SECOND-BEST EVER START TO YEAR

With a transaction volume of 778 m €, the Frankfurt investment market not only bettered its already very good prior-year performance by 12 % but actually achieved the second-best result it has ever posted for the first quarter of a year. Only in 2007 did the first three months produce a higher investment turnover. Nationwide, this puts Frankfurt virtually equal with Munich and only slightly behind the leading city, Berlin. One notable fact is that around 520 m € (67 %) of the total consisted of portfolio sales included on a pro rata basis. Among others, these comprised One Goetheplaza and Taunusanlage 11 from the Prime Portfolio, and two hotels and the Werfthaus from the SEB package. Single deals, on the other hand, contributed only 258 m € to aggregate investment. The average volume per deal has undergone a further moderate rise, taking it to around 35 m €.

HIGH TURNOVER ALSO IN MID-RANGE SIZE SEGMENT

The very high transaction volume was achieved despite a relative fall in large-volume deals upwards of 50 m €; these generated a share of 68 % (prior year: 74.5 %). In contrast, there was an appreciable increase in the field of medium-scale transactions between 10 and 25 m € (16 %) and of deals in the 25-50 m € bracket (13 %). From the market angle, this is a pleasing development, showing that investment is now more broadly based and not determined by just a few major sales. Nevertheless, Frankfurt remains the German city featuring the most frequent and most regular outstanding deals in the triple-digit million range. So far this year, smaller transactions of under 10 m € have played only a very subordinate role.

OFFICE INVESTMENTS IN TOP SLOT

In the first three months, office buildings accounted for around half of all investment turnover, thus defending their prior-year top position in the asset class ranking. They were, however, far less predominant than in 2012 (83 %). Second place was taken by retail properties, a result fuelled primarily by the One Goetheplaza sale. With a share of nearly 9 %, logistics complexes finished in third place; since no such deals at all in this field were registered in the first quarter of 2012, this is quite a remarkable result. Hotel sales also rose, to give them almost 6 % of all investment.
CITY CENTRE MOST FAVOURED AREA

With 77% of turnover, the city centre precincts were able to step up their already high prior-year share (63%), indicating that centrality and an assured location are still key considerations among investors. Way behind in second place, with around 12%, came centre fringe areas, followed by the subcentres (10%). The volume of deals in the peripheral districts was just marginal.

SPECIAL-PURPOSE FUNDS WELL OUT IN LEAD

The distribution of turnover according to investor groupings in the first quarter reveals a strong and in this form quite exceptional concentration on one category: special-purpose funds. Thanks to the projects in the Prime Portfolio and to other substantial purchases, these were easily the biggest buyers, with a share of about 61% of the total transaction volume. A long way behind came equity/real estate funds and listed real estate companies, virtually equal with shares of just over 8%. They were followed by open-ended funds (7%), private investors (just under 4%) and project developers (around 3%). The proportion generated by foreign investors, 19%, is relatively low but this was due mainly to the buoyant activity exhibited by German buyers.

YIELDS UNCHANGED

In the final quarter of 2012, climbing purchase prices made yields ease again, but since then they have remained stable. The net initial yield for office buildings is now 4.75%, putting Frankfurt in third place in Germany after Munich and Hamburg. Retail/office properties in top areas have a net initial yield of 4.30%, while the relevant figure for logistics complexes is 6.50%, which gives Frankfurt first place among the major German locations.

PROSPECTS REMAIN GOOD

Even though it is not to be expected that the investment volume posted in the first three months will be sustained at the same level in the coming quarters, 2013 nevertheless looks set to produce another very high transaction volume. Backing this assessment is the fact that several further large deals, particularly in the office segment, are currently under negotiation or in preparation. Against this background, it seems not unrealistic from today’s angle to anticipate that the 3 bn € threshold can be exceeded once again. This means that Frankfurt remains one of the most important German investment locations, benefiting, for instance, from an economic environment which by general European standards is very good.