

# MARKETBEAT FRANKFURT

Investment Q3 2023



YoY  
Change

12-Month  
Forecast

**€570 m**

Transaction Volume (cum.)



**45%**

Share of Foreign Capital



**4.35%**

Office Prime Yield, net



**37%**

Share Office Investment Volume



## ECONOMIC INDICATORS

YoY  
Change

12-Month  
Forecast

**5.9%**

Frankfurt Unemployment Rate  
(Sep 2023)



**328,900**

Frankfurt Office Employees  
(Sep 2023)



**4.50%**

ECB Interest Rate  
(Sep 2023)



**2.53%**

10-Year Government  
Bond Yield (Q3 2023)



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

## INVESTMENT IN THE FRANKFURT COMMERCIAL REAL ESTATE MARKET FALLS BY 86%

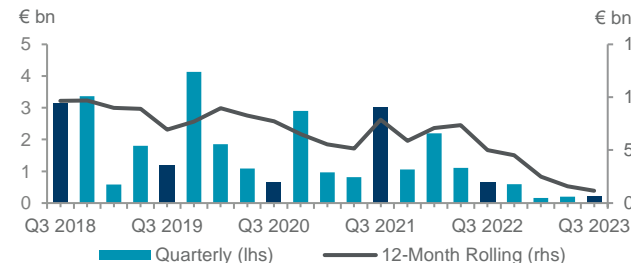
The transaction volume for commercial real estate and development sites in the Frankfurt market area amounted to around €570 million in the 1st three quarters of 2023. Compared to the previous year, this corresponds to a decline of 86%. The 10-year average was missed by 85%.

Again in the 3rd quarter, no deal above €100 million was recorded. The largest transaction in 2023 remains the sale of Kölner Strasse 10-12 in Eschborn by Montano to the French investment manager Advenis in Q2 for around €70 million. With only two deals, 24% (€50 million) of the total transaction volume in Q3 is attributable to office properties. In the year to date, this asset class has accounted for around €210 million or 37%.

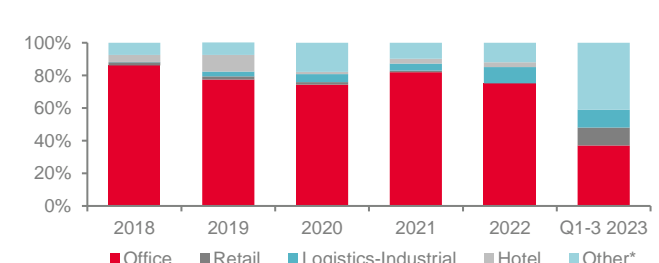
Sales of mixed-use properties and development plots, on the other hand, amounted to €140 million in the 3rd quarter and contributed 68% to the CRE transaction volume. Looking at the 1st three quarters of the year, this contribution was 41%. The City of Frankfurt is currently an important participant in this segment, among other things via the purchase of the former Postbank building on Eckenheimer Landstrasse, for which a conversion into two schools is planned. It also acquired a plot in "Parkstadt II" from Konversions-Grundstücksentwicklungs GmbH (KEG) in Unterliederbach, on which a vocational school campus is to be built. Further purchases by the city could follow in the coming months as more land is sought for new schools.

Logistics and industrial transaction volume was approximately €60 million in the year to date, accounting for around 11% of the CRE transaction volume in the Frankfurt market area. The purchase of a logistics portfolio at Frankfurt Airport by Peakside Capital Advisors in the 2nd quarter contributed significantly to this.

## COMMERCIAL TRANSACTION VOLUME\*



## SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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

# MARKETBEAT FRANKFURT

Investment Q3 2023



CUSHMAN &  
WAKEFIELD

## ONE 3RD OF ALL TRANSACTIONS WITHOUT A RISK CLASS

One 3rd of the transactions in the year to date cannot be assigned to a particular risk class. These include the purchases made by the City of Frankfurt for future use as a school. With 24%, Core-plus transactions have been the major contributors to transaction volume so far. The 2nd-strongest risk class was Opportunistic transactions, contributing 21%. The interest rate shock and the resulting increase in financing costs combined with uncompleted price formation continue to lead to investors behaving very cautiously, especially regarding Core properties.

## PRIME YIELD FOR ALL ASSET CLASSES ABOVE 4%

The net initial yield for prime quality office properties in prime locations was 4.35% at the end of Q3 2023. This represents an increase of 40 basis points compared to the previous quarter and an increase of 125 basis points compared to Q3 2022. The net initial yield for 1st-class quality office properties in non-central locations increased by 50 basis points, to 6.00%, compared to the previous quarter and is 100 basis points higher than a year previously.

1st-class logistics properties are currently trading at a prime yield of 4.30%. Compared to the end of June 2023, this figure has increased by 15 basis points. City-centre high street mixed-commercial buildings were quoted at 4.20%, an increase of 10 basis points compared to Q2 2023.

