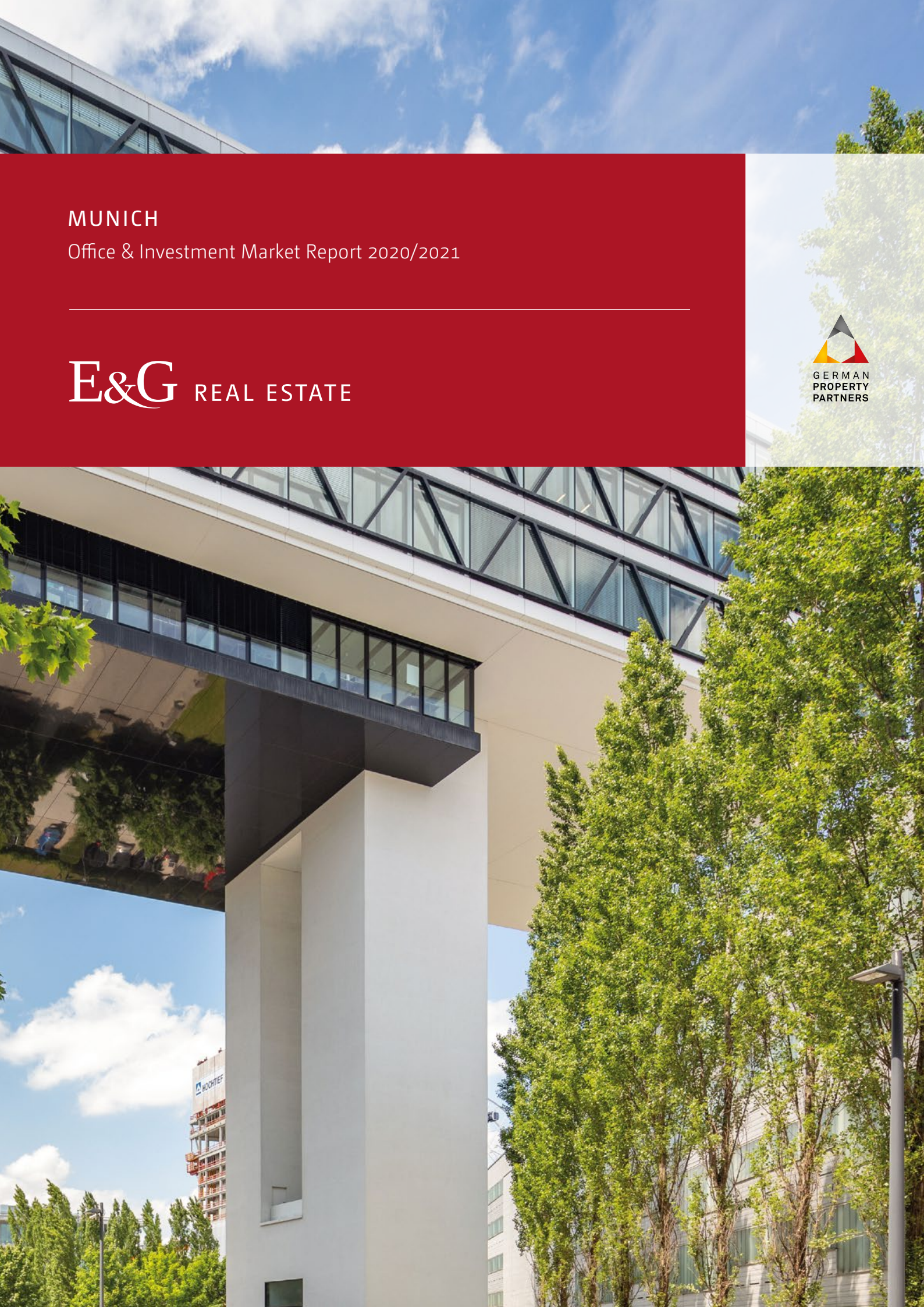


MUNICH

Office & Investment Market Report 2020/2021

E&G REAL ESTATE



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Significant drop in space take-up

In a year shaped by the coronavirus pandemic, a moderate space take-up of 515,000m² was achieved on the Munich Office Letting market. This result lies 32% below the take-up of the previous year and ca. 25% below the 10-year average.



