Colliers

Accelerating success.

Berlin 2021 / 2022

Market Report

Office Leasing and Investment Market

Berlin

City Facts

Population in 1,000	3,664
Employees Paying Social Security Contributions in 1,000	1,583
Unemployment Rate in %	9.8
Per Capita Disposable Income in €	22,176

Fast Facts

Office Leasing	2021	Change year-on-year
Office Space Take-up	830,000 sqm	13.1%
Leasing Take-up	764,000 sqm	14.3%
Prime Rent	40.70 €/sqm	– 1.0%
Average Rent	29.10 €/sqm	1.4%
Vacancy Rate	3.1%	140 bp
Office Space Stock	21.10 million sqm	1.0%

Rents in €/sqm

Submarket	Range of Rents
CBD City West	20.00 – 40.00
CBD City East	20.00 – 43.00
CBD Potsdamer Platz/Leipziger Platz	32.15 – 47.00
Central Station	25.75 – 37.00
Mediaspree	21.00 – 35.00
Alexanderplatz	20.00 – 41.00
Südkreuz	28.35 – 29.00
City West	19.50 – 33.00
City East	22.00 – 40.50
City Margins North	18.00 – 36.00
City Margins South	23.00 – 35.00
Periphery North	14.00 – 28.85
Periphery West	13.50 – 23.00
Periphery South	14.00 – 31.00
Periphery East	14.50 – 23.60
Adlershof	14.00 – 17.50
Schönefeld	16.90 – 17.10

Office Leasing

Take-up

The Berlin office leasing market once again performed exceptionally well, achieving a substantial result of 830,000 sqm in take-up. This represents a significant yoy increase of 13% and another outperformance of the 10-year average of around 770,000 sqm. The final quarter of the year proved particularly lively with take-up coming in at around 309,000 sqm. Large-scale leases dominated the market this past year. The space segment of over 5,000 sqm accounted for just under half of total take-up. An incredible 18 megadeals were signed for over 10,000 sqm.

Not only does the Berlin office leasing market play a significant role as a national office hub in terms of leasing activity: The German capital is also now almost on par with London and Paris.

The market saw widespread demand from various sectors. The public sector dominated market activity in 2021 as in previous years. Notable examples include the lease signed by the German Ministry of Economics for over 20,000 sqm at the former Vattenfall headquarters on Chausseestraße and the lease signed by BIMA for around 18,000 sqm at NEW COURTS on Gerichtstraße.

Market activity once again revolved around the CBD City East and City East submarkets, which contributed roughly 170,000 sqm to total take-up. Neighboring locations are also attracting increasing demand due to the ongoing supply bottleneck in central locations. The City Margins North and the Periphery North and East submarkets benefited most.

FIGURE 1: **Office Space Take-up** in 1,000 sqm

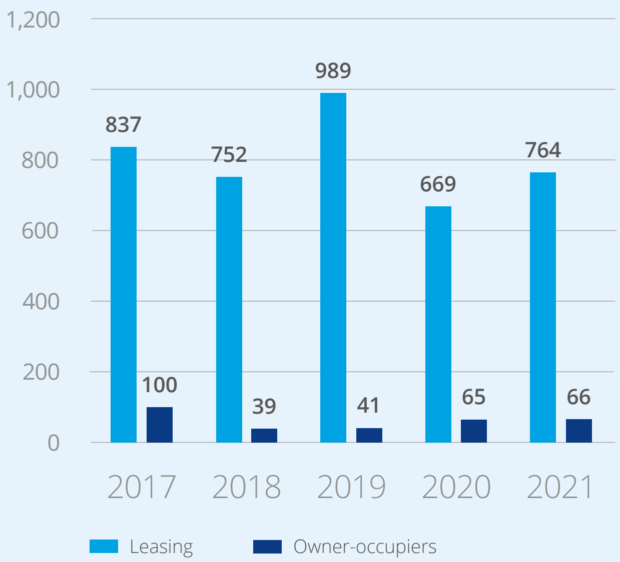
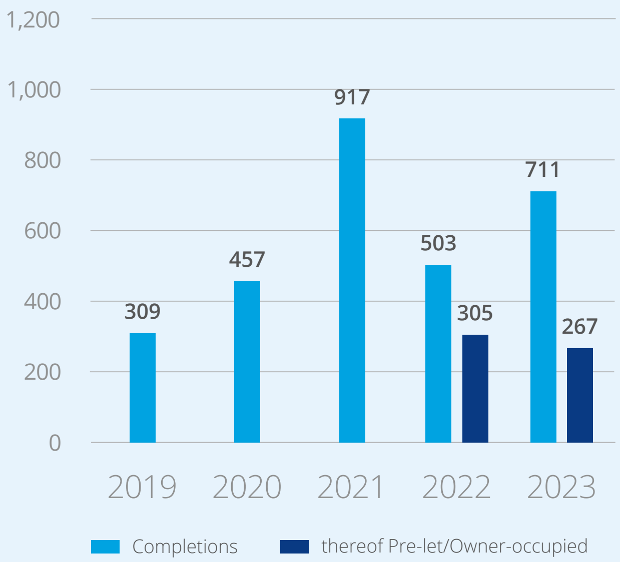


