

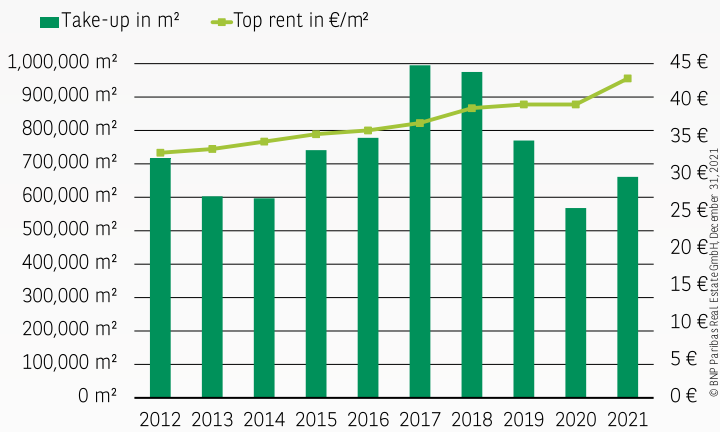


RESEARCH

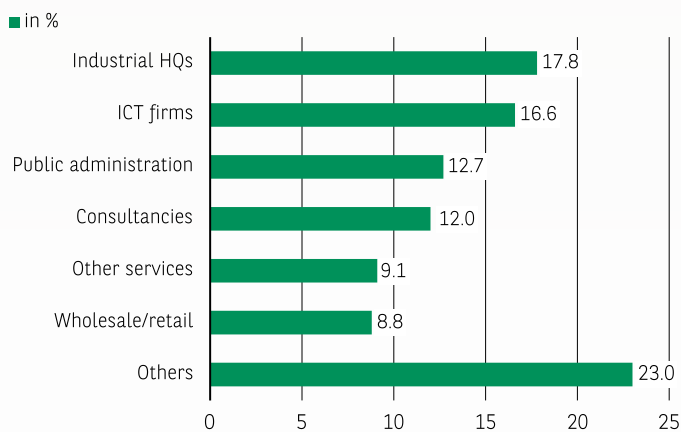
At a Glance **Q4 2021**

OFFICE MARKET MUNICH

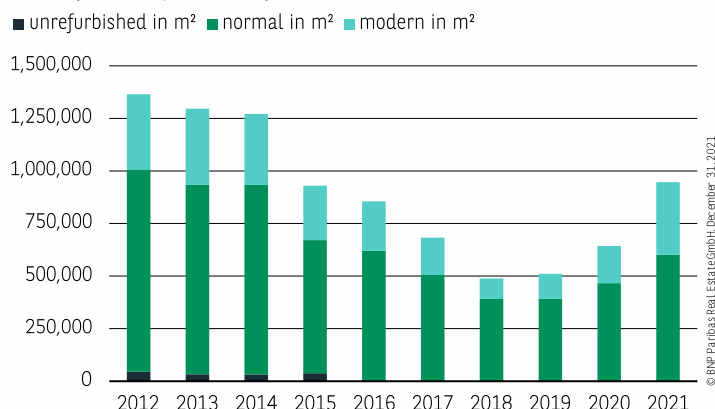
Development of take-up and top rents



Take-up by sector 2021



Development of vacant space



TAKE-UP INCREASED COMPARED TO PREVIOUS YEAR

The Munich office market continues to be on the upswing. With take-up of 661,000 m², the previous year's result was exceeded by a good 16%. It is particularly pleasing to note that the second half of the year showed a significant upturn in the market. Both the third and fourth quarter recorded take-up of more than 200,000 m². The result of 221,000 m² in Q4 was already above the ten-year average again. In a nationwide comparison, the Bavarian capital is clearly in second place, beaten only by Berlin. The fact that the overall result is still below average in a long-term comparison is due, on the one hand, to the weak first half of the year and, on the other, to a comparatively low proportion of large deals. Some of these were only concluded again in the second half of the year. The most important contracts include two leases by the German Patent and Trademark Office (just under 45,000 m²) and the Wacker Chemie (a good 14,000 m²), both in Centrefringe East, as well as an owner-occupier deal by the Versicherungskammer Bayern in the Region North for just under 12,000 m².

