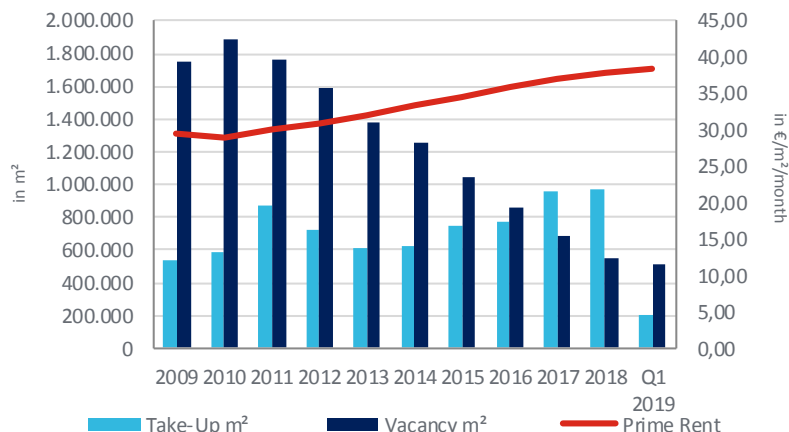




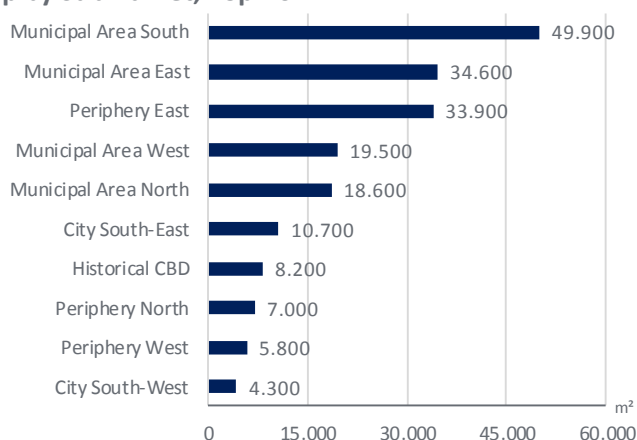
## OFFICE MARKET MUNICH Q1 2019



### Overview

The Munich office market remains on track and for Q1 2019 a letting volume of 199,000m<sup>2</sup> was recorded (including 21,700m<sup>2</sup> provided by owner occupier deals). Thus, last year's very good Q1 result was missed by 11.6%. Nevertheless, take up was above the long term average which is even more remarkable given the low office vacancy rate of only 2.5%. The office prime rent rose for the fourth consecutive quarter and is currently recorded at € 38.50 per m<sup>2</sup>/month. This implies a rise of 4.1% compared to Q1 2018.

### Take-Up by Submarket, Top-10



## KEY MARKET FIGURES

### Market Area\* Munich

Take-Up	199,000m <sup>2</sup>
Vacancy	517,000m <sup>2</sup>
Vacancy Rate	2.5%
Completions	102,000m <sup>2</sup>
Under Construction	775,000m <sup>2</sup>
Prime Rent	38.50 €/m <sup>2</sup> /month
Prime Yield (net initial)	2.90%

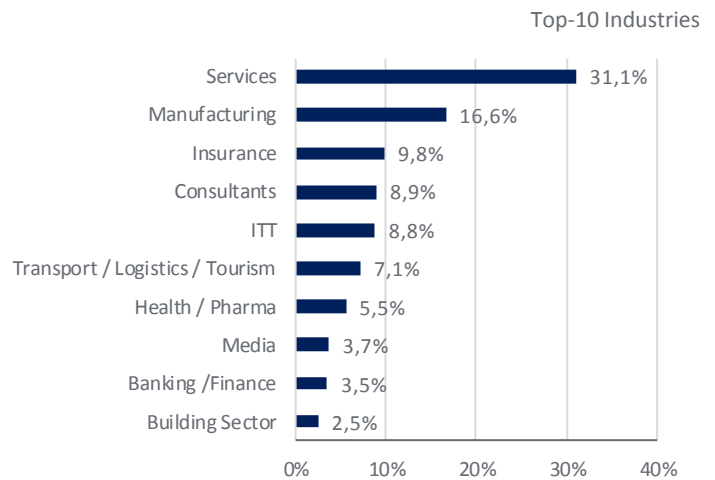
## MUNICH

Inhabitants (09-2018)	1,466,464
Unemployment Rate (03-2019)	3.3% (German Average 5.1%)
Trade Tax Rate	490%

