

# Munich Office Spotlight



Q4 2024

Spotlight Munich highlights the key issues in the Munich office market - supply, demand and prices are examined from the past, present and future.

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# Overview leasing market

► The Munich office market remained consistently stable throughout 2024, with the fourth quarter particularly standing out: A total take-up of 159,000 sqm not only marked a strong year-end but also represented the highest quarterly result. By the end of the year, total take-up amounted to approximately 605,000 sqm, placing Munich at the top of Germany's prime office markets. While this figure was 6% below the five-year average, it still exceeded the previous year's result (2023: 465,800 sqm) by 30%. This positive development was primarily driven by large-scale leases exceeding 10,000 sqm and a continuously increasing number of lease agreements. Among the largest transactions of the year were: Technical University of Munich, leasing 19,300 sqm at the "Lab Campus"; Bavarian State Parliament, securing 18,000 sqm at "LEHELs", and Capgemini, signing a lease for 14,000 sqm at "Bogen". In terms of demand, industrial sector companies (19%) remained the strongest leasing group, followed by the ICT sector (16%). The public sector and consulting firms also contributed significantly, accounting for 14% and 13% of annual take-up, respectively. Small to mid-sized lease segments (up to 1,500 sqm) accounted for nearly 45% of the total volume.

## Munich's office leasing market continues its recovery - strong demand for premium spaces - prime rents on the rise

Premium office space in top locations remains highly sought-after, driving a further increase in prime rents due to limited availability. By the end of the year, prime rents had reached €53.50/sqm, reflecting a 14% increase compared to Q4 2023. The average rent stood at €25.10/sqm. Meanwhile, vacancy levels rose significantly compared to the previous year, reaching approximately 1.63 million sqm (+23% YoY), which translates to a 7.1% vacancy rate across the entire market. However, the disparity in vacancy trends remains evident: Munich's historic city centre and inner-city submarkets continue to report vacancy rates well below the overall market average.

**605,000**

Take-up [sqm]

**7.1**

Vacancy rate [%]

**53.50**

Prime rent [€/sqm/month]

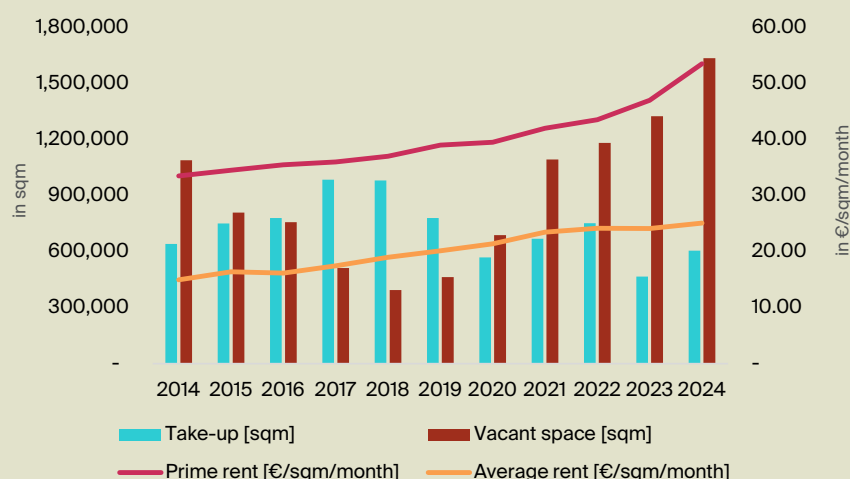
**205,400**

Completions [sqm] (2024)

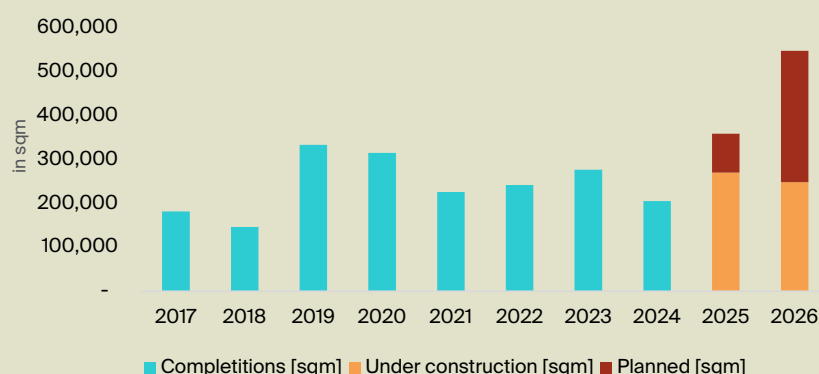
**518,700**

Under construction [sqm] (2024-2026)

