

MARKETBEAT FRANKFURT

Investment Q4 2023



YoY
Change

12-Month
Forecast

€840 m

Transaction Volume (cum.)



47%

Share of Foreign Capital



4.70%

Office Prime Yield, net



25%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change

12-Month
Forecast

5.9%

Frankfurt Unemployment Rate
(Dec 2023)



325,800

Frankfurt Office Employees
(Dec 2023)



4.50%

ECB Interest Rate
(Dec 2023)



2.58%

10-Year Government
Bond Yield (Q4 2023)



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

TRANSACTION VOLUME BELOW THE ONE BILLION EURO MARK FOR THE FIRST TIME IN 13 YEARS

With a CRE transaction volume of €840 million, the result for 2023 is below one billion euros for the first time since 2009 (€740 million). Compared to the previous year's result, this also corresponds to a decline of around 82%. The result fell short of the 10-year average by 87%. At around €270 million, the 4th quarter was the strongest of the year, but remained 54% below the level of the equivalent period last year.

In the 4th quarter, the Industrial and Logistics sector was the asset class with the highest transaction volume, at €150 million. The sale of more than 700,000m² of the Opel site in Rüsselsheim by the Stellantis Group to logistics and commercial real estate developer VGP, which is planning one of the largest commercial space developments in Germany here, contributed to this result. For the year as a whole, acquisitions and disposals totalling €210 million were recorded.

Mixed-use properties and development land accounted for the largest proportion of transaction volume over the course of the year, accounting for 39% or €325 million, of which €90 million was contributed by the 4th quarter. This includes the sale of a plot in "Parkstadt II" by Konversions-Grundstücksentwicklungs GmbH (KEG) in Unterliederbach, on which a vocational school campus is to be built.

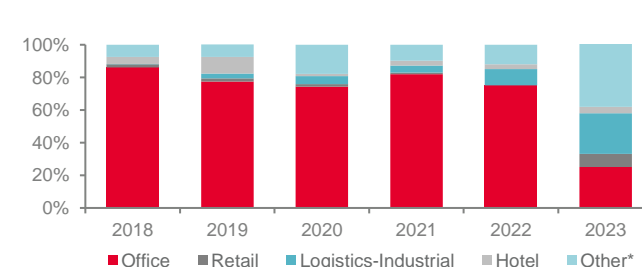
With a transaction volume of €210 million, office transactions contributed only 25% to the CRE total. The traditionally strongest asset class in the Frankfurt market area, which has contributed an average of around 79% over the past five years, suffered particularly from the effects of higher interest rates and restrictive lending in 2023. This is underlined by the fact that there was a complete absence of office property transactions in Q4 2023.

The contribution by international investors was around 47%. Montano's largest office transaction of the year at Kölner Strasse 10-12 in Eschborn, sold to French investment manager Advenis for around €70 million in the 2nd quarter contributed to this. In addition, there was a large acquisition in Rüsselsheim in Q4 by the Belgian investor VGP.

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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CUSHMAN &
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CORE TRANSACTIONS DOWN 40 PERCENTAGE POINTS YEAR ON YEAR

With 25% or a volume of around €200 million, core-plus transactions were the risk class with the highest transaction volume. This included the approx. €70 million sale of Kölner Strasse 10-12 in Eschborn. The second-strongest risk class was the value-add segment with a 23% share of transaction volume. This was followed by opportunistic transactions, which contributed 22%. Core properties accounted for just 4%. This means that the result for this risk class fell by 40 percentage points compared to the previous year. However, due to the low number of transactions overall, little meaningful information on buyer behaviour can be derived from this data.

PRIME YIELDS CONTINUE TO RISE, ESPECIALLY FOR OFFICE PROPERTIES

From the end of 2022 to the end of 2023, the prime office yield for core properties in Frankfurt rose by 135 basis points, to the current 4.70%.

