More transactions than ever before

The nationwide surge in investment is also clearly noticeable in the Düsseldorf market area: the transaction volume of just under 1.1 bn € not only topped the prior-year total by a handsome 63 %, it also almost equalled the record result from 2014. At nearly 70, the number of deals in the first six months actually did represent a new record. This means that the fine performance was not due simply to just a few large transactions, but was driven by consistently brisk market activity. It is also pleasing to note that single deals accounted for two-thirds of all investment, producing a total of close to 730 m €, which is a figure that in the past has been bettered only twice. Turnover in the portfolio segment, with deals included on a pro-rata basis, came to around 360 m €, which was also well above average.

No deal of over 100 m € as yet

A glance at the size-class distribution shows that the foundation for the excellent result was laid primarily by activity in the small and mid-range segment. In fact, all the size brackets up to 50 m € generated new record values. More sizeable deals, like those observed to a growing extent in other major locations, were rare. Only two deals of over 50 m € were registered, while – just like last year – the category upwards of 100 m € posted no transactions at all. The bulk of the turnover was generated by deals of between 10 m and 50 m €, which together accounted for about three-quarters of the volume. Sales of up to 10 m € contributed just under 14 %, similar to the prior-year figure, while the transactions of over 50 m € together amounted to just over 100 m €, corresponding to a below-average share of 11 %.

Office buildings well out in first place

In the asset-class distribution of investment, office properties remain clearly in the lead. They generated the largest deals and also the highest number of sales (share: 63 %), clearly outperforming logistics complexes (17 %) and hotels (7 %). Particularly in the first two of these asset classes, the turnover registered by the mid-year point was exceptionally high. By contrast, the traditionally somewhat stronger retail properties remained under-represented due to supply-related factors and lagged far behind the previous year’s results.
Investments according to location in Düsseldorf H1 in %

- City Centre: 2017: 11.9% 2016: 14.6%
- Centre Fringe: 2017: 38.0% 2016: 46.9%
- Subcentres: 2017: 19.4% 2016: 17.9%
- Periphery: 2017: 20.6% 2016: 30.7%

Investments according to buyers' groups in Düsseldorf H1 2017 in %

- Investment/asset managers: 28.6%
- Special-purpose funds: 17.0%
- Equity/real estate funds: 14.4%
- Listed real estate companies/REITs: 9.6%
- Property developers: 9.0%
- Sovereign funds: 7.9%
- Family offices: 4.7%
- Others: 8.8%

Net prime yields according to type of property in Düsseldorf

- Office: 2008: 8.2%, 2017: 6.2%
- Retail: 2008: 7.0%, 2017: 4.9%
- Logistics: 2008: 6.6%, 2017: 3.8%

BROAD SPREAD ACROSS THE MARKET AREA

As in the previous year, the investment volume was spread broadly over the entire market area. The Centre Fringe remains in the lead with a share of 38%. Then came the periphery with around 31%; that was where by far the largest number of deals were concluded, although the average volume per deal was considerably lower. The subcentres ranked third, with a contribution similar to that made the year before (just over 19%), and thus finished ahead of the City Centre precincts, which accounted only for just under 12% of the volume and registered only very few sales. That clearly reflects the shortage of supply in the central locations.

INVESTMENT MANAGERS BIGGEST BUYERS

In the first half of the year, the buyers' side was dominated by investment/asset managers acting on behalf of various types of investors and fund constructs. With a share of 29%, they finished well ahead of special-purpose funds (around 17%). Not far behind came equity/real estate funds (over 14%) which, together with listed real estate companies/REITs, was the only other investor grouping with a double-digit percentage share of turnover. Other sizeable contributions to total investment in the Düsseldorf market were made by property developers (9%) and sovereign wealth funds (8%). All the other investor categories generated shares of less than 5%.

YIELDS FALL FURTHER YEAR-ON-YEAR

As in other locations, persistently strong demand and the resulting competition among investors have prompted a further year-on-year fall in yields in all the asset classes. Retail/office properties in top locations remain the most expensive type of real estate, with a net initial prime yield of 3.60% - which can in exceptional cases go even lower. At 3.85%, the yield for first-class office buildings is only slightly above that for high-street properties. In the case of logistics complexes, the prime yield slipped below the 5% mark for the first time at the beginning of the year and currently stands at 4.90%. That was also where yield compression was most noticeable, with a decline of 35 basis points, while the yields for office buildings and retail properties fell by 25 and 15 basis points respectively.

OUTLOOK

In 2017, the Düsseldorf investment market is poised to achieve one of its best results ever – even though it has so far not posted any large-unit deal in the three-figure million-euro range. The liveliness of market activity in the current year is underlined by the unusually high number of transactions. Since, from today's perspective, nothing looks likely to change much in this respect in the second half, a transaction volume well above the 2 billion-euro threshold is not unlikely.