

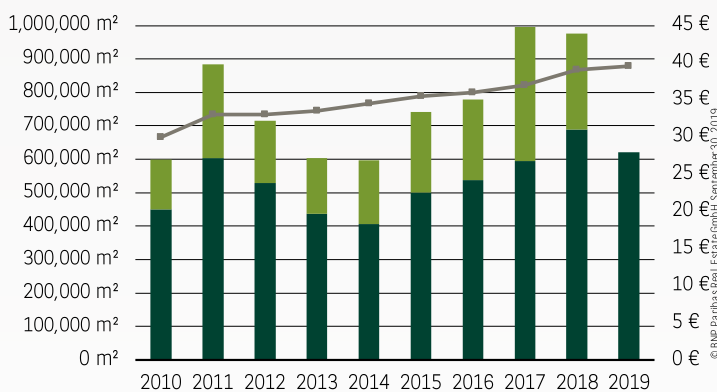


At a Glance **Q3 2019**

OFFICE MARKET MUNICH

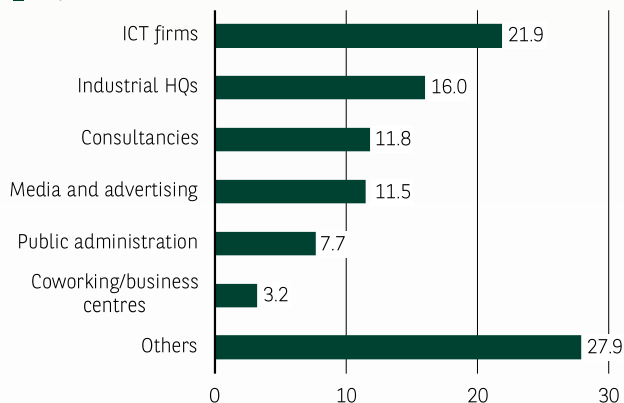
Development of take-up and top rents

■ Q1-3 in m² ■ Q4 in m² — Top rent in €/m²



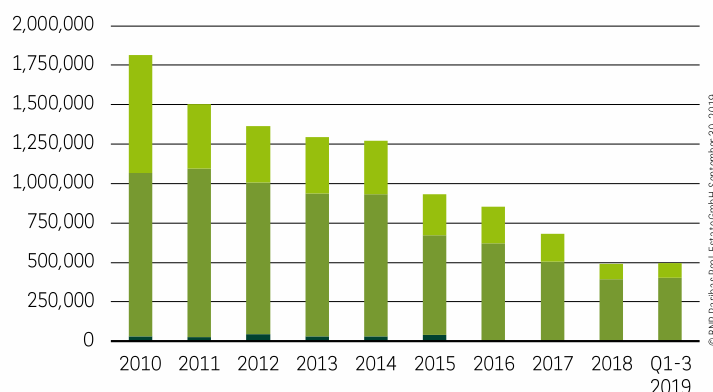
Take-up by sector Q1-3 2019

■ in %



Development of vacant space

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



➤ SECOND-BEST RESULT OF ALL TIME

The Munich office market has been performing very well over the past three quarters and with a take-up of 622,000 m² recorded the second-best result ever registered. Although the extraordinary record volume of the previous year was missed by almost 10% the ten-year average was surpassed by an impressive 16%. For the second year in a row, the 600,000 m² mark was crossed after only nine months. In a national comparison the Bavarian state capital only has to admit defeat to Berlin where one record after another is currently being set. The main problem of the Munich market continues to be the scarcity of larger unites in the city centre area, so that certain requests cannot be met at present and larger deals must be concluded predominantly in projects. The most important contracts include lettings from Apple of around 32,600 m², Allianz (19,100 m²), the coworking provider Design Offices (15,400 m²) and Accenture (12,600 m²).

➤ MUNICH'S TOP SECTORS DRIVE THE MARKET

The industry ranking is led by two traditionally important pillars. Companies in the field of information and communication technologies have taken the lead, contributing almost 22% to the result. Second place went to the administrations of industrial companies, which once again demonstrated their great importance for Munich with a 16% share of take-up. Consulting firms (just under 12%) and the media and advertising sector group (11.5%) ranked third and fourth respectively, almost on a level with the public sector which contributed just under 8%. The dynamic coworking sector came to a good 3%.

➤ NO RELIEF OF THE VACANCY SITUATION YET

The supply situation continues to be characterised by very low vacancy rates. In the last twelve months vacancy has fallen by a good 8% to 495,000 m². The fact that the volume of modern empty spaces has fallen by 30% over the same period to just 94,000 m² underlines the current problem: while demand is increasingly directed towards high-quality equipped space, there is hardly any supply in this segment. Only a good 10% of modern vacant space is located in the city. It is therefore not surprising that the vacancy rate in the city district has now fallen to 1.4%. But even in the entire market, a vacancy rate of 2.3% no longer corresponds to the required fluctuation reserve.

Major contracts

Sub-market	Company	m²
1.1	Apple	32,600
4.1	Allianz Germany	19,100
1.1	Design Offices	15,400
2.2	Accenture	12,600
3.5	Design Offices	9,600
3.1	EDAG Engineering	9,000

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Trends in important market indicators

	Q1-3 2018	Q1-3 2019	Trend remaining year
Take-up	689,000 m²	622,000 m²	↗
Vacant space	540,000 m²	495,000 m²	↘
Space under construction (total)	1,229,000 m²	1,273,000 m²	→
Space under construction (available)	541,000 m²	543,000 m²	↘
Top rent	38.50 €/m²	39.50 €/m²	↗

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SPACE UNDER CONSTRUCTION RELATIVELY STABLE

Having picked up noticeably since 2018, construction activity is currently relatively stable at a high level. In the last twelve months, the construction volume has increased by almost 4% to 1.27 million m². By contrast, the space still available to the letting market has hardly changed over the same period and has even declined slightly in the last three months. At 543,000 m², this market segment accounts for just under 43%. The fact that the vacancy rate has fallen further at the same time shows that demand has so far absorbed the additional supply of new buildings.

RENTS CONTINUE TO RISE

Due to the continuing tense supply/demand situation, it is not surprising that rents are still on the rise. Compared to the previous year, top rents increased by almost 3% to 39.50 €/m² and are thus close to the 40 €/m² threshold. The average rent went up by almost 5% to currently 19.70 €/m².

OUTLOOK

For the year as a whole, there are clear signs of an above-average take-up. However, due to the probable further decline in vacancy rates, it is likely to be difficult to meet all requests. Against this backdrop, a result in the range of 850,000 m² seems more likely than a further jump over the 900,000 m² mark. As rents are likely to continue to rise, there is a high probability that the top rent will already break the 40 €/m² threshold in the current year.

Key indicators Q1-3 2019

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1-3 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		39.50	94,500	23,500	9,500	0	71,000	7,000	30,500	231,500
1.2 Bogenhausen		29.00	1,500	1,500	1,000	0	0	0	1,500	70,000
2 Centre Fringe (inside Mittlerer Ring)	24.00	- 30.50	117,000	42,000	5,000	0	249,000	96,500	138,500	382,000
3 Subcentres	16.60	- 30.00	206,000	175,000	49,500	13,000	575,000	198,500	373,500	709,500
Total Munich			419,000	242,000	65,000	13,000	895,000	302,000	544,000	1,393,000
4 Periphery	15.90	- 18.00	203,000	253,000	29,000	6,000	378,000	241,000	494,000	785,000
Total			622,000	495,000	94,000	19,000	1,273,000	543,000	1,038,000	2,178,000

* 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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