MUNICH

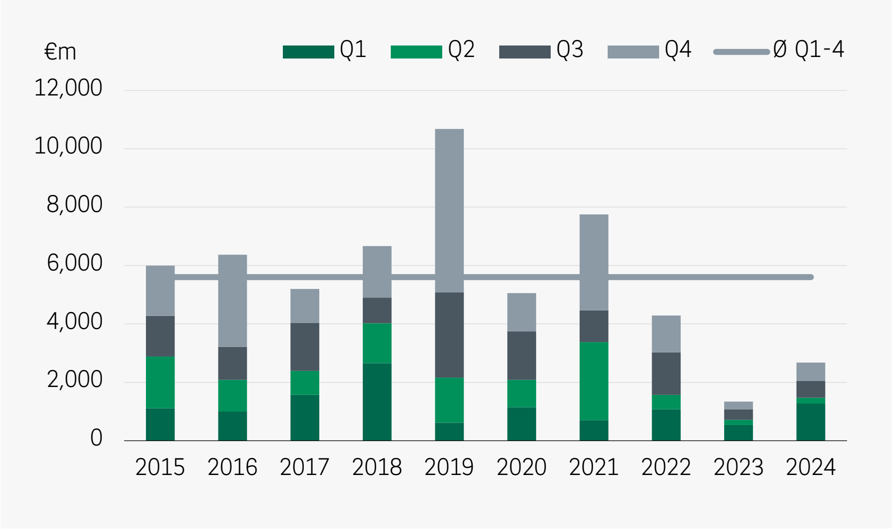
REPORT INVESTMENT MARKET

2024

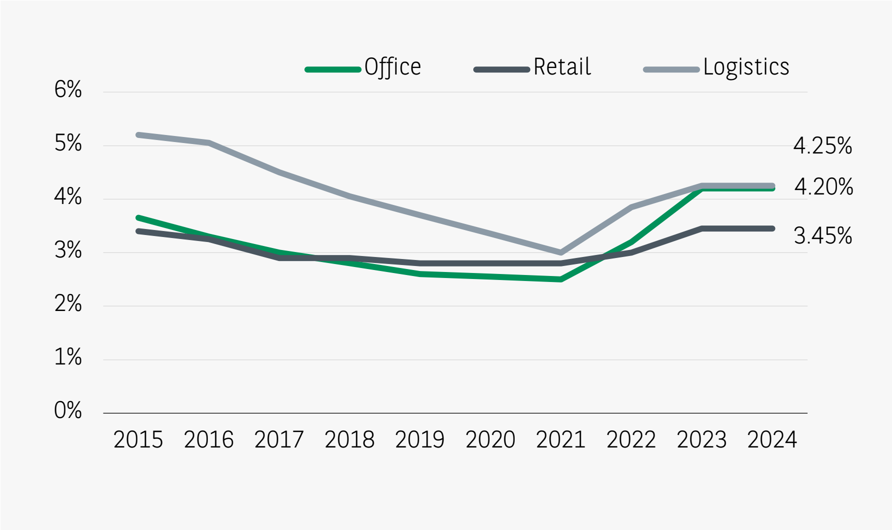
BNP PARIBAS REAL ESTATE

REAL ESTATE for a changing world

Development of investment volume



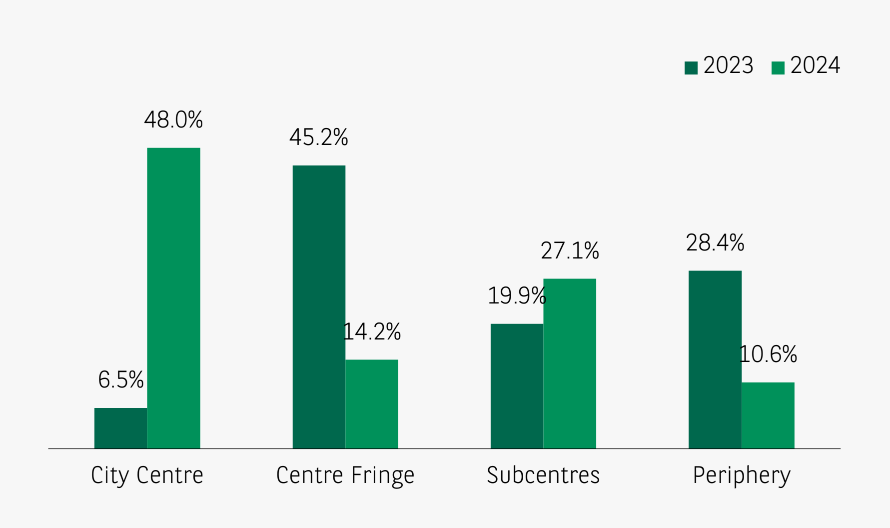
Net prime yields by type of property



DOUBLING OF THE INVESTMENT VOLUME COMPARED TO 2023

- Around €2.7 billion was invested on the Munich investment market in 2024. Although this means that the transaction volume is still around 52% below the long-term average, the previous year's result was doubled. The Bavarian capital thus recorded the strongest recovery among the top markets compared to the previous year.
- The retail segment made a significant contribution to the comparatively solid investment result. With the sale of the 5 Höfe, Maximilianstrasse 12-14 and the Pasing Arcaden, three major transactions well above the €100 million mark were attributable to properties with a significant retail component. Particularly in a market that is currently rather fragmented, these large-volume deals are a signal that the consolidation phase is continuing and that investors have confidence in the Munich investment market.
- However, there is still a lack of large-volume deals in the office segment in particular to achieve an investment volume in line with the long-term average. At just under €500 million, the investment volume here was around 86% below the ten-year average (Ø10 years: €3.52 billion).
- As expected, prime yields are still in the stabilization phase. A constant 4.20% is set for office properties, making Munich the most expensive office location in Germany. While logistics properties are yielding 4.25%, high street properties in prime locations are quoted at 3.45%.

