

# MARKETBEAT MUNICH

Investment Q1 2022



CUSHMAN &  
WAKEFIELD

**€960 m**

Transaction Volume (cum.)

YoY  
Change



12-Month  
Forecast



**19%**

Share of Foreign Capital



**2.50%**

Office Prime Yield, net



**74%**

Share Office Investment Volume



## ECONOMIC INDICATORS

**4.1%**

Munich Unemployment Rate  
(Mar 2022)

YoY  
Change



12-Month  
Forecast



**448,500**

Munich Office Employees  
(Mar 2022)



**0.0%**

ECB Interest Rate  
(Mar 2022)



**0.10%**

10-Year Government  
Bond Yield (Q1 2022)



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

## SOLID START TO THE YEAR FOR THE MUNICH REAL ESTATE INVESTMENT MARKET

The commercial real estate investment market in Munich achieved a transaction volume of around €500 m in the first quarter of 2022. Compared to the weak performance a year previously, this represents an increase of almost 113%, but is 17% lower than the Q1 5-year average (€1,152 million) and 8% lower than the Q1 10-year average (€1,048 million).

The solid result of the first quarter was mainly due to three large-volume transactions of over €100 m, totalling more than €534 million and contributing 56% of the total transaction volume. All three deals involved office properties, namely the Olympia Business Center near the Olympic Park with a purchase price of over €300 m, the Allianz building in Unterföhring with €110 million and the BMW office building in Milbertshofen with over €100 million.

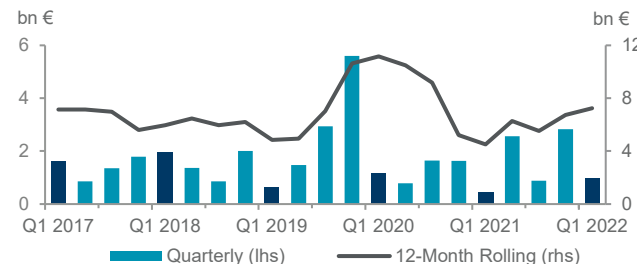
## 74 % OF TRANSACTION VOLUME CONTRIBUTED BY THE OFFICE SECTOR

Office properties remain the most sought-after asset class by investors and dominated market activity, contributing 74% of the transaction volume. This corresponds to an increase of 27 percentage points compared to the equivalent quarter last year and underlines the importance of the office sector for the market.

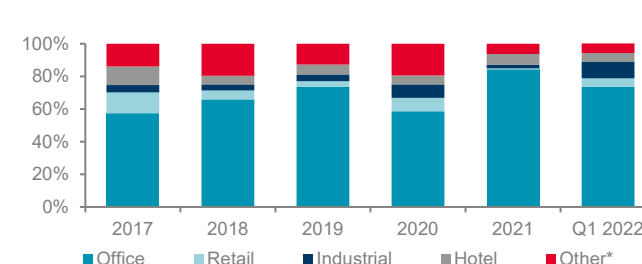
Logistics and industrial properties followed a long way behind with around 10%; a transaction volume of around €95 million. Five smaller transactions, such as the sale of an industrial park in Garching near Munich to the Carlyle Group, were registered here. Compared to the first quarter last year, transaction volume increased by around 156%.

At the end of Q1 2022, the transaction volume for hotel and retail properties accounted for only 5% of overall volume, or €50 million each.

## 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 ASSETS

64% of Munich's commercial real estate investment volume in the first three months of 2022 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. Foreign capital participation was 19%, well below the previous quarter's figure of 47%.

### MAJOR TRANSACTIONS DETERMINE THE MARKET

In the first three quarter of 2022, there were three transactions over the €100 million mark, contributing 56% of total transaction volume. On the other hand, the size category under €25 million recorded a weak result with only 7 deals and total contribution of around €88 million.

### PRIME YIELDS STATIC

The prime yield for high-quality core office properties with high-quality tenants and long-term leases in prime locations was 2.50% at the end of Q1 2022 and has remained static over the past twelve months. In non-central locations, the prime yield for office properties is currently around 3.30%.

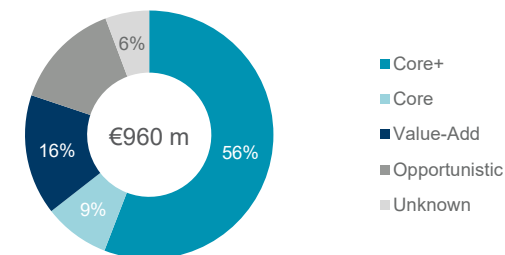
The prime yield for logistics properties is currently 3.00%, which corresponds to a decrease of 30 basis points compared to a year ago and reflects the high level of competition for this asset class. Further yield compression is to be expected by the end of the year.

