

YoY Change 12-Month Forecast

€3.01 bn

Transaction Volume (cum.)



35%

Share of Foreign Capital



2.50%

Office Prime Yield, net



86%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY Change 12-Month Forecast

4.9%

Munich Unemployment Rate (Jun 2021)



432,100

Munich Office Employees (Dec 2020)



0.0%

ECB Interest Rate (Jun 2021)



-0.23%

10-Year Government Bond Yield (Q2 2021)



Source: Federal Employment Agency, Riwis, Moody's Analytics

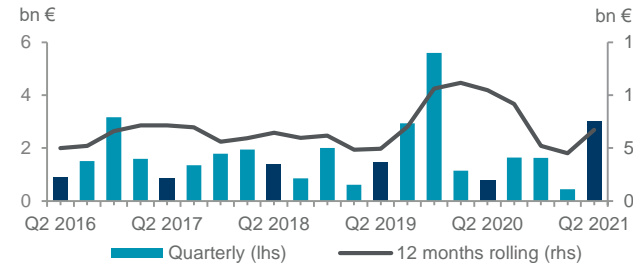
TRANSACTION VOLUME WITH HETEROGENEOUS DISTRIBUTION

With a transaction volume of more than €3 billion, the commercial real estate investment market recorded its second-highest H1 result of the past ten years. After a weak first quarter, market activity picked up significantly from April to June, surpassing the mid-year figure for 2020 by 36%.

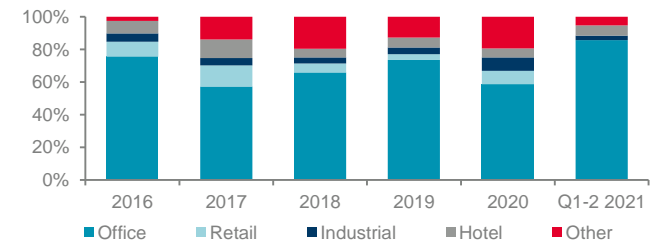
The main reason for the high volume is three large-volume transactions of more than €600 million each. All three involved office properties; Highlight Towers in Parkstadt Schwabing, O2 Tower with the neighbouring Campus C and the MediaWorks property in the Werksviertel at Ostbahnhof. Together these contributed over €1.9 billion and accounted for 60% of transaction volume. As a result, office properties contributed some € 2.6 billion, or 86 %, of the total commercial transaction volume. Office transaction volume is thus around 108% of the H1 figure for last year.

Hotel properties follow a long way behind in second place, with around 6%. Transaction volume for logistics and industrial properties played a subordinate role in Munich's investment market, contributing 3%. Investor demand for this asset class is very high, but there is a lack both of attractive core properties and suitable land for potential last-mile logistics and distribution halls.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



* Office, Retail, Logistics / Industrial, Hotel, Other (Leisure, Health Care, Mixed Use, Development Plots)

FOCUS ON LOW-RISK INVESTMENTS

80% of the commercial investment volume in the first quarter was accounted for by low-risk properties in the core and core+ risk classes. Opportunistic and value-add properties have played only a subordinate role so far, contributing less than 5%. The participation of international capital was 35% in the first half of the year and thus only slightly above the roughly 30% average of recent years.

PRIME YIELDS CONTINUE TO FALL

The prime yield for core office properties in very good city centre locations was 2.50% at the end of the second quarter, 10 basis points below the level of twelve months ago. Across Germany, Munich remains the most expensive market for core office investments. In non-central locations, the prime yield for office properties is currently around 3.30%. The prime yield for logistics properties is currently 3.30%, which is 60 basis points less than at the mid-point of 2020 and reflects the high competition for properties of this type. The prime yield for city centre commercial properties is 3.20%. Its sharp rise in spring 2020 in response to the pandemic-related hardships for stationary retail is still having an impact.

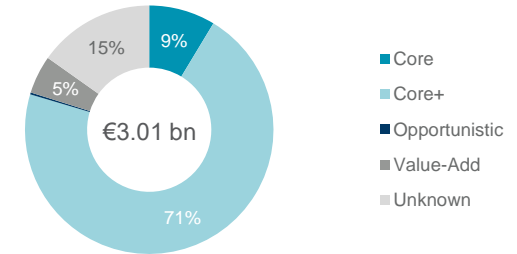
FEW LARGE TRANSACTIONS DRIVE THE SHARE OF OFFICE INVESTMENTS

With a contribution to total investment transaction volume of around 69%, a total of four transactions over the €100 million mark took place. The medium-sized category between €50 million and €100 million also stands out as a positive turnover driver in Munich's investment market.

