Commercial properties market

Düsseldorf – Location for Industry, Trades, Logistics and Wholesale

In addition to the tertiary services, the industrial sector is the cornerstone of the successful economic history of the city of Düsseldorf: about a third of value creation is generated by industry and industry-oriented services. With a total workforce of around 50,000, Düsseldorf is North Rhine-Westphalia's second largest employer in the manufacturing sector. What is more, the city can boast a healthy sectoral mix of major wholesalers and exporters, transport and logistics companies, industrial service providers and, of course, small trades. This is also reflected in the local demand for commercial properties.

Demand for commercial properties and warehouse space

In comparison with the previous year, the total area of warehouse space required increased by approx. 9% to 171,200 m^2 with 95 requests being made. At 165,300 m^2 – with 50 enquiries being made – the volume of warehouse space required in the first half of 2011 corresponds to almost this sum. By contrast, a total of 64 companies enquired after commercial sites during the past year, with the overall area amounting to roughly 524,000 m^2, representing a drop in commercial demand of 44% against 2009. The decline can be put down to a number of factors, notably a change in the size of properties required. For the first half of 2011, a positive upward trend is discernible: by the end of the 2nd quarter of 2011, a total of 46 companies made enquiries after commercial properties, with a total area amounting to 520,000 m^2.

The increase in the development of demand for commercial properties is proof of the economic upturn and increased willingness of companies to make investments.

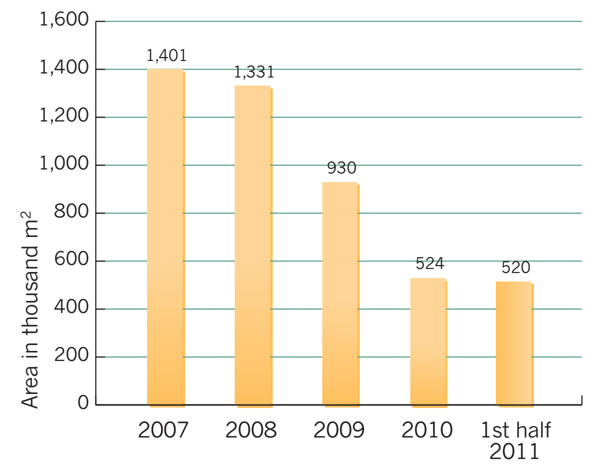
Demand by sector

The sectoral make-up of demand has also seen changes, notably in the logistics sector (transport/distribution/storage). Thus its proportion in enquiries for sites has more than doubled compared to the two previous years. It is a clear indication that the city enjoys eminence among project developers, investors and logistics companies due to its first-class location at the heart of the Rhine-Ruhr region and its excellent transport links. Roughly 40% of enquirers come from Düsseldorf or are from other regions in Germany. Foreign investors comprise the remaining 20%.

In contrast with the previous year, the proportion of enquiries after commercial properties in the manufacturing sectors fell from 31 to 20%. However, these sectors comprise high-calibre enquiry groups, including in part automotive suppliers, power engineering companies and the chemical industry.

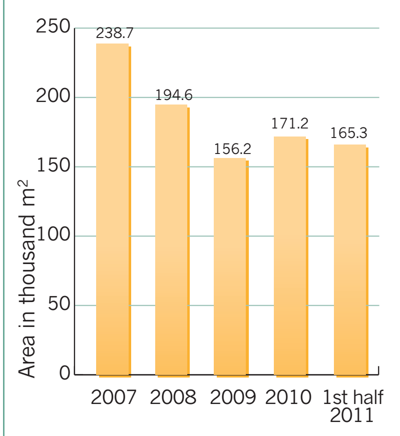
At 22%, the share of rental enquiries from the wholesaling and export sector remains virtually stable – an ongoing confirmation of Düsseldorf's significance as a location for wholesale and export.

