

MARKETBEAT FRANKFURT

Investment Q1 2022



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YoY
Change

12-Month
Forecast

€2.19 bn

Transaction Volume (cum.)



70%

Share of Foreign Capital



2.60%

Office Prime Yield, net



82%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change

12-Month
Forecast

5.7%

Frankfurt Unemployment Rate
(Mar 2022)



319,900

Frankfurt Office Employees
(Mar 2022)



0.0%

ECB Interest Rate
(Mar 2022)



0.10%

10-Year Government
Bond Yield (Q1 2022)



Sources: Federal Employment Agency, Moody's Analytics

EXCEPTIONALLY STRONG FIRST QUARTER FOR FRANKFURT INVESTMENT MARKET

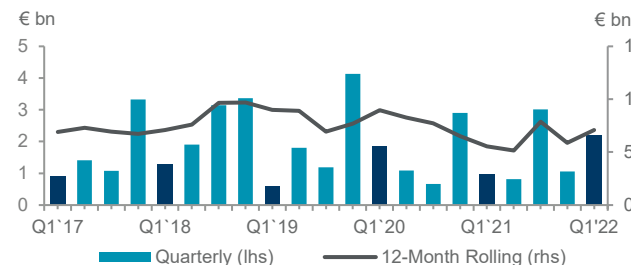
Frankfurt's commercial real estate transaction volume more than doubled year-on-year in Q1 2022 to almost €2.2 billion (Q1 2021: €970 million). The takeover of alstria office REIT-AG by Brookfield Asset Management, which resulted in numerous properties changing hands in Frankfurt, had a significant impact on the result. The largest single-property transaction was the sale of the high-rise Marienturm for more than €800 million to DWS for the South Korean pension fund NPS.

The subdued transaction activity in the previous quarter led to the signing of some deals in Q1 2022. Alongside the alstria acquisition, this effect ensured a remarkably strong quarterly result, giving Frankfurt the top spot among the top-7 markets. Overall, the start of the year was characterised by a positive economic outlook and the prospect of an end to the Covid-19 pandemic. The start of the Ukraine war did not initially change the selling intentions of numerous investors. However, it remains to be seen to what extent the crisis situation with its effects – from rising interest rates to significant inflation as well as a possible turnaround in interest rates – will be reflected in the commercial real estate market in the medium-to-long term.

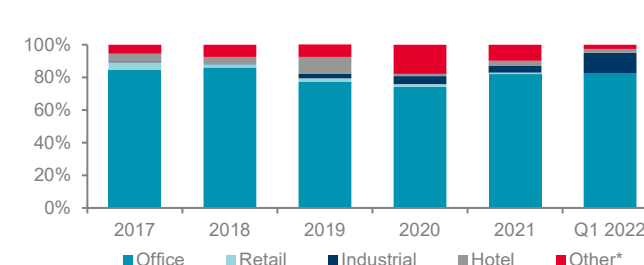
In the first three months of 2022, the office segment dominated investment activity in Frankfurt's real estate market, accounting for around 82% of transaction volume. At around €1.8 billion, the previous year's result for this asset class of €735 million was significantly exceeded. The eleven office properties of alstria office REIT-AG in the Frankfurt market area accounted for around 30% of the transaction volume.

In the first quarter of 2022, the industrial and logistics sector generated a volume of around €280 million. This already exceeds the result for the full year 2021 (€260 million). In addition to the sale of a DHL logistics centre in Florstadt, a portfolio transaction of several corporate properties from Cilon to Beos, which also included properties in the Frankfurt market area, contributed to the result.

COMMERCIAL TRANSACTION VOLUME*



TRANSACTION VOLUME BY ASSET CLASS



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

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CORE AND CORE-PLUS PROPERTIES DOMINATE

Core and core-plus properties clearly determined the transaction volume in Q1 2022. These two risk classes accounted for 80% of transaction volume. In addition to the sale of the Marienurm, the acquisition of alstria office REIT-AG, which is primarily allocated to core and core-plus properties in Frankfurt, was decisive in this context. In the value-add segment, mainly smaller properties with upside potential in city centre locations were traded.

YIELDS AT A STABLE LEVEL

The net initial yield for first-class office properties in prime locations remained unchanged at 2.60% compared to the previous quarter. It compressed by 15 basis points year-on-year. In non-central locations, the decrease compared to Q1 2021 was also 15 basis points, to the current 4.30%. The yield on high-quality logistics properties stood at 3.00% at the end of the first quarter, which corresponds to a decrease of 30 basis points compared to the previous year's figure. The prime yield for city centre commercial buildings fell slightly by 5 basis points to 3.40% compared to the previous quarter.

