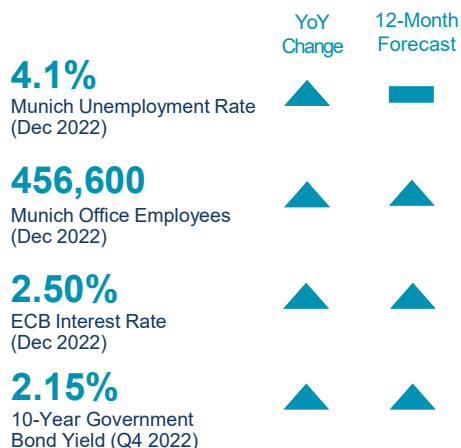


ECONOMIC INDICATORS



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

MUNICH INVESTMENT MARKET RECORDS WEAKEST RESULT SINCE 2012

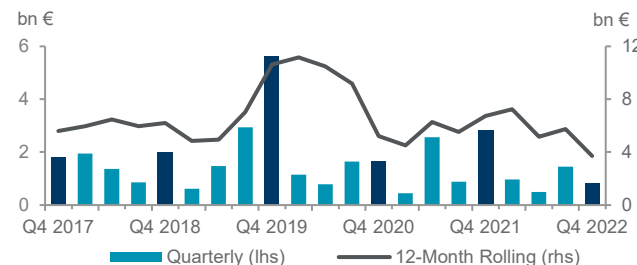
Munich' commercial real estate investment market generated a transaction volume of around €810 million in Q4 2022, falling from the strong €1.45 billion of the third quarter, and bringing total transaction volume for 2022 to around €3.72 billion. Compared with the previous year' result, this represents a decrease of just under 45%. The main reason for the decline in transaction volume in the fourth quarter was the absence of large-volume transactions. While the strong third quarter saw six transactions of over €100 million each, only two transactions of this size took place in the fourth quarter, including the sale of the office building Leopoldstrasse 4 and 6.

Office properties remained the main contributor to Munich's transaction volume and are among the most popular asset classes for investors. In 2022, their transaction volume totalled around €2.34 billion, equivalent to around 63% of the overall CRE transaction volume. The largest office transaction during the year was the sale of the "Olympia Business Center" for around €300 million in the first quarter.

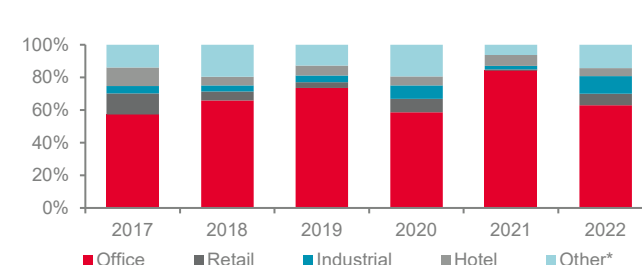
Logistics and industrial properties have established themselves as the second-strongest asset class (market contribution: around 11%). With a total of around €405 million, transaction volume here nearly tripled compared with the previous year. Following the virtual absence of retail property transactions in 2021, their contribution to total CRE transaction volume in 2022 amounted to around 7% or around €260 million.

The majority of investors expect liquidity to remain low in the first half of 2023, especially for core and core-plus properties. Furthermore, the question will arise as to whether the yield adjustments to date are purely a consequence of the increased cost of debt or whether investors' rising expectations regarding return on equity have already been priced in. If the latter is not the case, additional adjustments to prime yields may be necessary in the first half of the year.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



PROPORTION OF TRANSACTION VOLUME FROM LOW-RISK INVESTMENT SHRINKING

The transaction volume generated by low-risk core and core-plus investments decreased significantly in 2022 compared with the previous year. While their proportion of transaction volume was a low 51% in 2022, the previous year it was still around 76%. The changed financing environment of recent months is therefore having a particularly strong impact on these two risk classes. Transactions from the value-add and opportunistic segments totalled around €1.3 billion at the end of 2022.

FURTHER INCREASE IN PRIME YIELDS EXPECTED

The prime yield for high-quality core office properties in Munich was 3.30% at the end of Q4 2022, 30 basis points above the level of the previous quarter and 80 basis points above the level of a year previously. In Q4 2021, the prime yield was still at a low 2.50%.

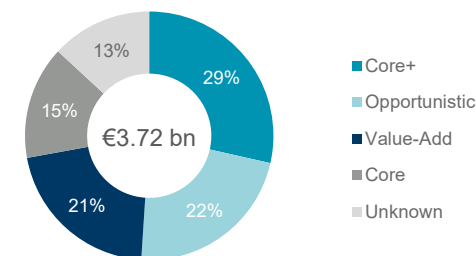
Logistics and light industrial properties are currently changing hands at a prime yield of 4.00%. The prime yield for high-street-retail properties was 3.20% at the end of the fourth quarter.

