

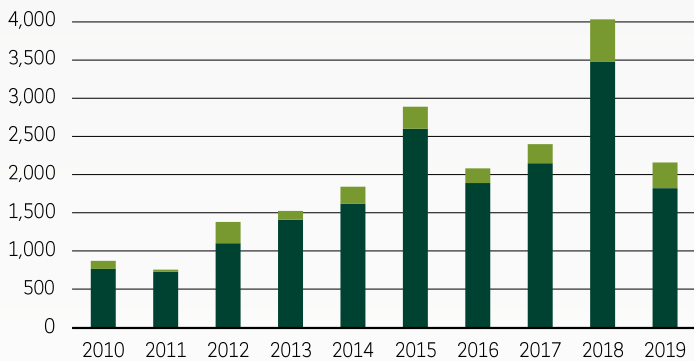


At a Glance **Q2 2019**

INVESTMENT MARKET MUNICH

Investment volume in Munich H1

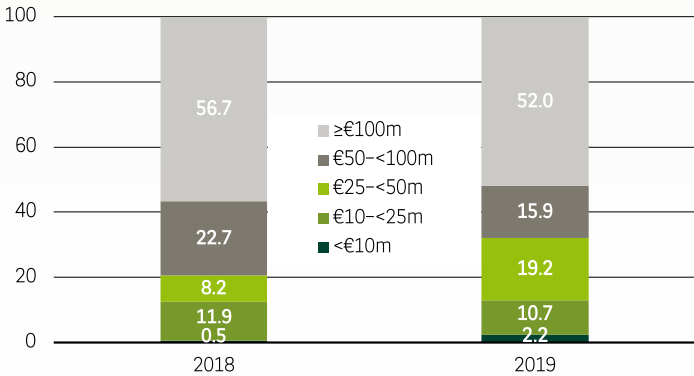
in €m ■ Single investments ■ Portfolios



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Investments by € category in Munich H1

in %

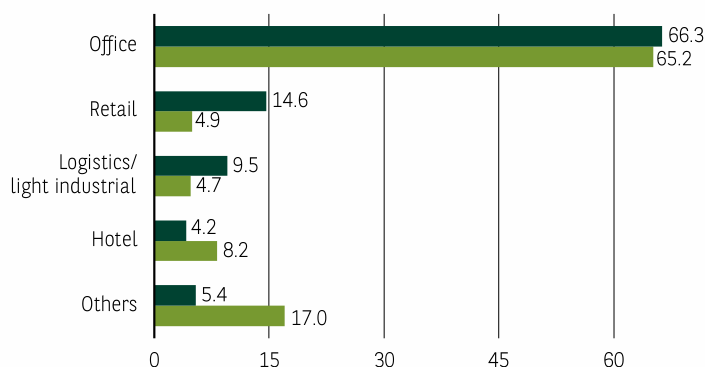


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Investments by type of property in Munich H1

in %

■ 2019 ■ 2018



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➤ **THE INVESTMENT MARKET IS GETTING INTO GEAR**

After a rather restrained start to the year with only €617 million investment turnover in the first quarter, the Munich investment market showed its usual strength in the following months with almost €1.55 billion. Compared with the extraordinary half-year result of 2018, the volume was down by around 46%, but it is thanks to the good second quarter that a slightly above-average result of €2.16 billion was achieved in the middle of the year (+8%). In a nationwide comparison, the Bavarian metropolis ranks a good third behind Berlin (€5.24 billion), where an absolute record was set, and Frankfurt (€2.34 billion), which confirms the basically lively market development. In the large-volume segment in particular, though, there was a lack of sufficient supply. However, the fact that with less than 50 deals the number of investments is below average in the long-term view also speaks for a lack of supply on a broad front. By far the largest transaction in the first half of the year is the sale of shares in the Siemens campus in Neuperlach. Due to the lower density of contracts from €50 million upwards compared with the previous year, the average volume per property of €47 million is almost 14% lower than in mid-2018.

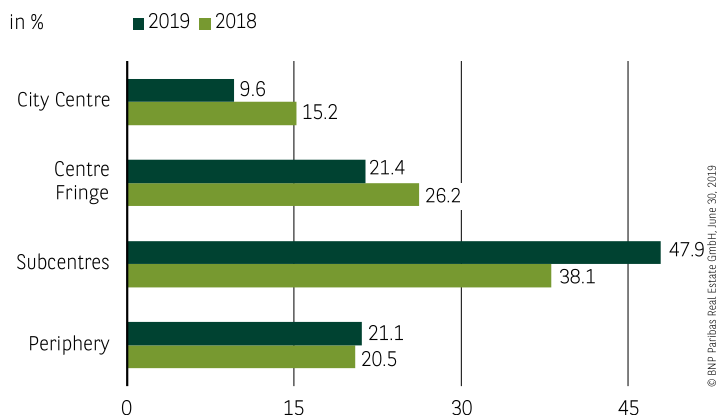
➤ **SIGNIFICANTLY FEWER LARGE DEALS**

The extent to which major deals are lacking is particularly evident with view to the number of properties sold: Whereas in the first half of 2018 27 transactions over €50 million were counted, the figure is currently just 10. Accordingly, the volume of the two categories over €50 million decreased considerably, so that at 52% (from €100 million) and just under 16% (€50-100 million), respectively, the shares are also below the previous year's figure. On the other hand, considerably more flowed into properties with a volume of between €25 and 50 million, which contribute more than 19%.