FIGURE 2: **Completion Volume** in 1,000 sqm



Rents

Rents remained stable in 2021 and have since experienced a slight upward trend. Prime rents come to a current €40.70 per sqm with average rents at €29.10 per sqm, which is roughly in line with the previous year. Average rents in the area demarcated by the city's inner suburban train ring are posting a current €33.00 per sqm. Tenants were willing to pay more than €35 per sqm for roughly 142,000 sqm of new office space.

Supply and Vacancy

Berlin's extremely low vacancy rate of 1.7% increased slightly over the course of the year to a still relatively low 3.1%. The amount of space available for immediate tenancy rose yoy to around 654,000 sqm. The situation in submarkets outside Berlin's suburban train ring remains particularly tense at just over 1.0%.

Key Developments

A total of 503,000 sqm are currently in the development pipeline for 2022 with around 80% of this space already taken up as at the start of the year. These developments are primarily targeting CBD locations in the City East and West submarkets and around Alexanderplatz.

Summary and Outlook

Rents are likely to continue to rise substantially throughout 2022 due to ongoing high demand, particularly for property developments in central locations, and could even reach the €50 per sqm mark. Sentiment on the Berlin office market is exceptionally positive and the development pipeline is well-stocked across all sectors and space segments. The overall outlook is extremely optimistic and 2022's annual result could exceed 2019's all-time high. We consider take-up of around 900,000 sqm to be realistic.

FIGURE 3: **Vacancy Rate** in %
and Vacancy in 1,000 sqm

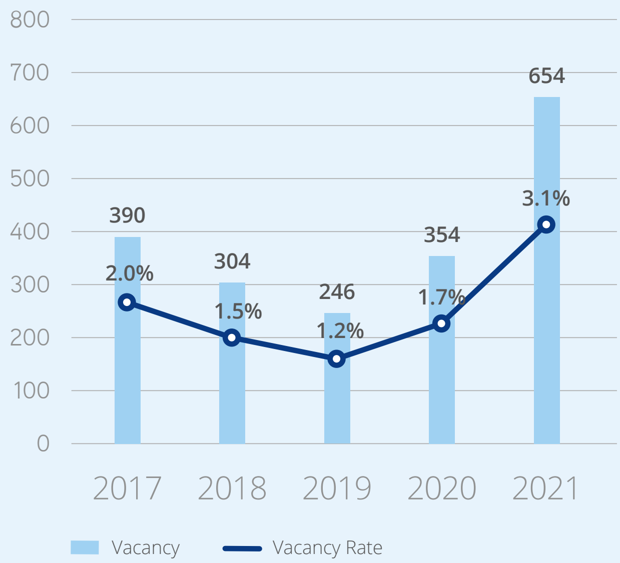
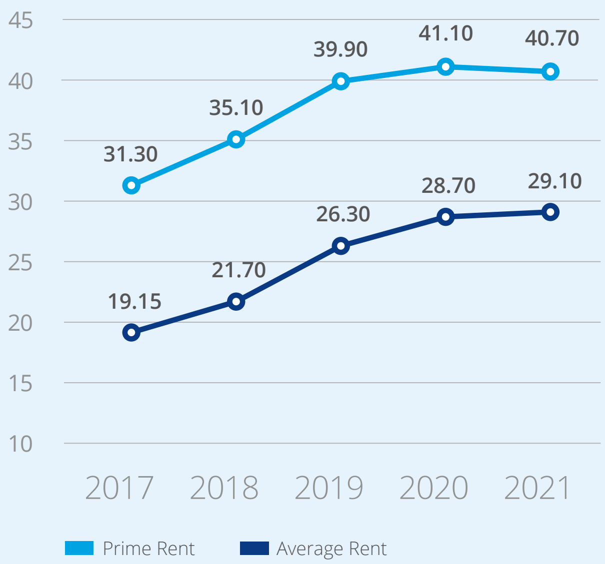


FIGURE 4: **Prime and Average Rents**
in €/sqm



Commercial Investment

Transaction Volume

The Berlin commercial investment market experienced another exceptional year in 2021. Despite the ongoing impact of the pandemic, investor interest and confidence in the Berlin market proved unshakable. Annual transaction volume of €10.5bn significantly exceeded the previous year's result and broke through the 10 billion mark for the second time in the footsteps of 2019's record result of €12.2bn. This second-best result ever recorded reflects a 22% increase yoy and tops the 10-year average by a substantial 69%.