Great demand At Stadt Nord and Stadt Ost

SPACE TAKE-UP

In 2020, the e-commerce giant Amazon signed the biggest lease on the Munich Office market renting an entire project development at Parkstadt Schwabing (34,000 m², Stadt Nord). KPMG followed closely with the project development "Optineo" (32,000 m², Zentrum Ost) at Werksviertel/Ostbahnhof. In third position, with some distance, came the software and finance company Noventi, which decided for 11,000 m² at the brand new district development „Die Macherer“ (Stadt Ost).

With regards to submarkets, Stadt Nord secured the top position by a thin margin before Stadt Ost. Great demand could also be observed at Zentrum Ost with its up-and-coming district developments "Werksviertel" and "New Art Distrikt". Especially the large signings by KPMG and tax advisors WTS have put the consulting segment in the lead by space absorption in 2020. They were followed by the IT-sector and industrial companies in second and third position.

RENT LEVELS

Average rents for office space have risen by ca. 9% compared with the previous year, currently ranging at €22.30/m². Prime rents have seen a slight increase of ca. 1% to a level of €38.50/m² in 2020.

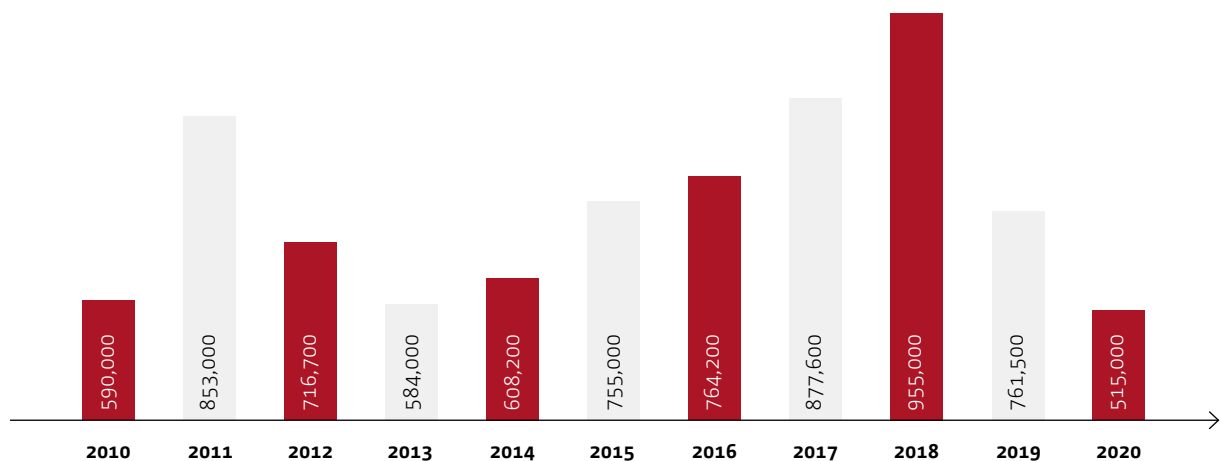
AVAILABLE SPACE & VACANCY

For the first time since the financial crisis in 2008/2009, vacancy has gone up again on the Munich Office market by a significant 43%. However, the overall vacancy rate of still lies at very low 2.5%. Currently, a total of ca. 530,000 m² of office space are available for short-term take-up on the Munich Office market.

OUTLOOK

Against the backdrop of the on-going public health crisis, a restraint demand for office space can be expected in the first half of 2021. With public life going back to normal in the second half year, also the Munich Office market will spring back to life

OFFICE SPACE TAKE-UP/MUNICH 2010-2020 (IN M²)



TOP-3-SUBMARKETS

Submarket	Space take-up (in m ²)	Average rent (in €/m ²)
Stadt Nord	97,500	18.50
Stadt Ost	97,000	21.15
Zentrum Ost	63,500	32.00

