

€690 m

Transaction Volume (cum.)

YoY
Change



51%

Share of Foreign Capital



3.70%

Office Prime Yield, net



38%

Share Office Investment Volume



ECONOMIC INDICATORS

4.3%

Munich Unemployment Rate
(Jun 2023)

YoY
Change



460,100

Munich Office Employees
(Jun 2023)



4.00%

ECB Interest Rate
(Jun 2023)



2.43%

10-Year Government
Bond Yield (Q2 2023)



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

HISTORICALLY LOW TRANSACTION VOLUME

Transaction volumes on the Munich commercial real estate market reached around €690 million in H1 2023, including around €185 million in Q2. Compared with H1 2022, this corresponds to a 53% decline in sales.

NUMBER AND VOLUME OF OFFICE TRANSACTIONS DECREASED SIGNIFICANTLY

In H1 2023, 38% of commercial transaction volume was attributable to the office segment (€265 million), compared with around €1.1 billion or 74% in H1 2022. Thus, at the end of H1 2023, there was a 75% decline in volume in the office segment compared with the corresponding prior-year period.

A total of five office properties changed hands in H1 2023, two of which in Q2 2023. These were the sale of a building on Sonnenstrasse for around €21 million to CDC Investissement Immobilier and the sale of "The Source" project on Baierbrunner Strasse for around €60 million to Pangaea Life Capital Partners.

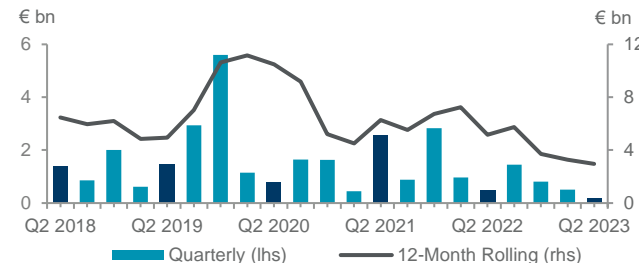
The most expensive office transaction in the first half of the year was a property in the core segment, which was acquired by an insurance company in the first quarter for over €100 million.

PROPERTIES AND MIXED-USE BUILDINGS IN THE FOCUS OF INVESTORS

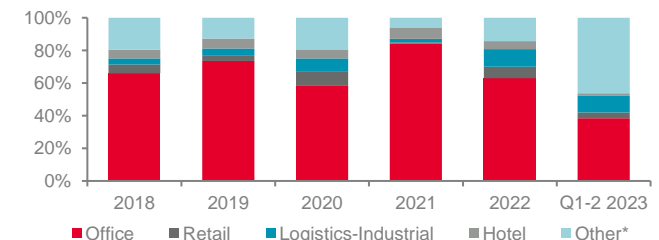
At 46%, the focus of transaction activity in H1 2023 was on properties in the "other" category. The classic asset classes of office, retail and logistics-industrial real estate moved into the background. Thus, four plots of land and four mixed-use properties were sold for a total of around €320 million. In the 1st half of 2022, the volume of the aforementioned category was €180 million.

The retail and logistics-industrial use categories generated sales of just €25 million and €70 million respectively in the 1st half of 2023, a decline of 50% and 30% respectively compared with the 1st half of 2022. Sales generated in the hotel segment amounted to €10 million in the 1st half of 2023, compared with €50 million in the same period of the previous year.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



SHARE OF SALES FROM LOW-RISK INVESTMENTS SHRINKS

More than half of the total transaction volume (54%) in the first half of the year was attributable to the value-add risk category. The properties are mainly older existing properties that were acquired for modernization measures.

Transactions in the core and core-plus segments have accounted for around 28% of sales in the year to date. In the same period of the previous year, the two risk classes accounted for a total of 64%.

PRIME OFFICE YIELDS CONTINUE TO RISE

The prime yield for high-quality, modern core office properties in Munich was 3.70% at the end of Q2 2023, 95 basis points higher than a year earlier.

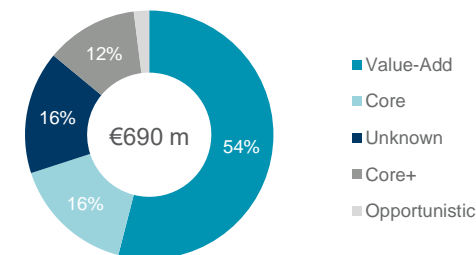
For commercial properties in prime locations, the prime yield in Q2 2023 is quoted at 3.40%, 40 basis points above the level in Q2 2022. Logistics properties are trading at a prime yield of 4.15% at the end of Q2 2023, 105 basis points above the level in Q2 2022.

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 main refinancing rate of the European Central Bank (ECB), yields can therefore be expected to rise further.

Outlook

- The price-fixing phase between owners and buyers will continue as long as the central banks' interest rate hikes have not been completed.
- As soon as the economy recovers, however, there should be a catch-up effect, especially in the office sector. This is already noticeable in the willingness of investors to submit valid purchase price offers again.
- Prime yields in the three main types of use - office, retail, logistics - will continue to rise in the coming quarters.
- Properties from the value-add segment will be increasingly considered in investors' purchase profiles, as the Munich office rental market is in good shape.

TRANSACTION VOLUME BY RISK CATEGORY Q1-2 2023

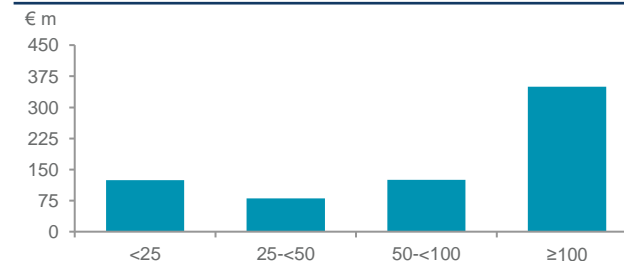


PRIME YIELD BY ASSET CLASS*



*Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-2 2023*



*Each size category in euro million

MARKET STATISTICS Q1-2 2023

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Logistics-Industrial Volume	Share of International Capital	Office Prime Yield*	Retail High Street Prime Yield*	Logistics Prime Yield*
Munich	0.69	38%	4%	10%	51%	3.70%	3.40%	4.15%
YoY Change	-53%	-36 pp	1 pp	3 pp	37 pp	95 bp	40 bp	105 bp
Top-7-Markets	4.80	28%	24%	14%	45%	4.04%	3.90%	4.15%
YoY Change	-67%	-39 pp	20 pp	3 pp	-16 pp	105 bp	53 bp	104 bp
Germany	9,81	24%	24%	17%	34%	-	-	-
YoY Change	-65%	-20 pp	11 pp	-4 pp	-14 pp	-	-	-

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

pp = percentage points; bp = basis points

SELECTED INVESTMENT TRANSACTIONS 2023

Property / Address	Quarter	Type Of Use	City	Vendor / Buyer	Price (€ million)
Plot of land / Seidlstraße 15-19	Q1	Office	Munich	Freistaat Bayern / Apple	~ 250
Office building / Confidential	Q1	Office	Munich	Project Developer / Insurance company	~ 100
The Source	Q2	Office	Munich	Empira AG / Pangaea Life Capital Partners	~ 60

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