



€1.18 bn

Transaction Volume (cum.)

YoY
Change



37%

Share of Foreign Capital



4.60%

Office Prime Yield, net



44%

Share Office Investment Volume



ECONOMIC INDICATORS

4.5%

Munich Unemployment Rate
(Dec 2023)

YoY
Change



455,700

Munich Office Employees
(Dec 2023)



4.50%

ECB Interest Rate
(Dec 2023)



2.58%

10-Year Government
Bond Yield (Q4 2023)



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

WEAKEST TRANSACTION VOLUME IN MUNICH'S CRE INVESTMENT MARKET SINCE 2004

In 2023, the Munich CRE investment market recorded its weakest annual transaction volume since 2004, at around €1.18 billion. Even in the crisis years of 2007/2008 and during the Covid pandemic, higher results were achieved. Q4 2023 also saw a historically weak result with a transaction volume of around €150 million. This is far below the Q4 10-year average of around €2.33 billion, and a decline of 81% from the €810 million recorded in Q4 2022.

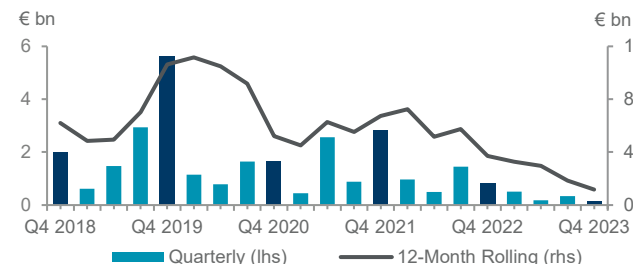
Due to the complete absence of office property sales in Q4, the €520 million achieved by the end of Q3 remains unchanged as the annual total. Compared to the approximately €2.3 billion achieved in the office segment in 2022, this represents a decline of 78 % and the result is also 82% below the 5-year average. Despite this, in the course of the year office transactions still accounted for the major proportion of transaction volume at 44 % (particularly due to seven office transactions in the 3rd quarter). One of the largest transactions of the year was the sale of "Project Pharma" for around €90 million in the 3rd quarter.

No transactions were registered in the retail segment in Q4 either, meaning that the transaction volume at the end of the year totalled €55 million. This figure is 79% below the previous year's result. At €80 million, logistics properties accounted for the majority (53%) of transaction volume in the Q4 and represented an increase of 45% compared to Q4 2022.

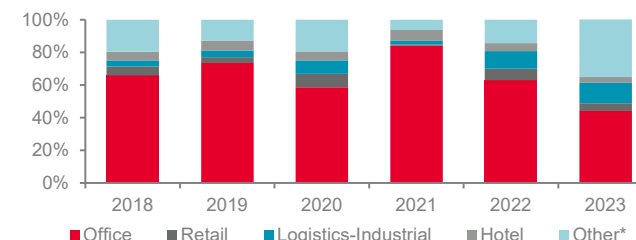
The "Other" sector achieved the second-highest contribution to transaction volume in both Q4 (€60 million; 40%) and the year as a whole (€415 million; 35%). With a purchase price of €250 million, the sale of the Seidlstrasse 15-19 property by the Free State of Bavaria to Apple in Q1 2023 was a major contributor to the annual result. Compared to 2022, revenue in the "Other" sector fell by 22%.

The transaction volume for the hotel segment totalled €40 million for the year as a whole (-78% compared to 2022).

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 2023, the majority of the transaction volume (54%) was attributable to the value-add risk class. Investors increasingly see opportunities to generate value appreciation in older existing properties via modernisation or complete refurbishment.

Overall, transactions from the core and core-plus segments totalled 36% in 2023. In the previous year, the contribution of these two risk classes totalled 51%, underlining the changed financing environment. Transactions in the core-plus segment included the sale of an office property in the Obersendling district (€90 million) and the sale of the Laim290 property to VALUES. Real Estate for €50 million. Transactions in the core segment totalled €140 million in 2023.

PRIME OFFICE YIELDS CONTINUE TO RISE

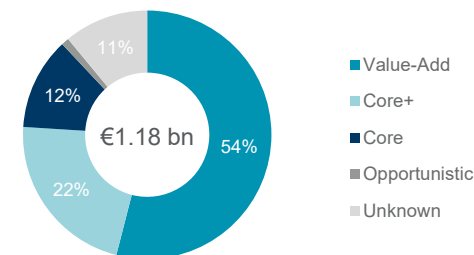
The prime yield for core office properties in prime locations stood at 4.60% at the end of Q4, up 40 basis points on the previous quarter (+130 basis points compared to Q4 2022).

The prime yield for city centre commercial properties increased by 30 basis points to 4.10% at the end of Q4 (+90 basis points compared to Q4 2022). The prime yield for logistics properties is currently 4.50%, 20 basis points higher than in the previous quarter. Compared to Q4 2022, this corresponds to an increase of 50 basis points.

Outlook

- In 2023, many transactions had to be postponed further due to a lack of liquidity or disagreement regarding the purchase price. The transaction market is therefore expected to recover slightly in 2024.
- The expected stabilisation of property prices and interest rates should also contribute to this recovery.
- Properties in the value-add segment are likely to continue to receive stronger consideration in investors' purchase profiles.
- The 10-year swap rate, which fell by almost 100 basis points in the 4th quarter, indicates that a turnaround in yield trends could begin in 2024. As a result, a plateauing of prime yields in the main types of use - office, retail, logistics - is expected.

TRANSACTION VOLUME BY RISK CATEGORY 2023

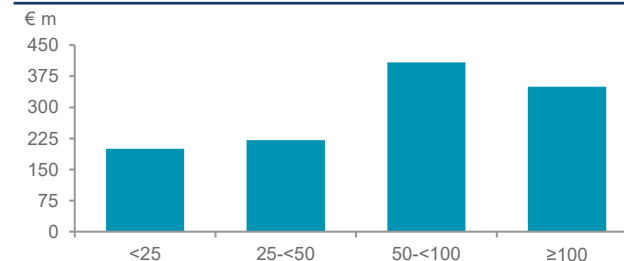


PRIME YIELD BY ASSET CLASS*



*Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY 2023*



*Each size category in euro million

MARKET STATISTICS 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	1.18	44%	5%	13%	37%	4.60%	4.10%	4.50%
YoY Change	-68%	-19 pp	-2 pp	2 pp	24 pp	130 bp	90 bp	50 bp
Top-7-Markets	8.17	30%	19%	15%	36%	4.78%	4.49%	4.50%
YoY Change	-69%	-26 pp	15 pp	6 pp	-14 pp	127 bp	81 bp	50 bp
Germany	21.46	21%	24%	27%	35%	-	-	-
YoY Change	-58%	-18 pp	9 pp	9 pp	-8 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 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
Portfolio – 2 Distributionshallen	Q4	Logistics-Industrial	Munich	Branicks Group / GIC	~ 80
Laim290	Q3	Office	Munich	LaSalle / VALUES. Real Estate	~ 50

Jan Isaakson

Head of Capital Markets Munich

Tel: +49 89 24 21 43 322

jan.isaakson@cushwake.com

Helge Zahmt, MRICS

Head of Research & Insight Germany

Tel: +49 40 300 88 11 50

helge.zahmt@cushwake.com

Christian Steilen

Senior Research Analyst

Tel: +49 89 24 21 43 300

christian.steilen@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on X (Twitter).

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com