



OFFICE LEASING AND INVESTMENT MARKET REPORT

BERLIN | Q1 - Q2 2013

Accelerating success.

Office Leasing

Mood of restraint on the Berlin office leasing market

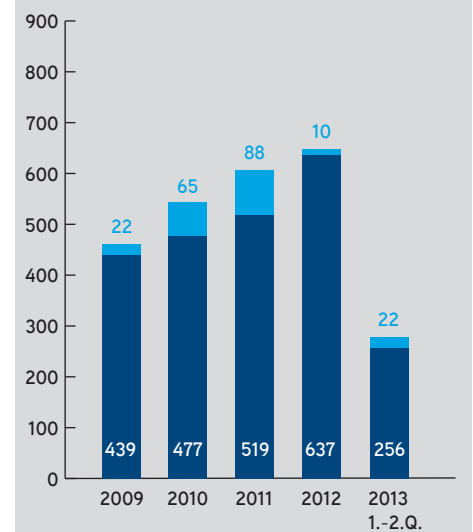
Take-up of space significantly below last year's level – decline in vacancies continues

TAKE-UP OF SPACE

Take-up of office space in Berlin lagged significantly behind expectations in the second quarter of 2013, as previously. At about 255,700 m², approximately 11 % less was leased than in the previous year, which is attributable primarily to the very small number of large-scale leases. While the first half of 2012 brought seven signings in the size segment comprising properties over 5,000 m², for a total of 71,400 m², only two leases in this segment have been signed so far this year. The largest owner-occupant signing in the first six months of the year was the one involving statutory pension insurance organization Deutsche Rentenversicherung, at approximately 17,500 m².

The City Center Area East market sub-segment continued to show the strongest growth, with take-up of space at approximately 59,300 m² (about 23 % of the overall total), but suffered another decline in take-up volume, which was down nearly 33 % year on year. Top locations

TAKE-UP OF SPACE IN 1,000 M²
LEASES / OWNER-OCCUPIER



in the City Center East sub-segment gained just under 12,000 m² compared with the same period of last year, accounting for a 17 % share of the market. As the supply of contiguous space in city center locations continued to decrease, clear movement was noted in the outlying areas of Berlin in the first half of the year. About 49,700 m² (market share: 19 %) was leased in this market sub-segment. The comeback in the City Center West sub-segment became noticeable in the first six months of

BERLIN STATISTICS

Population (12/2012)	3.292.000
City area	892 km ²
Unemployment rate (2012)	11,6 %
Employees paying social security contributions	1.214.000
Purchasing power index (2012)	102,0
Available per capita income (2012)	19.136 €

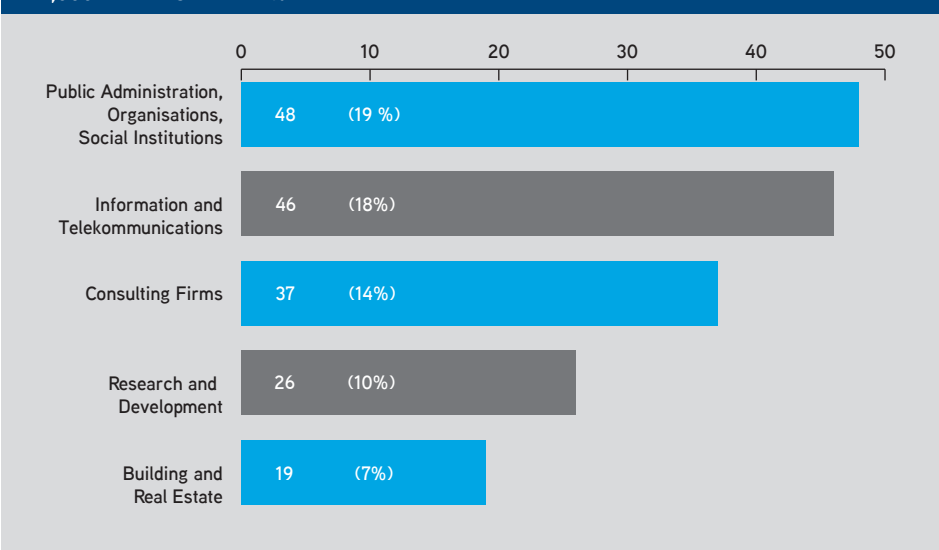
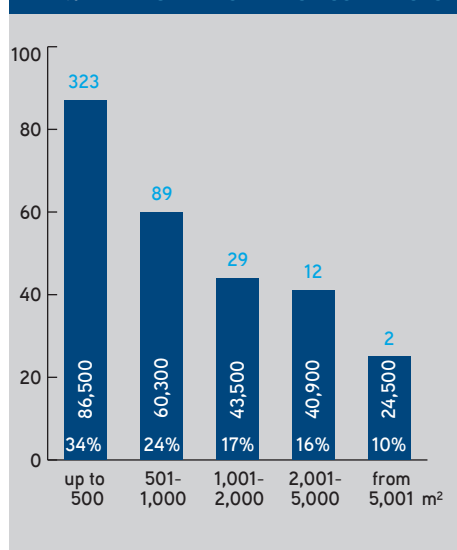
Sources:
Statistisches Bundesamt, Statistisches Landesamt,
Bundesagentur für Arbeit, infas geodaten

