

YoY Change    12-Month Forecast

**103,900**

Take-Up, m<sup>2</sup>



**3.7%**

Vacancy Rate



**1,020,000**

Under Construction, m<sup>2</sup>



**€39.50**

Prime Rent, €/m<sup>2</sup>/month



## LABOUR MARKET

YoY Change

**97.6**

Ifo Employment Barometer Germany (Mar 2021)



**563,100**

Munich Office Employees (Dec 2019)



**5.2%**

Munich Unemployment Rate (Mar 2021)



Source: ifo-Institut, Riwis, Federal Employment Agency

## ECONOMIC OVERVIEW

With more than 1.5 million inhabitants, the Bavarian capital is one of the largest cities in Germany. Its economic success is reflected in its unemployment rate, which at just 5.2% (March 2021) is well below the national average of 6.2%.

## TAKE-UP

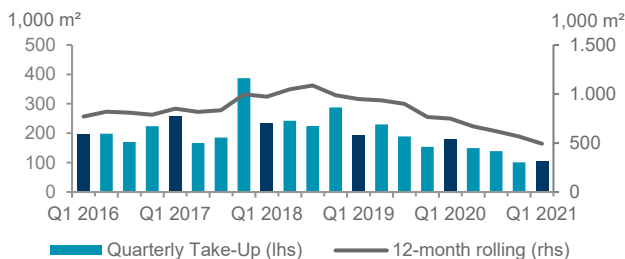
Munich's office leasing market recorded total take-up volume of 103,900m<sup>2</sup> in the first quarter of 2021, which is more than 40% below last year's equivalent result of 177,600m<sup>2</sup>. Compared to the five- and ten-year averages, the current value is 51% and 44% lower respectively. No lower figure for a first quarter has been recorded since the turn of the millennium.

The decline in take-up is particularly noticeable in the city centre, but has also affected the rest of the city. In the first quarter, 47,700m<sup>2</sup> of new office space was leased in the city centre and 25,500m<sup>2</sup> in secondary locations, 55% and 51% respectively less than in the equivalent period last year. This contrasts with the trend on the periphery: in the first quarter the market registered take-up of 30,400m<sup>2</sup>, which is 59% higher than last year's 19,100 m<sup>2</sup>. Market activity was particularly high in the small-space segment up to 500m<sup>2</sup>. Almost 63% of all leases were concluded in this size category and thus made a decisive contribution to the total number of office space leases in Munich.

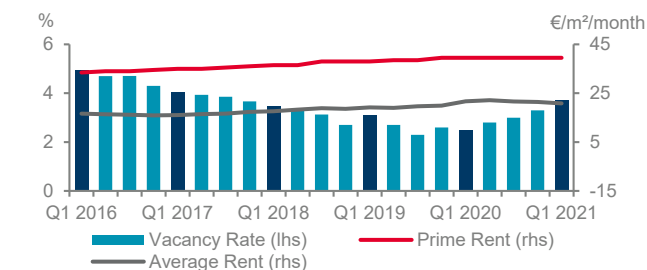
## VACANCY

Absolute vacancy figure has risen from 516,400 m<sup>2</sup> a year ago to 786,400 m<sup>2</sup> bringing the vacancy rate to 5.2% well above the level of the same point last year (3.7%). The last time the vacancy rate was this high was at the end of 2017, continuing the trend of rising vacancy rates that began with the onset of the Covid-19 pandemic into the new year.

## TAKE-UP



## VACANCY & RENT



## COMPLETIONS

Construction activity in the Munich office market is brisk despite Corona. One million square metres is currently under construction and scheduled to be ready for occupation by 2024. Around 52,400 m<sup>2</sup> of new office space was completed in the first quarter, 5% more than in the previous year. A further 554,300 m<sup>2</sup> is under construction for completion by the end of 2021, of which 63% has already been pre-let at this stage. Just under 468,000 m<sup>2</sup> is under construction for completion in 2022, only 45% of which is still available to let.

## RENTS

While the achievable prime rent has once again affirmed its historically high level of €39.50/m<sup>2</sup>/month, the average rent has fallen steadily since the second half of 2020. The weighted average rent for all new leases is currently €20.85/m<sup>2</sup>/month, 3.9% or 85 cents lower than in the same period last year.

