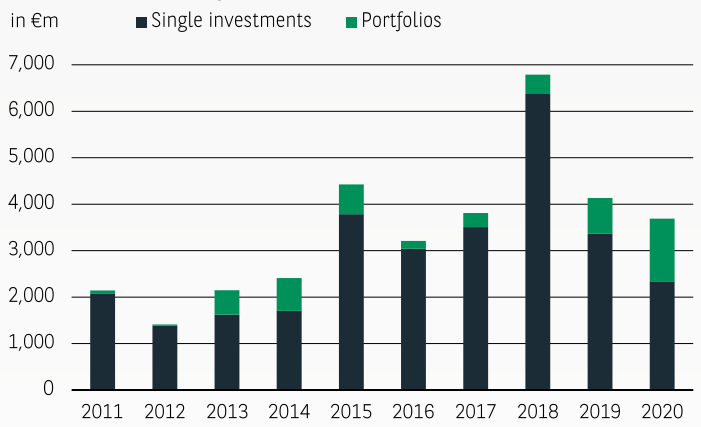




At a Glance **Q3 2020**

# INVESTMENT MARKET FRANKFURT

**Investment volume Q1-3**

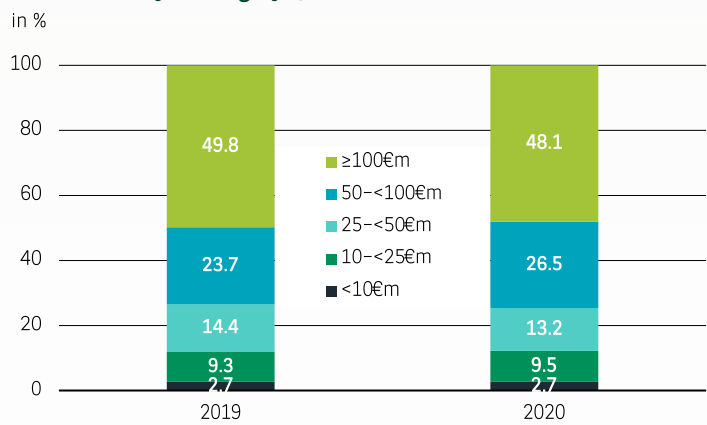


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**GOOD PERFORMANCE IN NATIONWIDE COMPARISON**

The Frankfurt commercial investment market recorded a transaction volume of almost € 3.7 billion in the first three quarters. This corresponds to a decline of 11% compared with the previous year. At the same time, the ten-year average was exceeded by 8%. In a nationwide comparison, the banking metropolis thus performed better than some other major locations. In terms of absolute sales volume, Frankfurt is almost on a par with Hamburg and Munich, although at a respectable distance to Berlin. However, structural aspects must be taken into account when analyzing the figures. First and foremost, the very high proportion of portfolio sales must be named, which at around €1.35 billion reach the second-highest value after 2007. This development was driven in particular by the TLG acquisition by Aroundtown and the sale of the Godewind shares to Covivio. In contrast, at €2.34 billion, the result for individual sales is 30% lower. This is mainly due to the fact that a number of large volume deals that were temporarily put on hold during the lockdown have not yet been completed.

**Investments by € category Q1-3**

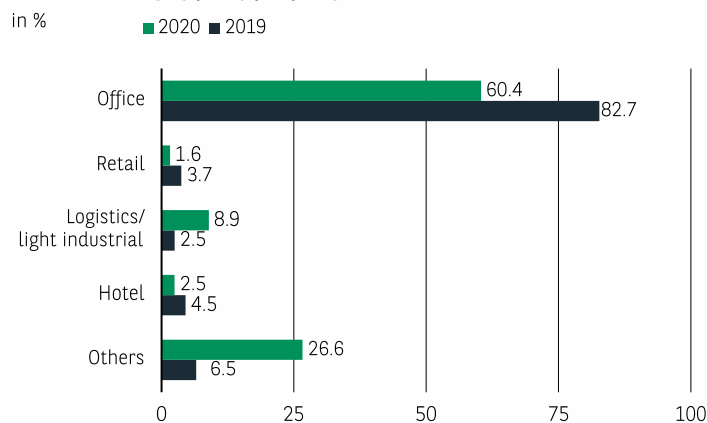


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**SIZE STRUCTURE STABLE**

The effects of the lockdown, especially interrupted investment transactions, are reflected in all size categories and are not limited to large deals with extensive due diligence processes. Against this background, the distribution of the investment volume is almost unchanged compared to the previous year. Nearly half of the result is attributable to transactions in the three-digit range and a further 27% to sales between €50 and 100 million. Small and medium-sized properties up to €50 million account for around a quarter of sales.

