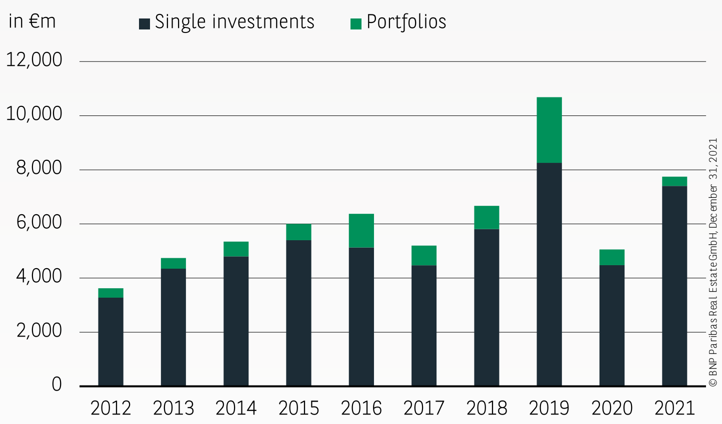
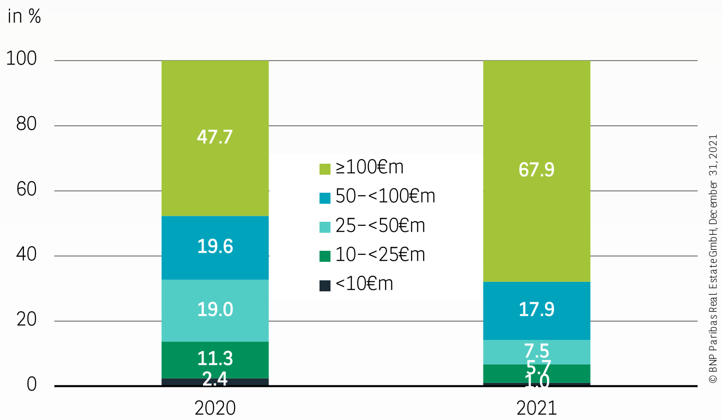
At a Glance Q4 2021

INVESTMENT MARKET MUNICH

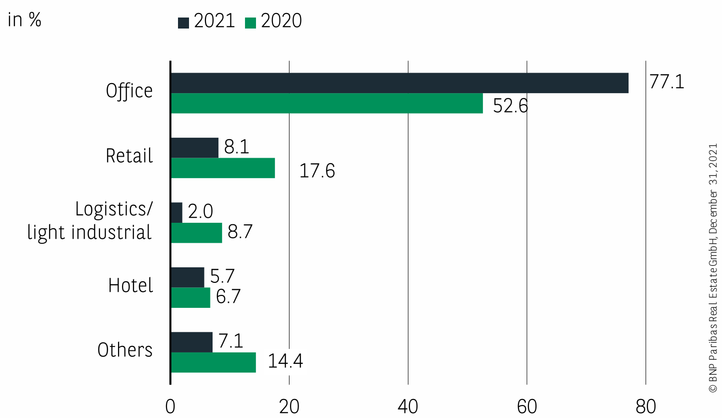
Investment volume



Investments by € category



Investments by type of property



SECOND-BEST TRANSACTION VOLUME EVER

The Munich market experienced a brilliant investment year. With a total transaction volume of €7.75 billion, not only was the previous year's result exceeded by a good half, but the second-best result of all time was also achieved. Only in 2019 was significantly more invested, albeit with a noticeably higher portfolio share. In a nationwide comparison, Munich thus ranks second behind Berlin. A number of very large-volume transactions in the high triple-digit million range are partly responsible for the exceptionally good transaction volume. These include the purchases of Uptown, Highlight Towers and Elementum brokered by BNPPRE. Munich can thus deservedly call itself the "capital of major deals". The decisive factor here is that the willingness to invest in such volumes in several cases at once impressively underscores investors' sustained confidence in the Bavarian capital. At the same time, it is unsurprising that 96% of the total volume is accounted for by single deals, whereas portfolio deals, which are included on a pro rata basis, only account for around €343 million, the lowest figure in the last ten years.

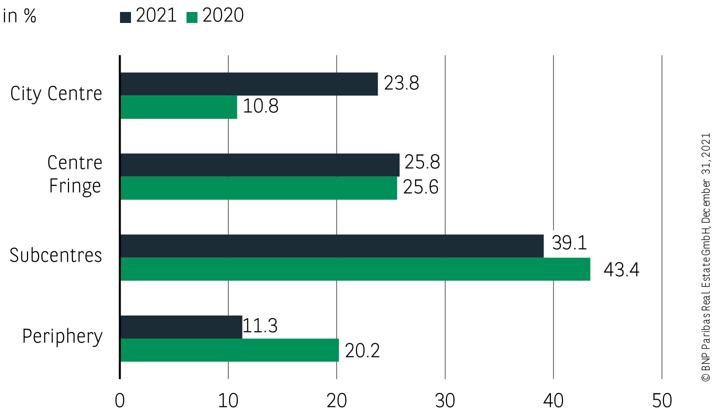
6 OF THE 9 LARGEST DEALS WERE REALIZED IN MUNICH

Given the large number of major deals, it is not surprising that more than two-thirds of the transaction volume is accounted for by deals in the triple-digit million range; the highest proportion ever recorded. In the second largest class of €50 million to €100 million, the relative share fell slightly to 18%, but in absolute terms, a very good result was also achieved here with just under €1.4 billion (+40%). However, the extent to which large transactions have dominated the market this year is best illustrated by the fact that six of the nine individual sales registered nationwide above the €500 million mark took place in Munich alone.

