

# MARKETBEAT MUNICH

Investment Q4 2021



YoY  
Change

12-Month  
Forecast

**€6.72 bn**

Transaction Volume (cum.)



**33%**

Share of Foreign Capital



**2.50%**

Office Prime Yield, net



**84%**

Share Office Investment Volume



## ECONOMIC INDICATORS

YoY  
Change

12-Month  
Forecast

**4.0%**

Munich Unemployment Rate  
(Dec 2021)



**444,600**

Munich Office Employees  
(Dec 2021)



**0.0%**

ECB Interest Rate  
(Dec 2021)



**-0.30%**

10-Year Government  
Bond Yield (Q4 2021)



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

## MUNICH REAL ESTATE INVESTMENT MARKET BACK TO PRE-CRISIS LEVEL

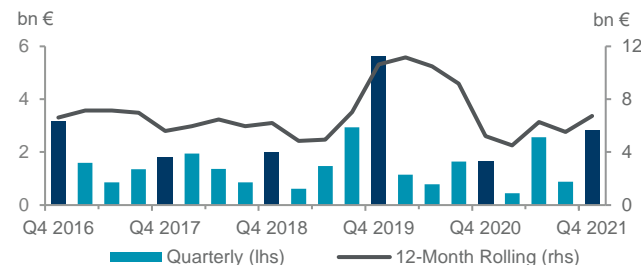
The commercial real estate investment market in Munich achieved a transaction volume of around €2.8 bn in the fourth quarter of 2021. This brought the cumulative transaction volume in 2021 to around €6.7 bn. Compared to the equivalent period last year, this represents an increase of almost 29% and is some 1.8% below the five-year average. It is however 19% above the 10-year average.

The main reason for the large volume in the fourth quarter was three large-volume transactions of more than €500 million each, totalling around €1.7 bn and accounting for 60% of the transaction volume. All three involved office properties; "Pandion Officehome (Soul)" in the Werksviertel for €600 m, the "Uptown" in Moosach for €565 m and the "Elementum" property at the main railways station for €512 m.

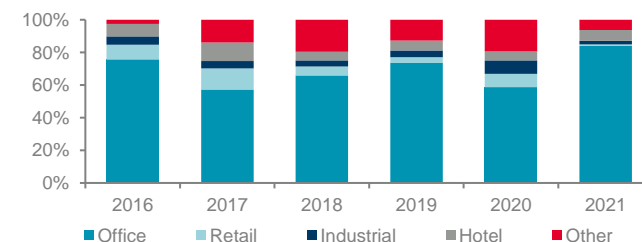
## OFFICE PROPERTIES REMAIN THE STRONGEST ASSET CLASS

Office properties remain the most sought-after asset class among the investors and clearly dominated market activity with 84% of the transaction volume. This corresponds to an increase of 25 percentage points compared to the previous year and underlines the importance of the office sector for the market. The largest deal of the past twelve months was the transaction of the "MediaWorks" in the Werksviertel at Ostbahnhof. Hotel properties follow a long way behind in second place, with around 7%. Only one transaction above the €100 million mark took place here, the sale of the Hotel Königshof at Karlsplatz. Logistics and industrial properties accounted for only 2% of the volume. The retail share was minuscule at less than one percent. The participation of international capital was 33% and thus comparable to the previous year's figure.

## COMMERCIAL TRANSACTION VOLUME\*



## TRANSACTION VOLUME BY ASSET CLASS



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



### FOCUS ON LOW-RISK INVESTMENTS

70% of Munich's commercial real estate investment volume in 2021 was contributed by low-risk properties in the core and core+ risk classes. Opportunistic and value-add properties played only a subordinate role in transactions here last year.

### MAJOR TRANSACTIONS DETERMINE THE MARKET

In 2021, the size category above €100 m saw a total of 16 deals contributing 68% of the total volume - making it the main driver of the Munich investment market. In contrast, the size category between €25 and 50 m recorded a weak result with only 9 deals and a transaction volume of around €311 m.

