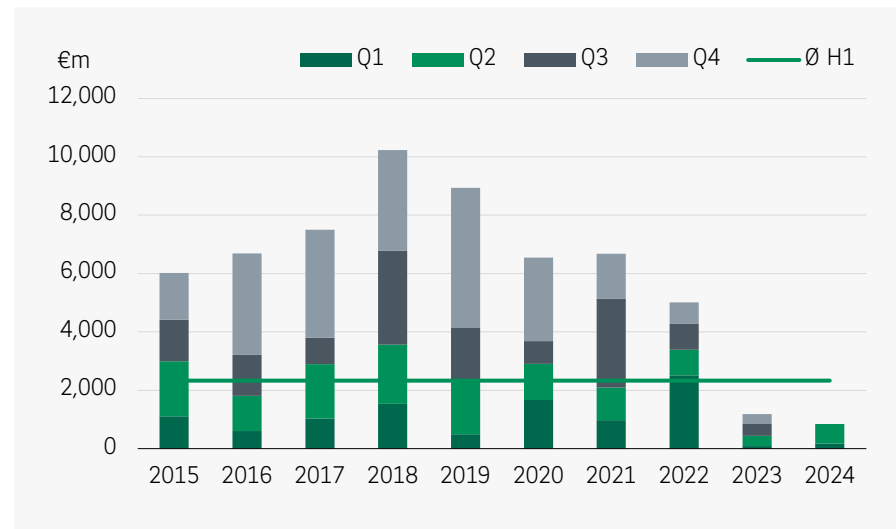


FRANKFURT

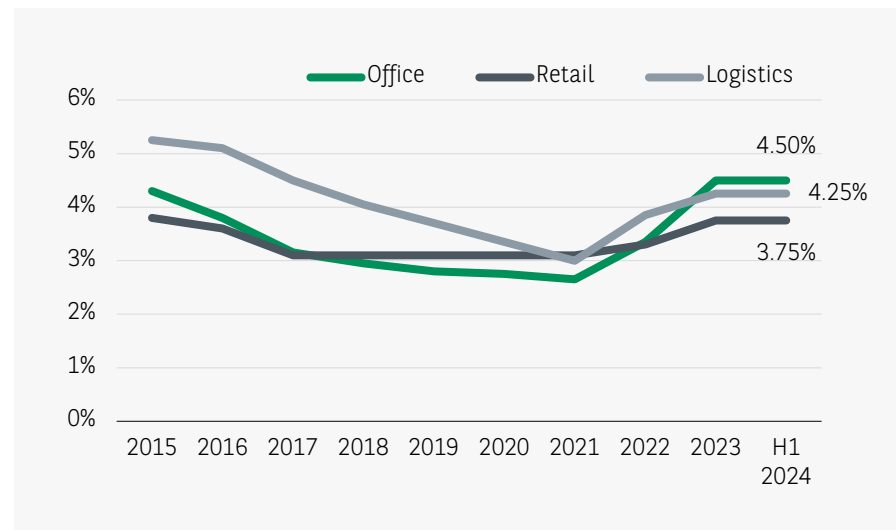
# REPORT INVESTMENT MARKET

H1 2024

## Development of investment volume



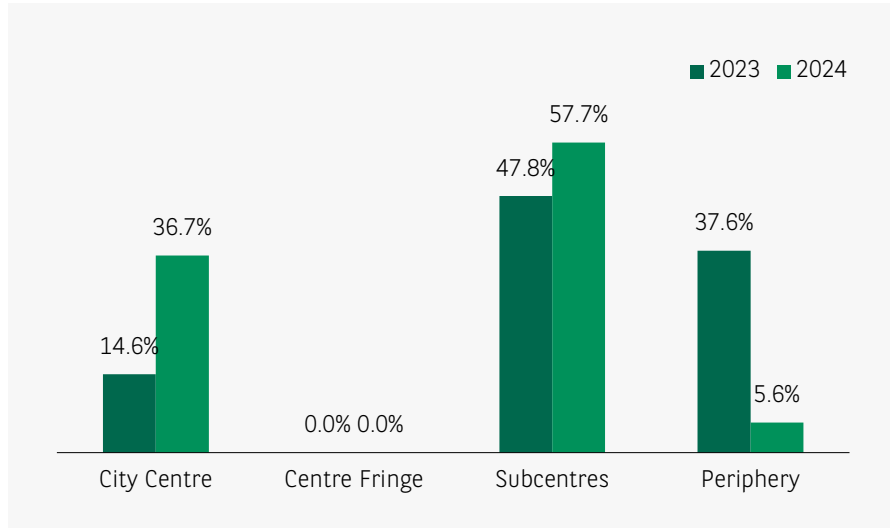
## Net prime yields by type of property



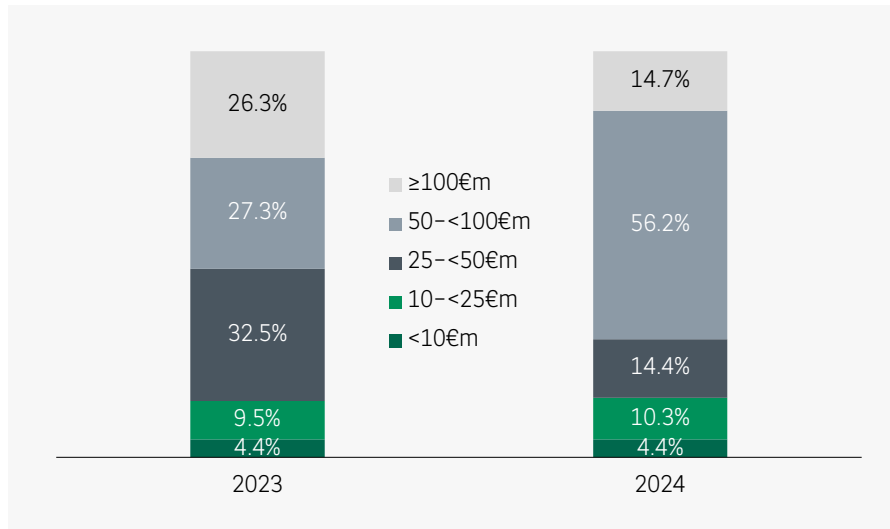
## INVESTMENT VOLUME AT A LOW LEVEL BUT SLIGHTLY MORE ACTIVITY IN SECOND QUARTER

- The Frankfurt investment market for commercial property recorded a transaction volume of €852 million by the end of the first half of the year. This significantly exceeded the result from the same period of the previous year by around 92%. Nonetheless, the current H1 result is still at a very low level, falling short of the long-term average of €2.3 billion by a good 63%. On a positive note, however, it shall be noted that after a very subdued first quarter (€174 million), a certain momentum has returned to the market in the past three months. At €679 million, the second quarter can at least be considered solid under the current conditions.
- In the ranking of A-locations, Frankfurt has thus moved up to third place behind Berlin (€2bn) and Munich (€1.5bn). Considering only the office asset class which is traditionally dominating the Frankfurt investment market, the banking metropolis is the nationwide leader despite the fact that transaction activity in this segment has remained well below average. Although there is still a lack of triple-digit deals and, in particular, purchases of office towers, a large part of the investment volume in q2 can still be attributed to this asset class, which accounted for around €524 million in Frankfurt in the first half of the year.
- Meanwhile, prime yields have stabilised as expected, so that no further adjustment has been observed since the beginning of the year. The net prime yield for office properties is quoted at 4.50% and therefore still above the logistics segment, for which 4.25% can be assumed. Mixed-Use city highstreet properties with focus on retail are currently priced at 3.75%.

## Investments by location H1



## Investments by € category H1



## MORE THAN 50% OF INVESTMENT VOLUME IN SUBCENTRES

- Large-volume transactions in the three-digit million range are a rarity in the current market environment. This applies in particular to locations that are usually heavily characterised by office investments. It is therefore hardly surprising that the current distribution of the investment volume across the size categories in the Frankfurt market is characterised by deals below the €100 million mark. Only just under 15% of the volume is attributable to the three-digit million segment, which is the lowest half-year value ever recorded.
