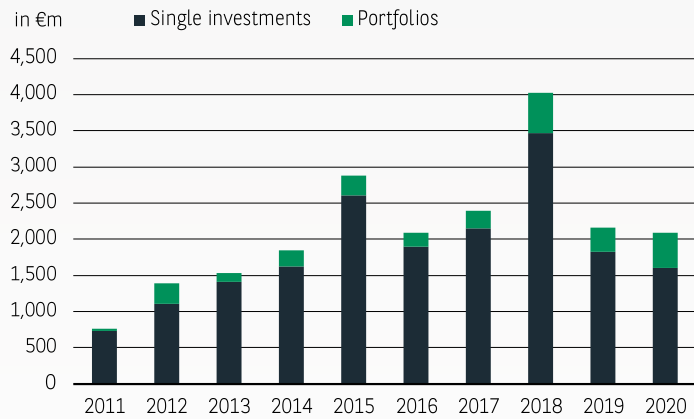




At a Glance **Q2 2020**

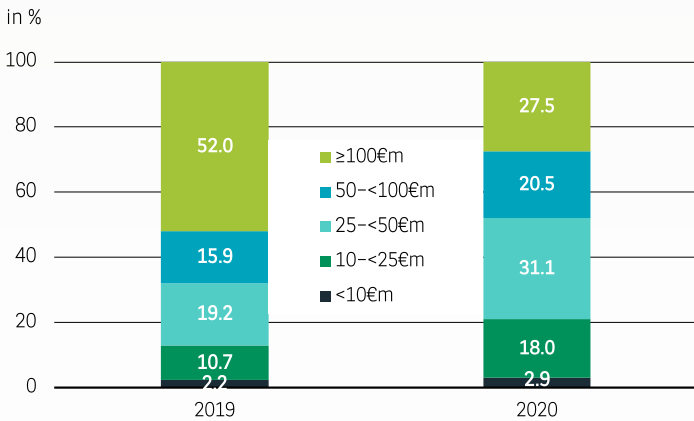
# INVESTMENT MARKET MUNICH

### Investment volume H1



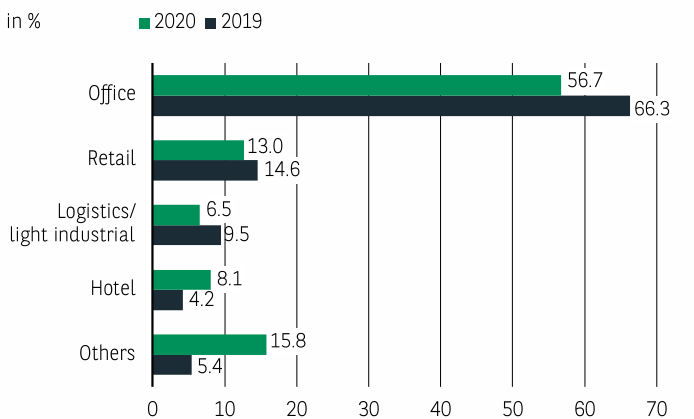
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### Investments by € category H1



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### Investments by type of property H1



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### ➤ INVESTMENT MARKET ONLY SLIGHTLY BELOW PREVIOUS YEAR

With a transaction volume of just under €2.1bn, the Munich investment market fell just short of the previous year's result by almost 4% and is almost exactly in line with the 10-year average. Relatively extensive portfolio sales, in which Munich properties were well represented in the turnover, also contributed to the result. Around 30% of total turnover was derived from portfolio sales, bringing €482 million. Compared to the rest of Germany, however, some locations benefited even more substantially from the fact that the investment volume in the first half of the year was driven strongly by portfolio sales. As a consequence of the lockdown and associated contact restrictions, the result for the second quarter in Munich was also down on the first quarter. Consequently a number of larger deals with their intensive due diligence processes were temporarily put "on hold". This resulted in only €940 million being generated between April and June, 39% less than in the same period of the previous year. Yet in the meantime, market activity has picked up noticeably. Among the most important completed transactions are the sale of the Bertelsmann headquarters, which was sold to Allianz Real Estate for over €200 million in a sale-and-leaseback transaction, and the South Horizon (SoHo) project development.

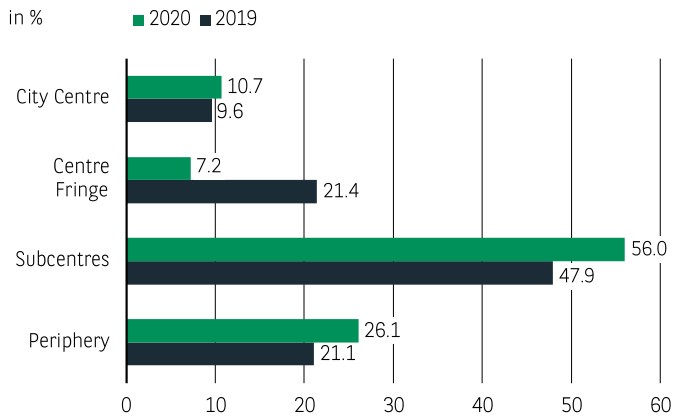
### ➤ ONLY FEW MAJOR DEALS

In contrast to the last two years, the share of major deals in the three-digit million range is extremely low at only 27.5% and is about half as low as in the corresponding period last year. So far, only three such deals have been recorded. The main reason for this is the delay in large transactions due to the effects of lockdown. Most investments in the first half of the year were therefore made in properties between €25 and 50 million, which contribute 31% of total revenue. Smaller transactions of up to €25 million also account for a share of around 21%.

