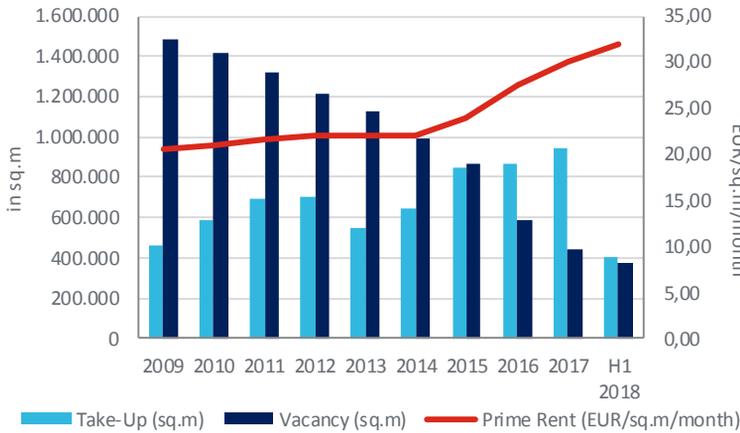




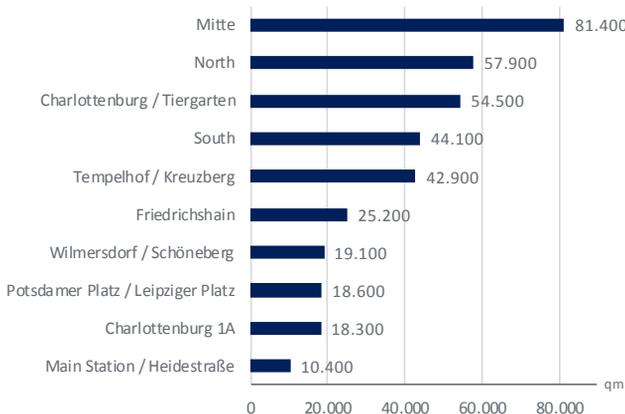
OFFICE MARKET BERLIN H1 2018



Overview

In the first six months of 2018 some 402,000 sq.m office space was let in Berlin. Last year's H1 result of 399,000 sq.m was thus slightly surpassed. It is only a lack of supply – office vacancy is currently at 378,000 sq.m – that prevented a higher letting volume. The Q2 volume underscores this trend: Albeit office space demand is very high, only 182,000 sq.m was let in Q2. It was the slowest quarter since Q2 2016. As expected, office vacancy further decreased and the office vacancy rate was at 2.1% in June. Rents have noticeably risen in all submarkets.

Take-Up by Submarket, Top-10



KEY MARKET FIGURES

Market Area Berlin*

Take-Up	402,000 sq.m
Vacancy	378,000 sq.m
Vacancy Rate	2.1%
Completions	40,000 sq.m
Under Construction	846,000 sq.m
Prime Rent	32.00 EUR/sq.m/month
Average Rent	19.45 EUR/sq.m/month
Prime Yield (net initial)	2.90%

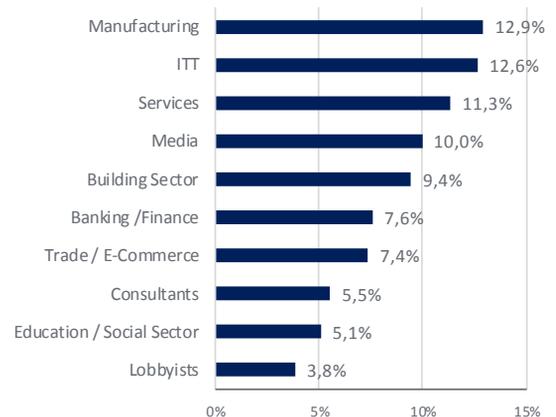
BERLIN

Inhabitants (12-2017)	3,712,000
Unemployment Rate (06-2018)	7.9% (German Average 5.0%)
Trade Tax Rate	410%

Take-Up by Industry

Large scale deals closed by Vattenfall and Gasag pushed the market share of manufacturing companies to 12.9%. Vattenfall AG's approx. 30,000 sq.m pre-leasing deal closed in the Südkreuz submarket was the main driver for this strong result. Almost 50 deals generating a letting volume of 46,000 sq.m were closed by ITT companies in H1. Overall, the capital's tenant base is very diverse.

