

	YoY Change	12-Month Forecast
<b>400,700m<sup>2</sup></b> Take-Up (cum.)	▲	■
<b>5.2%</b> Vacancy Rate	▲	▼
<b>1.74m m<sup>2</sup></b> Under Construction	▲	▲
<b>€42.50</b> Prime Rent, €/m <sup>2</sup> /month	▲	■

## ECONOMIC OVERVIEW

With more than 1.6 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 4.2% (Jun 2022) is well below the national average of 5.2%. Compared to the same point last year, the unemployment rate has decreased by 0.7% points.

## TAKE-UP

In the first six months of 2022, Cushman and Wakefield registered take-up of 407,000m<sup>2</sup> in the Munich office market. Compared to the weak first half last year, take-up rose by 72%. The current result is thus 8% above the H1 5-year average (377,700m<sup>2</sup>) and 14% higher than that of the past ten years (355,500m<sup>2</sup>).

The largest lettings in the second quarter were to Hoffmann SE in the Freiham Nord MK 2 project in Freiham with around 22,100m<sup>2</sup>, TÜV Süd Aktiengesellschaft as owner-occupier in Laim with around 20,000m<sup>2</sup> and ProSiebenSat.1 Media SE as owner-occupier in Unterföhring with around 17,300m<sup>2</sup>. These three deals accounted for a total of 29% of the total take-up in the past three months.

In total, four lettings of over 10,000m<sup>2</sup> were recorded in the first half of the year, totalling 79,100m<sup>2</sup>. This is far above the last year's equivalent result, when 14,100m<sup>2</sup> were contributed in this size category.

Companies from the industrial, transport and traffic sectors were significantly more active in the first six months than in H1 2021, leasing 118,200m<sup>2</sup> by the end of June 2022 (H1/2021: 45,000m<sup>2</sup>), which corresponds to 29% of total take-up. 67,000m<sup>2</sup> of this took place in second quarter. The IT sector followed with a 26% share of take-up or 105,400m<sup>2</sup>.

## LABOUR MARKET

**103.3**

Ifo Employment Barometer Germany (Jun 2022)

YoY Change



**453,500**

Munich Office Employees (Jun 2022)



**4.2%**

Munich Unemployment Rate (Jun 2022)

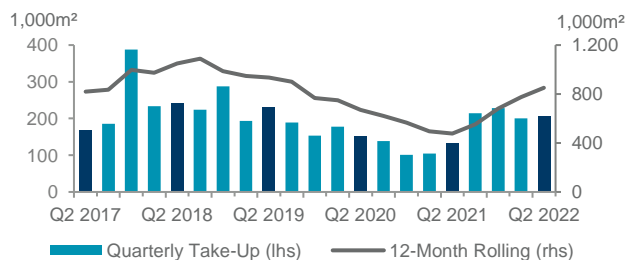


Sources: ifo-Institut, Moody's Analytics, Federal Employment Agency

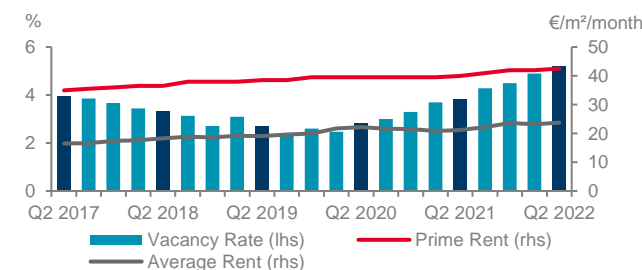
## VACANCY

Compared to a year ago, absolute vacancy has risen from 806,400m<sup>2</sup> to 1,103,100m<sup>2</sup> (+ 37%) raising the vacancy rate to 5.2% (Q2/2021: 3.8%). In the periphery the increase was stronger still: from 6.5% at the midpoint of 2021 to 10.5% now. Despite the high take-up in the surrounding area submarkets (125,100m<sup>2</sup>), there has hardly been any reduction in vacancy, as 46% of this take-up was in development projects.