The prime yield for high-street retail properties in central locations rose by 80 basis points to 4.55%. For logistics properties, the prime yield is currently 4.50%, 50 basis points above the level of a year ago.

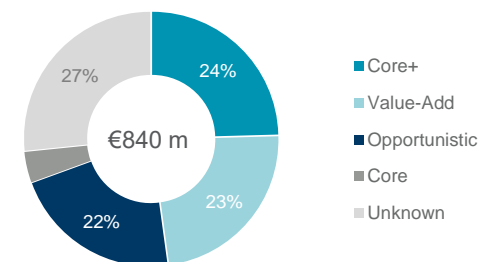
NO TRANSACTION OF €100 MILLION OR MORE IN 2023

Around 70% of CRE transaction volume was attributable to transactions in the size segment below €50 million. The size category between €50 million and €100 million accounted for around 30% of annual transaction volume. There were no transactions above €100 million. In the two previous years, transactions in this size category still accounted for the majority of the transaction volume at 51% and 57% respectively. Due to the tense interest rate environment, transactions were dominated by family offices and the public sector with purchases in the lower size segment.

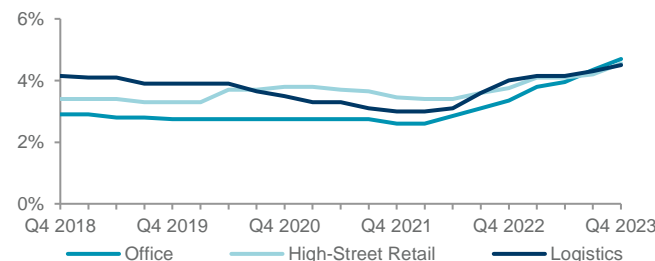
Outlook

- As inflation is forecast to fall in 2024, the ECB is expected to cut its key interest rate for the first time from the middle of the year. This is accompanied by positive signals for an improved financing environment.
- In 2024 only moderate increases in yields at the beginning of the year are expected. The uncertainties in pricing processes are expected to decrease and, as a result, transaction activity is expected to increase somewhat again.
- Market activity will not resume immediately when interest rates are reduced.
- This is due to both the fact that banks are still very selective in granting loans and because large institutional investors will to a large extent only make acquisitions highly dependent on location and property quality.

TRANSACTION VOLUME BY RISK CATEGORY 2023

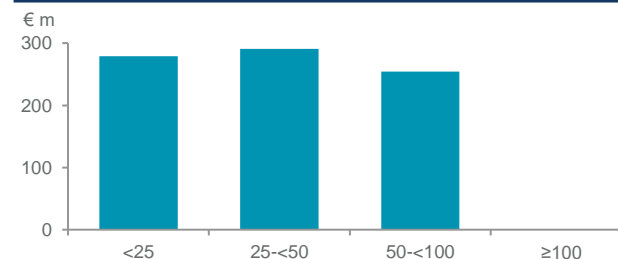


PRIME YIELDS BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY 2023*



* Each size category in euro million

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MARKET STATISTICS 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	0.84	25%	8%	25%	47%	4.70%	4.55%	4.50%
YoY Change	-82%	-50 pp	8 pp	15 pp	-7 pp	135 bp	80 bp	50 bp
Top-7 Markets	8.17	30%	19%	15%	36%	4.78%	4.49%	4.50%
YoY Change	-69%	-26 pp	15 pp	6 pp	-14 pp	127 bp	81 bp	50 bp
Germany	21.46	21%	24%	27%	35%	-	-	-
YoY Change	-58%	-18 pp	9 pp	9 pp	-8 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	Development plot	Frankfurt	Swiss Life AM / CyrusOne	Confidential
Former Postbank-Building	Q3	Office	Frankfurt	Deutsche Bank / City Frankfurt am Main	Confidential
Part of Opel-Area, Mainzer Strasse	Q4	Development plot	Rüsselsheim	Stellantis / VGP Group	Confidential

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