

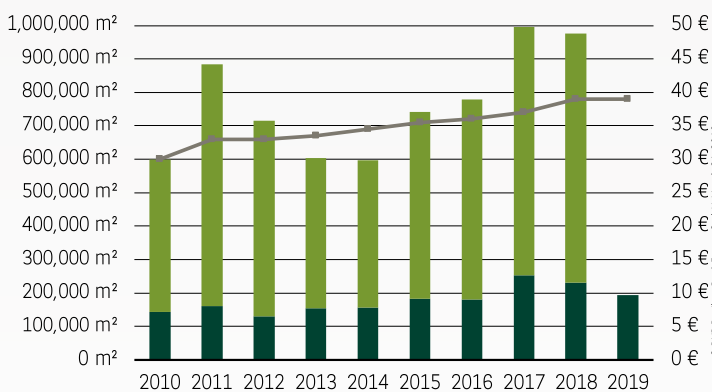


At a Glance **Q1 2019**

OFFICE MARKET MUNICH

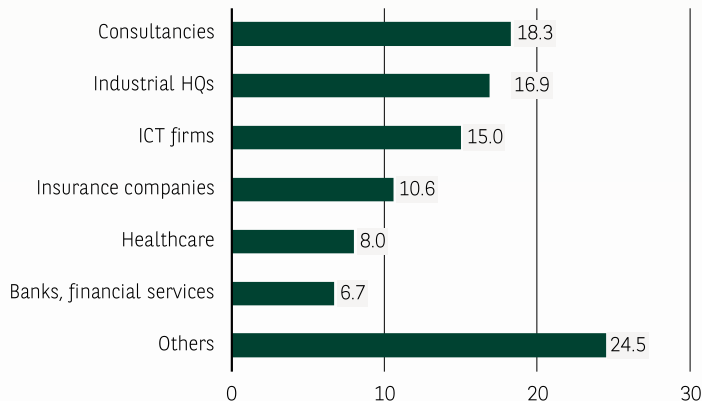
Development of take-up and top rents in Munich

■ Q1 in m² ■ Q2-Q4 in m² — Top rent in €/m²



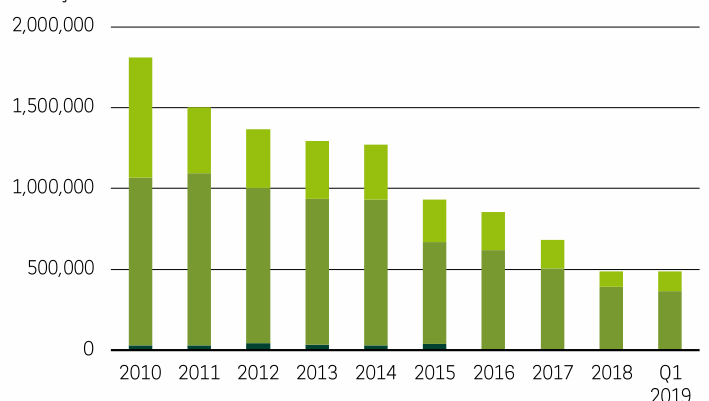
Take-up according to sectors in Munich Q1 2019

■ in %



Development of vacant space in Munich

■ unrefurbished in m² ■ normal in m² ■ modern in m²



THIRD BEST START OF THE YEAR

In the first quarter of 2019, a take-up of 194,000 m² was recorded in the Munich office market. Compared to the previous year, this corresponds to a decline of just under 16 %. Nevertheless, this result represents the third best start to the year in the last ten years. There are two main reasons for the somewhat more moderate result. On the one hand, as in the last two years, record figures in the first quarter in particular depend on individual major deals. However, these are not always completed at the beginning of the year. On the other hand, there is still a supply shortage, particularly in the central locations, which makes it more difficult to fully meet demand. Against this backdrop, the achieved result indicates that demand remains strong. In a nationwide comparison, Munich still had to leave the lead to Berlin and took second place behind the capital city. Among the largest deals were a lease from Allianz for a good 19,000 m² in the Region North, a contract from Accenture for 12,600 m² in the Centre Fringe South and design offices for 9,600 m².

