SECOND-BEST RESULT OF THE PAST TEN YEARS

The Frankfurt investment market continued its markedly dynamic trend in the third quarter, attaining a transaction volume in the year to date of 3.81 bn €. This surpasses the previous year’s excellent figure by a good 19 % and also marks the second-best result of the past ten years. The fact that the ten-year average was outperformed by over 70 % shows just how strong the first three quarters were. As such, the banking metropolis ranks third nationwide, behind Berlin and hot on the heels of Munich. Portfolio deals pertaining to Frankfurt contribute a rather sub-par share of only 8 % to the transaction volume. The exceptionally good performance is primarily attributable to keen activity in all market segments, as is highlighted by the large tally of around 120 deals. At the same time, the share of large-volume transactions has declined, with investment here failing to top the figure for the corresponding period last year in absolute terms. In all, six purchases in the segment above 100 million euros have been reported to date. The most important deals here included the sales of the Grand Central, the Eschborn Plaza and the Westend Carree, all of which were overseen by BNP Paribas Real Estate.

HIGH DEMAND IN ALL MARKET SEGMENTS

While the size category over 100 m € continues to account for the largest share (32 %) of the total transaction volume, it has fallen by six percentage points, and investments are down on the previous year in absolute terms, too. Medium-sized transactions between 25 and 100 m € make up 47 %, representing an increase in their share. The same applies to smaller deals up to 25 m €, which have risen by four percentage points to claim a hefty stake of over 21 %. Above all, however, it is notable that all market segments also show markedly higher volumes in absolute terms, with the exception of the largest size category.

OFFICE PROPERTIES THE CLEAR NO. 1

Office properties were the most popular asset class by far once again in the first three quarters of 2017. They undisputedly lead the rankings with a share of a good 78 %. Logistics properties have moved up into second place, contributing more than 8 % to the total transaction volume. A number of properties sold as part of package deals have also contributed to this result. The relatively high share pertaining to the collective group Others is striking, at 11 %. This category includes a substantial volume of development sites and redevelopments. In contrast, only smaller amounts have been invested in hotels and retail properties to date.
Investments according to location in Frankfurt Q1-3

in %

<table>
<thead>
<tr>
<th>Location</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre</td>
<td>38.7</td>
<td>45.3</td>
</tr>
<tr>
<td>Centre Fringe</td>
<td>25.4</td>
<td>11.2</td>
</tr>
<tr>
<td>Subcentres</td>
<td>18.4</td>
<td>14.9</td>
</tr>
<tr>
<td>Periphery</td>
<td>10.9</td>
<td>14.9</td>
</tr>
</tbody>
</table>

Investments according to buyers’ groups in Frankfurt Q1-3 2017

in %

- Investment/asset managers: 24.7%
- Special-purpose funds: 15.6%
- Insurances: 13.4%
- Equity/real estate funds: 13.3%
- Property developers: 6.2%
- Banks: 5.0%
- Listed real estate companies/REITs: 4.8%
- Others: 17.2%

Net prime yields according to type of property in Frankfurt

Office: 3.2%, Retail: 4.6%, Logistics: 5.0%

YIELDS CONTINUE TO FALL

Following a brief respite in the second quarter, yields have fallen again. This downward trend also reflects investor confidence in Frankfurt and the increases in rent which are to be expected in the face of very strong user markets. The net prime yield for office buildings has fallen to 3.2%, on a par with the top rates for inner-city business premises. The prime yields for logistics properties also dropped noticeably once again in the third quarter, to an all-time low of 4.7%.

ABOVE-AVERAGE YEAR-END RESULT IN SIGHT

High investment volumes are also to be expected for the fourth quarter, as the conclusion of a number of major deals is imminent. In the long term, the already high level of interest among buyers is likely to rise still further, as it is becoming increasingly clearer that the Frankfurt office market is set to benefit particularly noticeably from Brexit. This situation is likely to give rise to an exceptional result for the year as a whole, which should surpass the 6 bn € mark once again and come very close to last year’s outstanding figure. A further moderate fall cannot be ruled out for prime yields.

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