

MARKETBEAT DUSSELDORF

Investment Q3 2022



YoY
Change

12-Month
Forecast

€2.83 bn

Transaction Volume (cum.)



67%

Share of Foreign Capital



3.25%

Office Prime Yield, net



67%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY
Change

12-Month
Forecast

6.8%

Dusseldorf Unemployment
Rate (Sep 2022)



222,500

Dusseldorf Office Employees
(Sep 2022)



1.25%

ECB Interest rate
(Sep 2022)



1.35%

10-Year Government
Bond Yield (Q3 2022)



Sources: Federal Employment Agency, Moody's Analytics

FINANCING ENVIRONMENT REMAINS DIFFICULT, TRANSACTION VOLUME PICKS UP IN Q3

The commercial real estate investment market in Dusseldorf and the extended logistics market area reached a total transaction volume of €2.83 billion in the first three quarters of 2022. This means that the transaction volume has more than doubled compared to the same period last year (+126%). Compared to the 5-year average of the first three quarters, the increase in is around 37%. After the sharp rise in borrowing costs significantly affected transaction volume in the second quarter, numerous individual-property sales took place in July to September, some at high sales prices. Two major transactions with purchase prices of over €200 million each were the main reason for the positive quarterly transaction volume of around €1.02 billion.

In the course of the year so far, sales of office properties have contributed the lion's share of total transaction volume, some €1.89 billion (67% share of the total). Here, too, the transaction volume has more than doubled compared to the previous year (+118%). Forward deals are becoming increasingly unattractive due to declining pre-letting rates. In the office segment, transaction activity will therefore probably focus on existing buildings for some time.

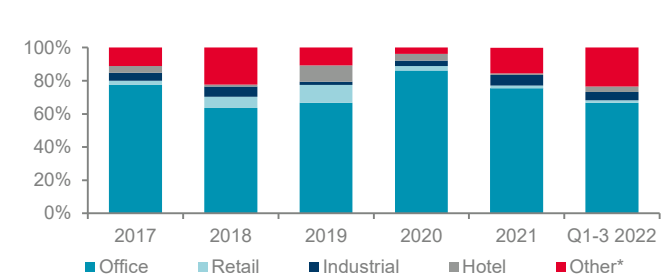
In the Dusseldorf logistics market area, which also includes the surrounding municipalities, sales involving logistics and industrial properties totalled around €145 million. Their contribution to total transaction volume in the first three quarters was around 5%. Development sites were also in demand. Two large-volume sales brought the total transaction volume here to around €560 million. Nevertheless, it is becoming increasingly difficult for property developers to realize their price expectations in the current environment.

After only a few sales and weak transaction volumes in the retail property sector recently, confidence in this sector appears to be gradually returning among individual investors. However, they are still acting selectively, with a focus on high-street properties and possible manage-to-core strategies. This asset class accounts for around 2% of total transaction volume so far this year.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



*Office, Retail, Logistics/Industrial, Hotel, Other (Leisure, Health Care, Mixed Use, Development Plots)

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Investment Q3 2022



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FEWER CORE TRANSACTIONS SINCE Q2

The transaction volume with low-risk core and core-plus real estate reached a total of around €1.8 billion in the first three quarters of 2022. The main drivers were the office sales of the Alstria Office REIT portfolio in the first quarter. With the increase in borrowing costs, only a few high-priced office transactions within these risk classes followed in Q2 and Q3. Opportunistic and value-add investments accounted for a high share of around 29% of sales and approximately €840 million. However, the majority of these are land sales for development purposes.

FURTHER INCREASE IN PRIME YIELDS EXPECTED

The prime yield for high-quality and modern core office properties has risen by 10 basis points compared to Q2, to 3.25% and thus by a total of 35 basis points over the last six months. Compared to 12 months ago, the increase corresponds to 45 basis points. The high borrowing costs and the higher equity backing now required by banks are still complicating the pricing processes between buyers and sellers.

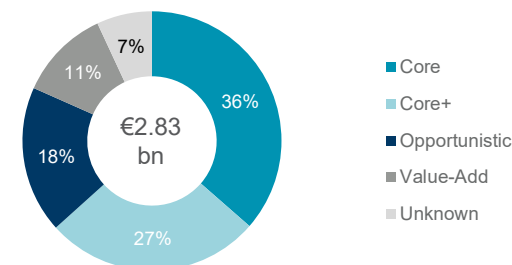
The prime yield for high-street-retail properties is currently 3.10%. The prime yield for first-class logistics properties is at 3.60%.

