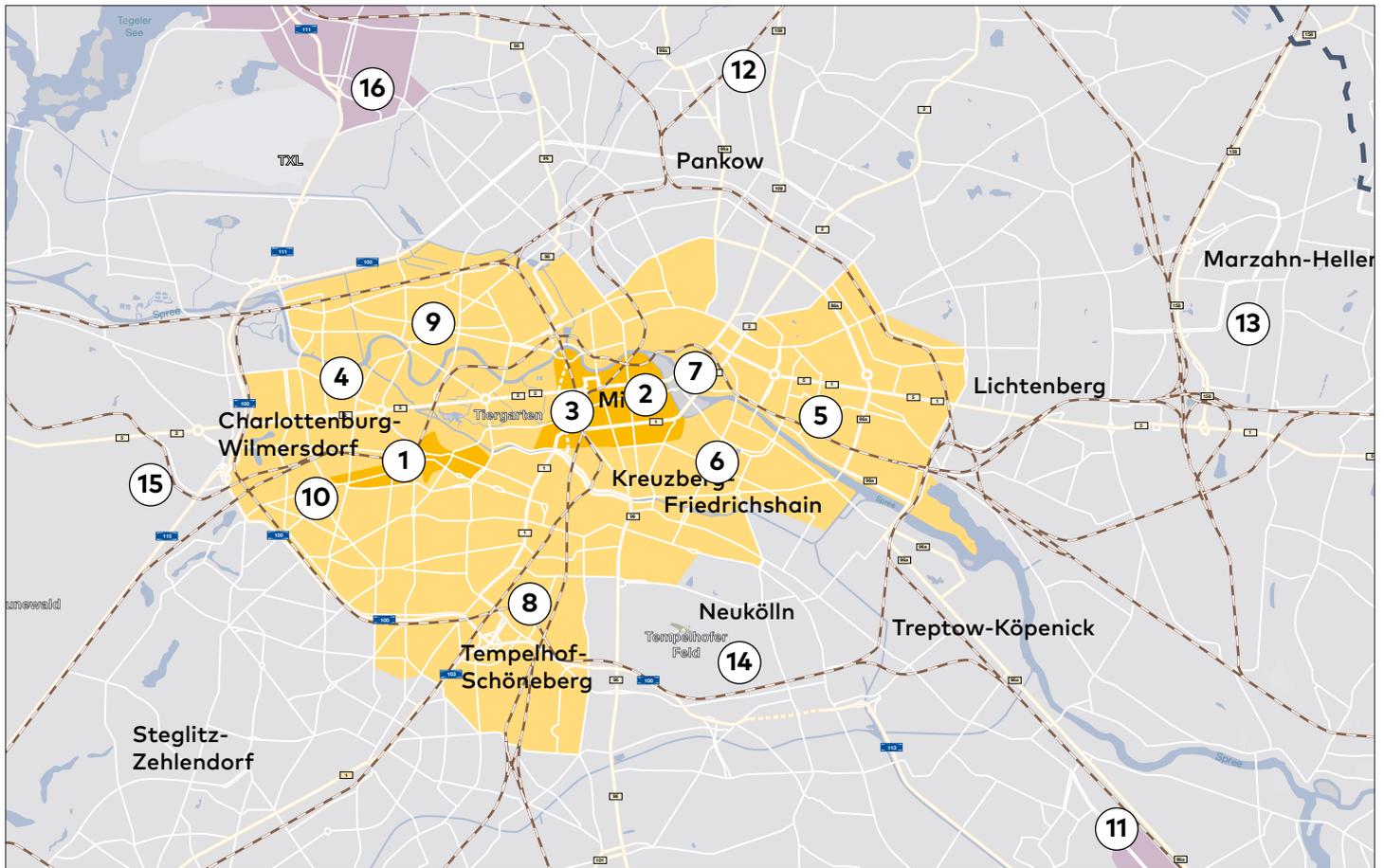


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Overview of office sub-markets Berlin

2021/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 2022/2023 in m ² |
|------------------------------|---|---|---|---|
| 1 KU'DAMM + SEITENSTRASSEN | 39,700 | 12.00 – 40.00 | 29.50 | 37,700 |
| 2 MITTE 1A | 24,300 | 18.10 – 48.00 | 32.00 | 34,300 |
| 3 POTSDAMER-/LEIPZIGER PLATZ | 9,700 | 19.00 – 50.00 | 39.30 | 195,800 |
| 4 CHARLOTTENBURG | 25,100 | 14.50 – 35.00 | 25.80 | 29,700 |
| 5 FRIEDRICHSHAIN | 47,000 | 20.00 – 35.00 | 28.00 | 99,200 |
| 6 KREUZBERG | 49,400 | 18.00 – 38.00 | 30.60 | 105,600 |
| 7 MITTE | 191,200 | 17.00 – 45.00 | 35.90 | 23,500 |
| 8 SCHÖNEBERG | 18,600 | 12.40 – 34.00 | 27.90 | 57,500 |
| 9 TIERGARTEN | 94,000 | 17.00 – 40.00 | 32.70 | 59,500 |
| 10 WILMERSDORF | 5,700 | 17.00 – 32.50 | 28.10 | 66,000 |
| 11 ADLERSHOF | 19,400 | 13.20 – 18.00 | 16.80 | 20,000 |
| 12 PERIPHERIE-NORD | 106,100 | 9.70 – 36.00 | 27.80 | 0 |
| 13 PERIPHERIE-OST | 35,600 | 8.50 – 26.50 | 21.50 | 6,000 |
| 14 PERIPHERIE-SÜD | 84,200 | 11.00 – 34.00 | 22.80 | 5,500 |
| 15 PERIPHERIE-WEST | 43,700 | 13.50 – 25.50 | 19.80 | 156,900 |
| 16 REINICKENDORF | 16,200 | 7.80 – 23.80 | 19.40 | 10,200 |
| TOTAL | 810,000 | 7.80 – 50.00 | 29.30 | 907,400 |

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.

Ulrich Denk

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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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