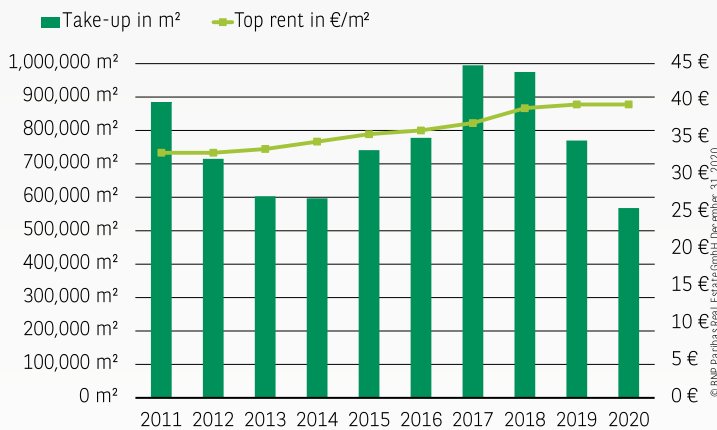




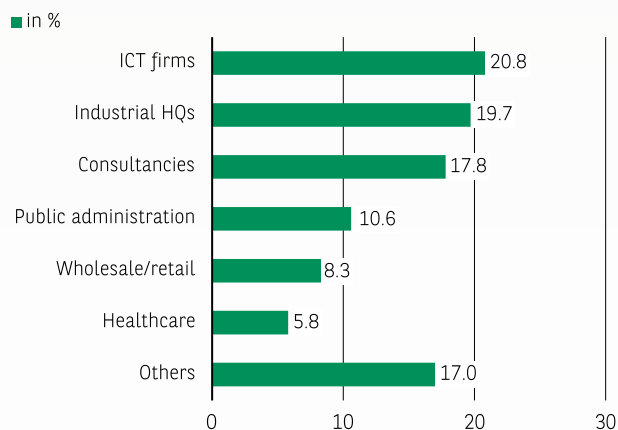
At a Glance **Q4 2020**

OFFICE MARKET MUNICH

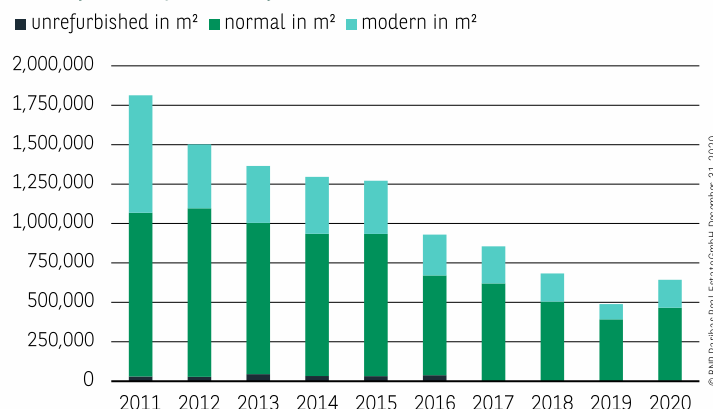
Development of take-up and top rents



Take-up by sector 2020



Development of vacant space



MODERATE LETTING ACTIVITY

The Munich office market reported a take-up of 568,000 m² at the end of 2020. As expected, take-up was moderate in a year dominated by the Corona pandemic. However, at around 26%, the year-on-year decline in Munich is below average compared to Germany as a whole, where the decline amounts to 34%. The ten-year average was missed by 25.5% in the Bavarian capital, which is usually characterized by strong letting activity. Nevertheless, with the current result Munich can successfully maintain its second place among the top German markets and is only surpassed by the German capital (710,000 m²). Frankfurt (385,000 m²) follows in third place by a wide margin.

