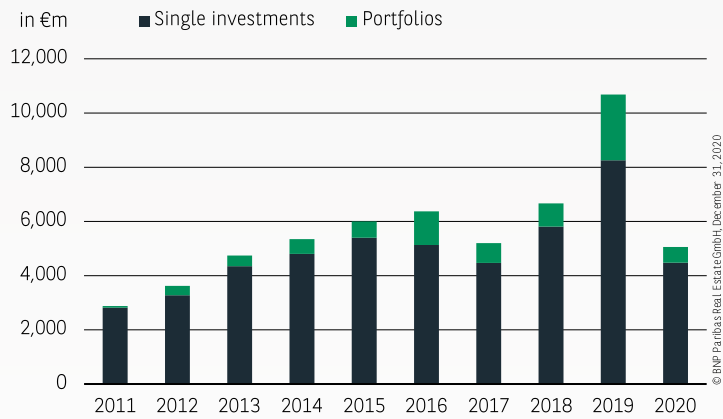




At a Glance **Q4 2020**

# INVESTMENT MARKET MUNICH

### Investment volume

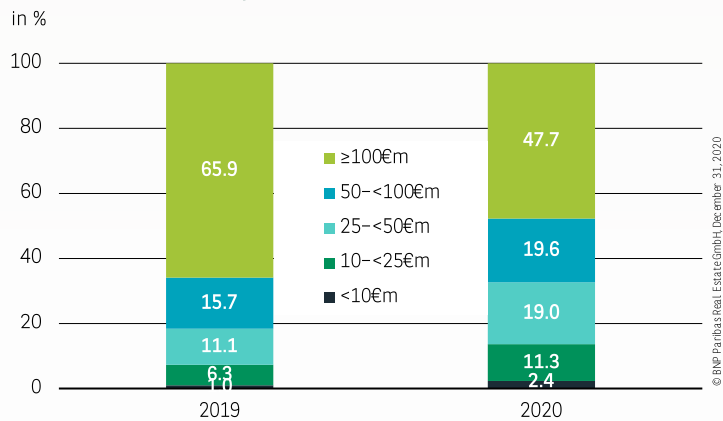


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### ➤ FOURTH STRONGEST MARKET NATIONWIDE

The Munich investment market was solid overall at the end of the year. In the fourth quarter, €1.3 billion was invested in commercial real estate. The traditional year-end rally thus failed to materialize in 2020, which was dominated by the corona pandemic. But with a total volume for the year of almost 5.1 billion, the Munich investment market ranks fourth in the national rankings behind Berlin (almost €9 billion) and Frankfurt (€6.5 billion) and almost on a par with Hamburg (€5.5 billion), the latter achieved a record result. The investment volume registered in Munich for 2020 was slightly below the ten-year average (-11%). Market activity was dominated by single transactions, which accounted for 89% of the market. While proportionally calculated portfolio deals still amounted to €2.4 billion (or 23% market share) in the record year 2019, only around €580 million flowed into commercial portfolios in 2020.

### Investments by € category

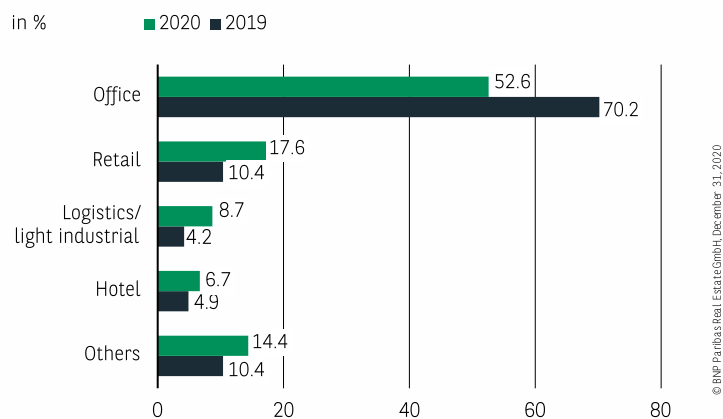


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### ➤ MEDIUM DEAL SIZES GAINING IN IMPORTANCE

Contracts between €25 million and €100 million gained significantly in importance in 2020. Overall, just under €2.0 billion or 38.6% was invested in these size classes. While they were thus able to significantly expand their market share, large transactions with an investment volume of over €100 million lost relatively in importance year-on-year, as expected. In the record year 2019, they had generated around €7.0 billion and thus a far above-average market share of 66%. However, with a share of just under 48% in 2020, they were almost at the 5-year average of 51%. While only two deals beyond €100 million were registered in the second quarter of 2020, transaction activity recovered quickly after the first lockdown. A large number of negotiations that were still "on hold" in the second quarter were successfully concluded by the end of the year. A total of 10 major deals were registered in the second half of the year.