The high borrowing rates continue to complicate the pricing process between buyers and sellers. In view of persistently high inflation and an expected further increase in the European Central Bank's (ECB) main refinancing rate, further yield increases are expected.

Outlook

- Purchase price expectations between buyers and sellers will continue to be divergent for some time, especially in the case of high-priced core and core-plus assets.
- Prime yields will continue to rise in the three main types of CRE - office, retail, logistics - in the first quarter and beyond.
- Investors with a strong equity base are likely to come across attractive investment opportunities in the coming months and increase their purchasing again.
- Office properties from the value-add segment will again be given greater consideration in investors' purchasing profiles, as the Munich office letting market is in good shape.

TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2022

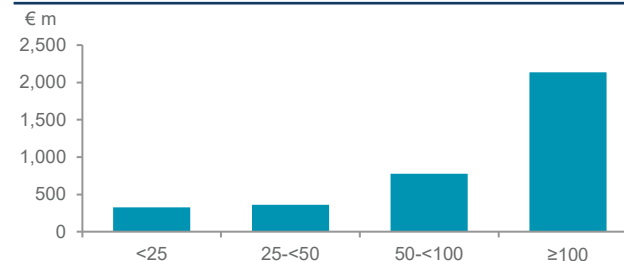


PRIME YIELD BY ASSET CLASS*



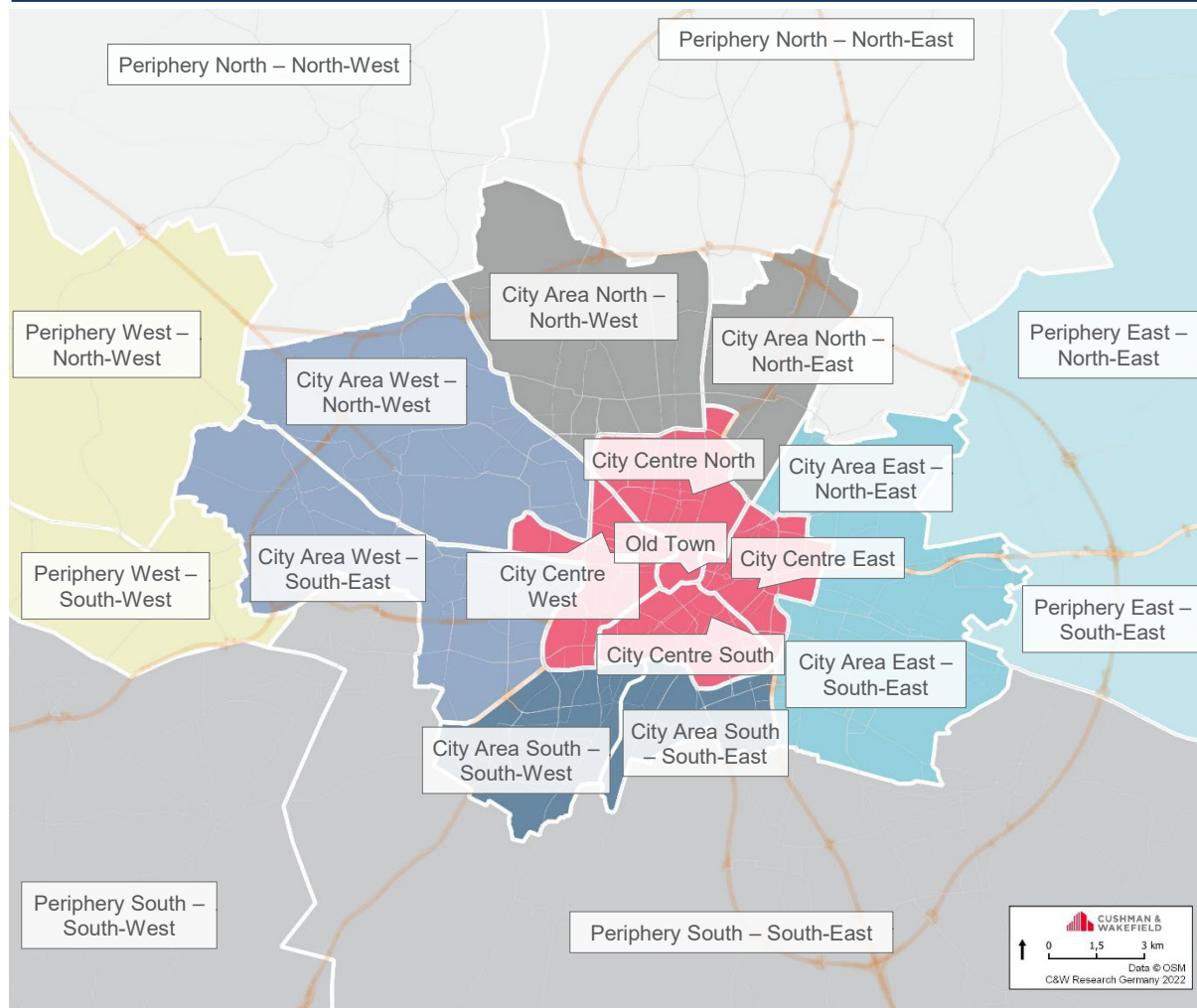
*Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-4 2022*