FAST FACTS

OFFICE LEASING (INCL. OWNER-OCCUPIERS)

Office space take-up	255.700 m ²
Lease take-up	234.200 m ²
Premium rent	22,00 €/m ²
Average rent	13,50 €/m ²
Vacancy rate	6,3 %
Existing space (incl. environs)	18,2 Mio. m ²



TAKE-UP BY INDUSTRIES 2011 – TOP FIVE
(IN 1,000 M² AND SHARE IN %)TAKE-UP OF OFFICE SPACE (IN 1.000 M² AND %) AND NUMBER OF LEASE CONTRACTS

2013. Where about 13,200 m² was newly leased in the top locations around Kurfürstendamm in the first half of 2012, that figure doubled in the first six months of 2013, to about 26,700 m².

With almost no change from the previous year, most of the offices leased out were smaller than 500 m². With the total amount of space at approximately 86,500 m², this size class accounted for about 34 % of the total take-up figure and 71 % of all new leases signed. A noticeable increase was observed in the segment of properties between 501 and 1,000 m², which rose by 6 %. New leasing activity in the size segments from 1,001 to 2,000 m² (+2 %, to 43,500 m²) and from 2,001 to 5,000 m² (+2 %, to 40,900 m²) made slight gains over the level seen last year.

SUPPLY AND VACANCIES

With approximately 18.2 million m² of existing space, Berlin is Germany's second largest office market. The pleasingly high demand and above-average take-up of space seen in 2012 combined with the declining figures for completion of new construction contributed to drive a further decline in office vacancies. At 1.15 million m², about 200,000 m² less space was vacant than last year. This brought a further decrease in the vacancy rate, which stood at 6.3 %. The volume of new construction for 2014 will be about 235,000 m², and the figure for 2015 is approximately 182,000 m²; about 75 % of the space due to be completed in 2014 and 30 % of that scheduled to become available on the market in 2015 has already been leased to tenants in advance.

DEMAND

In The industry structure during the first six months yielded a familiar picture: In line with Berlin's role as the German national capital and seat of government, demand was driven primarily by the public administration, associations, and social institutions sector, which accounted for 19 % of the total space taken up. This included not only the new lease signed by insurance organization Deutsche Rentenversicherung, but also one signed by the Bundestag. Information and telecommunications companies followed right behind, at 18 %, as did consulting firms, which accounted for 14 % of the total take-up of space. Companies in the R&D sector nearly tripled their market share year on year, bringing the figure to 10 %, equivalent to 25,700 m². Berlin is home to more than 27,000 research jobs outside of

