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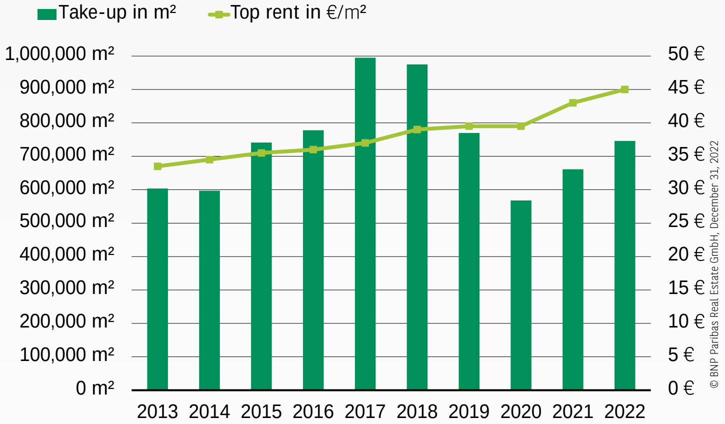
RESEARCH

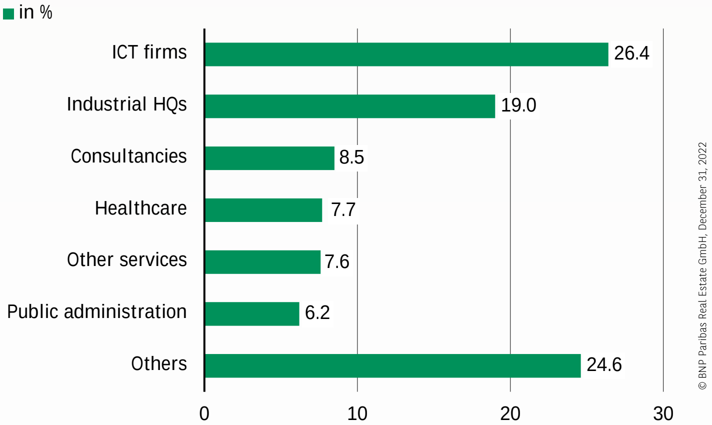
At a Glance Q4 2022

OFFICE MARKET MUNICH

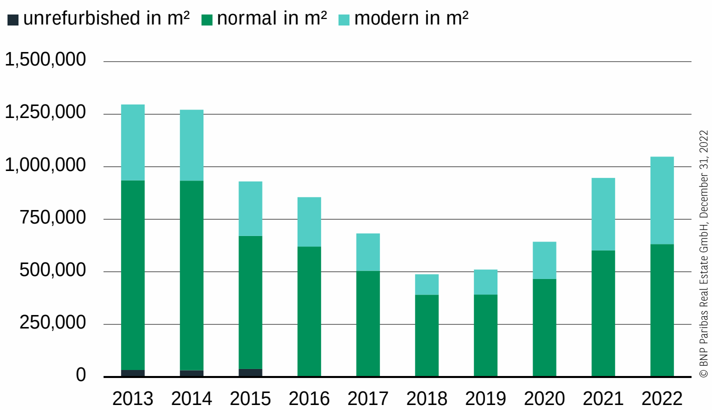
Development of take-up and top rents



Take-up by sector 2022



Development of vacant space



OFFICE MARKET CONTINUED ITS UPWARD TREND

With a take-up of 746,000 m², the Munich office market exceeded the previous year's result by 13% and continued its upward trend started at the end of 2021. Despite the difficult macroeconomic conditions, particularly in the second half of the year, the result is almost exactly in line with the ten-year average. Expectedly the year-end rally in the fourth quarter was slightly weaker than usual. In a nationwide comparison, the Bavarian capital ranked second place, just behind Berlin. It is pleasing that take-up is broadly spread across all market segments and size classes and is not disproportionately influenced by a few large deals. The most important contracts include 40,000 m² by Personio GmbH in the city centre, around 20,000 m² each by TÜV Süd AG in the municipal area west and Bosch Building Technologies in the municipal area south, as well as 17,300 m² by ProSiebenSat.1 Media in the region north submarket.

