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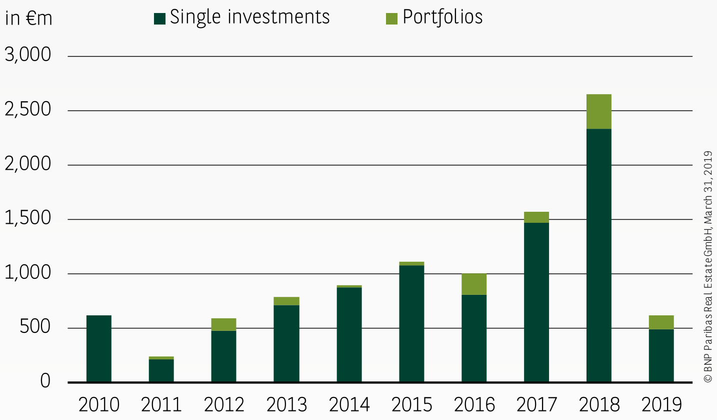
RESEARCH

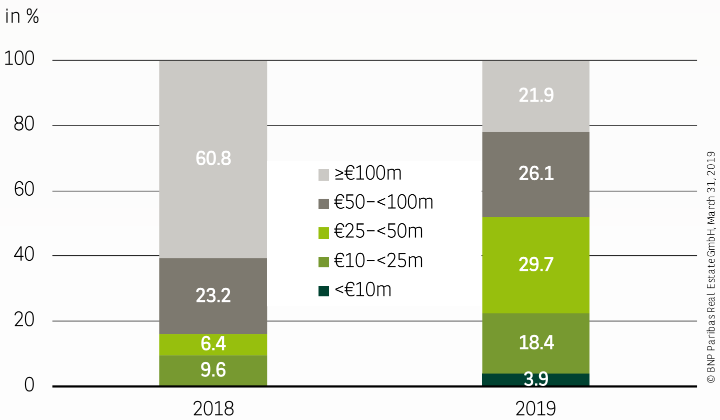
At a Glance Q1 2019

INVESTMENT MARKET MUNICH

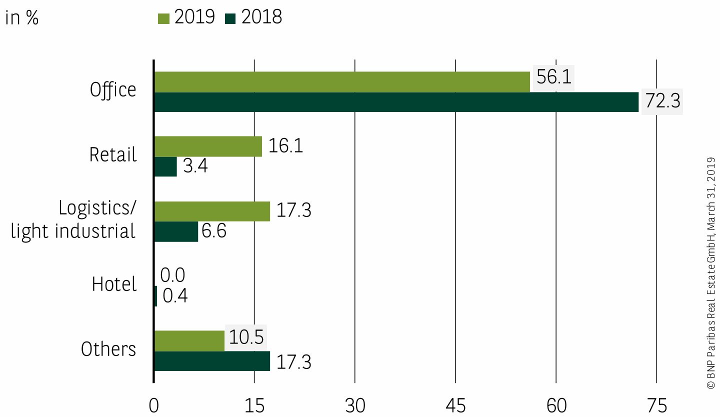
Investment volume in Munich Q1



Investments by € category in Munich Q1



Investments by type of property in Munich Q1



STILL AIR TO THE TOP

In the first quarter, the Munich investment market must pay some tribute to the year-end rally and the very good turnover of recent years. Due to the limited availability of an offer, the transaction volume of 617 million € was extremely low by Munich standards and represents the weakest result of the last seven years. At the same time, the number of transactions recorded more than halved compared to the previous year. Although a comparison with the fable record of 2.65 billion € set in the same period last year is out of the question, the ten-year average was also missed by almost 39 %. One of the reasons for this situation is the share of larger deals, which has so far been disproportionately low. In the first three months, only one sale in the three-digit million range was registered, which is rather atypical for Munich. The fact that the Bavarian state capital is in good company with the supply bottleneck is shown by the fact that it still ranks third among the major German investment locations behind Berlin and Stuttgart.

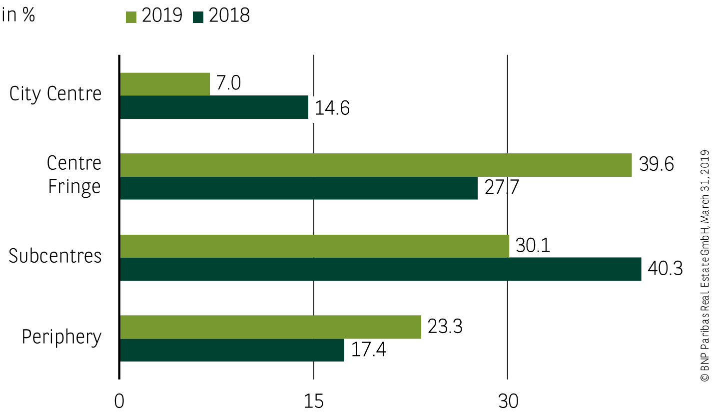
BALANCED DISTRIBUTION ACROSS THE SIZE CLASSES

In recent years, the share of large deals in Munich has generally been between 40 and a good 50 %. In the first quarter of 2019, on the other hand, only 22 % were in the above 100 million € category. In absolute terms, just under 1.5 billion € less was invested here than in the same period last year. As a result of this development, a very balanced and unusual distribution of transactions has been recorded so far. All classes from 10 million € contribute between 18 and 30 % to the total turnover. In absolute terms, the most was invested in properties from 25 to 50 million € (183 million €).

