The Düsseldorf investment market gathered pace in the first half of 2018. With a transaction volume of just under 1.4 bn €, the turnover record set in 2014 was smashed and the previous year’s excellent result was beaten by no less than 27%. If single deals are considered on their own, Düsseldorf has achieved the second-best result in its history with a transaction volume of 905 m €; only in 2013 has more turnover been generated. Interestingly, the number of properties sold, 60, is a little lower than in the previous year. Conversely, the average deal volume was much higher than in 2017 at just under 25 m €, impressively underlining the high willingness of buyers to invest. Overall, single deals account for around two thirds of the total transaction volume, properties from portfolio sales contribute the other third (or 475 m €).

The distribution of investment turnover by size category shows that the exceptional overall result in the first half of 2018 rests on several foundations. Although the middle segment between 25 and 50 m € has a high turnover as usual, its dominance is much less than normal with a market share of just under 33%. In addition, unlike in the previous year, exceptional large-scale deals play a key role: Thanks to a notable number of major transactions, the size categories above 50 m € account for a total market share of just over 43%. However, smaller deals below 25 m € also provide a basis for success. These categories account for a large part of the deals and in total 24% of the transaction result.

In the case of distribution of turnover by asset class, office investments remained number one in the first half-year with just under 58% of the transaction volume. Well behind in second place are logistics properties, which account for a market share of just over 8% and, in percentage terms, only half of the previous year’s result. Hotel and retail properties also play only a minor role. Other property types account for a high share of just under 30% of the total turnover due to a one-time effect relating to special properties in municipal use.
CENTRE FRINGE SETS THE TONE

The investment volume is spread broadly across the entire market region, whereby the Centre Fringe has assumed particular importance. It has gained significant market share compared to the previous year at the cost of the other major locations and accounts for in total 63 % of the registered turnover volume. The Periphery (15 %), the Subcentres (12 %) and the City Centre (10 %) combined only account for a little more than one third of the transaction volume.

FUND INVESTMENTS DOMINATE

On the demand side, institutional investors are the most prominent buyer group: Equity/real estate funds and special-purpose funds are together responsible for 42 % of the transaction volume in the first half-year. The public sector also has a relatively large presence in the investment market with a market share of just under 17 %. Property developers have also invested significantly in Düsseldorf with an 11 % share in turnover. Listed real estate companies/REITs, private investors and corporates are among the also-rans. Foreign investors’ share in turnover is just under one third, which is relatively low compared to the most important real estate locations in Germany.

YIELDS CONTINUE TO FALL

Property in the top German locations remains in great demand, which is due in particular to the heavy pressure on yields of institutional investors. The resulting intense competition for suitable commercial properties continues to fuel prices and maintain the pressure on yields. The net prime yield for logistics properties has fallen since the start of the year from 4.50 to 4.40 %, and the same applies for office properties. Investors can currently only expect a yield of 3.35 % following 3.50 % at the end of 2017. The fall in yields only appears to have stopped for the time being for retail/office buildings in 1A locations. The net prime yield has remained steady at a very low level of 3.20 %.

OUTLOOK

The Düsseldorf investment market is in great shape in the first half of 2018 and is on course to achieve one of the best annual results ever thanks to diversified demand throughout the region from numerous investor groups. If buyers remain as willing to invest in the second half-year as they were in the first, a turnover in excess of the 3 bn € mark is not unrealistic.