

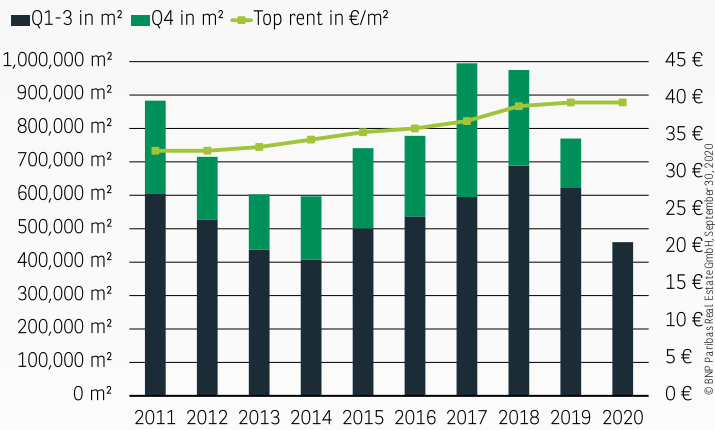


**RESEARCH**

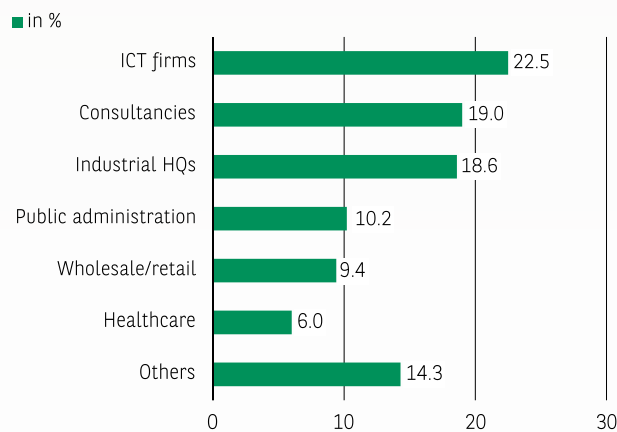
At a Glance **Q3 2020**

# OFFICE MARKET MUNICH

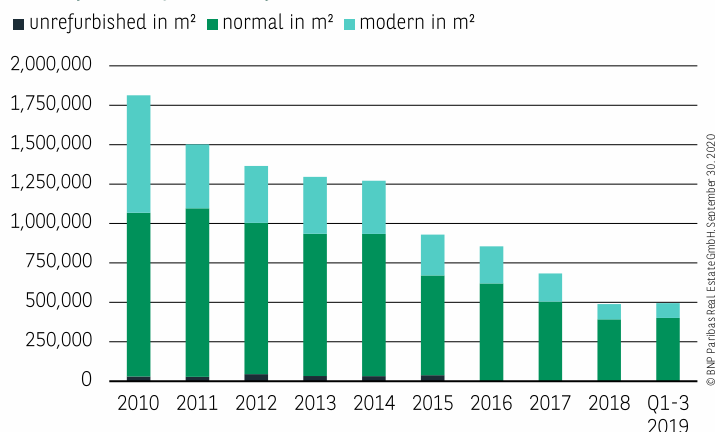
**Development of take-up and top rents**



**Take-up by sector Q1-3 2020**



**Development of vacant space**



**RELATIVELY SMALL DECLINE IN NATIONAL COMPARISON**

With 460,000 m² of take-up in the first three quarters of 2020, Munich recorded a significant decline of 26%, as expected. However, in a nationwide comparison, Munich is still in a good position. Only Leipzig shows a smaller decrease. That Munich's office market is at a relatively stable level despite the effects of the lockdown is shown by the fact that take-up is only a good 14% below the long-term average. Furthermore, in absolute terms, only Berlin recorded a slightly higher result, which means that the Bavarian capital is just behind in second place. Nevertheless, the letting volume of only 134,000 m² clearly speaks for itself. Many companies are still uncertain about their economic situation, resulting in postponed decisions. The most important deals include a lease for a good 36,000 m² from Amazon in the municipal area north, another by KrausMaffei Technologies in the region east for 32,000 m² and a lease from KPMG in the municipal area east for a good 31,000 m².

