

Future Cities

The Kö in Transition

VIEWPOINT

Düsseldorf's Königsallee is transitioning, opening up new prospects for residents, visitors, developers, occupiers and investors in the prime location of Düsseldorf as the state capital of North Rhine-Westphalia.

CBRE RESEARCH
SEPTEMBER 2023



Düsseldorf's Königsallee – from luxury boulevard to vibrant and sustainable urban mixed usage

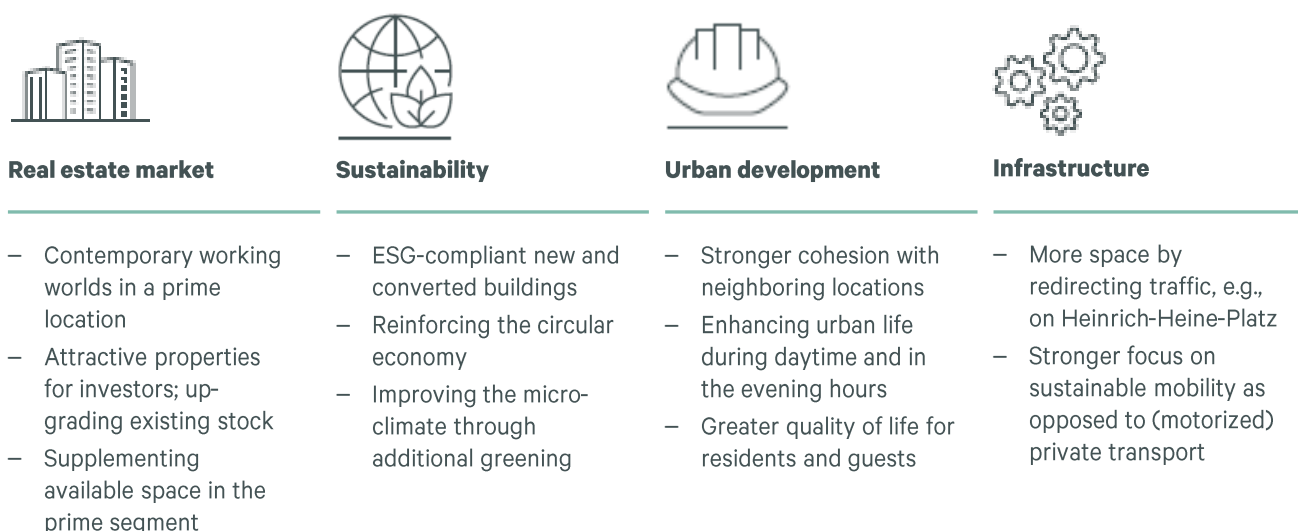
Change is under way on the Königsallee – “Kö” for short – that will set new benchmarks for urban development and for tapping fresh potential for residents, visitors, tenants and investors.

On the way to a sustainable city center

The requirements for contemporary, functional city centers are changing at an increasingly faster and intensive pace – also, but not only, because of the coronavirus pandemic – as are the requirements and demands placed on the use of space and sustainability aspects in the real estate industry. Consequently, the emphasis going forward is being placed even more firmly on conserving resources in terms of material and space, on high amenity quality, diversification and mixed usage, along with sustainable mobility concepts. Predominantly mono-functional shopping precincts or a series of office buildings one after the other are no longer in keeping with the times and have lost their appeal. Special focus is being placed on:

- Invigorating urban life by introducing more mixed usage and architectural flagship projects
- Improving the city climate and the amenities by redirecting traffic in conjunction with contemporary mobility offerings, along with creating and enlarging squares and additional greening
- New and converted buildings harnessing the highest sustainability standards for energy efficiency and conserving resources
- Creating of central, premium office and retail space at Düsseldorf’s most prestigious address, thus leveraging potential for the leasing and investment market and greater attractiveness for residents and visitors

