

# MARKETBEAT FRANKFURT

Investment Q2 2023



YoY  
Change

12-Month  
Forecast

**€365 m**

Transaction Volume (cum.)



**57%**

Share of Foreign Capital



**3.95%**

Office Prime Yield, net



**44%**

Share Office Investment Volume



## ECONOMIC INDICATORS

YoY  
Change

12-Month  
Forecast

**5.8%**

Frankfurt Unemployment Rate  
(Jun 2023)



**329,100**

Frankfurt Office Employees  
(Jun 2023)



**4.00%**

ECB Interest Rate  
(Jun 2023)



**2.43%**

10-Year Government  
Bond Yield (Q2 2023)



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

## FRANKFURT INVESTMENT MARKET DECLINES BY 89%

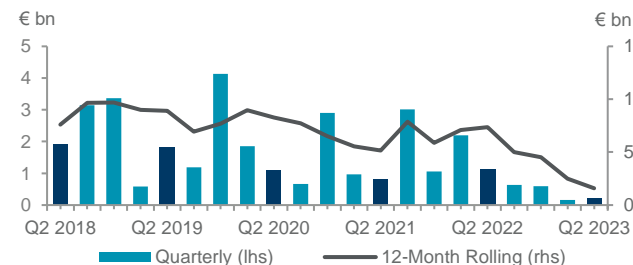
The investment volume for commercial real estate and development properties in the Frankfurt market area amounts to around €365 million in the first half of 2023. Compared to the previous year, this corresponds to a decline in turnover of 89% and is 84% below the 10-year average. The last time the half-year result was even lower was 13 years ago.

With a share of 44% (€160 million), offices accounted for the majority of the transaction volume in the first half of the year. The largest transaction in this asset class was the sale of Kölner Strasse 10 and 12 in Eschborn by Investcorp to the French investment manager Advenis for around €70 million in the second quarter. Also in the Eschborn submarket, Mergenthalerallee 45-47 changed hands in the second quarter. The project developer Cilon bought the building from alstria office REIT-AG in an off-market transaction with the aim of refurbishing and repositioning it.

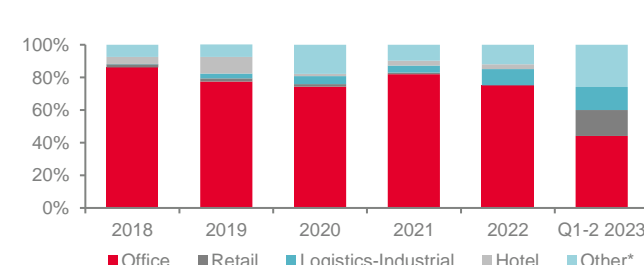
The sales of logistics and industrial properties achieved a half-year turnover of approximately €50 million and were thus responsible for around 14% of the commercial investment volume in the Frankfurt market area. The purchase of a logistics portfolio by Peakside Capital Advisors in Cargo City South at Frankfurt Airport contributed significantly to this result.

Retail turnover was influenced by SIGNA's share buyback of 20% in the Galeria department stores' at Frankfurt's Hauptwache. Overall, the share of retail properties in the commercial investment volume was around 16%.

## 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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## CORE-PLUS STRONGEST RISK CLASS

The focus of transaction activity during the first half of the year was on properties in the core-plus risk class. This result was particularly influenced by the few office transactions in this risk class, especially the sale of buildings 10 and 12 of the Kö-Campus in Eschborn. Nevertheless, properties with appreciation potential (opportunistic and value-add) account for the majority of the CRE investment volume in the year to date, at around 38%.

## PRIME OFFICE YIELD AT 3.95%

The net initial yield for first-class office properties in prime locations was 3.95% at the end of Q2 2023. Compared to the previous quarter, this represents an increase of 15 basis points, and compared to Q2 2022, an increase of 110 basis points. The net initial yield for first-class office properties in non-central locations remains constant compared to the previous quarter at 5.50% and is thus 95 basis points above the value of the previous year.