Likewise, slight compression in prime yields for city centre commercial properties has again taken place. The prime yield is 3.00%, which is 30 basis points less than at the same juncture last year.

### Outlook

- The real estate investment market has become a hotbed of massive increases in value for investors over the past ten years. The Munich investment market is currently in a transformation phase in which a wide variety of external forces are at work. Examples of this are rising financing interest rates, rising inflation figures and, as a result, rising rents as part of indexation adjustments.
- Uncertainty is further increased by high investment pressure, liquidity in the market and geopolitical risks.
- The coming quarters will show whether German commercial real estate will continue to be seen as a safe haven against inflation risks or as an investment product.

### TRANSACTION VOLUME BY RISK CATEGORY Q1 2022

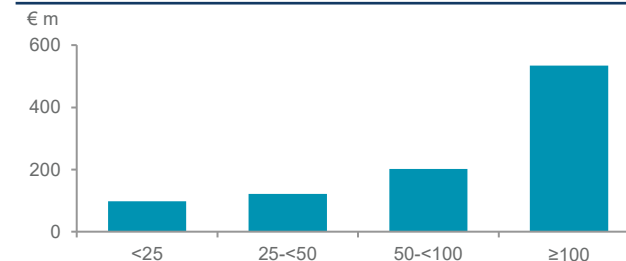


### PRIME YIELD BY ASSET CLASS\*



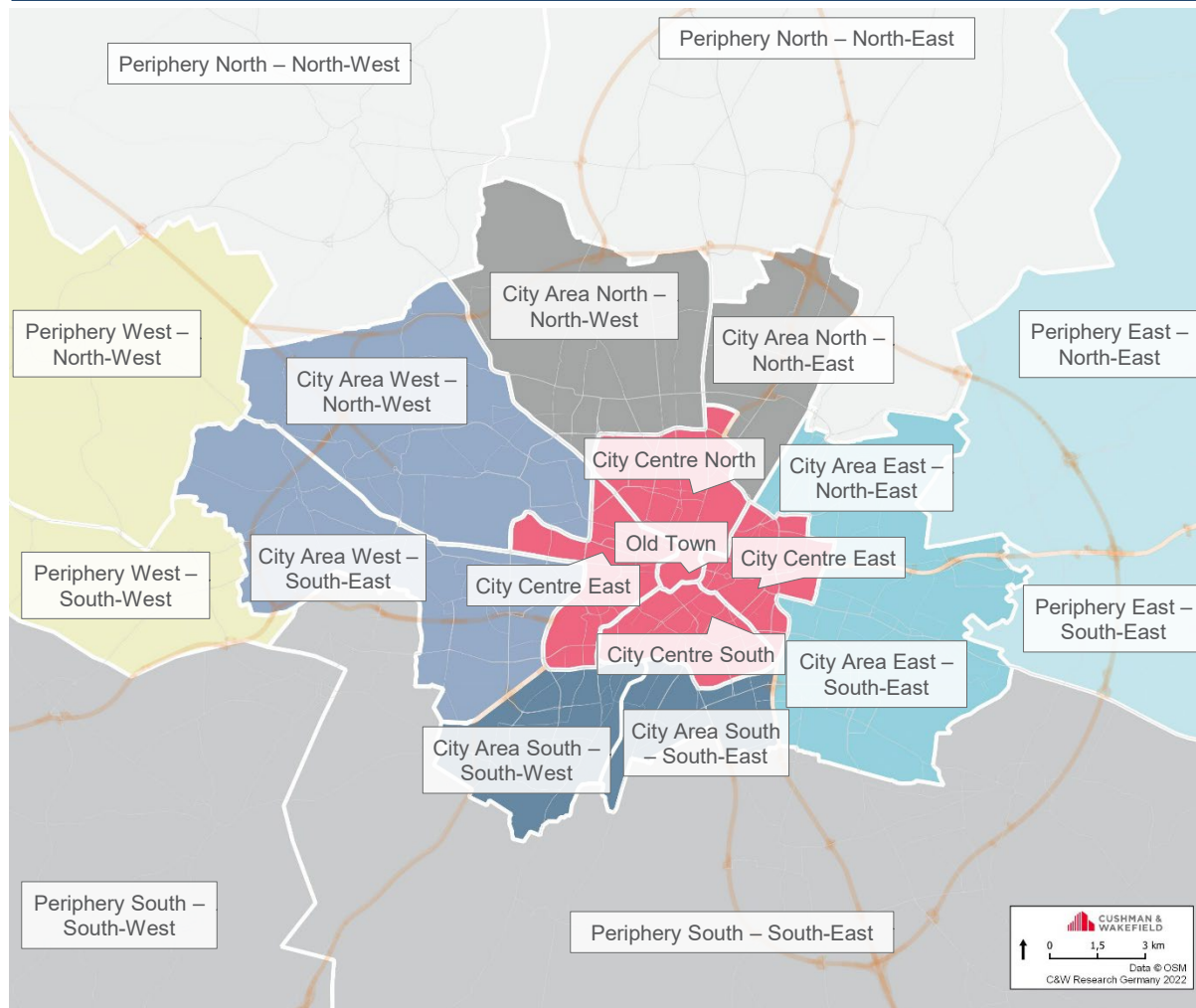
\*Net initial yield

### TRANSACTION VOLUME BY SIZE CATEGORY Q1 2022\*

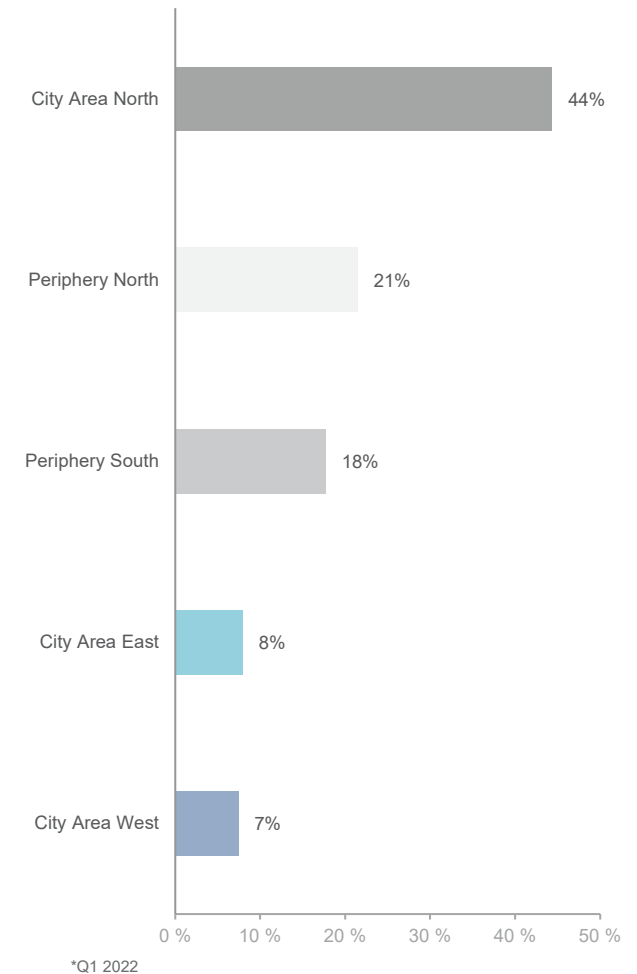


\*Each size category in euro million