### PRIME YIELDS CONTINUE TO COMPRESS

The prime yield for core office properties in very good city centre locations was 2.50% at the end of 2021. Compared to the previous year, this corresponds to compression of 10 basis points. In non-central locations, the prime yield for office properties is currently around 3.20% - 10 basis points below the level of twelve months ago.

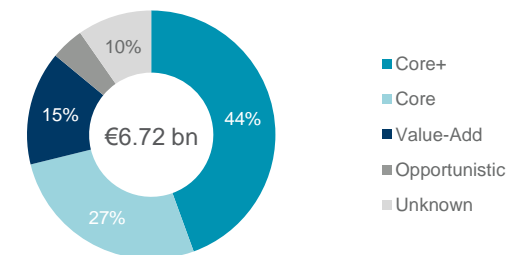
The prime yield for logistics properties is currently 3.00%, which is 40 basis points less than at the same point last year and reflects the high level of competition for properties of this type. Further yield compression is to be expected.

Likewise, slight compression in prime yields for city centre commercial properties has again taken place. The prime yield is 3.05%, which is 25 basis points less than at the same juncture last year.

### Outlook

- The run on real estate in Munich continues unabated. The existing transaction pipeline for the first half of 2022 indicates the likelihood of further dynamic market activity.
- In 2022, demand will far exceed the supply of highly sought-after core and core+ assets. Value-add and opportunistic product, which some investors are already awaiting, offer additional market potential.
- Many investors now require that potential acquisitions are ESG compliant.

### TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2021

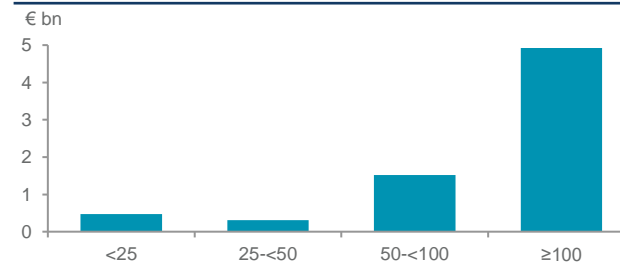


### PRIME YIELD BY ASSET CLASS\*



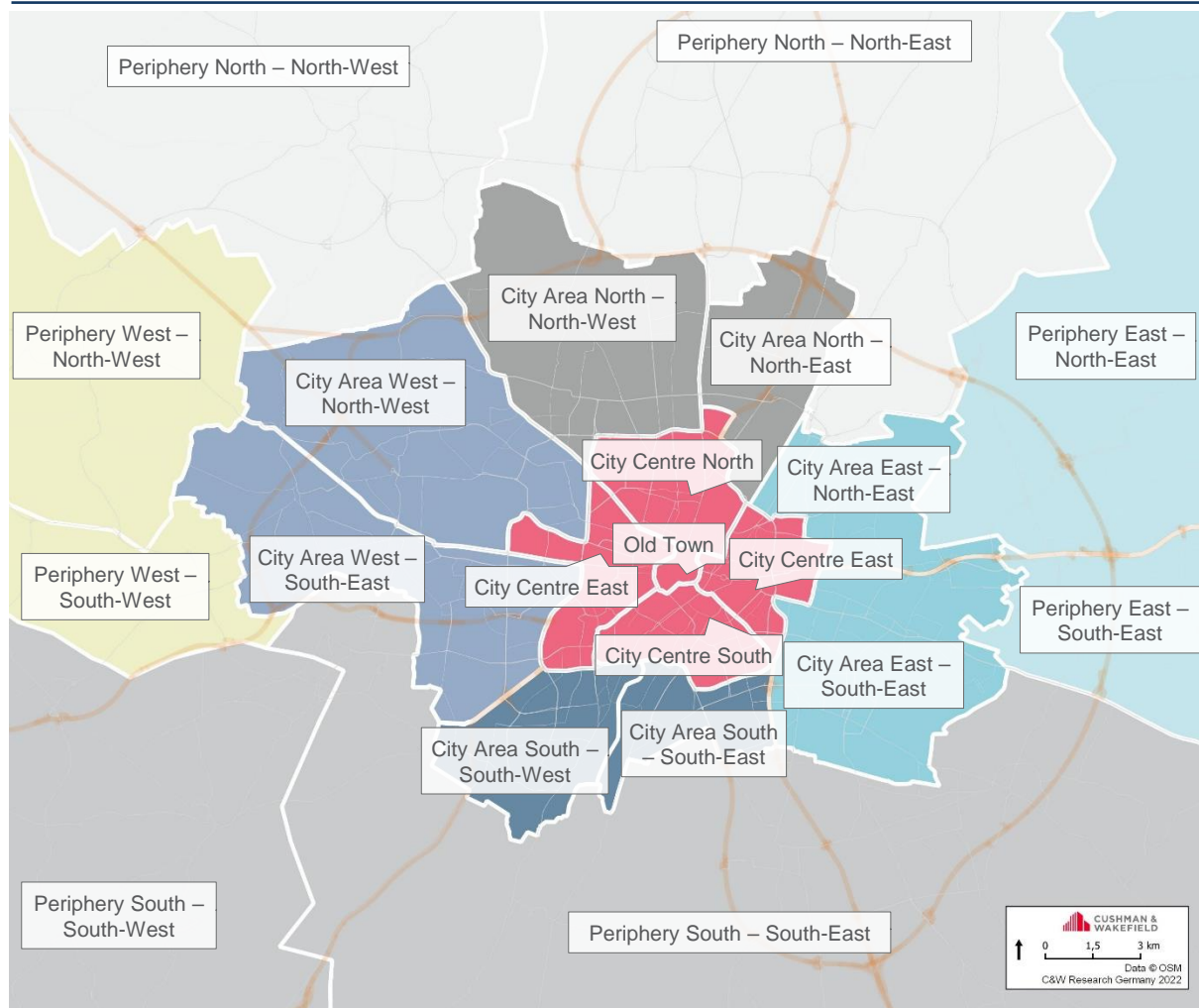
\*Net initial yield

### TRANSACTION VOLUME BY SIZE CATEGORY 2021\*



\*Each size category in euro million

## OFFICE SUBMARKETS OVERVIEW



## TOP-5 SUBMARKETS BY TRANSACTION VOLUME\*







### MARKET STATISTICS 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	6.72	84%	1%	2%	33%	2.50%	3.05%	3.00%
YoY Change	+29%	+25pp	-7pp	-4pp	0pp	-10bps	-25bps	-40bps
Top-7 Markets	34.58	65%	2%	7%	44%	2.76%	3.51%	3.01%
YoY Change	+10%	0pp	-6pp	+2pp	+4pp	-13bps	-27bps	-48bps
Germany	60.06	47%	12%	15%	38%	2.76%	3.51%	3.01%
YoY Change	+3%	+2pp	-6pp	+3pp	-3pp	-13bps	-27bps	-48bps

\*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 INVESTMENT TRANSACTIONS 2021

Property / Transaction	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
MediaWorks Munich	Q2	Office	City Centre East	Blackstone / Union Investment Real Estate	~ 660
Hightlight Towers	Q2	Office	City Centre North	Commerz Real / Imfarr Beteiligung	~ 650
O2 Tower & Campus C	Q2	Office	City Area North-North West	GIC / DIC Asset AG	~ 635
Pandion Officehome (Soul)	Q4	Office	City Centre East	Pandion AG / Union Investment	~ 600
Uptown - O2 Tower	Q4	Office	City Area North-North West	DIC / Universa Krankenversicherung	~ 565

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