

Munich Office Market



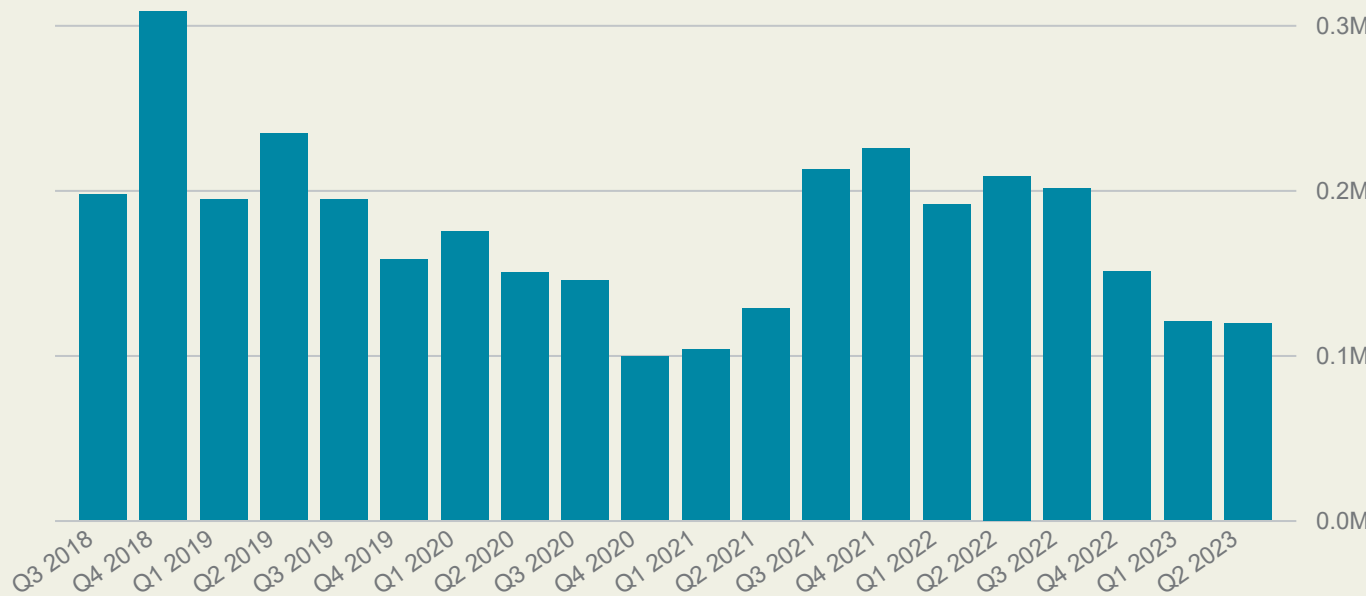
Q2 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

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Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

118,900 SQM

Take up

€ 552 PSQM

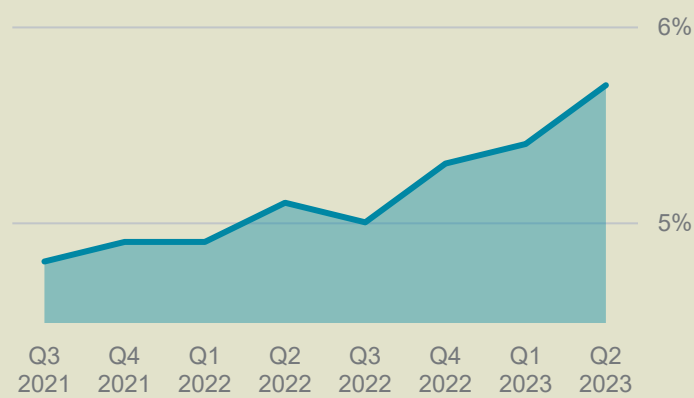
Prime Rent

5.7%

Vacancy Rate

Vacancy Rate

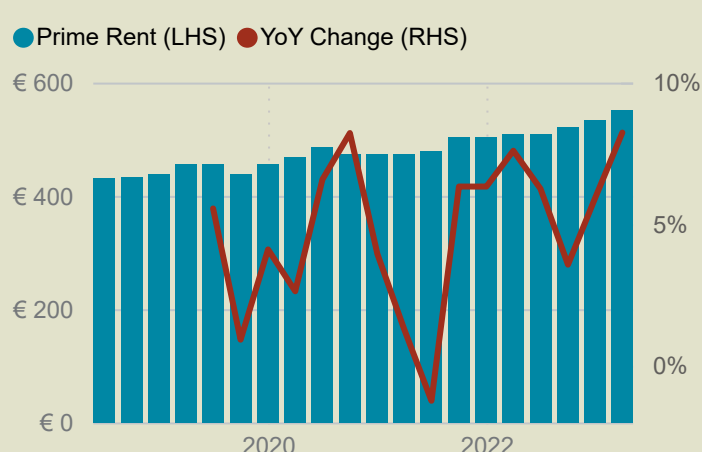
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

OCCUPIER HEADLINES

Demand in the Munich office market remains at a low level for the second quarter in a row. Last quarter's weak take up figure was undercut in the second quarter, recorded at 118,900 sqm. This brings the total for H1 2023 to 239,100 sqm, representing a 40% decrease from levels seen in the first half of 2022, but above those seen in H1 2021 and H1 2020.

