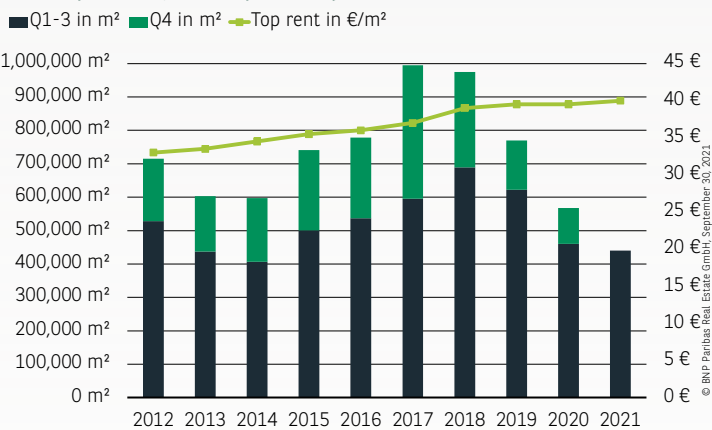




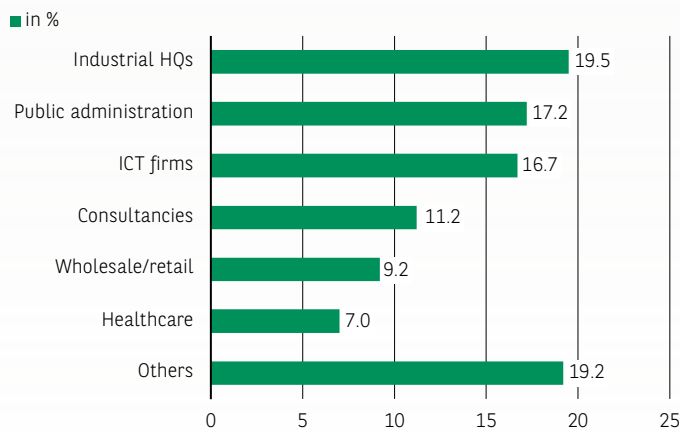
At a Glance **Q3 2021**

OFFICE MARKET MUNICH

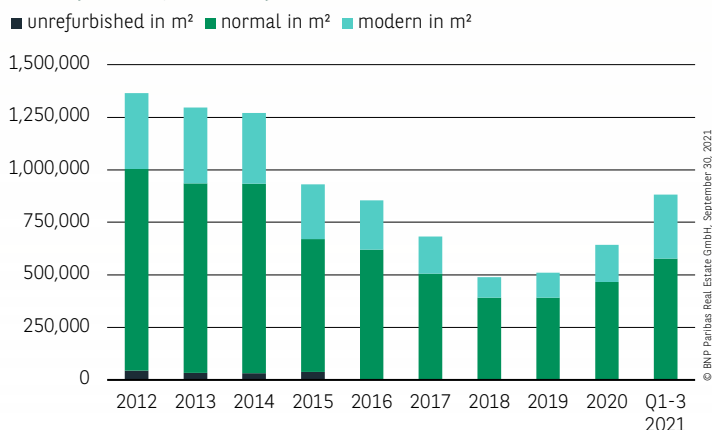
Development of take-up and top rents



Take-up by sector Q1-3 2021



Development of vacant space



➤ MUNICH OFFICE MARKET BACK ON TRACK

With take-up of 440,000 m², the Munich office market has regained momentum and at the end of the third quarter is only 4% short of the previous year's result. After a poor first half-year, in which good take-up was recorded in the small and medium-sized market segments, but major contracts were lacking, the latter have now been concluded in the third quarter. With a Q3 result of 206,000 m², the second-best quarterly figure in the last ten years was achieved. At the same time, the long-term average for the third quarter was outperformed by 19%, which can be seen as a success against the background of the unchanged difficult general conditions. A major contribution to this development was made by Deutsches Patent- und Markenamt's major lease of around 45,000 m² in the Pandion Soul project. As the previously observed recovery in take-up in the smaller sized deal segments has continued, the Bavarian capital is clearly on the road to success again. In a nationwide comparison, Munich is thus once again in its familiar second place by a wide margin, behind the capital Berlin.

