

MARKETBEAT DÜSSELDORF

Investment Q4 2023



YoY Change 12-Month Forecast

€665 m

Transaction Volume (cum.)



41%

Share of Foreign Capital



5.00%

Office Prime Yield, net



29%

Share Office Investment Volume



ECONOMIC INDICATORS

YoY Change 12-Month Forecast

7.2%

Düsseldorf Unemployment Rate (Dec 2023)



224,400

Düsseldorf Office Employees (Dec 2023)



4.50%

ECB Interest rate (Dec 2023)



2.58%

10-Year Government Bond Yield (Q4 2023)



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

VERY WEAK INVESTMENT MARKET IN 2023, POSITIVE SIGNS FOR MARKET RECOVERY IN 2024

Düsseldorf's commercial real estate market and its extended logistics market area achieved a transaction volume of €665 million in 2023 as a whole. Compared to both the previous year and the 5-year average, this corresponds to a decline of 80%. This was the lowest result since 2004. Core transactions failed to materialise at all in the course of the year and continue to be the risk class most affected by the turnaround in interest rates.

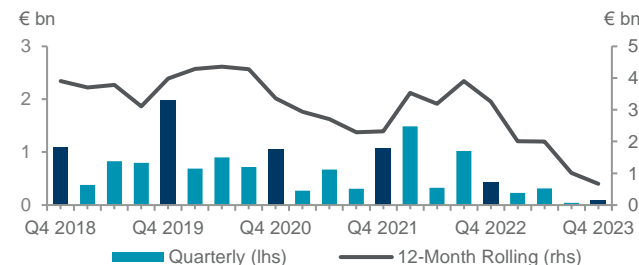
On the buyer side, institutional investors continued to take a wait-and-see approach, with most acquisitions being made by family offices, project developers and unlisted real estate companies. Contribution only 17% of total transaction volume, institutional investors were significantly more cautious than in the previous year. On the other hand, equity-rich private investors and family offices have invested more than at any time since 2019. In 2023, their contribution reached just under 14%, or around €90 million.

Office properties generated a total transaction volume of €190 million in 2023, representing almost 29% of the CRE total in Düsseldorf. In the previous year, properties with a total value of €2.11 billion were traded. In addition to increasing ESG requirements, a turnaround in interest rates, high desk-sharing ratios and the resulting lower demand for office space are leading to restrictive financing conditions for office properties.

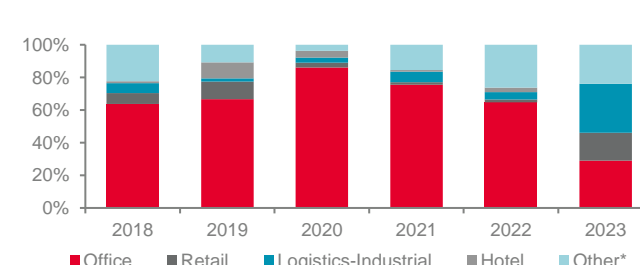
The retail real estate transaction volume almost doubled compared to the previous year (+92%) to total around €115 million in 2023. Commerz Real's 20% stake acquisition in ten SIGMA Galeria department stores nationwide made a significant contribution to the positive result.

At around €200 million and accounting for 30% of the total CRE transaction volume, logistics and industrial real estate was the strongest segment. Transaction volume was only ever higher for this segment in 2018 (€240 million). Together with the municipalities surrounding Düsseldorf, the increase compared to the previous year was around 38%. This was driven by the sale of the 23-hectare Areal Böhler in Meerbusch by the Voestalpine Group to Jamestown in the United States for €160 million in Q1.

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

Particularly high borrowing rates and protracted price adjustment phases for core products have led to an extremely strong reluctance to invest in properties in this risk class, especially on the part of institutional investors. Only 9% of the total commercial transaction volume was registered here.

In contrast, more than half of the total volume was accounted for by higher-risk investments in the value-add and opportunistic category (54%). These mainly include office and mixed-use properties as well as development sites with restructuring and modernization potential. Transactions from the core-plus segment amounted to 22%.

YIELDS EXPECTED TO PEAK IN 2024

The prime yield for core office properties stood at 5.00% at the end of Q4, which is an increase of 25 basis points from the previous quarter. Compared to the previous year's figure, this represents an increase of 150 basis points.