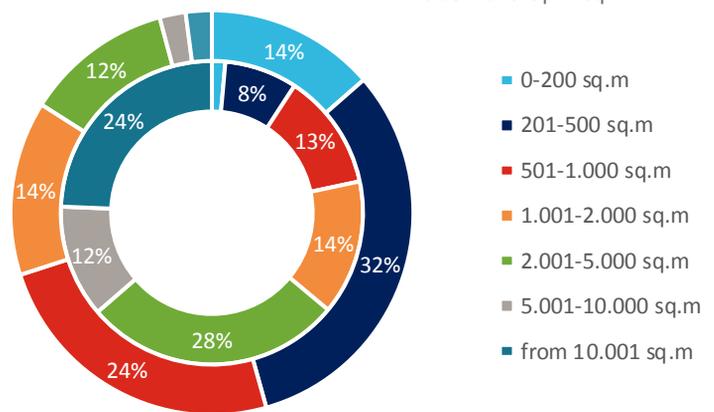
Top-10 Industries



Take-Up by Size and by Number of Deals

So far 6 deals each with a letting area above 10,000 sq.m were closed. They accounted for 25% of take-up in H1 2018 with Vattenfall contributing the most striking deal. The rise in take-up was strongest in the size segment 2,001 – 5,000 sq.m with a plus of 53% y-o-y to some 111,000 sq.m in H1. Growth in take-up was also disproportionately high in the size segment 1,001 – 2,000 sq.m. Y-o-Y take-up rose by 40% in this segment. Almost every fourth deal was closed with a letting area below 1,000 sq.m.

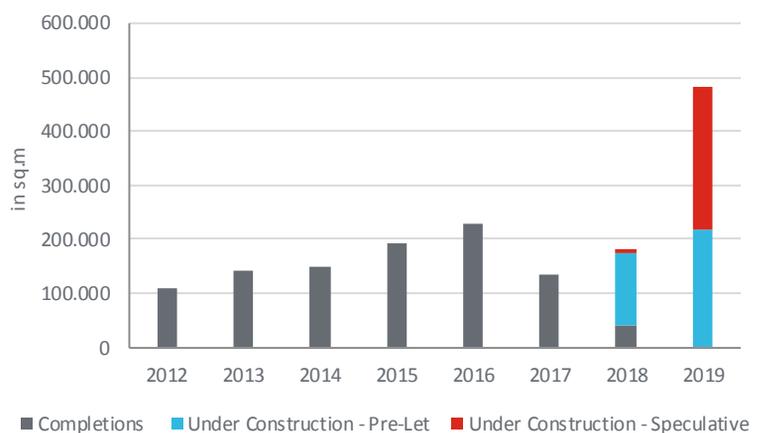
Outside: Number of Deals
Inside: Take-Up in sq.m

