

MUNICH

Office & Investment Market Report 2021/2022

E&G REAL ESTATE



E & G Real Estate

Thinking about tomorrow – today

With more than 80 years of market experience and a broad expertise, E&G Real Estate are leading specialists for commercial property in southern Germany. Our clients appreciate the long-standing excellence in property consulting and the absolute discretion of our expert team. They know: at E&G Real Estate, their commercial property projects are in good hands.

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E & G Real Estate stands for best practice consulting and full-scale services in commercial property. From attractive office premises to multi-functional industrial & logistics space, our letting experts will always find the right property for your individual needs.

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Personal support throughout the entire transaction process

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- Investment Market Report – Southern Germany
- Industrial & Logistics Market Report – Stuttgart
- Office Market Report – Stuttgart
- GPP Markt Report – Germany

These publications may be obtained free of charge per email at info@eug-re.de or at www.eug-realestate.de.

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Munich Office Market Recovering letting volume

With a total space take-up of 630,000 m², the Munich Office Market showed a significant recovery in 2021. This was mainly due to a strong second half-year and more than 400,000 m² in letting volume.

Strongest demand from IT-sector & public administration

SPACE TAKE-UP

By far the largest rental was undertaken by the German Patent Office at the project "Pandion Soul" at Werksviertel/Ostbahnhof (45,000 m², Anzinger Straße, Central/East). Second ranked Wacker Chemie GmbH, who will move their headquarters from Neuperlach to Werksviertel occupying the entire project development "MK7" (17,800 m², Gise-la-Stein-Straße, Central/East). On third position follows the online trader for animal supplies Zooplus, who has decided to take up space at the project "Lumen" at Stachus (12,000 m², Sonnenstraße 23, CBD).

Regarding sub-markets, District North was in the lead with a letting volume of ca. 104,000 m² and a 16.5 % market share. However, there were only few larger lettings at this location. The second strongest sub-market Central/East followed closely behind with a space take-up of ca. 101,000m² corresponding to a market share of 16.0 %. The winner's podium was complemented by the submarket CBD with 80,000 m² in letting volume and 12.7 % market share.

Once again, IT companies were taking up the largest office volume. But also public occupiers expanded their footprint in 2021.

RENT LEVELS

Average rents grew significantly last year to €24.50€/m², a 10 % increase compared with the previous year. Also prime rents rose by 9 % currently ranging at €42.00/m².

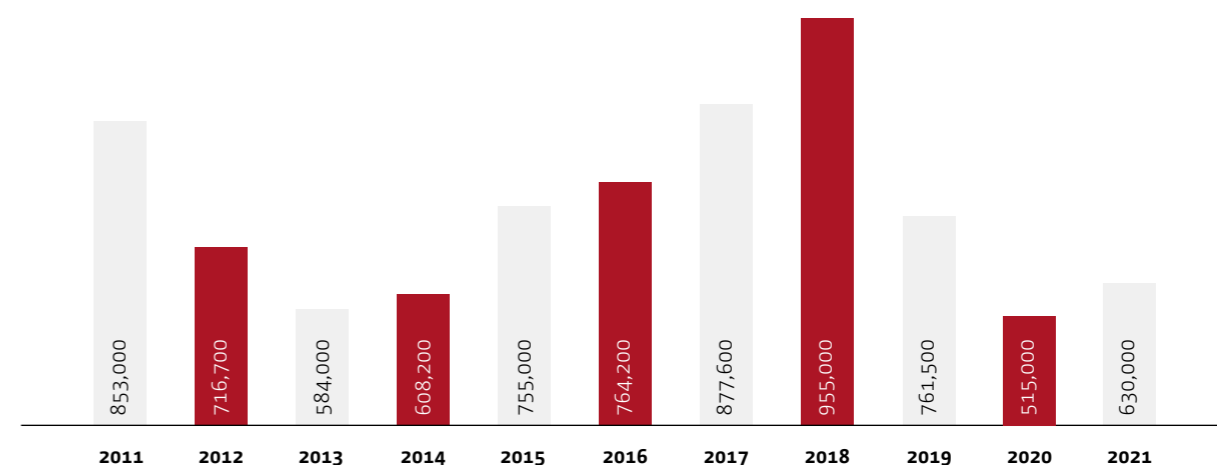
AVAILABLE SPACE & VACANCY RATE

As of today, ca. 1,000,000 m² are shortly available on the Munich Office Market. This corresponds to a vacancy rate of 4.2 %, an increase of more than 50 % compared with the previous year. In 2021, ca. 350,000 m² of new build office space were completed, of which more than 80% has already been let.

