

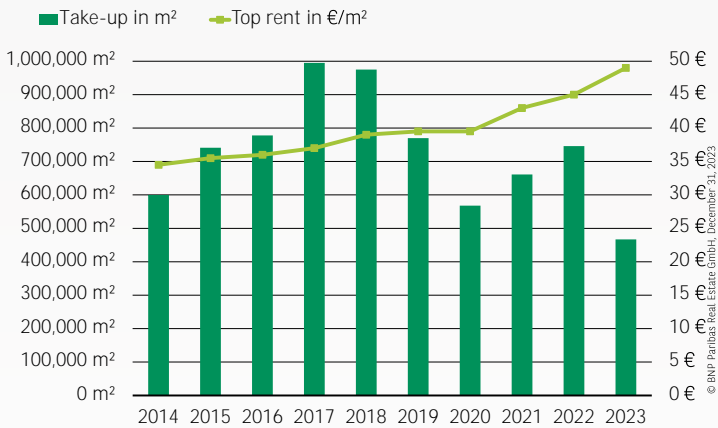


RESEARCH

At a Glance **Q4 2023**

OFFICE MARKET MUNICH

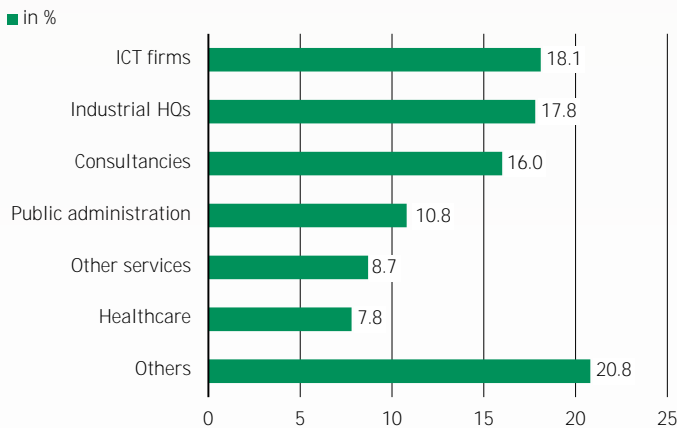
Development of take-up and top rents



WEAK RESULT DESPITE A STRONGER FINAL QUARTER

Take-up of 467,000 m² was reported for the Munich office market at the end of 2023. As a result, the previous year's take-up was missed by around 37% and the 10-year average remained unattained (-36%). In the slipstream of the weak economic development, increased financing costs and ongoing discussions about home office quotas, the Munich market never really gained momentum until the end of the third quarter. Only towards the end of the year letting activity increase noticeably to 143,000 m², driven by two of the three largest contracts of the year, totalling 9,700 m² and 9,300 m² respectively. The absence of the large deals with significantly more than 10,000 m² of office space that are typical for Munich is remarkable. At 10,500 m², DGB is responsible for the largest contract signed in 2023 with its owner-occupier letting.

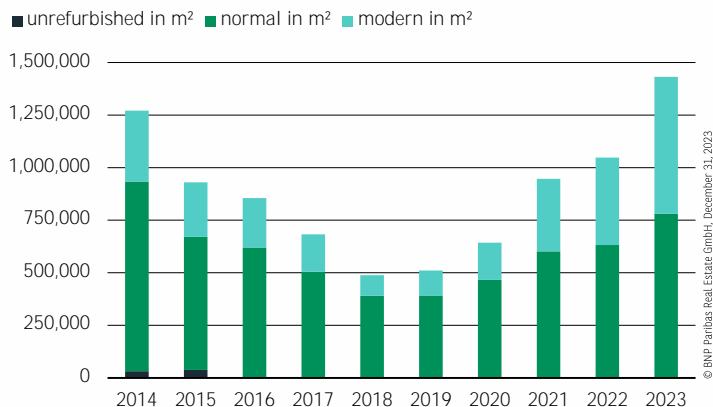
Take-up by sector 2023



ICT FIRMS LEAD THE SECTOR RANKING

Although take-up by ICT firms has also declined significantly, Munich's leading sector once again made the largest contribution to take-up with just under 85,000 m². In addition to the 9,300 m² leased by Agile Robots, it was primarily contracts concluded in the small and medium-sized segment that contributed to this result. The traditionally strong industrial HQs accounted for a market share of just under 18%, including a large number of medium-sized deals. With a take-up of around 75,000 m², the letting activity of the third-placed consultancies is comparatively robust. Although the 10-year average was missed by around 14%, an increase of almost 18% was recorded compared to the previous year.

