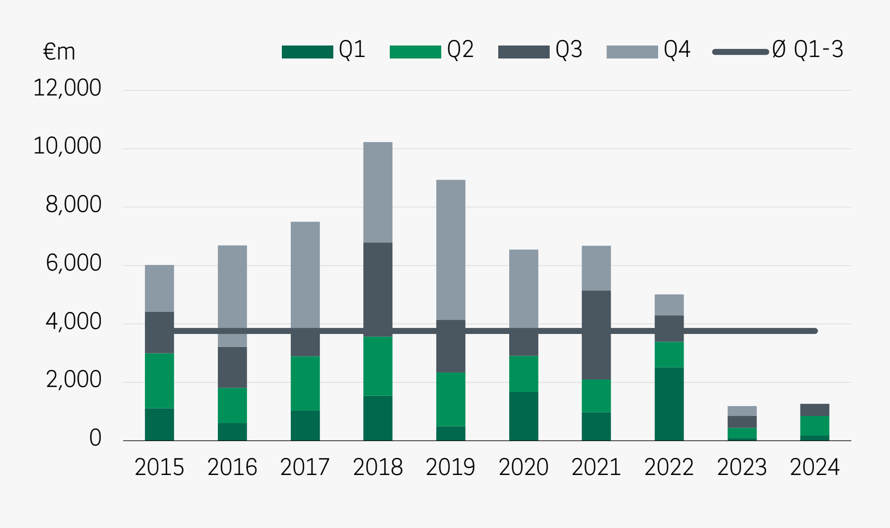
FRANKFURT

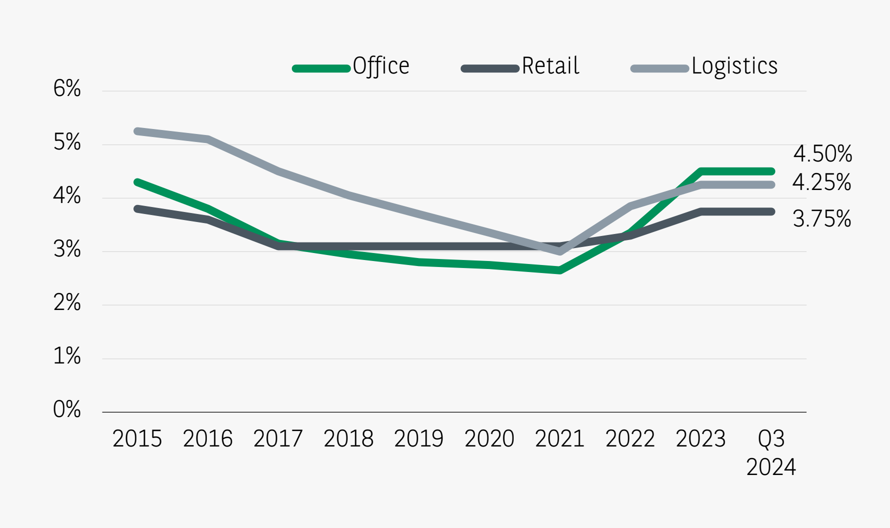
REPORT INVESTMENT MARKET

Q1-3 2024

Development of investment volume



Net prime yields by type of property



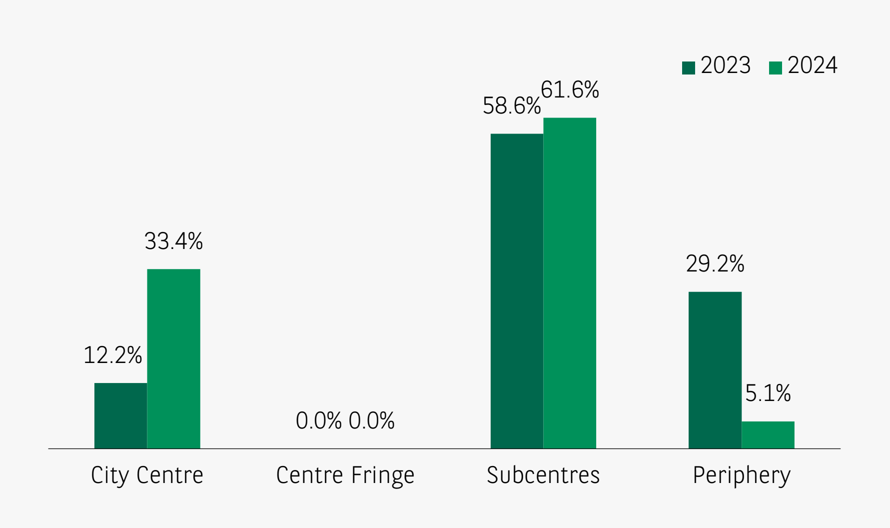
MARKET RECOVERY FROM Q2 CONTINUES SOMEWHAT WEAKER IN Q3

- An investment volume of €1.26 billion was registered on the Frankfurt investment market for commercial properties in the first nine months of 2024. This significantly exceeded the previous year's result by around 50%. Nevertheless, the investment volume remains significantly below its long-term average (€3.76 billion). After a very weak first quarter (€174 million), the Frankfurt investment market picked up noticeably in the second quarter (€679 million), although the momentum did not fully carry over into the third quarter (€413 million).

- This puts the financial metropolis well behind Berlin (€2.7 billion) and Munich (€2.1 billion) in third place among the A-locations, but well ahead of Hamburg (€1 billion) and Cologne (€924 million). The office asset class, which is so important for Frankfurt, accounted for around €711 million, meaning that Frankfurt remains the highest-volume office investment market in Germany this year. Given the lack of office tower and portfolio transactions, this is a positive sign of recovery. The very low office investment volume of the previous year has thus been left far behind.

- As expected, prime yields remain constant, meaning that no change has been registered since the beginning of the year. A net prime yield of 4.50% is assumed for office properties, while the net prime yield in the logistics segment is 25 basis points lower at 4.25%. Retail high street properties in prime locations are currently yielding 3.75%.