Figure 1: Königsallee’s development potential



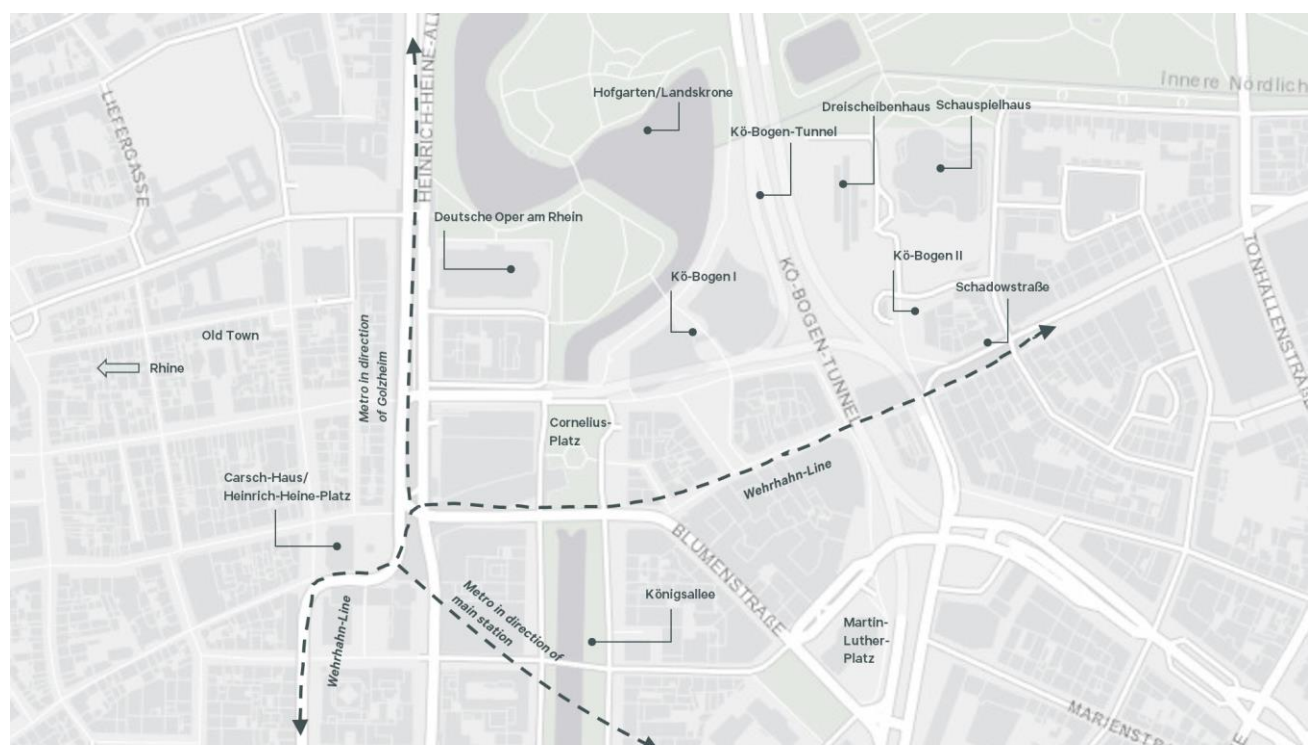
Source: CBRE Research 2023

Changes to date

Extending of the Wehrhahn Line as an additional metro route and construction of the Kö-Bogen tunnel following on from the demolition of the “Tausendfüßler” in 2013, a flyover built in line with the concept of a car-friendly city, makes room for fresh urban design in the Königsallee precinct (Fig. 2). With no tram rails above ground now, scope was created for redesigning the area, flanked by the Kö-Bogen urban development project initiated in 2005 and the eponymous building complex. The historical link between the Kö and the Hofgarten, the main park in Düsseldorf’s city center, was reinstated, and the Landskrone, a stretch of water in the Hofgarten, was extended to allow a view from the Corneliusplatz and the Kö Canal. Starting in 2017, the area between the theater and Schadowstraße was restructured, featuring the Kö-Bogen II that boasts Europe’s largest green façade with around 30,000 hornbeams, which considerably improves the micro-climate. Taken as a whole, these measures significantly enhance the amenity appeal and, seeing as the Kö is one of Germany’s and Europe’s most prestigious shopping boulevards, also create stimulus for players in the commercial real estate market.