The vacancy rate continues its upward trajectory, coming to 5.7% in Q2, and amounting to an increase of 12% year-on-year. The last time the vacancy rate was at this level was more than 9 years ago.

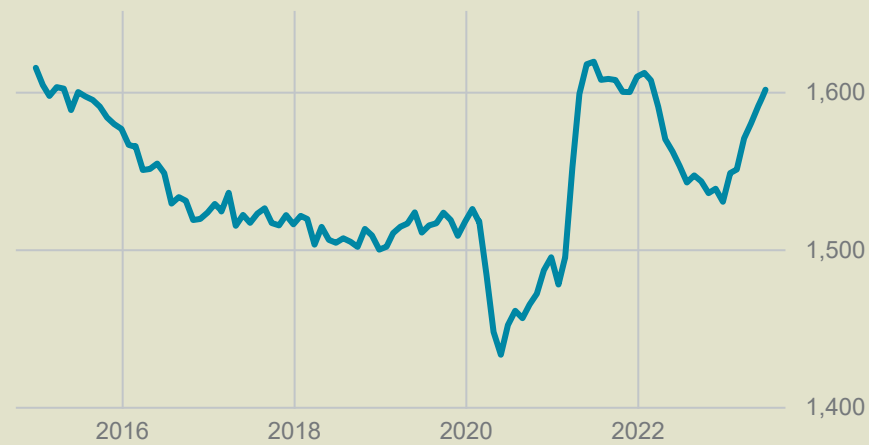
Nevertheless, an increase in the prime rent was recorded, as the supply of space in central locations continues to be scarce. At € 552 psqm per annum, the prime rent in Q2 has reached a historically high level, up 8% when compared to Q2 2022. The current expectation is for prime rents to continue to climb.

There were 71,100 sqm of construction completions in Q2 2023, bringing the total for the first half of the year to 191,300 sqm. This is significantly above last year's volume for the same time period of 54,500 sqm, and is also greater than the 5-year H1 average of 157,700 sqm. There are more than 800,000 sqm of stock expected to be delivered throughout 2024 and 2025.

ECONOMIC INDICATORS

New Businesses in Germany

12-month Rolling Average



Source: German Federal Statistical Office (Statistisches Bundesamt)

The pace of new business starts in Germany was strong in late 2021 to early 2022, but slowed for the remainder of the year. Preliminary figures from the pace of activity in H1 2023 are above the five-year average, but this may be impeded by the challenging economic environment.

Employment Expectations in the Service Sector in Germany

Over the next 3 months, %

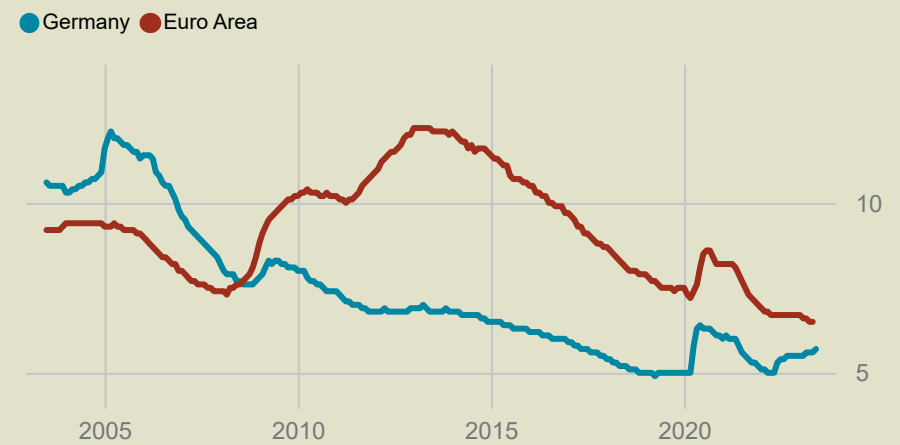


Source: European Commission (DG ECFIN)

Employment expectations in the German service sector fluctuated in Q2 2023, coming to 8.2 in June. This is below the 5-year average for the metric but well above negative levels seen in 2020.

Unemployment Rate in Germany

vs Euro Area, as a Percent of Civilian Labour Force, %



Source: Eurostat/ German Federal Employment Agency (Bundesagentur fuer Arbeit)

The unemployment rate in Germany ticked upwards in June 2023 by 10bps to 5.7%. The recent rise in unemployment and a pickup in insolvencies may suggest waning labour market resilience. Unemployment may edge a little higher from June's 5.7%, but broad-based job cuts are not expected.

Services PMI in Germany

Services PMI for the last 5 years, Index



Source: S&P Global

In the second quarter of the year, the service sector PMI in Germany continues to suggest expanding services activity. However the June reading is less positive than two months ago and may be pointing to the start of a downward trend as seen in other countries, with only tourism-related activities outperforming.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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