In the first quarter of 2017, the Munich investment market not only continued its success story of recent years, it actually stepped up the pace, setting a new record with a transaction volume of 1.57 bn €. This exceeded the prior-year figure by 57 % and was more than twice the ten-year average. This very dynamic start to the year once again gave the Bavarian capital a clear-cut first place among all the major German investment locations. The most important deals included the sales of the Kap West by OFB to Allianz Real Estate and of HIGHLRISE one by Reiss & Co. Real Estate to DEKA. It is notable that single deals accounted for all of around 94 % of aggregate investment, with the portfolio volume (included on a pro rata basis) making just the comparatively small contribution of 100 m €. That underlines the broad foundation of demand in all market segments, something also reflected by a rise of nearly 50 % in the number of registered sales.

The size-category structure of the properties sold also highlights the great interest shown in a diverse spectrum of assets. Major deals in the triple-digit million range accounted for around one third of the transaction volume, and so, too, did sales of between 25 and 50 m €. It must be pointed out that the former result comprised just three transactions. A further 19 % of all turnover was contributed by the 50-100 m € class, while smaller assets of up to 25 m € added 15.5 % to the total.

The asset-class ranking was once again headed clearly by office buildings, but their share – of around half of total turnover – was in fact fairly modest in comparison with the long-term average of about two-thirds. Retail properties also accounted for a slightly lower proportion than before, with 13 %. In contrast, sales of logistics complexes gained in significance by contributing almost 14 % to the result; that enabled this class to move ahead of retail properties into second place in the ranking. An even more dynamic development was exhibited by the hotel segment, which multiplied its absolute volume to gain a share of 11.5 %. So Munich is benefiting extensively from the very positive trend that these two forms of occupancy have been showing nationwide.
SUBCENTRES GENERATE BIGGEST SHARE OF TURNOVER

The shift in the geographical spread of investment that had already been apparent last year was maintained in the first quarter of this year. In view of the tight situation in the City Centre, where hardly any product is available, the central precincts once again generated only a modest slice of turnover, with 12%. Well out in first place came the subcentres, which accounted for 54% of all investment and have thus substantially strengthened the lead they took for the first time in 2015. Since investors are confident about Munich’s long-term prospects, they are more prepared here than in any other city to opt for B- and C-locations. The periphery (17%) and the Centre Fringe (16%) also posted considerably lower shares.

THREE INVESTOR CATEGORIES PARTICULARLY ACTIVE

Munich attracts investors of almost all kinds, but in the first quarter of this year, three groupings stood out. In front, by a narrow margin, came special-purpose funds, which have long been particularly active here; they accounted for slightly over 22% of the transaction volume. Just behind in second place came insurances, with slightly under 22%, fuelled substantially by the purchase of the Kap West. The leading trio was completed by property developers, with just over 17%. Together, these three investor categories were responsible for more than 61% of the result. None of the other types of buyers reached double figures. Notable contributions, of about 9% in each case, were made by open-ended funds, investment managers and family offices.

SOME YIELDS EASE FURTHER

Against the background of the renewed increase in demand and the still limited supply, it is hardly surprising that yields have continued to fall in some cases. The net prime yield for offices currently stands at 3.20%, just marginally higher than in Berlin. This puts it on much the same level as the yield for downtown retail/office buildings (3.25%), but in isolated instances the yield for such properties can be considerably lower. The yield for logistics complexes has also fallen further, dropping below the 5% level for the first time, to stand at 4.90%.

ANOTHER ABOVE-AVERAGE RESULT ANTICIPATED

With its record start, the Munich investment market has impressively underlined its special status among the key German locations. Against this background, all the signs suggest that 2017 will produce another out-of-the-ordinary transaction volume. Backing this assumption is the fact that – in addition to the undiminished scale of investor interest – there are currently several major deals in the pipeline, either in preparation or already at the market stage.