NEW TURNOVER RECORD OF SINGLE DEALS

The Frankfurt investment market gathered pace in the first half-year and topped the previous year’s very good result by over 23% with a transaction volume of 3.57 bn €. At the same time this is more than double the ten-year average. It is therefore not surprising that this is the second-best result ever recorded, beaten only by the exceptional year 2007 which was driven by portfolio sales. By contrast, this year single sales have dominated and have accordingly also set a new record with just under 3.32 bn €. However, portfolio transactions included on a proportionate basis accounted for only 7% of the turnover. Nationwide, Frankfurt takes second place behind Munich and ahead of the capital Berlin. The strong development was underpinned by a number of large-volume deals. To date, seven deals above 100 m € have been recorded. The most important include the sale of the former police headquarters, the office tower Gallileo, the property TSK and the civic centre in Gutleutviertel.

MAJOR DEALS ACCOUNT FOR JUST OVER HALF OF TURNOVER

As a result of the major deals, properties with a volume of just over 100 m € account for just under 53% of the result. This is also a sign that in particular professional investors, who are primarily interested in large transactions, believe in the long-term stability of the Frankfurt market. Nationwide, only Munich achieved a slightly higher share, because almost twice as many major deals were completed there. In addition, the second-biggest category between 50 and 100 m € contributes just over 19%. The medium size categories between 10 and 50 m € achieve shares of between 12 and 15%, while smaller deals up to 10 m € only contribute 2% to the overall turnover.

USUAL STRUCTURE OF ASSET CLASSES

As in previous years, offices are by far the most important asset class in the Frankfurt investment market and contribute just under 74% to turnover. This share is also around the long-term average. By contrast, other types of use, which account for just over 19%, have risen significantly in importance. Behind this figure lie several large development sites, such as the former police headquarters. Hotel and logistics properties each have around a 3% share in turnover. Here, as in the case of retail properties, the inadequate supply is clearly reflected in the result.
CLEAR FOCUS ON CITY CENTRE LOCATIONS

The central City Centre locations have again come out on top and contribute just over 54% to the transaction volume. This is unique among the major investment locations. The main factor for this is a much higher supply of large-volume office properties in Frankfurt, in particular of high-rises. It is for this reason that the banking metropolis is also often chosen by professional foreign investors when they enter the German market. The following places are taken by the Centre Fringe zones and Sub-centres, which account for just over 19% and just under 18% respectively. Periphery locations contribute 9%, which is around the long-term average.

LISTED REAL ESTATE COMPANIES CONTRIBUTE ONE QUARTER

Listed real estate companies/REITs account for just over one quarter of the turnover volume, with not least two large-volume purchases responsible for this. They are followed in particular by core investors. Second place is taken by insurance companies with a share of just under 15%, ahead of family offices, which contribute around 10%. Significant contributions are also made by property developers (9%) and open-ended funds with almost 8%. The share of foreign investors is 44% and therefore fairly low for Frankfurt levels, but it is still above the average for Germany.

YIELDS UNCHANGED IN THE CURRENT YEAR

Yields, which had continued to fall significantly in the course of 2017, have so far shown a sideways movement in most market segments in the first half of the year. Net prime yield for offices is still 3.15%. Frankfurt therefore takes third place nationwide for the second year in a row, especially as further major transactions, which might be completed this year, are in the pipeline.

OUTLOOK

Demand from investors remains high and will be boosted by the continuing good economic environment and the still positive financing conditions. Against this background, extensive investment activity is also expected for the remainder of the year. For 2018 as a whole, as things currently stand there is much to suggest that investment turnover might exceed the 7 bn € mark for the second year in a row, especially as further major transactions, which might be completed this year, are in the pipeline.