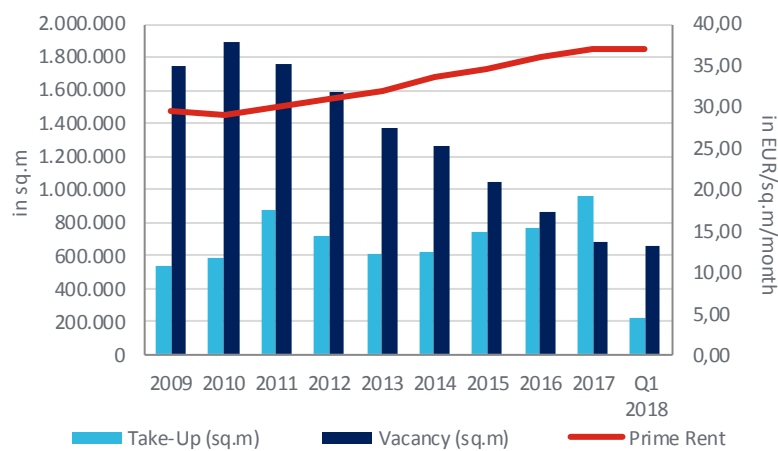




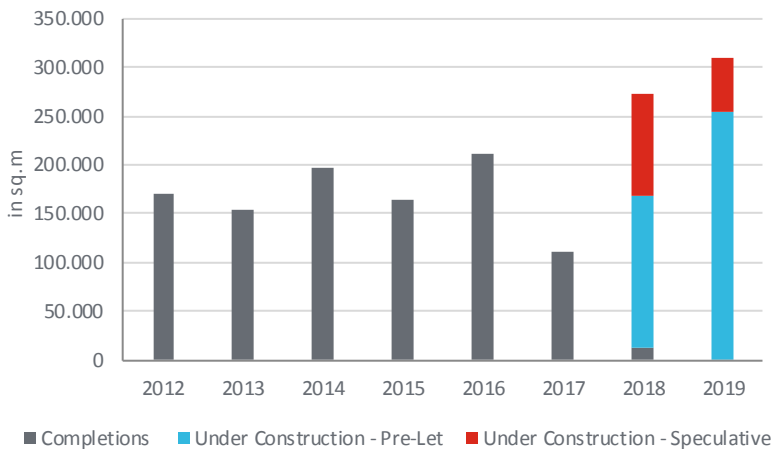
OFFICE MARKET MUNICH Q1 2018



Overview

The Munich office market had an impressive start to the year with a letting volume of 225,000 sq.m in Q1. Last year's record Q1 result was only missed by 8% and market players are likely to push office take-up way above average in the months to come. The office vacancy rate decreased from 4.0% to 3.2% over the past year. The office prime rent has not given in to the ongoing upward pressure in the first three months of 2018. However, rent levels will continue to rise in Munich and its surrounding municipalities.