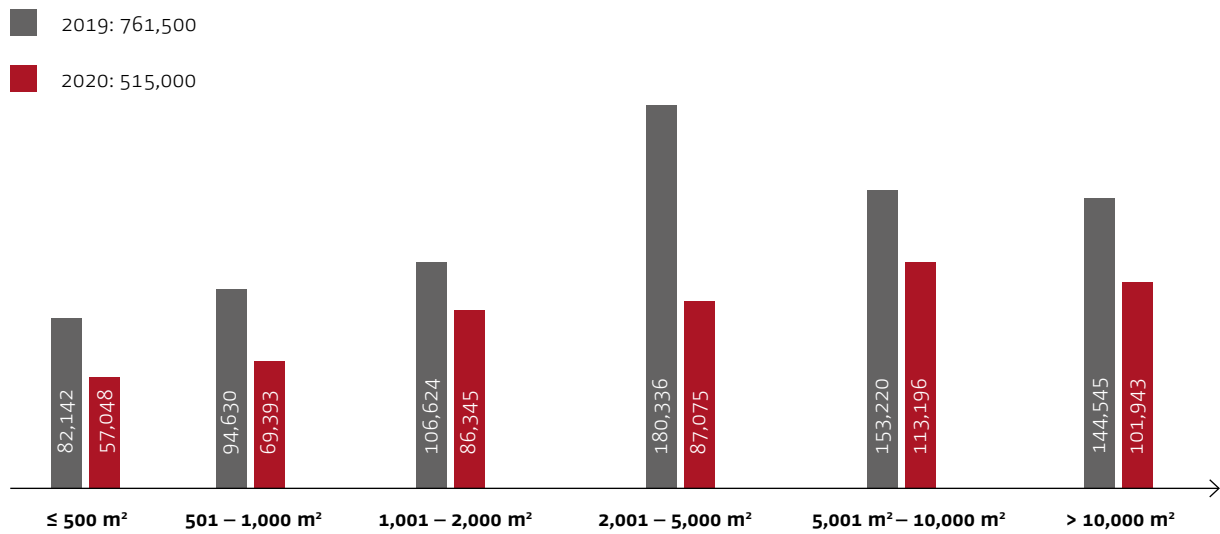
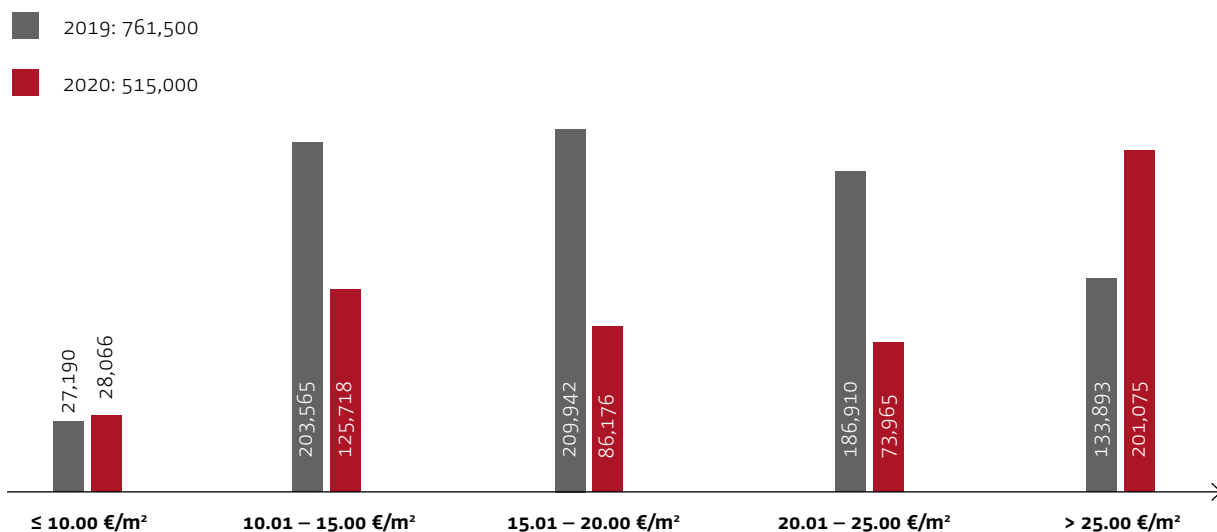
TOP-3-LEASES

Occupier	Property/Address	Space (in m ²)
Amazon	Lyonel-Feiniger-Straße/ Anni-Albers-Straße	ca. 34,000
KPMG	„Optineo“ Friedenstraße 10	ca. 32,000
Noventi	„Die Macherei“ Weihenstephaner Straße 28-30	ca. 11,000

