

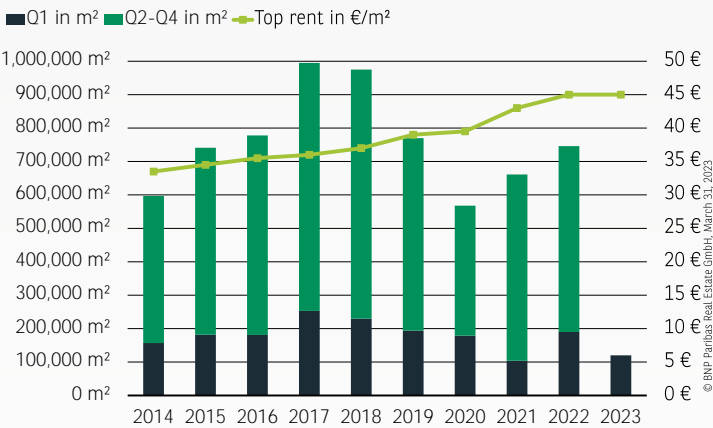


RESEARCH

At a Glance **Q1 2023**

OFFICE MARKET MUNICH

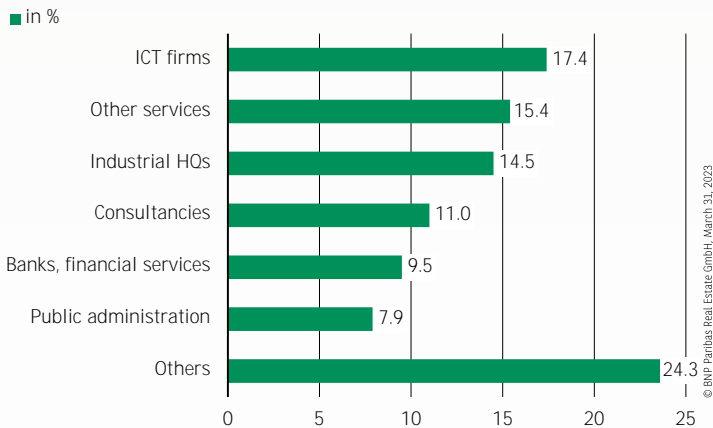
Development of take-up and top rents



➤ SUBDUED START TO THE YEAR

The Munich office market got off to a subdued start in the new year. The economic slowdown and prevailing uncertainties about further economic development have led many companies to slow down the pace of planned relocations during the winter months or even to temporarily put them on hold. Accordingly, the take-up amounts to comparatively moderate 120,000 sqm and is about 37% below the previous year's figure. The long-term average of 179,000 sqm was thus clearly undercut. In particular, the lack of large deals is very noticeable. By the end of March, no contract above 10,000 sqm had been signed, and only two contracts were registered for the size category between 5,000 and 10,000 sqm. However, the letting activity for spaces between 1,000 and 5,000 sqm was positive, recording an above-average market momentum.

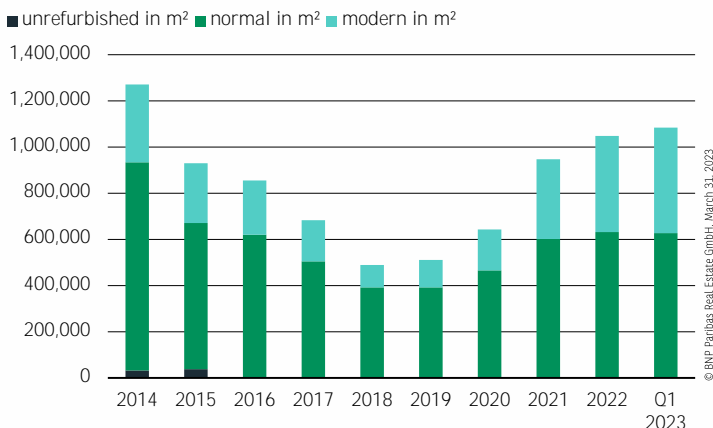
Take-up according to sectors Q1 2023



➤ DIVERSIFIED DISTRIBUTION BY SECTOR

Various sectors contributed substantially to the latest result, which once again underlines quite impressively how diversified Munich's market is in terms of demand. ICT firms, which traditionally play a strong role, lead the field with a good 17%. Remarkably, the result was achieved entirely through contracts below the 3,000 sqm mark. Other services and industrial HQs are almost on a par with 15% each. Both sectors contributed some of the major signings of the quarter. For instance, the largest letting in Q1 in the category of other services was made by Bayerische Hausbau Immobilien GmbH and includes about 5,700 sqm of lettable area. In addition, consultancies with 11% also achieve a double-digit share.

