BNP PARIBAS REAL ESTATE

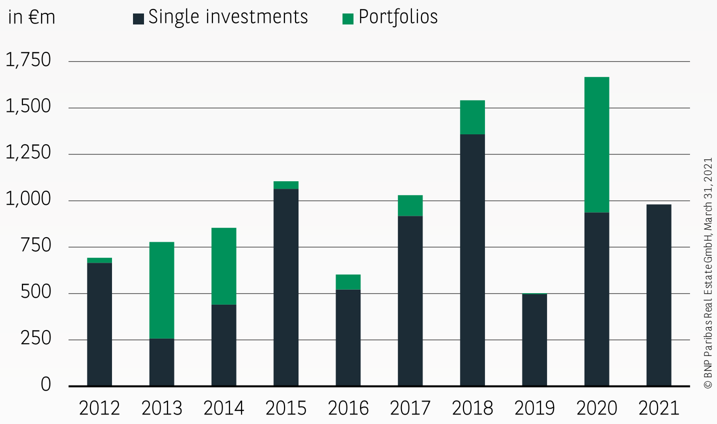
Real Estate
for a changing world

RESEARCH

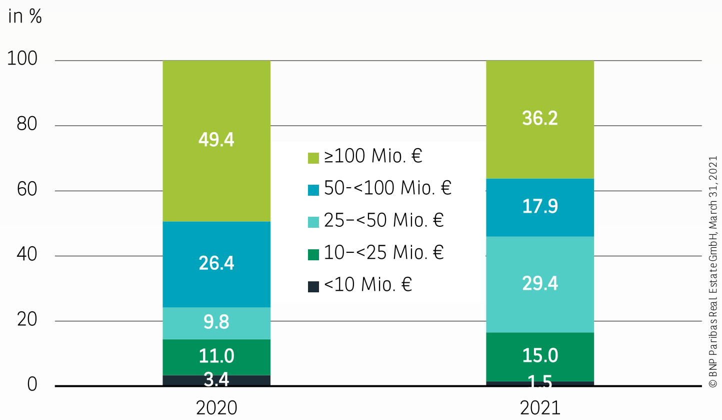
At a Glance Q1 2021

INVESTMENT MARKET FRANKFURT

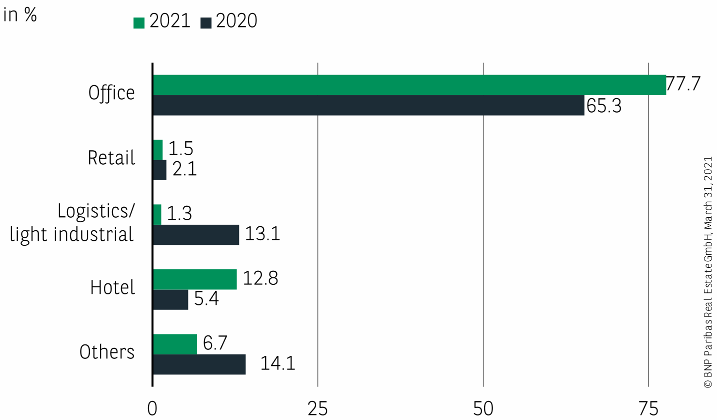
Investment volume Q1



Investments by € category Q1



Investments by type of property Q1



BILLION € THRESHOLD ONLY JUST MISSED

With a transaction volume of €980 million, the Frankfurt investment market only just missed the €1 billion mark in the first quarter. The ten-year average was thus exceeded by 15%. Compared with the record turnover set in the same period last year, this nevertheless represents a decline of 41%. This is exclusively due to the disproportionately high share of portfolio sales of over €700 million included in last year's figures. By contrast, no package sales have yet been recorded in the current year. Looking only at individual transactions, the result increased by 5% and even exceeded the long-term average by an impressive 28%. This is particularly remarkable given that only two major deals in the triple-digit million range have been registered so far in the first quarter. The high transaction volume can be taken as evidence that investors are convinced of the good long-term perspectives of the banking metropolis, even in a difficult environment. In a national comparison, the result means second place, only Berlin can boast an even better result.

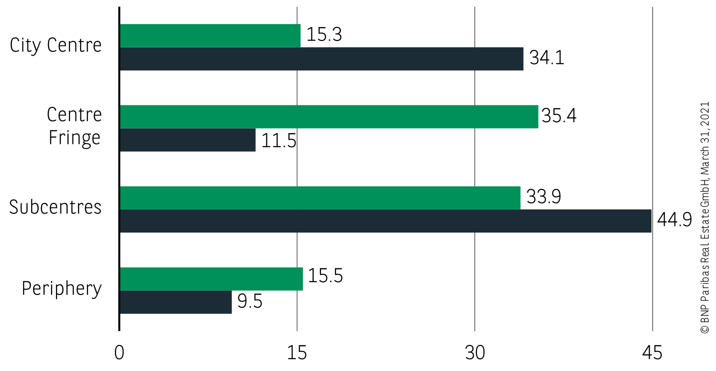
SMALL AND MEDIUM-SIZED MARKET SEGMENT STRONG

The large deals over €100 million, which are traditionally important in Frankfurt, have so far accounted for 36% of the total volume. In the same period last year, by contrast, they were responsible for half of the result. A similar picture emerges in the second-largest class of €50 million to €100 million, which accounts for just under 18% - around 8 percentage points less than in the previous year. However, the size classes between €10 million and €50 million have grown in relative importance, currently accounting for just under 45% and thus more than doubling their share. In absolute terms, too, around €90 million more was invested in this market segment. The Frankfurt market is thus proving once again that it is not dependent on just a few major deals, but is of interest to a large number of different investor groups.

