

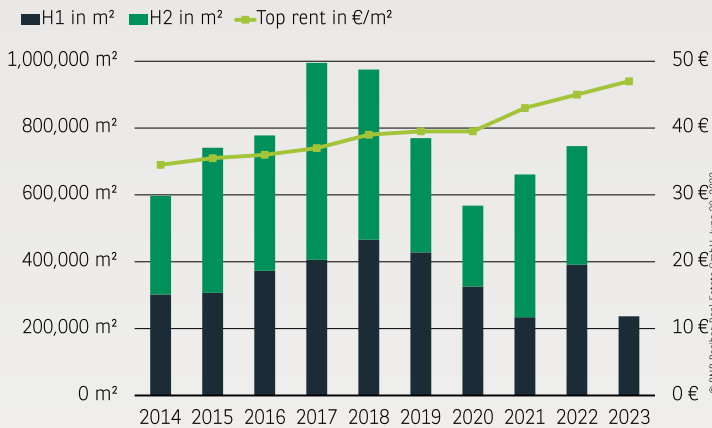


**RESEARCH**

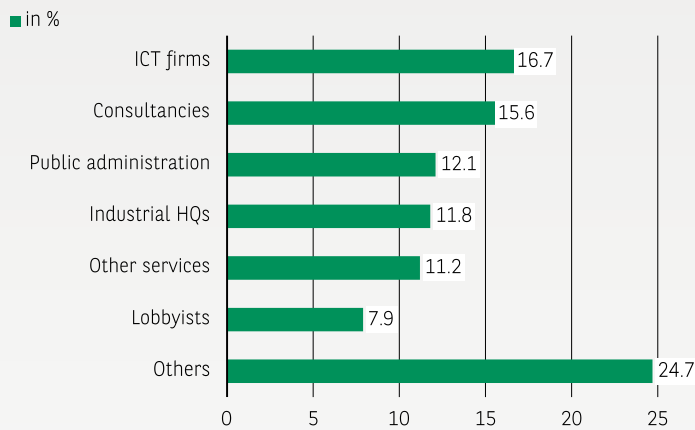
At a Glance **Q2 2023**

# OFFICE MARKET MUNICH

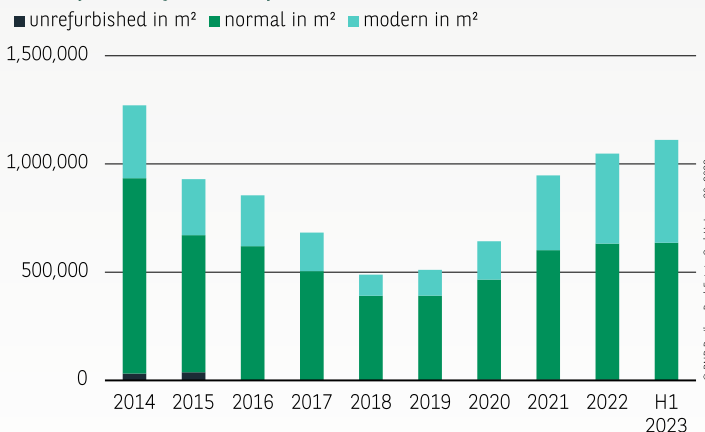
### Development of take-up and top rents



### Take-up by sector H1 2023



### Development of vacant space



### ▶ TAKE-UP STILL BELOW-AVERAGE

The take-up in the Munich market area amounted to 237,000 m<sup>2</sup> in the first half of the year. The result is thus 39% below the comparable figure for the previous year. As in the first three months, below-average market momentum was observed in the second quarter, setting Munich in the trend of the other major office locations. The main reason for the low take-up can be seen in the weak economy in connection with the technical recession. In the past, the office markets have reacted relatively quickly to falls in GDP with sharp losses in take-up, since many companies are waiting for further economic developments before making major investment decisions. This is particularly noticeable in the segment of larger contracts. In the first half of the year, for example, only one deal above 10,000 m<sup>2</sup> was registered with the owner-occupier deal of the DGB for around 10,500 m<sup>2</sup> in total. The volume of this size class is therefore only at 4.5%, compared to 18% in the 10-year average. In a nationwide comparison, Munich still occupies second place behind Berlin in terms of take-up for the first half of the year.

