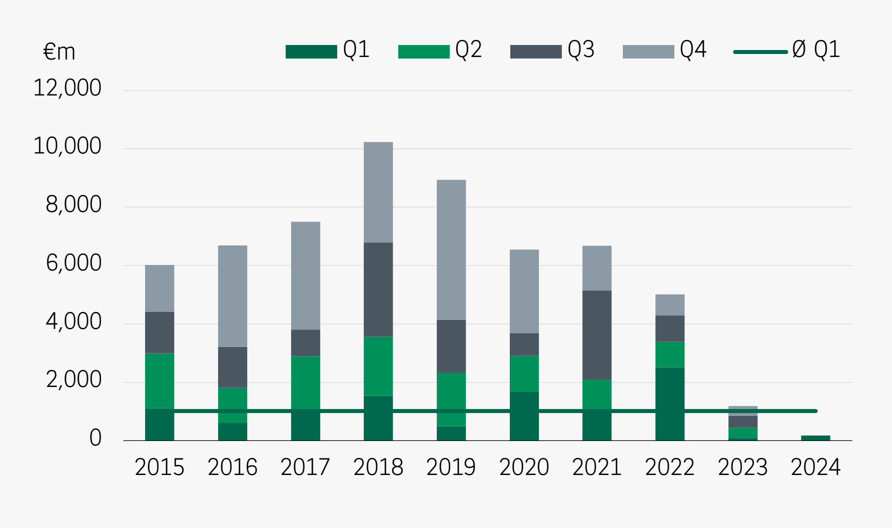
FRANKFURT

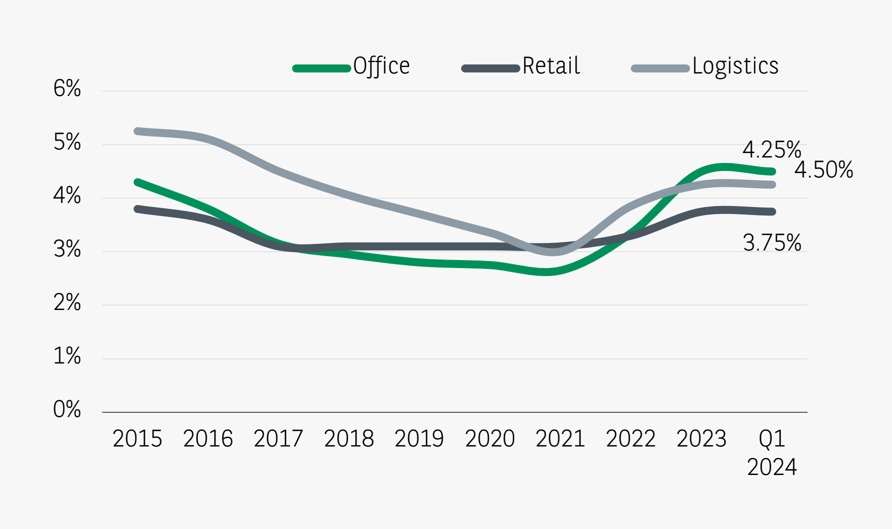
REPORT INVESTMENT MARKET

Q1 2024

Development of investment volume



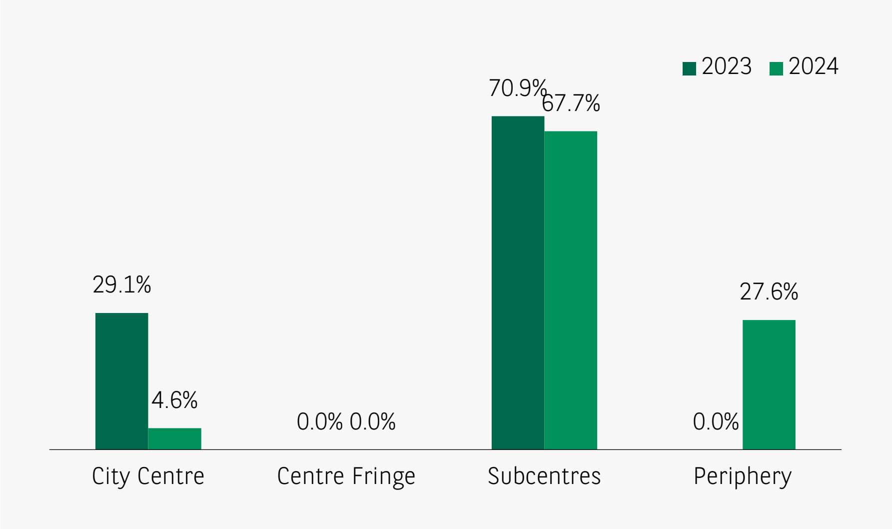
Net prime yields by type of property



STARTING OFF WITH SOME MORE MOVEMENT: INVESTMENT VOLUME INCREASES AT A LOW LEVEL

- Investment turnover of €174 million was recorded for the Frankfurt commercial property market in the first quarter of 2024. Although this represents an 81% increase in transaction volume compared to the same quarter of the previous year, it is still at a very low level. A glance at the long-term average, which stands at around €1 billion for the first quarter, shows just how low the transaction volume is.
- The fact that the Frankfurt investment market continues to lack momentum is hardly surprising given the prevailing uncertainties surrounding the office asset class, which is so important for Frankfurt and dominates the market. On the one hand, demand for office space is somewhat subdued, not least due to the ongoing economic downturn; on the other hand, the future path of interest rates and, accordingly, financing conditions is not yet fully foreseeable.
- Against this backdrop, there has been little movement on the market to date, particularly with regard to large-volume office transactions, which dominated transaction activity during the zero-interest rate phase.
- Driven by falling inflation rates, the majority of market participants are already pricing in several interest rate hikes in the current year. Accordingly, net prime yields are likely to stabilize at the current level for the time being. Compared to the previous quarter, a sideways movement can therefore be reported for all asset classes. While office properties are quoted at 4.50%, logistics properties are expected to yield 4.25% and retail properties 3.75%.