- This is accompanied by an equally unusually low investment volume in city centre locations. Only around €310 million is currently attributable to the city centre, which corresponds to around a third of the usual volume. Correspondingly, the subcentres took the lead in the investment ranking with a market share of just under 58%, although the long-term average of a good €490 million was missed by around a quarter.

## Investments by type of property H1



## OUTLOOK

- Even though the investment volume is still well below average and has remained at the comparatively low level of 2008 and 2012 - i.e. in the recovery phase following the financial crisis - an upward trend can nevertheless be observed, which gradually accelerated up to the middle of the year and is likely to consolidate in the coming months.
- The ECB's long-awaited interest rate cut, which took place for the first time in June, is likely to be seen as an important signal for the market. Although long term financing costs are still significantly higher than anticipated at the beginning of the year due to the continuing inverse interest rate structure, there is now widespread agreement that property values in the prime segment are bottoming out, at least on the financing side.
- Although the development of the occupier markets remains the uncertainty in the equation, the outlook is nowhere near as gloomy as some sentiment would suggest. Contrary to the widely rumored fears that demand for office space in Frankfurt would slump significantly, the half-year take-up figures are largely stable and in line with the long-term average, despite the fact that the German economy is currently in a phase of economic weakness. This should significantly boost the confidence of many investors in the asset classes.
- It remains uncertain when the rising investors' confidence will be reflected in larger transactions crossing the finish line. Currently, the most likely scenario assumes that 2024 will remain a year of transition. Prime yields are likely to remain stable until the end of the year with the transaction volume stabilising around €2 bn.

## Key facts investment market Frankfurt

INVESTMENT VOLUME	H1 2023	H1 2024	CHANGE
Total (€m)	444	852	+91.9%
Portfolio share	6.8%	10.0%	+3.3%pts
Share above €100 million	26.3%	14.7%	-11.6%pts
Office share	27.5%	61.5%	+34.0%pts
Share of city locations	14.6%	36.7%	+22.1%pts
Share of foreign investors	53.1%	14.1%	-38.9%pts

NET PRIME YIELDS	H1 2023	H1 2024	CHANGE
Office	4.00%	4.50%	+50bps
Retail	3.75%	3.75%	+0bps
Logistics	4.00%	4.25%	+25bps

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