



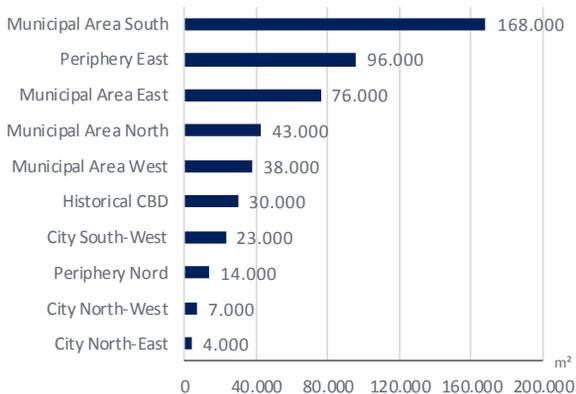
OFFICE MARKET MUNICH Q4 2018



Overview

Despite the extremely low vacancy volume, the Munich office market once again reported a record result: 977,000m² was let in 2018. The previous year result (965,000m²) was slightly exceeded and the 10-year average was surpassed by 35.3%. This was also due to an extraordinary strong year-end rally with 289,000m² of take-up in the fourth quarter. Vacancy fell by 19.6% in 2018, leaving the vacancy rate at only 2.6%. The office prime rent increased by 2.7% last year and continues to be under upward pressure.

Take-Up by Submarket H2 2018, Top-10



KEY MARKET FIGURES

Market Area* Munich

Take-Up	977,000m ²
Vacancy	549,000m ²
Vacancy Rate	2.6%
Completions	317,600m ²
Under Construction	556,000m ²
Prime Rent	38.00 €/m ² /month
Prime Yield (net initial)	2.90%

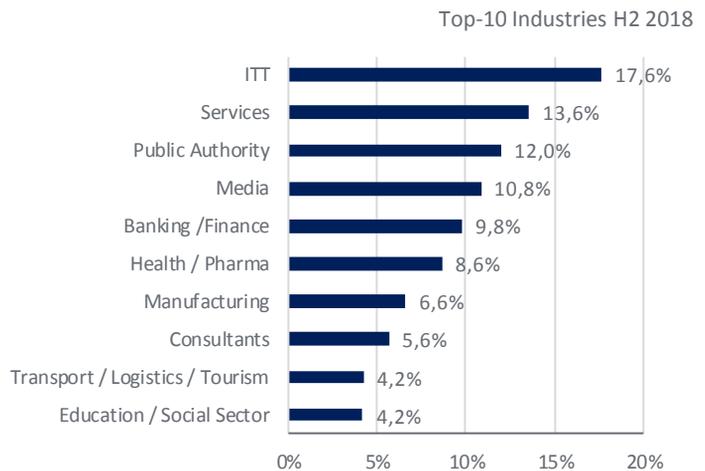
MUNICH

Inhabitants (2017)	1,456,039
Unemployment Rate (12-2018)	3.4% (German Average 4.9%)
Trade Tax Rate	490%

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

Take-Up by Industry

In the second half of 2018, in which 507,000m² was newly let, 17.6% of take-up came from the traditionally strong IT industry in Munich. In addition to the 12,600m² letting of JetBrains GmbH, a large number of small and medium-sized contracts contributed to this result. The market share of 10.8% of the media industry was backed by major deals, closed by Serviceplan (40,000m²) and Gruner + Jahr (6,000m²).