Development of vacant space



➤ INCREASING VACANCY RATE AT THE BEGINNING OF THE YEAR

Compared to the prior-year period, the vacant space increased by a good 16% to 1.08 million sqm, whereby the pace at which it rose slowed down considerably in the first quarter of 2023. At the same time, the volume of sublet space has increased to almost 200,000 sqm in the market area. However, it remains to be seen to which extent these spaces will impact the market, as previous periods have shown that the cost of subletting is often well beyond the potential return. The vacancy rate is currently 4.8% in the market area overall and 3.6% within the city. Only 11,000 sqm of the vacant modern space is located in the city centre.

Major contracts

Sub-market	Company	m ²
4.3	Bayerische Hausbau Immobilien	5,700
4.1	Police	5,500
3.4	Max-Planck-Institute	4,900
4.1	Federal Office for Radiation Protection	3,600
3.1	VoltStorage	3,600
3.1	MTU Aero Engines	3,400

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➤ SLIGHT DECLINE IN CONSTRUCTION ACTIVITY

Due to the sharp increase in the financing and construction costs as well as the overall challenging market situation, space under construction in Munich has decreased by 10.5% to 861,000 sqm over the past twelve months. Nevertheless, the current construction volume is almost 12% above the long-term average. However, the more significant parameter of available space under construction has decreased noticeably. Meanwhile, the more significant parameter of available space under construction has decreased noticeably. With currently 334,000 sqm, there is about 33% less available space under construction on the market than a year ago. Their share of the total construction volume is just under 39%. The majority of this space is located in the subcentres (135,700 sqm) and periphery (124,000 sqm). The increased volume of planned spaces (+5% year-on-year) once again underlines developers' confidence in Munich as a business location.

Trends in important market indicators

	Q1 2022	Q1 2023	Trend remaining year
Take-up	190,000 m ²	120,000 m ²	↗
Vacant space	932,000 m ²	1,084,000 m ²	↗
Space under construction (total)	962,000 m ²	861,000 m ²	→
Space under construction (available)	496,000 m ²	334,000 m ²	↘
Top rent	43.00 €/m ²	45.00 €/m ²	↗

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➤ PRIME AND AVERAGE RENTS KEEP ON RISING

The prime rent remained stable at 45€/sqm for the third quarter in a row, corresponding to a year-on-year increase of 5%. On the other hand, the average rent dropped temporarily to 22.10€/sqm in Q1, but still remains 5% above the previous year's level.

➤ OUTLOOK

A growing number of indicators suggest that the economic recovery in Germany is set to accelerate significantly in the coming months. In the wake of this development, letting activity in Munich should also turn out substantially more dynamic again. At the same time, the trend towards higher-quality spaces might become more pronounced, making a further increase in prime and average rents the most likely scenario.

Key indicators Q1 2023

	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 2023	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	16,500	51,000	11,000	0	135,600	33,100	84,100	339,800
2 Centre Fringe (inside Mittlerer Ring)	28.50	- 37.00	20,500	107,500	42,500	6,000	230,800	41,200	148,700	466,500
3 Subcentres	26.00	- 29.50	44,000	481,500	232,500	117,000	261,600	135,700	617,200	1,382,700
Total Munich			81,000	640,000	286,000	123,000	628,000	210,000	850,000	2,189,000
4 Periphery	17.00	- 17.50	39,000	444,000	171,000	56,000	233,000	124,000	568,000	647,000
Total			120,000	1,084,000	457,000	179,000	861,000	334,000	1,418,000	2,836,000

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

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