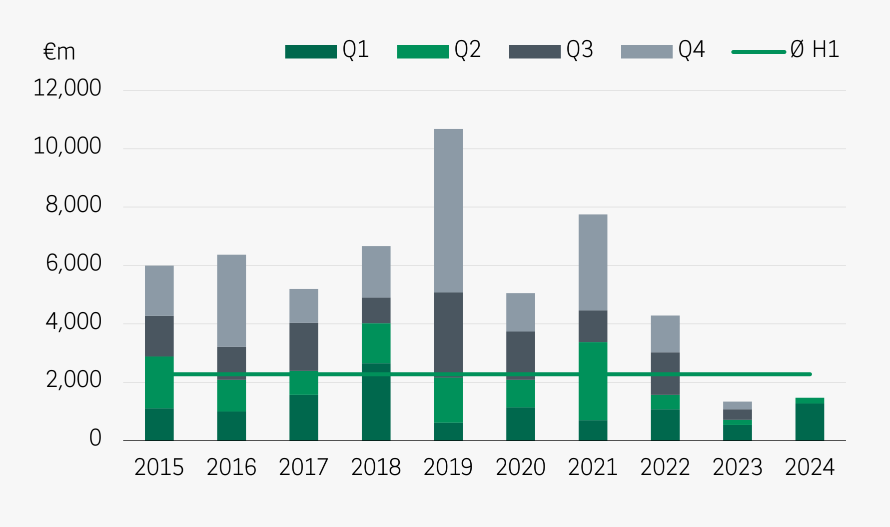
MUNICH

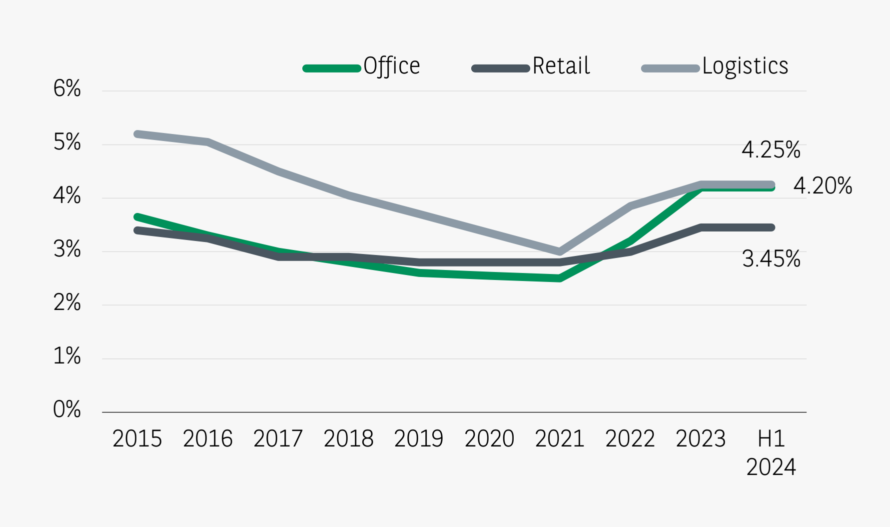
REPORT INVESTMENT MARKET

H1 2024

Development of investment volume



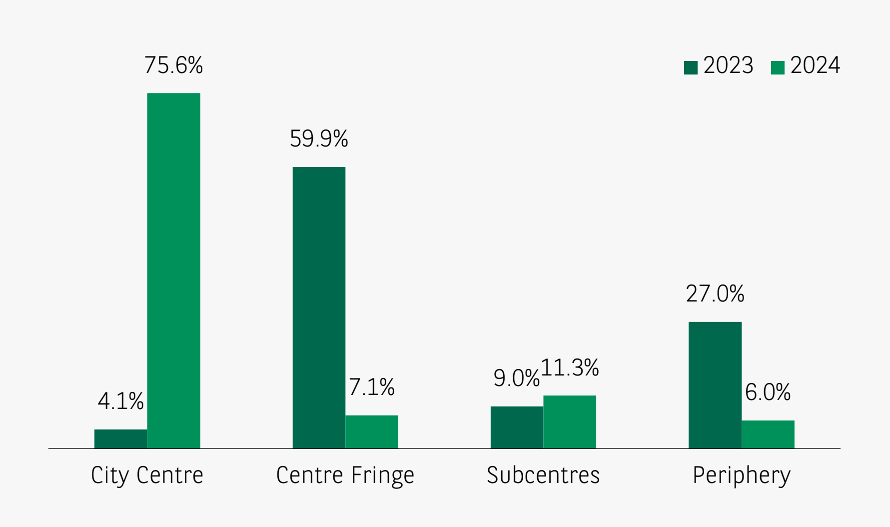
Net prime yields by type of property



STRONG FIRST HALF-YEAR 2024 2ND PLACE AMONG GERMAN TOP MARKETS

- Around €1.5 billion was invested on the Munich commercial real estate market in the first six months of 2024. As a result, the low investment volume from the previous year was more than doubled. However, the strong market momentum from the beginning of the year (with an investment volume of €1.3 billion in q1) was not carried over into the second quarter. In consequence, Munich was relegated to second place by the German capital. Munich's half year result is around 35% below the long-term average.
- The overall solid performance is therefore due in particular to the very good first quarter. Two commercial properties in prime locations were sold for €700 million and €250 million respectively. It is striking that no deal exceeded the €50 million mark in q2.
- The distribution of the investment volume across the size categories is also determined by the two major deals concluded in q1. They account for a cumulative investment volume of €950 million, which in absolute terms represents only around -9% less than the long-term average for the large-volume segment. In contrast, the market share of 64% in the size segment over €100 million is well above the 10-year average (44%).
- As expected, the stabilization of prime yields that began in the first quarter has continued in the second one. Currently, office properties are yielding 4.20%, mixed-use commercial properties in the city centre 3.45% and logistics properties 4.25%.

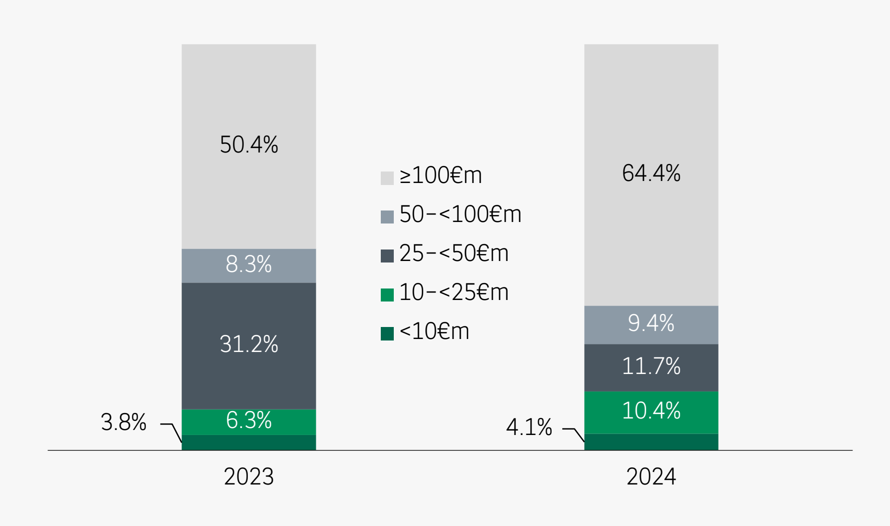
Investments by location H1



INVESTMENTS IN CITY CENTRE DOMINATE THE MARKET

- The city center recorded a market share of 76%, well above the long-term average (19%), which is largely due to the two major deals mentioned above. However, the volumes in the other locations are well below their respective long-term averages at €105 million in the centre fringe (-79%), €167 million in the subcentres (-82 %) and €87 million in the periphery (-80%).
- The investment volume is largely determined by the high market share (72%) of retail properties. In addition, only office properties with a volume of around €230 million achieved a notable revenue. However, at 16%, their market share is well below the ten-year average (54%). This is due to the fact that confidence in the office asset class has not yet returned – neither nationally nor internationally.