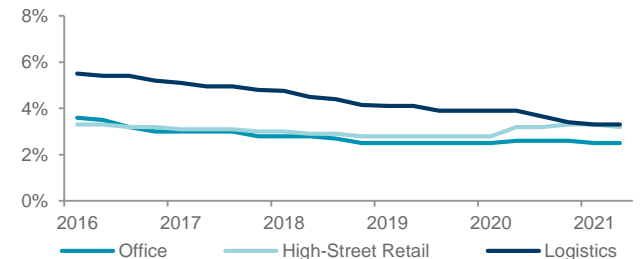
Outlook

- Core properties with high occupancy rates and value-add properties in good locations remain sought after.
- Investors are increasingly expanding their search profile to take in logistics properties and life science properties, and also residential properties.
- Slight yield compression is possible to the end of the year due to the high level of demand.
- In the further course of the year, increasing market activity is expected, with an annual transaction volume of more than €6 billion.

TRANSACTION VOLUME BY RISK CATEGORY Q1-2 2021

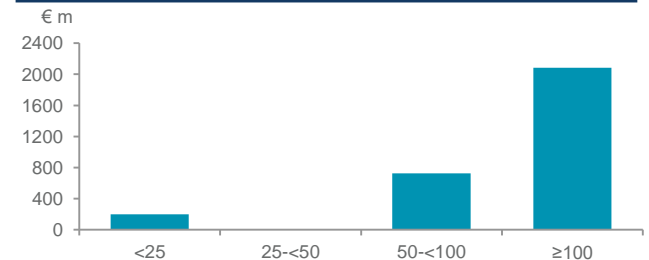


PRIME YIELD BY ASSET CLASS*



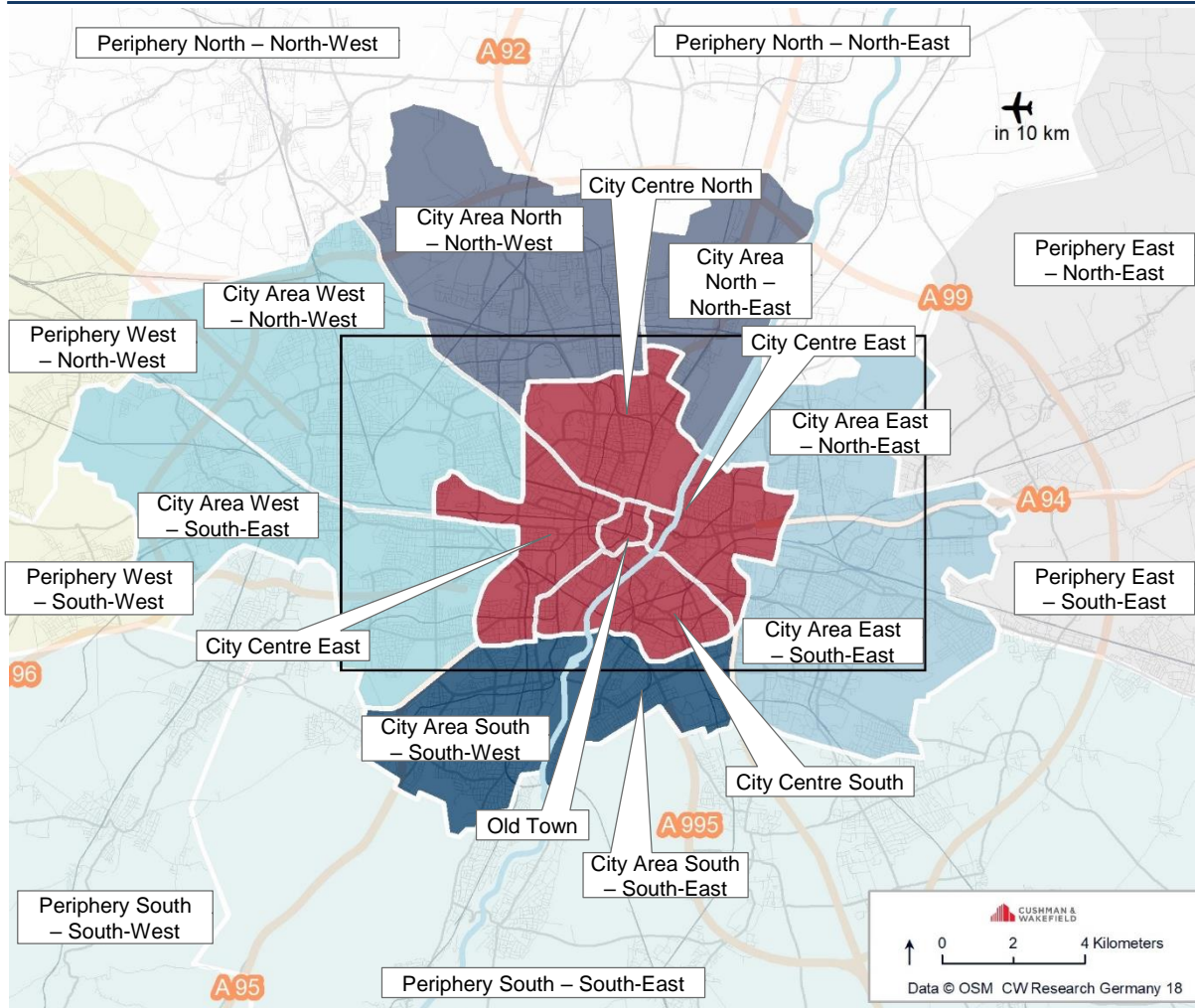
*Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-2 2021*