Completion Volume



KEY MARKET FIGURES

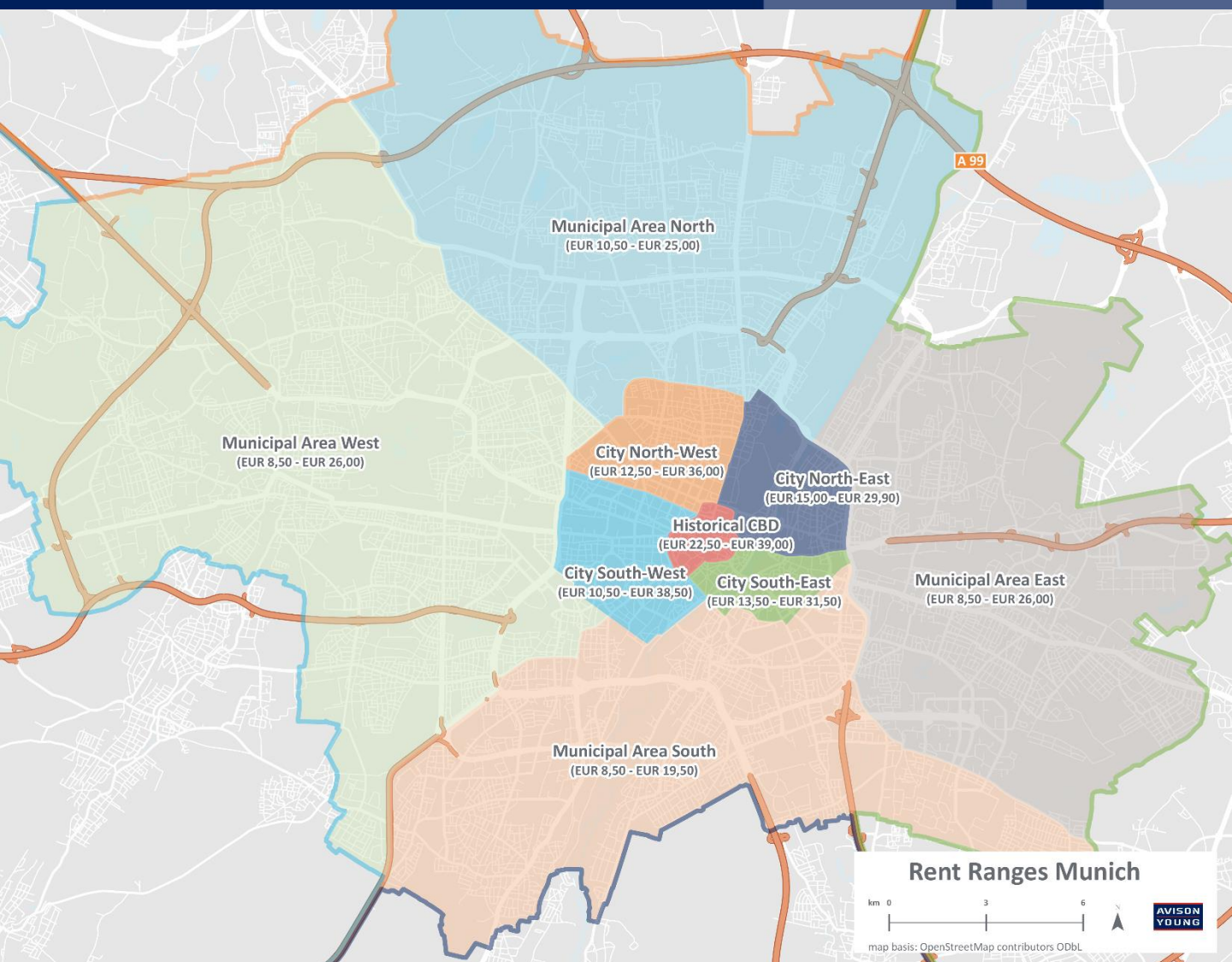
Market Area* Munich

Take-Up	225,000 s.qm
Vacancy	661,000 s.qm
Vacancy Rate	3.2%
Completions	12,500 s.qm
Under Construction	615,000 s.qm
Prime Rent	37.00 EUR/s.qm/month
Prime Yield (net initial)	3.15%

MUNICH

Inhabitants (12-2017)	1,526,056
Unemployment Rate (03-2018)	3.7% (German Average 5.5%)
Trade Tax Rate	490%

*Market Area = City of Munich + parts of surrounding municipalities



Outlook

- Office space demand remains high. Economic conditions are favourable for a letting volume above average in 2018. Nevertheless, the low office vacancy is turning into an obstacle for companies that are moving on an expansion path. This is explicitly true for firms which are in need of new office premises at very short notice.
- Albeit construction activity has risen noticeably in the recent past, office vacancy is forecast to further decrease in the months to come. A vacancy rate below 3% is on the horizon as most of the space under construction and forecast for completion in 2018 is already pre-let. We expect the office vacancy situation to ease no earlier than 2019.
- The tight situation on the supply side will keep office rents under upward pressure across quality segments and submarkets. We forecast a further rise in prime and average rents in 2018.

Sources: Thomas Daily, Bundesagentur für Arbeit, Stadt München, Avison Young

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