



## Market forecast for 2020

# Berlin's office employees of tomorrow

Client: TLG IMMOBILIEN AG

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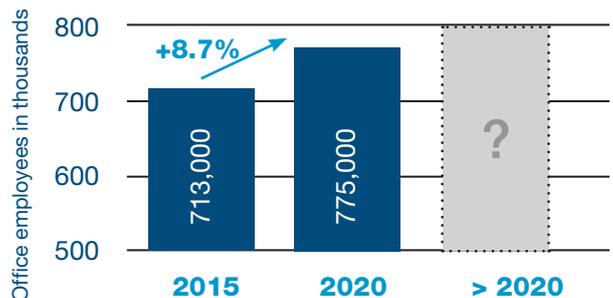
Berlin's economic structural change over the past five to ten years has been outstanding. Its economic basis has stabilised appreciably, especially for start-ups and IT companies, and is now on course for stable growth:

**Earners** This figure increased by 290,000 in Berlin between 2005 and 2015 and the unemployment rate has fallen from 19% to around 10%.

**Office property market** The vacancy rates of Berlin's office property market have also been falling steadily since 2004. Given the consistently high level of demand, the volume of available space looks set to decrease further in 2016, making a vacancy rate of around 3.5% or less at the end of the year a realistic prospect.

**Office employees forecast** In recent years Berlin's economic basis has improved steadily, keeping pace with its population growth, and has led to perceptible increases in income and purchasing power. Whereas 1.85 million earners were employed in Berlin's job market in 2015, the figure will increase to 1.93 million by 2020 – with a positive effect on the office property market. A dynamic increase in the number of office employees to almost 775,000 is expected by 2020. This corresponds to an increase of 62,000 or 8.7%.

## Increasing number of office employees by 2020 Office employees in Berlin



Source: bulwiengesa

### Requirements:

- Strong, steady growth if Berlin is able to maintain its current lead with regard to IT companies
- Infrastructure must continue to be created (e.g. 5G network, public Wi-Fi, BER airport)

### Challenges

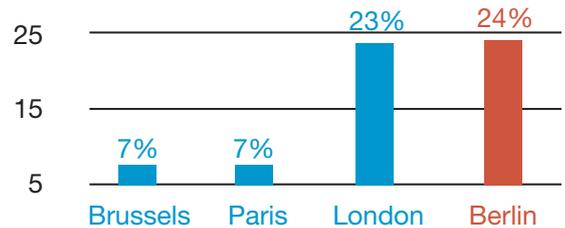
- Slowed growth if the German or global economies run out of steam
- It might not be possible for city growth to be fully realised on a political level

# Three key points about Berlin's office property market

## 1 Berlin is overtaking central London

Compared to other international metropolises, the increase in the number of office employees in Berlin has been similar to that of London for some years now. The growth rate in Berlin from 2005 to 2015 was 24% compared to 23% in central London. This positive development will continue in the coming years.

**Increase in office employees, 2005–2015**

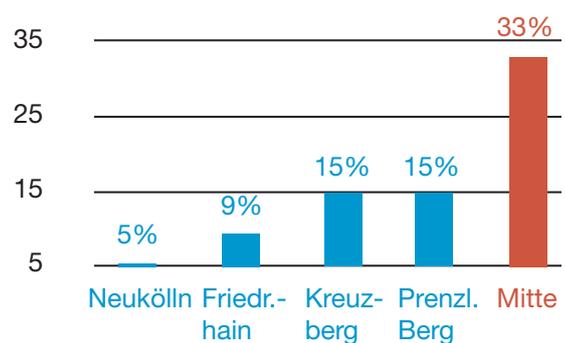


## 2 Berlin-Mitte is leading the start-up scene

Digital companies and start-ups, which have heavily influenced growth so far, covet locations and areas in Berlin-Mitte in particular, a location with around 2 million sqm of office space. Other inner city districts such as Prenzlauer Berg (Peripherie Nord) and Kreuzberg are far behind.

From 2005 to 2015, Berlin-Mitte experienced a 33% increase in the number of office employees compared to Prenzlauer Berg and Kreuzberg with 15% each.

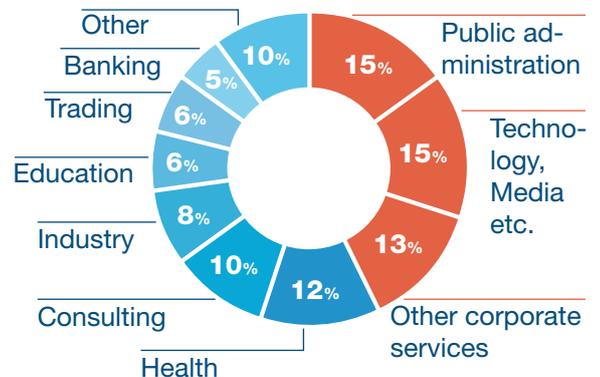
**Office letting turnover of start-ups and digital companies in Berlin, 2005–2015**



## 3 Digital companies are driving the development of the office property market

Compared to other groups of tenants such as the government and public authorities, corporates, headquarters or auditors and lawyers, digital companies have been dominating the letting turnover in Berlin's office property market since 2011. This structure is ongoing and becoming more dynamic. By 2020, the two major fields of administration and technology/media will each account for 15% of office workers. Combined with other corporate services (13%), these three groups represent almost 50% of all office workers in Berlin.

**Market forecast for 2020, a breakdown of Berlin's office employees**



## Summary

In 2020 Berlin will have around 775,000 office employees (an increase of 62,000 or 8.7%) who will represent 40% of all earners. Driven by Berlin's evolution into a start-up nucleus, the largest increase in the number office employees is expected to be 14,000 in the technology, media and telecommunications (TMT) sector, which encompasses the majority of employees in digital companies.

There are also more than 11,000 office employees in the other corporate services sector who are linked just as

closely with the sector occupied by prosperous Internet companies (advertising, research, auditing, consulting etc.).

Looking beyond 2020, how Berlin will still be able to rely on developments such as those from New York, Brooklyn, Austin or Boston will be of great significance. Providers of office space who deliberately deliver open office plans, a platform for socialising and networking and a both global and digital sense of innovation will shape the office property market in Berlin.