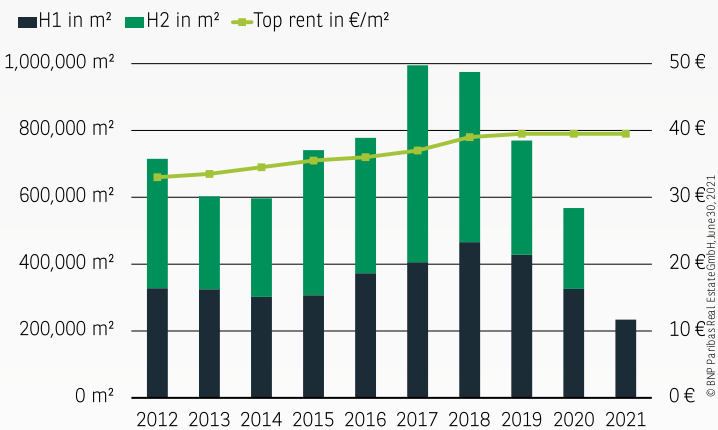




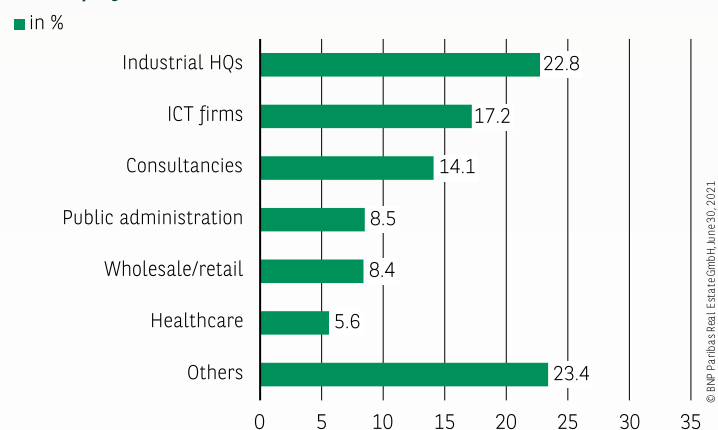
At a Glance **Q2 2021**

# OFFICE MARKET MUNICH

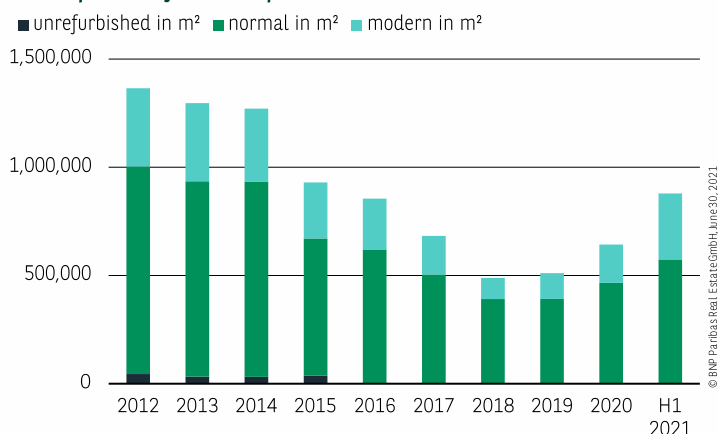
## Development of take-up and top rents



## Take-up by sector H1 2021



## Development of vacant space



## MANY DEALS, BUT THE BIG ONES ARE STILL MISSING

Take-up in the entire market area totalled 234,000 m² in the first half of the year. Compared to the previous year, this is a drop of a good 28%. The ten-year average was even missed by a third. This result, which seems weak at first glance, is somewhat put into perspective when the structure of take-up is taken into account. The main reason for the noticeable decline is that hardly any major leases have been concluded so far. In the first half of the year, only one contract for 10,000 m² was reported. In contrast, demand in the small and medium-sized market segments was quite lively, especially against the background that several months were still marked by the lockdown. The number of contracts concluded was over 280, almost 10% higher than in the same period last year, and take-up of space up to 10,000 m² also exceeded the previous year's figure. The most important deals include a lease by Wacker Chemie AG for a good 14,000 m² in the Werksviertel as well as a deal by TÜV Süd for around 8,000 m², which was concluded just like a contract by the City of Munich for 7,800 m² in the Municipal Area West.