## TAKE-UP



## VACANCY & RENT



## COMPLETIONS

In the Munich office market, around 87,500m<sup>2</sup> of modern office space was completed in the first half of 2022. Around 13% of this is still available. 1.7 million m<sup>2</sup> of office space is under construction with completion from Q3 2022 to 2026. The pre-letting rate here is currently 42%. 51% of these development projects are in central Munich.

## RENTS

The achievable prime office rent has risen steadily since Q2 2021. At €42.50/m<sup>2</sup>/month, it is currently at the highest level ever recorded and €2.50 above the level of a year previously. In the first six months of this year, Cushman & Wakefield registered eight deals at this level, all in the old town and the City Centre West.

The area-weighted average rent for new lettings over the past twelve months also reached a new peak of €23.70/m<sup>2</sup>/month, an increase of €2.50 over 12 months and 55 cents above the previous quarter. Cushman & Wakefield expects further records for prime rents to be set by the end of the year.

## SELECTED PROPERTY DEVELOPMENT PROJECTS

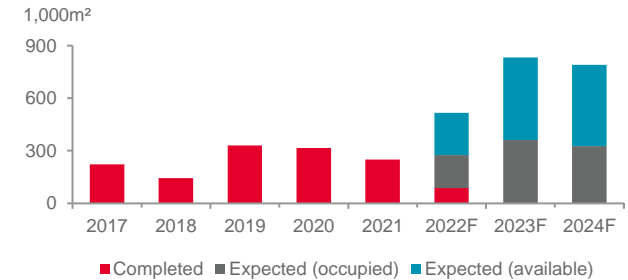
Property/Project	Submarket	Status	Year of Completion	Office Space (m <sup>2</sup> )	Owner
MARK	City Area West – South-East	Under Construction	2022	54,600	AXA Investment
Heads	Periphery East – North-East	Under Construction	2022	41,800	Rock Capital
AER	City Area East – South-East	Under Construction	2022	40,000	Hines
MO'ANDER	City Area North – North-East	Under Construction	2023	19,300	OPES

## MARKET STATISTICS

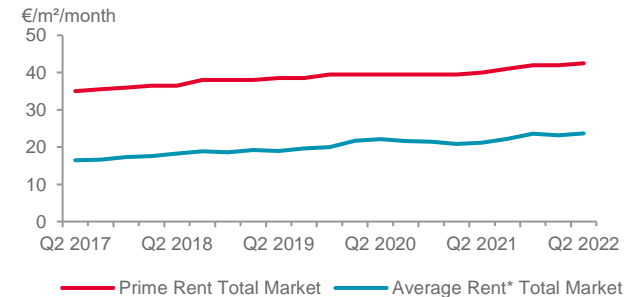
Submarket	Take-Up Q1-2 2022 (m <sup>2</sup> )	Completions Q1-2 2022 (m <sup>2</sup> )	Space under Construction Q2 2022 (m <sup>2</sup> )	Prime Rent Q2 2022 (€/m <sup>2</sup> /month)	Average Rent* Q2 2022 (€/m <sup>2</sup> /month)
CBD	19,900	0	68,200	42.50	38.75
City Centre	141,100	65,000	813,000	40.50	27.90
Secondary Locations	125,100	24,900	435,100	30.00	19.25
Periphery	120,900	2,600	421,100	20.00	13.90
<b>Total Market Munich</b>	<b>407,000</b>	<b>87,500</b>	<b>1,737,400</b>	<b>42.50</b>	<b>23.70</b>

\* Weighted Average Rent (12 months)