MARKET OVERVIEW

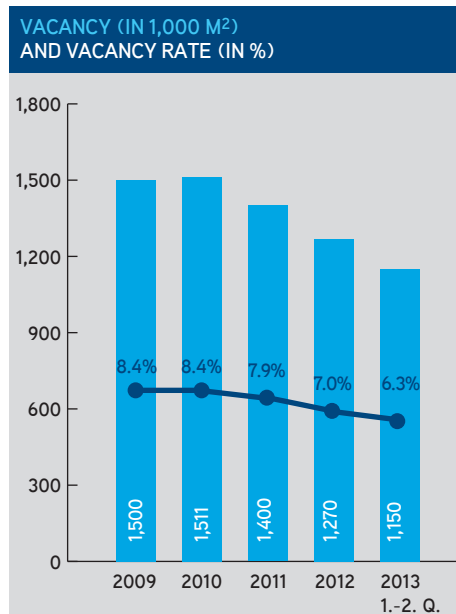
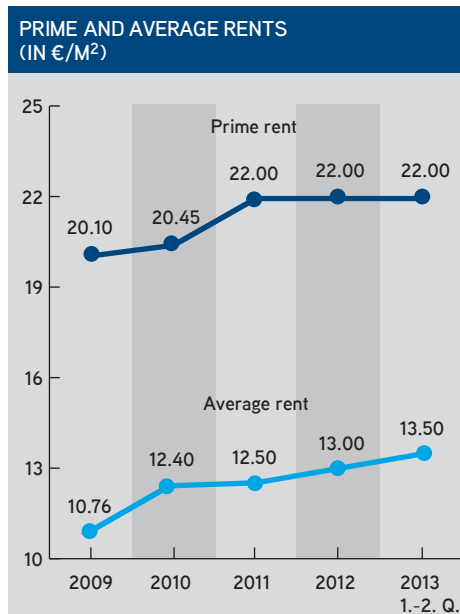
Location	Office Space Take-up in m ² incl. Owner-Occupiers	Lease Take-up in m ²	Number of Lease Contracts	Sustainable Rents in €/m ²	Average Rent in €/m ² /month	Vacancy ¹⁾ in m ²
City West 1	26,700	26,700	65	12.50-22.00	17.20	45,300
City East 2	42,500	38,500	64	13.20-22.00	16.80	63,200
Potsdamer Platz/ Leipziger Platz 3	11,200	11,200	17	13.60-19.00	16.00	29,000
City Area East 4	59,300	59,300	120	7.30-20.30	14.20	208,900
City Area West 5	40,700	23,200	50	7.20-21.00	13.90	148,200
City Margins 6	25,600	25,600	53	5.50-15.80	8.80	382,900
Outskirts 7	49,700	49,700	86	4.50-12.00	7.70	272,500
Total	255,700	234,200	455	4.50-22.00	13.50	1,150,000

¹⁾ Vacancy: obtainable new buildings and nascent inventory spaces within 3 months

higher education. The figures demonstrate that the Berlin research landscape is quite a trump card for the city.

RENTS

The trend in average rents was positive for both brokers and owners, spurred by stronger demand in the medium to higher price segment. The figure climbed again in the past 12 months, rising 50 cents to stand at € 13.50/m² per month at the 2013 midyear mark. Viewed across the entire city, the western part of the city center saw the most marked increases. The prime rent hardly moved at all year on year, closing this period at € 22.00/m² per

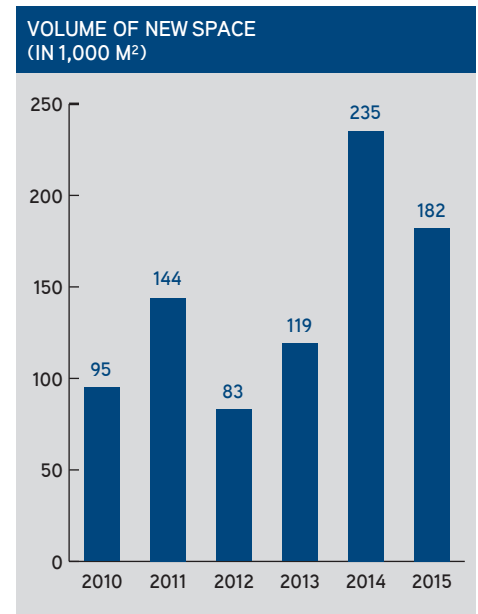


month, the same figure as 12 months ago.