Demand for undeveloped commercial sites, 2007 to 1st half of 2011



Source: Office of Economic Development

Demand for existing warehouse space, 2007 to 1st half of 2011
(sales, service, storage, production)

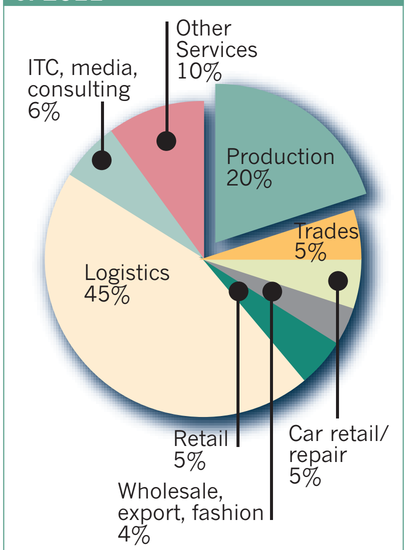


Source: Office of Economic Development

The demand for sites from both small and large-format retailers has fallen somewhat against previous years at 5%. However, for the 1st half of 2011, enquiries after space totalling 55,200 m^2 were registered, which equates to 10% of the entire enquiries for this period.

Health and medical services, leisure-oriented services or private training institutions partly make up the heterogeneous group of other services.

Demand for building sites by industry sector, 2010 to 1st half of 2011



Source: Office of Economic Development

Size categories

The upturn in the logistics sector discernible on the real estate market since mid-2010, is also reflected in the requests for large spaces: For logistics projects, development properties of 20,000 m^2 to 90,000 m^2 and/or rental spaces between 10,000 m^2 and 50,000 m^2 are being enquired after, for 14 projects enquired after, the total volume was roughly 600,000 m^2. Additional requests for large spaces came from wholesale and export, manufacturing (e.g. car industry), information and communication technology (e.g. data processing centres) and recreationally oriented companies (e.g. event halls). The bulk of the size demand in terms of both rentals and commercial site requests is mainly small-scale: 70% of warehouse requests are for less than 1,000 m^2; 66% of requests for commercial properties lie somewhere between 500 m^2 and 4,000 m^2. In both market segments, the requests mainly come from smaller companies such as trades (e.g. wood processing, construction firms, scaffolding), automobile companies, wholesalers (e.g. electrical engineering, tool or sanitary trade) as well as production plants (e.g. mechanical engineering, solar technology, advertising material production).

Warehouse takeup

The economic upturn has led to a boom in the market for warehouse and logistics spaces. Thus, at about 1.8 million m^2, there has never been such a large number of warehouse spaces taken up in the Big 5 conurbations of Berlin, Düsseldorf, Frankfurt, Hamburg and Munich in the whole of 2010. In the Düsseldorf region, takeup at 166,000 m^2 in 2010 was on a par with the last 10 years, with almost a quarter of the takeup at 39,200 m^2 being assigned to Düsseldorf itself. It can therefore be expected that demand for retail property will increase in the current year and Düsseldorf's role as a key retail location thereby confirmed. The shares of the small trades, car industry and other service providers in the demand for commercial properties are the same as those of the previous year. This is evidence of the economic stability of these demand groups. 80% of small trades as classical service providers in close proximity come from Düsseldorf. Half of the enquiries of the car industry and other service providers come from Düsseldorf, the other half mainly from throughout Germany. Regional takeup amounting to 111,000 m^2 for the first half of 2011 corresponds to an increase over the previous year's figures of 46%. In Düsseldorf, only approx. 10% of this total space was taken up during this period, but in relation to the number of contracts, the city of Düsseldorf was the most sought after: 28% of all contracts were concluded here.

Takeup of warehouse space in the Düsseldorf municipal area/region in m²	2005	2006	2007	2008	2009	2010	1st half 2011
Düsseldorf municipal area	38,000	68,200	57,400	24,400	14,200	39,800	11,200
Region* (incl. municipal area)	159,000	236,600	221,600	242,500	178,000	166,000	111,200

* Region = Düsseldorf municipal area, Ratingen, Neuss, Erkrath, Hilden, Grevenbroich, Haan, Kaarst, Krefeld, Langenfeld, Meerbusch, Willich.

