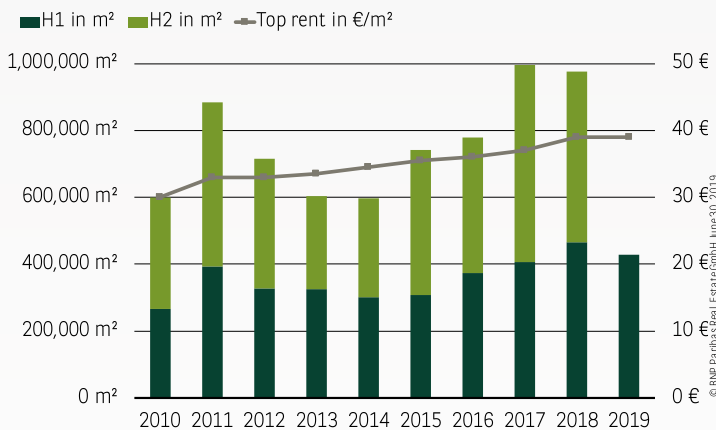




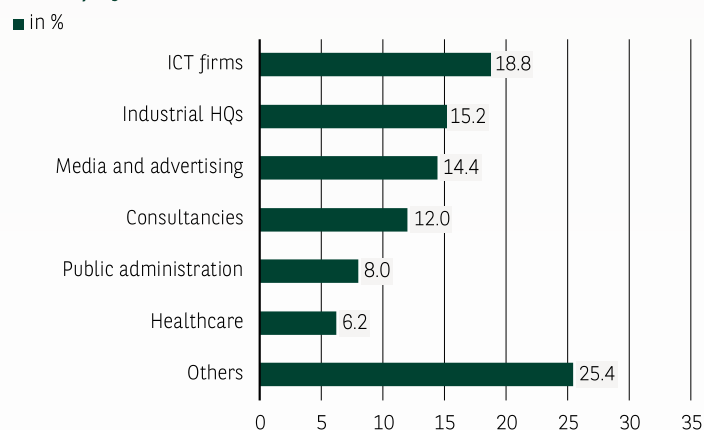
At a Glance **Q2 2019**

# OFFICE MARKET MUNICH

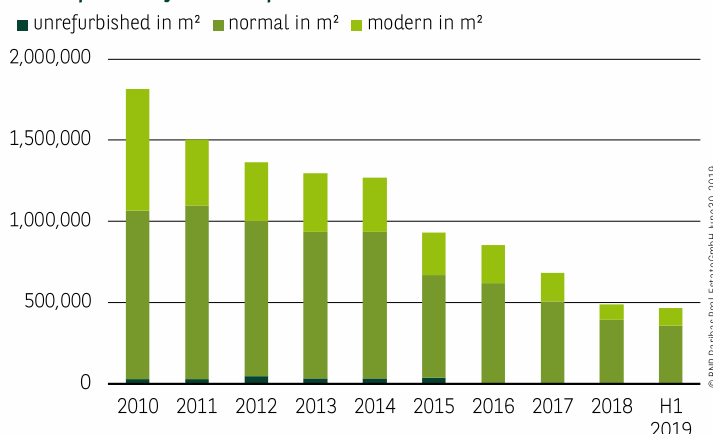
**Development of take-up and top rents**



**Take-up by sector H1 2019**



**Development of vacant space**



## ➤ AGAIN THE NATIONWIDE NUMBER ONE

With a take-up of 428,000 m², the Bavarian state capital is once again at the top of all major office locations, although only just ahead of Berlin. The extraordinarily good result of the previous year was missed by around 8%, but it still represents the second-best result of the last ten years. For the third year in a row, Munich has thus exceeded the 400,000 m² mark by the middle of the year. It is also pleasing to note that the strong demand has come from all market segments and is not only attributable to a few big deals. Since there are hardly any larger contiguous spaces in the central locations, especially not with modern quality, the larger contracts mainly took place in the subcentres or in the periphery. The most important contracts include owner-occupier deals with Bayerischer Rundfunk (25,000 m²) and EDAG Engineering in Moosach/Milbertshofen (9,000 m²), as well as rentals from Accenture in the southern city fringe (12,600 m²) and the coworking provider Design Offices (9,600 m²).