OUTLOOK

For the year 2022, E & G Real Estate expect a further recovery of the Munich Office Market. These dynamics are fuelled by a trend for modern office environments, which can often only be met by moving into new premises. Against the backdrop of a stable economy at a German top location, we expect a letting volume between 650,000m² and 700.000m² in the coming year.

OFFICE SPACE TAKE-UP/MUNICH 2011-2021 (IN M²)



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2021

TOP-3-TEILMÄRKTE 2021

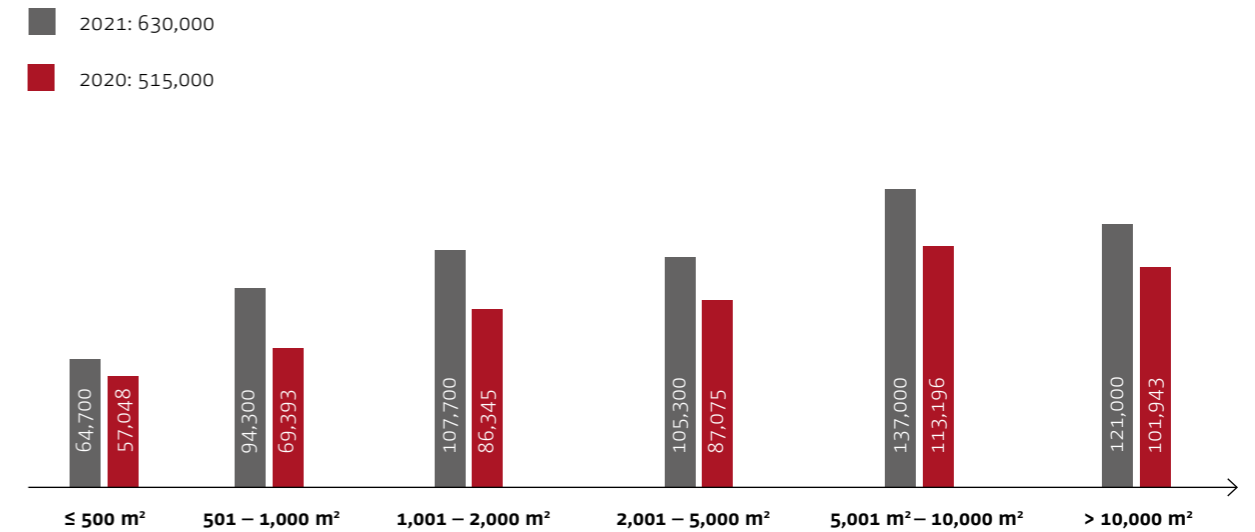
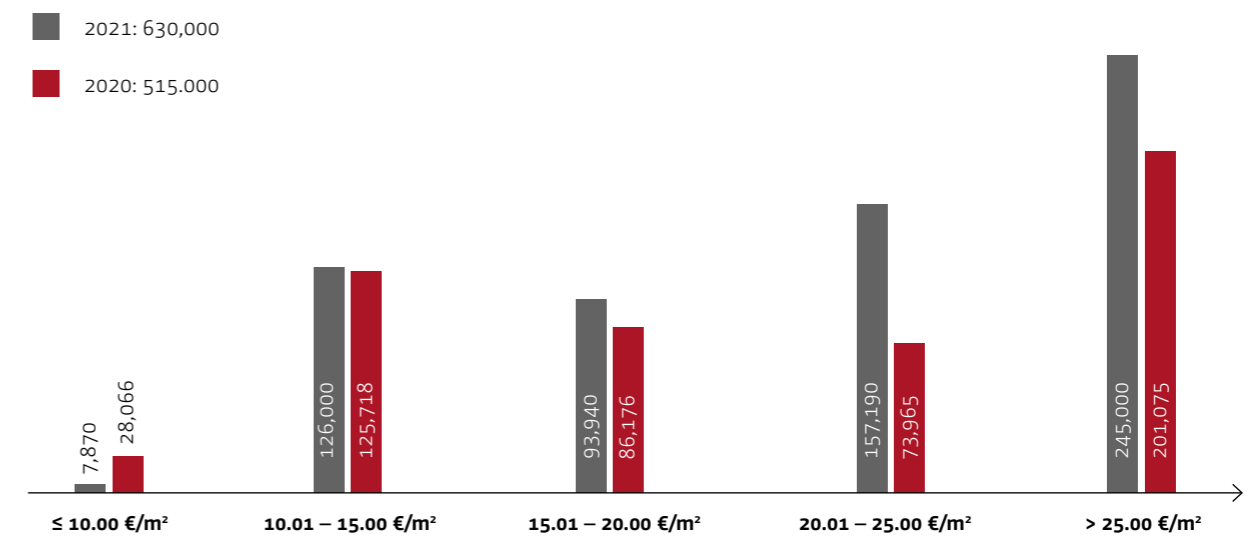
Teilmarkt	Flächenumsatz in m ²	Durchschnittsmiete in €/m ²
Stadt Nord	104.000	20,65
Zentrum Ost	101.000	34,30
Zentrum	80.000	36,80

