BNP PARIBAS REAL ESTATE

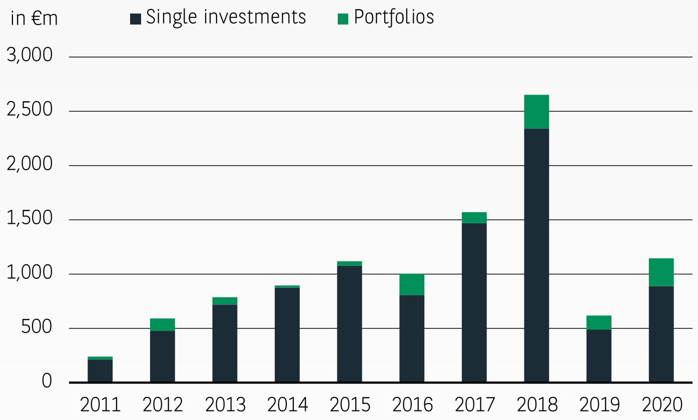
Real Estate
for a changing world

RESEARCH

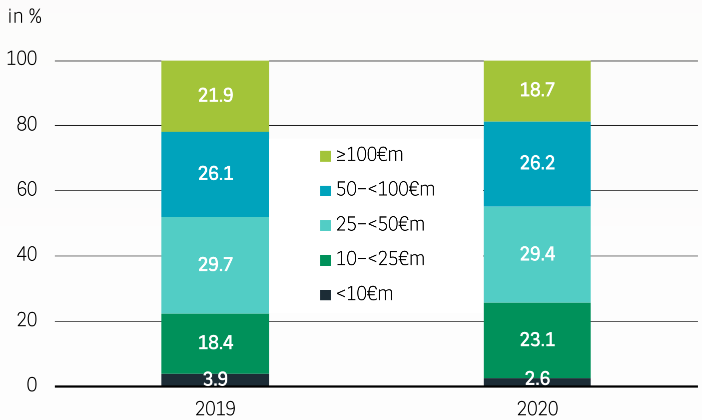
At a Glance Q1 2020

INVESTMENT MARKET MUNICH

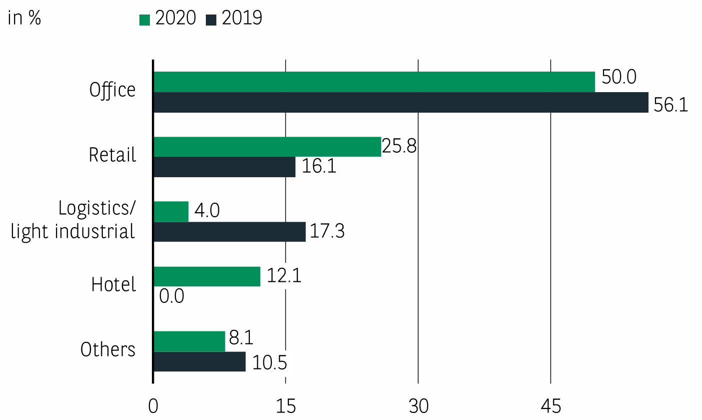
Investment volume Q1



Investments by € category Q1



Investments by type of property Q1



STRONG START TO THE YEAR FOR THE INVESTMENT MARKET

The Munich investment market has made a strong start to the new year. With a transaction volume of nearly €1.15bn in the first quarter, the previous year's result, which was weak though, was exceeded by 86%. Moreover, the ten-year average was topped, too (+ 8%), therefore providing a better indication. Both individual deals and proportionately included portfolios contributed to this result. Package sales, which doubled in turnover, accounted for €257 million, which was also significantly influenced by share sales of the Signa Prime Selection portfolio. Individual sales reached a volume of almost €890 million, which corresponds to an increase of 82%. This good result is particularly noteworthy in view of the fact that only one deal in the three-digit million range has been realised to date. This is the selling of the Bertelsmann headquarters, which was sold to Allianz Real Estate for over €200 million in a sale-and-lease-back deal. As a result, no concrete effects of the Corona pandemic on the Munich market have yet been observed in the first quarter.

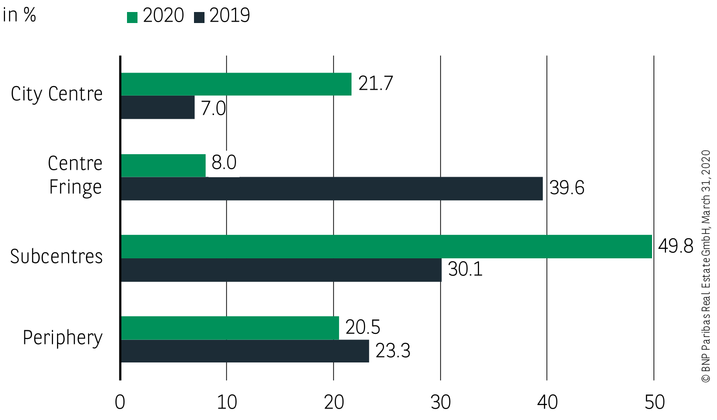
STRONG DEMAND IN ALL SIZE CLASSES

The great attractiveness and broad demand base on the Munich investment market is also underlined by the distribution of the transaction volume across individual size classes, all of which have benefited extensively. With a share of a good 29%, the category between €25m and €50m has taken the lead, just ahead of the class between €50m and €100m, which comes to around 26%. However, deals between €10 and €25 million still contribute a good 23%. By contrast, significantly less than the long-term average is accounted for by major transactions in the triple-digit million range, which are only responsible for just under 19% of the investment turnover to date.