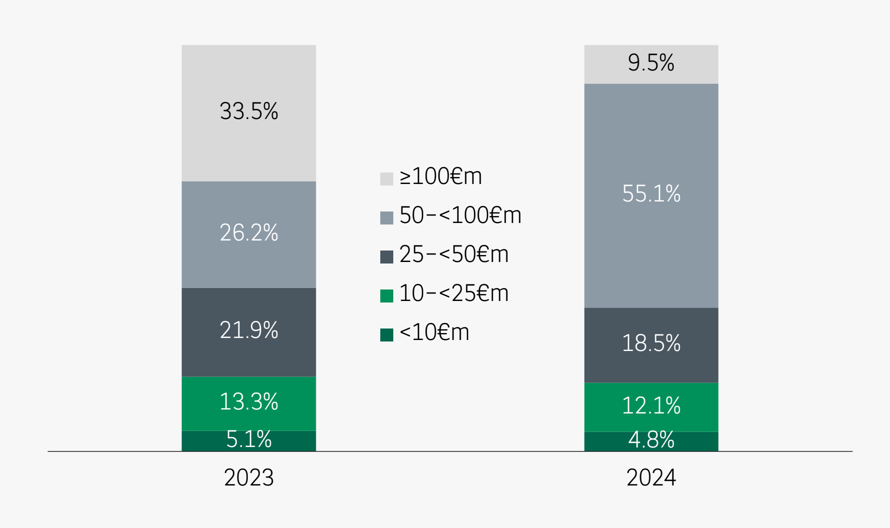
Investments by location Q1-3



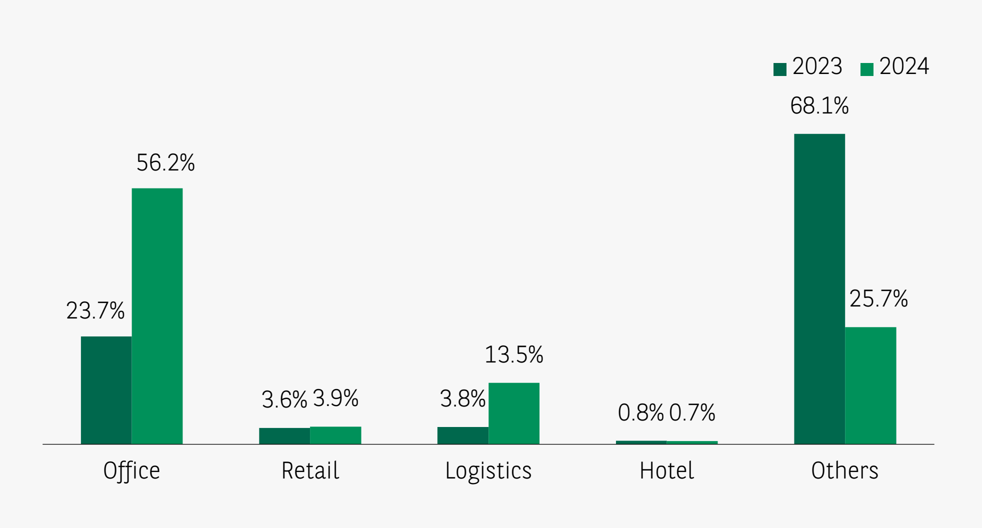
OFFICE SEGMENT STRONGER THAN IN THE PREVIOUS YEAR

- The distribution of the investment volume across location categories is not necessarily typical for Frankfurt. At 62% (average 10 years: 33%) or €780 million, the majority of the total volume was invested in the Subcentres. City Centre locations still only have a market share of 33%, which is below the long-term average (45%).
- More than half (55%) of the total volume is attributable to the size category of medium-sized deals between €50 million and €100 million. In absolute terms, this size category is also only slightly (-12%) below its long-term average.
- At 56%, the office segment has a higher market share than last year, although it is still not as dominant as the long-term average (69%) due to the lack of large-volume office deals. At €171 million, logistics is the only asset class with an above-average investment volume in absolute terms.

Investments by € category Q1-3



Investments by type of property Q1-3



OUTLOOK

- Frankfurt's investment volume is still well below the long-term average. Nevertheless, the Frankfurt investment market can be said to have stabilised its recovery over the course of the year. While Q1 was still characterised by a reluctance to buy, the market picked up noticeably in Q2 in particular, resulting in a higher volume at the end of the third quarter than at the end of 2023. The recovery is likely to continue and gather momentum in the coming months.
