

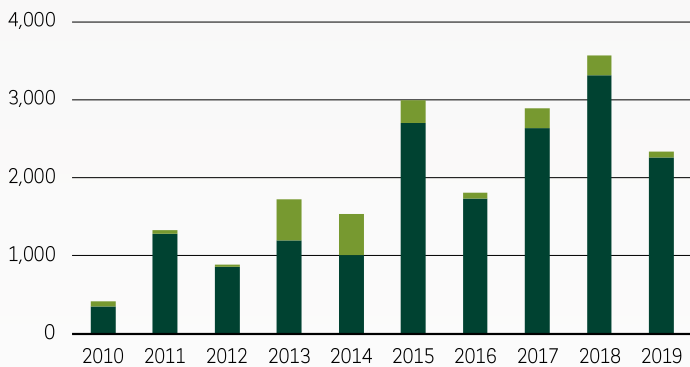


At a Glance **Q2 2019**

INVESTMENT MARKET FRANKFURT

Investment volume in Frankfurt H1

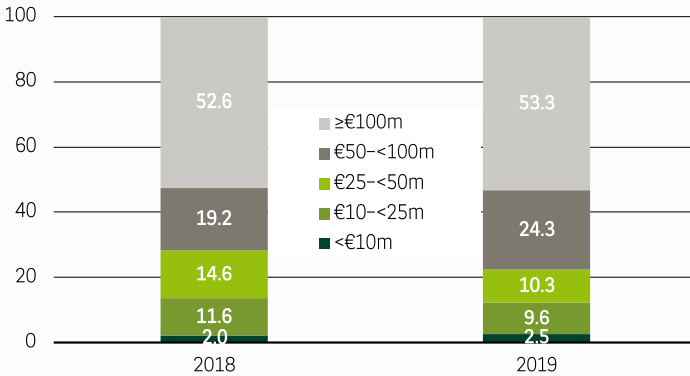
in €m ■ Single investments ■ Portfolios



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Investments by € category in Frankfurt H1

in %

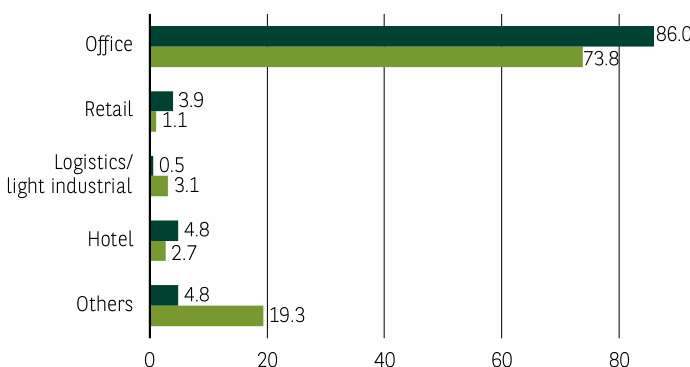


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Investments by type of property in Frankfurt H1

in %

■ 2019 ■ 2018



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➤ INVESTMENT MARKET PICKS UP SPEED

After a restrained start to the year, the Frankfurt investment market picked up speed in the second quarter. With a transaction volume of €2.34 billion, the exceptionally good result of the previous year was missed by around a third, but at the same time the ten-year average was exceeded by 20%. The fact that nationwide Frankfurt only has to give in to the capital Berlin underlines that the market is showing its best side. This is also attributable to the fact that in the second quarter four major deals in the three-digit million range were concluded, which had been missing in the first three months. However, at the same time last year seven deals of this size had already been registered. This shows that many premium properties have already been sold in recent years in the banking metropolis, which international investors in particular frequently choose for their market entry in Germany. This resulted in a limited supply, especially in the large-volume core segment. Among the most significant transactions are the sales of Frankfurter Welle and Taunusanlage 8 (T8).

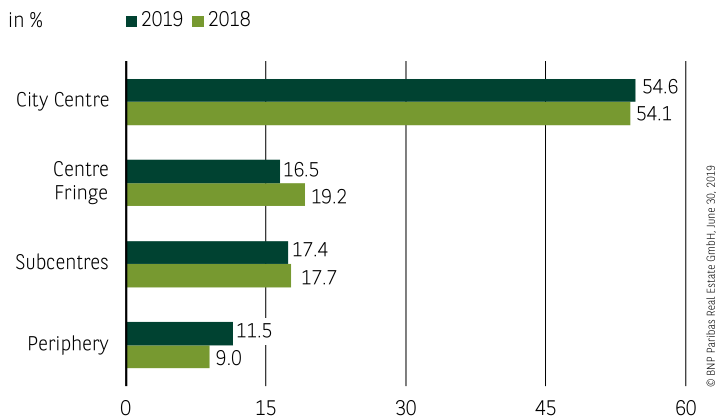
➤ SIZE STRUCTURE RELATIVELY UNCHANGED

In relative terms, however, there has been little change in the size structure of the investments, with the result that major deals over €100 million again account for a good half of the total. Around a quarter of this is accounted for by the second-largest class between €50 and 100 million, and only marginal shifts can be observed in the other size classes as well. It is noteworthy, however, that the absolute volume has declined in all market segments, clearly reflecting the overall tight supply situation. Investor interest would also have been sufficient for noticeably more turnover.