**FOUR SECTOR GROUPS WITH DOUBLE-DIGIT SHARES**

As the economic problems caused by the pandemic affect almost all industries, no fundamental changes in the sector structure can be observed. With a take-up share of 22.5%, companies in ICT have taken the lead. Second and third place is occupied by old acquaintances with consultancies (19%) and the administrations of industrial companies (almost 19%). The public administration, which is traditionally strongly represented in Munich, also still achieves a double-digit share with a good 10% and completes the leading quartet.

**STILL LOW LEVEL OF VACANT SPACE**

Although the volume of vacant space has increased by 17% to 578,000 m² in the last 12 months, it is still at a very low level historically. This is particularly the case against the backdrop that only 140,000 m², and thus less than a quarter, have modern fit out. Around 10% of this space is located in the particularly attractive City submarket. It is therefore not surprising that the vacancy rate has increased only marginally and remains at 2.7%. Just for Berlin a lower figure is recorded. How tight the supply situation in the CBD is, shows the vacancy rate of only 0.9%.

## Major contracts

Sub-market	Company	m <sup>2</sup>
3.1	Amazon	36,300
4.2	KraussMaffei Technologies	32,000
2.2	KPMG	31,300
2.4	ICT company	29,000
3.2	NOVENTI Health	10,800
2.2	WTS Group Steuerberatungsgesellschaft	10,300

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## Trends in important market indicators

	Q1-3 2019	Q1-3 2020	Trend remaining year
Take-up	622,000 m <sup>2</sup>	460,000 m <sup>2</sup>	➔
Vacant space	495,000 m <sup>2</sup>	578,000 m <sup>2</sup>	➔
Space under construction (total)	1,273,000 m <sup>2</sup>	929,000 m <sup>2</sup>	➔
Space under construction (available)	543,000 m <sup>2</sup>	490,000 m <sup>2</sup>	➔
Top rent	39.50 €/m <sup>2</sup>	39.50 €/m <sup>2</sup>	➔

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## ➔ CONSTRUCTION ACTIVITY HAS PASSED ITS PEAK

Compared to the previous year, construction activity has decreased by 27% to currently 929,000 m<sup>2</sup>. The amount of space still available to the letting market also fell by almost 10% to 490,000 m<sup>2</sup>. Thus, almost half of the space under construction has already been pre-let or is being built by owner-occupiers. The downward trend in construction activity also continued in the third quarter. This clearly shows that the supply/demand ratio remains healthy, at the horizon no dramatic expansion in the supply of space is expected despite the lower take-up in the wake of the pandemic.

## ➔ RENT LEVELS STILL UNCHANGED

As expected, rental price levels are stable despite the current impact of the pandemic, which is underlined by the fact that the supply situation remains moderate by historical standards. Top rents continue to stand at 39.50 €/m<sup>2</sup>, and at just under 22.00 €/m<sup>2</sup> the average rent is also on a par with previous quarters.

## ➔ OUTLOOK

Due to the ongoing difficult economic environment and the current increase in the number of Covid-19 infections, there is still considerable uncertainty in the market. Against this background, it can be assumed that the fourth quarter will also see a rather weak and clearly below-average level of take-up. A result of around 600,000 m<sup>2</sup> seems realistic from today's perspective. At the same time, vacancies are likely to increase, although without leading to any noticeable market imbalances. Consequently, stable rent levels are at present the most likely scenario.

## Key indicators Q1-3 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	Q1-3 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	28,000	30,000	15,000	2,000	48,500	16,000	46,000	257,500
2 Centre Fringe (inside Mittlerer Ring)	29.20	- 32.50	134,000	44,000	5,500	0	279,000	81,000	125,000	523,500
3 Subcentres	22.00	- 29.50	188,000	233,000	79,500	40,000	381,500	245,000	478,000	1,058,000
<b>Total Munich</b>			<b>350,000</b>	<b>307,000</b>	<b>100,000</b>	<b>42,000</b>	<b>709,000</b>	<b>342,000</b>	<b>649,000</b>	<b>1,839,000</b>
4 Periphery	16.50	- 19.00	110,000	271,000	40,000	16,000	220,000	148,000	419,000	673,000
<b>Total</b>			<b>460,000</b>	<b>578,000</b>	<b>140,000</b>	<b>58,000</b>	<b>929,000</b>	<b>490,000</b>	<b>1,068,000</b>	<b>2,512,000</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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