MUNICH'S LEADING INDUSTRIES ONCE AGAIN VERY ACTIVE

The traditionally strong sector groups in Munich once again accounted for a large share of total take-up in the first quarter. Consultancies took the lead with a share of a good 18 %. As expected, the podium will be completed by the administrations of industrial enterprises (almost 17 %) and firms from the ICT sector (15 %). Due to the signing of Allianz, insurance companies (almost 11 %) also account for a double-digit share. However, the healthcare sector (8 %) as well as banks and financial services (around 7 %) also contributed larger shares to the overall result.

VACANCY AGAIN SIGNIFICANTLY REDUCED

In the last twelve months the vacancy level has again decreased significantly. At 488,000 m², it is around a quarter below the previous year's figure and has reached its lowest level in the last 18 years. Only around 25 % of the volume (122,000 m²) is accounted by areas with modern equipment quality. Despite the increase in construction activity, vacancy will continue to decline in the coming quarters, as only a few of the space under construction will be completed in 2019, most of which has already been pre-let. New space is therefore only added to the vacancy category to a very limited extent. The vacancy rate in the overall market is currently 2.3 %. Only in relation to the urban area is 1.6 % to be recorded.

Major contracts in Munich

Sub-market	Company	m²
4.1	Allianz	19,100
2.2	Accenture	12,600
3.5	Design Offices	9,600
3.5	FEV Europe	5,800
4.1	Eurofighter	5,000
3.5	mgm technology partners	4,800

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Trends in important market indicators in Munich

	Q1 2018	Q1 2019	Trend remaining year
Take-up	230,000 m²	194,000 m²	➔
Vacant space	655,000 m²	488,000 m²	➔
Space under construction (total)	1,028,000 m²	1,203,000 m²	➔
Space under construction (available)	441,000 m²	500,000 m²	➔
Top rent	37.00 €/m²	39.00 €/m²	➔

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➤ CONSTRUCTION ACTIVITY REMAINS AT A HIGH LEVEL

After an upturn in construction activity last year, it is currently at 1.2 million m², around 17 % up on the previous year. Since the beginning of the year, however, it has remained at a stable level. Only 500,000 m² (42 %) are still available to the rental market. The rest is pre-let or built by owner-occupiers. If the modern vacancies are added, the high-quality offer totals 622,000 m² and is below one year's take-up. If one forms the same ratio for the central city and city fringe zones, it amounts to 116,000 m², which does not even correspond to one third of an average annual take-up in these locations.

➤ RENTS INCREASED IN ALL MARKET SEGMENTS

The high take-up of space in recent years has led to a sharp reduction in supply, which as expected is reflected in rising rents. In the last twelve months, both the respective prime and average rents in almost all office market zones have risen by an average of around 5 %. The current prime rent is 39 €/m² and thus at the highest level ever registered.

➤ PERSPECTIVES

For the year as a whole, there are also signs of another above-average take-up, but at around 850,000 m² this is likely to be lower than in the two previous years. This is the consequence of continued limited supply and somewhat more moderate economic growth. Due to some construction completions, the reduction in vacancies will slow down but tend to continue. Against this backdrop, the foreseeable relation between demand and supply will cause rents in many market segments to rise further.

Key indicators Munich Q1 2019

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1 2019	total	modern	of this, since completion	total	available	available	projected
	1		2	3	4	5	6	7	8 = (3 + 7)	9
Submarkets**										
1 City Centre										
1.1 City Centre		39.00	18,500	21,000	10,500	0	62,500	44,500	65,500	209,500
1.2 Bogenhausen		29.00	500	1,500	1,000	0	0	0	1,500	73,500
2 Centre Fringe (inside Mittlerer Ring)	22.00	- 29.00	49,500	49,000	5,000	0	230,500	55,500	104,500	412,000
3 Subcentres	16.60	- 30.00	61,500	188,500	74,500	18,000	576,000	181,000	369,500	705,000
Total Munich			130,000	260,000	91,000	18,000	869,000	281,000	541,000	1,400,000
4 Periphery	15.90	- 18.00	64,000	228,000	31,000	6,000	334,000	219,000	447,000	811,000
Total			194,000	488,000	122,000	24,000	1,203,000	500,000	988,000	2,211,000

* The top rent given applies to a market segment of 35 % in each case.

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