➤ OFFICE PROPERTIES DOMINATE THE MARKET

Traditionally Frankfurt is the location with the highest proportion of office investments. The long-term average is 72%. In the first half of 2019, however, even this figure was significantly exceeded, with office buildings contributing 86% to the transaction volume. However, hotels (5%) and retail properties (4%) were also able to increase their share both relatively and in absolute terms, albeit at a relatively low level. The main reason for this, however, is the scarcity of large-volume products in these asset classes. All other market segments have so far played only a minor role.

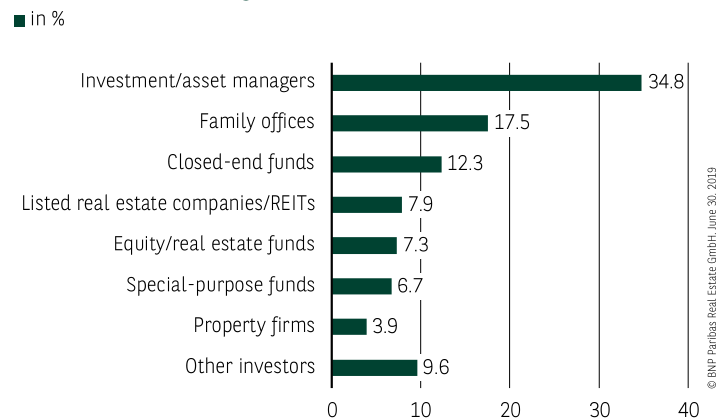
Investments by location in Frankfurt H1



CITY CENTRE PROFITS FROM LARGE TRANSACTIONS

Since the large-volume properties such as the Welle, the T8 and the Kimpton Hotel are all located in central locations, it is not surprising that the City Centre, which is traditionally strong in Frankfurt anyway, is able to account for almost 55% of the transaction volume. In addition, the Centre Fringe and Subcentres each contribute around 17% to the result. This leaves 11.5% for the Periphery. In contrast to other cities, above all Berlin and Munich, where investors are increasingly switching to secondary and district locations in order to find investment opportunities at all, the focus in Frankfurt continues to be primarily on top locations.

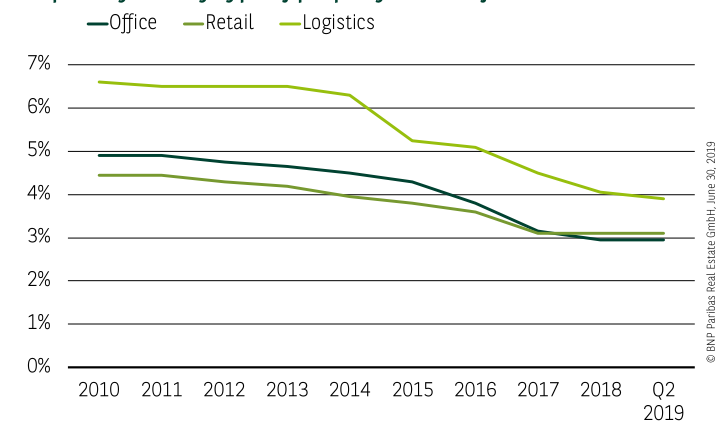
Investments by buyer group in Frankfurt H1 2019



HIGH PARTICIPATION OF FOREIGN INVESTORS

In the first half of the year, Frankfurt again proved its attractiveness, especially for foreign investors. The outstanding internationality, a great number of large-volume properties and excellent flight connections are trump cards that play an important role. In total, foreign buyers account for 56% of turnover, and thus once again clearly exceeding the nationwide average (over 38%). The foreign buyers are often financial intermediaries that purchase with different fund structures for a variety of investor groups. Against this background, it is not surprising that funds traditionally play a major role in the banking metropolis, as their share of over 60% once again underscores.

Net prime yields by type of property in Frankfurt



YIELDS PREDOMINANTLY STABLE

After the strong yield compression of recent years, the net prime yield for offices remained stable in the first half of 2019 and is still quoted at 2.95%. Only Berlin and Munich are a little more expensive. The net prime yield for inner-city retail properties in prime locations also remained unchanged with 3.10%, but may be undercut in exceptional cases. Only logistics assets recorded a significant year-on-year decline of 50 basis points to 3.90% compared to the previous year.

PERSPECTIVES

Following the significant upturn in the second quarter, there is much to suggest a comparable dynamic in the second half of the year. On the one hand, some large-volume transactions are about to be concluded, and on the other hand further extensive transaction processes are being prepared, which should be completed by the end of the year. Last but not least, the increased construction activity on the office market also plays into the hands of the supply side. Nevertheless, the record set last year (€10.2 billion) is unlikely to be in jeopardy. A result well above the average, on the other hand, will again be almost certainly achieved.

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Further Information BNP Paribas Real Estate GmbH | Branch office Frankfurt | Phone +49 (0)69-298 99-0 | www.realestate.bnpparibas.de