Source: Jones Lang LaSalle GmbH, 30 June 2011

Developed properties submarket, 2007 to 1st half 2011 – sales of commercial sites*

Year	Number of transactions	Total area of plots sold in m²	Average area per sale in m²	Total selling price in euros (rounded to nearest 1,000)
2007	22	250,705	11,396	52,140,000
2008	18	162,160	9,009	43,907,000
2009	12	75,810	6,318	21,093,000
2010	20	81,386	4,069	39,531,000
1st half 2011	8	39,604	4,951	19,057,000
Average per year	**18**	**135,481**		**39,050,889**
Average per transaction			**7,621**	

* Incl. manufacturing, workshops, logistics, commercial units with offices, leisure facilities, petrol stations, multi-storey car parks and retail.

Sources: City of Düsseldorf Property Valuation Committee/Office of Economic Development

Undeveloped properties submarket, 2007 to 1st half 2011 – sales of commercial sites*

Year	Number of transactions	Total area of plots sold in m²	Average area per sale in m²	Total selling price in euros (rounded to nearest 1,000)	Average area price per m² in euros**
2007	20	489,213	24,461	70,301,000	204
2008	16	122,699	7,669	25,242,000	217
2009	13	107,284	8,253	18,305,000	180
2010	16	49,620	3,101	9,134,000	187
1st half 2011	4	31,412	7,853	5,899,000	193
Average per year	**15**	**177,828**		**28,640,222**	**196**
Average per transaction			**11,598**		

* Incl. manufacturing, logistics, commercial units with offices, petrol stations, multi-storey car parks and retail. **Sum of all average values per sale/no. of sales per year (not incl. transfers of ownership within companies or land with residential properties).

Sources: City of Düsseldorf Property Valuation Committee/Office of Economic Development

Takeup of real estate and developed properties

In the submarket of undeveloped properties, takeup declined by roughly half of the previous year's figures – based on the figures for 2010 – both in terms of space from 10.7 ha to about 5 ha and in monetary terms from 18.3 million euros to 9.1 million euros. Here the Property Valuation Committee registered in the past year 16 transactions with an average size of roughly 3,100 m², an average value roughly 62% smaller than the previous year of approx. 8,250 m². The most striking point is that only ten transactions were smaller registrations ranging in size of between 2,000 m² and 5,800 m². Larger sales such as in the previous years with property take-up of up to 50,000 m² did not occur and also explain the decline in sales revenue. Nevertheless, an upward trend can be observed for the first half of 2011, since the sum of spaces sold at 3.1 ha now makes up 62% of the volume from 2011. In the case of new sales during the reporting period, commercial properties near the airport with a total area of about 3.9 ha were sold for a total of about 7.4 million euros, which equates to almost half of the entire takeup for this period. Apart from the acquisition of property formerly awarded in hereditary building rights, commercial properties for the construction of small businesses, automobile companies and retail companies were sold here.

At 8.1 ha, the sales revenue on the market for developed properties showed a moderate increased against the previous year at 7.5 ha. From a financial viewpoint, almost twice as much revenue was generated in 2010 at 39.5 million euros as in the previous year at 21.1 million euros. In 2010, transactions increased by about 60% from 12 to 20 and there were eight cases in the first half of 2011. Of the 28 contracts during the reporting period, smaller properties from approx. 200 m² to approx. 7,200 m² were mostly sold (workshop buildings, warehouse spaces), with the exception of four cases (properties of approx. 10,500 m² to approx. 16,500 m²).

As in previous years, the development in sold industrial and commercial properties continues, with about a third of purchasers obviously putting land value first in their pricing decisions: Based on the total sales volume achieved during this period, this amounts to a quarter of the areas taken up or a share of 7% of the purchase price income realised. This very noticeable trend reveals that investors are reacting to the shortage in undeveloped commercial property by buying up sites with existing buildings and then recycling these for alternative commercial usages. In light of the fact that half of the revenue of 2010 was already generated in the first half of 2011, it can be assumed that revenue will be on par with or exceed the result of 2010 by the end of the year.