- One factor whose importance should not be underestimated is the ECB's expansionary monetary policy since the middle of the year. The fact that inflation in the eurozone has recently fallen below the ECB's 2% target increases the likelihood of one or two further interest rate cuts this year. This should contribute to a further reduction in the cost of capital in the coming year and, in particular, to better predictability in the procurement of debt capital. At the same time, the significant fall in bond yields is increasingly favouring investing in German commercial real estate. The Frankfurt investment market should benefit from this in particular thanks to its solid investment environment and increased supply in the prime segment.
- The extent to which the recovery will continue in the coming months remains to be seen and will also depend to some extent on the further development of Frankfurt's occupier markets. Despite the period of economic weakness, the Frankfurt office market in particular is proving to be quite robust. With an increasing economic tailwind and a further improvement in sentiment, large-volume office deals are also becoming more likely again. There is currently much to suggest that 2024 will remain a year of transition. Prime yields should remain stable until the end of the year and the transaction volume is likely to trend towards the €2 billion mark.

Key facts investment market Frankfurt

INVESTMENT VOLUME	Q1-3 2023	Q1-3 2024	CHANGE
Total (€m)	**844**	**1,265**	**+50.0%**
Portfolio share	3.6%	11.1%	+7.6%pts
Share above €100 million	33.5%	9.5%	-24.0%pts
Office share	23.7%	56.2%	+32.5%pts
Share of city locations	12.2%	33.4%	+21.2%pts
Share of foreign investors	47.6%	18.6%	-29.0%pts

NET PRIME YIELDS	Q3 2023	Q3 2024	CHANGE
Office	4.25%	4.50%	+25bps
Retail	3.75%	3.75%	+0bps
Logistics	4.10%	4.25%	+15bps

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