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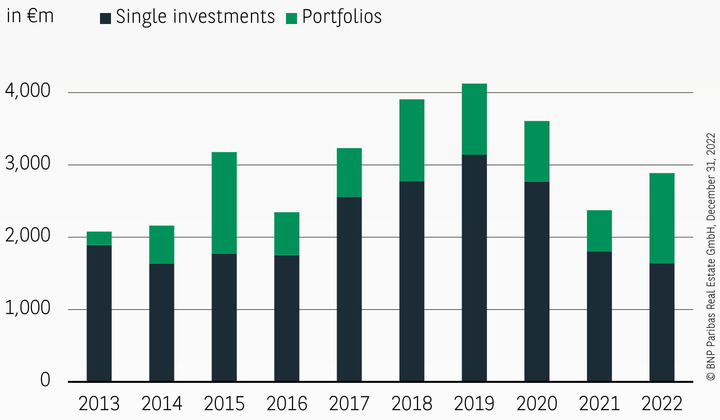
RESEARCH

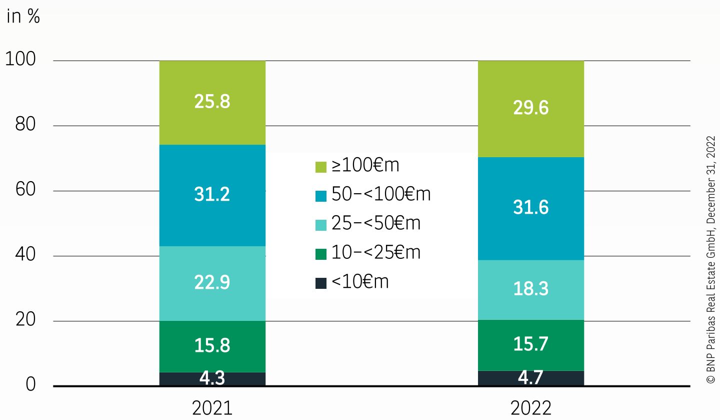
At a Glance Q4 2022

INVESTMENT MARKET DÜSSELDORF

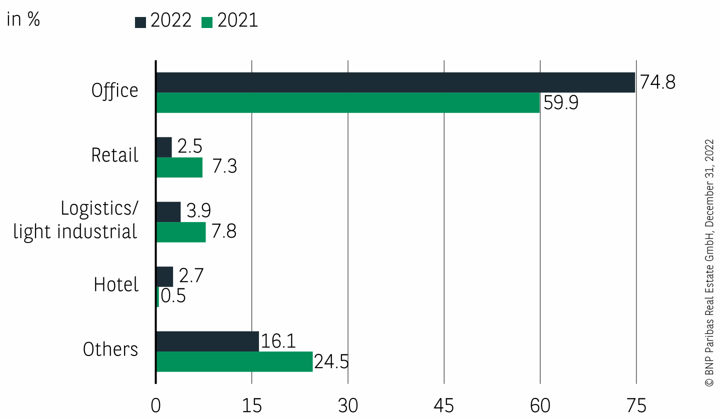
Investment volume in Düsseldorf Q1-4



Investments by € category in Düsseldorf Q1-4



Investments by type of property in Düsseldorf Q1-4



SOLID RESULT DUE TO STRONG Q1

The Düsseldorf investment market recorded a solid result in 2022 overall. The commercial investment volume amounts to €2.89 billion, placing the past year only around 3% below the long -term average. The subdued result of the previous year was even exceeded by more than one fifth. However, the solid performance benefited in particular from the outstanding start to the year. After the first three months, €1.6 billion had already been generated, which is not least due to the Düsseldorf properties of the large-volume alstria takeover by Brookfield. The transaction is also largely responsible for the unusually high portfolio share of 43%. Starting in the second quarter, the changed economic conditions and the significantly higher financing costs became noticeable in a more cautious attitude of many investors. Especially noticeable were these developments in the fourth quarter. Thus, as in all major German locations, the usual year-end rally was absent in Düsseldorf. The transaction volume of the last three months totalled only €256 million, which is the lowest quarterly value of the past 10 years.

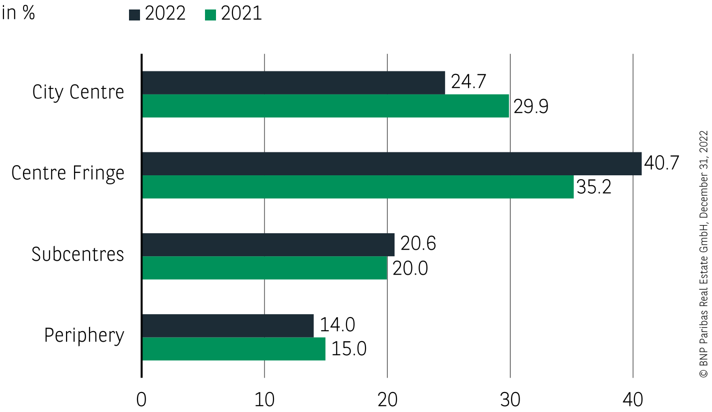
LARGE DEALS DOMINATING INVESTMENT VOLUME

The distribution of the investment volume across the different size categories reflects the high share of portfolios to a certain extent. Thus, around 61% or €1.77 billion is accounted for deals above the €50 million mark. However, some single investments also contributed to this, such as Union Investment's transaction of the Eclipse office tower for more than €200 million. This is a clear evidence proving the Düsseldorf market is not at a stagnancy despite the difficult general conditions.