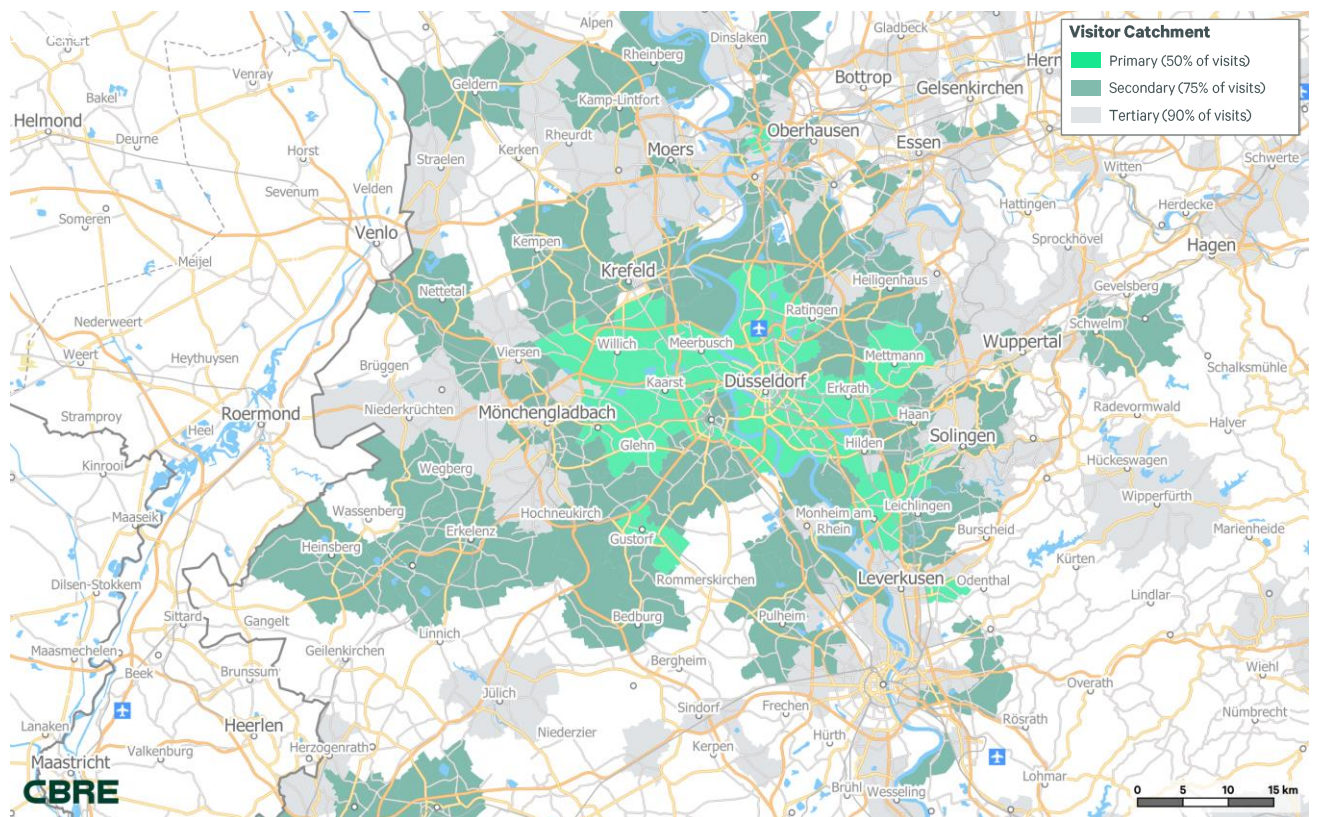
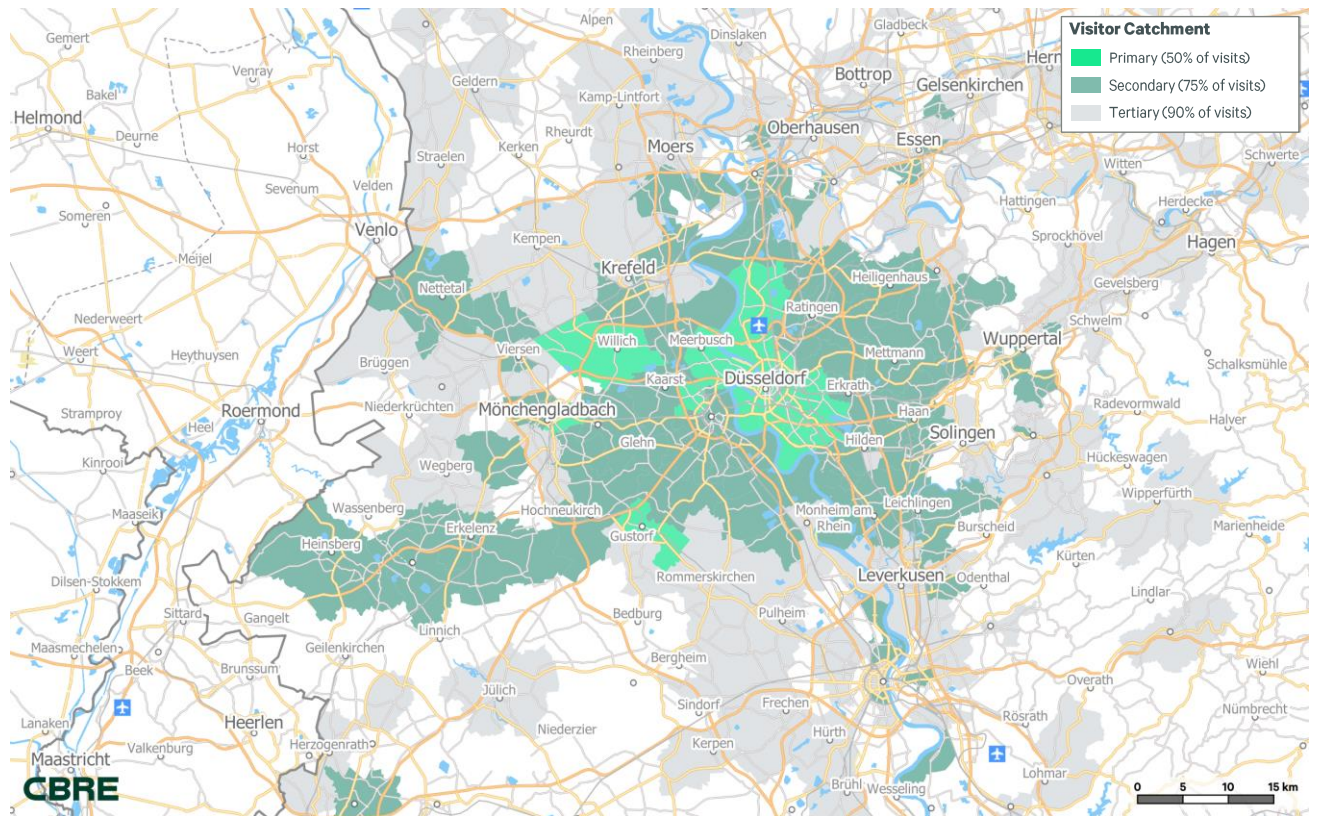
Stellar developments make a city more attractive and raise its appeal. For instance, research recently conducted by CBRE based on data derived from mobile cell phone networks show that compared with 2019 the catchment area of the Kö had expanded considerably by 2022 (Fig. 3). In this context, Kö-Bogen II that was completed during the pandemic, including the redesign of the Gustaf-Gründgen-Platz and the Schadowstraße, has significantly added to the recreational value of the surrounding areas as well. Catch-up effects from the period of the pandemic have bolstered this trend additionally. The data also reveal that the time spent by passers-by increased significantly in 2022 as against 2019, particularly in the attractively designed areas with greening (Hofgarten, Corneliusplatz, Kö-Bogen II). Similar effects can be anticipated from the new developments to the west of the Königsallee, including the revamped Heinrich-Heine-Platz and the planned construction of the Düsseldorf’s new Opera House.

