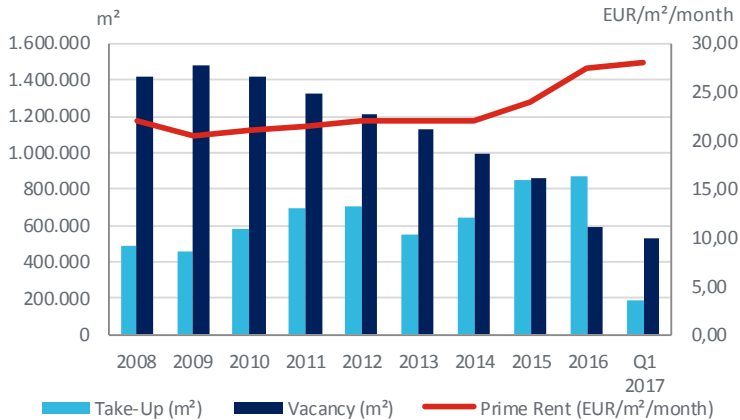




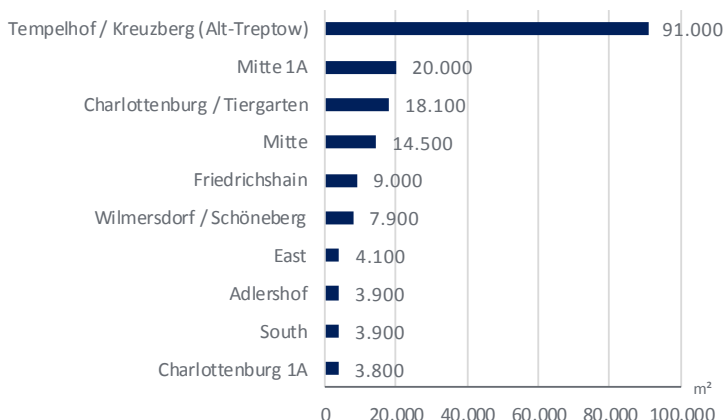
## OFFICE MARKET BERLIN Q1 2017



### Overview

In the first quarter of 2017 around 188,000 sq.m of office space was let in the Berlin office market. Thus the very strong previous year result was missed by 19%. However, sentiment among market players is good and demand for space remains at a very high level. Only the low vacancy of currently some 530,000 sq.m prevented a higher take-up. The vacancy rate is currently recorded at 2.9%. As a result, rent levels tend to move upwards in all submarkets. The office prime rent has recently risen to EUR 28 per square meter and month.

### Take-Up by Submarket, Top-10 Q1 2017



## KEY MARKET FIGURES

### Market Area Berlin\*

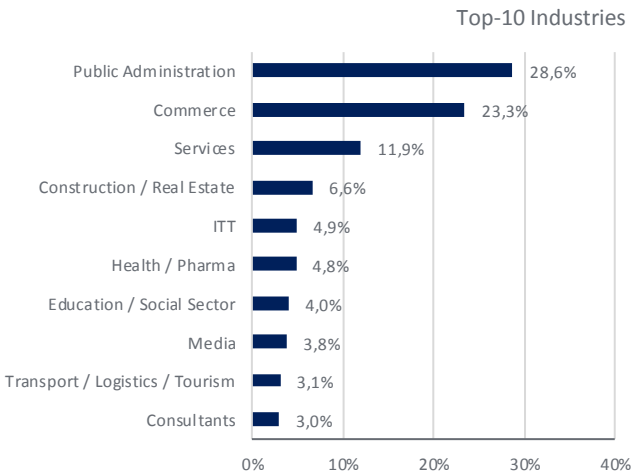
Take-Up	188,000 sq.m
Vacancy	530,000 sq.m
Vacancy Rate	2.9%
Completions	42,800 sq.m
Under Construction	335,000 sq.m
Prime Rent	28.00 EUR/sq.m/month
Prime Yield (net initial)	3.20%

