



Leasing market at last year's level, investment market more than doubled

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Take-up of leased space on the Frankfurt office market is almost at last year's level (-1.5%), surface turnover in the past three quarters was 326,800 m², with owner-occupants accounting for just 2.5% of the total. On the investment market, by contrast, transaction volume stood at € 2.2416 billion at the end of the third quarter, more than twice as much as the previous year (+107%). The number of transactions also rose, from 45 (Q3 2012) to 63, an increase of 40%.

Banking district and Frankfurt West making strong gains. In the Frankfurt West market sub-segment, take-up of leased space more than tripled in comparison to 2012, largely due to three large-scale leases signed for between 5,000 m² (Deutsche Telekom AG, Deutsche Bank) and 45,000 m² (Commerzbank AG lease in the former Deutsche Börse building), which together generated nearly 90% of the take-up volume in this sub-segment. In the banking district, take-up of space rose by 38% in the past 12 months. This was attributable primarily to space leased in projects, such as the signing by the law firm of Linklaters LLP in the T8 project and a number of signings in the TaunusTurm. Some high-end existing buildings, such as the Japan Center, also saw new signings for larger amounts of space.

Prime rent up significantly, vacancies reach historic low. Strong demand for top-quality prime properties and the fact that there is supply to meet demand have combined to drive the prime rent up by 12% over the course of the year, to € 37.00/m². The vacancy rate has declined further; at approximately 13.5%, it is now at its lowest point since 2002. This positive trend is due to the de-

OFFICE MARKET

	Q3 13*	Q4 13*
TAKE-UP	➔	➔
VACANCY	⬇	➔
CONSTRUCTIONS	⬆	⬆
PRIME RENT	⬆	⬆
PROPERTY INDEX	⬇	➔

*COMPARED TO Q3 2012 *FORECAST

INVESTMENT MARKET

	Q3 13*	Q4 13*
TRANSACTION-VOLUME	⬆	⬆
PRIME YIELD OFFICE	➔	➔
PRIME YIELD RETAIL	➔	➔
PRIME YIELD INDUST./LOG.	➔	➔

*COMPARED TO Q3 2012 *FORECAST



482 offices in 62 countries on 6 continents

USA: 140
 Canada: 42
 Latin America: 20
 Asia / Pacific: 195
 EMEA: 85

- \$ 2.0 billion in annual revenue
- 1,120 million square feet under management
- Over 13,500 professionals

(Based on 2012 results)

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cline in completions since 2010, in conjunction with high leasing rates, the trend toward conversion in outlying areas, and the demolition and reconstruction or full renovation of office buildings in the Central Business District (CBD) (such as the T8 and T11 properties).

Foreign buyers increasingly investing in core assets. Pronounced polarization between opportunistic and core investments still determines market players' activities, and thus overall activity on the Frankfurt real estate market. Huge deals for more than € 100 million in prime locations with long-term leases are still in vogue, especially among international investors, accounting for 40% of the transaction volume. Investors from Asia, in particular, are increasingly showing an interest, via international fund managers, in large-volume core assets in the CBD, a trend that has led to the significant increase in transaction volume in Frankfurt. But German investors are also buying "big-ticket" items. Core properties account for 58% of the total transaction volume. German banks are highly interested in financing top core properties, as expected, but are still shying away from large-volume and risky engagements. As a result, new investors, especially international ones, are moving into the German financing landscape as an attractive market. Open-ended real estate and special funds are the biggest group of buyers, investing nearly one-third of the total transaction volume, as in the previous year. The picture on the seller side is almost identical.

Smaller core properties still in short supply. Especially between € 20 and € 80 million in locations with strong demand and stable rental revenues, the market seems to have been swept. There is also a lack of alternative attractive investment forms on the capital market, so yields for office properties are still under heavy pressure. Investors are under pressure to invest, so risk investment profiles are becoming more flexible and loosening. For one thing, core plus investments are increasingly an area of focus, and for another, investors are increasingly reviewing and implementing forward deals in the core segment (such as the Börsentor property). Demand for development and revitalization projects was more than six times as high in the past 12 months, with transaction volume in this segment coming to € 445.6 million.

Outlook. The investment market has achieved excellent results through the third quarter of 2013. Although we do not expect the year-end business to be as turbulent as in 2012, there are still a number of large transactions approaching finalization, and a total of approximately € 3 billion – slightly above last year's level – definitely seems realistic.

The leasing market is also expected to see a number of large-scale new leases before the end of the year, so total take-up of space between 450,000 m² and 500,000 m² should be possible once again. The prime rent still has potential to rise, as there are a number of high-quality properties now under construction in the banking district that are seeing strong demand. Vacancies are expected to stagnate in the next three months.

