MARKETBEAT

FRANKFURT

Investment Q1 2023

	YoY Change	12-Month Forecast
€165 m Transaction Volume (cum.)	▼	▲
30% Share of Foreign Capital	▼	▬
3.80% Office Prime Yield, net	▲	▲
45% Share Office Investment Volume	▼	▲

ECONOMIC INDICATORS

	YoY Change	12-Month Forecast
5.8% Frankfurt Unemployment Rate (Mar 2023)	▲	▬
324,700 Frankfurt Office Employees (Mar 2023)	▲	▲
3.50% ECB Interest Rate (Mar 2023)	▲	▲
2.34% 10-Year Government Bond Yield (Q1 2023)	▲	▲

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

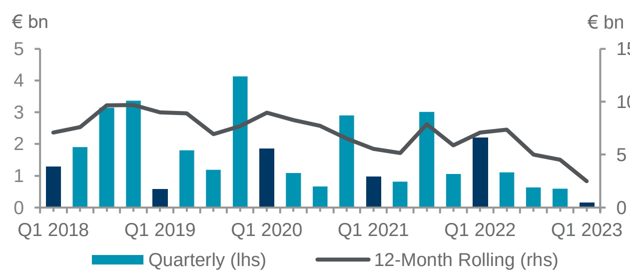
FRANKFURT INVESTMENT MARKET IN SHOCK PARALYSIS

The transaction volume for commercial real estate and development properties on the Frankfurt investment market amounted to around €165 million in Q1 2023. In the course of the Alstria acquisition by Brookfield and the sale of the Marienturm in the first quarter of 2022, the previous year's figure of just under €2.2 billion in the first quarter was excep-tionally high. Thus, the year-on-year decline amounts to 93%, however the result is also 85% below the 10-year average. The last time firet quarter transaction volume was even lower was 13 years ago.

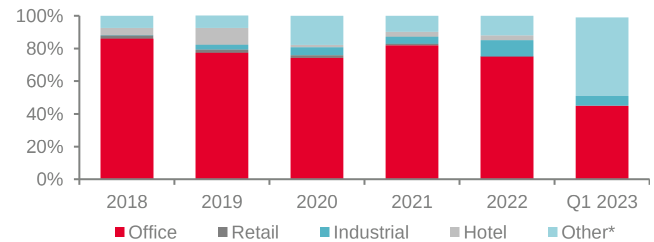
At just under €80 million, 48% of the transaction volume was attributable to development plots, mixed-use properties and data centres. Here, the sale of a development plot between Rathenaustrasse and Dornhofstrasse in Neu-Isen-burg by HIK Gewerbepark GmbH to Goodman represented the largest transaction of the quarter. The second-largest contribution, of approximately 45%, to transaction volume came from the office asset class (around €75 million). One of the few transactions in this asset class was the sale of the Frankenallee 2-4 office building by Barmenia Versicherung to Hamburg Team in the Frankfurt West submarket. Logistics and industrial properties contributed 6%, with around €10 mil-lion. No retail or hotel property transactions took place in the first quarter.

In the past twelve months, Cushman & Wakefield noted aborted or halted transactions (so-called broken deals) in the Frankfurt market area with a total volume of more than €2 billion. This figure illustrates the depth of the decline in comer-cial real estate transaction activity caused by the changed financing environment.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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

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Investment Q1 2023

CUSHMAN & WAKEFIELD

OPPORTUNISTIC ASSETS STRONGEST RISK CLASS

Transactions in the first quarter were focused on properties in the Opportunistic and Value-Add risk categories, mainly in peripheral locations of the market area. These include the sale of Frankenallee and the development plot transaction in Neu-Isenburg. At 56%, these two risk classes accounted for more than half of the total CRE transaction volume.

YIELDS CONTINUE TO RISE

The net initial yield for first-class office properties in prime locations was 3.80% at the end of Q1 2023. Compared with the previous quarter, this represents an increase of 45 basis points. Yields in non-central locations have also risen, to 5.50%; 50 basis points higher than in the previous quarter.

