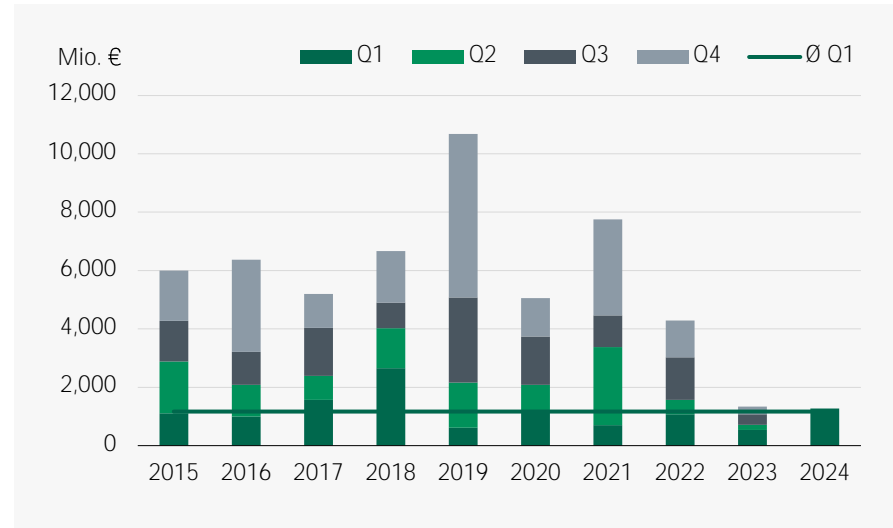


MUNICH

REPORT INVESTMENT MARKET

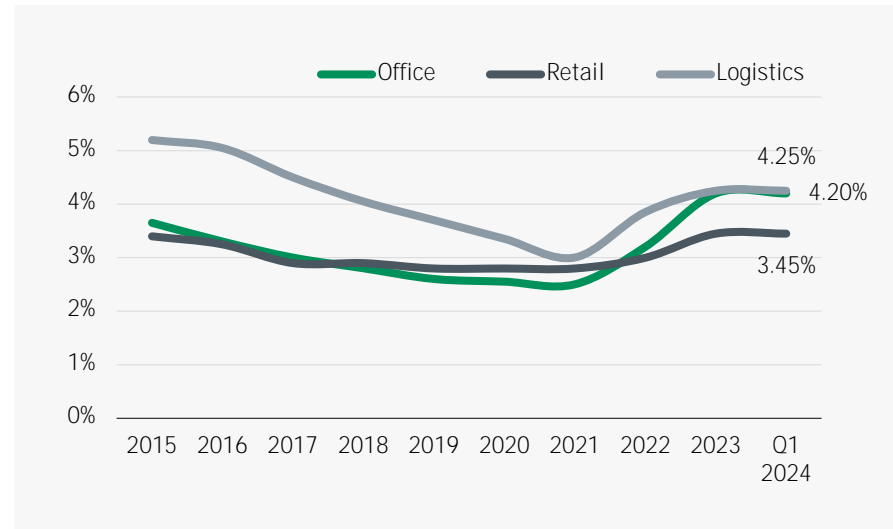
Q1 2024

Development of investment volume



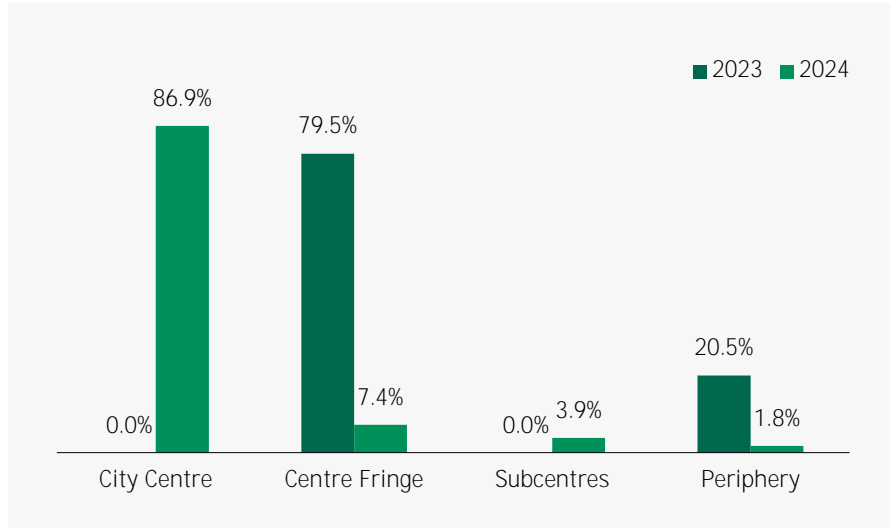
HIGHEST VOLUME IN LAST SIX YEARS
1ST PLACE AMONG GERMAN LOCATIONS

Net prime yields by type of property

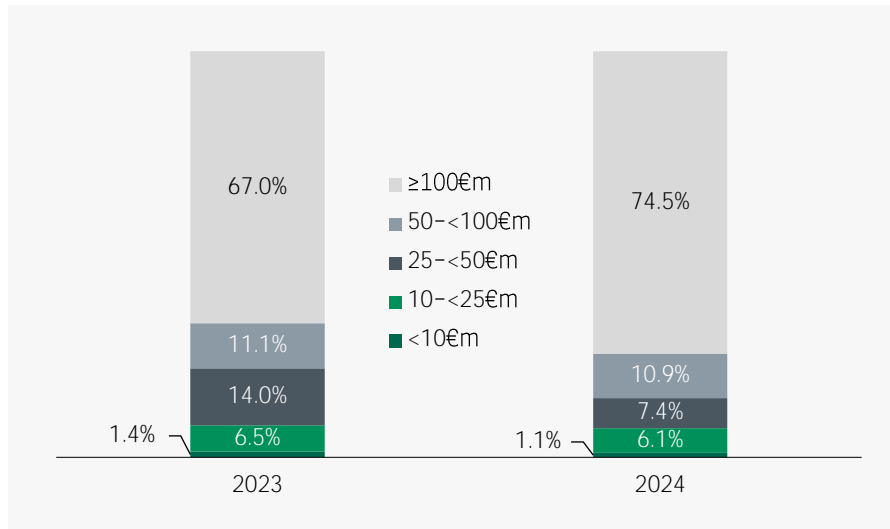


- The Munich investment market has made a strong start to 2024. With a total transaction volume of just under €1.28 billion, the previous year's weak result was more than doubled and the ten-year average was also exceeded by 9%. At the same time, the generated turnover represents the best result in the last six years. The Bavarian capital has thus taken the lead among German locations by a wide margin and is the only city that exceeded the € billion threshold in the first quarter.
- However, this exceptional result is primarily due to two major transactions, which together account for almost 60 % of the investment volume. These are two inner-city commercial properties in exclusive locations. The Fünf Höfe were sold for around €700 million and the Maximilianstrasse 12-14 property for around €250 million. Both premium properties were acquired by private investors. This is another indication that Munich continues to be highly favored by long-term buyers in particular.
- Prime yields, which have risen continuously since mid-2022, stabilized as expected in the first quarter. This is attributable to the noticeable decline in inflation, which gives central banks flexibility to cut interest rates, resulting in more attractive financing conditions in the future. The current yield for office properties stands at 4.20%, for retail highstreet properties at 3.45% and for logistics properties at 4.25%.

Investments by location Q1



Investments by € category Q1



RETAIL AT THE TOP TROUGH TWO MAJOR DEALS

- The two aforementioned large deals dominate the structural characteristics of the market. With a share of just under 75%, the size category over €100 million achieved a historical record. In comparison, the ten-year average is just under 40%.
- The distribution of transaction volume across types of property is also reflected in the sale of the two large commercial buildings, as they are classified as retail usage due to their income structure. Consequently, almost 82% of the investment volume is attributable to retail properties - another record that has never been achieved before.
