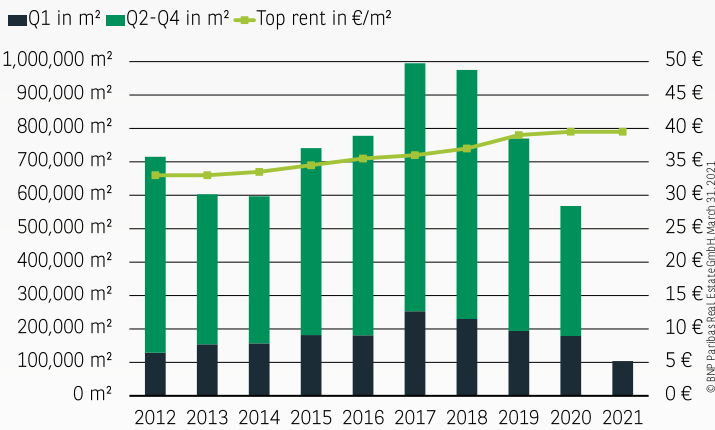




At a Glance Q1 2021

OFFICE MARKET MUNICH

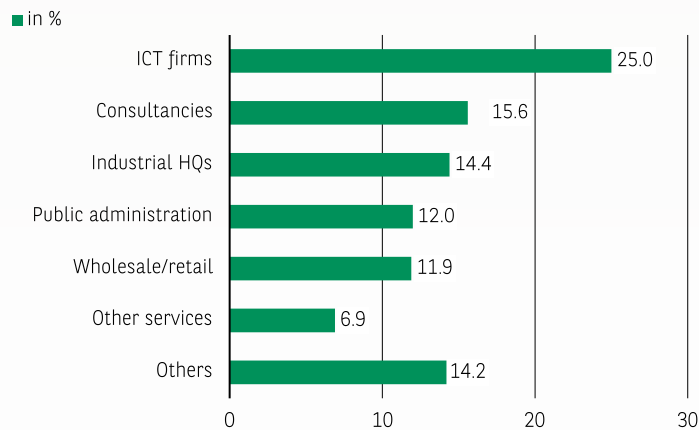
Development of take-up and top rents



▶ VERY RESTRAINED START INTO THE YEAR

Munich's market players started the new year very restrained. At the end of the first quarter, a take-up of only around 104,000 m² was reported. This means that the previous year's result was clearly missed by 42%. Therefore, the ten-year average, which amounts to a good 176,000 m², was not achieved. It is mainly the lack of major contracts that is responsible for the below-average result. By the end of March, no lease beyond 10,000 m² had been successfully concluded, which is unusual for the Bavarian capital. The important mid-sized segment between 5,001 and 10,000 m² was also characterised by a somewhat subdued activity, with only two contracts for a total of around 16,000 m². On the other hand, considerably more dynamism and a take-up of almost 20,000 m² (+40 % compared to Q1 2020) is registered in the size category 2,001 to 5,000 m². Although the leasing volume for smaller spaces is also below its average level, the players are certainly active these days.