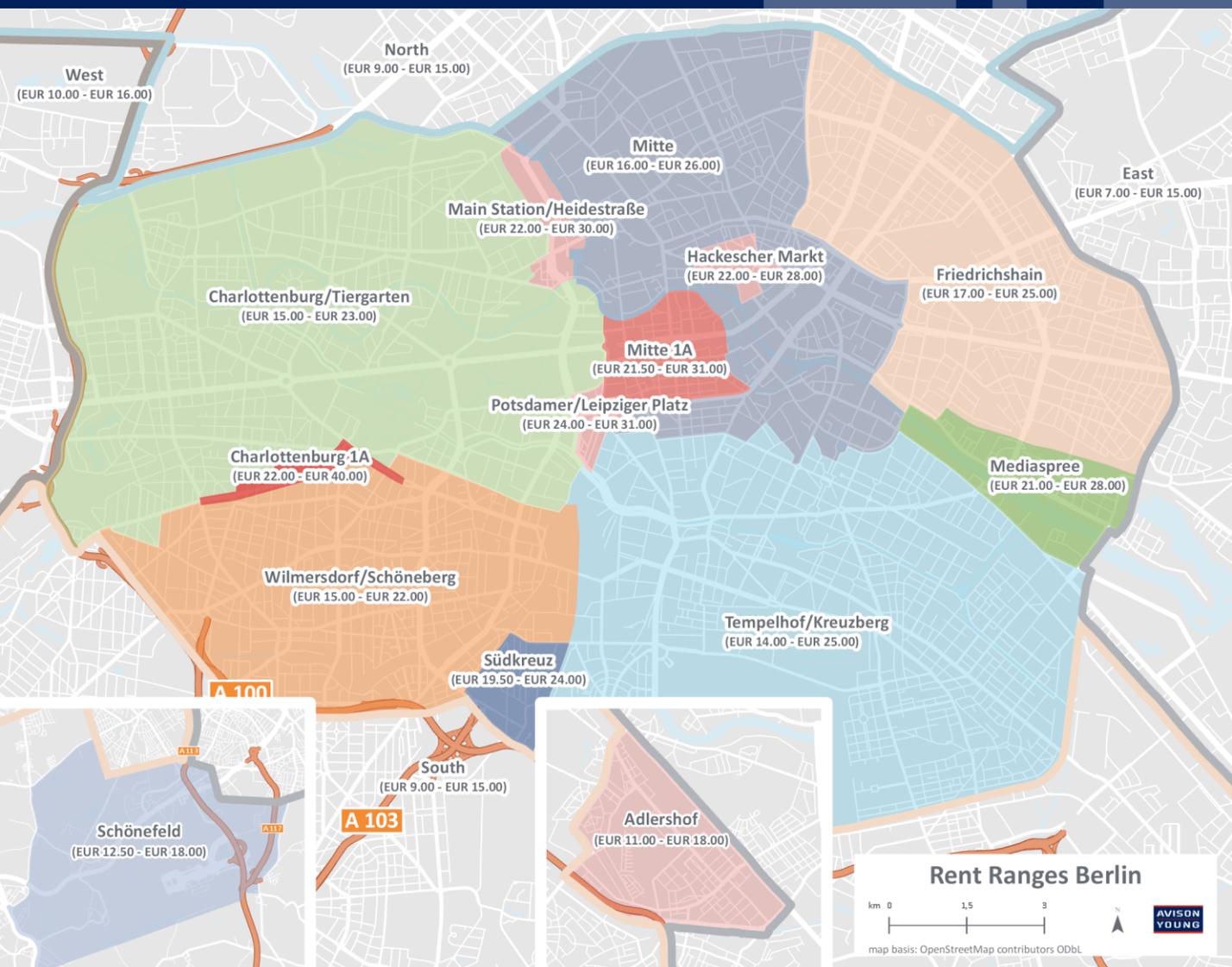


Market Shares < 2% are not shown

Completion Volume

Over the past twelve months, construction activity almost doubled. Currently, some 846,000 sq.m is under construction. However, only 185,000 sq.m office space is forecast for completion in 2018 with 96% pre-let so far. Completion volume is set to rise significantly to 483,000 sq.m in 2019 – with a pre-letting volume of 40% in June 2018. Currently, modern and large office space is only available in office projects.





Outlook

- Office space demand remains at a very high level. However, companies that want or need to move at short notice have to be ready to make compromises. Compromises are currently needed in terms of location, space fit-out and rent level. Only office projects offer companies room to breath and grow in summer 2018. As the majority of office projects has a completion date 2019 or later, we expect the current under-supply situation not to change before mid 2019.
- Office vacancy will further decrease in the second half of 2018 with office demand remaining high on the back of a strong economy combined with a low completion level. The current supply shortage is likely to prevent the Berlin office market from another year of record take-up. Nevertheless, annual take-up is expected to surpass the 800,000 sq.m mark.
- Across all submarkets we expect rents to rise further at noticeable pace. This includes the development of the office prime rent and average rents.

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

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