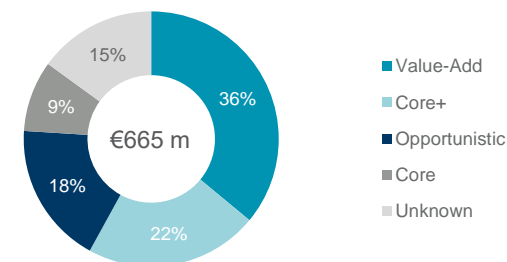
The prime yield for high-street commercial buildings is currently 4.45%, which is 25 basis points above the level of Q3 and 70 basis points above the level of a year ago.

At the end of Q4 2023, the prime yield for core logistics properties was 4.50%, up 20 basis points from the previous quarter. At the end of 2022, the prime yield was 4.00%.

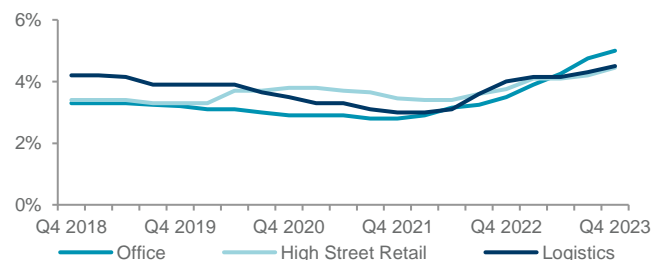
Outlook

- Declining inflation coupled with a still gloomy economic outlook for 2024 is very likely to prompt the European Central Bank to cut its key interest rate for the first time.
- The expected stabilization of property prices and interest rates will therefore lead to a recovery on the Düsseldorf investment market. On the supply side, we therefore anticipate increasing investment opportunities.
- The course of 2024 will be characterised by only a slight increase, at most, in yields, with subsequent stabilisation.
- Cushman & Wakefield also anticipates a significant upturn in transaction activity, but with modest volumes. Some attractive products are already in the sales pipeline.

TRANSACTION VOLUME BY RISK CATEGORY 2023

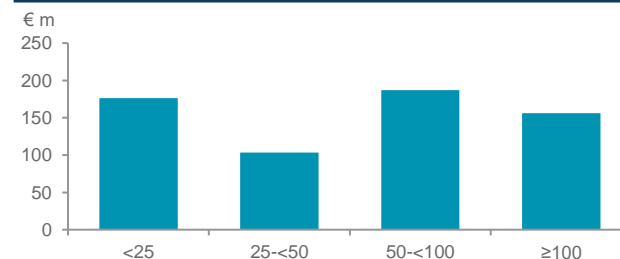


PRIME YIELD BY ASSET CLASS*



* Net initial yield

TRANSACTION VOLUME BY SIZE CATEGORY 2023*



* Each size category in euro million

MARKET STATISTICS 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	0.67	29%	17%	30%	41%	5.00%	4.45%	4.50%
YoY Change	-80%	-36 pp	15 pp	26 pp	-23 pp	150 bp	70 bp	50 bp
Top-7 Markets	8.17	30%	19%	15%	36%	4.78%	4.49%	4.50%
YoY Change	-69%	-26 pp	15 pp	6 pp	-14 pp	127 bp	81 bp	50 bp
Germany	21.46	21%	24%	27%	35%	-	-	-
YoY Change	-58%	-18 pp	9 pp	9 pp	-8 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 Böhrer, Böhrerstraße 1	Q1	Industrial	Meerbusch	Voestalpine / Jamestown	~160
Maxfrei, Ulmenstraße	Q1	Office	Düsseldorf	Interboden, Hamburg Team / Barmenia Krankenversicherung	Confidential
Calor Carree, Calor-Emag-Straße 3-7	Q4	Mixed-Use	Ratingen	LEG Immobilien / Westgard Immobilien	Confidential
Medical Center, Einbrunger Straße 66	Q3	Other	Düsseldorf	Unknown / Mondial Kapitalverwaltungsgesellschaft	~10

Mirko Kittler

Partner Capital Markets Düsseldorf

Tel: +49 211 540 898 66

mirko.kittler@cushwake.com

Andreas Slupik

Senior Research Analyst Düsseldorf

Tel: +49 211 540 898 70

andreas.slupik@cushwake.com

Helge Zahrt, MRICS

Head of Research & Insight Germany

Tel: +49 40 300 88 11 50

helge.zahrt@cushwake.com

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