The extent of the next interest rate increase by the European Central Bank (ECB) at its council meeting at the end of October 2022 is also awaited with great anticipation. Further increase in prime yields is therefore expected.

Outlook

- Both prime yields and mortgage rates will continue to rise until the end of the year. Further key rate hikes by the European Central Bank are very likely.
- The more difficult pricing processes between buyers and sellers will continue. This is particularly true for properties in the core segment.
- Attractive and suitable investment opportunities may arise on the Dusseldorf investment market in the medium term for investors with a strong equity base.
- A solid transaction volume in the region of the €3.5 billion mark is expected for 2022 as a whole. However, a strong year-end rally and large-volume transactions are not expected this year.

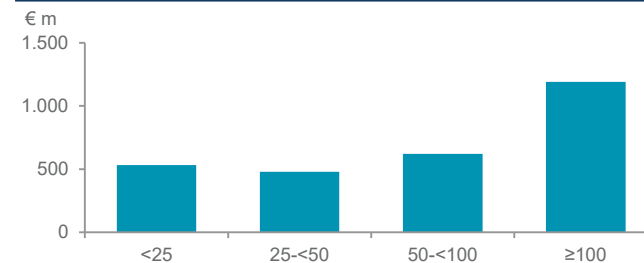
TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2022



PRIME YIELD BY ASSET CLASS*



TRANSACTION VOLUME BY SIZE CATEGORY Q1-3 2022*



* Each size category in euro million

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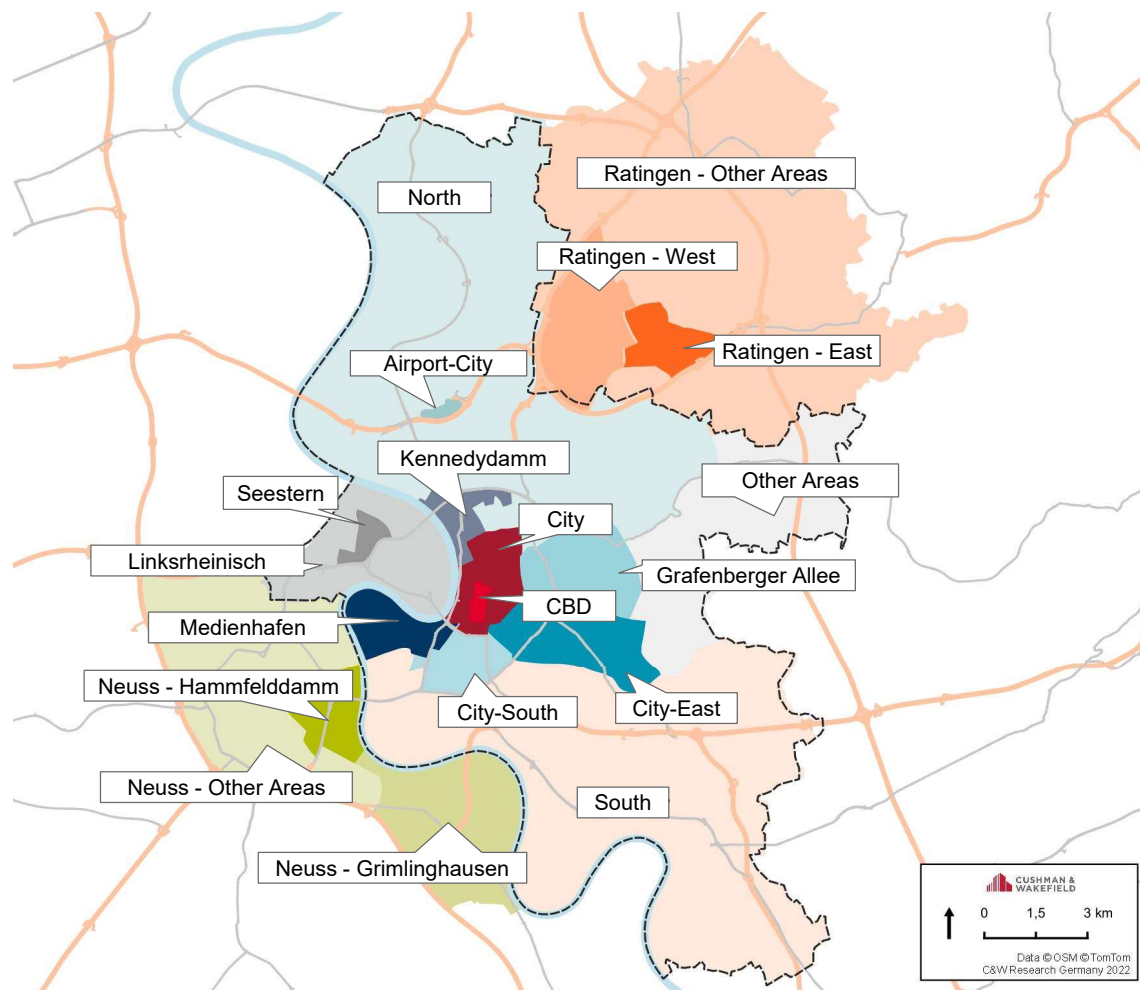
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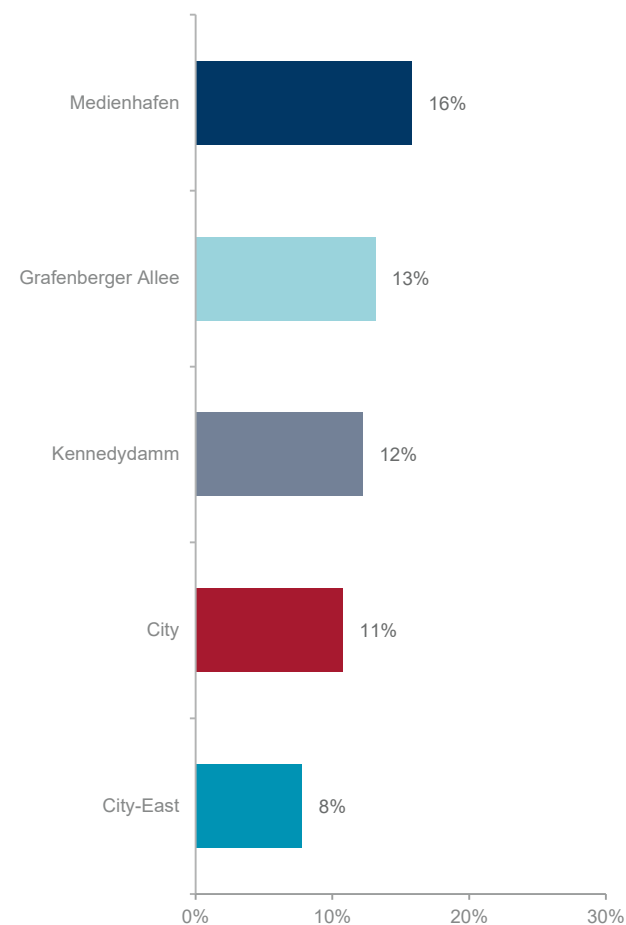


