In the first half of 2016, the transaction volume in Munich totalled just under 2.09 bn €. Although that was 28 % down on the prior-year figure, it was still the third-best result ever. A long-term comparison shows that it was a handsome 36 % above the ten-year average. This performance gives Munich second place nationwide behind Hamburg. It is worth noting that investment totals in the leading trio (Hamburg, Munich, Berlin) were less than 70 m € apart. The fall in turnover in Munich was due primarily to an insufficient supply of assets in the large-unit core segment, something that applied in almost all the other major locations. Illustrating this is the fact that while sales in the triple-digit million euro range generated close to 1.2 bn € in the first half of 2015, the figure this year was only around 750 m €. The contribution made by the pro-rata inclusion of portfolios was also lower than in both previous years. Demand on the part of investors, though, has actually been tending upwards.

Due to the relatively low volume of large deals, turnover was spread fairly evenly between the size classes. Although sales in the three-figure millions again produced the biggest share, with 36 %, this was below the level seen in recent years. In second place came the 50–100 m € bracket, with just over 26 %. The mid-range size categories also generated quite considerable proportions of the total: the 10–25 m € class 16.5 %, and the 25–50 m € class close to 19 %. In several segments, the absolute volume of investment was actually higher than in the prior-year period.

Office buildings attracted the biggest slice of investment, with 50 % of the total. So offices once again took first place in the asset-class ranking, but their share was well down on the multi-year average (65 %). In second place, with just under 20 %, came retail properties, which had also performed relatively strongly last year. Third place, somewhat surprisingly, went to the collective category of other forms of real estate, with 16 %. This largely comprised development sites, and this can be seen as a sign that the market is responding to the scarce supply, above all in the office segment. Other contributions to turnover were made by logistics complexes and hotels, each of which secured a share of just under 7 %.
Investments according to location in Munich H1 2016

<table>
<thead>
<tr>
<th>Location</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre</td>
<td>27.3</td>
<td>22.0</td>
</tr>
<tr>
<td>Centre Fringe</td>
<td>34.9</td>
<td>19.0</td>
</tr>
<tr>
<td>Subcentres</td>
<td>46.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Periphery</td>
<td>18.5</td>
<td>12.1</td>
</tr>
</tbody>
</table>

CENTRE FRINGE AGAIN WITH HIGHEST TURNOVER

The Centre Fringe zones secured the biggest share of turnover with just under 35% of the total in the first half. The City Centre generated only just over 27%, which is beneath the anyway traditionally low average of 36% – in no other top German location do investors deploy as much money outside the CBD as they do in Munich. This must be seen as a clear-cut sign of the confidence they have in the economic strength and long-term stability of the Bavarian capital. Underlining this is the fact that the subcentres and the peripheral zones also each accounted for around 19% of the transaction volume. The strong participation of all the different market areas characterises Munich more than any other major German city.

MANY DIFFERENT BUYER GROUPINGS ACTIVE

A similar picture is revealed by the range of investor categories participating in the overall result. This is also relatively broad, thus underlining the strong interest shown by many market players with differing investment strategies and risk profiles. Double-digit shares of turnover were posted by all of five investor groupings. The ranking is now headed by special-purpose funds, with slightly over 19%, thus narrowly relegating investment managers to second place, with 18%. The leading trio is completed by equity/real estate funds, with almost 15%. Not far behind come private investors and property developers, each with about 12%. Foreign investors have so far accounted only for just over 17%, the lowest level in any of the major cities.

FURTHER FALL IN YIELDS

Reflecting the tough competition between investors – which has been intensified by the shortage of supply – is the renewed fall in yields, with yield compression being maintained in the second quarter. The prime yield for office buildings is now 3.60%. Retail/office properties in premium areas command a top net initial yield of 3.30%, but that can go even lower in isolated cases. Following their sharp declines in recent quarters, the yields for logistics complexes have now stabilised at 5.20%.

BUOYANT DEMAND SET TO CONTINUE IN SECOND HALF

Munich’s popularity with investors will remain unchanged, so demand is likely to stay buoyant. In fact, in view of current developments in Europe, capital inflows may well increase, as market participants look around for secure assets. Against this background, all the signs suggest that the transaction volume for the year as a whole will be high. But whether it can match last year’s exceptional level is very much an open issue and will depend on the scale of supply. The most probable scenario is a slightly lower turnover than before. From today’s angle, yields look likely to ease somewhat further.