Property and rental prices

The Property Valuation Committee has registered stable land value prices corresponding to the previous year's figures. Due to demand, rental costs for warehouse spaces have remained stable in Düsseldorf. Thus the rental price range for warehouse spaces developed from 5,000 m² in the Düsseldorf region from 3.75 to 5.40 euros/m² (start of 2010) to between 4.00 and 5.20 euros/m² (end of first half of 2011). Prime rents continue to be realised in Düsseldorf North near the airport and the Theodorstraße. In comparison with the conurbations of Munich, Hamburg and Frankfurt, Düsseldorf still offers an attractive rental price level.

Outlook

The warehouse space revenue generated most notably in the period from 2010 to the first half of 2011 throughout Germany and the Düsseldorf region reflects a positive trend. Furthermore, it is expected that further commercial properties ranging in size of between 750 m² and 2,200 m² will be sold in the municipal industrial zones of am Tichauer Weg in Lierenfeld and at Duderstädter Straße in Hellerhof. In some cases the companies come from the small trades and car industry.

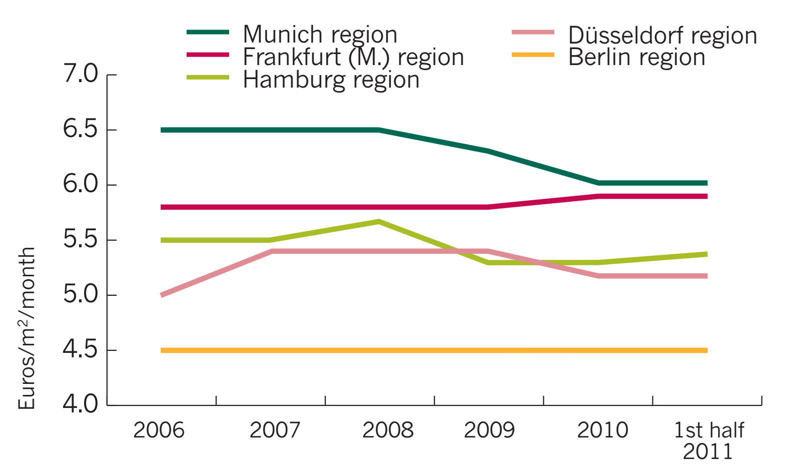
The significance of the commercial sector for Düsseldorf's economy cannot be overstated. As part of the "master plan for industry" created this year by the city, IHK and companies, targets and strategies for action will be formulated so as to enhance and consolidate Düsseldorf as an industrial location in the longer term.

Development of key performance indicators for undeveloped commercial property in Düsseldorf, 2007 to 2011

Effective Date	Basic locations		Medium to good locations		Premium locations	
	Harbour, Lierenfeld (industry/production) from – to in euros/m²		Rath, Heerdt, Benrath (business with office) from – to in euros/m²		Flingern, Heerdt (office/retail) from – to in euros/m²	
01/01/2007	120	150	190	280	590	650
01/01/2008	140	150	200	300	610	670
01/01/2009	140	150	200	300	610	670
01/01/2010	130	140	180	290	570	620
01/01/2011	130	140	180	290	570	620

Source: City of Düsseldorf Property Valuation Committee
Figures have been taken from the price contour map; the districts named are intended merely as examples.

Prime rents for warehouse space ≥ 5,000 m²



Source: Jones Lang LaSalle GmbH, 30.06.2011

Images: Jörg Eicker, Markus Krämer, R. Unkel
Design: Beate Tebartz, Düsseldorf · Real Estate Report 2010/2011

Land available for commercial properties and commercial building projects

New land available for development on recycled sites

High level of demand as before
There are approx. 92 ha of industrial and commercial development reserves in the Greater Düsseldorf area, of which roughly 32 percent are available in the short-term for ensuring the economic future of the area and for the location of new companies.