TOP-3-VERTRÄGE 2021

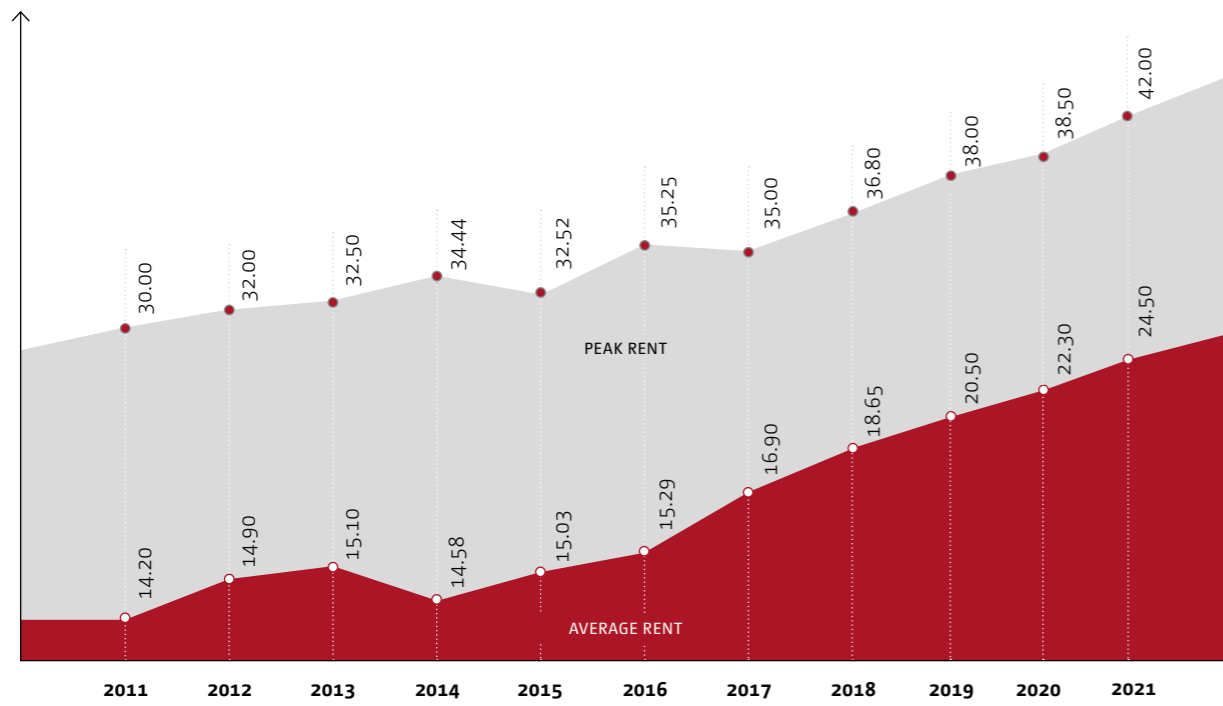
Mieter	Objekt/Straße	Fläche in m ²
Deutsches Marken- & Patentamt	Anzinger Straße	ca. 45.000
Wacker Chemie GmbH	Gisela-Stein-Straße	ca. 17.800
Zooplus AG	Sonnenstraße 23	ca. 12.000

