

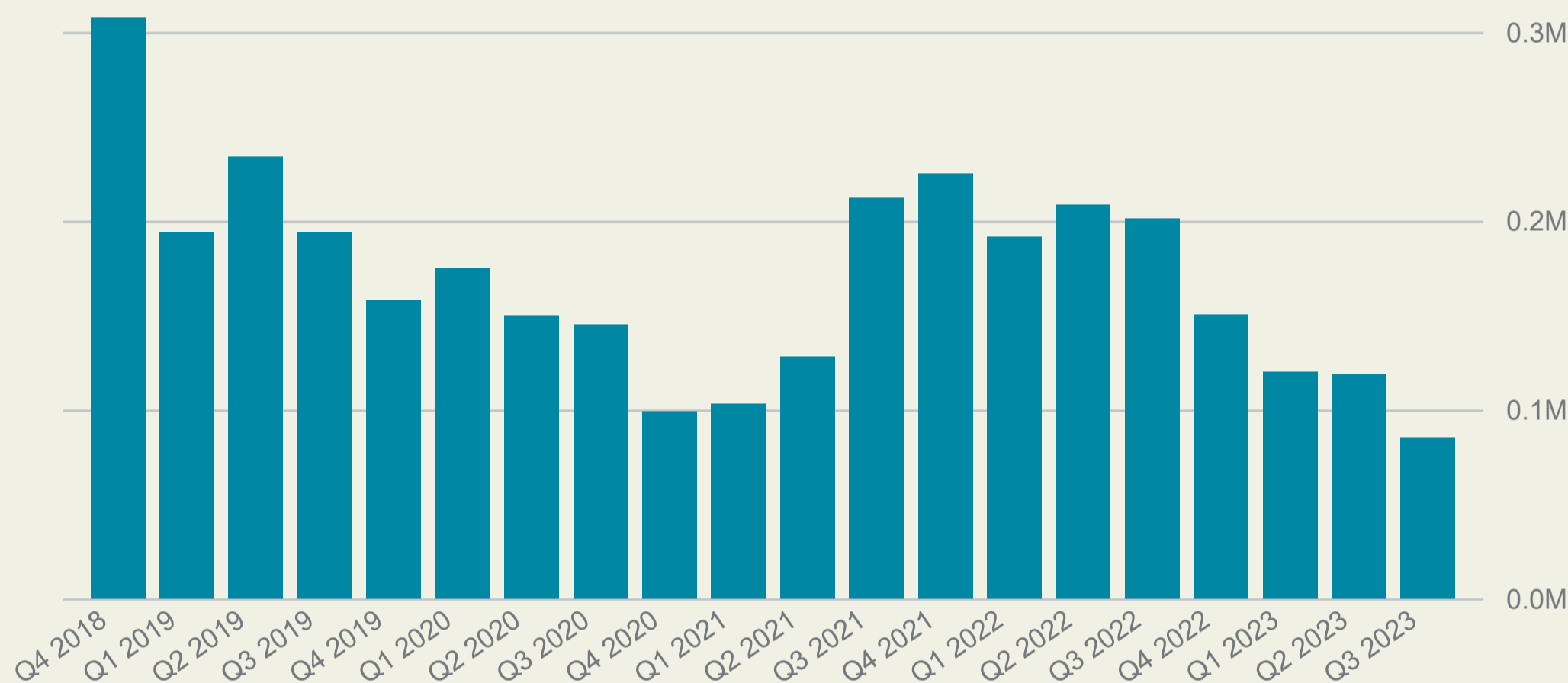
Munich Office Market

Q3 2023

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

Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

85,400 SQM

Take up

€ 552 PSQM

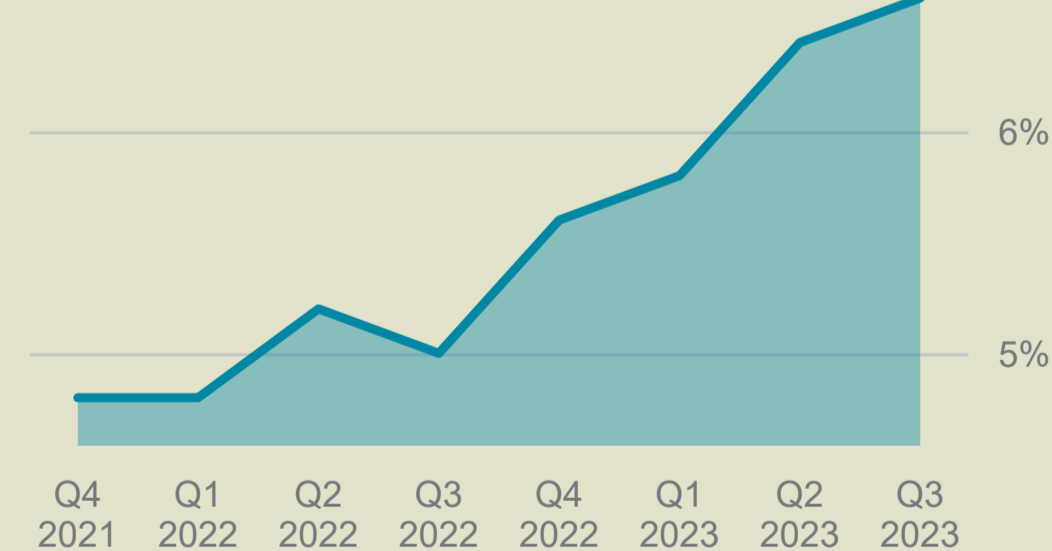
Prime Rent

5.8%

Vacancy Rate

Vacancy Rate

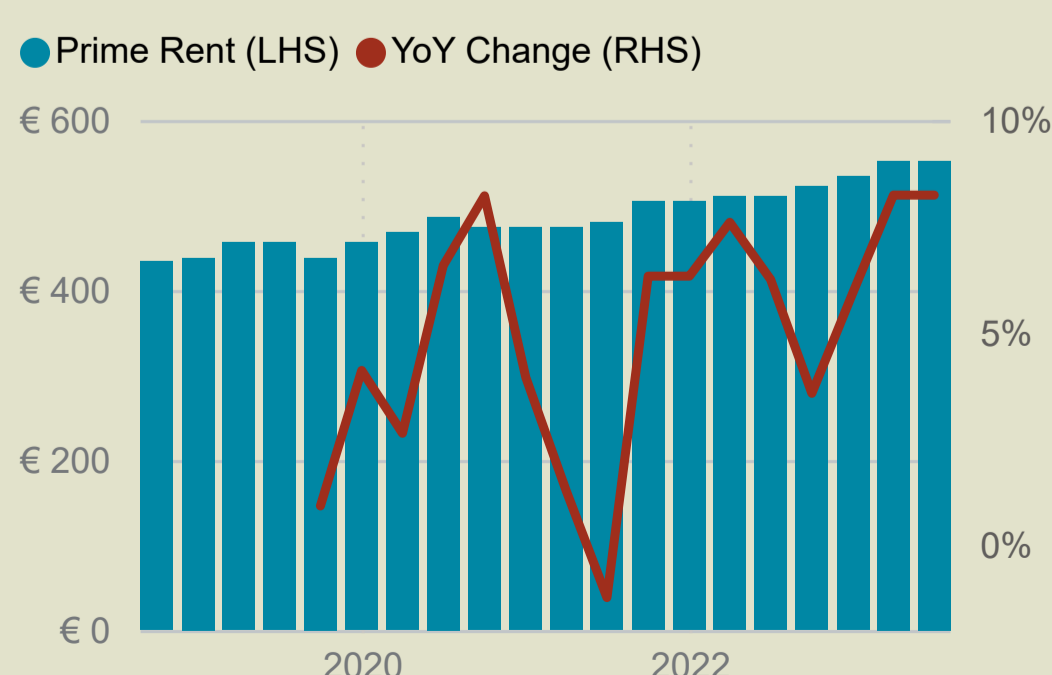
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

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



Source: Knight Frank Research

OCCUPIER HEADLINES

In the Munich office market, the downward trend in take up this year continued in Q3, recording 85,400 sqm. This brings the total for the year to date to 324,500 sqm, representing a 46% decrease when compared to take up recorded in the same time period last year and 34% below the five-year average.