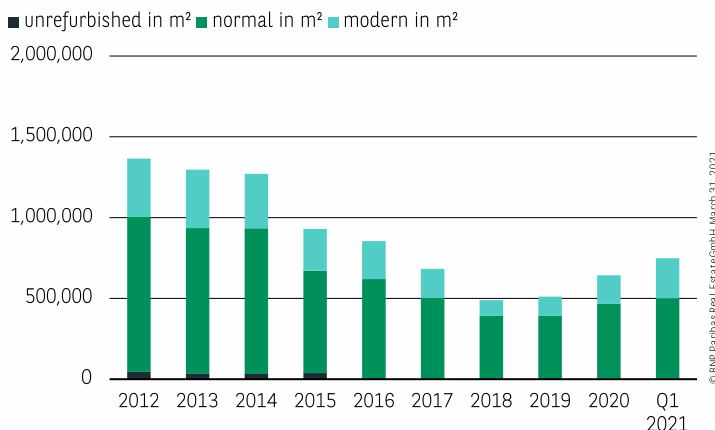
Take-up according to sectors Q1 2021



▶ MUNICH'S KEY INDUSTRIES KEEP THE MARKET GOING

Munich can rely on its key sectors, i.e. ICT firms, consultancies and the administrations of industrial companies. They are also the leading trio at the beginning of the year. Especially the large number of contracts concluded in the ICT sector is a positive aspect. With a take-up of 26,000 m², they only fall short of the long-term average by 11%, although no contract beyond 4,000 m² was closed so far. A large number of small and medium-sized deals were registered for the second-placed consultancies. In contrast, the 8,000 m² deal signed by TE Connectivity Germany made a significant contribution to take-up by industrial administrations.

Development of vacant space



▶ ONGOING RISE IN VACANCIES CONTINUES

The steady increase in vacancies, which is observed since the second quarter of 2020, is continuing. In the first quarter of 2021, it increased further to 749,000 m². Compared to the same quarter of the previous year, this is a plus of 52%. Nevertheless, the volume of space available in the short term is low. The vacancy rate is currently at 3.4 % and thus still well below the fluctuation reserve. Modern space in particular is in scarce supply. Only one third of the vacant space provides this fit-out standard. Particularly in the highly sought after central locations, it remains difficult to secure space in the short term. In Munich's City Centre, the vacancy rate is still only 1.3%, in the Centre Fringe North it is 1.9%.

Major contracts

Sub-market	Company	m ²
4.3	TE Connectivity Germany	8,000
3.4	City of Munich	7,800
2.2	Syncier	3,700
2.4	Innoscripta	3,400
2.4	Apple	2,900
1.1	Amazon Web Services Germany	2,500

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Trends in important market indicators

	Q1 2020	Q1 2021	Trend remaining year
Take-up	179,000 m ²	104,000 m ²	↗
Vacant space	493,000 m ²	749,000 m ²	↗
Space under construction (total)	1,003,000 m ²	938,000 m ²	→
Space under construction (available)	436,000 m ²	573,000 m ²	↗
Top rent	39.50 €/m ²	39.50 €/m ²	↗

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➤ AVAILABLE SPACE TENDS TO INCREASE

There is currently 938,000 m² of space under construction, which is slightly below the previous year's level (-6.5%). However, a clear trend in the development of the construction volume cannot be derived from the past twelve months, as it has been moving steadily between 930,000 m² and 1 million m² since the beginning of 2020. In contrast, a steady increase in the supply of available space can be observed. Currently, 61% of the space under construction is still available. The vast majority of available space under construction is in non-central or peripheral locations. In contrast, project space in the prime locations continues to be absorbed quickly. In the City Centre there is only 31,000 m² available. In the entire Centre Fringe there are less than 50,000 m².

➤ VERY STABLE RENT LEVEL

Munich's prime rent has remained constant at 39.50 €/m² since Q3 2019. The average rent is also very stable. It is currently at 21.60 €/m² in the market area and thus even slightly above the previous year's level of 21.50 €/m². The great stability of the rent level highlights the continuing lack of supply in the Munich market area.

➤ OUTLOOK

In the course of a boosting vaccination campaign and the following major reduction of contact restrictions, significant catch-up effects are expected on the Munich market. The take-up volume should increase noticeably, especially in the second half of the year, and large-scale deals are likely to be successfully concluded. However, it remains to be seen whether the result at the end of the year can even get close to the long-term average.

Key indicators Q1 2021

Submarkets**	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	2020 Q1	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	15,000	40,500	17,500	2,000	63,500	31,000	71,500	349,000
2 Centre Fringe (inside Mittlerer Ring)	26.50	- 32.50	24,500	110,000	44,500	11,000	246,000	46,500	156,500	513,500
3 Subcentres	22.00	- 29.50	34,500	285,500	122,000	51,000	396,500	290,500	576,000	1,042,500
Total Munich			74,000	436,000	184,000	64,000	706,000	368,000	804,000	1,905,000
4 Periphery	16.00	- 17.50	30,000	313,000	66,000	16,000	232,000	205,000	518,000	478,000
Total			104,000	749,000	250,000	80,000	938,000	573,000	1,322,000	2,383,000

* 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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