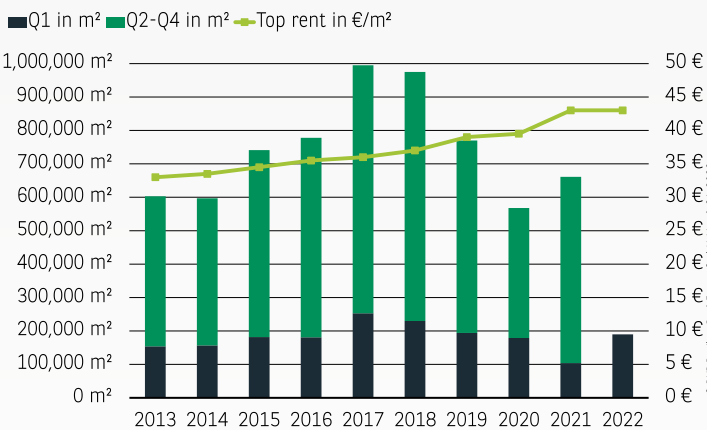




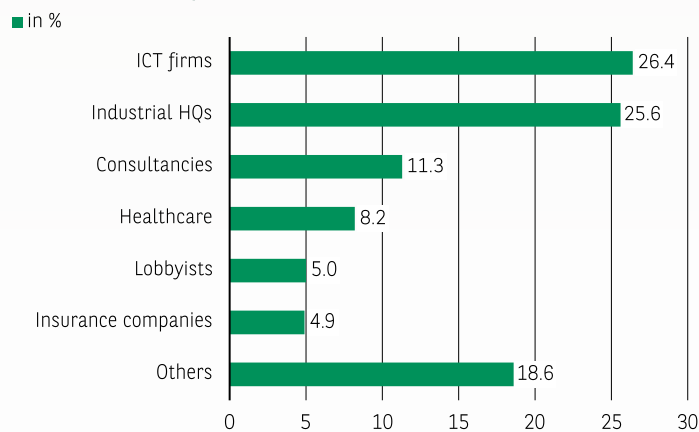
At a Glance **Q1 2022**

OFFICE MARKET MUNICH

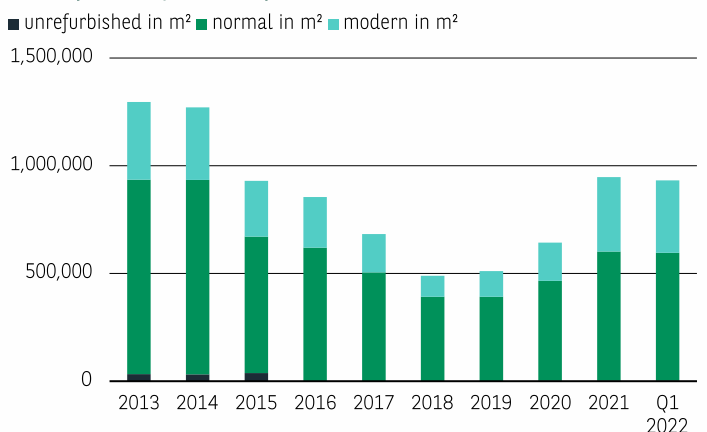
Development of take-up and top rents



Take-up according to sectors Q1 2022



Development of vacant space



THE MUNICH OFFICE MARKET IS BACK ON TRACK

After market activity had already picked up noticeably in the second half of 2021, this upward trend continued impressively in the opening quarter of the current year. Overall, the take-up in the first three months amounted to 190,000 sqm, exceeding the previous year's result by an impressive 83%. It is noteworthy that the ten-year average was also topped by around 4%. This result shows that the effects of the Corona pandemic are clearly subsiding and the confidence in the market has returned. The very homogeneous distribution of lettings across all size classes is encouraging; this indicates that the recovery in demand is based on a broad foundation. How good the first quarter turned out is also shown by the fact that Munich has taken the lead nationwide, relegating Berlin to second place, even though the gap is narrow. The most important contracts include a lease from Bosch Building Technologies for just under 20,000 sqm in the submarket municipal area south and an owner-occupier deal from SAP SE for 10,000 sqm in the submarket region north.