As a result, the vacancy rate has continued its upward trajectory, ticking up slightly to a new high of 5.8% from 5.7% last quarter. The vacancy rate remains lowest in the Old Town and City Centre markets, and highest in the periphery of the city.

Prime rents in the market remain at € 552 psqm per annum in Q3 after reaching this historically high level in Q2. This represents an increase of 8% year-on-year. Prime rents are expected to keep stable for the rest of the year.

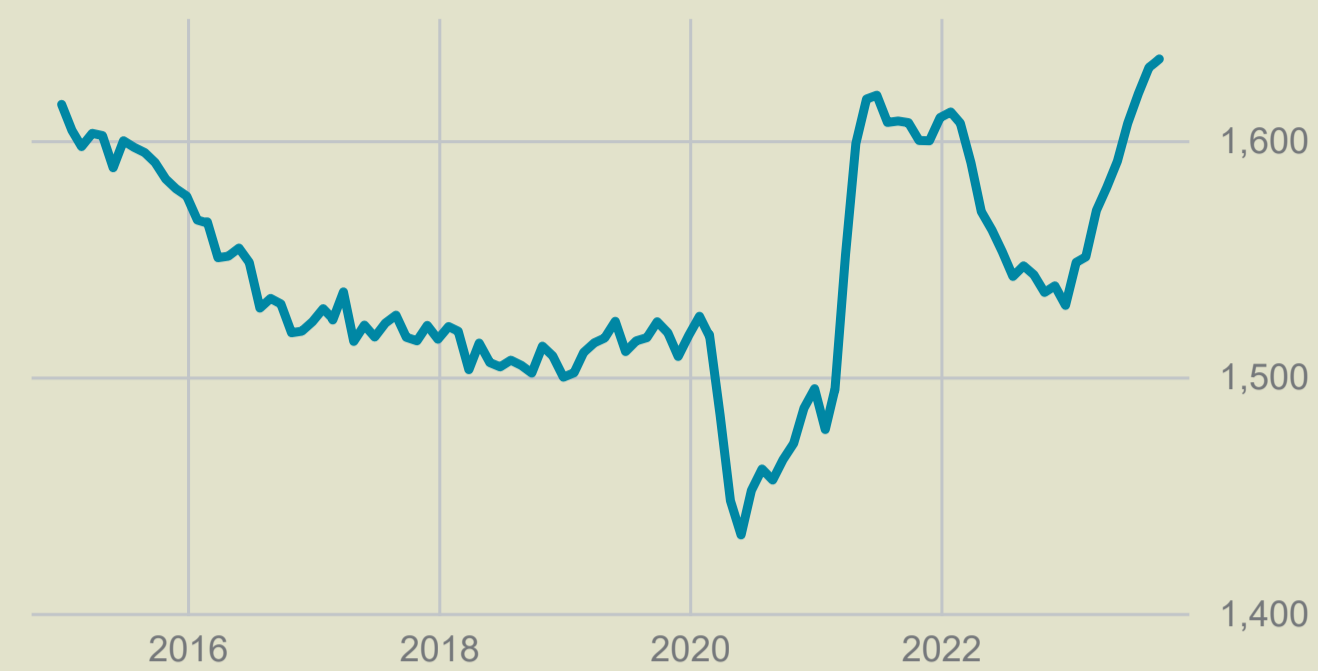
The market saw 24,500 sqm of construction completions in Q3 2023, bringing the total for the year to date to 215,800 sqm. This is above last year's volume for the same time period of 129,300 sqm, but 32% below the five-year average for the first three quarters of the year.

