

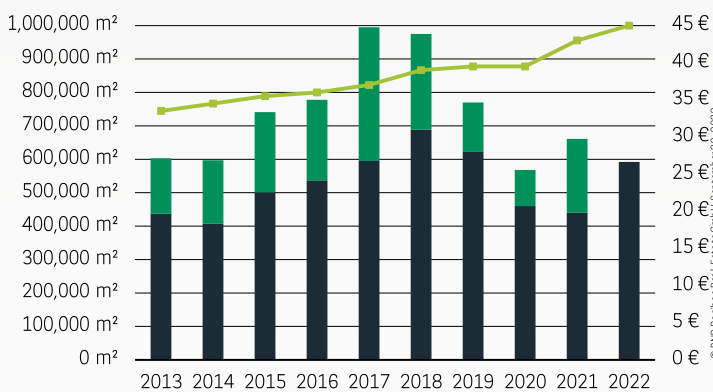


At a Glance **Q3 2022**

# OFFICE MARKET MUNICH

## Development of take-up and top rents

■ Q1-3 in m² ■ Q4 in m² ▲ Top rent in €/m²

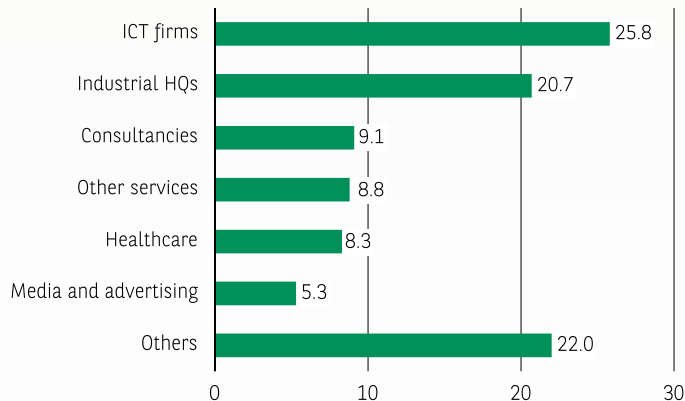


## PRECISION LANDING FOR TAKE-UP IN Q3

The Munich office market remained very stable at a high level in the third quarter. As in the previous quarter, take-up totaled 201,000 m². A precision landing, which at the same time contributed to a significantly above-average result at the end of the third quarter. In the first nine months, a take-up of 592,000 m² (incl. 64,000 m² owner-occupiers) was registered. This exceeded the 10-year-average by 12% and the previous year's result by 34.5%. The market is currently at the high level of 2017. In the summer months, it was primarily the strong letting activity in the mid-size segment that caused a lot of movement in the market, whereupon take-up in almost all size classes below 10,000 m² recently increased. In contrast to the previous quarter, only one deal involving more than 10,000 m² of lettable space was reported, although this is also the largest of the year so far: Personio GmbH will obtain around 40,000 m² of office space.

## Take-up by sector Q1-3 2022

■ in %

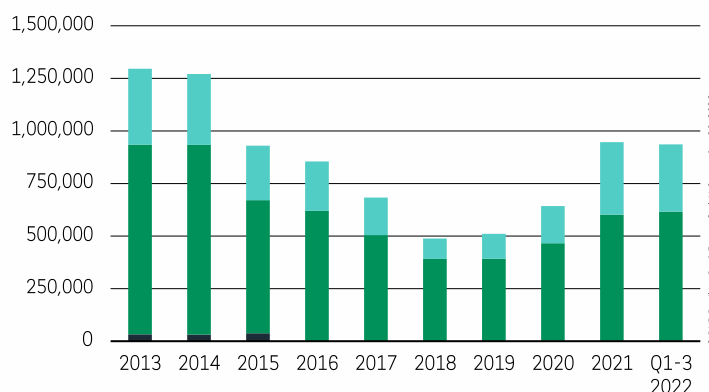


## ICT FIRMS WITH TOP RESULTS

Munich's ICT companies are particularly strong tenants in 2022. They account for a take-up of around 153,000 m², or almost 26% of the market. In addition to the Personio deal mentioned above, it was primarily small and medium-sized contracts that were responsible for this top result. Administrations of industrial companies contributed just under 21% to the current result. It is their third-strongest result in the last ten years, driven among others by the large-scale owner-occupiers Hoffman SE (22,100 m²) and Bosch Building Technologies (19,700 m²). Consulting companies rank third with a good 9%. With just under 54,000 m² of take-up, they have increased their volume compared with the previous year (+9%).