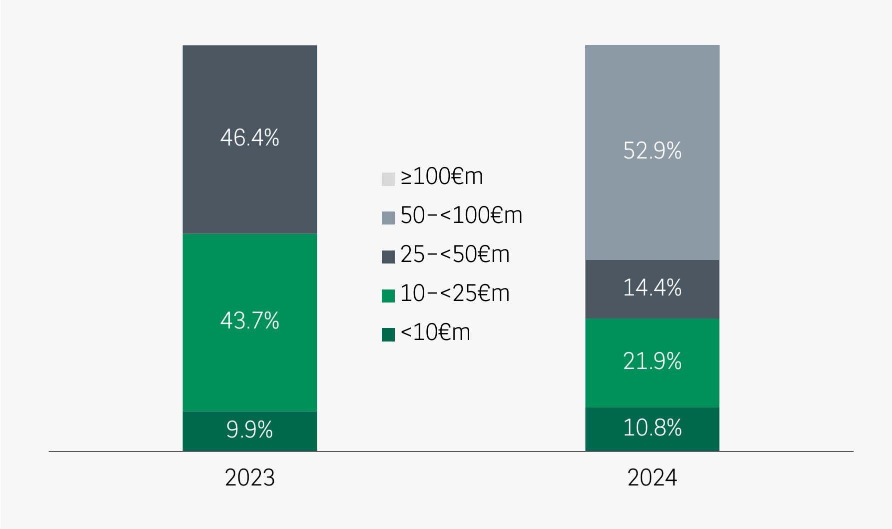
Investments by location Q1



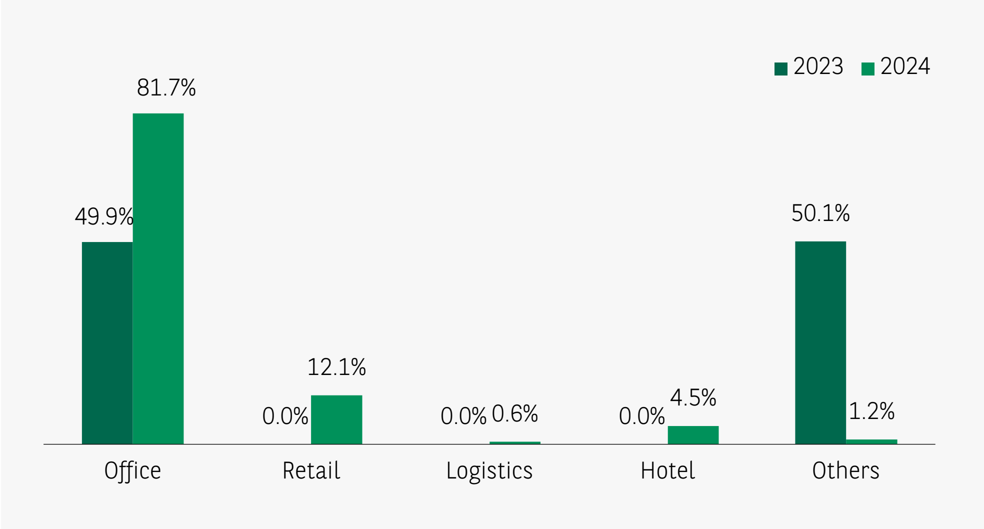
SUBCENTRES SET THE PACE SO FAR

- No large-volume transactions in the three-digit million range were recorded in the first quarter. In terms of office investments in particular, Frankfurt is no exception among Germany's office strongholds.
- At around €150 million, the office investment volume has almost tripled compared to Q1 2023 but remains at a low level overall. This is exclusively due to smaller transactions away from the City Centre and Centre Fringe, which nevertheless underlines the general future viability of decentralized office locations.
- The distribution of the investment volume across the individual location categories also reflects this. Although no major deals have yet been registered in the logistics segment, the Subcentres and peripheral locations still account for around 95% of transactions, which represents a novelty for the Frankfurt market.

Investments by € category Q1



Investments by type of property Q1



OUTLOOK

- The Frankfurt investment market has started the year with an increase in turnover compared to Q1 2023, although the result is once again well below average, which is hardly surprising given the still challenging conditions.
- With the start of spring, however, there are increasing signs that the investment market is likely to gradually gain momentum over the course of the year. The fact that prime yields remained stable in Q1 suggests that the pricing phase is largely over, and that sellers and buyers are finding each other more quickly again.
- Furthermore, an expansion of product is possible on the supply side, as owners may well have to sell their properties due to financing constraints. This constellation is likely to stimulate the market across all asset classes. There are also signs of more tailwind from the occupier markets. The increased indicators from ifo and GfK give hope for a general improvement in sentiment.
- The Frankfurt office market in particular could benefit in 2024 from returning planning certainty on the management floors and improved sentiment. The large lettings registered in Q1 send a strong signal to the market. First and foremost, the 37,000 m² let to the ECB. Coupled with Brussels' decision to locate the European anti-money laundering authority AMLA in Frankfurt and not in Madrid or Paris, this underlines the importance of Frankfurt as a financial centre.
- It remains to be seen to what extent the Frankfurt investment market will again register large-volume deals above the €50 million mark over the course of the year. However, a noticeable increase in volume compared to 2023 is likely.

Key facts investment market Frankfurt

INVESTMENT VOLUME	Q1 2023	Q1 2024	CHANGE
Total (€m)	**96**	**174**	**+80.7%**
Portfolio share	0.0%	85.6%	+85.6%pts
Share above €100 million	0.0%	0.0%	+0.0%pts
Office share	49.9%	81.7%	+31.7%pts
Share of city locations	29.1%	4.6%	-24.5%pts
Share of foreign investors	46.4%	0.0%	-46.4%pts

NET PRIME YIELDS	Q1 2023	Q1 2024	CHANGE
Office	3.85%	4.50%	+65bps
Retail	3.55%	3.75%	+20bps
Logistics	3.95%	4.25%	+30bps

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