There are another 135,000 sqm of space under construction that are expected to be delivered in Q4 2023, and more than 900,000 sqm under construction or in planning stages set for completion in 2024-2025. Only a small proportion of the development pipeline is space found in the Old Town, therefore unlikely to reverse the current supply shortage in prime locations.

ECONOMIC INDICATORS

New Businesses in Germany

12-month Rolling Average

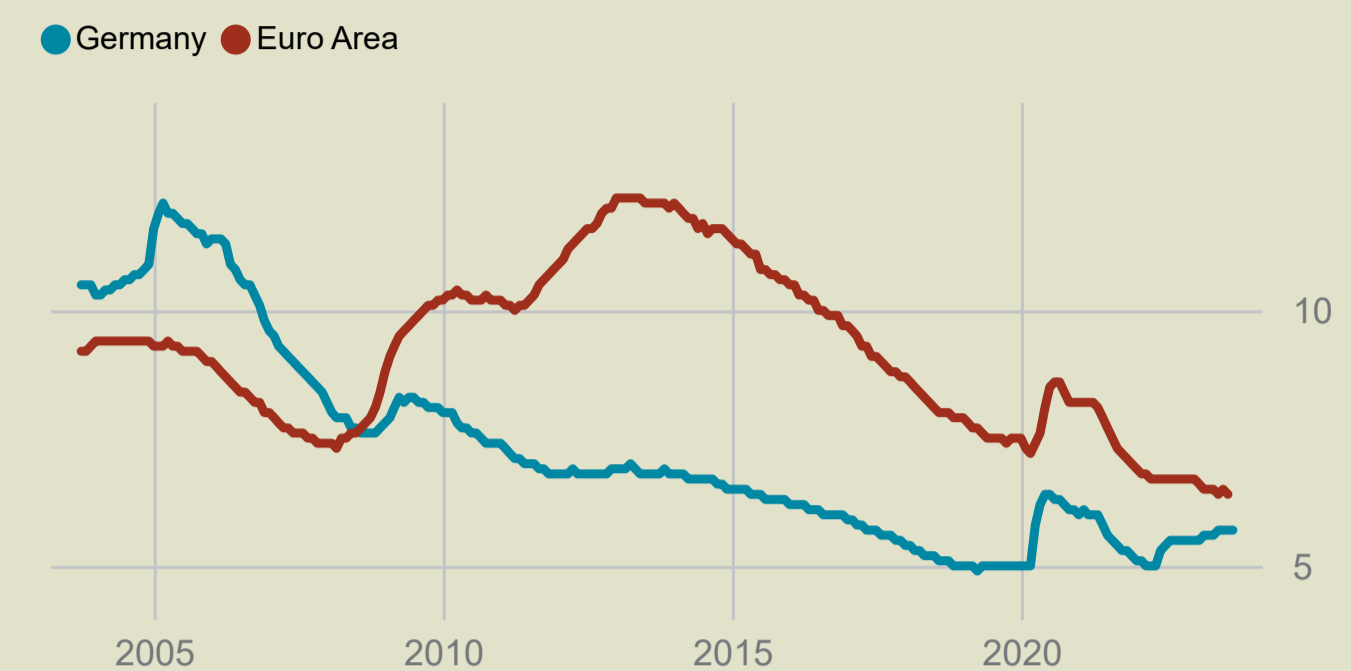


Source: German Federal Statistical Office (Statistisches Bundesamt)

The pace of new business starts in Germany has remained strong in Q3 2023, above the five-year average. However, this may be impeded by the challenging economic environment.

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 has held firm in Q3 2023 at 5.7%. According to Oxford Economics, it is expected to tick upwards to 5.8% in Q4 this year and trend around 5.6% in 2024, which is well below the LTA of 8.2%.

