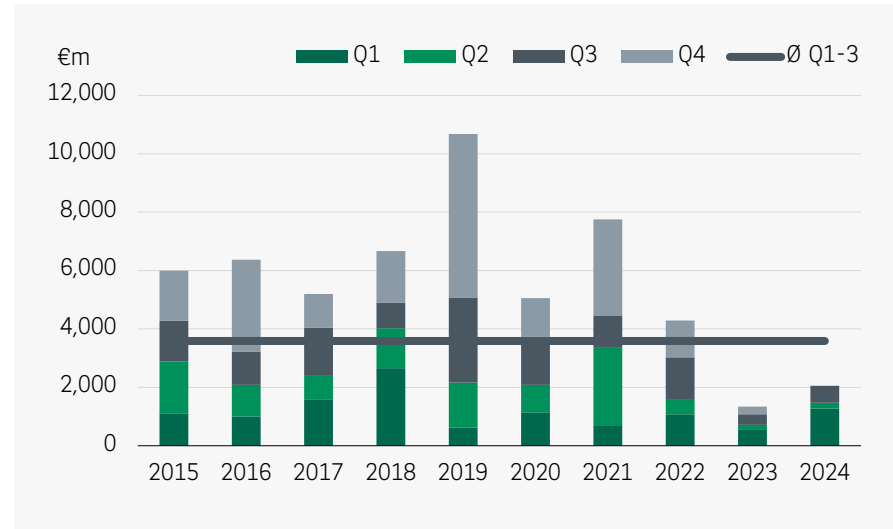


MUNICH

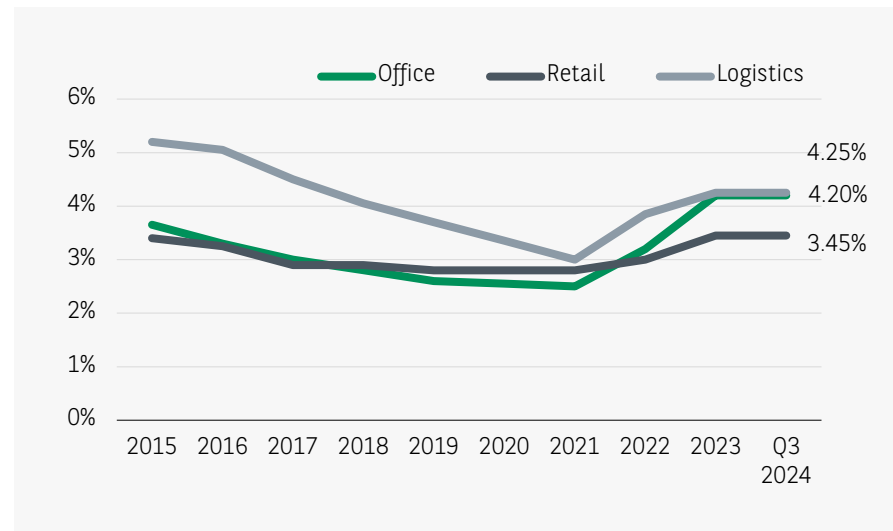
# REPORT INVESTMENT MARKET

Q1-3 2024

## Development of investment volume



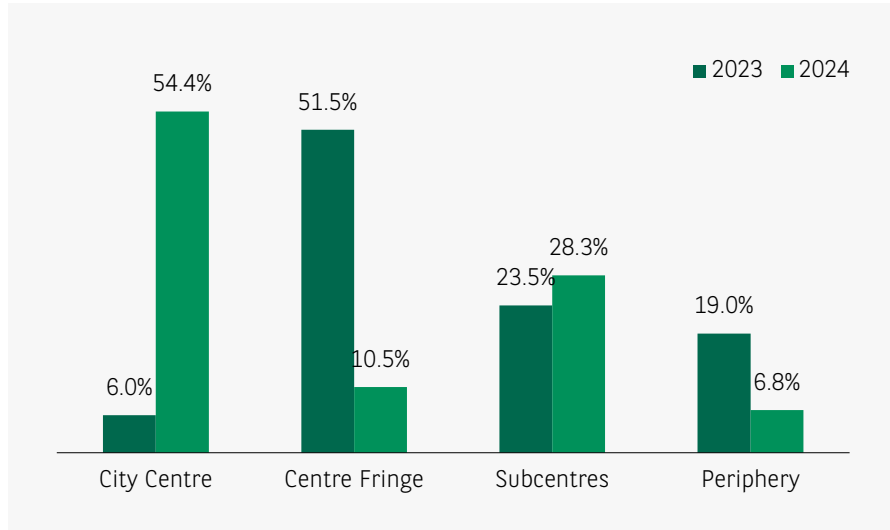
## Net prime yields by type of property



## MAJOR TRANSACTIONS DETERMINE THE MARKET

- Around €2.05 billion was invested on the Munich investment market by the end of the third quarter of 2024, exceeding the very low result of the previous year by a good 90%. Although the transaction volume is currently around 43% below the long-term average, the shortfall compared to the usual level in the Bavarian capital is lower than in many other A-cities. Accordingly, Munich is currently in second place in the ranking of top locations and is the only market behind Berlin to have exceeded the €2bn threshold to date.
- Major transactions from the retail segment in particular have contributed significantly to the comparatively solid performance. Two benchmark transactions in the high street retail segment were recorded in the first quarter with the purchase of 5 Höfe for around €700 million and Maximilianstrasse 12-14 for a good €250 million by two family offices. The largest transaction in the third quarter was the sale of the Pasing Arcaden from URW to Ingka Centres. In a market environment that is currently characterised primarily by smaller-scale sales, the share of turnover from major transactions above the €100 million mark stands out clearly among the A-locations, accounting for 65% of Munich's volume.
- Meanwhile, the stabilisation phase for prime yields has continued as expected. The net prime yield for office properties remains unchanged at 4.20%, which means that Munich is still the most expensive location. While the prime yield for logistics properties is quoted at 4.25%, the figure for retail properties in top high street locations is 3.45%.