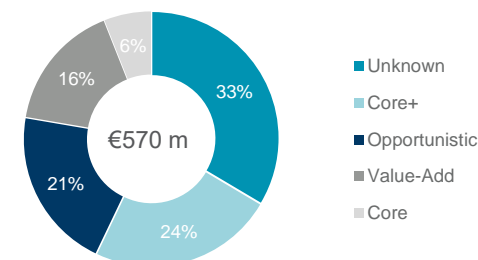
## OFFICE ASSET CLASS LOSES TURNOVER SHARE

Currently, numerous investors are reducing the investment capital directed to the office sector. In particular, the determination of future office space requirements in connection with the establishment of hybrid working models is leading to a critical examination of this asset class. In combination with the increased financing costs and the continued lack of reference transactions, transaction activity in this asset class came to a virtual standstill at the end of the 3rd quarter.

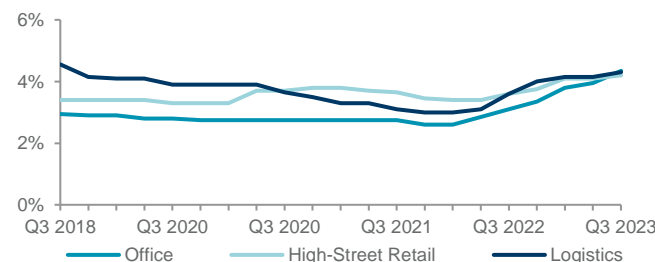
## Outlook

- Transaction activity will continue to differentiate, and sales of mixed-use properties and land will increase their proportional contributions to CRE transaction volume.
- For investors with a focus on Value-add and Opportunistic acquisitions, the current conditions offer good opportunities to enter the market at favourable entry prices and reposition properties in accordance with current demand trends and ESG standards.
- For Q4 2023, a stronger transaction volume is expected compared to previous quarters, but no significant year-end rally will take place.

## TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2023

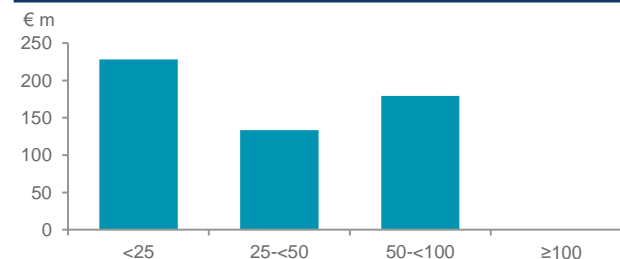


## PRIME YIELDS BY ASSET CLASS\*



\* Net initial yield

## TRANSACTION VOLUME BY SIZE CATEGORY Q1-3 2023\*



\* Each size category in euro million

# MARKETBEAT FRANKFURT

Investment Q3 2023



## MARKET STATISTICS Q1-3 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	0.57	37%	11%	11%	45%	4.35%	4.20%	4.30%
YoY Change	-86%	-40 pp	11 pp	1 pp	-10 pp	125 bp	60 bp	70 bp
<b>Top-7 Markets</b>	<b>6.42</b>	<b>30%</b>	<b>22%</b>	<b>13%</b>	<b>39%</b>	<b>4.49%</b>	<b>4.11%</b>	<b>4.30%</b>
YoY Change	-70%	-32 pp	18 pp	4 pp	-13 pp	126 bp	63 bp	69 bp
<b>Germany</b>	<b>15.52</b>	<b>21%</b>	<b>27%</b>	<b>23%</b>	<b>36%</b>	-	-	-
YoY Change	-61%	-20 pp	11 pp	3 pp	-10 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 TRANSACTIONS 2023

Property / Address	Quarter	Type of Use	City	Vendor / Buyer	Price (€ million)
Kö-Campus, Kölner Straße 10+12	Q2	Office	Eschborn	Investcorp / Advenis	~70
Construction fields L1 und L2 "Frankfurt Westside"	Q3	Other	Frankfurt	Swiss Life AM / CyrusOne	Confidential
Former Postbank-Building	Q3	Office	Frankfurt	Deutsche Bank / City Frankfurt am Main	Confidential

### Michael Fleck

Head of Capital Markets Frankfurt

Tel: +49 69 50 60 73 237

[michael.fleck@cushwake.com](mailto:michael.fleck@cushwake.com)

### Nina Ranzenberger

Research Analyst

Tel: +49 69 50 60 73 072

[nina.ranzenberger@cushwake.com](mailto:nina.ranzenberger@cushwake.com)

### Helge Zahrt MRICS

Head of Research & Insight Germany

Tel: +49 40 300 88 11 50

[helge.zahrt@cushwake.com](mailto:helge.zahrt@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](http://www.cushmanwakefield.com) or follow [@CushWake](https://twitter.com/CushWake) on X (Twitter).

©2023 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](http://cushmanwakefield.com)