SUBMARKETS MUNICH 2021

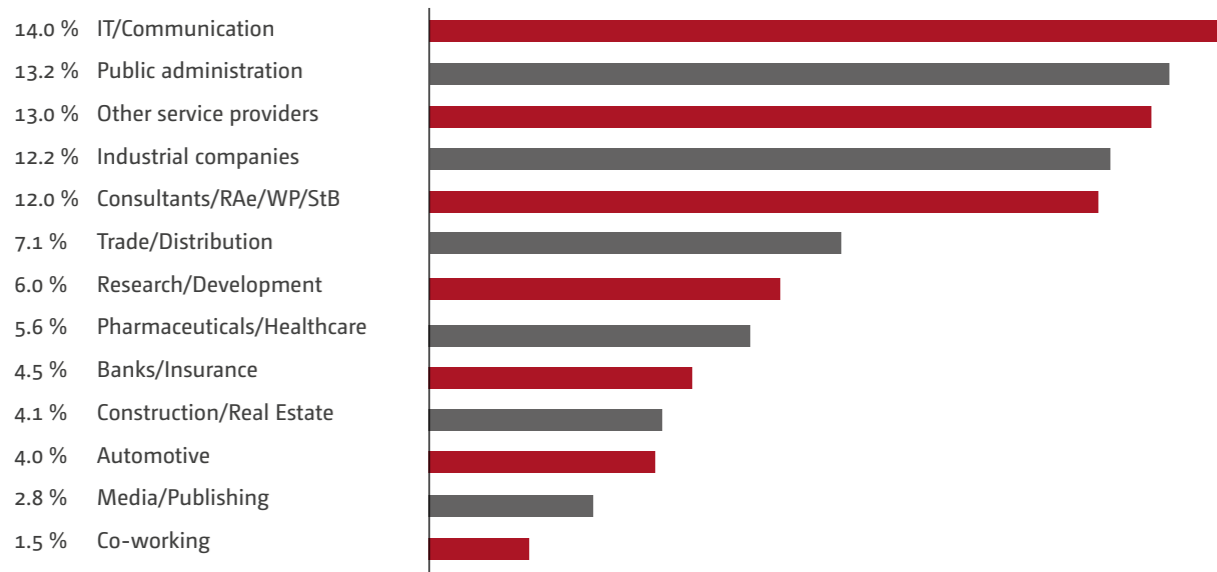
	Space take-up (in m ²)	Rent level (in €/m ²)	Average rent (in €/m ²)
Center	79,540	20.00 – 45.00	36.80
Center North	8,785	13.00 – 41.00	34.70
Center East	100,350	18.00 – 38.00	34.30
Center South	54,790	13.50 – 40.00	24.70
Center West	67,370	12.00 – 36.00	24.60
City North	103,390	10.50 – 31.00	20.65
City East	47,580	9.50 – 27.00	21.10
City South	35,890	9.50 – 22.00	17.80
City West	39,855	12.00 – 31.00	23.50
Surrounding area	92,420	6.50 – 23.00	14.17

SPACE TAKE-UP BY FLOOR SPACE (IN M²)SPACE TAKE-UP BY RENT LEVEL (IN M²)

PRIME & AVERAGE RENTS MUNICH 2011-2021 (IN €/M²)



OCCUPIER GROUPS 2021



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2021



Full swing in the final quarter on the Munich Investment Market

In 2021, the commercial property market at the Bavarian capital reported a transaction volume of ca. €6bn. This result signifies an increase of around 30% compared with the previous year.

Investment Market Munich 30% more transaction volume

The investment year 2021 was characterised by large-scale transactions. Five commercial property deals well above €500m generated a combined volume of ca. €3bn while accounting for 50% of the overall result.

INVESTMENT PRODUCTS

With a transaction volume of ca. €4.24bn, office property has remained the most sought-after asset class in 2021, which corresponds to a market share of 71%. Mixed-use commercial property achieved ca. €620bn, i.e. 10% of the overall transaction volume, followed by hotel and plot deals with a market share of 8% each.

Five massive deals ruled the investment market in 2021: Highlight Towers (ca. €700m), Media Works (ca. €650), Pandion Officehome (ca. €600m), O2-Tower (ca. €569m) and Elementum (ca. €500m). A further five large-scale transactions accounted for a combined transaction volume of ca. €800m, each exceeding the €100m margin.

Net prime yields for office property have remained stable over the course of the year and currently range at 2.7%. Due to the combination of on-going high demand, a lack of supply and low interest rates, yields can be expected to stagnate on a low level.

BUYERS & VENDORS

In the investment year 2021, strongest demand came from private investors with a market share of 31%. This result can mainly be attributed to the high-volume transactions of Highlight Tower and Elementum, which generated a combined investment volume of ca. €1.2bn accounting for 20% in the overall transaction volume.