WELL-KNOWN SECTOR STRUCTURE

The sectors with the highest take-up shares are well-known on the Munich office market and traditionally make high contributions. In first place are the administrations of industrial companies, which account for just under 18%, followed by ICT firms with just under 17%. Public administration also ranks among the top three sectors, not least because of the German Patent and Trademark Office's lease, and contributes almost 13% to the result. Consultancies also achieved a double-digit share, accounting for 12%.

RISE IN VACANCIES SLOWS DOWN

Vacancy has increased significantly by 47% to currently 947,000 m² in the course of a year. However, the increase slowed noticeably in the last quarter of 2021 and amounted to only 7%. Modern vacancies, which are particularly preferred by tenants, have even almost doubled to 345,000 m². However, this represents only a good third of the total volume. Consequently, the vacancy rate is still at a moderate level of 4.3%. The well-known problem that there is too little available space in the particularly sought-after City remains unchanged, which is reflected in a vacancy rate of only 1.7% there.

Major contracts

Sub-market	Company	m ²
2.2	DPMA - Deutsches Patent- und Markenamt	44,700
2.2	Wacker Chemie	14,100
4.1	Versicherungskammer Bayern	11,900
1.1	zooplus	11,100
3.1	Schörghuber Unternehmensgruppe	10,200
3.2	Willy Bogner	9,400

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Trends in important market indicators

	2020	2021	Trend 2022
Take-up	568,000 m ²	661,000 m ²	↗
Vacant space	643,000 m ²	947,000 m ²	→
Space under construction (total)	1,013,000 m ²	984,000 m ²	→
Space under construction (available)	552,000 m ²	572,000 m ²	↘
Top rent	39.50 €/m ²	43.00 €/m ²	↗

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CONSTRUCTION ACTIVITY: PEAK EXCEEDED

With a total volume of 984,000 m², space under construction is 3% lower than at the end of 2020, reaching the lowest level in the last four years. The peak of construction activity has thus been passed. By contrast, there has been a slight increase (+4%) in the space under construction still available to the rental market, which currently stands at 572,000 m², equivalent to 58% of all construction space. In other terms, more than 40% of the total volume has already been pre-let or is being built by owner-occupiers.

RENTS CONTINUE TO RISE

The fact that the supply/demand situation is still nowhere near overheating is clearly evidenced by the rising rents. The maximum rent has risen by 9% to 43 €/m² within a year, as modern office space in central locations continues to be in short supply. The average rent has even picked up by a good 10% to 23.60 €/m². Not least due to the rise in construction and land costs, the particularly sought-after new-build spaces come with a price.

OUTLOOK

The outlook for the Munich office market remains very good. Based on considerably accelerating economic growth in the course of 2022 and expected catch-up effects from the pandemic period, especially for large deals, everything points to an increase in demand. Total supply is likely to have almost peaked and will only increase slightly at most. Against this backdrop and given the growing share of modern space in total take-up, further rises in rents are the most likely scenario.

Key indicators 2021

	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	2021	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		43.00	102,000	54,000	20,500	0	76,000	18,500	72,500	352,500
2 Centre Fringe (inside Mittlerer Ring)	27.50	- 35.00	188,500	103,500	41,000	7,500	268,000	63,500	167,000	507,000
3 Subcentres	23.50	- 29.50	231,500	376,500	175,500	86,500	407,000	311,000	687,500	1,102,500
Total Munich			522,000	534,000	237,000	94,000	751,000	393,000	927,000	1,962,000
4 Periphery	16.50	- 17.50	139,000	413,000	108,000	12,000	233,000	179,000	592,000	666,000
Total			661,000	947,000	345,000	106,000	984,000	572,000	1,519,000	2,628,000

* 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 2021](#)

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