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OFFICE SUBMARKETS OVERVIEW



TOP-5 SUBMARKETS BY TRANSACTION VOLUME*



* Q1-3 2022

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Investment Q3 2022



MARKET STATISTICS Q1-3 2022

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Industrial Volume	Share of International Capital	Office Prime Yield*	High Street Retail Prime Yield*	Logistics Prime Yield*
Dusseldorf	2.83	67%	2%	5%	67%	3.25%	3.10%	3.60%
YoY Change	+126%	-3 PP	-1 PP	-1 PP	+33 PP	+45 bps	+10 bps	+50 bps
Top-7 Markets	21.08	62%	4%	9%	52%	3.23%	3.48%	3.61%
YoY Change	+3%	+2 PP	+2 PP	+2 PP	+14 PP	+43 bps	-3 bps	+50 bps
Germany	40.24	41%	16%	20%	46%	3.23%	3.48%	3.61%
YoY Change	+6%	-3 PP	+2 PP	+5 PP	+10 PP	+43 bps	-3 bps	+50 bps

*Prime yield is net initial yield, displaying achievable values. Prime yield Germany = Average of Top-7 Markets

PP = Percentage Points bps = Basis Points

SELECTED TRANSACTIONS 2022

Property / Transaction	Quarter	Type Of Use	Submarket	Vendor / Buyer	Price (€ million)
Part of Metro plot	Q3	Development Plot	Grafenberger Allee	Metro Group / Swiss Life	Confidential
Eclipse	Q3	Office	Kennedydamm	die developer JV Oman Investment Authority / Union Investment	Confidential
Industrial plot	Q3	Development Plot	City-East	Thyssen Krupp / Segro	Confidential

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