Figure 2: Landmarks and axes of Düsseldorf northern city center



Source: Esri, CBRE Research 2023

Figure 3: Königsallee catchment area 2019 (above) and 2022 (below)



Source: CBRE Location Intelligence 2023

Kö North Project Area

In the northern part of the Kö, on a stretch of around 500 meters between Breite Straße and the Opera House, several properties of prestigious developers and investors are to be built on a good 13 ha in collaboration with international architectural practices. The entire investment volume amounts to more than €2 billion; the area designated for construction will comprise around 4.5 ha. A good 150,000 sq m of new space is to be created here. Mixed usage consisting of space reserved for offices, retail and gastronomy will dominate more strongly than before – and, with the recent decision taken to rebuild the Deutsche Oper am Rhein (opera and ballet), culture. Due to the earmarking as a core area and pricing (the ground value of €55,000 on the east side of the Kö is the highest in the city) residential usage will only play a marginal role. Following on from the measures already completed, the projects represent further milestones in the Kö's evolution into a significant urban service provider and retail boulevard and a bustling, integrated location. It is not for nothing that the city center is considered one of the key areas in the state capital of Düsseldorf's urban development concept, also known as "Raumwerk D".

Some developers are currently under growing pressure. Rising interest rates and construction costs, tighter financing requirements imposed by banks, coupled with greater energy demands and a market environment in more of a wait-and-see mode regarding investment and leasing momentum pose a hindrance to implementing planned projects. Accordingly, the extent to which the projects cited in this report can be realized in the form and within the time frame envisaged is still uncertain at the present point in time.

Figure 4: Developers and projects

SIGNA

Signa is responsible for the repositioning of the Carsch-Haus as part of the KaDeWe Group, including redesigning Heinrich-Heine-Platz with its atrium, and revitalizing the Kasernenstraße 6 and Königsallee 1 where the former multi-storey car park is to be demolished and is due to be replaced by an office building. The designs for the Carsch-Haus and Kö 1 originate from David Chipperfield Architects. LEED Gold, WELL Gold and WiredScore Gold certifications are targeted as a minimum for all three projects.

Hines

After demolishing the former Commerzbank, a new highly energy-efficient property designed by Pickard Chilton und RKW Architektur + is being built here in the direct vicinity of other Hines projects. Platinum DGNB certification is envisaged.

MOMENI

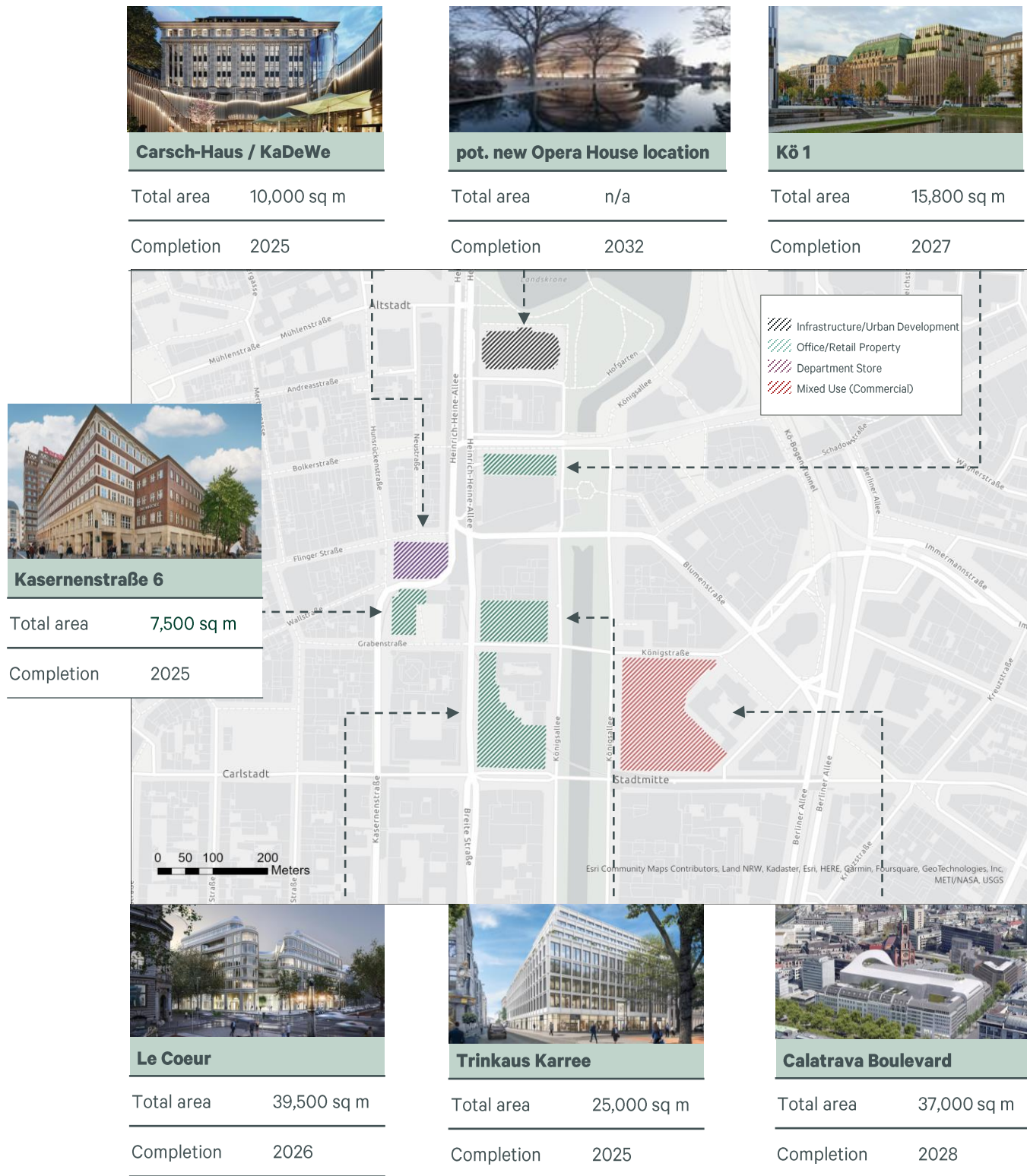
Plans include building a premium office, retail and gastronomy complex between Königsallee, Trinkausstraße and Heinrich-Heine-Allee, which will involve refurbishing the existing stock and extensions designed by David Chipperfield. More than 70% of the actual building materials are to be recycled. The complex is to be LEED Gold and WiredScore Platinum certified and have integrated e-charging points and bicycle stands.