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

### Take-Up by Industry

Strongest tenant group so far were business services companies which generated almost a third of the Q1 letting volume. This volume included two major deals closed by coworking companies Design Offices (approx. 11,000m<sup>2</sup>) and Friends Factory (approx. 5,000m<sup>2</sup>). While Allianz' owner occupier deal (see below) was responsible for the good result of insurances, take up in the manufacturing segment was generated by various medium and larger contracts.



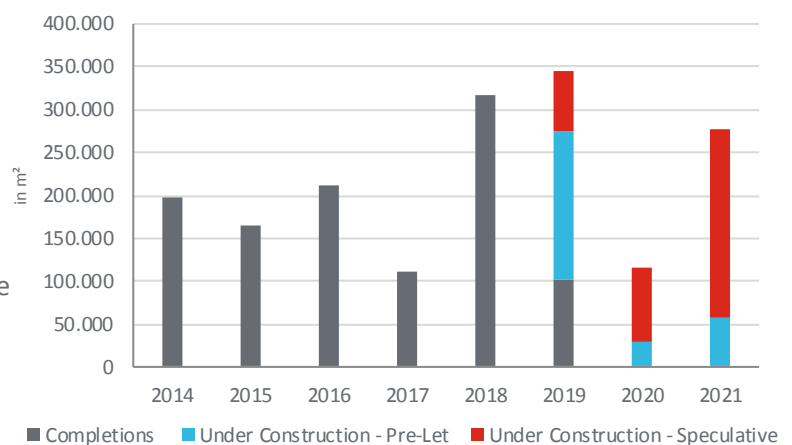
### Take-Up by Size and by Number of Deals

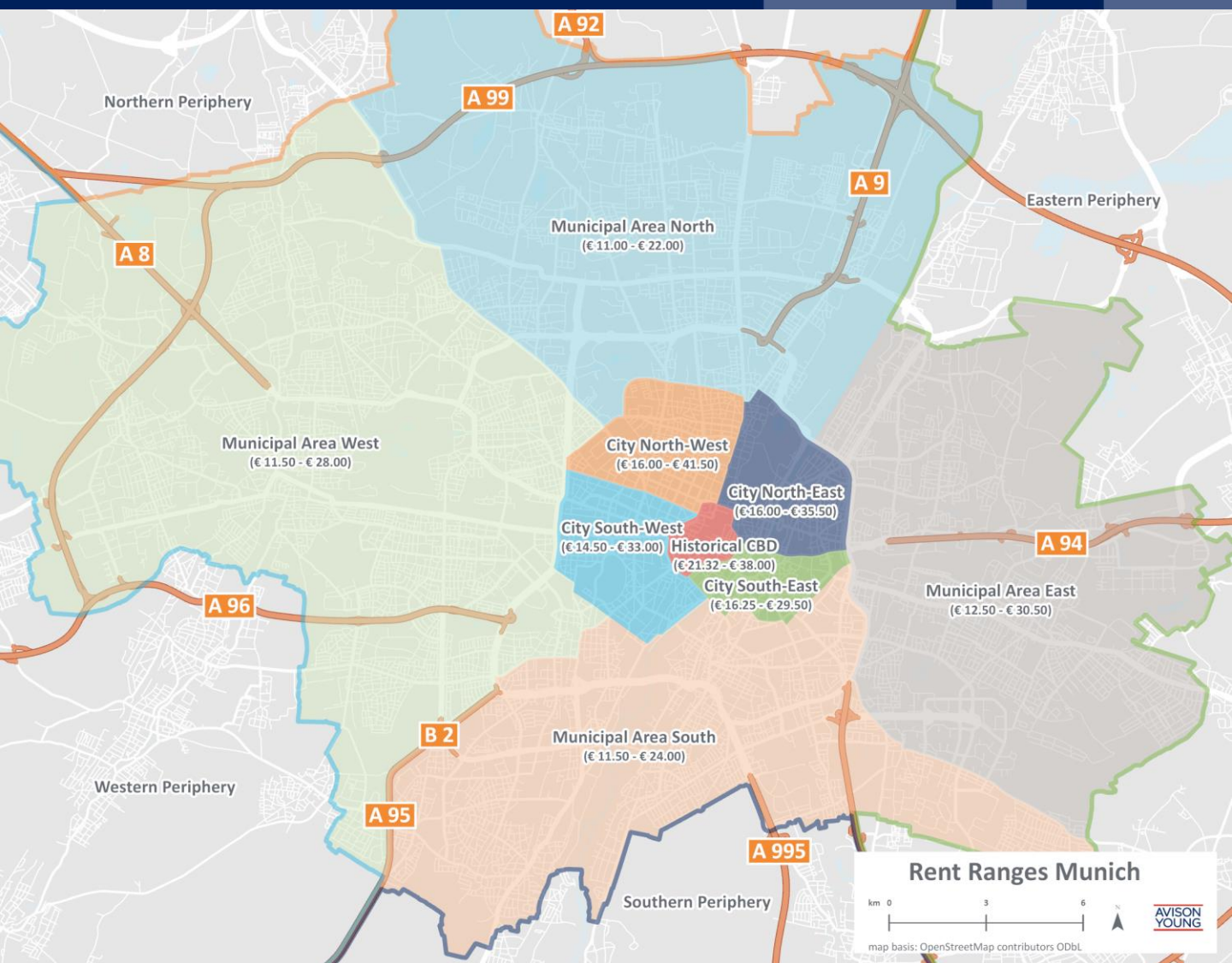
By the end of Q1, already three deals with a letting volume above 10,000m<sup>2</sup> were closed. Allianz will build and use a new building complex in Unterföhring. Given the extremely low vacancy in existing buildings, also the other two major deals were pre-lettings in current projects. As there is hardly any vacancy in Munich's historical CBD, all deals above 5,000m<sup>2</sup> were closed further out. Leasing activity is more and more focused on the city fringe and Munich's peripheral submarkets.