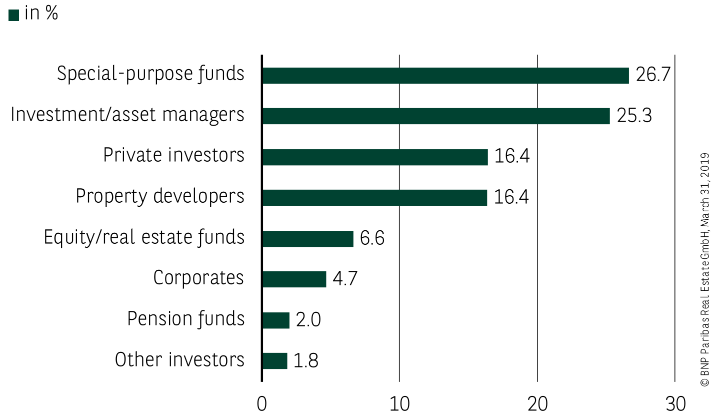
LOGISTICS AND RETAIL ROUGHLY AT NORMAL LEVEL

The moderate investment volume to date has naturally had an impact on the distribution of asset classes. Although offices are once again at the top with a good 56 %, in absolute terms only half of the ten-year average has been achieved. Against this background, both logistics properties (17 %) and retail investments (16 %) were able to significantly increase their relative shares. Above all, however, it is noteworthy that their absolute volumes are roughly at the average level of the last ten years. This shows that the current shortage of supply is concentrated primarily on large-volume office properties. This is not a special situation in Munich either.

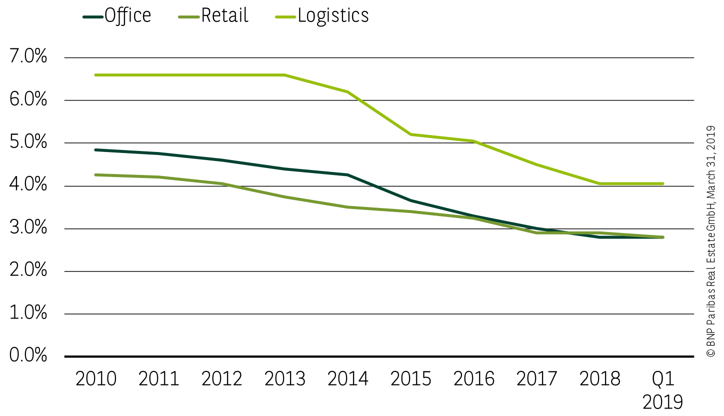
Investments by location in Munich Q1



Investments by buyer group in Munich Q1 2019



Net prime yields by type of property in Munich



HARDLY ANY PRODUCT IN THE CITY CENTRE

The market situation in the first quarter is also clearly reflected in the distribution of investments across the market area. While the average share of the City Centre over the past ten years has been just under one third, it is currently only 7 %. This trend was already beginning to emerge in 2018. As a result, the Centre Fringe leads the investment distribution and contributes almost 40 % to the result. Second place goes to the Subcentres, which account for around 30 %. But the peripheral market areas are also responsible for over 23 % of the transaction volume and are thus well above the long-term average. In view of the fact that investors have a great deal of confidence in the Munich market as a whole, they are therefore switching to other locations if there is a shortage of supply in the central locations.

NO PARTICULAR FOCUS ON BUYERS

It is also pleasing to note that a large number of different investors were active in the somewhat calmer market at the beginning of the year, which underscores the continued strong interest in the Munich location. A total of four buyer groups account for double-digit shares of the volume. Special-purpose funds with a share of almost 27 % are close to the top, placing investment managers, who contribute a good 25 %, wafer-thin in second place. Third place goes to private investors and property developers, who each account for a good 16 %. Equity/real estate funds (7 %) and corporates (5 %) also make notable contributions. Foreign buyers account for just under 44 % and are thus even slightly above the share customary in Munich.

LITTLE MOVEMENT IN YIELDS

After the noticeable declines in yields in recent years, no change was observed in most asset classes at the beginning of the year. Only the net prime yield in the high street segment fell slightly by 10 basis points to 2.80 %, which is at the same level as office buildings. As in the other important logistics agglomerations, 4.05 % is still to be applied for logistics properties.

PERSPECTIVES

Despite the slow start, the market is expected to pick up significantly in the course of the year. This is supported not only by a number of major transactions that are about to be concluded, but also by a number of marketing processes currently in preparation and a growing supply due to increased construction activity coupled with good pre-letting rates. Nevertheless, an investment volume as in the previous year appears rather unlikely; from today's perspective, a transaction volume of around 5 billion € is expected for 2019.

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