## BERLIN

Inhabitants (09-2016)	3,653,000
Unemployment Rate (03-2017)	9.4% (German Average 6.0%)
Trade Tax Rate	410%

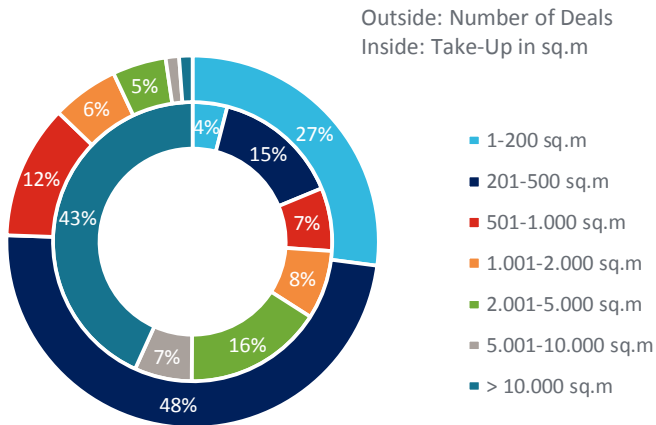
### Take-Up by Industry

The owner-occupier transaction of Bundesanstalt für Immobilienaufgaben (BImA) about 47,300 sq.m has allowed the market share of the public administration to rise to 28.6%. With its deal of 34,000 sq.m, Zalando once again catapulted the market share of the traditionally strong commerce sector making it the second strongest tenant group with 23.3% in Q1. Larger deals of co-working space providers such as Rent24 and Mindspace have pushed the market share of services to 11.9%.



### Take-Up by Size and by Number of Deals

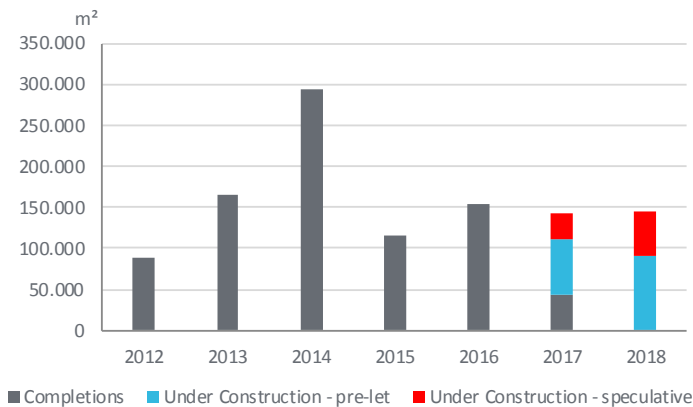
The two major contracts of BImA and Zalando contributed 43% to the quarterly result. A further 7% was accounted for by the deals of the BIM (about 6,000 sq.m) and of Rent24 (about 6,500 sq.m). With 8 contracts covering a total of 30,200 sq.m, the leasing activity in the segment between 2,001 and 5,000 sq.m was strong as well (16% market share). The dynamic Berlin start-up scene is responsible for the traditionally high take-up in the size segment of less than 1,000 sq.m. They have contributed just about a quarter to the total take-up so far.