## SELECTED PROJECT DEVELOPMENTS

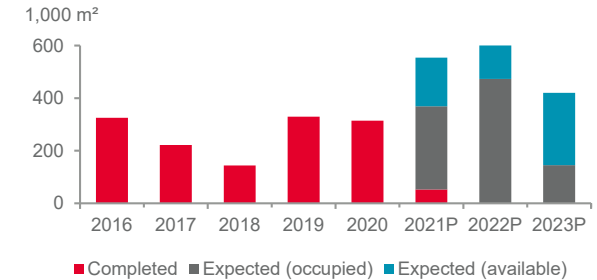
Property/Project	Submarket	Status	Year of Completion	Office Space (m <sup>2</sup> )	Owner
Neue Siederei	Secondary Locations North-North-West	Completed	2021	23,400	Dr. Schnell
Business Area Tutzing	Periphery South-South-West	Completed	2021	8,800	CA Immo
NU Park	Periphery North-North-West	Under Construction	2021	63,700	Hubert Haupt Immobilienmanagement GmbH

## MARKET STATISTICS

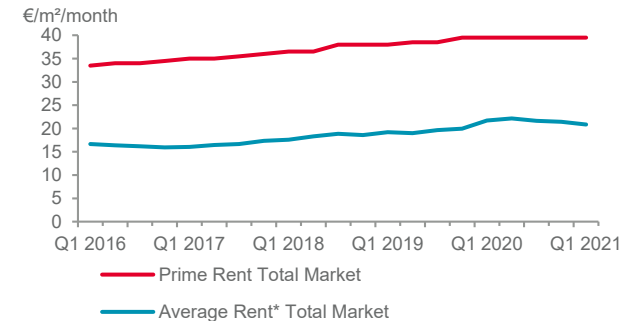
Submarket	Take-Up Q1 2021 (m <sup>2</sup> )	Completions Q1 2021 (m <sup>2</sup> )	Space under Construction Q1 2021 (m <sup>2</sup> )	Prime Rent Q1 2021 (€/m <sup>2</sup> /month)	Average Rent* Q1 2021 (€/m <sup>2</sup> /month)
CBD	8,000	0	0	39.50	33.45
City Center	40,000	1,800	53,300	35.00	27.30
Secondary Locations	26,000	23,400	20,100	28.00	22.60
Periphery	30,000	0	111,800	18.00	15.00
<b>Total Market Munich</b>	<b>104,000</b>	<b>25,200</b>	<b>185,200</b>	<b>39.50</b>	<b>20.85</b>

\* Weighted Average Rent (12 months)