TRADITIONALLY STRONG SECTORS AT THE TOP

In 2022, some traditionally important industry groups again made the largest contribution to take-up. ICT firms took the lead, generating more than a quarter of the result with 26% and clearly exceeding its long-term average of 19%. The industrial headquarters follow in second place with around 19%. Consultancies are slightly below average at 9%, but still ranking in third place. The public administration sector contributes only 6 %, which is noticeably lower than usual.

NOTICEABLY INCREASE IN VACANCY VOLUME

Vacancy in Munich has once again increased noticeably in the past twelve months by almost 11% to currently 1.05 million m². This is the first time in eight years that the volume has exceeded the one million-mark. The segment of modern space, which is particularly favoured by tenants, amounts to 416,000 m². It corresponds to a market share of around 40% of the total vacant space. However, the spatial distribution must be taken into account. Almost three quarters of the volume is located in the subcentre locations, whereas only 8,000 m² of modern space is available in the city centre. This is also reflected in the vacancy rate, which has risen to 4.7% in the market as a whole, but remains at just 1.6% in the CBD.

Major contracts

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

Trends in important market indicators

	2021	2022	Trend 2023
Take-up	661,000 m²	746,000 m²	↘
Vacant space	947,000 m²	1,048,000 m²	↗
Space under construction (total)	984,000 m²	958,000 m²	→
Space under construction (available)	572,000 m²	380,000 m²	↗
Top rent	43.00 €/m²	45.00 €/m²	→

LESS AVAILABLE SPACE UNDER CONSTRUCTION

In contrast to the development of vacant space, space under construction decreased slightly by 3% to currently 958,000 m². The decline in the segment of available space was significantly stronger. At 380,000 m², the volume is a third lower than a year ago. In fact modern new-building space continues to be absorbed quickly by the market due to the high demand which is also reflected in the rising pre-letting rate of now 60% over the course of the year.

RENTS CONTINUED TO RISE

Due to high demand as well as other external factors, such as high inflation and increased construction prices, rents have continued to rise year-on-year. At 45 €/m², the top rent is 5% above the previous year's level. The rental prices have also increased across the board. This is also reflected in the average rent, which rose by 2.5% to currently 24.20 €/m².

OUTLOOK

The further development will depend not least on how strong the expected recession in Germany will be. Even if a rather flat course can be expected for the moment, a slightly more restrained demand by tenants is most presumably. Nevertheless, the start of the year is bound to be comparatively lively, as some major contracts are about to be concluded. For 2023 as a whole, take-up of around 700,000 m² seems realistic. The vacancy is anticipated to rise slightly, at least in the first half of the year, but will remain at a low level, especially in the city centre, so that a further increase in prime rents is very likely.

Key indicators 2022

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	2022	total	modern	of this, since completion	total	available	available	projected
Submarkets**		1		2	3	4	5	6	7	8 = (3 + 7)	9
1	City										
1.1	City Centre		45.00	129,000	52,000	8,000	1,500	134,000	25,500	77,500	315,000
2	Centre Fringe (inside Mittlerer Ring)	32.00 -	37.00	165,000	164,000	94,000	10,500	218,500	46,000	210,000	512,500
3	Subcentres	26.00 -	29.50	258,000	426,000	206,000	103,000	330,500	155,500	581,500	1,286,500
	Total Munich			552,000	642,000	308,000	115,000	683,000	227,000	869,000	2,114,000
4	Periphery	17.00 -	17.50	194,000	406,000	108,000	6,000	275,000	153,000	559,000	658,000
	Total			746,000	1,048,000	416,000	121,000	958,000	380,000	1,428,000	2,772,000

* The top rent given applies to a market segment of 3-5 % 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 2022

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