

# Investment Market Munich – April 2010

## Transaction Volume

The Munich investment market set off into the first three months with a commercial transaction volume of around € 702 million. This extraordinarily high result was influenced significantly by Germany's largest single transaction of the year: *Hamburgische Immobilien Handlung* (HIH) acquired the extensive 106-acres of Siemens land in Munich-Neuperlach for approx. € 330 million for a special fund. Co-investor of this investment deal was RFR Holding GmbH. But even without the aforementioned major deal, the transaction volume was around € 372 million, a good 85% above the previous year's figures.

## Investment objects

The investment focus was on objects with an investment volume of € 5 million to 15 million. Sixteen of the 21 investment deals registered at the end of the first quarter of 2010 alone were in this group. As regards the types of use of the acquired real estate, office buildings clearly dominate with nine transactions related to this type of use, i.e. a transaction volume of around € 595. This is followed by commercially used and assorted real estate, with a total of € 72 million transaction turnover and 7 registered deals. A concentration on properties in central Munich locations could be observed in the first quarter of 2010. Not including the Siemens deal, these locations account for roughly 85% of total sales, i.e. a transaction volume of around € 313 million. No significant sales have been noted up to now in the surrounding areas of Munich.

## Buyer and seller groups

Investment activity continues to be affected by equity-strong investors and their demand for real estate in central locations with long-term tenancy agreements and well-known tenants with a good credit rating. The most active purchasing groups are open real-estate funds, special funds and private investors: almost € 560 million of the invested capital in 10 registered transactions are allotted to these. The fallen high return for office properties in top Munich locations is an expression of this focus on property with Core- and Core-Plus features, as well as a limited supply of such real estate at the same time. But the yields for office properties in Non-Core locations have also remained stable to a large extent and lie in the remaining municipal area as well as in the surrounding areas in a margin of 5.80 to 7.75%. In particular developers, builders and private persons appeared as sellers (approx € 245 million in 8 transactions). Here too, the runaway is the sale of the Siemens land, which is to be attributed to the Siemens Pension Trust. Transaction sales from opportunistic investments were not recorded in the first quarter of 2010. The ideas about purchase and selling prices among the players are still far too far apart here, although there have been approaches by both sides to negotiate. Up to now, activities by foreign investors have not led to purchasing decisions. It remains to be seen how this will turn out during the course of the year.

## Summary and prognosis

For the next few months we expect a large amount of capital to still be available for investment and the market to increasingly come under a certain pressure to invest. Those investors who are not dependent on large amounts of borrowed capital for financing will remain dominant for the time being. This will most probably result in the returns for top properties continuing to remain very stable or even tending to fall even more. It remains to be seen whether the positive signals from the leasing market, i.e. a higher demand and sales above those of the same quarter last year, will lead to a continued increase in leasings.

At any rate there is an opportunity this year to expand the product range in the investment market even more as a result of a possible positive development in the leasing market.

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