STRONG FIRST QUARTER IN THE INVESTMENT MARKET

Düsseldorf has started 2018 with great momentum and recorded the third increase in investment turnover in a row in the first quarter. The transaction volume of 668 m € is just short of the record result of 2014 (686 m €), but is also 28 % higher than the volume of the same quarter of the previous year. This result is all the more remarkable because the number of deals was in fact less than in the first three months of the previous year. The average volume per transaction, was at 23 m € no less than 45 % higher than in the first quarter of 2017, this being due to a relatively high number of major transactions. In addition, portfolio deals included on a proportionate basis again accounted for a significant share (22 %) of investment turnover at the start of 2018. In percentage terms, Düsseldorf is the current number one among the Big Six in Germany in this category.

MAJOR TRANSACTIONS ON THE RISE

The first quarter in the Düsseldorf investment market was strongly characterised by large-volume deals over 50 m €, which account for a 40 % share in turnover. The sale of the “Fürst und Friedrich” office project development located in Düsseldorf’s Friedrichstadt district, which was bought by M&G Real Estate of London, contributes on its own over 100 m € to the investment result. The otherwise dominant middle size categories, between 10 and 25 m € and between 25 and 50 m €, together only achieved a little over half (51 %) of the sales volume in the first quarter of 2018, after having contributed almost three quarters (74 %) to the result in the same quarter of the previous year. The share of smaller deals with a transaction volume below 10 m € was, at 9.4 %, also well below the previous year’s figure.

OFFICE INVESTMENTS DOMINATE THE MARKET

Fuelled by numerous large-volume transactions, the office segment significantly increased its dominance in the investment market and contributes just under 69 % to the result in the first quarter. This equates to an increase of 23 percentage points compared to the same period of the previous year. This result is even more impressive in absolute numbers, representing an increase of 220 m to 460 m €. Far behind in second and third place are the segments other types of use and logistics, which account for 15 and 14 % of the investment volume respectively. The asset classes retail and hotel on the other hand play no significant role in the first quarter.
Investments by location in Düsseldorf Q1 2018

<table>
<thead>
<tr>
<th>Location</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre</td>
<td>3.4</td>
<td>8.9</td>
</tr>
<tr>
<td>Centre Fringe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subcentres</td>
<td>8.6</td>
<td>13.1</td>
</tr>
<tr>
<td>Periphery</td>
<td>27.3</td>
<td>29.5</td>
</tr>
</tbody>
</table>

THE CENTRE FRINGE IS WHERE THE ACTION IS

The traditionally strong Centre Fringe claimed almost 61% of the transaction volume in the first quarter and extended its lead position. The reason for this was a number of large-volume office transactions in this location. The Periphery also has a significant market share with 27% and is just short of the previous year’s excellent result. However, the Subcentres (9%) and in particular the City Centre (3%) are only “also-rans”. This is due not so much to waning interest among investors, but more to the short supply.

EQUITY/REAL ESTATE FUNDS SET THE TONE

While the investment result in the same period of the previous year was spread across several prominent buyer groups, in the first quarter of 2018 one single group was clearly dominant, with equity/real estate funds claiming 44% of the transaction volume. All other investors account for a share of between 5% (corporates) and 12% (property developers). Foreign investors account for more than half of the transaction volume (52%), a significant improvement on the previous year’s result (35%). Düsseldorf is therefore above the average of the Big Six in the first quarter, which can be seen as evidence that the city is increasingly attracting the attention of in particular international investors.

PRIME YIELDS STABLE

After having only moved in one direction in all significant asset classes since 2009, net prime yields started to stabilise in the first quarter of 2018. There has been no change in the prime yield for logistics properties, offices or office buildings. The prime yield for logistics properties is 4.50% and therefore higher than for offices (3.50%) and office buildings (3.20%) in top locations.

OUTLOOK

The Düsseldorf investment market has made a promising start to 2018, with the transaction volume in the first quarter close to the record volumes of 2013 and 2014. Major international investors are being attracted to the city, with numerous large-volume deals and a relatively high share of foreign buyers testament to this. For the remainder of the year, the signs point to an unprecedented number of large-volume investment opportunities. If the good economic conditions and the strong demand from occupiers are also taken into account, there is much to suggest that the 3 bn € mark can be beaten for the second time in a row in 2018.