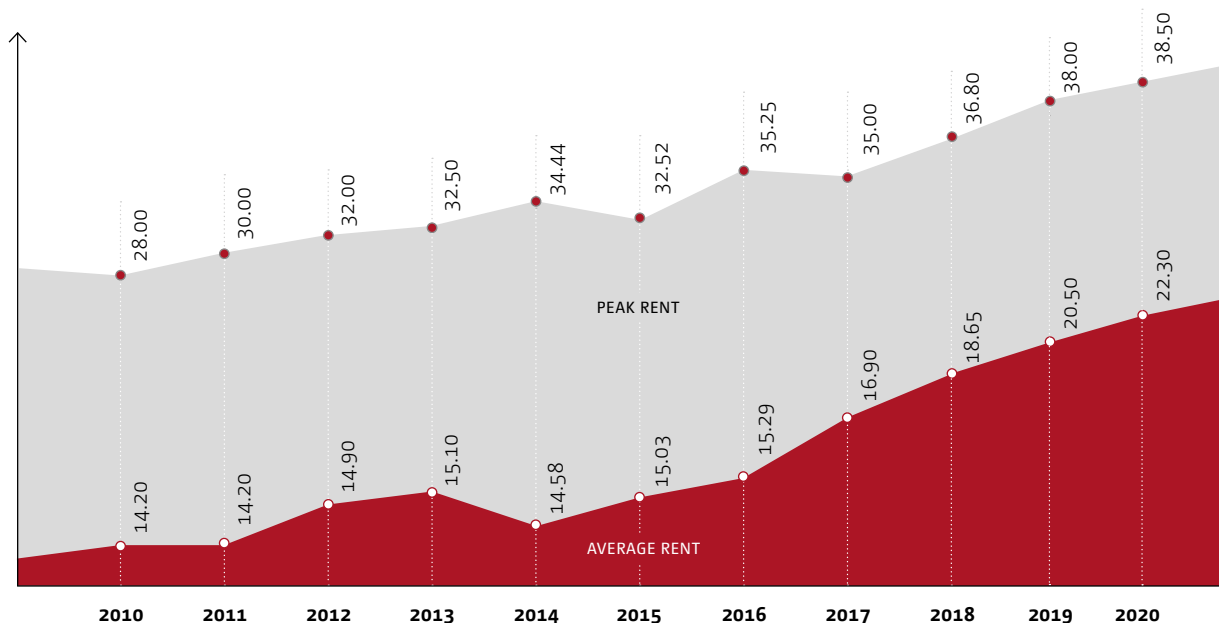
SUBMARKETS MUNICH 2020

	Space take-up (in m ²)	Rent level (in €/m ²)	Average rent (in €/m ²)	Vacancy rate (in %)
Zentrum	11,883	23.00 – 39.50	32.50	0.50
Zentrum Nord	12,762	9.00 – 30.00	28.17	0.40
Zentrum Ost	63,524	14.50 – 36.50	32.00	1.00
Zentrum Süd	27,118	12.50 – 28.00	22.30	3.80
Zentrum West	38,544	12.00 – 35.00	24.91	0.80
Stadt Nord	98,691	10.25 – 32.00	24.45	3.00
Stadt Ost	98,111	9.50 – 30.00	21.45	2.70
Stadt Süd	31,911	9.50 – 21.00	15.78	3.50
Stadt West	31,570	14.50 – 27.00	23.24	2.00
Umland	100,886	5.90 – 18.00	12.46	5.00