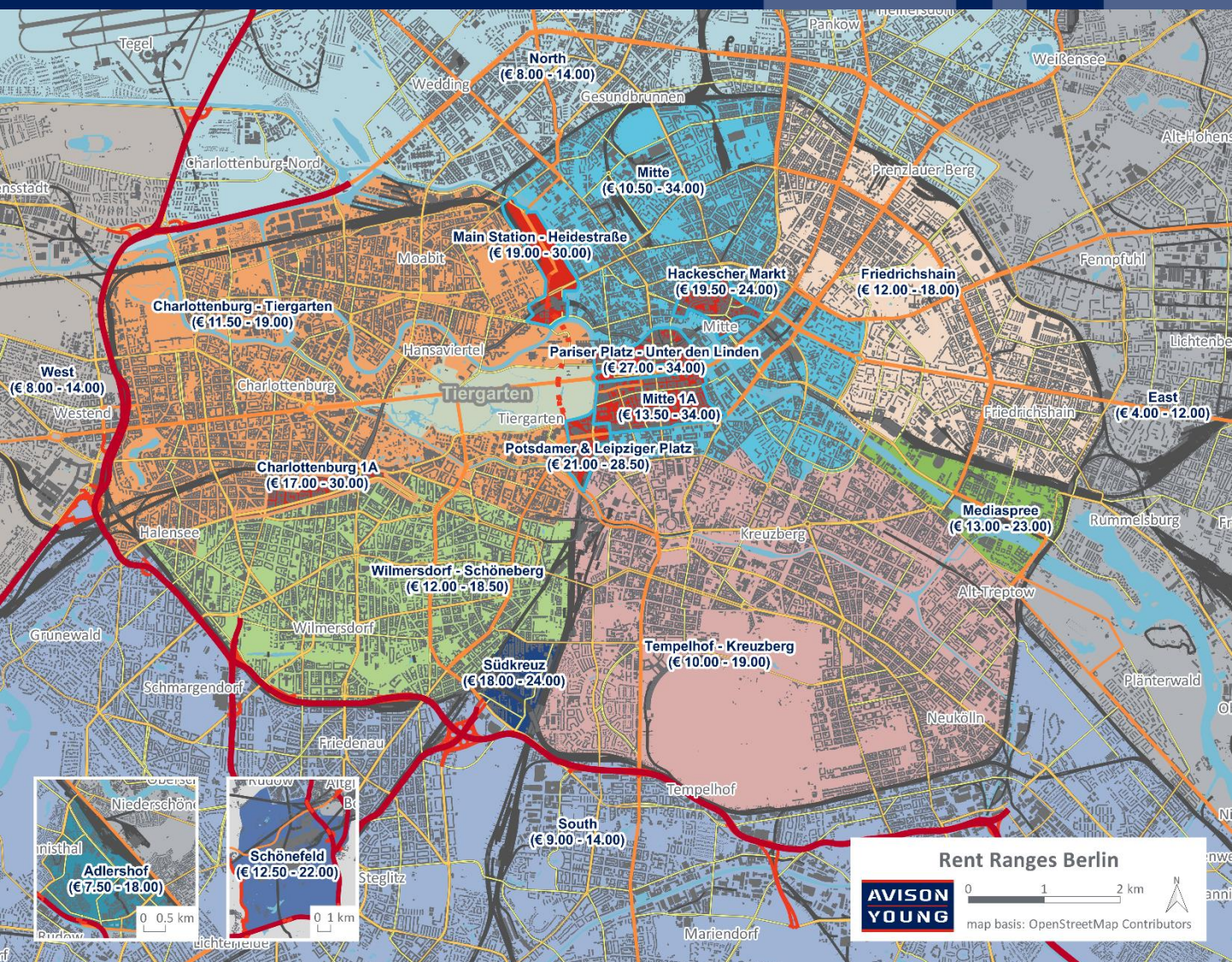
Market Shares < 2% are not shown

### Completion Volume

The office completion volume amounted to 42,800 sq.m by the end of March. Overall, construction activity has risen in the recent months and further 100,000 sq.m of new office space are expected in the course of the year - with a current pre-letting rate of around 70%. For 2018 a completion volume of some 146,000 sq.m is expected of which 62% are already pre-let.







## Outlook

- Prospects are good for another strong year in the Berlin office market.
- The economic conditions are favourable and Berlin with its location advantages is in the focus of companies from Germany and abroad. Accordingly, the registered office space demand is high.
- However, the already low vacancy is likely to have a limiting effect on the market. Therefore, the record results of the past two years are likely to be missed in 2017.
- A declining vacancy rate clearly below 3% is expected for 2017. Consequently, large-scale tenants will increasingly sign pre-lease agreements in projects with a completion date in 2019 and later to secure attractive office space.
- The rental price levels will continue to rise in all submarkets.

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

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