MUNICH'S LEADING SECTORS REMAIN ON TRACK

Munich's long-term leading sectors continued to show strong rental performance in 2020. For the second year in a row, the ICT sector was able to maintain its leading position with 118,000 m². As expected, the record result from the previous year was clearly missed, but the ten-year average of 132,000 m² is within range. Administrations of industrial companies generated a very solid take-up of 112,000 m², only 13% below the previous year's figure. The consultancies, listed in third place, have even exceeded the previous year's result by 11% with 101,000 m² and have also topped the ten-year average (95,200 m²). Driven by the 36,300 m² contract concluded by the crisis winner Amazon, the retail sector in particular achieved a significantly above-average result, 15% higher than the ten-year average.

VACANCIES REMAIN AT VERY LOW LEVELS DESPITE INCREASE

In line with the nationwide trend, the level of vacancies in Munich also increased over the course of the year. There are currently 643,000 m² available at short term (+26% compared to the end of 2019). The vacancy rate currently stands at 3.0% and thus remains well below the fluctuation reserve. Vacant space with modern fit-out standard remains in short supply with a total of 177,000 m². The vacancy situation remains particularly tense in the central locations. A vacancy rate of 1.1% is recorded for the City Centre submarket, 0.5% for City Fringe South and 0.7% for City Fringe North. These figures also include unrefurbished space and space with a normal standard of fit-out.

Major contracts

Sub-market	Company	m²
3.1	Amazon	36,300
4.2	KraussMaffei Technologies	32,000
2.2	KPMG	31,300
2.4	ICT firm	29,000
4.4	Webasto	12,000
3.2	NOVENTI Health	10,800

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Trends in important market indicators

	2019	2020	Trend 2021
Take-up	770,000 m²	568,000 m²	➔
Vacant space	511,000 m²	643,000 m²	➔
Space under construction (total)	1,034,000 m²	1,013,000 m²	➔
Space under construction (available)	457,000 m²	552,000 m²	➔
Top rent	39.50 €/m²	39.50 €/m²	➔

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➤ CONSTRUCTION ACTIVITY STABLE AT A HIGH LEVEL

At around 1.0 million m², construction activity remained at the previous year's level. A large proportion of the space under construction has already been pre-let. Overall, they account for 54% of the total. For 2021, a moderate completion volume of 376,000 m² is expected. Already, 57% of this space has been absorbed by the market. Another slight increase in the volume of space under construction in the fourth quarter of 2020 (+ 84,000 m²) underlines the great confidence that project developers have in this traditionally above-average and stable business location.

➤ RENTS CONTINUE TO MOVE UPWARDS

Against the background of the tight vacancy situation, rents in the market area not only remained at a high level, but also continued to tend upwards. The prime rent of 39.50 €/m² at the end of 2020 is at the same level as last year. In contrast, the average rent has increased over the course of the year by 7.0% to the current level of 21.40 €/m². Thus, Munich recorded the highest growth among the top locations.

➤ OUTLOOK

In view of the extension of the second lockdown and the prevailing difficult economic environment, companies are likely to continue to act cautiously for the time being. As the vaccination rate rises and the economy picks up noticeably, the market will benefit from a return of certainty and a boost in take-up. Accordingly, take-up in line with the long-term average is not entirely unlikely. Despite a possible expansion on the supply side, the level of vacancies is likely to remain below the fluctuation reserve. Rents are expected to hold firm in general.

Key indicators 2020

Submarkets**	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	2020	total	modern	of this, since completion	total	available	available	projected
	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City										
1.1 City Centre		39.50	39,500	34,500	12,000	2,000	63,500	31,000	65,500	244,500
2 Centre Fringe (inside Mittlerer Ring)	26.50	- 32.50	145,500	72,000	27,000	0	292,000	60,000	132,000	513,000
3 Subcentres	22.00	- 29.50	236,000	232,500	72,000	35,000	445,500	310,000	542,500	1,180,500
Total Munich			421,000	339,000	111,000	37,000	801,000	401,000	740,000	1,938,000
4 Periphery	16.50	- 18.00	147,000	304,000	66,000	17,000	212,000	151,000	455,000	671,000
Total			568,000	643,000	177,000	54,000	1,013,000	552,000	1,195,000	2,609,000

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

** The office market zone map and the key indicator table at submarket level can be found under the following link: [Office market zone map and key indicator table 2020](#)

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