The Frankfurt investment market developed highly positively in the third quarter. At the nine-month point, the transaction volume stands at 2.41 bn €, which is the second-best result ever noted. It exceeds the already very good prior-year total by more than 12 % and the ten-year average of almost 14 %. Nationwide, Frankfurt thus takes fourth place behind Munich, Berlin and Hamburg. But since numerous large deals are due for conclusion, it could well improve on this position by the end of the year. One especially notable fact is that the dynamic development has been fuelled chiefly by medium-sized transactions, with large deals still under-represented at the moment. It should also be noted that a relatively large proportion of total turnover, more than 700 m € in fact, comprises portfolio sales included on a pro rata basis. These include some assets from the so-called Leo I portfolio and also several package-sold hotels.

In the comparable period last year, large-scale deals of over 50 m € accounted for some 73 % of all investment; this year, the proportion is just 46 %, with sales of over 100 m € making up nearly 28 % of the total. In contrast, transactions of between 10 and 50 m € have stepped up their performance considerably, generating a share of 45 % (prior year: 25 %), i.e. almost the same as that of the major deals. Something similar applies to smaller sales of up to 10 m €, which are responsible for close to 9 % (prior year: just over 2 %) and the very respectable investment volume of around 215 m €. These are clear indications of just how lively investment activity is in all market segments, something due primarily to a broad spectrum of investors with differing risk profiles.

Offices traditionally head the asset-class ranking in Frankfurt, and they did so again in the first three quarters of this year, accounting for almost two-thirds of all investment (64 %). A surprise result has been the second place obtained by hotels, with 15.5 %. A not inconsiderable proportion of this was due to sales within the framework of portfolios. Another notable fact is the great interest shown in this segment by foreign investors; they account for 84 % of the total. In third place, finishing equal with a share of just under 6 % each, are logistics complexes and retail properties.
CITY CENTRE AGAIN MOST FAVOURED ZONE

Frankfurt’s City Centre has once again proved to be the most popular zone, attracting more than 59% of investment turnover. However, year-on-year, this represents a fall of over 20 percentage points. Almost one quarter (slightly under 24%) has been generated by the subcentres, with the airport zone accounting for more than one third of this. The periphery has also grown in significance, with a share of 11% (prior year: 2.5%). The Centre Fringe precincts, on the other hand, have – just like last year – been responsible only for a relatively low volume of turnover (just over 6%).

SPECIAL-PURPOSE FUNDS CLEAR-CUT NO. 1

Special-purpose funds remain the clear-cut leaders in Frankfurt, where they have dominated market activity for some time now. This year they far outstrip all the other investor groupings by achieving a share of 37.5%. A considerable distance behind in second place come project developers who contributed 15% to the transaction volume. Most of their capital went not into development sites but rather into purchasing older properties with a view to converting these, often with a different form of occupancy, and re-marketing them again later. The only other investor category with a double-digit share of turnover has been insurances with more than 11%. Then come equity/real estate funds (over 8%), corporates (nearly 6%), private investors (almost 5%) and closed-end funds (more than 3%). The proportion of foreign investors is almost 42%, some six percentage points higher than in the prior-year period.

FURTHER FALL IN YIELDS

Compared with this time last year, the prime yield for office buildings has fallen by a further 15 basis points to 4.60%. In the same period, logistics yields have eased even more sharply, by 20 basis points to 6.30%. This reflects the very strong growth in investor interest and increased competition for the few premium products available. A slight decline in prime yields, to 4.20%, has also been registered by retail/office assets in the top locations.

VERY DYNAMIC FINAL QUARTER ANTICIPATED

The very good scale of turnover noted in the first nine months is set to be stepped up quite substantially in the final quarter. The background to this estimation is that a whole series of large-unit sales are currently under negotiation and due to be concluded shortly. From today’s angle, there is even a slight chance that total turnover in the year as a whole will pass the 5 bn € threshold. At any rate, it will definitely easily exceed the 4 bn € mark and thus produce the second-best result ever registered.