

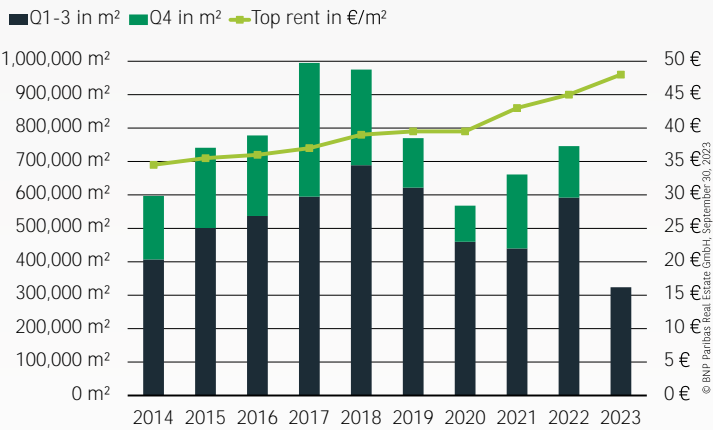


**RESEARCH**

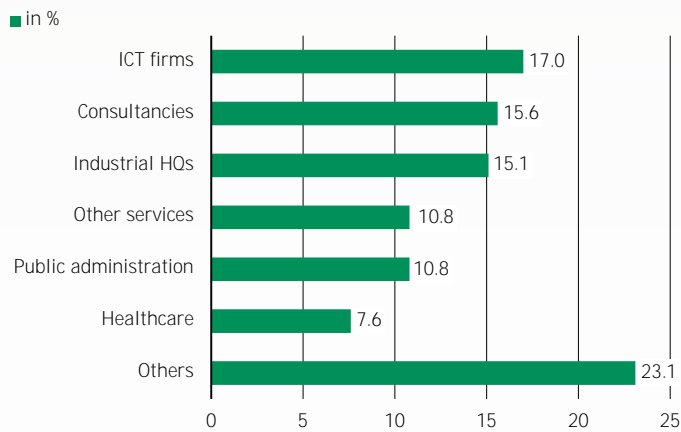
At a Glance **Q3 2023**

# OFFICE MARKET MUNICH

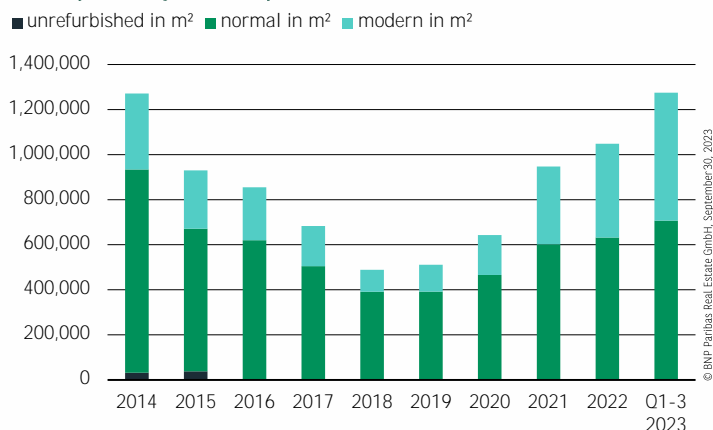
### Development of take-up and top rents



### Take-up by sector Q1-3 2023



### Development of vacant space



### ▶ TAKE-UP BELOW PREVIOUS YEAR'S LEVEL

In the first three quarters of 2023, the Munich office market was unable to match the previous year's good performance. At 324,000 m², take-up is around 45% lower than last year. The long-term average was also missed by a good 37%. Nevertheless, this result places Munich once again in 2nd place among the most important German office locations; behind Berlin (426,000 m²) and ahead of Hamburg (321,000 m²). The weaker overall economic development in recent months, sparked by the ongoing Ukraine war, inflation and rising interest rates, is contributing to a more cautious attitude on the part of many companies, which in turn is reflected in the Munich office market. As a result, only 87,000 m² of take-up was registered in the third quarter - a very low figure for the Munich market. No major lettings above 5,000 m² were recorded in the last three months. Thus, the largest contract concluded so far this year remains the owner-occupier deal by Deutscher Gewerkschaftsbund (DGB) of a good 10,500 m² in Centre Fringe West.

### ▶ BALANCED SECTOR DISTRIBUTION

The distribution of take-up by sector has so far been extremely homogeneous, which is a sign of stable and healthy market structures overall. No fewer than five industry groups contribute double-digit shares to the result. The ICT firms leads the field with 17%. Consulting companies follow in second place with just under 16%. The administrations of industrial companies, which are traditionally strongly represented in Munich (a good 15%), also make a significant contribution to total volume with a number of medium-sized contracts. Other services and public administration follow equally in fourth place with a good 10%.