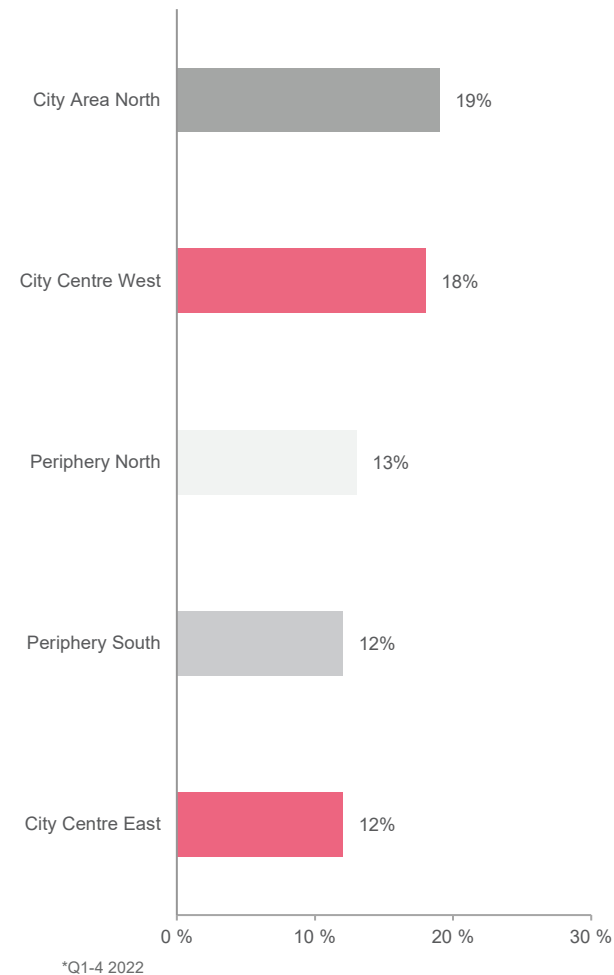


*Each size category in euro million

OFFICE SUBMARKETS OVERVIEW



TOP-5 SUBMARKETS BY TRANSACTION VOLUME*





MARKET STATISTICS Q4 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	3.72	63%	7%	11%	13%	3.30%	3.20%	4.00%
YoY Change	-45%	-21pp	+6pp	+9pp	-22pp	+80bps	+15bps	+100bps
Top-7 Markets	26.74	56%	4%	9%	50%	3.51%	3.60%	4.00%
YoY Change	-22%	-10pp	+2pp	+2pp	+6pp	+75bps	+19bps	+99bps
Germany	51.70	39%	15%	18%	43%	3.51%	3.60%	4.00%
YoY Change	-14%	-7pp	+3pp	+3pp	+6pp	+75bps	+19bps	+99bps

*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 2022

Property / Transaction	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
Olympia Business Center	Q1	Office	City Area North – North West	Europa Capital / Athos Service	~ 320
Wacker Chemie Headquarter	Q3	Office	City Area East – South-East	Wacker Chemie / BC Invest (former Blue Colibri)	~ 160
Leopoldstraße 4 and 6	Q4	Office	City Centre North	BNP Paribas / Deka Immobilien	confidential

Jan Isaakson

Head of Capital Markets Munich

Tel: +49 89 24 21 43 322

jan.isaakson@cushwake.com

Christian Steilen

Senior Research Analyst

Tel: +49 89 24 21 43 300

christian.steilen@cushwake.com

Helge Zahmt, MRICS

Head of Research & Insight Germany

Tel: +49 40 300 88 11 50

helge.zahmt@cushwake.com

Ursula Neißer

Head of Research Germany

Tel: +49 69 50 60 73 140

ursula-beate.neisser@cushwake.com

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