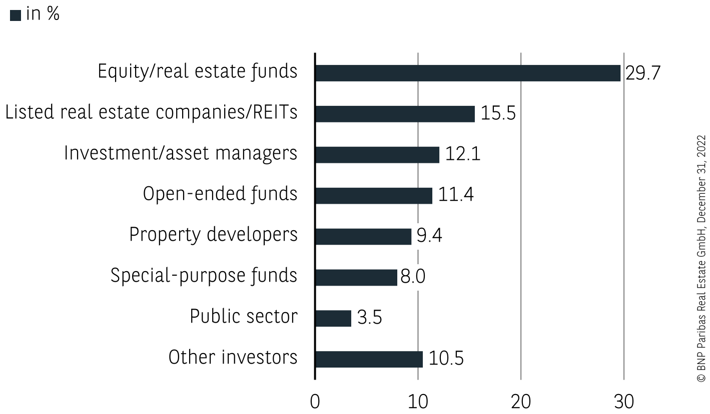
OFFICE INVESTMENTS MISSED NEW BEST MARK

Office properties dominated the distribution of the volume among the asset classes by a wide margin in the past year accounting for 75% or €2.16 billion of the total volume. Driven by the aforementioned major transactions, the office segment exceeded its long-term average by a good 11%. Until the end of the third quarter it seemed as if a new record could even be set for the year, which was ultimately prevented by the weak fourth quarter. The logistics (€112 million, -28%), retail (€72 million, -80%) and hotel (€78 million, -59%) segments are all well below their 10-year average.

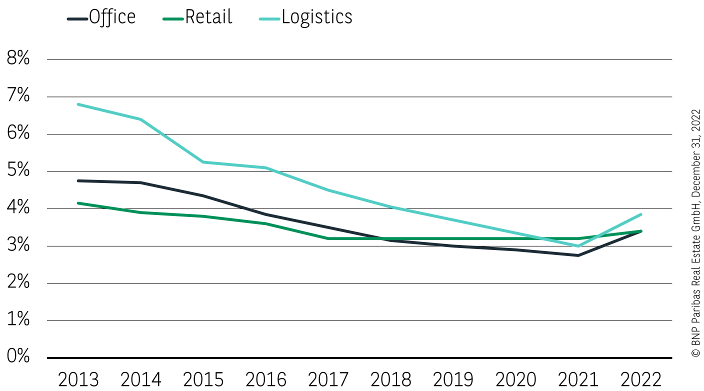
Investments by location in Düsseldorf Q1-4



Investments by buyer group in Düsseldorf Q1-4 2022



Net prime yields by type of property in Düsseldorf



CENTRE FRINGE REMAINS IN FOCUS

As in previous years, the Centre Fringe remained a major focus of investment in the Düsseldorf market in 2022. With a share of 41%, it is clearly ahead of the city centre, which accounts for around a quarter of investments. In absolute terms, however, the investments in both submarkets were approximately 12% lower than the average of the last few years. Meanwhile, a disproportionately strong result of €595 million was reported for the subcentre locations. The biggest deal of the year in this submarket involved the transaction of the Wings office complex for more than €100 million by Advenis in the first quarter. The periphery achieved an average result of around €405 million.

EQUITY/REAL ESTATE FUNDS AT THE TOP

In view of the takeover of alstria by Brookfield, the distribution of investments among the individual buyer groups is unsurprisingly led by equity/real estate funds with a share of 30%. Listed real estate companies/REITs followed in second place, accounting for 15.5%, although they no longer made an appearance from the middle of the year, as their focus is likely to be predominantly on capital restructurings and thus more on sales for now. Investment/asset managers (12%) and open-ended funds (11%) also achieved double-digit shares.

FURTHER YIELD EXPANSION IN Q4

As the key interest rate hikes by the major central banks are still not complete and financing has thus become even more expensive, a further expansion in yields was recorded for the last quarter of the year. The net prime yield for office properties, for example, rose by a further 20 basis points to now 3.40%. The increase for retail properties was slightly more moderate, rising by 10 basis points to 3.40% as well. Meanwhile, the biggest jump occurred in the logistics segment, which rose by 50 basis points to 3.85%.

OUTLOOK

From today's perspective, a split investment year 2023 appears to be the most realistic scenario. At the start of the year, further interest rate hikes as well as the inhibited economic development are likely to determine the dynamics on the commercial investment markets. In this context, it is possible that yields will also experience a slight upward movement in the first months of the year. However, many factors suggest an end to the interest rate increases in the course of the second quarter, which will significantly enhance the planning certainty of the market players and lead to the end of the price-finding phase. Accordingly, transaction volume is likely to pick up considerably in the second half of the year.

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Further Information BNP Paribas Real Estate GmbH | Branch office Düsseldorf | Phone +49 (0)211-52 00-00 | www.realestate.bnpparibas.de