## DEMAND STRUCTURE WITH A WELL-KNOWN PROFILE

Despite the Corona crisis, the general conditions and structural characteristics of the Munich office market have not changed fundamentally, as shown by the distribution of take-up across the different sectors. At the top of the ranking are the administrations of industrial companies, which contribute almost 23% to the result. ICT companies with a good 17% and consultancies with over 14%. All three sectors are well-known players and were also the most important demanders in a long-term comparison. Public administration and wholesale/retail companies also contributed larger shares, each with a good 8%.

## SUBSTANTIAL INCREASE IN VACANCIES

The amount of vacant space in Munich has risen significantly by 60% in the last twelve months to currently 879,000 m². Modern vacancies even rose by 142% to 305,000 m². However, the share of high-quality space of the total volume of vacant space remains almost unchanged at just under 35%. This means that the vacancy volume has reached the highest level since 2016, but is still noticeably lower than in most previous years. This is also demonstrated by the vacancy rate of 4%, which is still moderate in a long-term comparison. Despite the considerable increase in supply, the core problem of insufficient supply in the central prime locations remains, as impressively shown by the vacancy rate of only 1.4% in the CBD.

## Major contracts

Sub-market	Company	m²
2.2	Wacker Chemie	14,100
3.4	TÜV Süd	8,000
4.3	TE Connectivity Germany	8,000
3.4	City of Munich	7,800
4.4	GOLDBECK Süd	7,000
3.3	Deutsche Bahn	6,500

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## Trends in important market indicators

	H1 2020	H1 2021	Trend remaining year
Take-up	326,000 m²	234,000 m²	↗
Vacant space	548,000 m²	879,000 m²	↗
Space under construction (total)	1,046,000 m²	892,000 m²	→
Space under construction (available)	445,000 m²	534,000 m²	↗
Top rent	39.50 €/m²	39.50 €/m²	↗

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## SPACE UNDER CONSTRUCTION DECLINES

The second supply component space under construction, shows a year-on-year decline. At 892,000 m², there is currently almost 15% less space under construction than a year ago. Thus, construction activity has reached its lowest level since 2017. However, the situation is different for new space that is still available to the rental market. In the same period, it increased by 20% to 534,000 m². Their share of the total construction volume is around 60%, so that a pre-letting rate of around 40% can be recorded.

## RENT LEVELS STABLE DESPITE MODERATE START

Despite the relatively low take-up due to the lack of major deals, the market as a whole has coped well with the effects of the Corona pandemic, as demonstrated by stable rents. Since mid-2020, the prime rent has remained unchanged at 39.50 €/m². At 21.70 €/m², the average rent is only slightly lower than a year ago.

## OUTLOOK

For the second half of the year, a higher take-up is on the horizon. Several larger lettings are at advanced negotiation state and the basic office demand should also continue to pick up due to the proceeding vaccination campaign and the rising economic optimism. Against this background, it is possible that a result of between 500,000 and just under 600,000 m² may be achieved for the year as a whole given that major contracts will be successfully signed. The amount of vacant space is likely to increase in the lee of the forecast construction completions.

## Key indicators H1 2021

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	H1 2021	total	modern	of this, since completion	total	available	available	projected
	1	2	2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 City Centre		39.50	24,000	43,500	18,500	1,500	58,500	28,000	71,500	373,000
2 Centre Fringe (inside Mittlerer Ring)	27.50	- 34.00	65,500	130,500	63,000	13,500	254,000	46,500	177,000	498,000
3 Subcentres	23.00	- 29.50	86,500	334,000	142,500	68,500	336,500	274,500	608,500	1,157,000
<b>Total Munich</b>			<b>176,000</b>	<b>508,000</b>	<b>224,000</b>	<b>83,500</b>	<b>649,000</b>	<b>349,000</b>	<b>857,000</b>	<b>2,028,000</b>
4 Periphery	16.50	- 17.50	58,000	371,000	81,000	4,000	243,000	185,000	556,000	599,000
<b>Total</b>			<b>234,000</b>	<b>879,000</b>	<b>305,000</b>	<b>87,500</b>	<b>892,000</b>	<b>534,000</b>	<b>1,413,000</b>	<b>2,627,000</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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