### ▶ STABLE SECTOR STRUCTURE

Despite the weak take-up, the industry structure is stable and hardly differs from the long-term average. This underlines the market is not suffering from structural difficulties, but rather that the overriding macroeconomic development is decisive. Altogether, five sector groups make double-digit contributions. As is so often, ICT firms place first with a share of just under 17%. Consultancies, which are also traditionally strong, secured second place with almost 16%. Public administration once again made it onto the podium with 12%. At just under 12%, the share of administrations in industrial companies is somewhat lower than usual.

### ▶ FURTHER INCREASE IN VACANCY

As expected, the vacancy volume has continued to rise, which is not least due to the currently moderate letting activity. In a year-on-year comparison, the vacancy increased by almost 17% to 1.11 million m<sup>2</sup>. An even greater increase was observed in the segment of modern spaces. They have risen by a good 40% to 475,000 m<sup>2</sup>. Their share of the total vacancy volume is currently just under 43% and therefore at the same level as at the end of the first quarter. As a result, the vacancy rate in the whole market area has risen slightly to 5.0%. In the city, however, it is still only at 1.6%.

## Major contracts

Sub-market	Company	m <sup>2</sup>
2.4	DGB - Deutscher Gewerkschaftsbund	10,500
3.3	Immobilien Freistaat Bayern	6,400
4.3	Bayerische Hausbau Immobilien	5,700
4.1	Police	5,500
3.4	Max-Planck-Gesellschaft	4,900
3.1	Mouser Electronics	4,200

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## Trends in important market indicators

	H1 2022	H1 2023	Trend remaining year
Take-up	391,000 m <sup>2</sup>	237,000 m <sup>2</sup>	↗
Vacant space	950,000 m <sup>2</sup>	1,111,000 m <sup>2</sup>	↗
Space under construction (total)	893,000 m <sup>2</sup>	891,000 m <sup>2</sup>	→
Space under construction (available)	453,000 m <sup>2</sup>	374,000 m <sup>2</sup>	↘
Top rent	43.00 €/m <sup>2</sup>	47.00 €/m <sup>2</sup>	↗

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## ➤ CONSTRUCTION ACTIVITY REMAINS STABLE

The construction activity in Munich has been more or less stable for a long time. With currently 891,000 m<sup>2</sup>, there is just as much office space under construction as a year ago. However, the volume of space still available on the rental market was reduced significantly, namely by a good 17% to now 374,000 m<sup>2</sup>. The proportion of available space under construction is only 42% and thus 8% below the ten-year average. This ratio underlines that a healthy development can be observed on the supply side, so that there is no hazard of a noticeable supply overhang in the foreseeable future.

## ➤ RENTAL PRICES CONTINUE TO RISE

The overall healthy and stable market situation is also evident in the rental price levels, which are still on upward trend. Both the prime rent of 47.00 €/m<sup>2</sup> (+9%) and the average rent of 24.20 €/m<sup>2</sup> (+6%) have increased noticeably in the last twelve months.

## ➤ OUTLOOK

Considering the difficult economic environment, it can be assumed that the full-year result will also be below average. At the same time, there is a good chance that market activity will pick up slightly in the second half of the year. In medium terms, it must be considered that empirically the recovery movements will also be strong if GDP development is clearly positive again. The vacancy is expected to increase slightly, while the available space under construction should decrease. A further increase in rents is the most likely scenario.

## Key indicators H1 2023

	Top rent* (€/m <sup>2</sup> )		Take-up (m <sup>2</sup> )	Vacant space (m <sup>2</sup> )			Space under construction (m <sup>2</sup> )		Space on offer (m <sup>2</sup> )	
	from	to	H1 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 Centre										
1.1 City Centre		47.00	39,000	51,000	11,000	0	142,300	50,000	101,000	329,100
2 Centre Fringe (inside Mittlerer Ring)	28.50	- 37.00	60,500	113,500	45,000	6,000	271,000	57,300	170,800	435,000
3 Subcentres	26.00	- 30.00	74,500	494,500	242,000	117,000	265,700	150,700	645,200	1,369,900
<b>Total Munich</b>			<b>174,000</b>	<b>659,000</b>	<b>298,000</b>	<b>123,000</b>	<b>679,000</b>	<b>258,000</b>	<b>917,000</b>	<b>2,134,000</b>
4 Periphery	17.00	- 17.50	63,000	452,000	177,000	56,000	212,000	116,000	568,000	646,000
<b>Total</b>			<b>237,000</b>	<b>1,111,000</b>	<b>475,000</b>	<b>179,000</b>	<b>891,000</b>	<b>374,000</b>	<b>1,485,000</b>	<b>2,780,000</b>

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

\*\* The relevant office market zone can be found on our website under "Research".

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