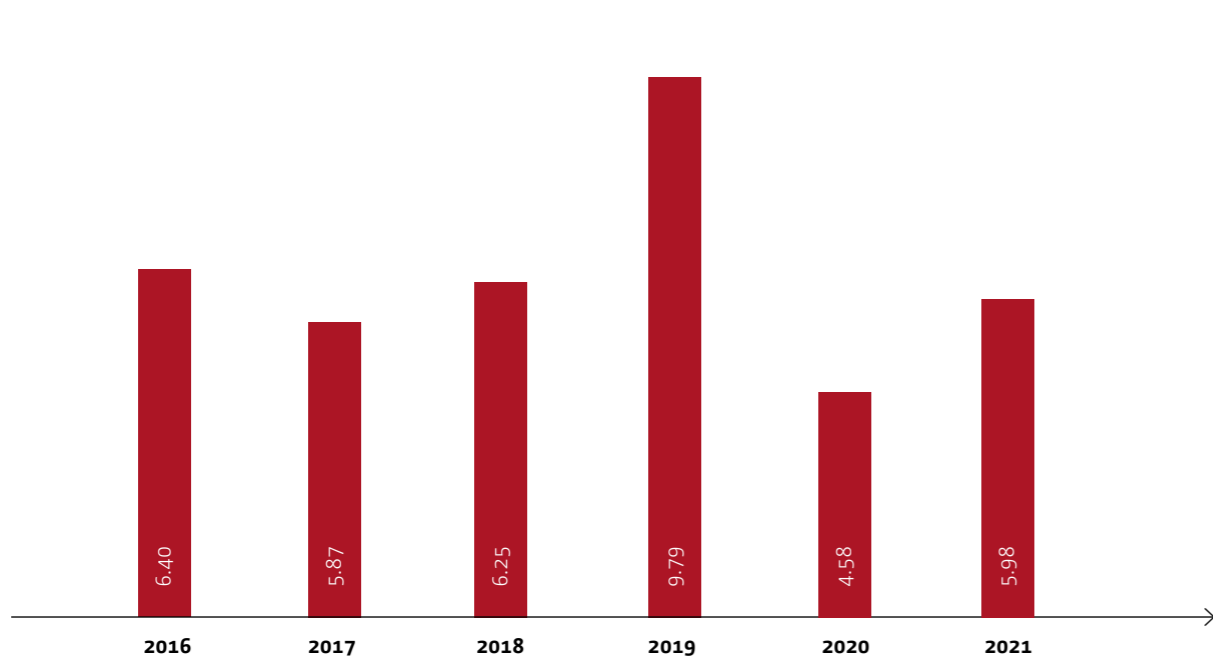
International investors achieved a market share of 28% in 2021, which reflects the continued trust of this buyer group in Germany as a safe investment haven and in Munich as a strong market for commercial property.

On the vendor side, open-ended property funds constituted the strongest seller group with a market share of 19%.

