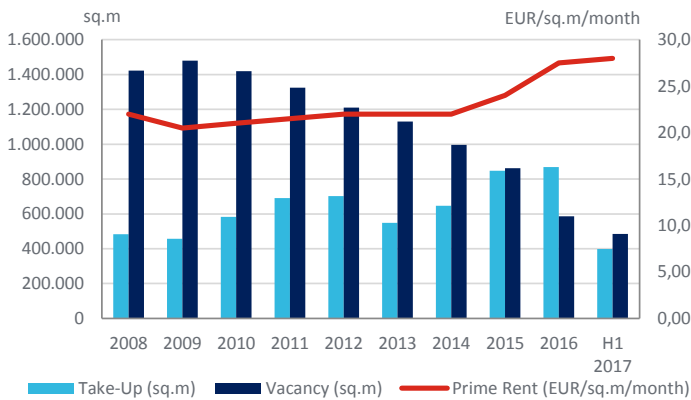




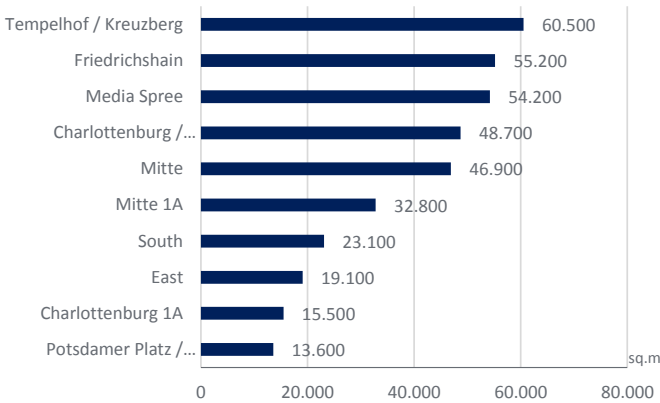
OFFICE MARKET BERLIN H1 2017



Overview

The Berlin office market continued to perform at full throttle in the first half of 2017. Approximately 399,000 sq.m of space was let – just 3% shy of the record first-half 2016 result. Thereof 211,000 sq.m was let in Q2. Nationally, Berlin had the lowest vacancy rate of all top-5 office markets, at 2.7% as of mid-year 2017. Currently, only some 485,000 sq.m is available at short notice. The combination of low vacancy and high demand has led to a rise in rent levels across all submarkets. Compared to midyear 2016, Berlin’s office prime rent rose by 8% to EUR 28.00 per sq.m/month.

Take-Up by Submarket, Top-10



KEY MARKET FIGURES

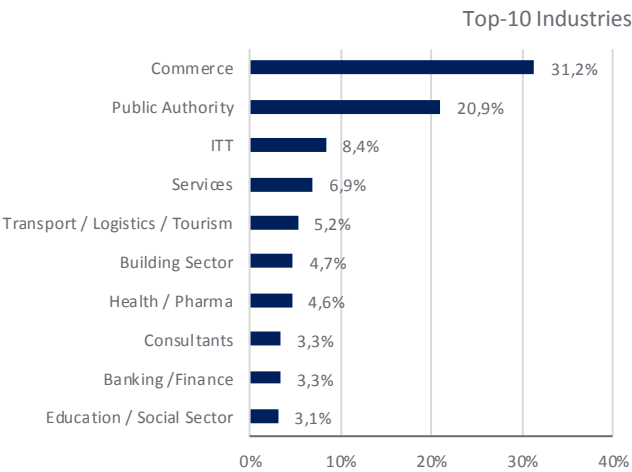
Market Area Berlin*	
Take-Up	399,000 sq.m
Vacancy	485,000 sq.m
Vacancy Rate	2.7%
Completions	59,600 sq.m
Under Construction	442,000 sq.m
Prime Rent	28.00 EUR/sq.m/month
Prime Yield (net initial)	3.10%

BERLIN

Inhabitants (09-2016)	3,653,000
Unemployment Rate (06-2017)	8.8% (German Average 5.5%)
Trade Tax Rate	410%