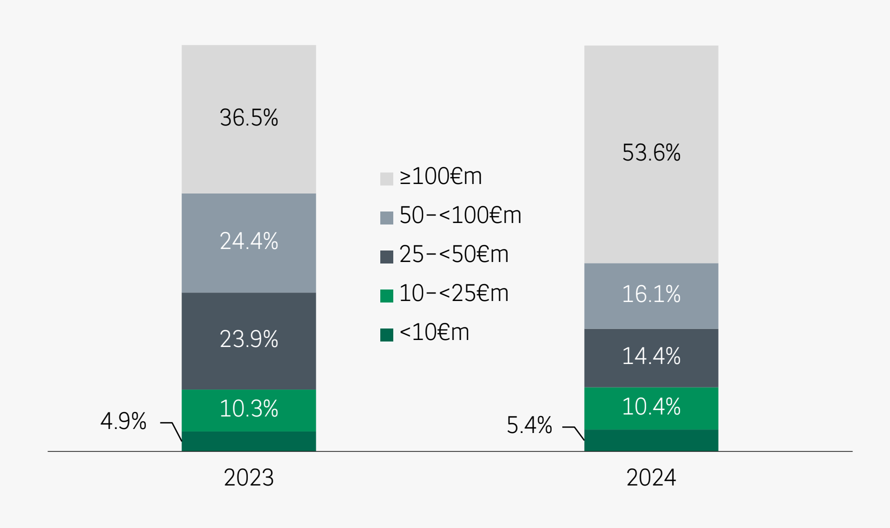
Investments by location



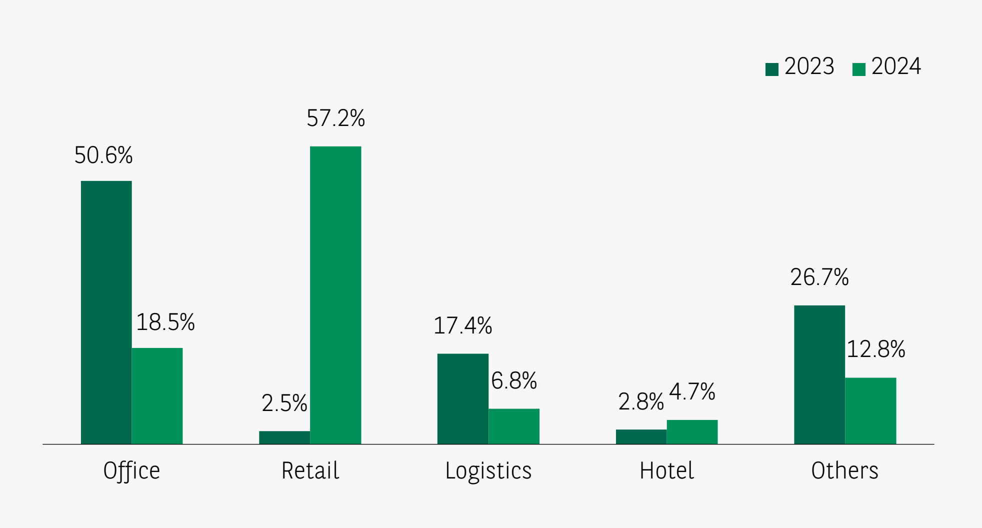
ALMOST HALF OF THE VOLUME IN THE CITY CENTRE

- Large deals over €100 million clearly dominated the market in the past year with a turnover share of just under 54%, although the market share declined slightly in the final three months. Overall, the fourth quarter is nevertheless the strongest one after the first quarter with a transaction volume of €630 million, which is positively reflected in more than 20 deals.
- Boosted by the two major deals 5 Höfe and Maximilianstrasse 12-14, the City Centre accounted for almost half (48%) of the investment volume. At around €1.3 billion, the investment volume here is even slightly above the long-term average in absolute terms. By contrast, investment turnover in the Centre Fringe, the Subcentres and the Periphery was well below average.

Investments by € category



Investments by type of property



OUTLOOK

- The solid investment result with a doubling of turnover compared to the previous year and the second place among the top markets can be seen as evidence of the existing basic trust of investors in the economy of the Bavarian capital, which knows how to convince through prosperity, a high level of innovation and a broad mix of sectors.
- However, the high proportion of major deals in the retail segment conceals to some extent the fact that a significant market revival in the other asset classes is still a long way off in Munich. A market recovery has yet to materialize, particularly in the office segment, which is usually so dominant. The already increased office investment volume in the final quarter compared to previous quarters and the overall strong Munich office letting market in 2024 give reason to hope that larger office deals will be able to contribute more to investment turnover again in the short to medium term. In addition, a slowly improving economy and the completion of further interest rate cuts by the European Central Bank towards the neutral interest rate level of 2% are likely to contribute to a brighter mood among investors.
- Against the backdrop of occupier markets that are slowly regaining strength, the expectation of further key interest rate cuts and the associated improved ability to plan the procurement of debt capital as well as more favorable capital costs, from today's perspective the market recovery should continue to gather pace in 2025. In addition, the largely completed valuation corrections and initial yield compression steps should also significantly improve the attractiveness of the Munich investment market in relation to other markets.

Key facts investment market Munich

INVESTMENT VOLUME	2023	2024	CHANGE
Total (€m)	**1,337**	**2,682**	**100.5%**
Portfolio share	2.2%	1.7%	-0.4%pts
Share above €100 million	36.5%	53.6%	+17.1%pts
Office share	50.6%	18.5%	-32.1%pts
Share of city locations	6.5%	48.0%	+41.5%pts
Share of foreign investors	49.0%	34.7%	-14.3%pts

NET PRIME YIELDS	2023	2024	CHANGE
Office	4.20%	4.20%	0bps
Retail	3.45%	3.45%	0bps
Logistics	4.25%	4.25%	0bps

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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