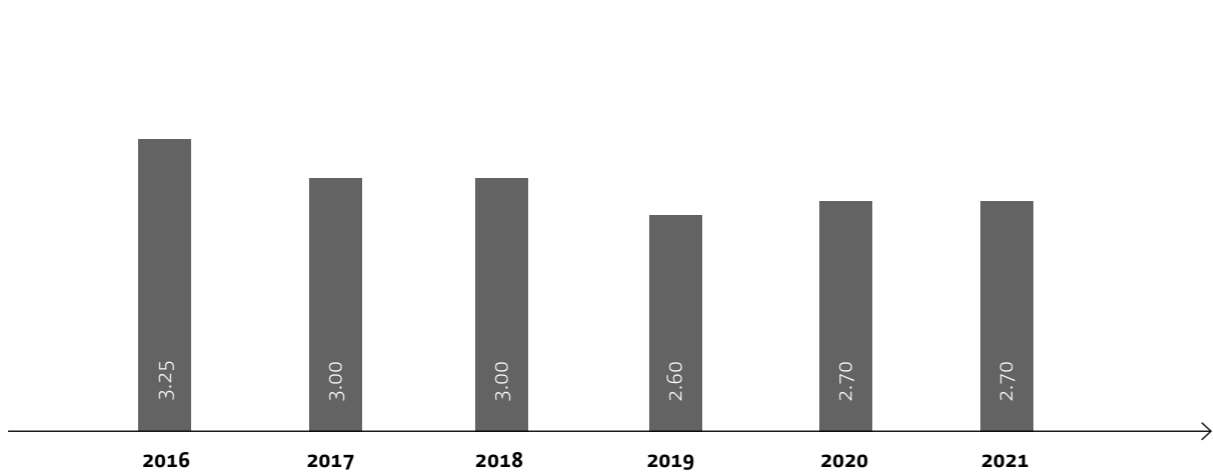
TOP 3 TRANSACTIONS

Object	Vendor	Buyer	Volume
Highlight Towers Mies-van-der-Rohe-Str. 6	Commerz Real AG	Imfarr + SN Beteiligungen	ca. €700m
Media Works Rosenheimer Str. 145	Blackstone	Union Investment/ Hines	ca. €650m
Pandion Officehome Anzinger Str. 29	Pandion AG	Union Investment	ca. €600m

TRANSACTION VOLUME MUNICH (IN BN €)



OFFICE PRIME NET INITIAL YIELDS (IN %)



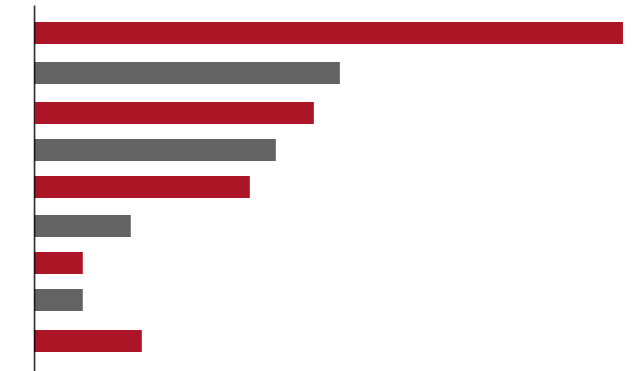
TYPES OF USE

- 71.0 % Office
- 10.0 % Mixed-use Commercial
- 8.0 % Plots/Development
- 8.0 % Hotel
- 2.0 % Logistics
- 1.0 % Retail



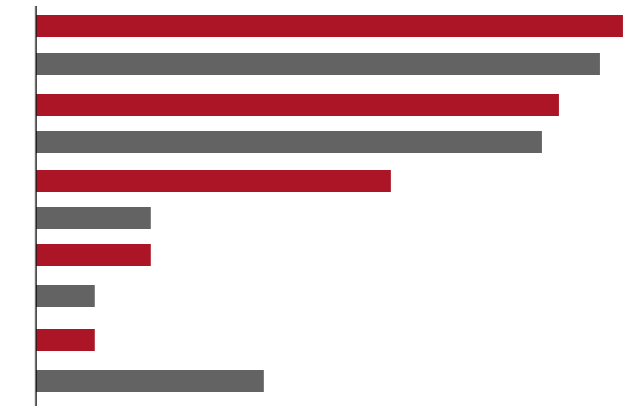
BUYER GROUPS

- 31.0 % Private Investors
- 17.0 % Fund managers
- 15.0 % Other Funds
- 13.0 % Open-ended Real Estate Funds
- 11.0 % Project Developers
- 4.0 % Private Equity Funds
- 2.0 % German Special Funds
- 2.0 % Public sector
- 5.0 % Others