Far and away the most expensive locations in the capital city in mid-2013 were once again found on Pariser Platz and Gendarmenmarkt. The highest asking rents for office space were between € 35.00/m² and € 40.00/m² on Pariser Platz and between € 20.00/m² and € 25.00/m² on Gendarmenmarkt. All of Berlin's premium properties are currently bringing rents above € 20.00/m².

PROPERTY INDEX IMMAX

The PropertyIndex depicts the development of the supply and demand situation on the office space market. The index shows the relationship between the supply at the time of preparation and the volume of office space taken up over the past 12 months. The supply includes both currently vacant spaces (available within three months) and potential space that is expected to become available within 12 months as a result of new construction and existing properties



becoming vacant.

On the volume side, the take-up of leased office space within the past 12 months is applied. The figures do not include owner occupancy of office space.

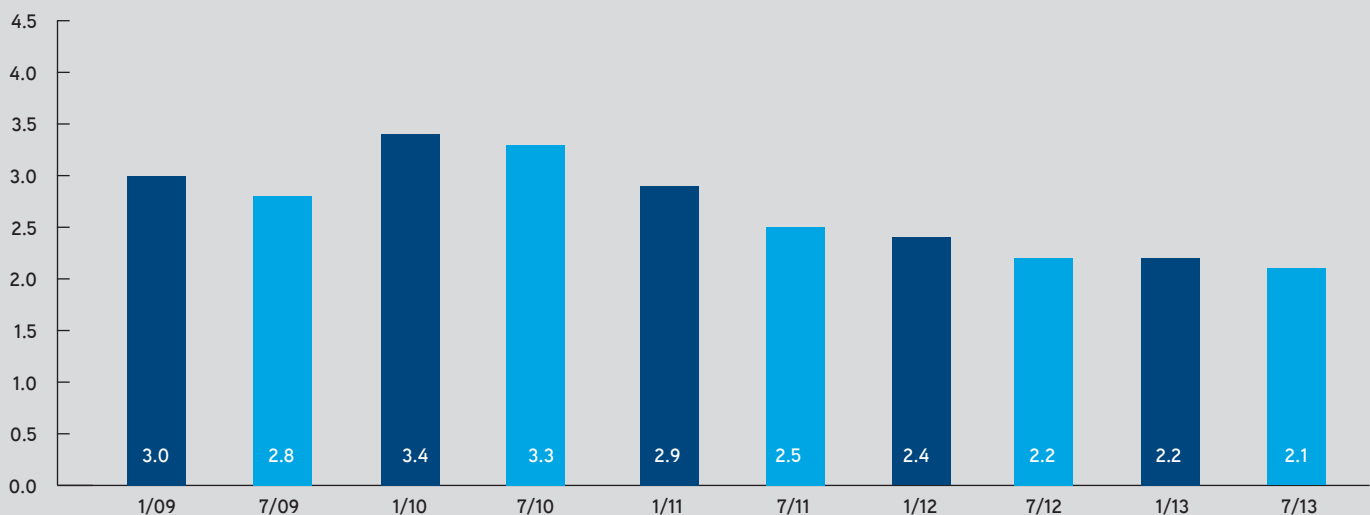
$$\text{IMMAX 07/2013} = \frac{1,320,000 \text{ m}^2}{550,000 \text{ m}^2} = 2.4$$

The decline in take-up of leased space is also reflected in the IMMAX PropertyIndex, which is 0.2 higher than at the same time last year. The supply of office space decreased further, but by a smaller margin than the decrease in take-up of leased space.

SUMMARY AND FORECAST

The Berlin office leasing market got off to a relatively calm start this year, a trend that continued at the midyear mark. This development was due less to a lack of demand than, more directly, to the shortage of space. Combined with these factors, the very small number of large-volume new leases signed so far this year has had a significant impact. Still, the German capital has showed itself to be robust: With its varied industry structure, growth

PROPERTY INDEX IMMAX



among numerous businesses, and increasingly improving equipment, amenities and location features, the market in Berlin remains quite dynamic. In light of these developments, Colliers International expects the second half of the year to bring a significant increase in the volume of new requests and a noticeable increase in market activity, so an annual result of just under that seen last year, at about 600,000 m², is realistic.



