ANOTHER NEW RECORD TURNOVER

There is no stopping the Munich investment market. After a new all-time high was set in the first quarter of the previous year, an even better start has been enjoyed in 2018: With a transaction volume of 2.65 bn €, the previous year’s turnover was beaten by 69%. The new record is even higher than the total annual volume achieved at the start of the decade. Compared to the rest of Germany, the capital of Bavaria is in an outstanding position well ahead of the field. The volume is more than double that in for example Berlin or Hamburg. In particular a large number of major deals, some of which had been carried over from last year to the first quarter of 2018, is responsible for the extraordinary result. So far eight deals over 100 m € have been recorded. The most important sales include the Correo Quartier, the ATLAS office complex and the SZ Tower.

SHARE OF MAJOR TRANSACTIONS AT A RECORD LEVEL

The share of major transactions over 100 m € is at a record level with just under 61 % due to the large number of sales already completed. This shows that in particular big national and international investors have a strong interest in Munich and believe in its long-term positive development. Second place is taken by deals between 50 and 100 m €, which contribute just over 23 %. Accordingly, the relative share of smaller deals up to 25 m € has reduced significantly. However, in absolute terms turnover was higher than in the same period of the previous year in this category as well.

OFFICES ARE THE DARLING OF INVESTORS

With a share of over 72 %, investors are again focusing on offices. In particular the strong demand from occupiers and at the same time very limited supply provide significant potential for rent increases, which make this market segment very attractive despite high prices. In second place is the collective group others with a contribution of just over 17 %. Others include first and foremost development land and mixed-use properties. The top three is completed by logistics investments, which contribute a share of just under 7 %. The contribution of hotels and retail properties is significantly less than in the previous year, with in particular a definitely inadequate supply being responsible for this.
**RELATIVELY STABLE DISTRIBUTION OF TURNOVER**

As the supply in the City Centre is very low, it has long been the case that investors who want to invest in Munich have had to switch to other locations. This trend continued at the start of 2018. Accordingly, Subcentres were able to defend the top spot they held in the same period of the previous year and contribute altogether just over 40% to the transaction volume. Second place is taken by the Centre Fringe zones, which total just under 28%.

The Periphery, as in the previous year, contributes just over 17% to the result. And like in the first quarter of 2017, the wooden spoon goes to the City Centre locations. However, the relatively small contribution of just under 15% is due entirely to the inadequate amount of product on offer.

**BROAD SPREAD ACROSS BUYER GROUPS**

The great interest shown by different buyer groups in Munich is also reflected in the investor structure. There are in total six investor types who contribute a double-digit share to the result.

In first place with just under 23% are investment managers, who often manage investments for national and international lenders.

Second and third place are taken by pension funds with just over 14% and open-ended funds with around 12%, and therefore by two buyer groups which seek first and foremost safe investments.

Property developers, banks and equity/real estate funds each contribute around 10%, and insurance companies have also invested significantly (7%). The share of foreign investors is one third and therefore much higher than in the same period of the previous year.

**STABLE START TO THE YEAR FOR YIELDS**

Following the significant yield compression in recent years, yields stabilised in the first quarter.

The net prime yield for office buildings remains 3.00%, the second-lowest yield after Berlin. The net prime yield for inner city office buildings in top locations is 2.90%, although even lower yields are possible here in some cases. For logistics properties, prime yields are, at 4.50%, at the same level as in the other major logistics agglomerations.

**OUTLOOK**

Although a result similar to the one achieved in the first quarter with a cluster of large-volume deals will be difficult to repeat over the remainder of the year, everything points to another extraordinarily good result for the year. The inadequate supply might limit the turnover volume, though. However, there is still huge interest among investors. Against this background the chances of a transaction volume in excess of 6 bn € being achieved again in 2018 are good.