CENTRUM

A sustainable complex of buildings to house luxury retail and space reserved for gastronomy in the two lower floors, with offices above, is to be built in the Calatrava Boulevard between Königsallee, Königstraße and Steinstraße. Rooftop photovoltaic systems are planned, along with greening the complex. The project has been named after the architect Santiago Calatrava. DGNB Platinum certification is envisaged.

Source: Signa Holding GmbH, Hines Group, Momeni Holding GmbH, Centrum Holding Deutschland GmbH, State Capital Düsseldorf, BulwienGesa AG, CBRE Research 2023

Figure 5: Selected (planned) Königsallee developments



Source: Signa Holding GmbH, Hines Group, Momeni Holding GmbH, Centrum Holding Deutschland GmbH, CBRE Research 2023

Image rights: Carsch-Haus © SIGNA by Tecma; Kö 1 © SIGNA; Kasernenstraße 6 © SIGNA by Philip Kistner Photography; Le Coeur © Hines; Trinkaus Karree © Momeni; Calatrava Boulevard © Centrum; neue Oper © ingenhoven

Excursus: New Opera House

The state capital of Düsseldorf has plans to replace the outmoded existing opera house at the northern end of the Königsallee in the direct vicinity of the Hofgarten by a contemporary and multifunctional opera house of outstanding architectural quality. Düsseldorf's Lord Mayor Dr. Stephan Keller summarizes the significance of this development in the following:

Reconstructing the Opera House can be seen as a key project for culture and urban development. It will significantly and decisively promote the City of Düsseldorf and make its mark on the entire city center through the prestigious developments that are part of this undertaking. The project is one in a series of numerous courageous decisions made over the last decade, which includes relocating the exhibition center to Stockum 50 years ago, building the arena and the Rheinufertunnel (Rhine Bank Tunnel), and last but not least constructing the Wehrhahn line and the Kö-Bogen. These decisions have ultimately proven to be extremely advantageous for our city – there can be no doubt as to the sustainable value added for the population, economic strength and tourist appeal, for instance.

Opera and ballet should also not be overlooked in terms of what they contribute to societal integration. Culture cements the population together. This elevates the significance of cultural establishments far beyond “pure” cultural work, with visible effects on urban lifestyle, sometimes only at second glance. The opera of the future is deliberately designed to offer more than just a pure opera experience.

In relation to its size, the City of Düsseldorf has its very own special flair. It offers a high standard of living and an outstanding, best-in-class cultural program. With a view to promoting this effect, both within the city and externally, it is essential for Düsseldorf as the state capital to invest in high-impact projects. This approach includes designing a modern opera house with ballet that can hold its own against its international peers. Realizing this undertaking signifies a key milestone for the city and will contribute to positively and sustainably enhancing Düsseldorf's attractiveness and quality of life.

Figure 6: Winner of the urban planning competition Heinrich-Heine-Allee location



Source: ingenhoven associates gmbh/
West 8 urban design & landscape architecture b.v.