➤ FAMILIAR DEMAND STRUCTURE

The slow but steady return to normality is also reflected in the structure of take-up by industry, which shows a well-known pattern for Munich. In first place are the traditionally strong administrations of industrial companies, which account for 19.5% of take-up. Second place is secured by public administration, accounting for an above-average share of just over 17%. To no small extent, this is due to the lease agreement of Deutsches Patent- und Markenamt. Third place goes to ICT companies (just under 17%), followed by consultancies with a good 11%.

➤ VACANCIES STABLE IN THIRD QUARTER

After rising noticeably in the course of the pandemic, vacancies remained almost stable in the third quarter at 882,000 m². Despite the increase during the crisis, it is still considerably lower than in the years up to 2017. The development for modern vacancies is similar, totalling 304,000 m². This means only around one-third of the total vacancy volume having a high-quality fit-out which is preferred by most tenants. As at the end of the first half of the year, the vacancy rate was 4.0% across the entire market area. In the central locations, supply remains short, which is impressively underlined by the vacancy rate of just 1.5% in the CBD.

Major contracts

Sub-market	Company	m ²
2.2	DPMA - Deutsches Patent- und Markenamt	44,700
2.2	Wacker Chemie	14,100
3.1	TRATON	9,400
1.1	Apple	9,000
3.4	TÜV Süd	8,500
4.3	TE Connectivity Germany	8,000

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SLIGHT INCREASE IN SPACE UNDER CONSTRUCTION

Space under construction rose only slightly year-on-year by just under 3% to 953,000 m². This means that it is still at a lower level than in 2018 and 2019. The increase in space still available to the rental market was somewhat stronger. This market segment has picked up by around 18% to a current 580,000 m². As a result, the pre-letting rate has fallen to just under 40%, but this can still be considered a decent figure. This is particularly true given that around half of the space still available will not be completed until 2023 at the earliest.

SLIGHTLY HIGHER RENTS

The fact that the market as a whole is in good and healthy shape is also reflected in the slight increase in rents. In the last three months, the prime rent has increased by a good 1%, which means that the 40 €/m² mark has been reached for the first time. The increase in the average rent was noticeably stronger, rising by just under 5% to 22.70 €/m².

Trends in important market indicators

	Q1-3 2020	Q1-3 2021	Trend remaining year
Take-up	460,000 m ²	440,000 m ²	↗
Vacant space	578,000 m ²	882,000 m ²	↗
Space under construction (total)	929,000 m ²	953,000 m ²	→
Space under construction (available)	490,000 m ²	580,000 m ²	↘
Top rent	39.50 €/m ²	40.00 €/m ²	↗

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OUTLOOK

The market recovery observed is also likely to continue in the final quarter. A key indication of this trend is the rising number of larger requests, which is likely to boost take-up. From today's perspective, this gives good reason to believe that a result in the region of 650,000 m² can be achieved for the year as a whole. This would exceed the previous year's figure by 15 to 20%. At the same time, a moderate increase in vacancies is foreseeable due to construction completions. However, as there is strong demand for modern, high-quality new-build space in particular, prime rents could continue to rise slightly.

Key indicators Q1-3 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	Q1-3 2021	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		40.00	51,500	46,500	21,500	0	69,000	26,000	72,500	367,500
2 Centre Fringe (inside Mittlerer Ring)	27.50	- 34.00	152,000	119,000	58,000	8,000	272,500	65,000	184,000	472,500
3 Subcentres	23.00	- 29.50	141,500	350,500	147,500	60,000	360,500	288,000	638,500	1,150,000
Total Munich			345,000	516,000	227,000	68,000	702,000	379,000	895,000	1,990,000
4 Periphery	16.50	- 17.50	95,000	366,000	77,000	4,000	251,000	201,000	567,000	595,000
Total			440,000	882,000	304,000	72,000	953,000	580,000	1,462,000	2,585,000

* The top rent given applies to a market segment of 3-5 % in each case.

** The relevant office market zone can be found on our website under "Research".

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