## Development of vacant space

■ unrefurbished in m² ■ normal in m² ■ modern in m²



## SIDEWAYS MOVEMENT IN VACANCY

At the end of September 2022, a vacancy volume of around 936,000 m² is registered (-1.5% compared with the previous quarter), and the vacancy rate notated at 4.2%. Overall, a sideways movement in vacancy development has been apparent in the market area since the fourth quarter of 2021. During this period, the volume has ranged between 932,000 and 950,000 m² with very slight fluctuations only. The volume of vacant space with a modern fit-out has also been relatively stable in recent months and is currently quoted at 320,000 m². Modern space in Munich's central locations remains in short supply. In the City Centre, only 9,000 m² of space is available in the short term. In the larger City Fringe (inside Mittlerer Ring), only 43,000 m² office space is available.

## Major contracts

Sub-market	Company	m²
1.1	Personio GmbH & Co. KG	40,000
3.4	Hoffmann SE	22,100
3.4	TÜV Süd Aktiengesellschaft	20,000
3.3	Bosch Building Technologies	19,700
4.1	ProSiebenSat.1 Media SE	17,300
1.1	WeWork Germany GmbH	14,500

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## Trends in important market indicators

	Q1-3 2021	Q1-3 2022	Trend remaining year
Take-up	440,000 m²	592,000 m²	↗
Vacant space	882,000 m²	936,000 m²	↗
Space under construction (total)	953,000 m²	876,000 m²	→
Space under construction (available)	580,000 m²	392,000 m²	↘
Top rent	40.00 €/m²	45.00 €/m²	↗

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## CONSTRUCTION VOLUME CONTINUES TO DECLINE

The volume of space under construction decrease moderately for the third quarter in a row and now stands at 876,000 m². At the end of 2021, the volume still marked at 984,000 m². It remains to be seen whether this 11% decline will stay a temporary phenomenon, as current construction activity is well above average in a long-term comparison. Furthermore, project developers have impressively demonstrated their confidence in the Munich office market even in the generally challenging years of 2020 and 2021 and have initiated new projects despite all the vagaries. The high pre-letting rate of a good 55% confirms the high demand for modern office space. New space is being absorbed very quickly, particularly in the City Center and on Centre Fringe.

## PRIME RENTS RISES TO 45.00 €/M² FOR THE FIRST TIME

The high demand for top space was impressively reflected in the development of prime rents in the third quarter. The prime rent rose by 2.00 €/m² to 45.00 €/m², marking a new high. The average rent continues its upward trend and now stands at 24.20 €/m².

## OUTLOOK

The Munich office market is heading for an annual result that is likely to be in line with the long-term average at around 750,000 m². This would be a significant increase on the previous two years and a strong result in the current difficult economic and geopolitical environment. Vacancy rates are likely to fall further, so that the pressure on rental levels will remain for now. Particularly in prime rents there are signs of a further enhancement.

## Key indicators Q1-3 2022

Submarkets**	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1-3 2022	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		45.00	113,000	39,500	9,000	2,000	64,000	12,500	52,000	366,500
2 Centre Fringe (inside Mittlerer Ring)	28.00	- 36.00	108,500	109,500	43,000	10,500	201,500	34,500	144,000	548,000
3 Subcentres	24.00	- 29.50	200,500	409,000	173,000	66,500	374,500	207,000	616,000	936,500
<b>Total Munich</b>			<b>422,000</b>	<b>558,000</b>	<b>225,000</b>	<b>79,000</b>	<b>640,000</b>	<b>254,000</b>	<b>812,000</b>	<b>1,851,000</b>
4 Periphery	17.00	- 17.50	170,000	378,000	95,000	6,000	236,000	138,000	516,000	703,000
<b>Total</b>			<b>592,000</b>	<b>936,000</b>	<b>320,000</b>	<b>85,000</b>	<b>876,000</b>	<b>392,000</b>	<b>1,328,000</b>	<b>2,554,000</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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