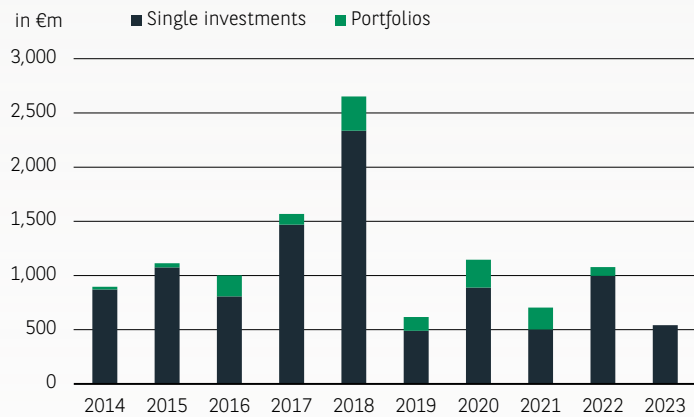




At a Glance **Q1 2023**

# INVESTMENT MARKET MUNICH

### Investment volume Q1

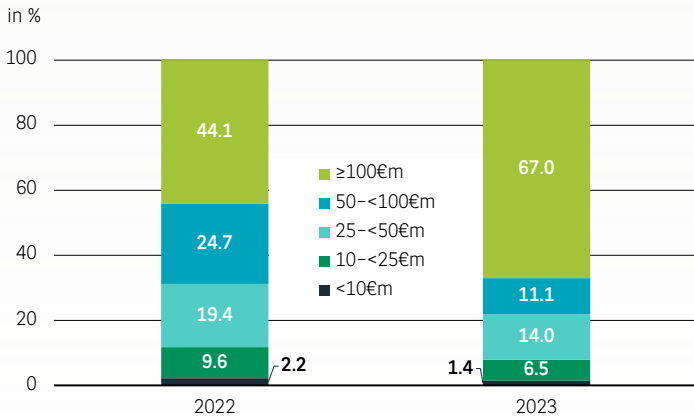


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### ➤ MARKET ACTIVITY VERY SUBDUED

Munich's investment market continues to struggle under the difficult circumstances caused by the quick and substantial interest rate hikes by the central banks. In the past few years, especially in Munich, the market has been dominated by numerous large-volume core transactions of office properties. The changed financing conditions caused significant distortions especially in this market segment while the necessary adjustment processes for new and sustainable price levels still have a long way to go. Therefore it is not surprising that the Bavarian capital recorded the lowest result of the last ten years in the first quarter. With a transaction volume of €542 million, both the previous year's result and the ten-year average were missed by 50%. The fact that the purchase of a development site by the tech company Apple in order to expand its campus was the largest deal registered in the first three months is quite remarkable. Despite the weak transaction volume, Munich still holds the second place among the major German investment locations in a nationwide comparison. Only the German capital, Berlin, recorded a significantly higher investment of over one billion euros.

### Investments by € category Q1

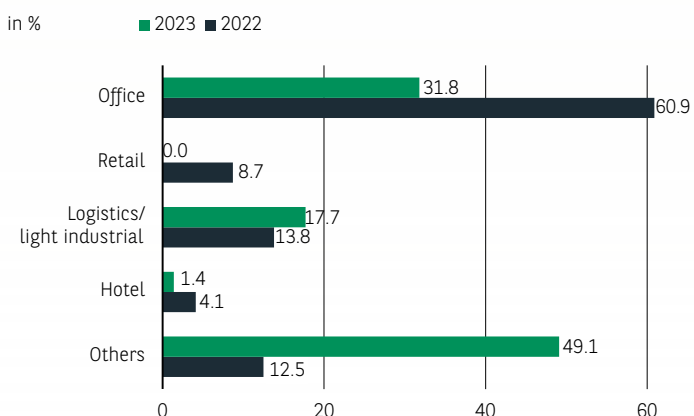


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### ➤ HANDFUL OF LARGE DEALS DOMINATE THE MARKET

Although only very few large transactions were registered in the three-digit million range, the overall low investment volume lets them dominate the distribution by size category. In total, around two third of the result is attributable to this segment which is an exceptionally high value even for Munich. Deals between €25 and 50 million contribute a further 14% and transactions from €50 to 100 million account for a good 11%. In absolute terms, however, all categories posted as expected lower volumes than in the previous year.