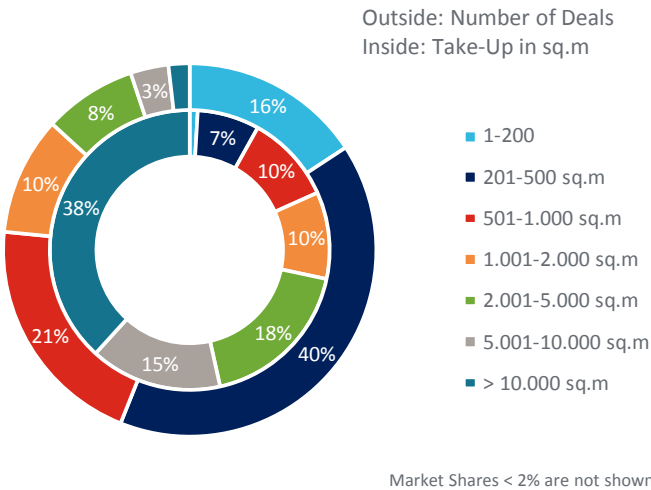
Take-Up by Industry

Online retailer Zalando alone closed four deals with a total area of 93,000 sq.m in the first half of 2017. These deals pushed the commerce sector's share of letting activity to 31%. The traditionally strong public sector was responsible for another 21% respectively 13 leasing deals of all sizes. Berlin's office market boasts a diverse tenant base with eight industries each generating 3% to 8% of market share.