High-quality logistics and industrial properties are currently trading at a prime yield of 4.15%. This value has remained stable compared with the end of March 2023. The prime yield for city-centre high street mixed-commercial properties is 4.10%. This value also remains stable compared to the first quarter of 2023.

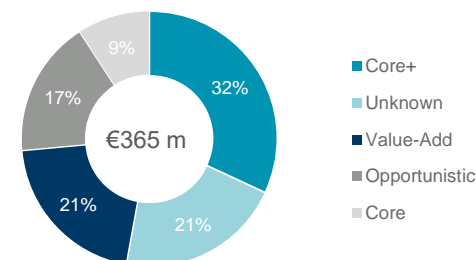
## LARGE-VOLUME TRANSACTIONS REMAIN ABSENT

Particularly large-volume office transactions above €100 million, which have characterised the market in recent years, are currently absent. This reflects the restraint of market participants under the given conditions. Transactions below €25 million accordingly form the strongest size category with around 45% (€161 million).

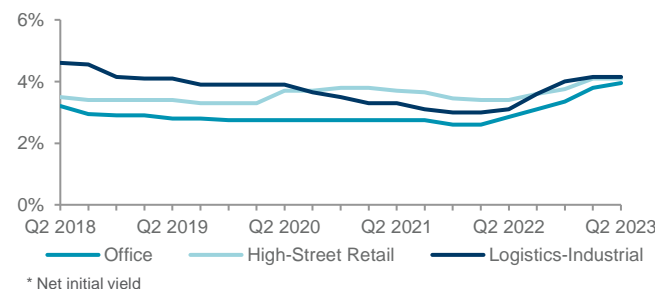
## Outlook

- The price-fixing phase continues. As a result, the trend of the year to date will continue in the second half of the year and the investment volume will remain at a very low level.
- Enquiries for pitches and purchase price estimates have picked up again in the last few months, giving an idea of the range in which purchase prices will develop.
- The prime yield for office properties will rise above the 4% mark in the further course of the year.
- The end of the period of interest rate increases by the central banks at the end of the year could also lead to an increase in transactions at the beginning of next year.

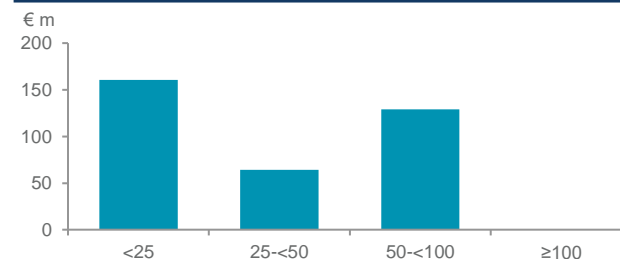
## TRANSACTION VOLUME BY RISK CATEGORY Q1-2 2023



## PRIME YIELDS BY ASSET CLASS\*



## TRANSACTION VOLUME BY SIZE CATEGORY Q1-2 2023\*



\* Each size category in euro million

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## MARKET STATISTICS Q1-2 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*
Frankfurt	0,37	44%	16%	14%	57%	3.95%	4.10%	4.15%
YoY Change	-89%	-38 pp	16 pp	4 pp	-4 pp	110 bp	70 bp	105 bp
Top-7 Markets	4,80	28%	24%	14%	45%	4.04%	3.90%	4.15%
YoY Change	-67%	-39 pp	20 pp	3 pp	-16 pp	105 bp	53 bp	104 bp
Germany	9,81	24%	24%	17%	34%	-	-	-
YoY Change	-65%	-20 pp	11 pp	-4 pp	-14 pp	-	-	-

\*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)
Kö-Campus, Kölner Straße 10+12	Q2	Office	Eschborn	Investcorp / Advenis	~70
Galeria Frankfurt, Zeil 116-126	Q2	Retail	Frankfurt	Commerz Real / Signa	confidential
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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