BACK INTO LEAD WITH TOP RESULT

With take-up of 406,000 m², the Munich office market not only bettered its already outstanding prior-year performance by nearly 9 % but also regained its lead among the major German office locations. The result was the city’s second-best ever – only in 2001, in the wake of the New Economy boom, was space turnover higher. The extraordinary performance was fuelled by broadly based demand in all size classes. In addition, particularly in the first quarter, the market benefited from the fact that several sizeable contracts not finalised by the end of 2016 were passed on into this present year. One involved Infineon’s 15,000 m² Campus expansion in Region South. Other substantial deals were those concluded by Deutsche Pfandbriefbank (13,400 m²) in Region North, by Munich as the capital of Bavaria (12,900 m²) in the City Centre, and by the European Patent Office (11,000 m²) in Region East. Since there are hardly any large modern empty office units available, leases on premises in project developments are currently becoming more important.

INDUSTRIAL COMPANIES MOST ACTIVE

In the first half, industrial headquarters – traditionally a strong source of demand in the Munich market – again made the biggest contribution to take-up, to head the sectoral ranking with a share of almost 23 % of the total. Next came information and communications technology firms (just under 18 %), while third place was taken by other services (around 14 %). Other double-digit slices were generated by consultancies (over 12 %) and public administration (11.5 %). So Munich can once again point to a broad foundation of demand.

VACANCY RATE NOW BELOW 3 %

The very buoyant demand has triggered a further reduction in vacancy. At present, this has a volume of about 851,000 m², which is almost 2 % lower than a year ago. Only 224,000 m² of this space, corresponding to just some 26 % of the total, offers modern quality specifications. In particular, sizeable modern unoccupied office premises are hardly available at all. This applies especially to the central downtown districts. So it is scarcely surprising that the vacancy rate within the municipal boundaries has now fallen to around 2.9 % and is thus well below the requisite fluctuation cushion. In the overall market area, the vacancy rate is 4.1 %.
SPACE UNDER CONSTRUCTION DOUBLED

In response to the scarce supply, especially in the field of modern premises, building activity has picked up appreciably: space under construction has more than doubled in the past twelve months to 572,000 m². However, the volume of this which is still available to the rental market has only increased by around one third to 276,000 m². This is because more than half of all the space currently being created has either already been let or is destined for owner-occupation. At present, the new-build volume is around one quarter above the long-term average of just over 450,000 m².

RENTS HAVE CLIMBED

In view of the very strong demand and the high level of take-up, rental prices have risen. In the past twelve months, the prime rent has increased by close to 3 %, taking it to 36.50 €/m². Where top and average rents in many of the individual market zones are concerned, the trend has been similar – and often even more marked.

OUTLOOK

In addition to the stimulus provided by the gratifyingly bright economic climate, the Munich market will benefit in the second half from a number of sizeable lease contracts which are currently already under negotiation. Against this backdrop, there are many good reasons to expect a result for the year as a whole of between 750,000 m² and just under 800,000 m² - and thus in line with the total achieved last year. One factor that could have a curbing effect is that although there are considerably more projects under construction at the moment, most of them will not be completed until 2019. One thing that seems definite is that rental price levels are set to move higher in the coming quarters.