

MANSION

FOREIGN CORRESPONDENT

# Frankfurt Feels at Home in the Office

ON THE WATERFRONT A rendering of the MainTor, one of the few conversion projects along the river, which will offer retail space, condos and rental units in seven buildings centered around a renovated office.

## An office-space glut in Germany's fifth-largest city and a shortage of homes for young professionals pushes developers to convert business buildings into residences; the search for a quiet space

BY LAURA STEVENS

**WHAT DO YOU DO** when a city has too much office space and not enough room for residents? Developers in Frankfurt are taking advantage of an office glut—and pent-up demand for more homes—by converting commercial buildings into luxury condos and penthouses in the city's most desirable neighborhoods. Germany's fifth-largest city is also its financial capital, home to nearly all of the country's commercial banks, including global giant Deutsche Bank and two of the world's biggest central banks, the European Central Bank and Germany's Bundesbank. The city's total population of just above 700,000 surges to more than a million during the day because of all the office workers.

Increasingly, however, more international bankers and young professionals are putting down roots here. About 15,000 people moved into the city over the past couple of years, and the trend is expected to continue this year, according to a report by Jones Lang LaSalle. As a result, the residential vacancy rate in the city has fallen to below 2% and construction hasn't kept up. Meanwhile, office vacancy rates have been running higher than 10%, and about one million square feet of additional prime office space is under construction, according to Jones Lang LaSalle.

For developers, the solution has been to convert empty commercial spaces into luxury condos. Prime conversions in Westend, the Holzhausen quarter and across the river in north Sachsenhausen can go for more than \$1,200 a square foot. Panoramic views of the city skyline can add a premium to the top rates.

Young professionals—and some German retirees—are drawn to these conversions for their vaulted ceilings and huge open spaces, as well as the flexible use of living space that the former workspaces have to offer, said David Schmitt, a head of one of the Frankfurt offices of Engel & Völkers. "You have flexibility to create what you want. You can be unique and individual," he said.

The Green Living Holzhausen project, which used to house an insurance company, offers what it calls the largest residential penthouse on the market in Frankfurt. It has an elevator that opens directly into the sixth-floor penthouse, which features a large, open-air deck with expansive views of the city skyline.



**TALL ROOMS, WIDE VIEWS** This apartment, shown in a rendering above and in listing at bottom right, is in F8 Westend, a new office building conversion. The space, featuring a balcony and terrace, is expected to be ready for occupancy in December.

### SNAPSHOT FRANKFURT

**Population:** 700,250  
**Top sales:** Recently, a 3,400-square-foot condo sold for \$5.1 million. The top 10% of the condo market in the most attractive areas in Frankfurt went for nearly \$1,000 per square foot in 2012.  
**Notable Neighbors:** Frankfurt is home to a who's who of financial-world heavyweights. **Anshu Jain, co-**

**CEO of Deutsche Bank,** splits his time between an apartment in the Frankfurt neighborhood of Westend and London. **Mario Draghi** lives in Frankfurt as president of the European Central Bank. **Deutsche Börse CEO Reto Francioni**, who led the 2011 takeover bid for the NYSE Euronext, lives near the river in downtown. **Conversation Piece:** The city's ties to finance date all the way back to the Middle Ages, when Frankfurt's central location made it a mercantile hot spot. The city's most famous son is Johann von Goethe, author of 'Faust.'

## On the Market in Frankfurt's Westend

L-R: Engel & Völkers, Dexter Luis Real Estate, ImmoConcept



### \$3.7 million Palais Westendstrasse

4 bedrooms, 2 baths, 3,574 square feet  
This three-level penthouse, in a villa originally built in 1897 but later converted to office space, features an 860-square-foot rooftop garden with a view of the city skyline. It will be completed at the end of 2013. Parking spot available for \$39,400.  
Agent: Engel & Völkers



### \$1.4 million The Grand - Westend 24

4 bedrooms, 2½ baths, 1,830 square feet  
This townhouse, featuring a 215-square-foot garden with a terrace, is on the first two floors of the building. It is the final unsold unit out of 12 in a redeveloped office building. Units have heated flooring and designer bathroom fixtures.  
Agent: Dexter Luis Real Estate EK.



### \$2.17 million F8 Westend

4 bedrooms, 2½ baths, 2,208 square feet  
This sixth-floor condo features two balconies in what is described as a "semi-penthouse," with stunning views. The living area is more than 600 square feet and has nearly 10-foot vaulted ceilings. Parking spot available for \$45,960  
Agent: ImmoConcept

ease of getting from one side to another, boasts one of Europe's largest airports just 15 minutes outside town, and is a transportation hub with two major autobahns and a number of railways intersecting. A flight to London is a little less than an hour and a high-speed train trip to Paris, Amsterdam or Berlin is about four hours.