**Investments by type of property Q1-3**

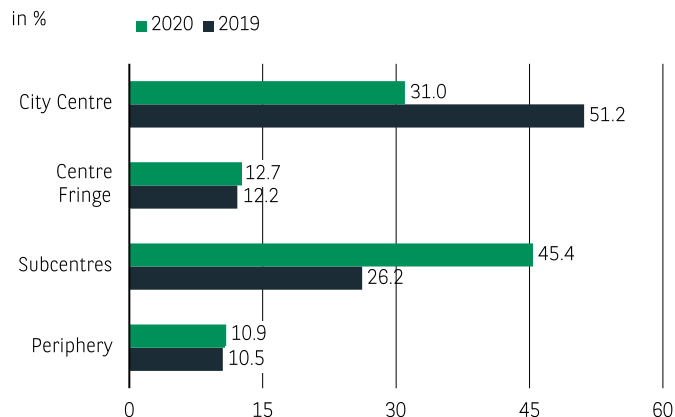


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**OFFICE LESS DOMINANT THAN USUAL**

Although office properties remain the most important asset class in the current year, with a market share of a good 60%, they remain almost 10 percentage points below their long-term average. Here, too, the fact that some office transactions were put on hold during the lockdown is playing an important role. Logistics investments make a strong contribution at just under 9%. It is particularly noteworthy that the general category "other" contributed more than a quarter of the result. Almost 60% of this is attributable to development properties which shows that property developers continue to have a high level of confidence in Frankfurt as an investment location.

**Investments by location Q1-3**

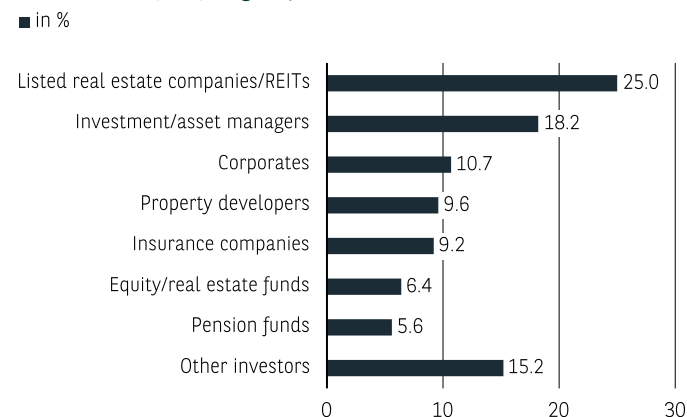


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**ALL LOCATIONS IN DEMAND**

In principle, all locations in the Frankfurt market area are in the focus of investors. Nevertheless, the very large volume of high-rise office towers changing hands often ensure that the City Centre generates around half of the turnover. In the first three quarters, however, their share is only at 31%. By contrast, the secondary locations have taken the lead, contributing a good 45%. This is due to the high share of package sales included in the calculation. Many of the properties traded in portfolios are located outside the central locations. A further 13% was invested in the City Centre Fringe and just under 11% in peripheral locations.

**Investments by buyer group Q1-3**



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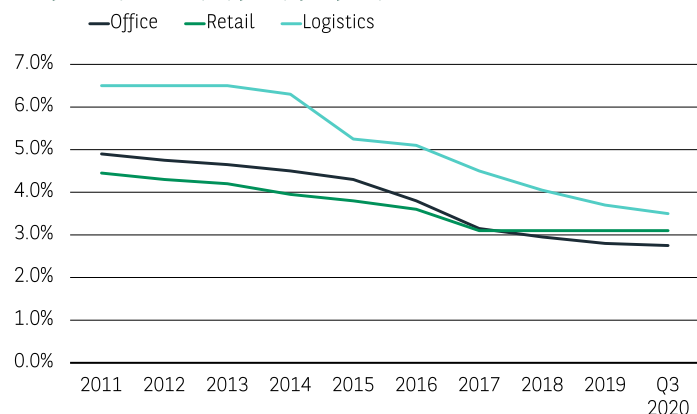
**PORTFOLIO SALES INFLUENCE BUYER STRUCTURE**

So far, listed real estate companies/REITs have invested the most, reaching a 25% market share. Responsible for this rather unusual high result are primarily portfolio transactions. Investment managers come in second at a good 18%, which is in line with expectations, as they have been among the most important investors in Frankfurt for years. At just under 11%, corporates also achieve a double-digit sales share, partly due to the purchase of a large data center in the Osthafen, brokered by BNP Paribas Real Estate. The leading five is completed by property developers (almost 10%) and insurance companies (a good 9%).

**YIELDS AGAIN SLIGHTLY LOWER**

Frankfurt, together with Berlin, Munich and Hamburg, remains a top-notch destination for investors. This applies above all to core properties, so it is not surprising that yields in this segment have fallen slightly once again. The prime yield for offices fell to 2.75% in the third quarter. This puts Frankfurt, together with Hamburg, in third place among the major German locations. The prime yield for logistics, which is now quoted at 3.50%, fell even more sharply. By contrast, the top yield for commercial properties in premium inner-city locations is stable, at 3.10%.

**Net prime yields by type of property**



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**OUTLOOK**

Given the current signs of economic recovery, it can be assumed that there will be lively investment activity in the fourth quarter as well, as a number of large volume properties are still in the sales process and close to completion. A slight increase in the transaction volume in the final quarter of the year can therefore be expected. For the year as a whole, a result above the € 5 billion threshold seems quite realistic. In terms of price development, stabilization at the current level is the most likely scenario from today's perspective.

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