

€1.03 bn

Transaction Volume (cum.)

YoY
Change



34%

Share of Foreign Capital



4.20%

Office Prime Yield, net



50%

Share Office Investment Volume



ECONOMIC INDICATORS

4.6%

Munich Unemployment Rate
(Sep 2023)

YoY
Change



460,500

Munich Office Employees
(Sep 2023)



4.50%

ECB Interest Rate
(Sep 2023)



2.53%

10-Year Government
Bond Yield (Q3 2023)



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

MUNICH'S PROPERTY INVESTMENT MARKET SEES SLIGHT RECOVERY

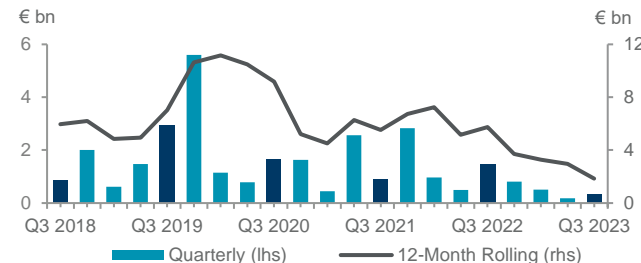
The transaction volume in Munich's commercial real estate market area reached around €1.0 billion in the first three quarters of 2023, including around €340 million in the 3rd quarter. Compared to the first three quarters of the previous year, this corresponds to a decline of 65%.

In 2023 year to date, including Q3, the office segment accounted for around 50% of commercial real estate transaction volume (€520 million), down 74% compared to the same period last year (€2 billion). In Q3 2023, office transaction volume increased significantly to around €255 million (75% of the total CRE transaction volume) compared to the €80 million achieved in Q2. So far this year, twelve Munich office properties have changed hands, seven of these in the 3rd quarter.

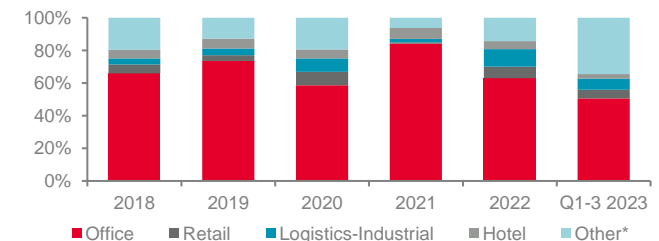
In the first three quarters of 2023, transactions in the "other" asset class achieved a transaction volume of around €355 million. This was achieved via the sale of six plots of land and five mixed-use buildings. The sale of land on Seidlstraße by Freistaat Bayern to Apple in the 1st quarter of 2023 for €250 million remains the largest transaction in the year to date.

The retail sector and the logistics and industrial sector recorded transaction volumes of €55 million and €70 million respectively in the first nine months of the year. This corresponds to a decline of 69% (retail sector) and 80% (logistics and industrial sector) respectively compared to the same period in 2022. The transaction volume achieved in the hotel sector in the first three quarters amounted to €30 million, compared to €90 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)



LOW-RISK INVESTMENTS ON THE RISE AGAIN

In the first three quarters of 2023, the largest proportion of the transaction volume (41%) was in the value-add risk class. The properties are mainly older portfolio properties that were acquired for modernisation measures and realignment. Investors see the opportunity to generate value uplift here.

While transactions from the Core and Core-plus segment still accounted for 28% of transaction volume in the first half of 2023, this rose to 44% as a result of the transactions in the 3rd quarter of 2023. In the comparable period of the previous year, the contribution of these two risk classes totalled 54%. The Core products, which are perceived as safe, are thus currently slowly moving back into the focus of investors' attention. This is reflected in the sale of four Core-plus properties in the 3rd quarter, including the sale of a property in the south of Munich for over €90 million to an investment company (the second most expensive office deal in the year to date) and the sale of the "Laim290" property to VALUES. Real Estate for €50 million. Two further core-plus transactions totalled around €58 million.

PRIME OFFICE YIELDS CONTINUE TO RISE

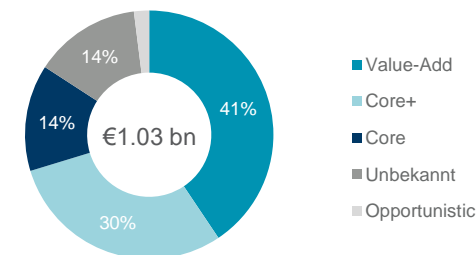
The prime yield for high-quality and modern core office properties in Munich is 4.20% at the end of Q3 2023, 120 basis points above the level of the previous year.

For commercial properties in prime locations, the prime yield in Q3 2023 is quoted at 3.80%, 70 basis points higher than at the end of Q3 2022. Logistics properties are trading at a prime yield of 4.30% at the end of Q3 2023, the same level as in Q3 2023.

Outlook

- The transactions of the last few months indicate an initial revival of the CRE investment market. Nevertheless, the phase of price-finding between owners and buyers will continue until 2024.
- The willingness of investors to submit realistic purchase price bids again is noticeable.
- Equity investors currently still see bonds as an attractive alternative to the Core and Core-plus segment. At current yield levels, this leads to low availability of deployable capital.
- Prime yields are expected to rise further in the three main property types - office, retail, logistics and industrial - in the following quarters.

TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2023

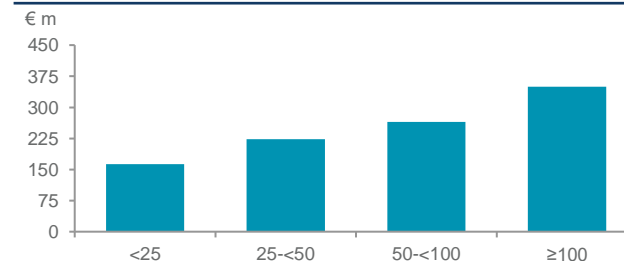


PRIME YIELD BY ASSET CLASS*



*Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-3 2023*



*Each size category in euro million

MARKET STATISTICS Q1-3 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	1.03	50%	5%	7%	34%	4.20%	3.80%	4.30%
YoY Change	-65%	-21 pp	-1 pp	-5 pp	22 pp	120 bp	70 bp	70 bp
Top-7-Markets	6.42	30%	22%	13%	39%	4.49%	4.11%	4.30%
YoY Change	-70%	-32 pp	18 pp	4 pp	-13 pp	126 bp	63 bp	69 bp
Germany	15.52	21%	27%	23%	36%	-	-	-
YoY Change	-61%	-20 pp	11 pp	3 pp	-10 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)	Q3	Office	Munich	Asset Manager / Investment Company	~ 90
Laim290	Q3	Office	Munich	LaSalle / VALUES. Real Estate	~ 50

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