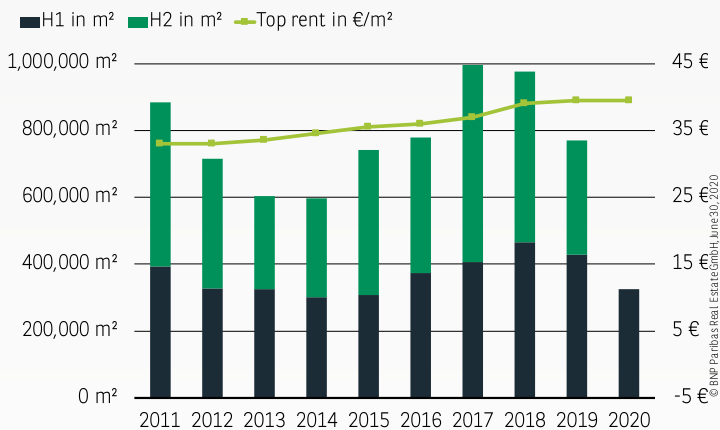




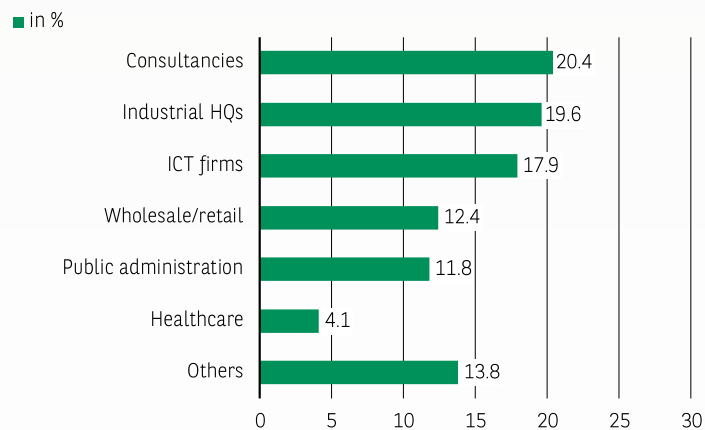
At a Glance **Q2 2020**

OFFICE MARKET MUNICH

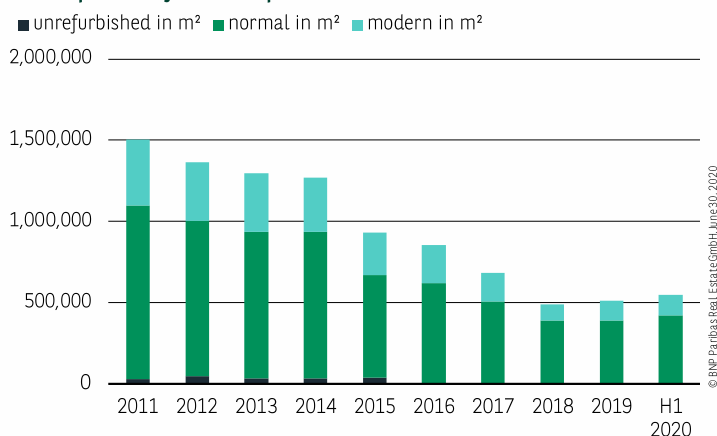
Development of take-up and top rents



Take-up by sector H1 2020



Development of vacant space



AS EXPECTED, SIGNIFICANTLY LOWER TAKE-UP

The take-up in the entire market area amounts to 326,000 m² in the first six months of the year. Compared to the previous year, this represents a decline of almost 24% and also falls short of the ten-year average by 11%. In a nationwide comparison, Munich therefore shows a below-average drop and ranks second nationally - just barely beaten by the capital, where a little more space was taken up. As in all other locations, the second quarter in particular was massively affected by the lockdown and the restriction of contacts. From April to June, only 147,000 m² of space was taken up, 37% less than in the same period last year. Against the backdrop of the wide-ranging restrictions and uncertainty about the further economic development, many companies have postponed their rental decisions for the time being. The most important deals include a lease to Amazon for a good 36,000 m² in the North City area and the lease of 32,000 m² by KraussMaffei Technologies in the Region East.