MUNICH'S KEY INDUSTRIES LEAD THE RANKING

The good q1 result is due to the fact that the sectors of particular importance to Munich have again noticeably increased their activities. Almost neck-and-neck at the top are ICT firms and the administration of industrial companies, each with around 26%. Thus these sectors alone are responsible for a good half of the result. They are followed by consulting companies (around 11%) and the healthcare sector with over 11%. So far, the traditionally important public sector has only made a marginal appearance. The fact that such high office turnover could be achieved even without them underlines the broad-based demand.

VACANCY RATE STABILIZES

The rise in vacancy rates observed in the wake of the Corona pandemic appears to have come to a halt. Although the volume still increased significantly year-on-year, a slight decline of just under 2% to 932,000 sqm was recorded in the first quarter. The situation is comparable for vacancies with modern fittings; they also fell by around 2% in the first three months. Only a good third of vacancies continue to be of the high quality preferred by tenants. The vacancy rate in the market area has fallen slightly to 4.2% at present. Strong demand in the central locations means that supply there remains limited. This is also reflected in the vacancy rate, which is just 1.6% in city centre.

Major contracts

Sub-market	Company	m ²
3.3	Bosch Building Technologies	19,700
4.1	SAP SE	10,000
1.1	Max-Planck-Gesellschaft	7,800
4.4	Deutsche Post	6,300
4.1	SAP SE	5,700
4.1	Techniker Krankenkasse	5,200

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Trends in important market indicators

	Q1 2021	Q1 2022	Trend remaining year
Take-up	104,000 m ²	190,000 m ²	↗
Vacant space	749,000 m ²	932,000 m ²	↗
Space under construction (total)	938,000 m ²	962,000 m ²	→
Space under construction (available)	573,000 m ²	496,000 m ²	↘
Top rent	39.50 €/m ²	43.00 €/m ²	↗

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➤ SPACE UNDER CONSTRUCTION CONTINUES TO DECLINE

At a total of 962,000 sqm, space under construction is 2% lower than at the end of 2021, bringing it back to the level of 2017. The peak in construction activity has therefore probably been passed. The space still available to the rental market has actually fallen by more than 13% since the start of the year to 496,000 sqm. This means only just over half of the current construction volume has not yet been pre-let, a value which is lower than in the two previous years and on a par with the 20-year average.

➤ RENTS CONTINUED TO RISE

The fact that the supply/demand ratio has remained stable even during the Corona pandemic and that there is still a shortage of large-scale, modern office space in the particularly preferred locations is also reflected in the development of rents. Year-on-year, the prime rent has risen by almost 9% to a current 43.00€/sqm. The situation is somewhat different for the average rent, which has fallen by 2% to 21.10€/sqm. However, it should be noted that this value can fluctuate slightly more frequently as a result of individual major deals.

➤ OUTLOOK

The outlook for the office market is positive. The peak in supply appears to have been passed and, at the same time, market players are increasingly regaining confidence, so that take-up is rising. However, it remains to be seen what impact the consequences of the war in Ukraine will have on the office markets and whether there will be any lasting shifts from expected catch-up effects. From today's perspective, there are many indications of a good result for the year in line with the long-term average. A slight increase in rents cannot be ruled out.

Key indicators Q1 2022

	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 2022	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	24,000	51,500	15,000	500	71,500	15,500	67,000	356,500
2 Centre Fringe (inside Mittlerer Ring)	27.50	- 35.00	34,000	108,500	44,000	5,500	263,500	54,500	163,000	552,500
3 Subcentres	23.50	- 29.50	56,000	369,000	166,000	72,000	408,000	278,000	647,000	1,106,000
Total Munich			114,000	529,000	225,000	78,000	743,000	348,000	877,000	2,015,000
4 Periphery	16.50	- 17.50	76,000	403,000	111,000	12,000	219,000	148,000	551,000	677,000
Total			190,000	932,000	336,000	90,000	962,000	496,000	1,428,000	2,692,000

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

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