### Investments by type of property

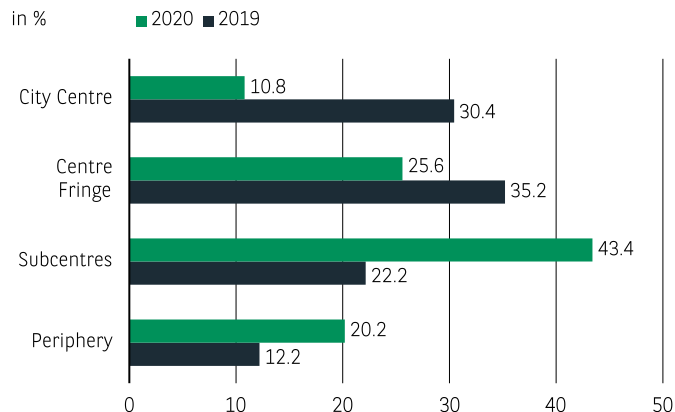


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### ➤ OFFICE REMAINS DOMINANT ASSET CLASS

With an investment volume of almost €2.7 billion or 53% market share, office properties remained the most important asset class, although they fell well short of the ten-year average (€3.6 billion or 62%). At just under €900 million, investment activity in the retail sector was above average (ten-year average €794 million). In Munich, too, interest and transaction activity in the logistics sector increased significantly in the wake of the Corona pandemic. At around € 440 million, the previous year's result was matched and the long-term comparison exceeded by a good 60%.

**Investments by location**

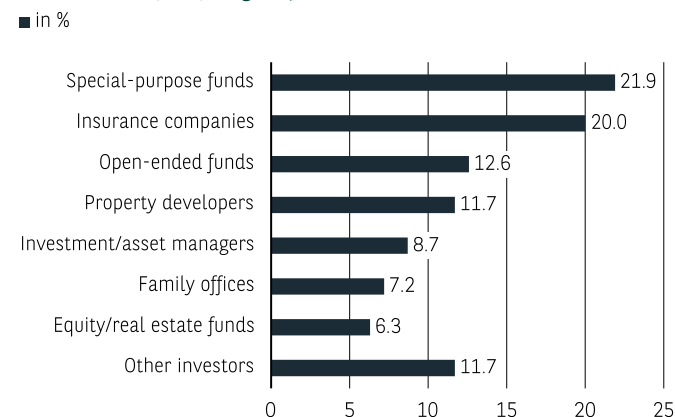


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**➤ SUPPLY SHORTAGE MARKS THE MARKET**

The product shortage that has been evident in the Munich market area for some time was again a defining feature of market activity in 2020. Almost 65% of the transaction volume was generated in Subcentres and the periphery. In particular, the market share of almost 44% recently achieved by the Subcentres represents a new record. The fact that four office transactions alone contributed to this above-average result, each worth well over €100 million, underscores the value of the business location and the great confidence investors have in the Munich market. While the market share of the Centre Fringe is in line with the 10-year average (28%), the investment volume placed in the City fell well short of the long-term average of 26% due to the shortage of supply.

**Investments by buyer group 2020**

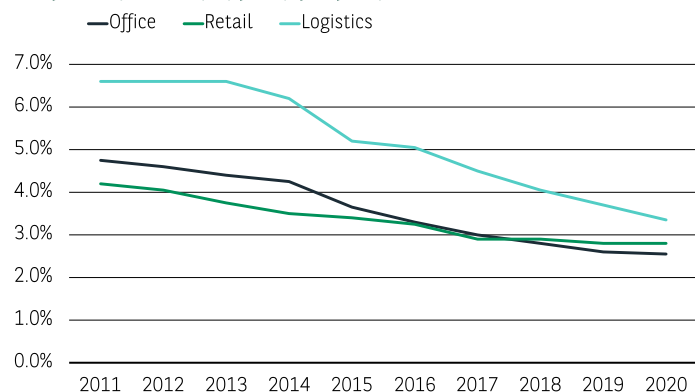


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**➤ SPECIAL-PURPOSE FUNDS AND INSURANCE COMPANIES TOP**

With an investment volume of around €1.1 billion, special-purpose funds were the most important group of buyers. Although they missed their record result from the previous year by 57%, their latest result puts them at the very good 2018 level. Insurance companies followed in second place with just over €1 billion. This is the highest volume ever placed by this investor group, whose long-term average volume is €450 million. Insurance companies were most active in the Subcentres, where they acquired large-volume properties or developments such as Bertelsmann's "NM28" headquarters and the "SOuth HOrizon" (SoHo). Open-ended funds follow with a distance as the third strongest buyer group. The market share of foreign investors was 33% in 2020, in line with the long-term average of 35%.

**Net prime yields by type of property**



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**➤ GREATEST YIELD COMPRESSION IN THE LOGISTICS SEGMENT**

The trend of yield compression in the core segment continued in large parts in 2020. While a sideways movement is registered for the net prime yield in highstreet properties for 2020 (2.80%), a decline of 5 basis points to 2.55% is reported in the office segment at year-end. At 35 basis points, the prime yield in the logistics segment has decreased the most. As in the other German locations, demand for this product, which is one of the clear winners of the Corona pandemic, is very high while the noticeable lack of supply persists.

**➤ OUTLOOK**

With its above-average economic strength and stable market fundamentals, the Munich investment market is and remains a top investment destination for investors in the German market. For 2021, an investment volume significantly above the previous year's level is likely, so that even in the absolute premium segment there is a realistic chance of further yield compression.

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