The Frankfurt investment market has started the year in very lively fashion: at 1.03 bn €, the first-quarter transaction volume was not only almost 71% higher than the prior-year figure but also represented the second-best result ever registered. So Germany’s banking centre joins Munich and Berlin as cities that have already passed the one-billion-euro mark in the first three months. Especially dynamic was the way single deals developed: they stepped up their volume by all of 76% to account for 89% of aggregate turnover. Portfolio sales (included on a pro rata basis) generated just 111 m €. One indication of the strength and breadth of demand is that the exceptionally fine performance was achieved without a sole transaction in the triple-digit million range; instead it was fuelled by a host of mid-range and smaller deals. In the first three months, only Berlin produced a comparable number of sales. Among the biggest transactions was the sale of the Signaris office ensemble by BNP Paribas REIM to LBBW.

In view of the lack of large transactions, the main focus in the first quarter was on medium-sized assets. The biggest slice of investment was generated by the 50–100 m € category. It accounted for around 46% of turnover and also stepped up its absolute volume strongly. In second place came the 25–50 m € bracket, with a share of 27%. Although that was lower than last year, its absolute volume was also higher. The share produced by the two smaller size classes of up to 25 m € – just over 27% – was much the same as in the prior-year period. The important thing to note, though, is that all the size categories attracted a greater amount of investment than in the first three months of 2016.

Compared with the first quarter of last year, when turnover was spread across the various asset classes more broadly than usual, offices have this year regained their customary top slot. With a 74% share of all investment, they not only finished way out in front of the field but also returned to their long-term average. Logistics complexes moved up convincingly into second place by contributing over 17% to the result. This means that Frankfurt has now also benefited from this asset class’s nationwide upward trend. All the other forms of occupancy have so far played only a subordinate role.
**EXTENSIVE SALES IN ALL LOCATIONS**

The distribution of investment across the various parts of the market area in the opening quarter was very even. Unlike last year, the downtown City Centre locations took first place again with around one third of the total. But substantial turnover volumes and above all a considerable number of deals were posted by the subcentres (24%) and the peripheral zones (23%). They benefited in particular from investment in logistics facilities, which in these locations together accounted for one third of the result. Lively market activity was also exhibited by the Centre Fringe precincts, which stepped up both their relative share (to just under 20%) and also their absolute volume.

**THREE INVESTOR GROUPINGS WITH DOUBLE-DIGIT SHARES**

Three categories of buyers were especially active in the first quarter, with each of them accounting for double-digit shares of turnover. Special-purpose funds have moved into first place with over one quarter of the total volume, fuelled mainly by purchases of office buildings. Close together in second and third places came pension funds (14%) and investment managers (13%), the latter deployed their capital both in office properties and also, extensively, in logistics complexes. Property developers accounted for just under 9%, generated not so much by development sites as by refurbishments and conversion projects.

**YIELDS CONTINUE TO FALL**

In Frankfurt, just as elsewhere, the ongoing strong demand and the competition which this triggers among investors prompted a further fall in yields in the first quarter. The net prime yields for offices have eased by 20 basis points to 3.60%. The yields for inner-city retail/office properties, on the other hand, have remained steady, so they also stand at 3.60% but can go lower in special circumstances. In the logistics segment, the prime yield has slipped below the 5-percent mark for the first time, and is now 4.90%.

**BUOYANT DEVELOPMENT SET TO CONTINUE**

Against the background of the bright economic climate, demand can be expected to stay strong during the months ahead. Another factor to note is that some large-unit assets are already – or will soon be – in the marketing phase, which suggests that sales in the triple-digit million-euro segment will also gain momentum. In view of all this, the year as a whole is set to produce an investment turnover that will in all probability once again be upwards of 5 bn €. But whether it may even prove possible to pass the 6 bn € threshold once more remains to be seen.