The high level of demand for commercial real estate shows that the city is still considered to be an attractive location for projects including those in the commercial-industrial sector. For developed and undeveloped commercial sites, the local market has a high level of take-up, even though this demand is, on account of specific market conditions, the price level in particular, covered by a large proportion in the neighbouring municipalities and/or region.

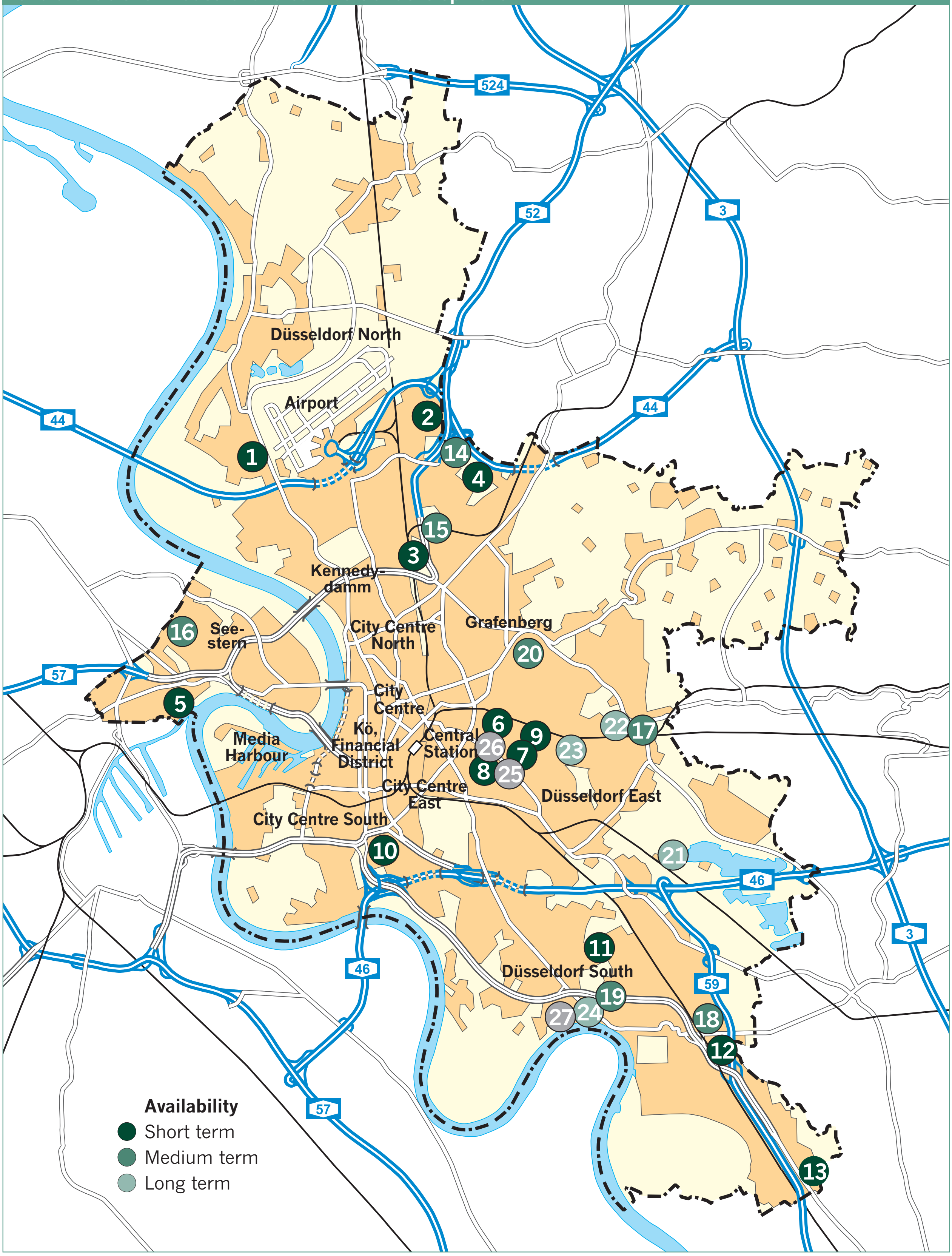
In the case of undeveloped plots, the area take-up of property in the regional capital amounts to roughly 178.000 m^2 on average in the last five years. This take-up can be regarded as the basis for extensive commercial building projects both for owner occupants and for the construction of commercial rental properties (such as small trade and business centres).