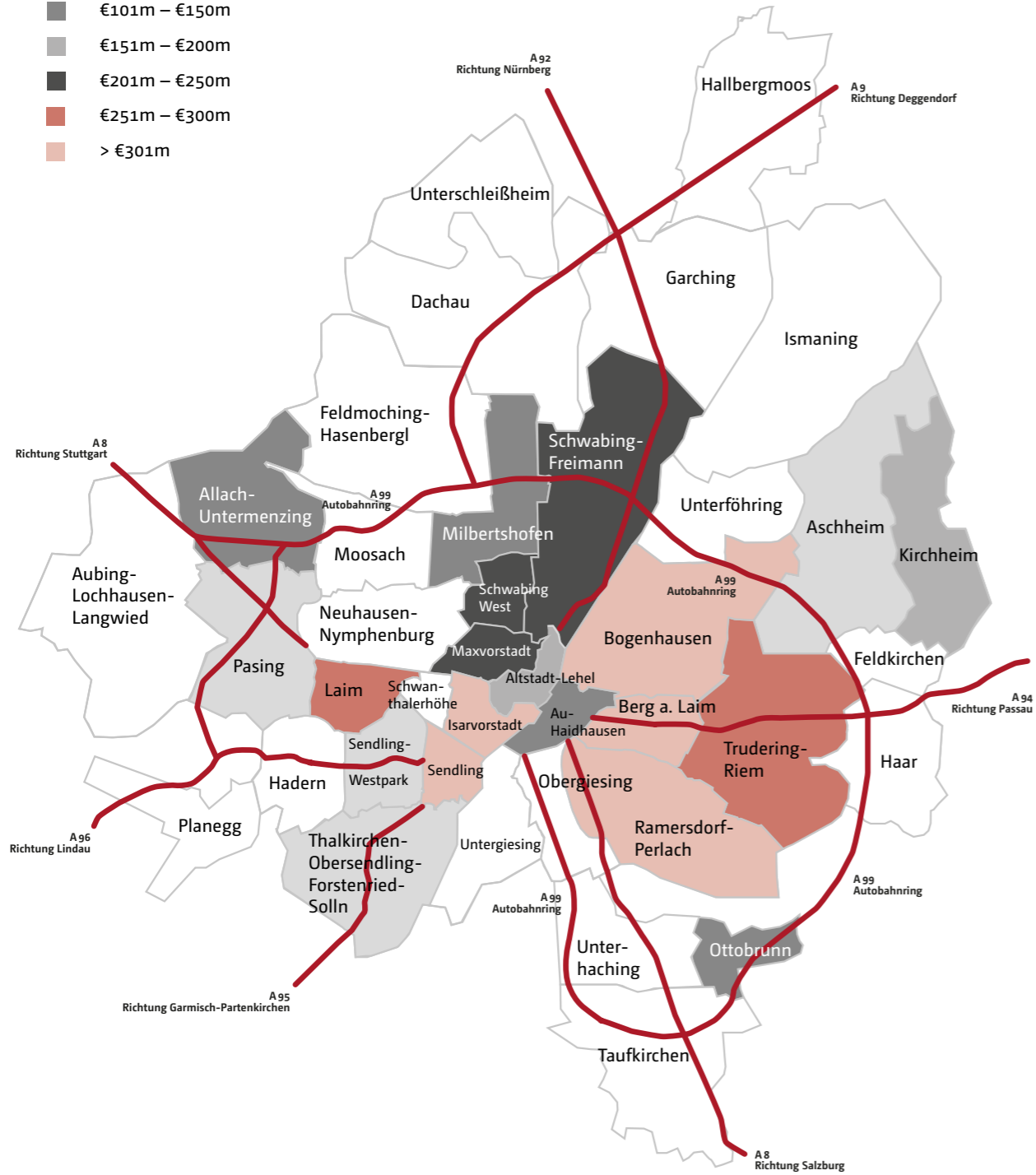
VENDOR GROUPS

- 19.0 % Open-ended Real Estate Funds
- 18.0 % Project Developers
- 16.0 % Private Equity Funds
- 15.0 % Private Investors
- 12.0 % Sovereign Wealth Funds
- 4.0 % Insurances
- 4.0 % Corporates
- 2.0 % Banks
- 2.0 % Closed-end Real Estate Funds
- 8.0 % Others



Investment map München 2021

- < €50m
- €51m – €100m
- €101m – €150m
- €151m – €200m
- €201m – €250m
- €251m – €300m
- > €301m



Quelle der Darstellung: Research E & G Real Estate GmbH ©, Stand: 31.12.2021

Conclusion & Outlook 2021/2022

In the second year of the pandemic, the initial reluctance to invest in commercial property has turned into a positive investment sentiment. In effect, this year's transaction dynamics will be comparable to the year 2021. The on-going low interest rate policy and a cash rich market provide for a positive investment climate. In consideration of the limited supply and several high-volume deals concluded in 2021, E & G Real Estate expect the transaction volume in 2022 to level out on a slightly lower level of ca. €5.5bn.

It remains to be seen, how ESG-regulation will affect demand and yield development. In the medium-term, the demand for green Core investments will surely rise, while products that do not comply with the new ESG taxonomy (effective since 01 January 2022) will be harder to sell. At the same time, the price gap between energy-efficient and non-energy-efficient property is bound to widen significantly in the coming years. Also the provision of gearing for assets, which do not comply with ESG-standards, will become more challenging.