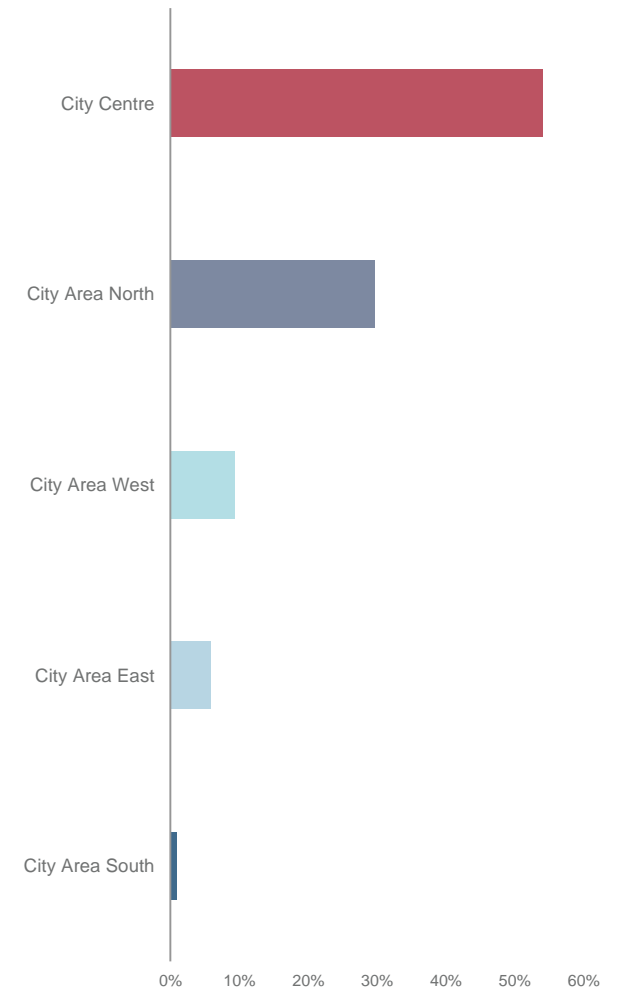


*Each size category in euro million

OFFICE SUBMARKETS OVERVIEW



TOP-5 SUBMARKETS BY TRANSACTION VOLUME Q1-2 2021



MARKET STATISTICS Q1-2 2021

MARKET	Transaction Volume (€bn)	Share of Office Investments	Share of Retail Investments	Share of Industrial Investments	Share of International Capital	Office Prime Yield*	High Street Retail Prime Yield*	Logistics Prime Yield*
Munich	3.01	86%	0%	3%	35%	2.50%	3.20%	3.30%
YoY Change	-64%	43pp	-24pp	-3pp	8pp	-10bps	0bps	-60bps
Top-7 Markets	12.19	52%	3%	7%	35%	2.84%	3.68%	3.31%
YoY Change	-14%	-14pp	-6pp	+3pp	-3pp	-11bps	-2bps	-60bps
Germany	22.08	43%	10%	16%	38%	2.84%	3.68%	3.31%
YoY Change	-23%	+3pp	-13pp	+4pp	-4pp	-11bps	-2bps	-60bps

*Prime yield is net initial yield, displaying achievable values. Prime yield for Germany = Average of Top-7 Markets

PP = Percentage Points bps = Basis Points

SELECTED TRANSACTIONS Q1-2 2021

Property / Transaction	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
MediaWorks Munich	Q2	Office	City Centre East	Blackstone / Union Investment	~ 660
Highlight Towers	Q2	Office	City Centre North	Commerz Real / Imfarr	~ 650
O2 Tower & Campus C	Q2	Office	City Area North-North West	GIC / DIC Asset AG	~ 635

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