During recent years, several new commercial construction projects have been implemented on a plot of roughly 36,000 m^2. For example, at Niederrhein-/Ikarusstraße in Lohausen the new construction of a branch of the car dealership Moll or at Theodorstraße in Rath the sales and training centre of the company Viessmann Heizungstechnik.
Of the ten current commercial building projects being developed on plots of roughly 353,700 m^2, the following key projects are preparing for the construction stage or specific project development: At Bonner Straße in Benrath, the first stage of the SEGRO Rheinparks Benrath is about to be launched on a recycled area of approx. 16 ha. Modern offices and warehouses for the small trades and service providers are to be built.

In the commercial creative centres of “Rheinhöfe” in Reisholzer port (approx. 4 ha of commercial property) and “Schwanenhöfe” in Lierenfeld (approx. 3.6 ha of commercial property), attractive areas for service providers, production and trading firms are, due to the regeneration of existing structures and commercial and office building construction projects, being created on what was once an industrial site.

In Benrath 16 ha await new users: planned SEGRO Deutschland business park.

Land available for industrial and commercial development



Areas available for industrial and commercial development

Ref.	Location of site	District	Net building area (in ha)	Of which Urban Core Area (in ha)	Planning status
1	Niederrhein-/Ikarusstraße	Lohausen	1.36	1.36	Binding plan
2	Heltorfer Straße	Lichtenbroich	2.07	1.24	Binding plan
3	Vogelsanger Weg/nördlicher Zubringer	Mörsenbroich	1.82	1.82	Binding plan
4	Theodorstraße/A 44	Rath	6.52	1.30	Binding plan
5	On both sides of Wiesenstraße (Clarissenstraße)	Heerdt	3.60	3.60	Binding plan
6	Höherweg	Flingern Süd	0.37	0.11	Binding plan
7	Erkrather Straße/Am Karlshof	Lierenfeld	0.87	0.60	Binding plan
8	Southern Fichtenstraße	Flingern Süd	7.74	7.74	Binding plan
9	Tichauer Weg	Lierenfeld	2.14	2.14	Binding plan
10	Witzelstraße/Auf'm Hennekamp	Bilk	3.83	2.88	Binding plan
11	Reisholz bypass/Henkelstraße	Reisholz	6.60	6.60	Binding plan
12	Wittenberger Weg	Garath	0.50	0.50	Binding plan
13	Duderstädter Straße	Hellerhof	0.40	0.40	Binding plan
Total area available in the short term			**37.82**	**30.29**	**32.79%**
14	Theodorstraße/A 52	Rath	9.67	3.87	In progress
15	Opitzstraße/southern Vogelsanger Weg	Mörsenbroich	3.50	0.70	In progress
16	South-eastern Böhlerstraße	Heerdt	4.31	3.02	In progress
17	Düssel-Park. Gerresheim South	Gerresheim	11.28	4.51	In progress
18	Western Telleringstraße (II)	Benrath	6.25	6.25	In progress
19	Bonner Straße (former Stora Enso factory)	Benrath	16.17	16.17	Binding plan
20	Schlüterstraße/Hohenzollern	Flingern Nord	4.30	0.43	In progress
Total area available in the medium term			**55.48**	**34.95**	**37.84%**
21	Am Kleinforst	Unterbach	13.10	13.10	In progress
22	Nach den Maureskötben	Gerresheim	7.41	7.41	In progress
23	Northern Königsberger Straße	Lierenfeld	2.98	2.98	Binding plan
24	Rheinbogen Reisholz/Uferstraße	Holthausen	5.60	3.64	In progress
Total area available in the long term			**29.09**	**27.13**	**29.37%**
Overall Total				**92.37**	

