

MARKETBEAT DÜSSELDORF

Investment Q3 2023



YoY Change 12-Month Forecast

€585 m

Transaction Volume (cum.)



46%

Share of Foreign Capital



4.75%

Office Prime Yield, net



32%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY Change 12-Month Forecast

7.1%

Düsseldorf Unemployment Rate (Sep 2023)



226,900

Düsseldorf Office Employees (Sep 2023)



4.50%

ECB Interest rate (Sep 2023)



2.53%

10-Year Government Bond Yield (Q3 2023)



Sources: Federal Employment Agency, ECB, Moody's Analytics

INVESTMENT MARKET MAKES LITTLE HEADWAY, YEAR-END RALLY FAILS TO MATERIALIZE

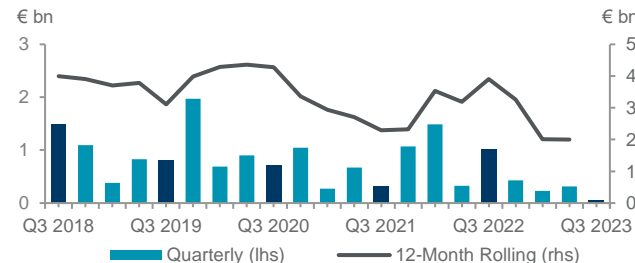
The commercial real estate investment market in Düsseldorf and its extended logistics market area achieved a transaction volume of €585 million in the first three quarters of 2023. Compared to the previous year, this is a decrease of around 79%. The transaction volume to date is the lowest in the past ten years and is 69% below the long-term average. In the months of July to September, transaction activity largely came to a standstill with a transaction volume of only around €40 million. In the course of the year to date, the investment market has largely been characterised by sales below the €50 million mark and a stronger mix of uses.

In the first nine months of the year, office properties accounted for a total transaction volume of around €190 million, i.e. almost 32% of the total commercial transaction volume of €585 million in Düsseldorf. In the same period last year, office properties with a total value of €1.9 billion was traded. On the buyer side, institutional investors continued to take a wait-and-see approach, with the result that most office acquisitions were made by family offices and project developers. The sale of one of the two office developments projects in the "maxfrei" quarter in the first quarter of 2023 is the largest transaction so far in the current year. Barmenia Krankenversicherung acquired the development in the Kennedydamm submarket from Interboden and Hamburg Team in a forward deal.

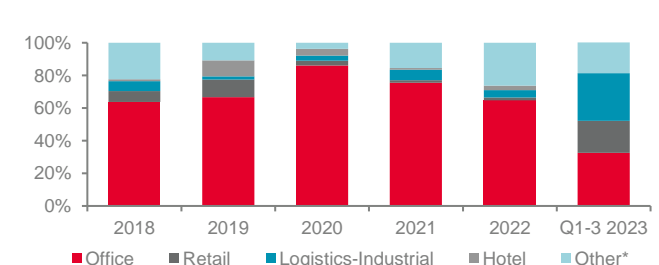
The transaction volume for retail properties than doubled compared to a year previously (+155%) and totalled €115 million in the first three quarters. Commerz Real's 20 percent stake acquisition in ten SIGMA department stores nationwide made a significant contribution to the strong transaction volume. In Düsseldorf, this involved two properties: Am Wehrhahn 1 and Königsallee 1-9 in prime high-street locations.

Logistics and industrial properties asserted themselves as the second-strongest asset class, contributing a good 29%, or €170 million, to total commercial transaction volume in the year to date. Including the municipalities surrounding Düsseldorf, there was an increase in of almost 17% compared to the previous year.

COMMERCIAL TRANSACTION VOLUME*



SHARE OF TRANSACTION VOLUME BY ASSET CLASS



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



FINANCING ENVIRONMENT SLOWS DOWN CORE TRANSACTIONS

More than half of the total transaction volume (58%) in the first three quarters was attributable to the two risk classes Value-Add and Opportunistic. These largely comprise office and mixed-use properties with restructuring and modernization potential.

Transactions from the Core and Core-plus segments have only accounted for around 25% of total transaction volume in the year to date. Core office transactions have so far failed to materialize at all and remain the risk class most affected by the turnaround in interest rates. The few Core-plus transactions are limited to retail and healthcare properties.