FOR FURTHER INFORMATION

Marcus Lehmann
 Director Letting
 TEL +49 30 202993-47
 E-MAIL marcus.lehmann@colliers.de

Investment

The Berlin investment market is humming along – real estate valued at about 1.52 billion euros changed hands in the first half of 2013, nearly double the figure for the comparison period of last year.

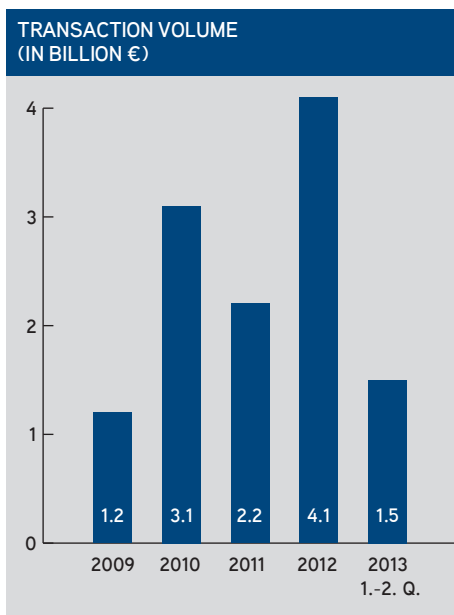
FAST FACTS INVESTMENT

Transaction volume	ca. 1.52 Mrd. €
Largest buyer group Developers / Building contractors	38 %
Largest seller group Asset manager (Asset fund manager)	26 %
Most requested type of property Office	67 %
Premium yield office	5.00 %

TRANSACTION VOLUME

In the first half of 2013, the Berlin commercial investment market was once again impressive for its ongoing appeal among German and international real estate investors. After a strong start to the year, the above-average level of market activity continued in the second quarter. Transactions on the Berlin investment market for commercial real estate totaled about € 1.52 billion in the first half of 2013, an increase of about 91 % year on year. The reason for this striking result is the fact that the prime interest rate is still low, combined with valid prospects of rising rents and a decreasing vacancy rate.

The biggest transactions in the first half of 2013 included the sales of the Hallen am

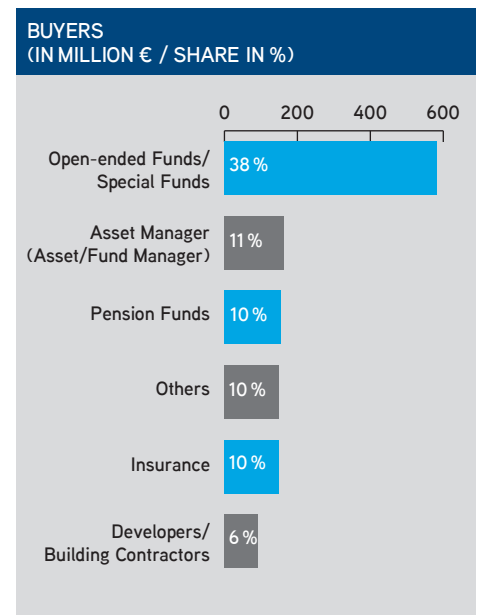


Borsigturm shopping center, the Lindencorso premium property, the K195 property, which was part of the Prime Portfolio, and the HumboldtHafenEins office building, each of which brought a nine-figure price.

GROUPS OF BUYERS AND SELLERS

On the buyer side, investment activity was led far and away by open-ended real estate funds and special funds, which accounted for 38 % of the increase in transactions. At € 582 million, this group invested nearly four times as much as last year.

This leading group was trailed at some distance by asset and fund managers, which invested about € 163 million (11 %) in the German capital, and by pension insurers and pension funds, at some € 156 million (10 %) invested there. Activity was down significantly among project developers and building contractors, by contrast, with this group investing € 92 million, only about half of last year's volume.