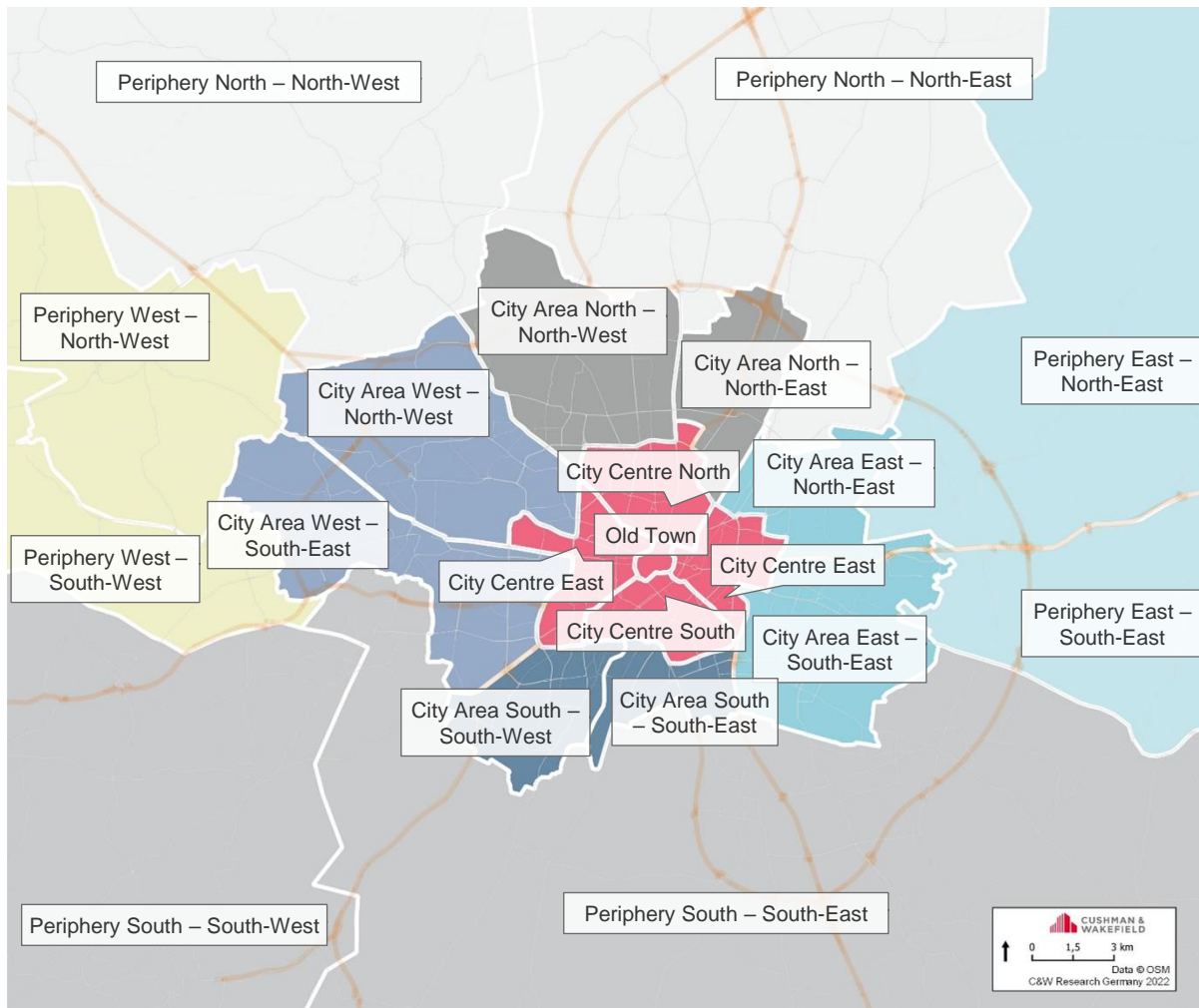
## COMPLETIONS



## RENTS



## SUBMARKET OVERVIEW



## RENTAL PRICE RANGES Q2 2022

Submarket	€/m <sup>2</sup> /month
Old Town	23.60 – 42.50
City Centre North	16.10 – 39.50
City Centre East	14.50 – 37.00
City Centre South	12.50 – 30.25
City Centre West	16.65 – 40.50
City Area North – North-East	13.00 – 30.00
City Area North – North-West	12.90 – 25.00
City Area East – North-East	11.00 – 16.00
City Area East – South-East	11.00 – 19.50
City Area South – South-East	12.50 – 18.25
City Area South – South-West	14.00 – 25.00
City Area West – South-West	13.25 – 25.00
City Area West – North-West	14.00 – 26.00
Periphery North – North-East	7.80 – 21.50
Periphery North – North-West	9.10 – 16.00
Periphery East – North-East	8.50 – 13.50
Periphery East – South-East	9.50 – 15.00
Periphery South – South-East	7.25 – 18.75
Periphery South – South-West	10.90 – 16.90
Periphery West – North-West	8.50 – 11.00
Periphery West – South-West	8.50 – 13.00