## COMPLETIONS

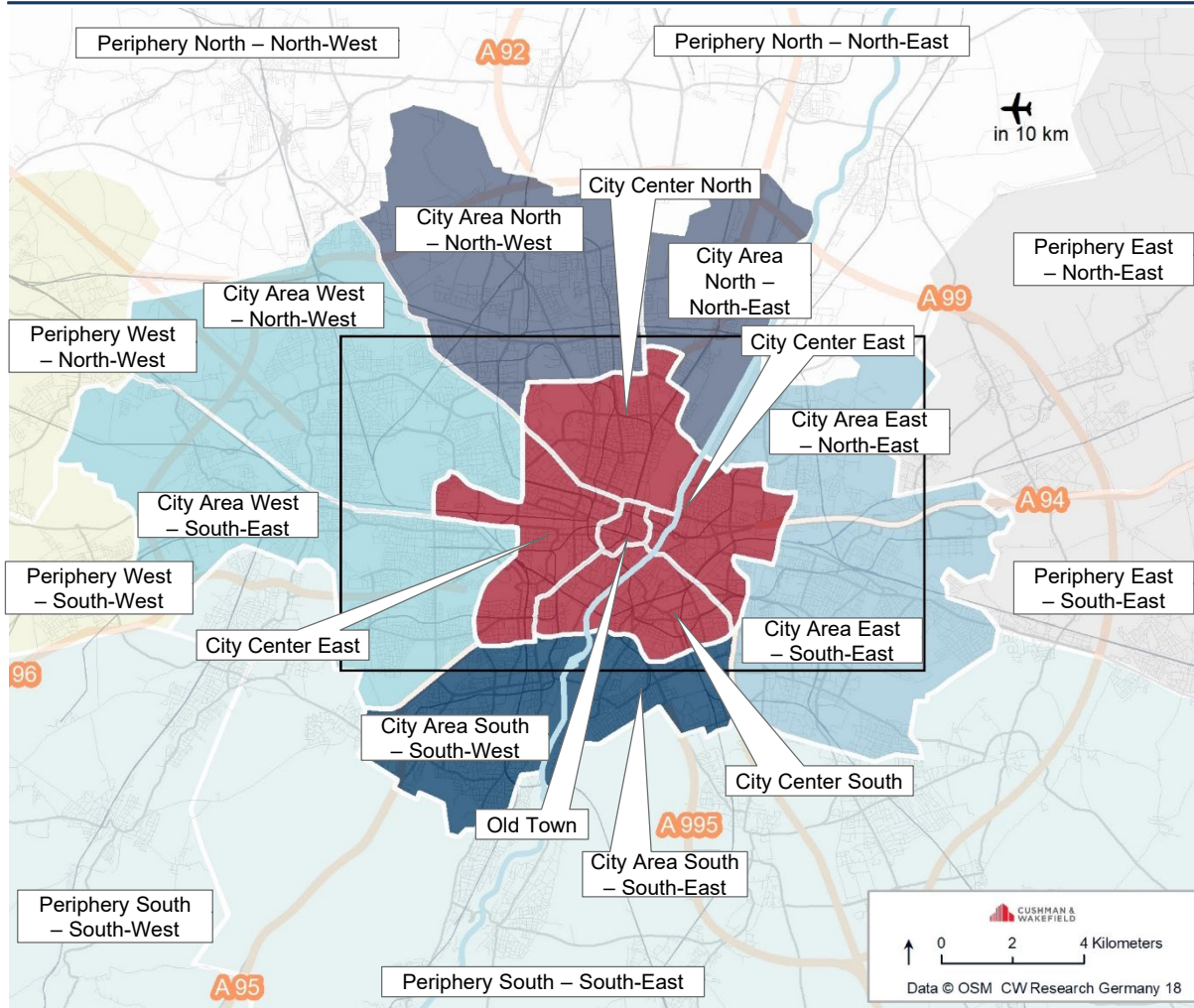


## RENTS





## SUBMARKET OVERVIEW



## RENTAL PRICE RANGE Q1 2021

Submarket	€/m <sup>2</sup> /Month
Old Town	23.00 – 39.50
City Center North	17.00 – 34.50
City Center East	18.00 – 37.00
City Center South	18.00 – 32.00
City Center West	16.50 – 37.00
City Area North – North-East	14.00 – 28.00
City Area North – North-West	14.00 – 22.50
City Area East – North-East	12.50 – 19.50
City Area East – South-East	13.00 – 19.50
City Area South – South-East	12.00 – 16.50
City Area South – South-West	12.00 – 22.00
City Area West – South-West	11.50 – 26.00
City Area West – North-West	14.00 – 22.50
Periphery North – North-East	8.50 – 18.00
Periphery North – North-West	8.50 – 15.00
Periphery East – North-East	8.50 – 13.00
Periphery East – South-East	9.50 – 16.00
Periphery South – South-East	9.50 – 17.50
Periphery South – South-West	11.00 – 16.50
Periphery West – North-West	10.00 – 13.00
Periphery West – South-West	10.50 – 15.50

## OFFICE INVESTMENT MARKET

The investment market for commercial real estate also had a very subdued start to the year. Munich's investment market achieved a total transaction volume of around €450 million in the first quarter of 2021. Compared with last year, this represents a decline in sales of almost 79%. In total, around €135 million was newly invested in office properties and development projects in Q1 2021. This means that the contribution of office transaction volume to total transaction volume was 30%. There was a particular lack of large-volume transactions. The prime office yield is currently 2.50%, down 10 basis points on the first quarter of last year. For office properties in non-central locations, the yield has risen slightly and is currently 3.30%.

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## KEY FIGURES

**€135 m**

Office Transaction Volume (YTD)

YoY Change



12-Month Forecast



**30%**

Share Office Investment of Total

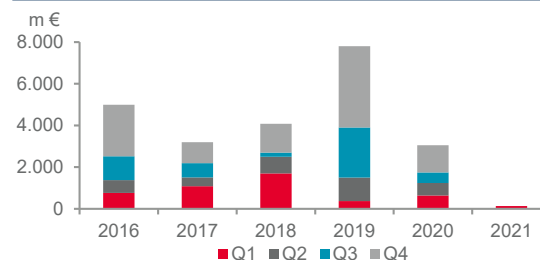


**2.50%**

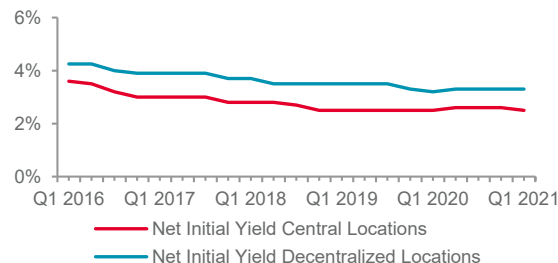
Net Initial Yield



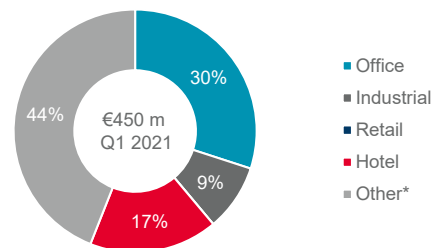
## OFFICE TRANSACTION VOLUME



## PRIME YIELDS



## TRANSACTION VOLUME BY ASSET CLASSES



\*Mixed-use Property, Development Sites, Nursing Homes etc.

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