Investments by € category H1



Investments by type of property H1

OUTLOOK

- The Bavarian capital was unable to carry over the strong market momentum from the first quarter into the second quarter and therefore ranks second behind Berlin at mid-year. Nevertheless, the weaker second quarter is likely to be just a temporary respite from the very strong first quarter. The healthy fundamental data and the improving supply-demand ratio indicate positive medium and long-term prospects for Munich. The outlook for the German economy for the second half of the year still points to a rather weak, only slightly revived economic environment. The economic tailwind should only become more noticeable in the coming year and provide the occupier markets with a clearly positive impetus again.
- The past three months have shown that the strong quarterly result from the first quarter can probably be regarded more as a positive snapshot and cannot be extrapolated to the quarterly results up to the end of the year. An investment volume of between €2.5 billion and €3.0 billion appears to be a realistic range until the end of the year. Only when basic confidence in the office asset class returns will Munich's investment volume slowly approach the results of previous years.
- The ECB took the first step towards a more expansive monetary policy by lowering the key interest rate in June. Against the backdrop of declining inflationary pressure, further interest rate cuts are likely to follow in the coming quarters. Coupled with valuation corrections that have already taken place, stable to slightly falling yields still appear to be the most likely scenario from today's perspective.

Key facts investment market Munich

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	**719**	**1,475**	**+105.0%**
Portfolio share	3.5%	0.3%	-3.1%pts
Share above €100 million	50.4%	64.4%	+14.0%pts
Office share	37.5%	15.6%	-21.9%pts
Share of city locations	4.1%	75.6%	+71.5%pts
Share of foreign investors	57.9%	20.4%	-37.5%pts

NET PRIME YIELDS	H1 2023	H1 2024	CHANGE
Office	3.70%	4.20%	+50bps
Retail	3.45%	3.45%	+0bps
Logistics	4.00%	4.25%	+25bps

CONTACT

BNP Paribas Real Estate GmbH

Maximilianstraße 35

Haus C/entrance Herzog-Rudolf-Straße | 80539 Munich

Phone: +49 (0)89-55 23 00-0

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