Sources: Office of Economic Development, Office of City Planning, August 2011

Industrial and commercial development projects 2010–2012

Ref.	Location of site	District	Size of plot (in m²)	Completed warehouse space (in m²)	Completed office space (in m²)	Owner/ developer/user of site	Remarks	Com-pletion
1	Niederrheinstraße	Lohausen	17,000	1,600	N/A	Autohaus Moll	Construction of new dealership	2010
1	Ikarusstraße	Lohausen	2,880	800	300	KFZ-Dienstleistungen	Construction of a workshop shed with office	Will start 2011
8	Southern Fichtenstraße	Flingern Süd	90,000	46,500	15,500	SEGRO Deutschland	Development of commercial and logistics park "SEGRO Citypark"	Will start 2012
25	Ronsdorfer Straße	Flingern Süd	2,700	750	100	Boels Verleih GmbH	New construction of Düsseldorf office	2010
26	Erkrather Straße 230	Flingern Süd	36,251	6,000	30,000	Schwanenhöfe Grundstücks-gesellschaft	Development of commercial and creative centre "Schwanenhöfe"	2013
19	Bonner Straße (former Stora Enso factory)	Benrath	160,000	40,000	13,000	SEGRO Deutschland	Development of commercial a. logistics park "SEGRO Rheinpark Benrath"	Will start 2011
19	Bonner Straße 203	Benrath	3,100	1,800	400	Behrens & Schuleit GmbH	New construction of company building with office, storeroom and production space	2011
27	Reisholzer Werftstraße	Holthausen	40,000	19,400	9,550	EPITEC Gamma	Development of commercial and service provider centre "Rheinhöfe"	2012
13	Duderstädter Straße	Hellerhof	900	290	80	Production of mach. for adhesive application	Construction of an assembly and storage depot with offices	2011
13	Duderstädter Straße	Hellerhof	900	210	160	Weldingtechnology company	Construction of an assembly and storage depot with offices	2012
Totals			**353,731**	**117,350**	**69,090**			

Source: Office of Economic Development, August 2011

Numbers in the left-hand column correspond to the map opposite.

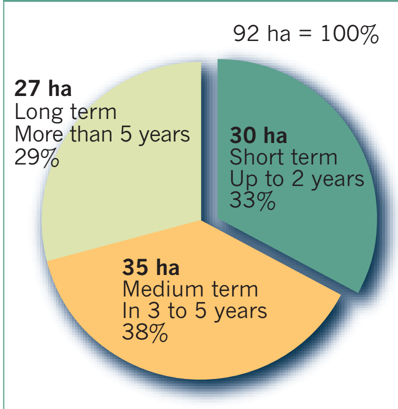
The developments described show that – apart from the limited commercial site reserves on existing free areas – there is a continual trend towards developing future available land primarily on recycled sites. These potentially exploitable areas of Düsseldorf are largely located in the industrial estates of Rath, Lierenfeld/ Flingern Süd and Reisholz.

Roughly 32.5 ha of the entire areas are reported as industrial area(GI) and roughly 60 ha as commercial part (GE).

Depending on planning law, the condition of commercial property or the ownership and/or usage relations, the availability of the sites can be estimated as follows:

- Approximately 30 ha may be developed over the next 1–2 years.
- In the medium-term (3–5 years) approx. 35 ha may be developed.
- Approx. 27 ha may be made available as land available for development in the longer term (5 years and longer).

Availability of commercial and industrial construction sites



Sources: Office of Economic Development, Office of City Planning, July 2011

Images: Herbert Kuttler · luftbild-design.de, SEGRO Deutschland, Markus Krämer, Rheinhöfe, Schwanenhöfe, Viessmann
Design: Beate Tebartz, Düsseldorf