ANOTHER VERY STRONG RESULT
The investment volume in the Munich market area in the first nine months of 2016 totalled just over 3.21 bn €. Compared with last year, that is about one quarter lower – which corresponds to the declines posted in most of the other major cities. It is hardly surprising that the out-of-the-ordinary performance registered in 2015 could not be repeated – but this year's total is nevertheless one of the best ever recorded. Highlighting that is the fact that it exceeded the ten-year average by more than 24 %. The result gives Munich second place in the nationwide ranking, more or less equal with Frankfurt and bettered only by the capital, Berlin. The main reason for the lower investment volume is an inadequate supply, especially in the large-unit segment of the market. Whereas in the same period last year, there were ten sales in the triple-digit million euro range, this year there have so far been only seven.

FEWER LARGE DEALS
Although they once again posted the biggest share of turnover, with just under 38 %, in absolute terms major transactions upwards of 100 m € suffered the biggest decline (-32 %). The 50–100 m € size class accounted for about one quarter of the investment volume, corresponding to a fall of around one quarter. On the other hand, assets of between 10 and 25 m € generated a share of 15 %, stepping up their absolute volume by over 29 %. The very lively activity particularly in the small-unit segment highlights the strong interest shown by investors. Given a bigger supply, the transaction volume would definitely have been quite a lot higher.

OFFICES ACCOUNT FOR NEARLY TWO-THIRDS
Just like last year, office buildings headed the asset-class ranking, contributing almost two-thirds (65 %) to aggregate investment. In second place came retail properties with just under 15 %. The miscellaneous category registered a marked increase and also achieved double figures, with a turnover share of just over 10 %. The result mainly comprised development sites, which can be seen as evidence that the market is set to respond to the limited supply, above all in the office segment. Hotels slipped slightly, to just under 6 %, while logistics complexes not only increased their share (to 5 %) but also stepped up the absolute volume of investment they attracted.
CENTRE FRINGE GAINS BIGGEST SLICE OF TURNOVER
The way the transaction volume is spread across the market area produces a picture that is familiar in Munich but not apparent in this form in any other city. Whereas in most metropolises, investors concentrate on the central precincts, in Munich there is traditionally greater activity in other market zones as well. So it is hardly surprising to note that the Centre Fringe has secured by far the largest share of turnover, with nearly 44 %, as against the just 23 % generated by the City Centre zones, which took second place. Substantial contributions to the result were also again made by the subcentres (18 %) and the periphery (15 %). This suggests that for many investors, Munich’s overall economic strength plays at least as important a role as securing an asset in a central location.

INTEREST EXHIBITED BY ALL INVESTOR GROUPINGS
The strong interest exhibited by a diverse range of buyers is underlined by the broad distribution of investment between the different groupings. Once again, five categories of investors have obtained double-digit turnover shares. With 22.5 % of the total, special-purpose funds have defended their leading position, pushing investment managers into second place with just over 16 % Then, bunched quite closely together, come pension funds (12 %), equity/real estate funds (11 %) and private investors (10 %). But considerable contributions to the total were also made by property developers (9 %) and insurances (8 %). The strong presence of core-oriented institutional investors highlights the high regard in which Munich’s sustained stability is held. The proportion of foreign buyers has so far only been just over 18 %.

YIELD COMPRESSION CONTINUES
In the third quarter, yields continued to ease. After declining by 55 basis points in the past twelve months, the prime yield for office buildings now stands at just 3.30 %. The figure for ideally located retail/office properties is now 3.25 % but this can go even lower in specific cases. After a lengthier phase of stabilisation, the top yields for logistics complexes have also declined and are now only just above the 5 % mark, with 5.05 %.

STRONG FINAL QUARTER LIKELY
Demand is set to remain strong in the period ahead and go on driving the volume of investment. There are already signs that the final quarter will feature a real end-of-year surge, since many transactions are close to conclusion. Against this background, investment turnover will probably be very good and in fact represent one of the five best results of all time. On the other hand, in view of the insufficient availability of assets, it is unlikely that the exceptional performance posted last year can be matched. Given the pressure of demand, it is conceivable that yields will continue to ease.