TAKE-UP STABLE

The Munich office market has re-confirmed its very good prior-year performance by registering first-quarter take-up of 181,000 m². That is almost exactly the same as in the first three months of last year and exceeds the ten-year average by all of 9 %. In the nationwide inter-city ranking, this result gives Munich second place behind Berlin, just as in 2015. It is gratifying to note that the impressive turnover was once again fuelled by all segments of the market. Large contracts upwards of 5,000 m² account for around 27 % of total take-up, more or less on a par with the 2015 level. Among the biggest new leases were one for premises of 12,300 m² in Region West concluded by MorphoSys AG and one for just over 9,300 m² in the zone Centre Fringe South taken out by the City of Munich’s Building Department. The Centre Fringe and the subcentres each generated just under one-third of aggregate take-up. In contrast, the City Centre areas produced a turnover share of only around 15 %, one reason being the restricted availability of sizeable downtown office units.

DEMAND SPREAD BROADLY ACROSS ACTIVE BUSINESS SECTORS

The demand-by-business-sector ranking was headed by the mixed grouping of other services with just over 22 %. In second place, with just under 19 %, came firms connected in one way or another with healthcare. Next came sectors which customarily gain top placements in Munich: consultancies (15.5 %) and information and communications companies (over 13 %), followed by public administration with close to 11 %. Together, these five double-digit performers accounted for 81 % of the result. Industrial companies, which have been very active in recent years, took a breather in the first quarter, gaining only a share of 6 %.

FURTHER MARKED DECLINE IN VACANCY

The reduction in vacancy which has been apparent for some six years now has actually accelerated again in the past twelve months. At 899,000 m², it is at present nearly 30 % below the comparable prior-year figure and represents the lowest level in the last 16 years. Modern vacant space, the most important market segment, has shrunk even more sharply, by all of 44 %. This means that only 24 % of the total volume of unoccupied space offers high-grade specifications of the kind sought-after by potential tenants. The vacancy rate has continued to fall, standing at 4.4 % in the overall market and at just 3.1 % in the municipal area, which is particularly where there is a shortage of large, connected office premises.
LOWEST CONSTRUCTION VOLUME FOR TEN YEARS

In a development similar to that seen in the field of vacancy, there has also been an appreciable fall in space under construction. Year-on-year, the volume has declined by around 41% to 244,000 m², which is the lowest level in the past ten years. Of this total, some 192,000 m² is still available to the rental market, which is nearly 8% less than a year ago. The overall supply (vacancy plus available premises under construction) has thus contracted by more than a quarter, providing clear evidence that the Munich market is increasingly heading towards a space bottleneck.

RISE IN RENTAL PRICE LEVELS

Although the prime rent has remained unchanged at 35.50 €/m², this is mainly because of the lack of available premium premises in the absolutely top parts of Munich capable of commanding higher prices. Generally, rental price levels have risen, with both top and average rents moving higher in most of the office market zones. Another indication of the tight supply situation is that there has also been a considerable decline in the granting of incentives.

OUTLOOK

Demand looks set to remain strong during the months ahead, making another very good take-up result for the year as a whole seem probable. However, the growing shortage of space could become increasingly problematic and might possibly act as a brake on turnover. Against this background, there are many reasons to expect a further rise in average rents.