With that convenience, however, comes noise. Frankfurt's most sought-after residences are in the quieter neighborhoods farthest from the transportation hubs—and office-building construction in the financial center offers some of the city's most peaceful living, agents say.

"Luxury here in Frankfurt is no noise," says Mr. Schmitt. After that, "it's always about location. And the view."

A home in one of the first completed office-conversion projects in Frankfurt, the Skylight Tower, came on the market recently: a 915-square-foot condo on the ninth floor with an 86-square-foot balcony that offers panoramic views of the city. The asking price is \$1.3 million. The one-bedroom, 1½-bath apartment, listed by Engel & Völkers, features concierge service, a rarity in Frankfurt. The building, finished in 2001, is a five-minute walk to the city's main shopping area, the Zeil.

Because of the consistent flow of bankers and international residents, Frankfurt has a constantly active market, brokers say. The average purchase price for a condo in Frankfurt is now \$400 per square foot, according to Jones Lang LaSalle, nearly double the low point of \$224 per square foot in 2006.

Prices appear to have stabilized and now largely keep up with inflation, brokers say. The city remains a relative bargain compared with some of its major counterparts. "Most people who come here from London or New York are amazed that Frankfurt is so cheap," said Olivier Peters, of Peters & Peters Sotheby's International Realty, whose firm has the listing for the large penthouse in the Green Living Holzhausen development.

While other major German cities have seen a flood of real-estate investments as Europeans look to put their money into what is viewed as a haven, Frankfurt demand has generally continued to come from people who simply want to live there, the experts say.

"In Frankfurt, we have the demand," Mr. Schmitt says. "We just didn't have enough supply."



SPREAD SHEET

## When 'Cozy' Is the Code Word for 'Small'

**POP OR SODA?** Submarine sandwich or hero? Sometimes, where you live can define what words mean.

Real-estate listings are open to regional differences as well, especially when it comes to the word "cozy." In Dallas, homes described as cozy have a median size of 1,517 square feet. That's 62% larger than the size of homes described as cozy in New York City, with a median size of 936 square feet.

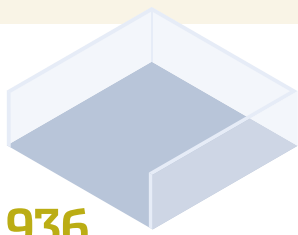
"Cozy is one of those words that means very different things in different markets. Cozy in Texas is not what's cozy in San Francisco," says Jed Kolko, chief economist at Trulia, a real-estate website.

Trulia examined for-sale listings, excluding foreclosures, in 100 U.S. metro areas between Jan. 1, 2011, and Nov.

Relative Matters			
Homes that are 'cozy' in some parts of the country would be considered spacious in others, based on an analysis of current home listings with the word 'cozy' in them.			
WHERE COZY HOMES ARE THE SMALLEST	MEDIAN SQUARE FOOTAGE	WHERE COZY HOMES ARE THE LARGEST	MEDIAN SQUARE FOOTAGE
New York-White Plains-Wayne, N.Y.-N.J.	936	Atlanta-Sandy Springs-Marietta, Ga.	1,434
Boston-Quincy, Mass.	1,016	Fort Worth-Arlington, Texas	1,474
Detroit-Livonia-Dearborn, Mich.	1,031	Houston-Sugar Land-Baytown, Texas	1,500
Providence-New Bedford-Fall River, R.I.-Mass.	1,035	Indianapolis-Carmel, Ind.	1,509
Oakland-Fremont-Hayward, Calif.	1,040	Dallas-Plano-Irving, Texas	1,517

30, 2012. "In every metro area, homes that mention cozy are smaller than listings that do not," Mr. Kolko says.

And the New York metro area is the coziest of them all. In fact, 33 other metro areas have homes with cozy in the description that are larger than the median size of noncozy



**936**  
SQUARE FEET  
New York-White  
Plains-Wayne, N.Y.-N.J.



**1,517**  
SQUARE FEET  
Dallas-Plano-Irving, Texas

homes in the New York City metro area (1,215 square feet).

"Small is the reality of the New York marketplace," says Ray Keller, a real-estate agent with Town Residential in Manhattan. "In New York, no matter how much money you're spending, it's hard to get anything else." He adds that cozy

doesn't necessarily have to have a negative connotation. It could mean that an apartment is warmly lighted or has a lot of character, he says.

Still, don't expect walk-in closets and spa bathrooms in a cozy abode, he warns: "Most frequently, it really just means small."

Christy Berry, an agent at Briggs Freeman Sotheby's International Realty in Dallas, uses the word "cozy" in about 5% of her listings. She says she doesn't use it to illustrate space. Rather, she uses it to describe the home's character and décor. "Cozy almost means small, and we don't have small. Everything is bigger in Texas," she says. "In Plano or McKinney, if you use the word 'cozy,' that would be a negative. You'd think, 'Oh, my gosh, that's very small.'"

—Sanette Tanaka