### OVERVIEW

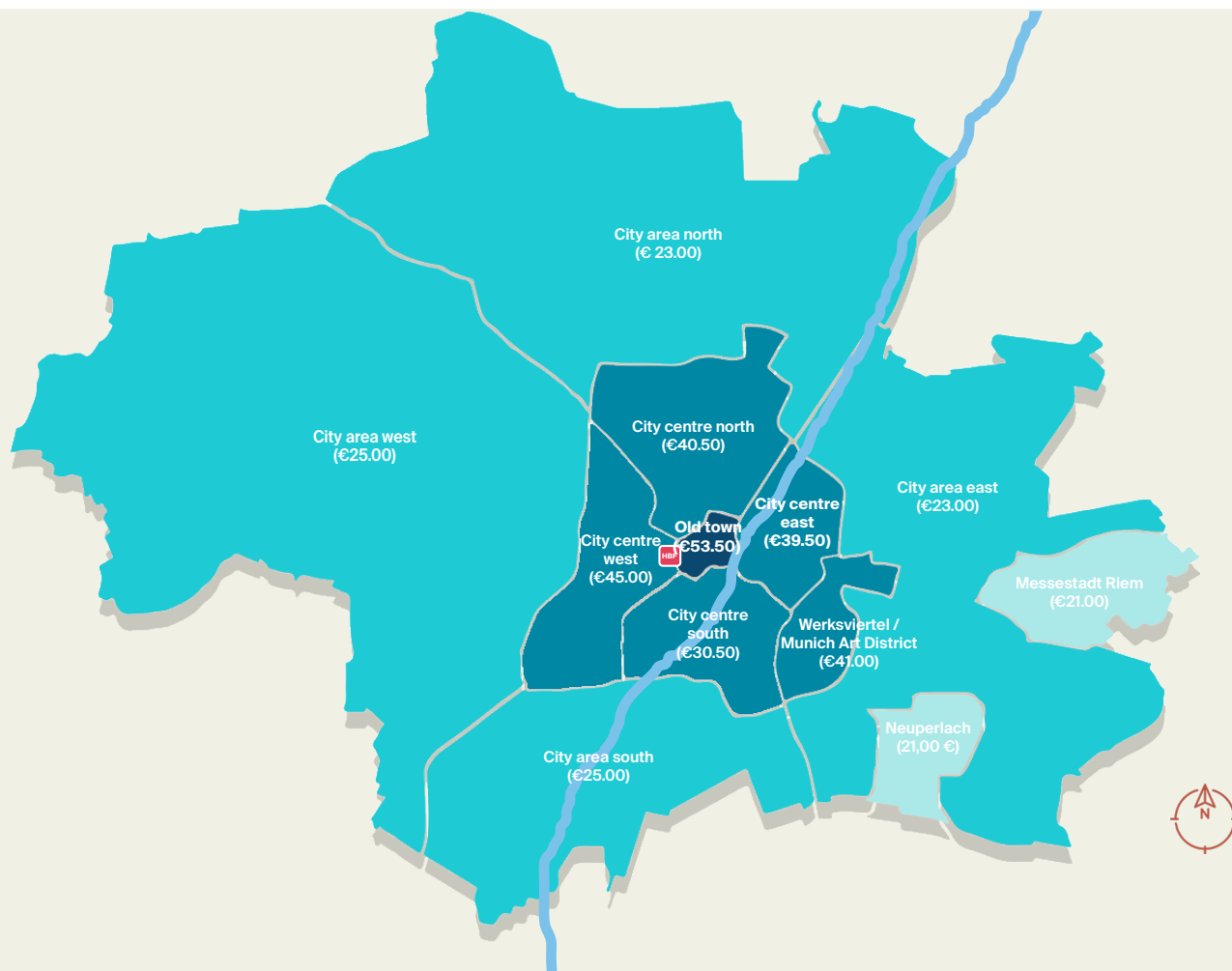


### DEVELOPMENT



## OVERVIEW SUBMARKETS

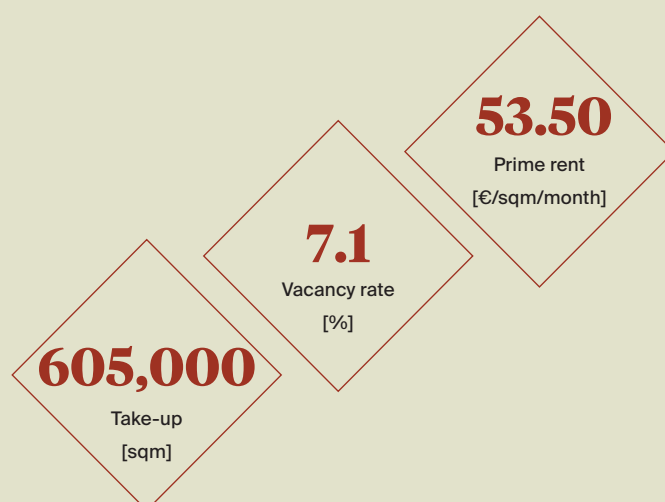
	Old town	City centre	City area	Periphery
Rental range [€/sqm/month]	36,00 - 53,50	20,00 - 45,00	14,50 - 25,00	10,00 - 20,00
Vacant space [sqm]	14,300	332,000	668,600	620,200
Vacancy rate [%]	1.7	3.5	7.6	12.2
Completions [sqm]	30,800	48,900	125,700	-
Under construction [sqm]	12,300	198,300	228,300	79,800



## OUTLOOK

The Munich office leasing market maintained a consistently positive trajectory throughout 2024, despite the absence of strong economic tailwinds. The market benefits from a broad and stable demand base, as reflected in the high share of small to mid-sized lease transactions. The shortage of available premium office space in prime locations continues to intensify. At the same time, demand remains strong, while new construction activity is declining. As a result, prime rents are expected to continue rising, albeit at a more moderate growth rate. Additionally, leasing activity is projected to increase. However, vacancy rates are expected to rise further in the coming quarters, primarily leading to an oversupply in decentralized submarkets with older office stock. Regarding broader economic developments, it remains to be seen how the policies of the new German government and decisions of the Trump administration will impact Germany's office markets.