FURTHER INCREASE IN PRIME OFFICE YIELDS VERY LIKELY

The prime yields for office, retail and logistics use have been moving steadily upwards since the turnaround in interest rates. The prime yield for core office properties stood at 4.75% at the end of the 3rd quarter, marking the highest level for ten years. Compared to the previous quarter, this represents an increase of 50 basis points, and compared to a year ago, 150 basis points.

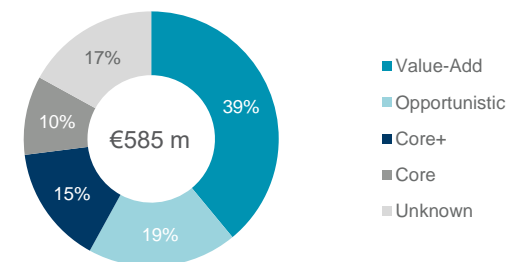
The prime yield for high-street retail properties is currently 3.70%, which is 60 basis points higher than at the same point last year. The prime yield for core logistics properties is 4.30% and has risen by 70 basis points over the past twelve months.

Both the ECB's recent raising of interest rates and the current high level of yields on the bond market make it clear that the increase in real estate yields has not yet peaked. For the final quarter, Cushman & Wakefield expects further increases in yields.

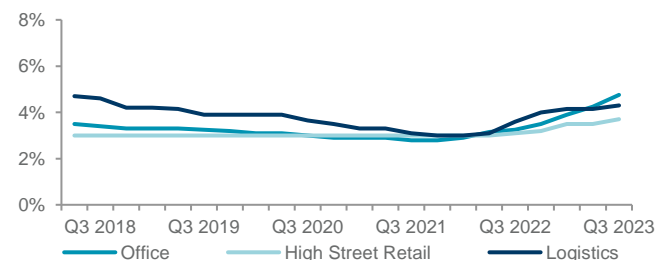
Outlook

- Conditions on the financial markets remain very challenging for institutional investors, so we do not expect a traditional year-end rally this year.
- Core office transactions are not likely to reappear until the coming year. This assumes a stable and reliable financing environment and further price and yield adjustments.
- Cushman & Wakefield expects demand and the number of value-add transactions to continue to rise. Especially in the office segment within inner-city locations, refurbishments and ESG compliance of existing buildings are increasingly in focus.

TRANSACTION VOLUME BY RISK CATEGORY Q1-3 2023

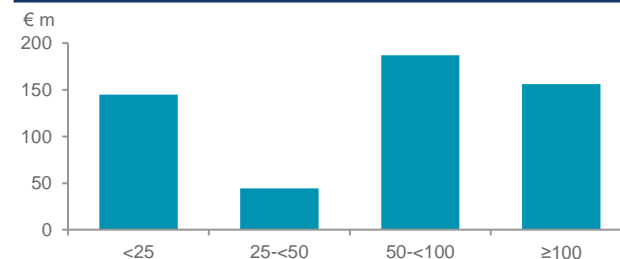


PRIME YIELD BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY Q1-3 2023*



* Each size category in euro million

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MARKET STATISTICS Q1-3 2023

MARKET	Transaction Volume (€ bn)	Share of Office Volume	Share of Retail Volume	Share of Logistics-Industrial Volume	Share of International Capital	Office Prime Yield*	Retail High Street Prime Yield*	Logistics Prime Yield*
Düsseldorf	0.59	32%	20%	29%	46%	4.75%	3.70%	4.30%
YoY Change	-79%	-35 pp	18 pp	24 pp	-21 pp	150 bp	60 bp	70 bp
Top-7 Markets	6.42	30%	22%	13%	39%	4.49%	4.11%	4.3%
YoY Change	-70%	-32 pp	18 pp	4 pp	-13 pp	126 bp	63 bp	69 bp
Germany	15.52	21%	27%	23%	36%	-	-	-
YoY Change	-61%	-20 pp	11 pp	3 pp	-10 pp	-	-	-

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

pp = percentage points; bp = basis points

SELECTED TRANSACTIONS 2023

Property / Address	Quarter	Type Of Use	City	Vendor / Buyer	Price (€ million)
Areal Böhlér	Q1	Industrial	Meerbusch	Voestalpine / Jamestown	~160
Maxfrei	Q1	Office	Düsseldorf	Interboden, Hamburg Team / Barmenia Krankenversicherung	Confidential
Medical Center, Einbrunger Straße 66	Q3	Other	Düsseldorf	Unknown / Mondial Kapitalverwaltungsgesellschaft	~10

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