

Market Report for Industrial and Warehouse Space in Munich January 2009

Turnover

The financial and economic crisis can be clearly seen on Munich's real estate market for industry and warehouse space. The first half of 2009 shows a new lease performance of approx. 89,600 m², which is approx. 44 % below the previous year's results. The share of leases for newly built space and projects holds approx. 27 %. Traditionally the north-eastern surrounding area is the strongest submarket in Munich accounting for 27 of the total 54 lease contracts and approx. 52,200 m² of leased warehouse space. Lease contracts for 1,000- 3,000 m² make up the largest share on the market with approx. 45 % (24 lease contracts). Large-scale leases (> 5,000 m²) have an approx. 29 % share of the entire market.

Demand

Due to the economic uncertainties a number of companies have postponed their real estate decisions until 2010 and existing contracts have been prolonged for the short-term. Thus demand has considerably dropped especially by logistic service providers from February to May. Since mid June, however, a slight increase in demand has been recorded. In the meantime inquiries are on hand for almost every size segment again. Particularly large-scale inquiries, however, continue to be sluggish. The by far largest number of inquiries is for space between 1,000 – 2,000 m². This segment also recorded the slightest decline in the first half of the year.

Supply

By mid year approx. 65,200 m² of new logistic space is available in the short-term (July 2008: approx. 140,000 m²). More than an approx. 64,000 m² of additional space is definitely planned by developers – realization is not expected without pre-leases. The market is marked by a shortage of connected space exceeding 5,000 m². Not much space in this segment is available on short notice. Multifunctional existing buildings (older than 5 years) are available especially in the smaller and mid-sized space segments in almost every location. By the end of the year further large-scale existing buildings will become available on the market.

Rent Prices

Top rent prices for new space remains unchanged at € 5.65 - € 6.50/m² depending on the location. The average rent prices for space within city limits is relatively stable at € 6.25/m². In the surrounding area however it has slightly fallen to € 5.51/m². However, effective rent prices have been seen far below € 5.00/m² for older existing buildings here and there in the surrounding area. Rent prices between € 5.00 – € 8.00/m² are being paid for manufacturing space.

Conclusion and Prognosis

The time for increases in annual lease turnover and rent prices has stopped. Due to the lack of large-scale leases, 2009 will not be able to meet the last year's results. We expect that the lease market for industry and warehouse space will continue to stabilize in Munich in the second half of the year. Rent prices will remain at today's level to a great extent. Only older existing buildings in below-average condition, with poor access and insufficient height and division possibilities will continue to come under strong pressure. The market situation is not to be expected to improve outstandingly before mid 2010.

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IMMOBILIEN-KONTOR
SCHAUER & SCHÖLL GMBH

Pettenkoferstr. 22, D – 80336 München
Postfach 151812, 80050 München
Telefon +49 (0) 89-62 42 94-0
Telefax +49 (0) 89-62 42 94-10
Email: info@colliers-schauer.de
Internet: www.colliers.com

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