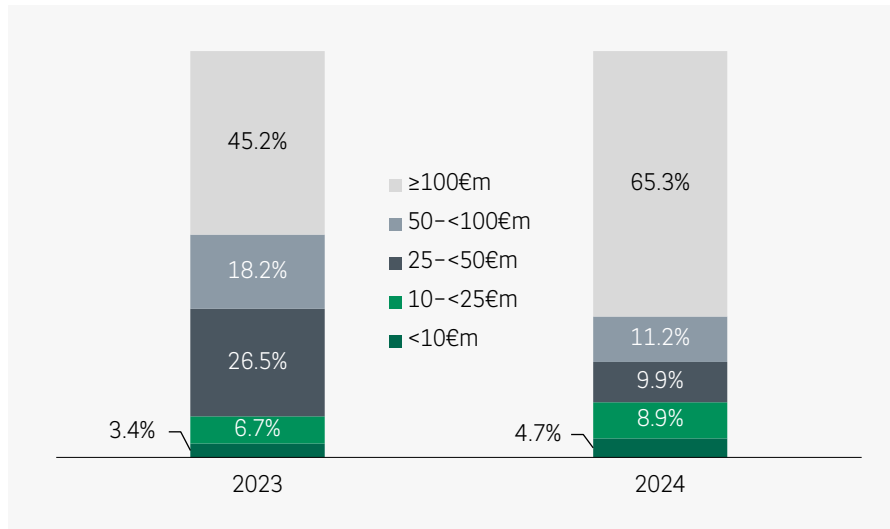
### Investments by location Q1-3



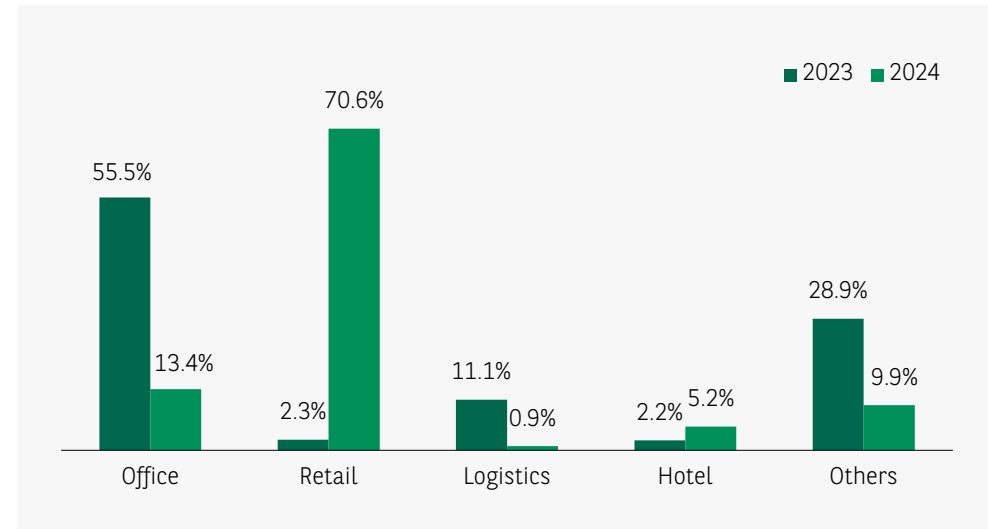
## RETAIL PROPERTIES SET NEW RECORD

- With a 71% share, retail properties are currently clearly at the top of the distribution of volume by asset class. At €1.44 billion, they have achieved a historic record. In contrast, office properties currently only account for 13% of turnover or €275 million, one of the lowest figures ever recorded. This is evidence that many investors are currently finding it difficult to assess how demand for office space will develop in the future in view of the economic headwinds and the gloomy mood in the economy.
- Not least due to the two major deals 5 Höfe and Maximilianstrasse 12-14, the City Centre locations currently account for more than half of the transaction volume, which means that they are also posting a significantly above-average result in absolute terms (€1.1billion; +56% compared to the 10-year average). The other location categories performed well below average.

### Investments by € category Q1-3



### Investments by type of property Q1-3



## OUTLOOK

- The comparatively good performance of the Munich investment market in comparison to the A-locations and the significant increase in volume compared to the previous year are clear indications that many investors continue to take a positive view of the prospects of the Bavarian capital with its above-average and secure economic strength. However, it is also true that the current result is largely based on only a few major transactions, which distort the picture somewhat.
- A detailed analysis reveals that the office segment in particular, which usually dominates the market, has hardly seen any recovery so far. This reflects the fact that confidence in the asset class has not yet fully returned. Since the middle of the year at the latest, however, demand for properties in central locations has increased significantly. This is primarily supported by the positive development on the occupier markets.
- Despite the lack of an economic tailwind, the Munich office lettings market has recently seen a significant increase in take-up and an upward trend in rents, both at the peak and on average. Accordingly, sentiment among investors is likely to brighten further in the coming months. Falling interest rates should do the rest.
- As a result, it is not unlikely that a total transaction volume of between €2.5 billion and €3 billion will be recorded by the end of the year, which would double the 2023 result. From today's perspective, there are many indications that yields will continue to move sideways in the final quarter and see the first slight compression at the start of 2025.

### Key facts investment market Munich

INVESTMENT VOLUME	Q1-3 2023	Q1-3 2024	CHANGE
Total (€m)	1,079	2,051	90.2%
Portfolio share	2.3%	0.2%	-2.1%pts
Share above €100 million	45.2%	65.3%	+20.1%pts
Office share	55.5%	13.4%	-42.1%pts
Share of city locations	6.0%	54.4%	+48.4%pts
Share of foreign investors	49.0%	38.5%	-10.5%pts

NET PRIME YIELDS	Q3 2023	Q3 2024	CHANGE
Office	3.95%	4.20%	+25bps
Retail	3.45%	3.45%	+0bps
Logistics	4.10%	4.25%	+15bps

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