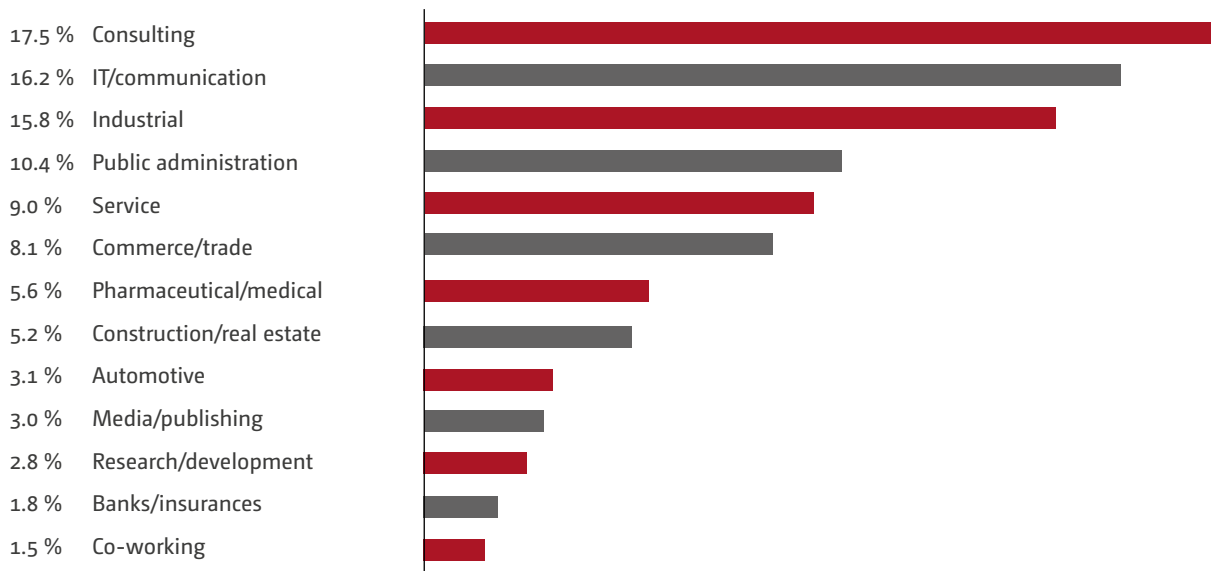
Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

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

PRIME & AVERAGE RENTS MUNICH 2010-2020 (IN €/M²)



OCCUPIER GROUPS



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Turn-around in Q4.2020 Battling the Covid19 crisis

After a challenging year shaped by the Covid19 pandemic, the market for commercial property investments in Munich closed with a transaction volume of €4.58bn. This result signifies a dramatic drop of more than 50% compared with the record year 2019.



Investment Market Munich

50% less turnover

The result of 2020 falls €1 bn short of the average transaction volume for commercial property in recent years (€5.5bn). Facing lockdown and economic volatility, the year still closed with more than a sign of life and a solid result of €4.58bn.

Especially the final quarter brought a turn-around on the property investment market in Munich with a share of 35% in the annual transaction volume. Despite this positive ending, the year saw an overall drop in property transactions by more than 30%. This result reflects the general uncertainty during the coronavirus pandemic and the lockdown in the first two quarters of 2020.

Again, office property was the most sought-after asset class with transactions of €2.95bn and a market share of ca. 65%. Also commercial plots played a significant role on the Munich market, as well as mixed-use commercial property and products from the industrial & logistics segment. However, in each of these asset classes the transaction volume did not break the €1-bn-margin in 2020. Several triple-digit million deals contributed to the overall result of €4.58bn. A new build at the office campus "Neue Balan" sold for ca. €320m, and two buildings of "WeiBes Quartier" were bought by Deka for ca. €280m. In times of a global public health crisis, investor focus lay on Core products, which accounted for more than 50% of the transaction volume in 2020.