Source: Meyer Architekten GmbH/
Henning Larsen Architects



Source: Snøhetta AS



Source: HPP Architekten GmbH/
Rehwaldt Landschaftsarchitekten GmbH

Impact on the Office Real Estate Market

The Kö as a location and CBD submarket remains one of the most desirable locations for office occupiers in the Düsseldorf market. Some years ago, when premium office space came on the market with the refurbished Dreischeidenhaus and the Kö-Bogen, many companies relocated to the CBD. The projects of Le Coeur and Trinkaus Karree that are currently under way have already found prestigious law firms as occupiers. Planned office space of just under 100,000 sq m, which is around 15% of the current office stock in the CBD, will further fuel rental growth, driven by the rising cost of construction and financing, as well as price mark-ups for the ESG-compliant fitout envisaged although the greatest leaps and bounds took place here at the end of 2022.

The polarization of the premium office space is set to intensify through the flight to quality. This trend manifests most markedly in the CBD, with other office submarkets currently seeing brisk construction activity in the context of high-quality projects. Such activity gives rise to both opportunity and the necessity of investing in manage-to-ESG with regard to the existing stock in order to position these assets securely for the future and to compensate vacancies. In the CBD where vacancies are of a more sporadic nature with small units, projects offering high quality and sustainable large-scale leasing options nevertheless represent a positive addition. Similarly, the offering will also interest core investors going forward as soon as the investment market regains momentum.

Annual growth rate of prime rent
2018-2022 & 2023-2027

8 % / 2 %

Office stock
City of Düsseldorf & CBD (million
sq m)

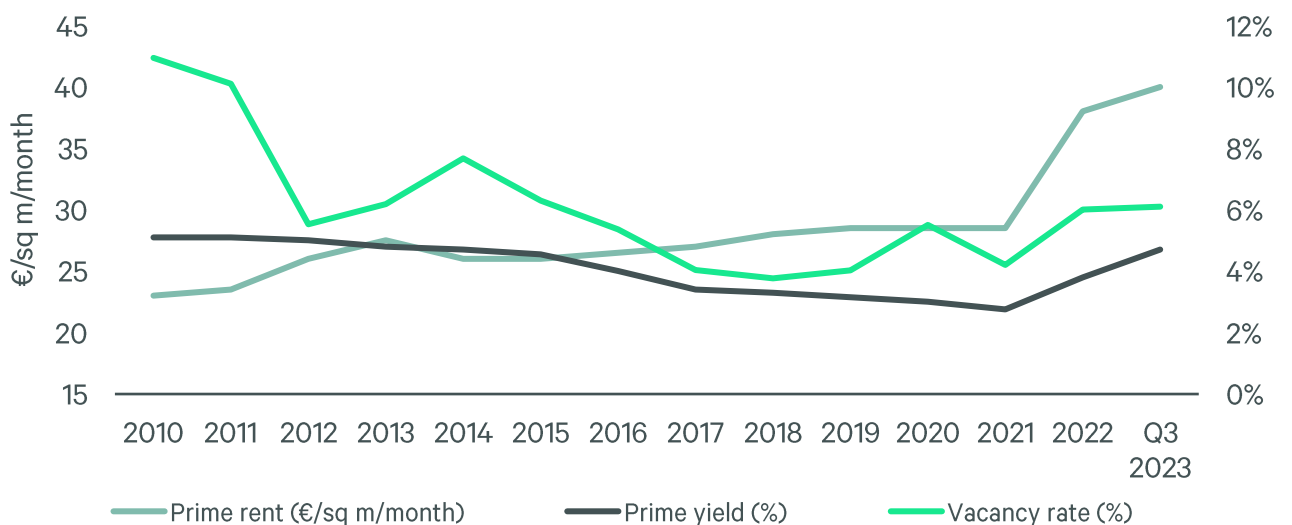
7.6 / 0.7

Office employees, City of
Düsseldorf (2022)

276,200

Source: CBRE Research,
Michael Bauer International
GmbH

Figure 7: Key data office submarket CBD Düsseldorf



Source: CBRE Research 2023

Impact on the Retail Real Estate Market

The new developments in the northern part of the Kö aim at offering almost 50,000 sq m of new, high-quality retail and gastronomy space, with the Carsch-Haus being an existing rather than an additional building. In the Calatrava Boulevard, new space is to be created especially by developing the court area, while the space in the existing properties along the Kö is to be retained and upgraded.