Development of vacant space



VACANCY VOLUME CONTINUES TO RISE

In the second half of 2023, the increase in vacancies accelerated significantly once again, which is particularly due to the completion of speculatively constructed space in secondary locations. In addition to construction completion dynamics, moreover, the trend towards smaller spaces for new lettings clearly left its mark on the market. At the end of the year, a vacancy volume of around 1.43 million m² was registered, which corresponds to an increase of almost 37% compared to the previous year. The vacancy rate in the market as a whole now stands at 6.3%. In the city centre, however, the vacancy rate remains at a low 2.8% and in the Centre Fringe North and South a low 1.6% and 1.5% respectively are registered. Significantly higher levels are reported for the Municipal Area East (8.2%), North (7.8%) and South (6.1%).

Major contracts

Sub-market	Company	m ²
2.4	DGB - Deutscher Gewerkschaftsbund	10,500
4.4	Public administration	9,700
3.3	Agile Robots	9,300
3.3	Immobilien Freistaat Bayern	6,400
4.3	Bayerische Hausbau Immobilien	5,700
4.1	Polizei	5,500

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➤ FURTHER DECLINE IN CONSTRUCTION ACTIVITY

The volume of space under construction fell by around 20% to 765,000 m² over the course of the year. This is by far the lowest figure since 2017, with construction activity declining significantly in subcentres. If any new and larger projects were initiated in the construction phase at all, then these had a pre-letting rate of 100%. The situation is different in the highly favoured city centre and centre fringe locations, where an increase in construction volume compared to 2022 is certainly being recorded. The high recoverability of the city centre and the demand trend towards prime space in very well-connected locations is encouraging project developers to start construction even in these challenging times. The pre-letting rate in the market area stands at around 58%.

Trends in important market indicators

	2022	2023	Trend 2024
Take-up	746,000 m ²	467,000 m ²	↗
Vacant space	1,048,000 m ²	1,432,000 m ²	↗
Space under construction (total)	958,000 m ²	765,000 m ²	➡
Space under construction (available)	380,000 m ²	319,000 m ²	↘
Top rent	45.00 €/m ²	49.00 €/m ²	↗

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➤ PRIME RENT ON COURSE FOR €50/M²

For the third quarter in a row, the prime rent rose to €49.00/m² at the end of the year and is on track to break through the €50/m² mark in the near future. First contracts in this range were registered in 2023. The traditionally more volatile average rent is currently quoted at €23.80/m².

➤ OUTLOOK

The general conditions for the Munich office market are likely to improve over the course of 2024. There is much to suggest that the German economy is set to calm down and return to growing. The financing environment for companies should also become much less challenging. An increase in take-up to a level well above 600,000 m² is likely. Although vacancy volume should continue to rise moderately, we expect prime rents to exceed €50/m² for the first time, probably in the first half of the year.

Key indicators 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	2023	total	modern	of this, since completion	total	available	available	projected
	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City										
1.1 City Centre	49.00		76,000	90,300	37,500	500	146,600	51,400	141,700	385,000
2 Centre Fringe (inside Mittlerer Ring)	30.00 - 38.00		112,800	172,600	91,600	2,600	285,100	112,700	285,300	481,100
3 Subcentres	26.50 - 30.00		148,200	621,100	308,900	119,900	228,300	112,900	734,000	1,360,900
Total Munich			337,000	884,000	438,000	123,000	660,000	277,000	1,161,000	2,227,000
4 Periphery	17.50 - 18.50		130,000	548,000	213,000	103,000	105,000	42,000	590,000	645,000
Total			467,000	1,432,000	651,000	226,000	765,000	319,000	1,751,000	2,872,000

* 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 2023](#)

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