Office Submarket	Company	Letting Area in m²
Periphery East	Allianz	19.000
Municipal Area South	Accenture	14.500
Municipal Area East	Design Offices	10.900
Periphery North	VEONEER	7.000
Municipal Area North	MicroFuzzy	5.800
Periphery East	Societe Generale	5.100
Municipal Area South	Friends Factory	5.000

### Completion Volume

In the course of the past 12 months, construction volume rose by 26% to 775,000m<sup>2</sup>. Thereof some 45% is already pre-let. In Q1 102,000m<sup>2</sup> was completed and another 244,000m<sup>2</sup> is to follow until year end 2019 – thereof 71% have already been absorbed by the market. For 2020, the level of completion is forecast to decrease to 115,000m<sup>2</sup> followed by 277,000m<sup>2</sup> in 2021.





## Outlook

- Munich's office market is steering towards another annual letting volume above average. Office demand is vivid and albeit the very low office vacancy volume letting activity is high. The lack of supply will trigger even stronger leasing activity in the city fringes and in Munich's peripheral submarkets which provide very good transport access. We expect total take up to surpass the 800,000m² mark in 2019.
- A rise of supply is not on the horizon for 2019. Demand is high and office space under construction is quickly being absorbed. Even if the amount of speculative construction is rising, the lack of supply will remain the dominating market feature.
- Rent levels will remain under upward pressure in the Munich market area. Rental growth will be strongest in the city fringe and in Munich's periphery.

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

**Avison Young – Germany GmbH**

Prinz Ludwig Palais  
Türkenstraße 7  
80333 Munich

**Carmen Goldschmitt** Head of Office Leasing Munich  
Tel: +49 89 1500 25 200 | carmen.goldschmitt@avisonyoung.com

**René Steiner** Director Office Leasing  
Tel: +49 89 1500 25 220 | rene.steiner@avisonyoung.com

**Yvonne Lindner** Senior Consultant Office Leasing  
Tel: +49 89 1500 25 210 | yvonne.lindner@avisonyoung.com

**AVISON  
YOUNG**

**BEST  
MANAGED  
COMPANIES**

Platinum member

avisonyoung.de