In the third quarter, the Munich investment market maintained its dynamic course, producing a transaction volume for the first nine months of the year of just over 4.26 bn €. Compared with the already very good prior-year result, that represents an increase of 23 % and it exceeded the ten-year average by a handsome 64 %. Despite this outstanding performance, though, Munich failed to hold onto the No. 1 slot among the major German cities which it has occupied so often in recent years. Instead, it slipped into third place, behind Berlin and Frankfurt. However, it is important to point out that the other locations benefited much more strongly from portfolio deals included in their turnover figures on a pro rata basis. In fact, taking just single transactions into account, Munich continues to lead the field, with close to 3.94 bn €, which is slightly more than 92 % of its total turnover. This result was fuelled substantially by large-unit sales in the triple-digit million range. So far, there have already been nine such deals, including the sales of the Elisenhof at the Central Station and of the Siemens Campus in Neuperlach, both of which drew on the services of BNP Paribas Real Estate.

Investor interest in office buildings continues to be very marked, with a role certainly being played by the robust German economy. In connection with the very restricted availability of downtown retail/office properties – which also come at the top of shopping lists – it is hardly surprising that offices have headed the asset-class ranking with all of 70 % of the total. In second place came retail properties with around 13 %, finishing just ahead of hotels, which contributed more than 10 % to the result. Just like offices, they stepped up their 2014 volume appreciably (+16 %), to count as one of this year’s winners.
SUBCENTRES WITH BIGGEST SLICE OF TURNOVER

In geographical terms, Munich’s subcentres have so far played the biggest role, accounting for one third of total investment. One reason for this is the inadequate supply of properties in downtown areas, which has obliged investors to look elsewhere. Because of the extremely good prerequisites offered by the Bavarian capital, this is something they are more ready to do here than in many other cities. All the same, the distribution of investment basically follows the familiar, very balanced pattern. In second place came the Centre Fringe with just over 29 %, thus relegating the City Centre (23 %) to third place. The periphery also accounted for a respectable 14 %. And in absolute terms, all the geographical categories generated more investment than last year.

THREE INVESTOR CATEGORIES WITH DOUBLE-DIGIT SHARES

The fact that Munich is favoured by a spectrum of different market players is indicated by the spread of investment, with just three buyer groupings generating double-digit shares. The top slot was taken by equity/real estate funds (20 %), which have stepped up their activity quite considerably again in recent quarters. Some way behind came insurances (13 %) and special-purpose funds (nearly 11 %). But substantial amounts of capital were also deployed in Munich by open-ended funds (8 %), listed real estate companies and sovereign wealth funds (each just under 7 %), and pension funds (6 %). Foreign investors expanded their share of the total to over half (52 %).

YIELD COMPRESSION NOT OVER YET

The buoyant demand and the associated competition among investors have caused prices to climb further. Yields have continued to ease, with the prime yield for office buildings now standing at 3.85 %. Retail/office properties in the top locations, probably the most sought-after product in this city, have also become more expensive, reaching prime yields of 3.40 %. Premium logistics complexes are also subject to upward pressure on prices, with a yield of 5.55 %, but hardly any such complexes are on the market anyway.

OUTLOOK

The framework for investing in real estate remains favourable, especially in respect of the financing environment and the lack of alternative assets, and in the fourth quarter this will continue to drive turnover. As one of the top locations in Germany, Munich is set to profit extensively from this, with one factor being the likelihood of an upward trend in the activity of foreign investors, who have already appreciably stepped up the amount of capital they are deploying. At the same time, Munich remains the darling of core investors. Against this background, the prior-year result will definitely be bettered. And if deals currently in the pipeline are finalised in the next couple of months, we expect to see a transaction volume for the year as a whole of around 6.0 bn €.