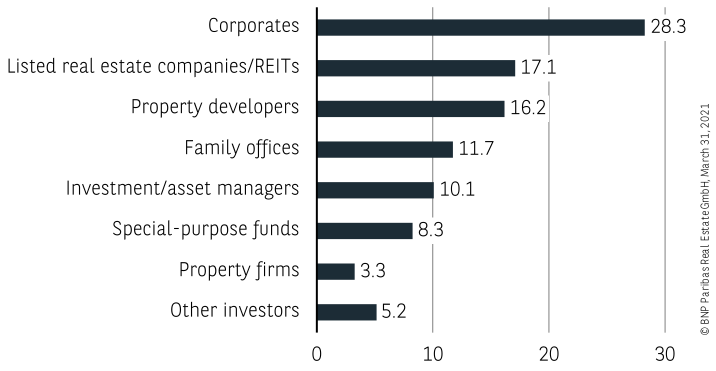
OFFICE SHARE AT A GOOD THREE-QUARTERS

At the beginning of the year, it was once again confirmed that office properties form the core of the Frankfurt investment market. With a sales share of just under 78%, the already high long-term average (70%) was exceeded once again. Hotels followed in second place, contributing around 13% to the result. The sale of DIC Asset AG's luxury hotel Villa Kennedy to Conren Land made a significant contribution to this result. All other asset classes have so far played only a minor role in the first few months, but this should be regarded as a snapshot.

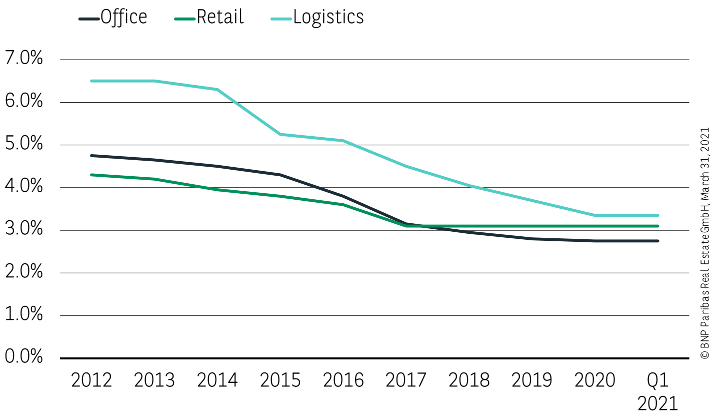
Investments by location Q1



Investments by buyer group Q1 2021



Net prime yields by type of property



SUPPLY DETERMINES THE LOCATION OF INVESTMENTS

The fact that Frankfurt is very much in the investors' favor is shown not least by the fact that buyers are not only interested in the absolute top locations, but also invest in many different locations if there is sufficient supply. The City Centre's share of the transaction volume, which has been declining in isolated cases in recent years, is currently only at 15%, primarily due to insufficient supply. The Centre Fringe locations have stepped into the breach, contributing 35%, and the Subcentres another 34%. However, locations on the periphery are also of interest to investors, as impressively underscored by a sales share of almost 16%.

BROAD SPECTRUM OF INVESTORS

The attractiveness of the Frankfurt market is also reflected in the broad-based buyer structure. In total, five investor groups account for double-digit market shares. Corporates took the lead in the first quarter, with a good 28% share of sales. They are followed in second place by listed real estate companies/REITs, which account for 17%. The leading trio is completed by property developers with around 16%; this can also be seen as a sign of a positive assessment of further market development. Family offices were also very active, with just under 12%, as were investment managers, who accounted for a further good 10%.

YIELDS STABLE AT THE BEGINNING OF THE YEAR

After yields continued to fall even in 2020, a year dominated by the pandemic and lockdown, they have stabilized for now in the first quarter of the current year. Currently, this applies to all major asset classes. The net prime yield for offices is thus unchanged at 2.75%. Inner-city highstreet properties in top locations are still trading at 3.10%. The same applies to the prime yields for logistics properties, which remain at 3.35% in Q1 2021 after the remarkable yield compression of previous years.

PERSPECTIVES

From today's perspective, the strong start to the year, which was achieved without any major transactions, and the large number of active investors indicate that the momentum is likely not only to continue but even accelerate in the coming quarters in the wake of significant progress in the vaccination campaign. This is all the more true as a whole series of large-volume transactions are already in concrete negotiations and, at the same time, there are signs of a noticeable business revival. Against this background, a transaction volume of between €5 billion and €6 billion for the year as a whole appears entirely realistic. A renewed slight yield compression cannot be ruled out in the further course of the year.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 31.03.2021

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