### Investments by type of property Q1

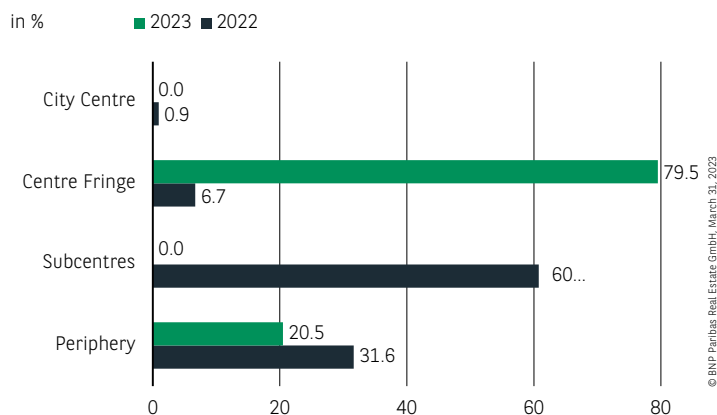


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### ➤ DEVELOPMENT SITES AND OFFICE WITH HIGHEST SHARES

In the light of the above-mentioned transaction by Apple, development sites rank at the top of the involved type of properties and represent almost half of the total result. This puts office properties, which traditionally dominate in Munich, in second place by a wide margin. Their contribution is barely 32% in the first quarter, clearly falling short of their long-term average of almost 60%. Logistics properties rank third, accounting for almost 18% and therefore roughly double their relative share compared to the usual average.

### Investments by location Q1



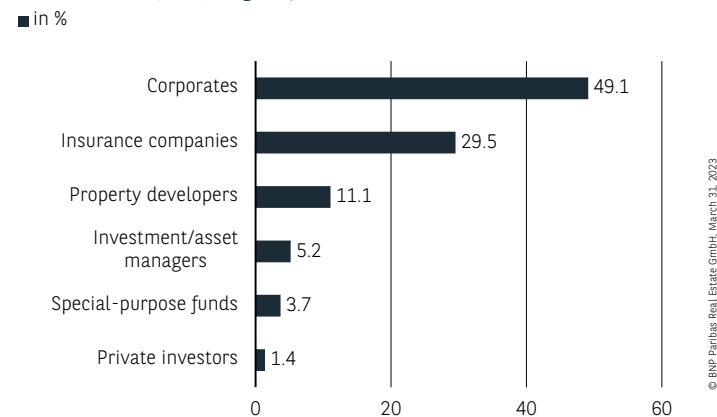
### ➤ CENTRE FRINGE WELL AHEAD

Overall, the Munich investment market experienced a very subdued first quarter, which is also reflected in the fact that significant transactions have so far only been registered on the Periphery and Centre Fringe. The Centre Fringe accounts for almost 80% of the investment volume so far. The remaining 21% were recorded in the Periphery, whereas no transactions have yet been registered in the Subcentres or the City Centre. This situation also underlines once again how difficult the market conditions are at the moment.

### ➤ THREE BUYER GROUPS ACCOUNT FOR 90% OF VOLUME

Another reflection of the overall moderate market dynamics is that 90% of the investment volume is generated by only three groups of buyers. Corporates lead the ranking with a share of almost 50%, whereby this result is predominantly due to the acquisition of the development site by Apple. Insurance companies are in second place, with another 30% of the total volume. Property developers also made a two-digit contribution, reaching over 11%. This demonstrates how convinced they are about the long-term positive development of Munich's investment market, even in the face of the current difficult situation.

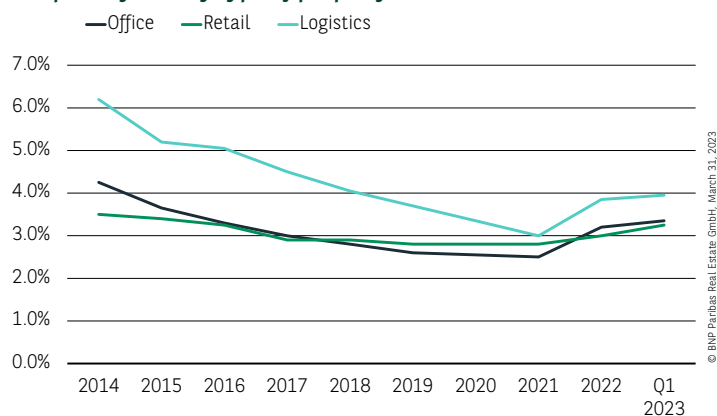
### Investments by buyer group Q1 2023



### ➤ FURTHER YIELD EXPANSION IN THE FIRST QUARTER

The tight financing conditions are also reflected in the yield development. As a consequence of interest rate hikes by the major central banks in the first quarter, prices have continued to drop and yields expanded slightly. For office properties, the current net prime yield stands at 3.35%, an increase of 15 basis points. For core highstreet properties, yields have rose by 25 basis points to 3.25%. The net prime yield of logistics properties expanded by 10 basis points and currently stands at 3.95%.

### Net prime yields by type of property



### ➤ OUTLOOK

Since further interest rate hikes cannot be ruled out in the second quarter of 2023, latent uncertainty on both the sellers' and buyers' side is likely to continue to characterise Munich's market for a while yet. The price finding process should only be concluded effectively once the central banks have achieved their terminal rates. Only then market activity is expected to pick up notably leading to a noticeable increase in investment volumes. As it is not possible to conclusively predict when this point will be reached from today's perspective, this suggests that the investment volume in 2023 will remain well below previous years' results.

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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)