BROAD DIVERSIFICATION OF SECTORS

Despite the noticeably lower demand, especially in the second quarter, market activity extends across many different sectors. Five groups alone achieve double-digit take-up shares. Two traditionally strong sectors of demand occupy the top ranks almost head-to-head. Consultancies have secured the top position with a good 20%, closely followed by the administrations of industrial companies with just under 20%. Third place on the podium is taken by a good familiar with ICT companies (18%). Wholesale/retail firms (around 12%) and public administration (just under 12%) complete the leading quintet, which together account for over 80% of take-up.

VACANT SPACE GROWS ONLY MODERATELY

Since the beginning of this year vacancies have increased by 7% to 548,000 m². The rise was somewhat lower in the most important market segment of modern vacant space, which increased only by 6% to 126,000 m². This means that less than a quarter of the total volume has the quality preferred by tenants. Overall, the volume of vacant space remains at a very low level by long-term comparison, which is also reflected in the vacancy rate of only 2.6%. In the city area the vacancy rate is only 1.7%. In the heart of the city, the CBD, the vacancy rate of 0.9% at mid-year is still below the 1% threshold.

Major contracts

Sub-market	Company	m²
3.1	Amazon	36,300
4.2	KraussMaffei Technologies	32,000
2.2	S-Bahn München	6,500
3.2	Freeletics	6,400
3.4	Google Germany	5,500
2.1	Ludwig-Maximilians-Universität München	5,000

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Trends in important market indicators

	H1 2019	H1 2020	Trend remaining year
Take-up	428,000 m²	326,000 m²	↗
Vacant space	467,000 m²	548,000 m²	↗
Space under construction (total)	1,288,000 m²	1,046,000 m²	→
Space under construction (available)	548,000 m²	445,000 m²	→
Top rent	39.00 €/m²	39.50 €/m²	→

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➤ SPACE UNDER CONSTRUCTION ALMOST CONSTANT SINCE THE BEGINNING OF THE YEAR

After a significant increase in construction activity in recent years, by the end of the first half of 2020 it reached almost 1.05 million m², roughly the same level as at the end of 2019. The space still available to the letting market has fallen slightly to 445,000 m² (-3%). This means that almost 58% of the current construction volume has already been pre-let or is under construction for owner-occupiers. The total available space (vacancies + available space under construction) remains below the one million mark.

➤ RENTS ARE STABLE

Due to the continuing low supply of space and despite the weaker demand caused by the Corona crises rents are stable. The top rent remains unchanged at 39.50 €/m². Since a disproportionately high share of take-up was generated in high-quality new buildings, especially in the first half of the year, the average rent even increased somewhat for structural reasons and stands at 22.10 €/m² at mid-year.

➤ OUTLOOK

After many companies had stopped their leasing decisions in the second quarter in a kind of spontaneous reaction, a slow revival of market activities has become apparent in recent weeks, which should lead to a slight increase in take-up in the second half of the year. Nevertheless, a noticeably weaker result than in 2019 is expected for the year as a whole. Against this backdrop, a slight increase in vacancies is also likely, which will contribute to an overall easing of the supply situation. In terms of rents, a stable development is the most likely scenario.

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 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	15,000	29,000	13,500	3,000	55,000	13,000	42,000	232,500
2 Centre Fringe (inside Mittlerer Ring)	29.20	- 32.50	82,000	40,000	3,000	0	229,500	81,500	121,500	460,500
3 Subcentres	22.00	- 29.50	152,000	215,000	77,500	43,000	533,500	244,500	459,500	994,000
Total Munich			249,000	284,000	94,000	46,000	818,000	339,000	623,000	1,687,000
4 Periphery	15.50	- 19.00	77,000	264,000	32,000	16,000	228,000	106,000	370,000	991,000
Total			326,000	548,000	126,000	62,000	1,046,000	445,000	993,000	2,678,000

* 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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