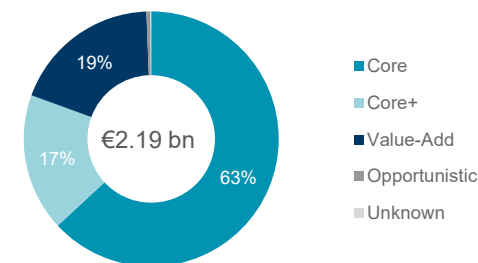
DYNAMIC MARKET ACTIVITY IN THE RANGE UP TO €25 MILLION

With €1.2 billion and 57% of the total transaction volume in the first quarter of 2022, major transactions of more than €100 million determined the market, whereby this value was significantly influenced by the single-property Marienurm transaction. Activity in the size range up to €25 million was particularly pronounced, accounting for 60% of transactions.

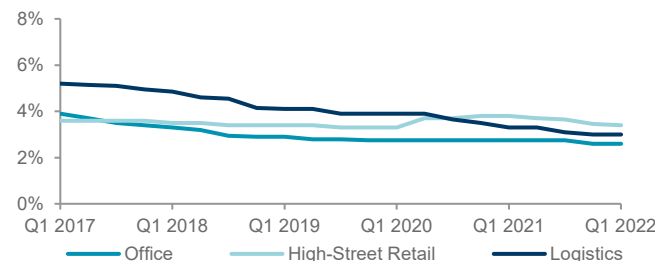
Outlook

- Further sales processes for large-volume assets will be initiated in the course of the year, so that lively market is to be expected. However, in view of rising interest rates, geopolitical uncertainties as a result of the Ukraine war and concerns about an economic downturn, investors are likely to pay even closer attention to location criteria and having a creditworthy mix of tenants with long lease terms.
- The changes in the financing environment due to higher interest rates will also have a time-delayed effect on yields for office properties. Especially in prime locations, investors are likely to react by increasing their equity share in view of the unchanged high liquidity on the market. Static prime yields can be expected to the end of the year. In the logistics sector, we expect a slight yield decrease by 10 basis points.

