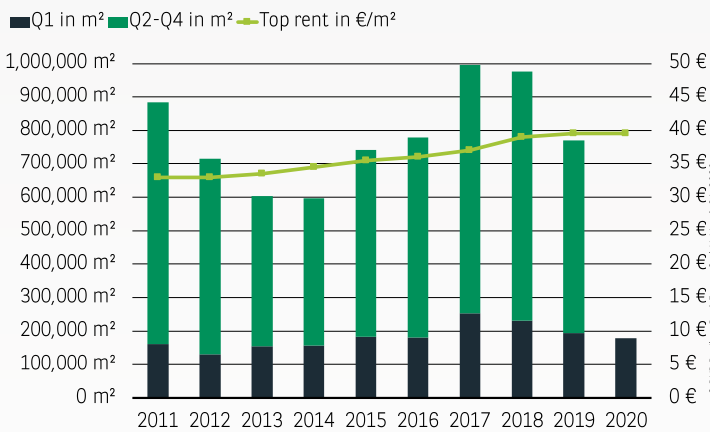




At a Glance **Q1 2020**

# OFFICE MARKET MUNICH

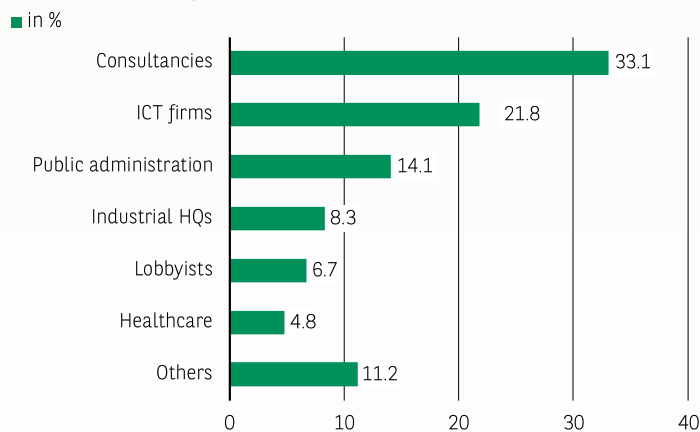
### Development of take-up and top rents



### ➤ AVERAGE TAKE-UP IN A LONG TERM COMPARISON

In the Munich market area a take-up totalling 179,000 m<sup>2</sup> was recorded in the first quarter of 2020. Compared to the same period of the previous year, this represents a decline of almost 8%, which puts Munich in a comparatively good standing compared to the rest of Germany. This is underlined by the fact that take-up is roughly on a par with the average of the last ten years. This result makes the Bavarian state capital the top among the major German office locations and also leaves the capital Berlin just behind. One of the reasons for this good performance is the high share of large contracts for more than 5,000 m<sup>2</sup> concluded in the first three months of the year, which account for 44% of the result. This means that the long-term average of around one third is noticeably exceeded. KPMG's contract for a good 31,000 m<sup>2</sup> in the Optineo project in the Werksviertel is particularly noteworthy. The slightly lower take-up is primarily due to the overall moderate economic growth at the end of 2019/beginning of 2020. In contrast, direct effects of the corona crisis are not yet reflected in these figures.

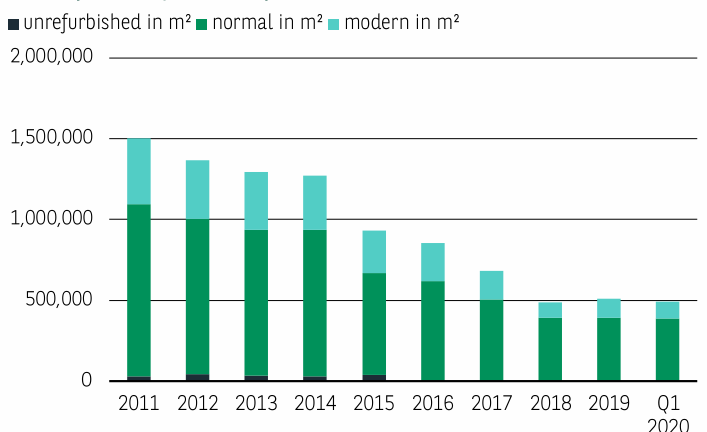
### Take-up according to sectors Q1 2020



### ➤ CONSULTANCIES AT THE TOP

In the first quarter, consultancies took the lead as the most important industry group. In total, they contributed one third of letting volume, driven by deals such as the above-mentioned KPMG deal. In second place are the ICT companies that are important for Munich, accounting for 22%. The leading trio is completed by public administration with 14%. With a share of only 8%, the traditionally strong group of industrial companies in the Bavarian capital have so far fallen noticeably short of their long-term average of just under 20%.