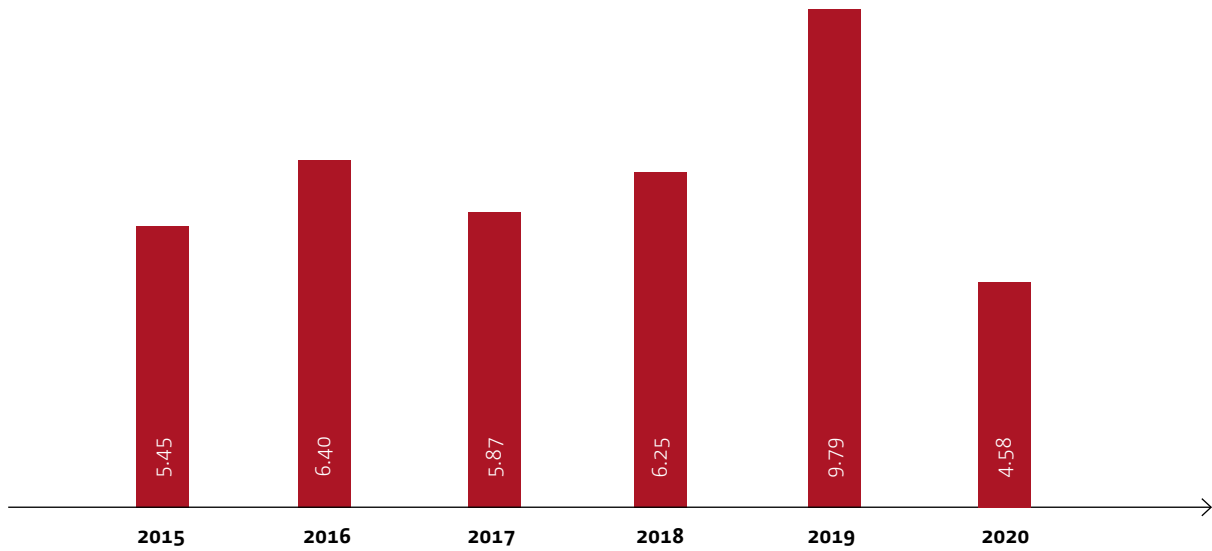
Over the course of the year, net prime yields for office products stalled at 2.6%. The liquidity in the market and consequently the demand for property investment products are set to remain high in the coming year, while the supply side is not going to meet this demand. Against this backdrop, both yields and the high price level for commercial property in Munich are bound to remain stable in 2021.

Despite lockdown and travel restrictions, international investors were able to secure 36% of the overall transaction volume in 2020. This result shows the continued confidence of international investors in Germany as a "safe investment haven" and the economic strength of the Munich Region. Regarding buyer and vendor groups, project developers were the dominant market players in both categories in 2020.

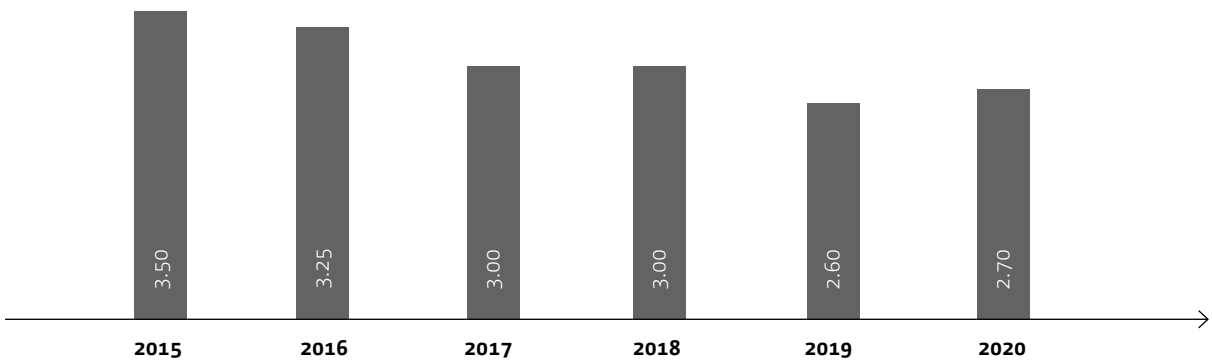
TOP 3 TRANSACTIONS

Property	Vendor	Buyer	Volume
Neue Balan 27/St.-Martin-Str. /Ecke Balanstr.	Allgemeine Südboden	Union Investment	ca. €320 m
„WeiBes Quartier“ Bauteil 1 + 2/St.-Martin-Str.	InfraRed	Deka	ca. €280 m
„Perlach Plaza“ Hanns-Seidl-Platz	Concrete Capital & BHB Bauträger	KGAL	ca. €250 m

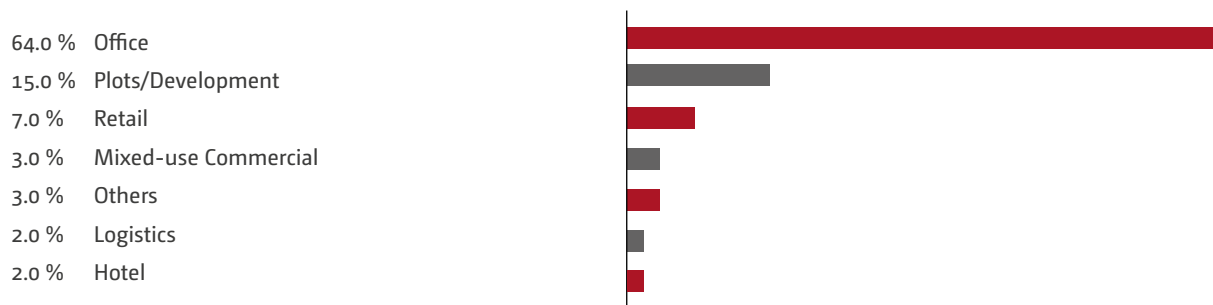
TRANSACTION VOLUME MUNICH (IN BN €)