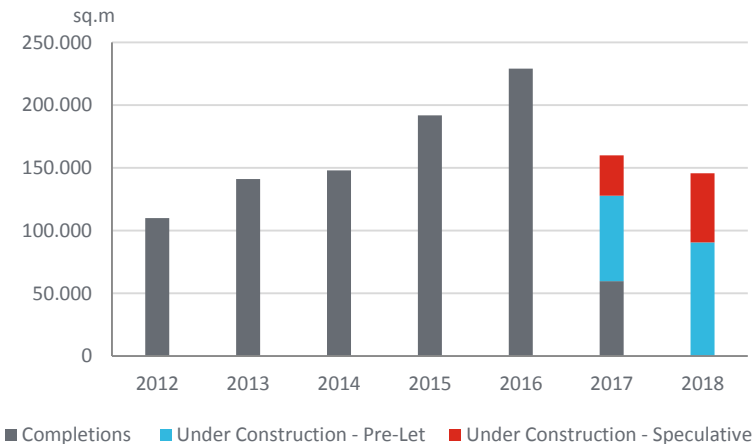
Take-Up by Size and by Number of Deals

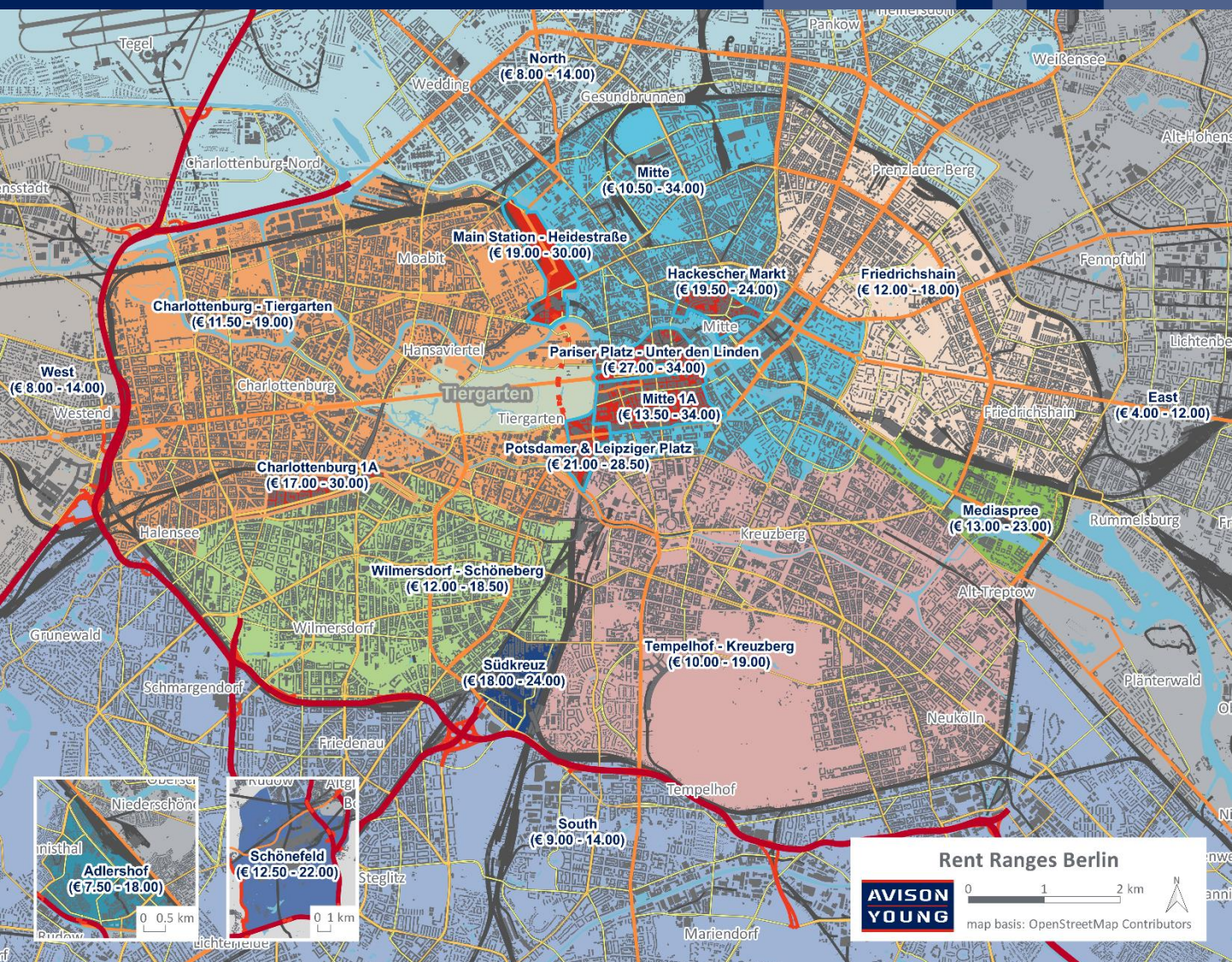
Berlin was the top German market in terms of large-scale deals so far. In no other top-5 city were that many deals closed with a letting area above 10,000 sq.m. In Berlin it was five deals generating 38% of take-up. Largest deal was BlmA's owner occupier deal of 47,300 sq.m followed by two Zalando AG deals with 42,500 sq.m and 39,000 sq.m respectively. Deals between 2,001 sq.m and 5,000 sq.m contributed a further 18%. More than 150 transactions involved spaces of less than 500 sq.m, highlighting Berlin's growing startup scene.



Completion Volume

Until the end of June some 60,000 sq.m of office space was completed, another 100,000 sq.m is to follow by the end of the year with a current pre-letting share of 68%. Total space under construction rose 39% year-over-year to 442,000 sq.m. Thereof some 60% is preleased as of mid-year 2017.





Outlook

- Berlin's office market will stay on track in the second half of 2017. The economy is thriving and office demand is high.
- Although construction activity rose substantially, office supply will remain tight in the near future. Vacancy is to decrease further and Berlin will thus remain a landlord's market for the time being.
- Rent levels are under upward pressure – disregarding fit-out quality. Already by mid summer 2017 small sized deals with a monthly rent clearly above EUR 30 per sq.m were recorded. Berlin's prime rent is forecast to follow this trend. It will soon surpass the EUR 30 mark for the first time ever.
- Although restricted supply may hinder an even stronger result, a full-year letting volume greater than 800,000 sq.m is feasible in 2017.

Sources: Thomas Daily, Bundesagentur für Arbeit, Destatis, Land Berlin, Avison Young

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