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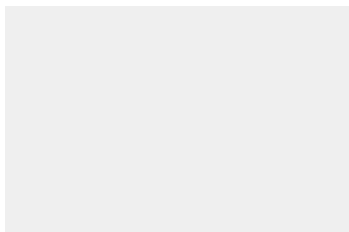
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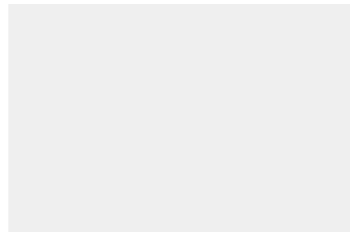
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With our offices in Stuttgart and Munich, we are at home on the commercial property market in southern Germany. Also in residential property, we are your trusted partner all the way. Visit us at our shops in the Stuttgart Region.

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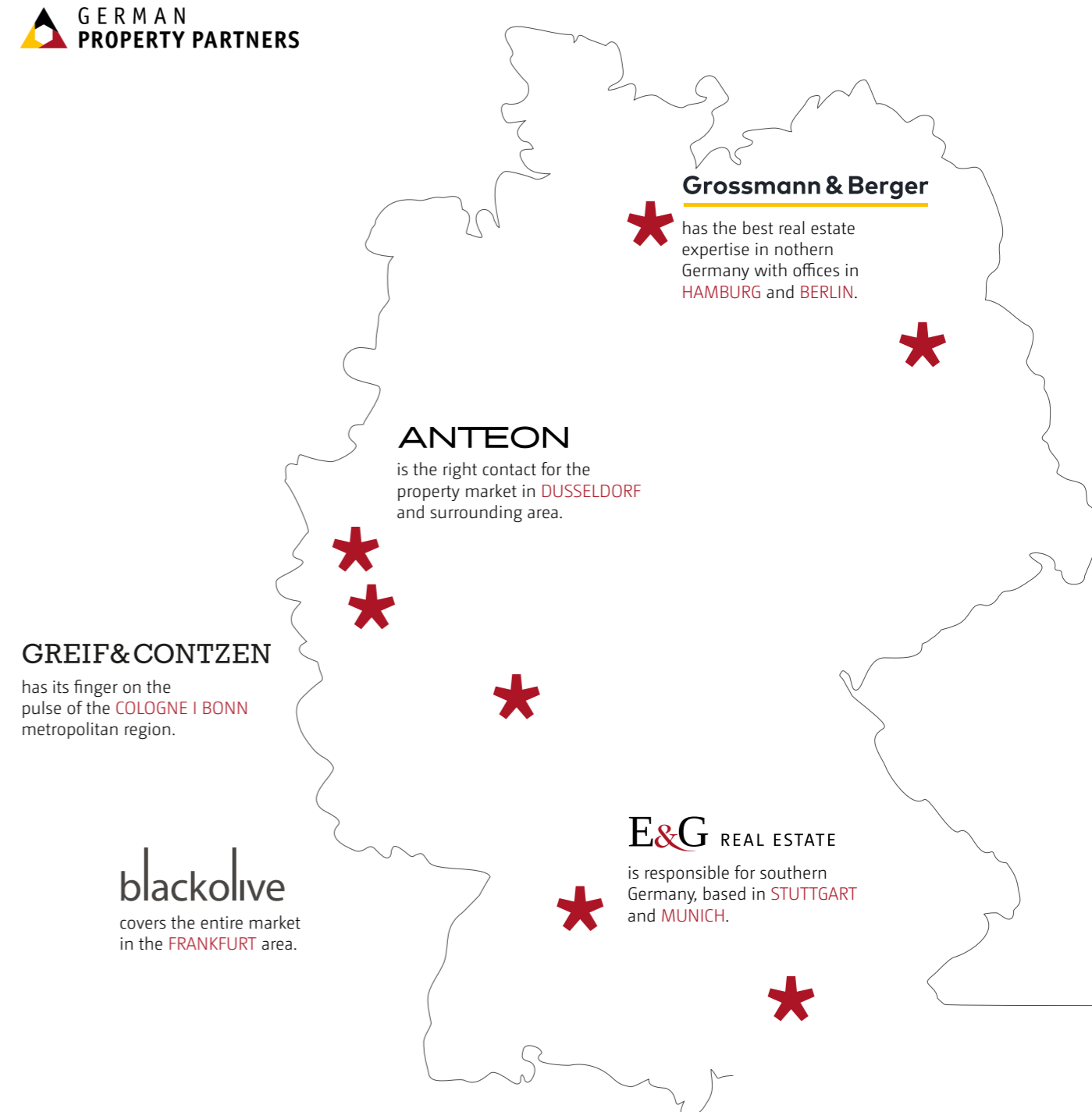
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