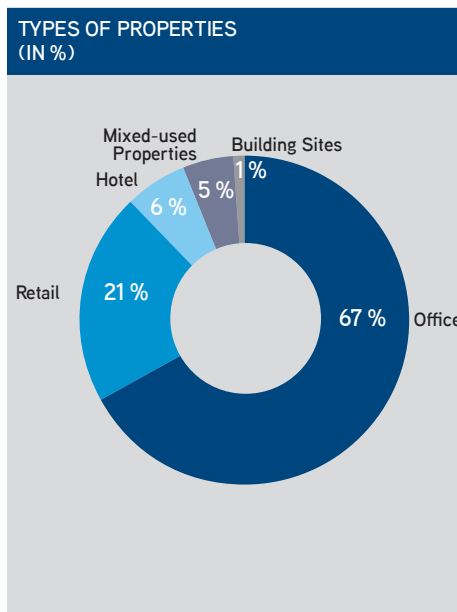
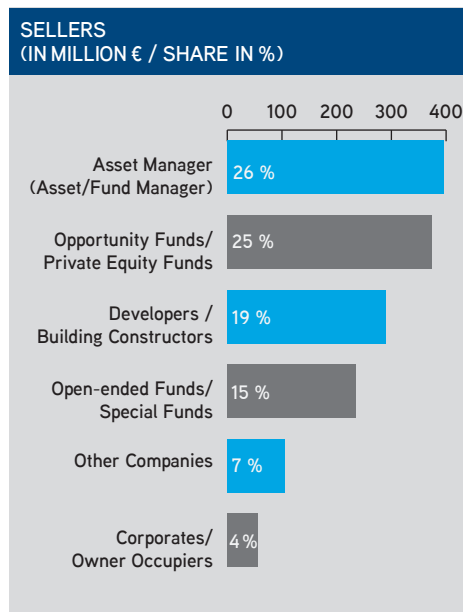
On the seller side, asset managers took the top position, at about € 395 million (26 %), followed by opportunity funds and private equity funds, at about € 374 million (25 %). Project developers and building contractors came in third, with ten deals and a volume of € 289 million (19 %), nearly double last year's figure. Open-ended real estate funds and special funds have made a much stronger showing among the groups of sellers so far this year, selling commercial real estate and land valued at € 235 million in all and thus accounting for about 15 % of the total transaction figure.

INVESTMENT PROPERTIES

During the first half of 2013, as in previous periods, office properties were by far the most sought-after asset class. Some € 1.01 billion – 67 % of the total transaction volume – was invested in this segment. Retail properties also played a major role this year, primarily due to the sale of the Hallen am Borsigturm shopping center, which took place just as the second quarter was drawing to a close. The total amount invested in this area was € 314 million (21 %), set against zero sales in this segment in the first half of 2012. Hotels trailed at some distance, at € 86 million, followed by mixed-use properties, at € 75 million. The majority of the office properties that changed hands in the first half of 2013 were in

SUMMARY AND FORECAST

The expectations expressed at the start of the year regarding movement on the investment market have been surpassed by a wide margin so far. The economic and even demographic prospects the city has to offer are a draw for both private and institutional investors. Berlin's appeal among German and international real estate investors is undiminished. The German capital's status as a safe haven for investment is clearly bolstered by the uncertainty that has taken hold in various other markets in Europe as a result of the financial crisis. Even taking into account the new increase in property transfer taxes, we expect market activity to increase between now and the end of the year. There are a number of properties in the pipeline



top locations in the City Center East and City Center West market sub-segments, including Unter den Linden, Potsdamer Platz, Kurfürstendamm, and Tauentzienstrasse.

The German capital remains a sought-after, expensive location, as characterized by the high stability of yields. The pressure exerted by demand for core and core plus locations remains high. Office yields held steady in the first half of 2013, standing at an unchanged 5.00 % at midyear.

that should be sold during the second half of the year. As a result, Colliers International believes over € 4 billion is a realistic figure for transaction volume.

482 offices in 62 countries on 6 continents

United States: 140
Canada: 42
Latin America: 20
Asia Pacific: 195
EMEA: 85

- \$ 2.0 billion in annual revenue
- 1,120 million square feet under management
- Over 13,500 professionals

COLLIERS INTERNATIONAL
BERLIN GMBH

Leipziger Platz 7
D – 10117 Berlin
TEL +49 30 202993-0
FAX +49 30 202993-32



FOR FURTHER INFORMATION

Robert-Christian Gierth
Managing Partner
TEL +49 30 202993-0
E-MAIL robert.gierth@colliers.de

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