### ▶ RISE IN VACANCIES HAS CONTINUED

The rise in vacancy, which has been evident for some time now, has continued over the past three months. At 1.28 million m², the current vacancy volume is a good 36% higher than in the previous year. Accordingly, the vacancy rate stands at 5.7%. Although an increase in vacancies can also be observed in the overall market for space with modern space quality, in Munich's prime locations they remain in short supply. Munich's city center has just under 24,000 m² of modern vacancy. New-build first-time occupiers in these locations also remain attractive. In the city center and within the central ring road (centre fringe), just 9,300 m² is available at short notice. The vacancy rate in the city center is at a low 2.5%.

### 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
3.3	Ramboll Deutschland	5,000
3.4	Max-Planck-Gesellschaft	4,900

© BNP Paribas Real Estate GmbH, September 30, 2023

### CONSTRUCTION ACTIVITY CONTINUES TO DECLINE

In the last three months, construction activity has continued to decline. The volume of space under construction currently stands at 775,000 m<sup>2</sup>. More than half (58%) of this space has already been pre-let or is being built by owner-occupiers, which underlines the high demand in the modern space segment. Around 326,000 m<sup>2</sup> of office space is therefore still available to the rental market. The highest construction activity, at just over 257,000 m<sup>2</sup>, is registered in the submarkets of the Centre Fringe, of which only just under 70,000 m<sup>2</sup> is still available to the market. The City Centre registers a construction volume of a good 140,000 m<sup>2</sup>. However, only around 15% of this space is still available, which highlights the attractiveness of Munich's city center.

### PRIME RENT PICKS UP

Despite the lower take-up, the prime rent increased by almost 2% compared with the previous quarter to 48€/m<sup>2</sup>. It is being achieved in the city center. This is primarily due to the declining supply of high-quality space in prime locations. Average rents remained stable at 24.20€/m<sup>2</sup>.

### OUTLOOK

For the year as a whole, take-up on the Munich office market is unlikely to match the previous year's good result. Nevertheless, a result of around 425,000 m<sup>2</sup> appears realistic. A further increase in vacancies cannot be ruled out, although this may become an issue above all in subcentres and on the periphery, which is likely to be reflected in average rents. By contrast, the high demand for premium space in central locations will keep prime rents under pressure as the supply shortage progresses.

© BNP Paribas Real Estate GmbH, September 30, 2023

### Trends in important market indicators

	Q1-3 2022	Q1-3 2023	Trend remaining year
Take-up	592,000 m <sup>2</sup>	324,000 m <sup>2</sup>	↘
Vacant space	936,000 m <sup>2</sup>	1,275,000 m <sup>2</sup>	↘
Space under construction (total)	876,000 m <sup>2</sup>	775,000 m <sup>2</sup>	↘
Space under construction (available)	392,000 m <sup>2</sup>	326,000 m <sup>2</sup>	↘
Top rent	45.00 €/m <sup>2</sup>	48.00 €/m <sup>2</sup>	↗

© BNP Paribas Real Estate GmbH, September 30, 2023

### Key indicators Q1-3 2023

Submarkets**	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	Q1-3 2023	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		48.00	50,500	81,400	23,500	700	141,100	48,900	130,300	349,100
2 Centre Fringe (inside Mittlerer Ring)	29.00	- 37.00	79,000	150,400	83,900	8,600	257,400	69,900	220,300	435,000
3 Subcentres	26.00	- 30.00	101,500	546,200	266,600	121,700	236,500	130,200	676,400	1,396,900
Total Munich			231,000	778,000	374,000	131,000	635,000	249,000	1,027,000	2,181,000
4 Periphery	17.00	- 18.00	93,000	497,000	194,000	93,000	140,000	77,000	574,000	646,000
Total			324,000	1,275,000	568,000	224,000	775,000	326,000	1,601,000	2,827,000

\* 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".

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate GmbH.

The statements, notifications and forecasts provided here correspond to our estimations at the time when this report was prepared and can change without notice. The data come from various sources which we consider reliable but whose validity, correctness or exactness we cannot guarantee. Explicitly, this report does not represent a recommendation of any kind, nor should it be regarded as forming a basis for making any decisions regarding investment or letting or renting property or premises. BNP Paribas Real Estate can accept no liability whatsoever for any information contained or statements made herein.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: September 30, 2023

Further Information BNP Paribas Real Estate GmbH | Branch office Munich | Phone +49 (0)89-55 23 00-0 | [www.realestate.bnpparibas.de](http://www.realestate.bnpparibas.de)