## OFFICE SUBMARKETS OVERVIEW



## TOP-5 SUBMARKETS BY TRANSACTION VOLUME\*







### MARKET STATISTICS Q1 2022

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	0.96	74%	5%	10%	19%	2.50%	3.00%	3.00%
YoY Change	+113%	+27pp	+5pp	-1pp	-34pp	0bps	-30bps	-30bps
Top-7 Markets	9.74	77%	3%	9%	44%	2.74%	3.46%	3.01%
YoY Change	+143%	+24pp	-4pp	-2pp	+18pp	-13bps	-32bps	-33bps
Germany	18.24	52%	12%	21%	49%	2.74%	3.46%	3.01%
YoY Change	+91%	+18pp	-1pp	0pp	+21pp	-13bps	-32bps	-33bps

\*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 Q1 2022

Property / Transaction	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
Olympia Business Center	Q1	Office	City Area North-North West	Bayern Projekt GmbH / Athos Service GmbH	~ 300
Allianz Gebäude	Q1	Office	Periphery North – North-West	DFH Deutsche Fonds Holding AG / Soravia Service GmbH	~ 110
BMW Office	Q1	Office	City Area North-North West	JP Morgan / CV Real Estate	~ 100
Webasto Headquarter	Q1	Office	City Centre East	Webasto Family Office / BEOS AG	~ 82
Intelligence Cube	Q1	Office	City Area North-North West	MPC Münchmeyer Petersen Capital AG / Union Investment	~ 70

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