### Development of vacant space



### ➤ VACANCIES FURTHER DECLINED IN THE FIRST THREE MONTHS

After the vacant space had stabilised or increased very slightly in the course of 2019, it fell further in the first few months of the current year, so that there is currently 493,000 m<sup>2</sup> of office space vacant, just under 4% less than at the end of 2019. Vacancies with modern quality, which now only amount to 105,000 m<sup>2</sup> (-14%), fell much more strongly. This means that only 21% is attributable to the market segment strongly preferred by tenants. Against this backdrop, it is not surprising that the vacancy rate in the market area is now only 2.3%. The supply bottleneck becomes particularly clear when the vacancy rate of 1.3% in the city area and only 0.7% in the CBD is taken into account.

## Major contracts

Sub-market	Company	m <sup>2</sup>
2.2	KPMG	31,300
3.5	Noventi	10,800
3.5	Landeshauptstadt Munich	7,800
3.5	AKKA Germany	7,800
3.5	MicroFuzzy Industrie-Elektronik	7,500
3.5	M 64	7,500

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## Trends in important market indicators

	Q1 2019	Q1 2020	Trend remaining year
Take-up	194,000 m <sup>2</sup>	179,000 m <sup>2</sup>	↘
Vacant space	488,000 m <sup>2</sup>	493,000 m <sup>2</sup>	↗
Space under construction (total)	1,203,000 m <sup>2</sup>	1,003,000 m <sup>2</sup>	↗
Space under construction (available)	500,000 m <sup>2</sup>	436,000 m <sup>2</sup>	↗
Top rent	39.00 €/m <sup>2</sup>	39.50 €/m <sup>2</sup>	→

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## ▶ SLIGHT DECLINE IN SPACE UNDER CONSTRUCTION AGAIN

The space under construction, which has increased significantly over the last three years, is now showing a slight downward trend again. With currently a good 1 million m<sup>2</sup>, the figure is 17% below the comparable result of the previous year. In the same period, the amount of construction space still available to the letting market fell by 13% to 436,000 m<sup>2</sup> and therefore only accounts for 43.5% of the total construction volume. If modern vacancies are added to this figure, the high-quality office space on offer currently totals 541,000 m<sup>2</sup>. In the last three months alone, this market segment, which is the most important for tenants, has thus decreased by around 6% and is below the level of five years ago.

## ▶ RENT DEVELOPMENT IN THE FIRST QUARTER

Rents in the first quarter were not yet greatly affected by the Corona crisis. Not least because many contracts, especially larger ones, had been negotiated for some time and were about to be concluded. As a result, the top rent is at 39.50 €/m<sup>2</sup>. and the average rent is at 21.50 €/m<sup>2</sup>.

## ▶ OUTLOOK

Since large parts of the economy are suffering at least temporarily from the effects of the Corona crisis, letting requests and investments are likely to be postponed in some cases. Against this backdrop, take-up is expected to be significantly lower than in 2019, but it is not possible at present to reliably predict how strong the change will be. The same applies to the development of rents, even if significant declines are rather unlikely due to the relatively low supply situation in a long-term comparison.

## Key indicators Q1 2020

Submarkets**	Top rent* (€/m <sup>2</sup> )		Take-up (m <sup>2</sup> )	Vacant space (m <sup>2</sup> )			Space under construction (m <sup>2</sup> )		Space on offer (m <sup>2</sup> )	
	from	to	Q1 2020	total	modern	of this, since completion	total	available	available	projected
	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 City Centre		39.50	14,500	26,500	8,000	0	70,500	7,500	34,000	307,000
1.2 Bogenhausen		29.00	2,000	2,000	1,500	0	0	0	2,000	68,000
2 Centre Fringe (inside Mittlerer Ring)	25.50	- 32.50	61,500	25,500	4,500	500	211,000	93,500	119,000	536,000
3 Subcentres	16.60	- 30.00	82,000	162,000	45,000	12,500	508,500	205,000	367,000	834,000
<b>Total Munich</b>			<b>160,000</b>	<b>216,000</b>	<b>59,000</b>	<b>13,000</b>	<b>790,000</b>	<b>306,000</b>	<b>522,000</b>	<b>1,745,000</b>
4 Periphery	15.90	- 18.00	19,000	277,000	46,000	18,000	213,000	130,000	<b>407,000</b>	956,000
<b>Total</b>			<b>179,000</b>	<b>493,000</b>	<b>105,000</b>	<b>31,000</b>	<b>1,003,000</b>	<b>436,000</b>	<b>929,000</b>	<b>2,701,000</b>

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

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