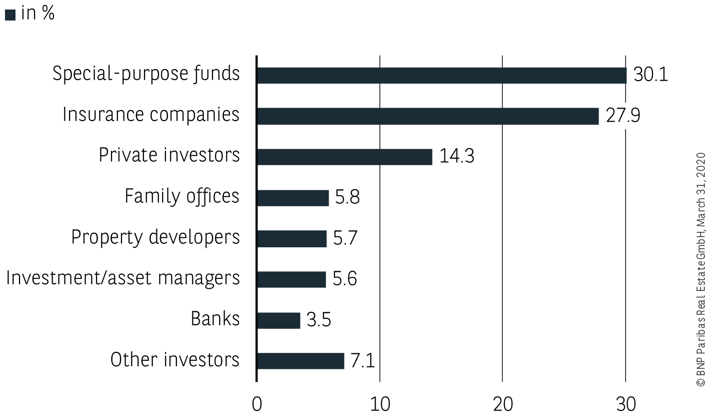
RETAIL AND HOTELS WITH HIGH SHARES

The distribution of volume among the individual asset classes shows a slightly different distribution than the long-term average. Once again, office buildings made by far the largest contribution to the result with a near 50%. However, they are noticeably below their average share of around two thirds. By contrast, considerably more than usual was invested in retail properties, which contribute more than a quarter (26%). The same applies to hotels, whose share of a good 12% is about twice as high as usual. Both asset classes have benefited considerably from proportionately included portfolios. Logistics investments, which were particularly strong in the same period of the previous year, returned to an average value of 4%.

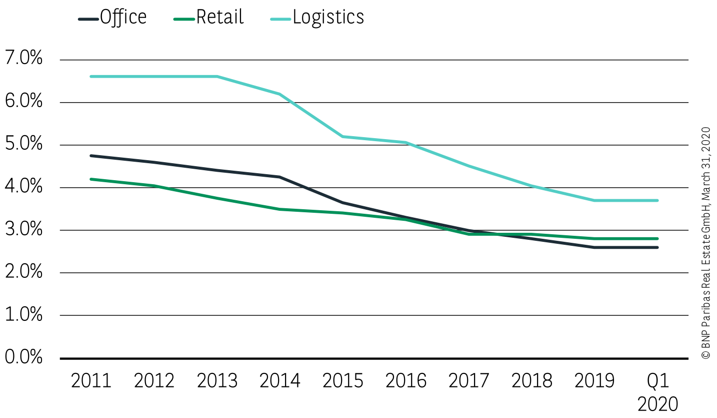
Investments by location Q1



Investments by buyer group Q1 2020



Net prime yields by type of property



SUBCENTRES GENERATE THE MOST TURNOVER

The Munich investment market has long been characterised by a lack of supply. This applies above all to central city locations. Although they currently contribute around 22% of turnover, which is considerably more than in the same period last year (7%), they are still far below their average of around one third. The Subcentres in particular, which account for almost half of the volume, can benefit from this. But the Periphery is also responsible for more than a fifth (21%) of the result. This distribution, with a very high proportion outside the central locations, reflects the great confidence of investors in the good prospects for the market as a whole.

RELATIVELY BROAD SPECTRUM OF BUYER GROUPS

Among buyers, it is primarily equity-rich core investors who contribute significantly to sales. Special-purpose funds have taken the lead with a share of 30%, followed by insurance companies, which account for around 28%, and private investors, contributing over 14% to the result. Family offices, property developers and investment managers, who are each responsible for just under 6% of the transaction volume, follow next in line. So far, the participation of foreign investors has been below average. At just under 20%, even by Munich standards they remain well below the registered shares in recent years.

PRIME YIELDS UNCHANGED IN THE FIRST QUARTER

At the beginning of the year, slight price increases were still apparent. Ultimately, however, the sales concluded in the first quarter, many of which were already at an advanced stage of negotiations at the beginning of the year, generated yields comparable to those at the end of 2019. Since the introduction of the measures to contain the corona crisis, no significant properties have been sold that would reflect a changed yield level. Accordingly, no adjustments have been made so far. Against this background, the prime net yield for offices remained at 2.60% in the first quarter. For inner-city retail properties in prime locations, the rate keeps stable at 2.80% and logistics properties are quoted at 3.70%.

PERSPECTIVES

Even though the investment markets got off to a very good start to the year, it can be assumed that the effects of the corona crisis will also be felt on the investment markets as the year progresses. At this point, the expected transaction volume for the year 2020 cannot be reliably estimated due to the still unchanged uncertainty about the further course of the crisis. However, the probability that results will be significantly lower than in 2019 is very high. The future development of yields also remains to be seen at present.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 31.03.2020

Further Information BNP Paribas Real Estate GmbH | Branch office Munich | Phone +49 (0)89-55 23 00-0 | www.realestate.bnpparibas.de