The Berlin investment market's performance in 2021 is proof of its status as a safe haven with excellent upside potential even during the pandemic. An end-of-year rally around major deals led to the best Q4 result ever seen on the Berlin market at almost €3.6bn.

Fast Facts

Investment Berlin	2021	2020
Transaction Volume	10,453 million €	8,549 million €
Portfolio Transactions	14%	38%
Share by International Buyers	43%	52%
Share by International Sellers	42%	29%
Most Important Property Type	Office 67%	Office 64%
Prime Yield Office	2.60%	2.80%

FIGURE 5: **Transaction Volume**
in million €

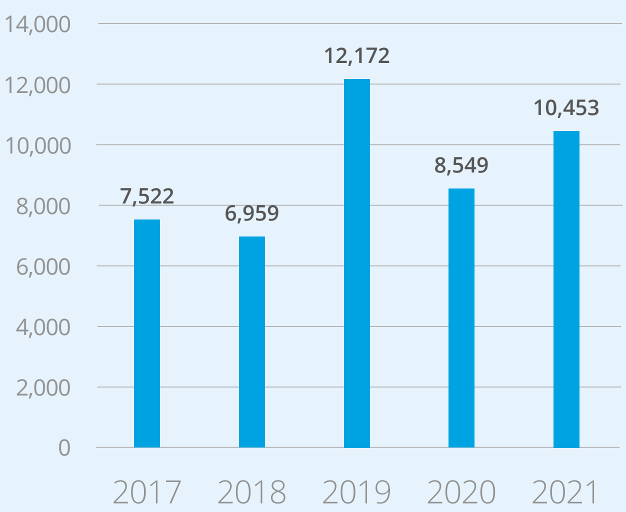
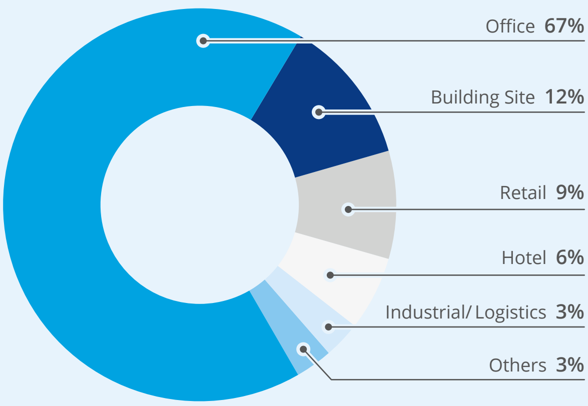


FIGURE 6: **Transaction Volume by Type of Property 2021** share in %



Supply and Demand

Stable core assets with strong-covenant tenants experienced high demand as did value-add products. Office assets remained very popular, claiming two-thirds of transaction volume with almost €7bn. Property developers were busy this past year stocking their development pipelines. Building sites surpassed retail for the first time with over €1.2bn in transaction volume and a market share of 12%.

Demand for retail assets remains subdued due to the pandemic and the asset class brought in €970m, securing third place in the ranking. However, food-anchored retail and mixed-use core assets in prime locations, such as Gloria Berlin, continue to experience high demand. The majority of hotel investors have also adopted a wait-and-see stance. Hotels are increasingly being converted into office and mixed-use assets, a trend that we expect to continue in 2022.

Portfolios remained in scarce supply while still high on investor agendas. The largest portfolio deal of the year was the sale of the Optimum portfolio comprised of 30 assets to Blackstone. Other deals included CPI Property Group's sale of 6 business parks from its GSG portfolio and Patrizia's sale of 2 office buildings.

High-volume landmark deals continued to drive market activity and exceeded the €100m mark with 28 deals signed in 2021. In addition to the Fürst yet again changing hands, notable single-asset deals included Victoriastadt Lofts, Zalando headquarters, Friedrichstrasse 108 and Weidt Park Corner.