High-quality logistics and industrial properties are currently trading at a prime yield of 4.15%. This figure represents an increase of 15 basis points compared with the end of December 2022. 4.10% is quoted for city centre high street mixed-commercial properties, 35 basis points higher than in Q4 2022. The prime yield has thus exceeded the 4% mark for the first time since 2014.

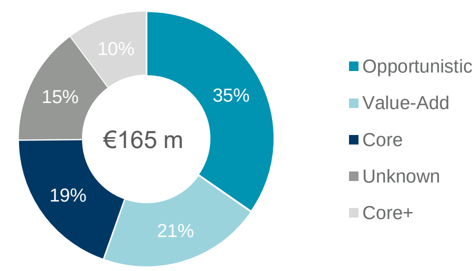
NO TRANSACTIONS OVER €30 MILLION

In the first quarter of 2023, only transactions in the small-volume segment up to €30 million took place. There have been no transactions in the large-volume segment of €50 million and more, due to the reluctance of institutional investors.

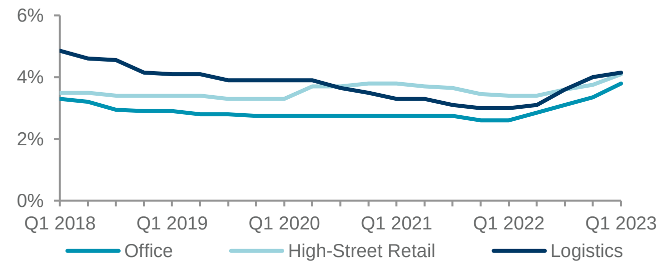
Outlook

- Due to persistently high inflation, further key interest rate increases by the European Central Bank (ECB) are expected in the course of 2023.
- Due to the continuing differences in price expectations between buyers and sellers, the prospects of a recovery in transaction activity in the second half of the year are dimming.
- The low first quarter result on the Frankfurt commercial real estate investment market can also be interpreted as a portend of a record low total transaction volume in 2023.

TRANSACTION VOLUME BY RISK CATEGORY Q1 2023

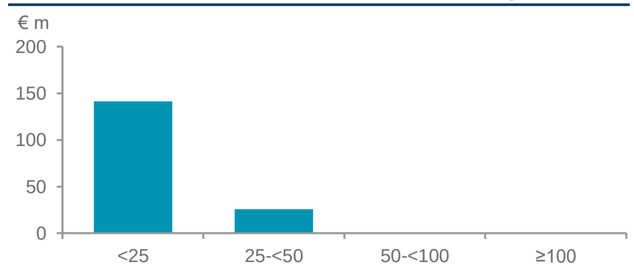


PRIME YIELDS BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1 2023*



* Each size category in euro million

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Investment Q1 2023

MARKET STATISTICS Q1 2023

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	**0.17**	**45%**	**0%**	**6%**	**30%**	**3.80%**	**4.10%**	**4.15%**
YoY Change	-93%	-37 PP	0 PP	-3 PP	-53 PP	+120 BPS	+70 BPS	+115 BPS
Top-7 Markets	**2.62**	**23%**	**38%**	**13%**	**53%**	**3.83%**	**3.90%**	**4.15%**
YoY Change	-73%	-54 PP	+35 PP	+4 PP	-16 PP	+109 BPS	+53 BPS	+114 BPS
Germany	**5.08**	**21%**	**31%**	**16%**	**34%**	**3.83%**	**3.90%**	**4.15%**
YoY Change	-72%	-32 PP	+18 PP	-5 PP	-16 PP	+109 BPS	+53 BPS	+114 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 2023

Property / Address	Quarter	Asset Class	City	Vendor / Buyer	Price (€ million)
Rathenaustraße 29-31	Q1	Plot	Neu-Isenburg	HIK Gewerbepark GmbH / Goodman	confidential
Frankenallee 2-4	Q1	Office	Frankfurt	Barmenia / Hamburg Team Investment Management	confidential

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