TRANSACTION VOLUME BY RISK CATEGORY Q1 2022

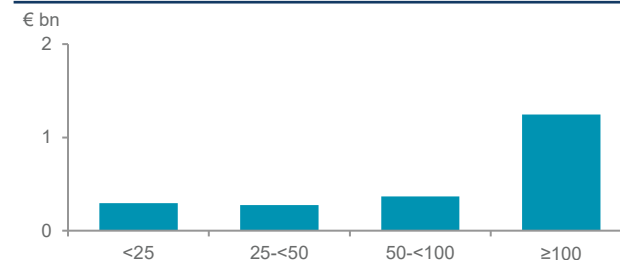


PRIME YIELDS BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1 2022*



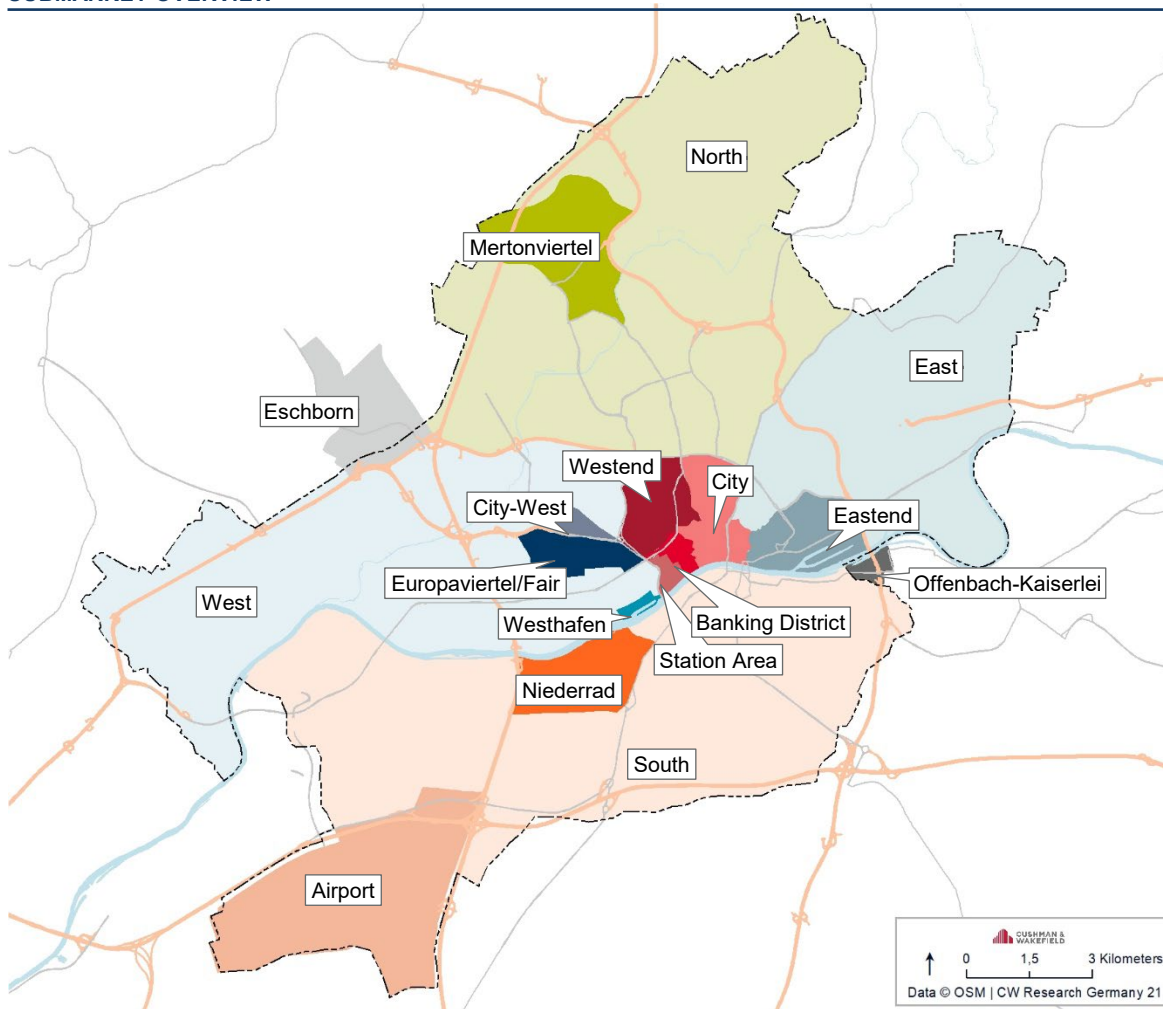
* Each size category in euro million

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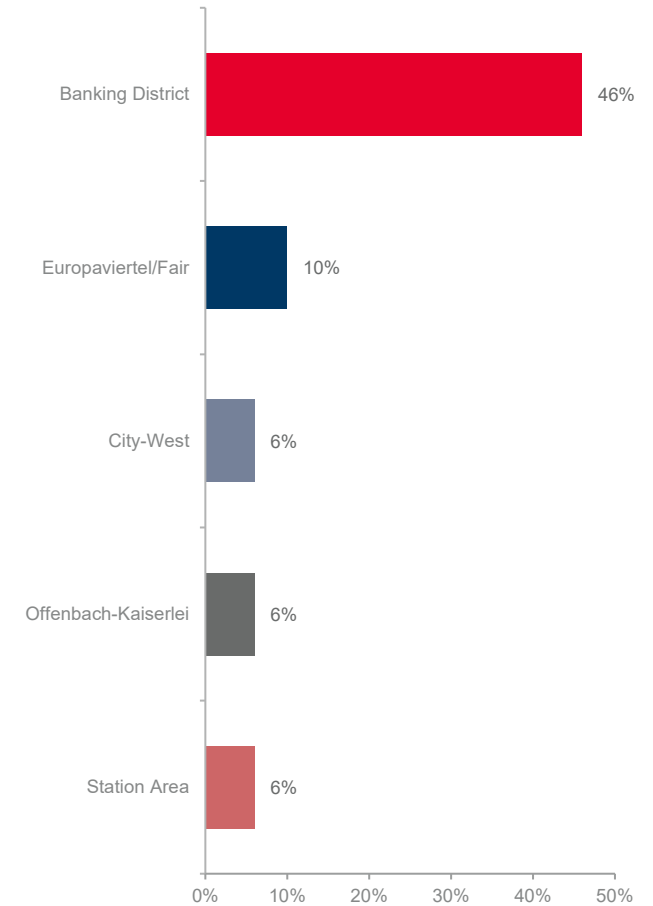
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SUBMARKET OVERVIEW



TOP-5 SUBMARKETS BY TRANSACTION VOLUME*



*Q1 2022

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MARKET STATISTICS Q1 2022

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Industrial Volume	Share of International Capital	Office Prime Yield*	High Street Retail Prime Yield*	Logistics Prime Yield*
Frankfurt	2.19	82%	0%	13%	70%	2.60%	3.40%	3.00%
YoY Change	+207%	+12 PP	-1 PP	+/-0 PP	+60 PP	-15 bps	-40 bps	-30 bps
Top-7 Markets	9.74	77%	3%	9%	66%	2.74%	3.46%	3.01%
YoY Change	+143%	+24 PP	-4 PP	-2 PP	+41 PP	-13 bps	-32 bps	-33 bps
Germany	18.24	52%	12%	21%	49%	2.74%	3.46%	3.01%
YoY Change	+91%	+18 PP	-1 PP	+1 PP	+21 PP	-13 bps	-32 bps	-33 bps

*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 / Address	Quarter	Asset Class	Submarket	Vendor / Buyer	Price (€ million)
Marienturm, Taunusanlage 9-10	Q1	Office	Banking District	Pecan / DWS	~ 800
Takeover alstria office-REIT AG: subportfolio Frankfurt (11 properties)	Q1	Office	Various	alstria office REIT-AG / Brookfield Asset Management	~ 550
Roßmarkt 18	Q1	Office	Banking District	PGIM / ABG	confidential
Marienbogen, Marienstraße 15	Q1	Office	Banking District	Hines / Real I.S.	confidential

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