INVESTORS BELIEVE IN POSITIVE OFFICE MARKET PROSPECTS

The fact that buyers believe in the long-term perspective of the Munich office market is reflected in the fact that 77% of the invested volume is attributable to this asset class. The already high ten-year average of two thirds was now acceeded by another 13 percentage points. Second place was taken by retail properties, which accounted for just over 8% of the total volume invested and were thus almost 17% lower in absolute terms than the long-term average. It is encouraging that hotels were able to increase their result by 30%, to which the sale of the Hotel Königshof on Karlsplatz contributed significantly.

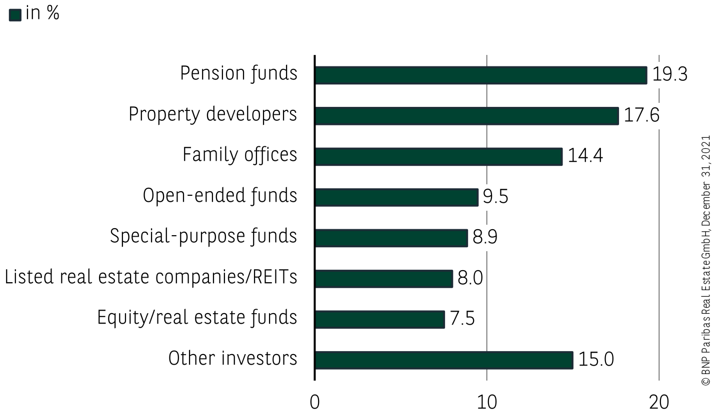
Investments by location



BROAD SPREAD ACROSS ALMOST ALL LOCATIONS

While the Subcentres and the Periphery were the main focus of market activity in 2020 and recorded disproportionately high shares of sales, the picture changed again in 2021. This is due not least to the noticeable increase in construction activity which has led to a rise in product also in the central locations. As a result, the current distribution of the transaction volume is again more closely approximating the structure familiar in the long-term. The Subcentres have once again taken the lead, contributing 39% to the result and thus underpinning their traditional position as the location with the highest turnover. The City, which at 24% is almost on a par with its long-term average, has made significant gains and is only just behind the Centre Fringe locations (26%) coming in at third place.

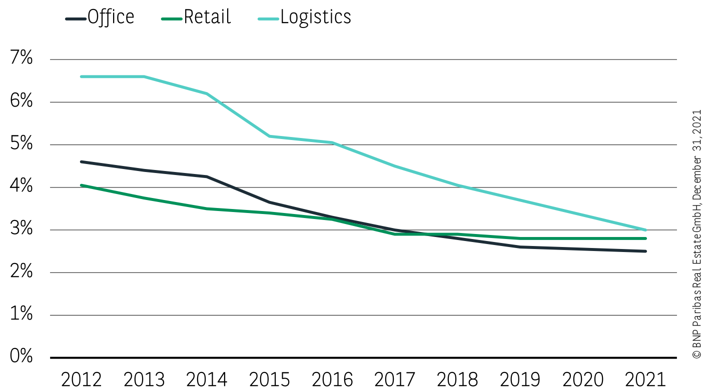
Investments by buyer group 2021



CORE INVESTORS WITH A STRONG RESULT

Munich's popularity, especially among long-term core investors, has long been known and is once again impressively demonstrated by the distribution of transaction volumes in 2021. With a share of a good 19%, pension funds lead the ranking of buyer groups. They have invested primarily in large-volume office properties. However, family offices with a good 14% and open-ended funds with 9.5%, which rank third and fourth, also belong to the group of equity-rich investors with a long-term investment horizon. In between, however, in second place, are property developers, who contribute almost 18% to the result. They have invested in both smaller and some large properties in order to reposition them on the market. This, too, can be seen as a clear vote of confidence in the outlook for the Munich market.

Net prime yields by type of property



PRIME YIELDS CONTINUE TO DECLINE

The fact that Munich is a highly desirable investment location is reflected not only in the exceptional transaction volume, but also in a sustained compression of yields. The net initial yield for office properties has fallen by a further five basis points over the course of 2021 to its current level of 2.50%. Only the capital Berlin is even more expensive. The decline was even greater for logistics, where the current 3.00% corresponds to a reduction of 35 basis points within one year. The prime yield for highstreet property remains unchanged at 2.80%.

OUTLOOK

Although it is unlikely that 2022 will see the same number of large deals as 2021, everything points to another very good year and high transaction volumes. This is supported by the unbroken demand from many investors and by additional new construction product coming onto the market. As some of these projects are very high-quality assets in central locations, a further slight decline in yields cannot be ruled out.

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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