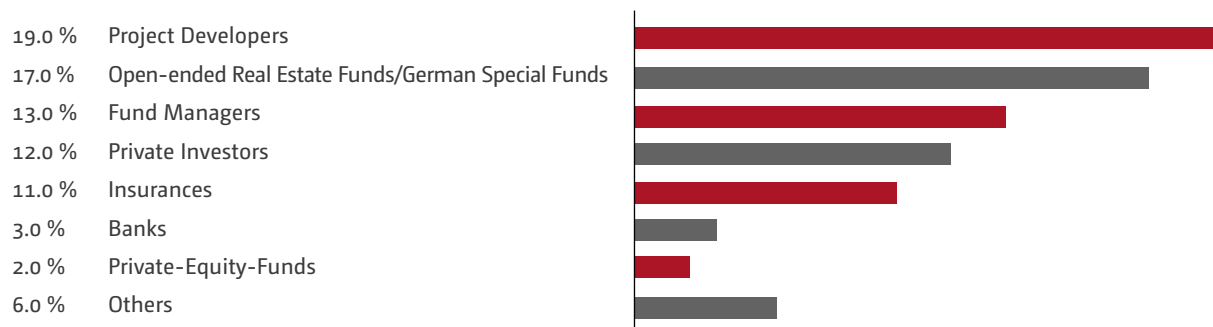
OFFICE PRIME NET INITIAL YIELDS (IN %)