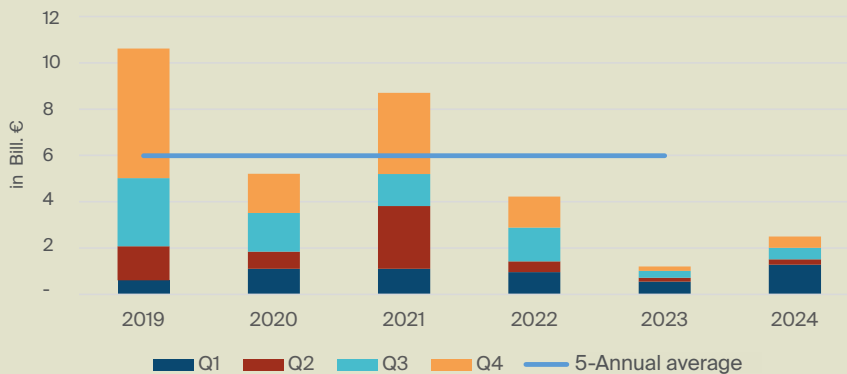
## TREND



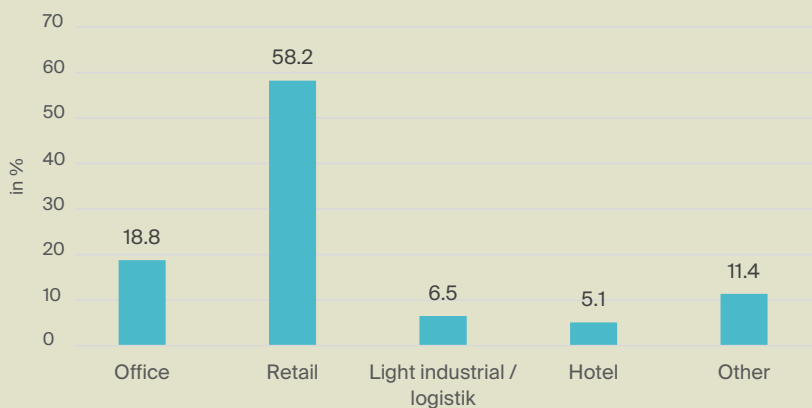
## Transaction volume doubles compared to 2023 - retail sector drives investment activity - market confidence in Munich strengthens

In 2024, Munich's investment market recorded a transaction volume of approximately €2.5 billion, marking an impressive 108% increase compared to the previous year, effectively doubling the investment volume. However, this figure still falls 56% below the five-year average. The retail sector played a pivotal role in the market's strong performance in 2024. Notable transactions, such as the sales of "Fünf Höfe," the property at Maximilianstraße 12-14, and the Pasing Arcaden—all exceeding €100 million - indicate that investor confidence in the Munich market is gradually returning. Meanwhile, the office sector remains weak, contributing only €466 million to the total transaction volume - a figure 81% below the 10-year average. However, the fourth quarter of 2024 showed an increase in office transactions compared to previous quarters. Combined with the recovery of the leasing market, this suggests that office investment activity may be on an upward trajectory. Prime office yields remain stable at 4.3%, reaffirming Munich's position as the most expensive office market among Germany's top locations.

### TRANSACTION VOLUME

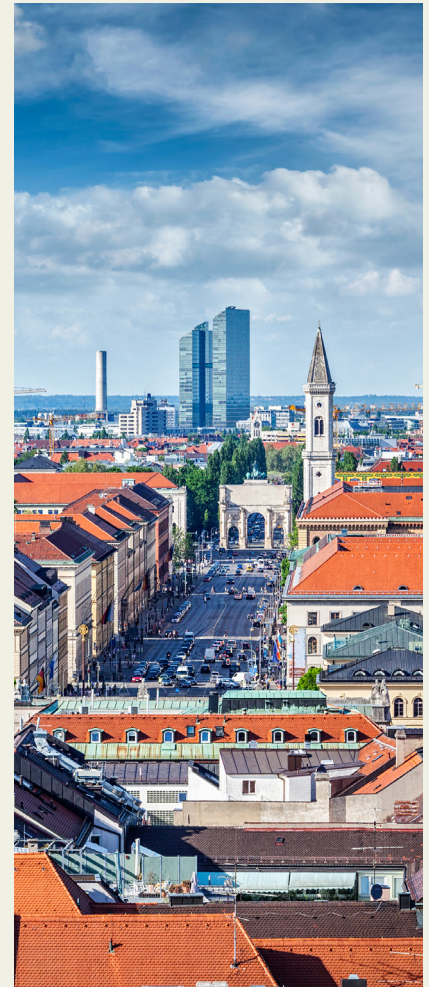


### TRANSACTION VOLUME BY ASSET CLASS



### OUTLOOK

2024 has shown that confidence in Munich as an investment hub is still present and gradually strengthening despite a weakening economy. Stabilizing occupier markets, the prospect of further interest rate cuts, and the resulting improved financing conditions create a promising foundation for a more dynamic market development in 2025. Additionally, signs of declining yields are expected to significantly enhance the competitiveness of Munich's investment market compared to other regions.



## CONTACT

Knight Frank GmbH & Co. KG  
Prinzregentenstraße 22  
80538 Munich  
Germany

Sarah Červinka  
Managing Partner | Head of Branch  
+49 89 83 93 12 133  
+49 170 8000782

Christian Steilen  
Senior Consultant Research  
+49 89 83 93 12 190  
+49 170 9601040