- City centre locations therefore also account for a disproportionately high share of total investment volume. Overall, they account for a share of almost 87 %.

Investments by type of property Q1



OUTLOOK

- In the first quarter of 2024, Munich proved that it is still at the top of investors' shortlists, attracting attention above all with its positive long-term prospects. Nevertheless, even the Bavarian capital is unable to completely detach from the current difficult environment. With the economy unlikely to gain much momentum this year, the user markets will continue to be preoccupied, meaning that the investment markets are unlikely to receive much support from this side. Against this backdrop, the investment volume of the first quarter is unlikely to be achieved again in the following quarters.
- Nevertheless, there are signs of a significant year-on-year increase in turnover for 2024. Not least because current investment volume is already close to the result for 2023 as a whole. Even if a forecast is extremely difficult at the moment, a result of €2.5 billion to €3.0 billion seems quite realistic. However, whether it will be possible to even exceed the €3 billion threshold remains to be seen. What seems certain though is that results like those of previous years are currently unrealistic, not least because the important market segment of large-volume office properties in the three-digit million range is currently almost non-existent.
- With regard to the further development of prime yields, the most likely scenario for now is stabilization at the level achieved. Towards the end of the year, an initial slight yield compression with a very moderate fall in prime yields cannot be completely ruled out. Whether this will materialize or will possibly be postponed until next year will ultimately depend on the timing and extent of the interest rate cuts expected by all major central banks this year.

Key facts investment market Munich

INVESTMENT VOLUME	Q1 2023	Q1 2024	CHANGE
Total (€m)	542	1,275	+135.4%
Portfolio share	0.0%	0.4%	+0.4%pts
Share above €100 million	67.0%	74.5%	+7.5%pts
Office share	31.8%	13.6%	-18.2%pts
Share of city locations	0.0%	86.9%	+86.9%pts
Share of foreign investors	66.8%	22.7%	-44.2%pts

NET PRIME YIELDS	Q1 2023	Q1 2024	CHANGE
Office	3.35%	4.20%	+85bps
Retail	3.25%	3.45%	+20bps
Logistics	3.95%	4.25%	+30bps

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