

## Munich Office Market April 2010

The Munich office market started well in the first three months of 2010 with net lettings of about 135,800 m<sup>2</sup>. Although the registered office space turnover means the figure is roughly 12.5% down on the 5-year average, it is up about 6.3% on the first quarter of last year and approx. 16% up on the last quarter of 2009. Like one year ago, the owner-occupier proportion of office space turnover remained very low at about 1,900 m<sup>2</sup>. Whereas in the first quarter of 2009 deals of up to 500 m<sup>2</sup> represented the segment with the highest turnover, one year later it is clearly more balanced. An analysis of the first quarter of 2010 shows that there has been a shift in the size segments of the tenancy agreements concluded: the weight has shifted towards the 500 to 1,000 m<sup>2</sup> and 1,000 to 2,000 m<sup>2</sup> brackets, which together account for over 42% of the total office space turnover. The 2,000 to 5,000 m<sup>2</sup> size bracket total of approx. 18,000 m<sup>2</sup> space let is conspicuously below the other segments. The size segment with the largest turnover was the one in excess of 5,000 m<sup>2</sup>, where a total of almost 33,000 m<sup>2</sup> office space turnover was achieved. This result is substantially due to the renting of about 12,000 m<sup>2</sup> office space by Scout 24 Holding GmbH in the Ten Towers in the south-eastern area of the city. This deal is also the largest tenancy agreement deal in the first quarter of 2010. At the top of the sub-markets are the north-eastern area of the city and the north-eastern environs. Total lettings in each of these two sub-markets amounted to roughly 20,000 m<sup>2</sup>. Gauged by the number of registered tenancy agreements, the central locations are top of the Munich office market areas with a proportion of over 50%.

### Supply and unoccupied space

At the end of the first quarter of 2010, about 1.623 million m<sup>2</sup> of office space on the Munich office market was unoccupied. The increase was moderate, roughly 25,000 m<sup>2</sup>, particularly since many completed new-build space had already been pre-let, and further space will not be on the market until the second half of the year. The unoccupied space rate therefore remains scarcely altered at 7.4%. Potential space, i.e. new-build or existing office space that can be occupied within 3 to 12 months, was about 35,000 m<sup>2</sup> down on the previous quarter. In terms of prospects, we assume that the unoccupied space rate will rise owing to the new space coming onto the market by the end of the year.

### Demand

In no small measure due to the Scout 24 Holding GmbH major deal mentioned above, companies in the information and telecom sector are top of the demand side with about 42,000 m<sup>2</sup> office space turnover. They are closely followed by companies in the consultancy sector with some 36,500 m<sup>2</sup> letting volume. In terms of the number of tenancy agreements concluded, this sector was the strongest with 55 agreements. An evaluation of new demand shows that demand is on the previous year's level, and there was clearly more demand in the first quarter of 2010 than in the last six months. There are optimistic expectations that this increase in demand is developing within a stabilising economy on the level achieved into further turnover activity.

### Rent

The space-weighted, non-incentive-adjusted average rent in the Munich city area is currently 15.64 €/m<sup>2</sup>/month. This equates to a clear rise of over 1.00 €/m<sup>2</sup>/month on the figure at the end of the previous year. This rise is explained firstly by the number of tenancy agreements signed, which is still low after the first quarter, and secondly there is the impact in particular of the large-area lettings of solicitors' offices in the city centre.

In the surroundings of Munich the average rent rose by 7 cents/m<sup>2</sup>/month to 10.15 €/m<sup>2</sup>/month. The top rent continued to drop to a level of about 29.00 €/m<sup>2</sup>/month.



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