➤ **OFFICE INVESTMENTS ARE THE HIT**

As in the previous year, the investment market is dominated by office transactions, which generate around two thirds of the volume. Retail, which accounts for around 15%, is also comparatively strong. The more than €300 million also include the Munich volume from the acquisition of the remaining Galeria-Karstadt-Kaufhof shares by Signa Holding, which also contributed significantly to the portfolio share, which amounts to 15%. In the logistics segment, several sales were recorded in the double-digit millions, making it the third strongest asset class with just under 10%. A further 4% was invested in hotels.

Investments by location in Munich H1

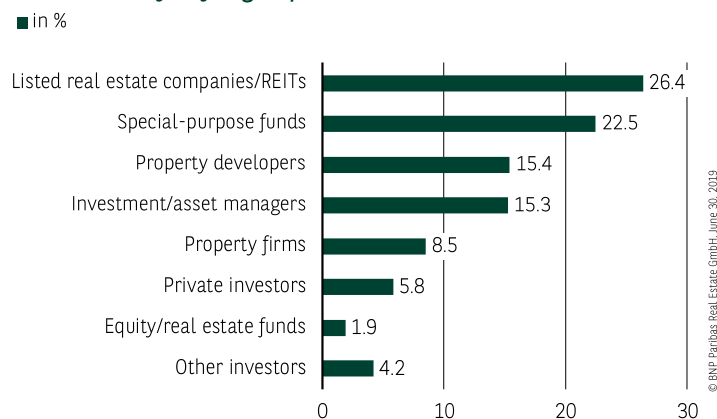


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➤ LACK OF OFFER VISIBLE IN THE DISTRIBUTION OF VOLUME

Even though investments in Munich are traditionally widely spread across the market area, the current distribution is unusual and due to the market situation. As a result of the lack of supply in the central locations, investors are increasingly turning to the other submarkets. The fact that they invest decentrally testifies to their high level of confidence in the Munich market. In addition, these sub-markets generally offer higher returns, which is also attractive in view of the higher price level. The most important contributors to the result with around 48% are the Subcentres, second place being shared by a good 21% each of the Centre Fringe and the Periphery. Only the City Centre remains in the single-digit range with less than 10%.

Investments by buyer group in Munich H1 2019

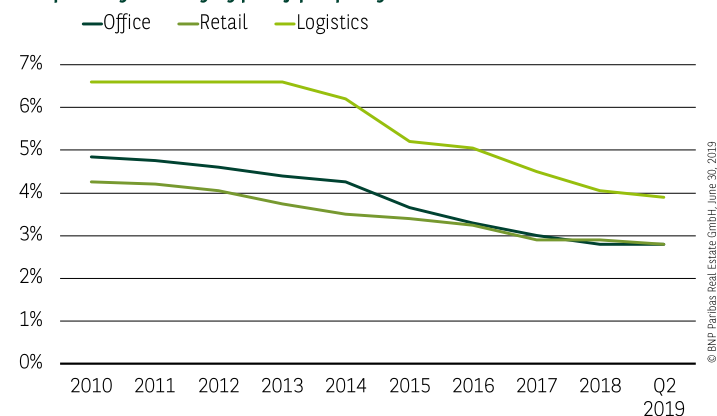


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➤ FOUR GROUPS OF BUYERS WITH DOUBLE-DIGIT SHARES

The fact that investments in Munich, one of the most stable markets in Germany, are of interest to a broad group of buyers is also reflected in the distribution of the volume by investor group. At mid-year, listed real estate companies/REITs rank first with a good quarter, ahead of special-purpose funds with just under 23%. Property developers and investment/asset managers each contribute around 15%. Behind the latter lies a wide range of other investors such as insurance companies and pension funds, for whose account they act. Property firms (just under 9%) and private investors (6%) also make a substantial contribution to the result. As usual, foreign investors are underrepresented in the nationwide comparison with around 30%. Of the approximately €650 million coming from abroad, 71% is attributable to other European countries.

Net prime yields by type of property in Munich



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➤ ESPECIALLY LOGISTICS YIELDS CONTINUE TO GIVE WAY

The strong yield compression of the past years has slowed down. Only in the case of logistics assets there is still a significant year-on-year decline of 50 basis points to 3.90%. The net prime yield for offices fell by 20 basis points in the second half of the year 2018 and has since remained stable at 2.80%. It is thus on a par with retail buildings in high-street locations, which are also listed at 2.80%.

➤ PERSPECTIVES

The market upturn that began in the second quarter is likely to continue as the year progresses. A number of large-volume transactions are in the process of being concluded as well as further extensive transaction processes, which should be completed by the end of the year, are in preparation. Last but not least, the increased construction activity on the office market also plays into the hands of the supply side. Nevertheless, the record figure from the previous year (€6.7 billion) is unlikely to be reached due to the direct comparison of the first two half-years.

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