## OFFICE INVESTMENT MARKET

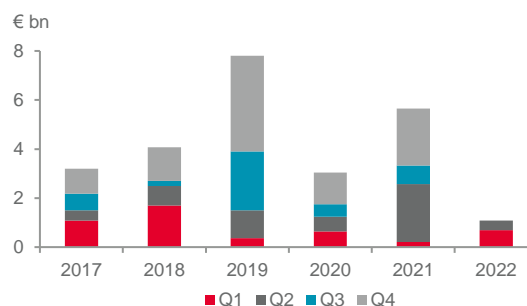
Munich's commercial real estate transaction volume was around €1.56bn in the 1st half of 2022. Compared to the strong first half of the previous year, this represents a decline of 48%. The result is also 39% below the H1 5-year average (€2.56bn) and 31% below the H1 ten-year average (€2.25bn).

Office properties were clearly the focus of investors' attention and contributed almost 70% of commercial real estate transaction volume. The focus on low-risk properties has diminished, while demand for opportunistic and value-add properties increased in the second quarter. Overall, 71% of commercial investment volume in the first six months of 2022 was in low-risk properties in the Core and Core+ risk classes. The prime yield for Munich office properties at the end of Q2 2022 is 2.75%, which is 25 basis points higher than the previous quarter.

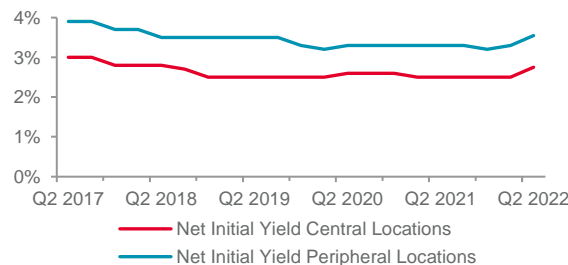
### KEY FIGURES



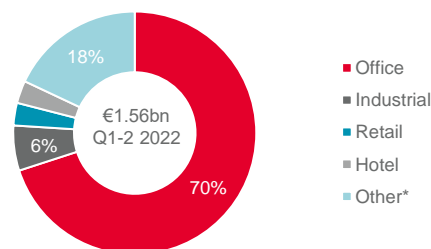
### OFFICE TRANSACTION VOLUME



### PRIME OFFICE YIELDS



### TRANSACTION VOLUME BY ASSET CLASS



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

#### Hubert Keyl

Head of Office Agency Munich  
Head of Munich Branch  
Tel: +49 89 24 21 43 350  
[hubert.keyl@cushwake.com](mailto:hubert.keyl@cushwake.com)

#### Jan Isaakson

Head of Capital Markets Munich  
Tel: +49 89 24 21 43 322  
[jan.isaakson@cushwake.com](mailto:jan.isaakson@cushwake.com)

#### Patrizia Schwarz

Research Analyst  
Tel: +49 89 24 21 43 353  
[patrizia.schwarz@cushwake.com](mailto:patrizia.schwarz@cushwake.com)

#### Ursula-Beate Neißer

Head of Research Germany  
Tel: +49 69 50 60 73 140  
[ursula-beate.neisser@cushwake.com](mailto:ursula-beate.neisser@cushwake.com)

#### Helge Zahrnt MRICS

Head of Research & Insight Germany  
Tel: +49 40 300 88 11 50  
[helge.zahrnt@cushwake.com](mailto:helge.zahrnt@cushwake.com)

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