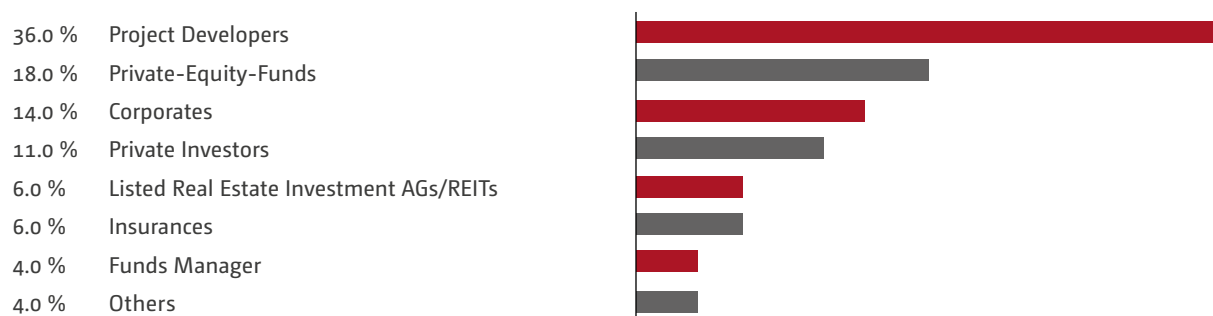
TYPES OF USE



BUYER GROUPS



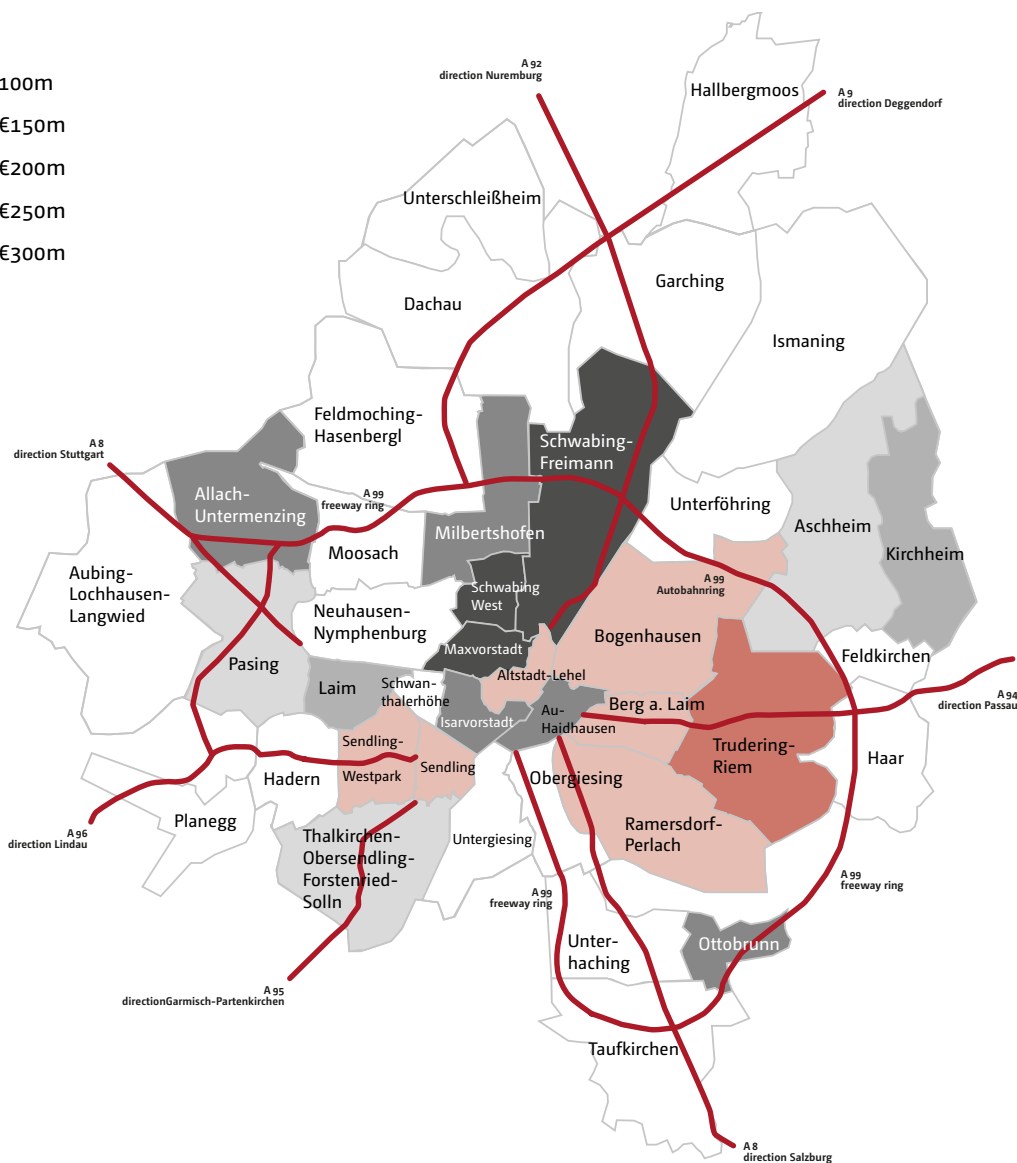
VENDOR GROUPS



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Investment map Munich 2020

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



Source: Research E & G Real Estate GmbH ©, as of 31 Dec. 2020

Outlook 2021

The year 2020 has seen a significant shortfall in transaction volume, especially in comparison with the record year 2019. In view of the tremendous restrictions and the prevailing economic uncertainty during the Covid19-crisis, the overall result is still satisfactory.

The prospects for a successful handling of the coronavirus pandemic over the course of 2021 are good. Further market benchmarks such as a positive investment climate, persistently low interest rates and a high

pressure to invest are all calling for a recovery of the property investment market in the coming year. At the same time, the supply of property investment products will remain low in the entire Munich Region. Yet, some forward deals are already in the pipeline and will contribute to an above average transaction volume. Against this backdrop of increasing market dynamics, E & G Real Estate expect a transaction volume between €5.5 bn and €6 bn in the year 2021.

Your Contact Partners in Munich

We look forward to consulting you!

E & G Real Estate are your competent partners for commercial real estate in southern Germany. We find made-to-suit solutions for the listing of your property. With all our market knowledge and long years of experience we will create the right strategy for your property assets.



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E & G Real Estate

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