Employment Expectations in the Service Sector in Germany

Over the next 3 months, %

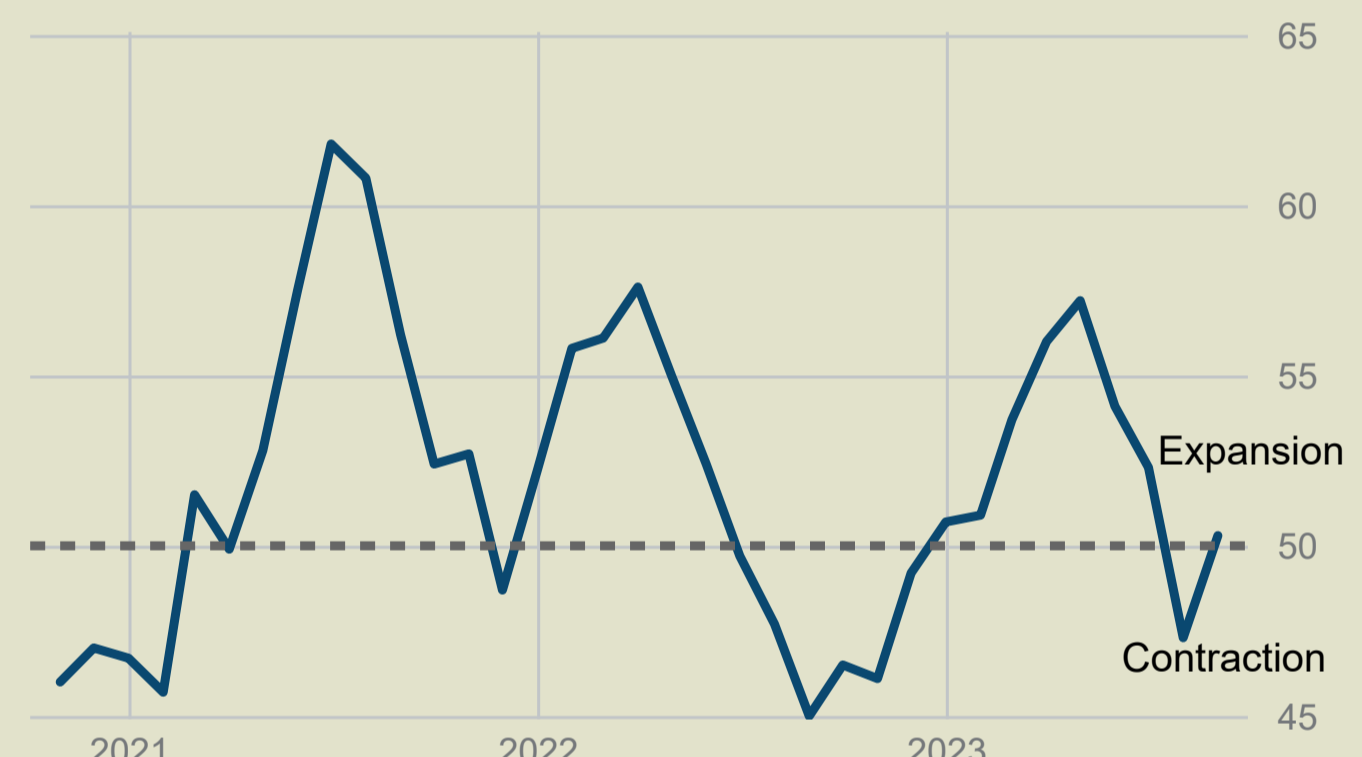


Source: European Commission (DG ECFIN)

Employment expectations in the German service sector continued their downward trend in Q3 2023, falling to 3.1 in September. This suggests cooling labour market activity.

Services PMI in Germany

Services PMI for the last 3 years, Index



Source: S&P Global

The German service sector PMI dipped into contractionary territory for the first time this year in August, with a reading of 47.3, driven by a slump to client hesitancy amid tighter financial conditions. The figure improved in September to 50.3, although the overall outlook appears gloomy for the rest of the year.

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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