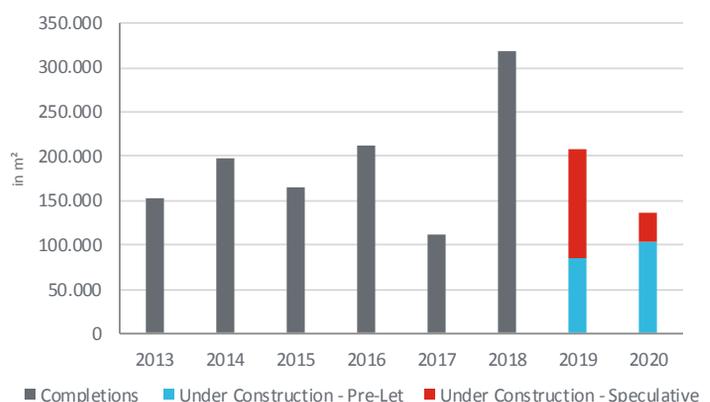
Take-Up by Size and by Number of Deals

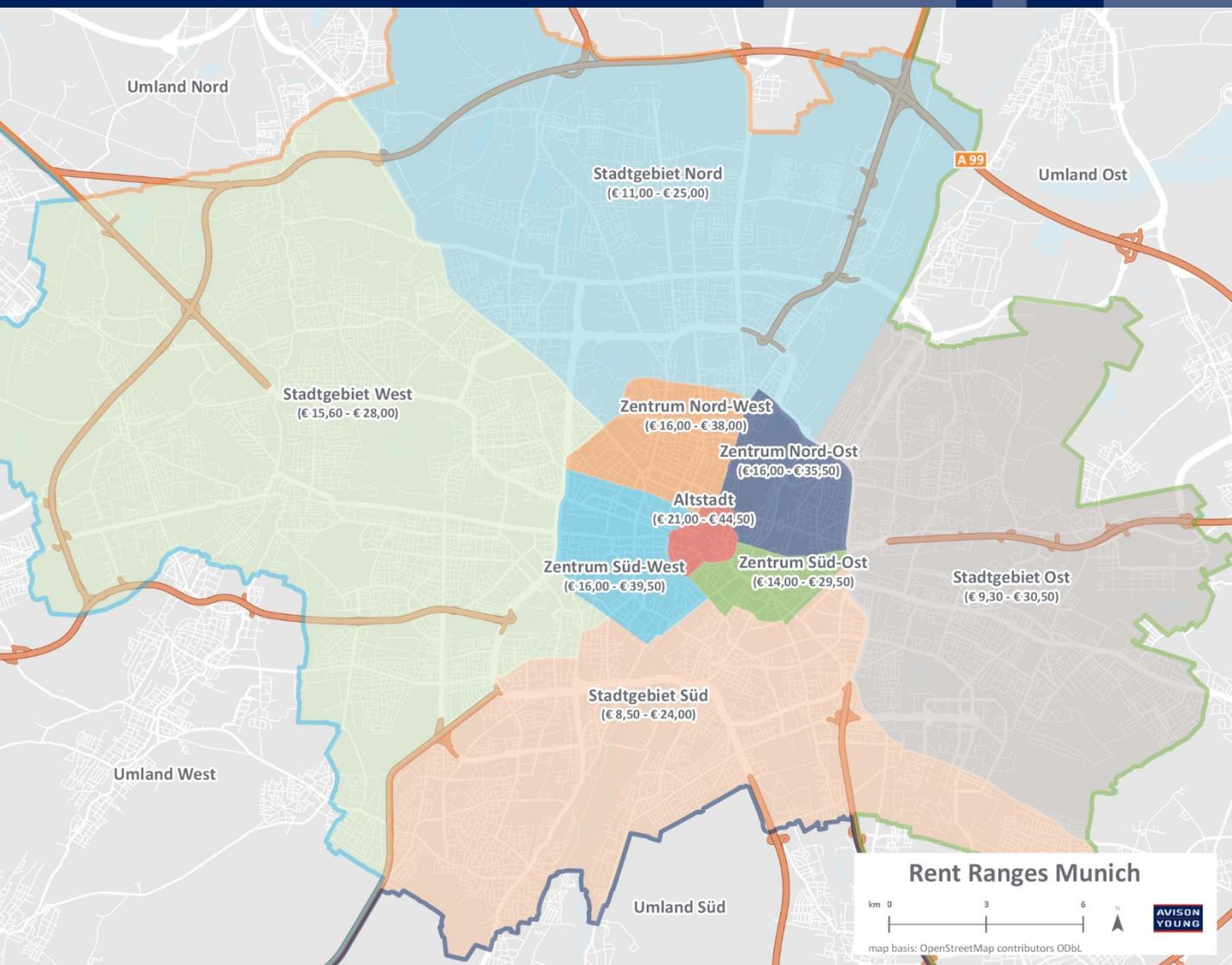
In the Munich market area, 9 contracts of more than 10,000m² each were completed in the second half of the year (179,600m²). Another 10 contracts were completed in the segment 5,001 - 10,000m² (67,000m²). Many of these deals were signed in current projects due to a lack of alternatives in existing stock. The result in the 2,001 - 5,000m² segment with around 100,000m² of letting volume was also outstanding. The take-up was above average in all segment sizes.

Office Submarket	Company	Letting Area in m ² (approx.)
Municipal Area South	Serviceplan	40,000
Periphery East	Wirecard	38,000
Municipal Area South	City of Munich	25,000
Historical CBD	Goethe Institut Munich	15,000
Municipal Area South	City of Munich	13,000
Municipal Area South	Deloitte	13,000
Municipal Area West	JetBrains GmbH	12,600
Periphery East	Pieris Pharmaceuticals	12,000

Completion Volume

Despite the very low vacancy, construction activity in the Munich market area is comparatively low. Currently 556,000m² is under construction (+14.8% compared to December 2017). More than 245,000m² or 44% is already pre-let. For 2019, a completion volume of 207,000m² is expected (41% pre-letting rate). In 2020, additional 136,000m² will follow (75% pre-let).





Outlook

- The Munich office market is currently in full swing. Demand for office space is high and the German economy is overall stable. The requirements for an above-average annual result for 2019 (10-year average 742,000m²) are given by the demand side.
- The vacancy rate will remain at a very low level in the Munich market area in 2019. The space under construction is being quickly absorbed by the market and there is little room for relocation and expansion. Although construction activity has increased overall, pre-letting rates are already so high that a noticeable increase in vacancies is not expected before 2020.
- Against this background, we forecast further rental growth in the entire market area for 2019. This also applies to the already historically high prime rent.

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

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