### ➤ OFFICE REMAINS MOST IMPORTANT ASSET CLASS

By far, most investments in the first half of the year were made in office properties. This shows that investors are confident of the long-term positive economic development of the Bavarian capital. Though at just under 57%, the share of sales is somewhat lower than in the previous year. Retail properties follow in second place with 13%, whereby the majority of volume stems from sales of shares in existing portfolios. Hotel sales almost doubled their contribution due to a still very respectable first quarter and now account for a good 8%.

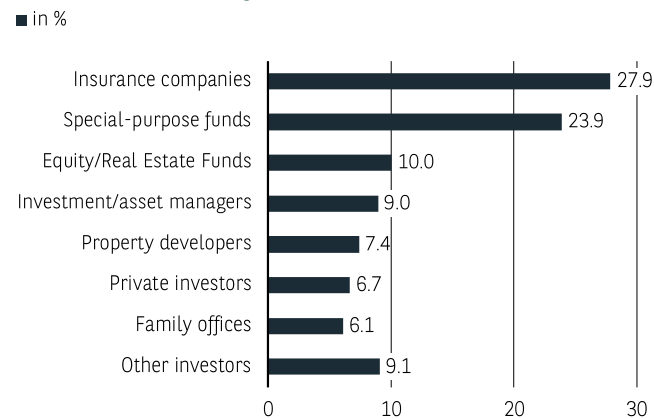
**Investments by location H1**



**SUBCENTRES AGAIN WITH HIGHEST TURNOVER**

For some time now, most investments have been made in Munich's Subcentres. With a 56% share of sales in the first half of the year, they not only took the top spot among all locations but also achieved the highest share ever. By contrast, just under 11% of investment turnover was accounted for by the City centre, where the long-term average is around one third. This is not due to changes in investor preferences, but to insufficient product range in central locations. This assessment is underpinned by the unusually low contribution of 7% from the Centre Fringe zones. However, the fact that investors are also very interested in investments outside top locations expresses much about their fundamentally very positive attitude to Munich as a location.

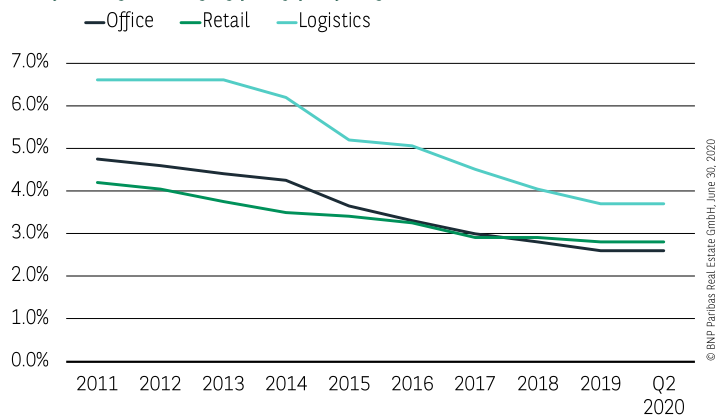
**Investments by buyer group H1**



**INSURANCE COMPANIES AND SPECIAL FUNDS MOST ACTIVE**

Traditionally, the investment market is characterised by a broad spectrum of buyers. In the first half of the year, however, two types of investors, together accounting for a good half of sales, invested particularly heavily. Insurance companies are in first place with a share of just under 28%. By far the largest share of the volume is accounted for by the two major deals mentioned above. Not surprisingly, special-purpose funds follow in second place, contributing just under 24% to the result. Equity/real estate funds also account for a double-digit share of sales with 10%. Investment managers (9%) and property developers (7%) also made larger contributions to sales.

**Net prime yields by type of property**



**STABLE RETURNS**

Despite the effects of Corona, yields have not seen any real adjustment, even when more expensive financing is usually priced in. Prices in the core area in particular, however, have so far remained stable due to continuing strong demand. The net prime yield for offices is therefore unchanged at 2.60%. For inner-city commercial buildings in prime locations, the rate remains at 2.80%, and logistics properties at 3.70%.

**OUTLOOK**

Subdued sales in the second quarter demonstrate that lockdown and associated contact restrictions, making normal market activity impossible, had a noticeable impact. Yet this is markedly different to a market standstill or a complete change in investor behaviour. It should also be noted that market sentiment has brightened in recent weeks and that a number of large transactions previously "on hold" have now been reanimated, so that a significant market revival should already be apparent in the third quarter. From today's point of view, all the indications are that purchase prices will continue to develop reliably during the rest of the year.

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