Asset and fund managers participated in numerous high-volume deals to claim pole position and generated almost half of transaction volume both buy and sell-side. The investor group purchased assets for over €4.7bn and sold over €4.3bn. Property developers added a total of €1.3bn in assets to their pipelines and sold properties worth €2.4bn, putting them in second place both buy and sell-

FIGURE 7: **Buyer Groups** in million €, share in %

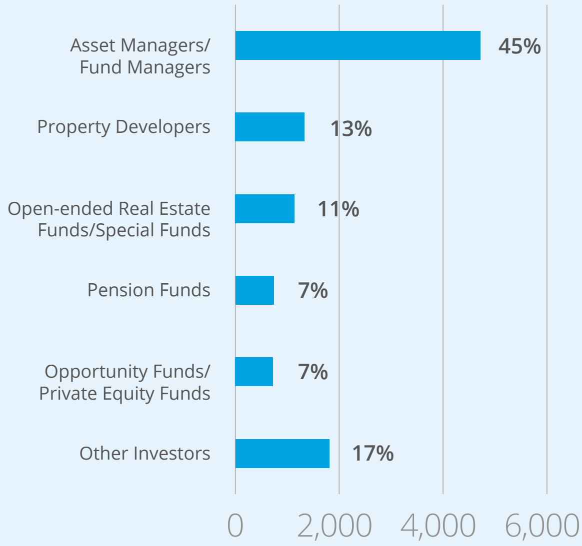
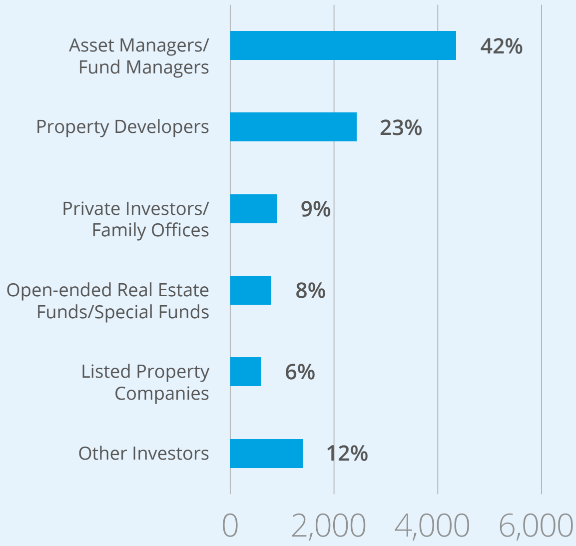


FIGURE 8: **Seller Groups** in million €, share in %



side. Open-ended real estate funds and special funds were the third most active investor group buy-side, while private investors and family offices seized a particularly large number of opportunities and came in third sell-side.

Foreign investors increasingly made their presence on the market felt over the course of the year, generating a market share of 43% and bringing market activity back in the range of the 5-year average of 52%. German investors largely dominated market activity and were particularly active in prime locations and in the core segment.

Yields

Gross initial yields for core office buildings in prime locations posted 2.60% at year-end, down 20 bps yoy. Fully let property developments with strong-covenant tenants in good locations are currently changing hands at 35x to 39x net annual rent. The trend towards investment in secondary locations and upcoming outskirt locations also caused yields in these submarkets to drop 20 bps to 2.90% and 3.40%, respectively. Investors appear to be particularly targeting micro-locations with excellent accessibility and strong growth potential. Premium retail assets in prime locations as well as food-anchored retail remain attractive with yields at 3.10%, down 10 basis points yoy. Hotel yields remain unchanged at 4.40%.

Summary and Outlook

Berlin continues to rank as one of the most attractive investment destinations in Europe thanks to an extremely stable office leasing market. The city's low vacancy rate and diversified economic landscape combined with pressure on investors to invest will continue to boost market activity in 2022. As such, we expect the transaction volume to exceed the €10bn mark for the third time and top 2021's result. Depending on the supply, an annual result in the range of 2019's all-time high of €12.2bn appears realistic.

> Both the office leasing and investment markets in the German capital proved exceptionally robust, with rent prices picking up at the end of the year and prime yields again giving way.

Contact
Margit Lippold Director | Research
+49 30 202993-43, margit.lippold@colliers.com

Contact Research

Margit Lippold
Director | Research
+49 30 202993-43
margit.lippold@colliers.com

Marc Steinke
Senior Consultant I Research
+49 30 202993-480
marc.steinke@colliers.com

Till McCourt
Director I Research
+49 30 202993-41
till.mccourt@colliers.com

Colliers International Deutschland GmbH
Budapester Straße 50
10787 Berlin

Photo credits

Front page: Pecan Development GmbH

Inside: SIGNA Real Estate Management Germany GmbH

Translated by TranslationFX: www.translation-fx.com