## ➤ MUNICH'S TOP INDUSTRIES BACK ON A HIGH LEVEL

The most important demand groups are well known sectors at the top of the sector distribution. ICT technologies are in first place with a take-up share of just under 19%, followed by industrial companies with a good 15%. With the media and advertising segment (just above 14%) and the consulting companies (12%), two further sectors contributed double-digit shares of take-up. However, public administration (8%) and healthcare (around 6%) were also very active during the first six months. In contrast to the previous year, the expansive coworking business has so far only accounted for a share of just under 3%, which is mainly due to the shortage of supply in certain locations.

## ➤ VACANCY RATE IN THE CITY AREA FALLS BELOW 2%

Vacancy fell by a further 26% year-on-year to 467,000 m². This is the lowest figure since 2001. Modern vacancy (111,000 m²) has dropped even more, declining by 34% compared to the previous year. This means that only just under 24% of available spaces still have the quality preferred by tenants. Furthermore, in the central locations there are only 18,500 m² in this market segment. Munich is thus almost sold out in the preferred office market zones, which is also reflected in the vacancy rate of 1.4% in the city area. The overall market also does not look much better with a rate of 2.2%. Munich therefore has a comparably dramatic supply/demand ratio as the capital Berlin.

## Major contracts

Sub-market	Company	m²
3.5	Bayerischer Rundfunk	25,000
4.1	Allianz Deutschland	19,100
2.2	Accenture	12,600
3.5	Design Offices	9,600
3.1	EDAG Engineering	9,000
3.4	Guild for Electrical Engineering and Information Technology	7,600

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## Trends in important market indicators

	H1 2018	H1 2019	Trend remaining year
Take-up	466,000 m²	428,000 m²	➔
Vacant space	634,000 m²	467,000 m²	⬇️
Space under construction (total)	1,061,000 m²	1,288,000 m²	⬆️
Space under construction (available)	450,000 m²	548,000 m²	⬆️
Top rent	37.50 €/m²	39.00 €/m²	⬆️

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## ➤ SIGNIFICANT INCREASE OF SPACE UNDER CONSTRUCTION

Against the background of the supply situation, it is to be welcomed that construction activity has picked up noticeably. In the last twelve months it has increased by 21% to just under 1.29 million m². From this space, 548,000 m² are still available to the rental market, i.e. just under 43% of the total construction volume. Even if the expansion of new construction activity will ease the supply side somewhat, which is to be welcomed in principle, the key problem will be defused only slightly. In the central locations only around 120,000 m² are still available, just 42% of the construction volume there.

## ➤ RENTS CONTINUE THE UPWARD TREND

As expected, the supply/demand ratio outlined above led to a further increase in rents. Compared to the previous year, the top rent climbed by 4% to 39 €/m² and thus reached the highest figure ever registered. The cracking of the 40 €/m² mark seems only a matter of time. At the same time, the average rent has also grown to well over 18 €/m².

## ➤ OUTLOOK

Against the background of the requests received, there are many reasons to believe that the market will remain very dynamic in the second half of the year. It is therefore highly probable that the 900,000 m² threshold will be exceeded for the third year in a row. Even if the construction volume should continue to rise, a slight decline in vacancy is to be expected for the time being. This is due to the fact that around half of the properties under construction will not be completed until mid-2020. The logical consequence is likely to be further increases in rents across almost the whole Munich office market.

## Key indicators H1 2019

Submarkets**	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	H1 2019	total	modern	of this, since completion	total	available	available	projected
	1	2	2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 City Centre		39.00	29,500	24,500	11,000	0	63,000	45,000	69,500	219,500
1.2 Bogenhausen		29.00	1,000	1,500	1,000	0	0	0	1,500	73,500
2 Centre Fringe (inside Mittlerer Ring)	22.00 -	30.50	81,000	39,500	6,500	2,000	225,000	76,500	116,000	417,000
3 Subcentres	16.00 -	30.00	156,500	175,500	59,500	11,000	618,000	184,500	360,000	723,000
<b>Total Munich</b>			<b>268,000</b>	<b>241,000</b>	<b>78,000</b>	<b>13,000</b>	<b>906,000</b>	<b>306,000</b>	<b>547,000</b>	<b>1,433,000</b>
4 Periphery	15.90 -	18.00	160,000	226,000	33,000	5,000	382,000	242,000	468,000	785,000
<b>Total</b>			<b>428,000</b>	<b>467,000</b>	<b>111,000</b>	<b>18,000</b>	<b>1,288,000</b>	<b>548,000</b>	<b>1,015,000</b>	<b>2,218,000</b>

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

\*\* The relevant office market zone can be found on our website under "Research".

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