Similar to the office segment, the tenet also applies in retail that space vacated by current occupiers relocating will also require partial upgrading to prevail against new competition. Owing to the various target groups, new space belonging in the luxury segment is, however, more of an addition to existing space, e.g., in the Schadow-Arkaden that are hallmarked by significantly greater consumption, or Breuninger and other retailers in Kö-Bogen I that operate in the premium segment; retail derives additional benefit from economies of agglomeration, which makes the entire district more attractive to customers.

However, developers still continue to command high rents, also due to the level of construction and financing costs, which impacts on the occupier community that is still suffering somewhat from the coronavirus pandemic. There is a reason for the saying that luxury never goes out of fashion. Inasmuch, the new projects constitute new magnets in Düsseldorf, both because of the tenant mix envisaged and the new architectural concepts.

Retail-relevant purchasing power index for Düsseldorf (2022)

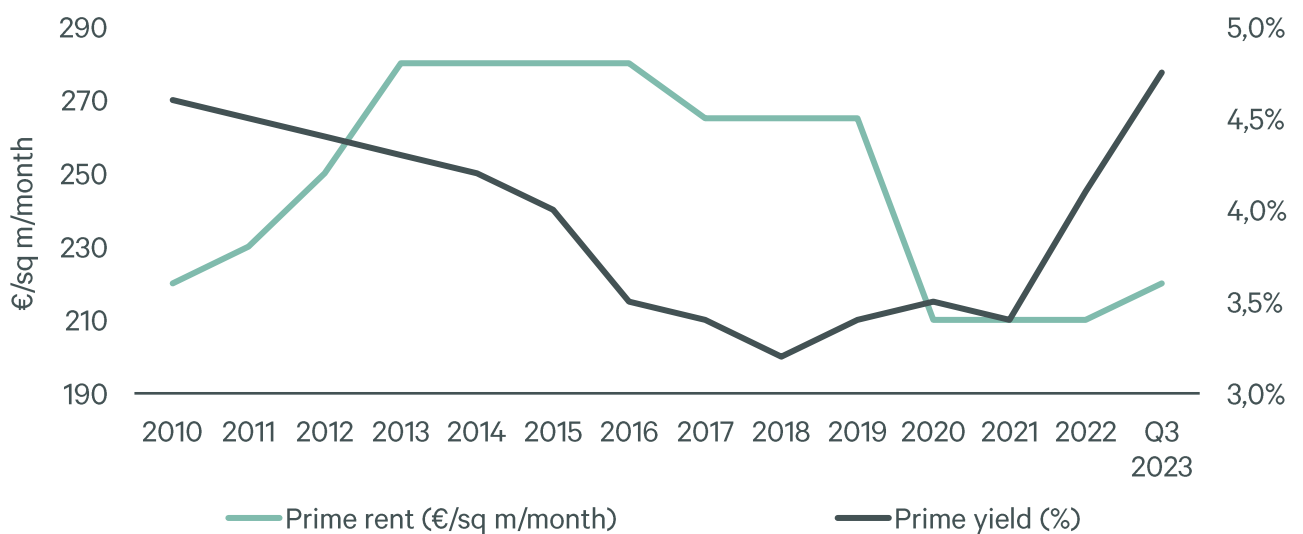
113.6

Retail-relevant purchasing power per inhabitant (€, 2022)

8,274

Source: Michael Bauer International GmbH

Figure 8: Rents & yields high street retail Düsseldorf



Source: CBRE Research 2023

Infrastructure and Urban Development

The planned developments are able to form a new urban bridging element between the city and the CBD and the popular Carlstadt and the Rhine promenade. Heinrich-Heine-Platz will also be redesigned as part of upgrading the Carsch-Haus, and the traffic redirected to free up more space for people to spend quality time. A new planting concept that also factors in the changed climate conditions in cities has been implemented on the Landskrone in the Hofgarten. The west side of the Kö that was formerly less frequented may be reinvigorated by the new projects with greater occupier mix.

The city center will be reinforced overall and revitalized to encourage thriving urban life, also in the evening hours. Contemporary and attractive working worlds in the new office buildings strengthen Düsseldorf's significance as a service metropolis and enable hybrid, post-coronavirus appropriate structures. All buildings, both new and upgraded, will be aligned to the highest sustainability standards; in addition, modern climate-friendly mobility offerings will be integrated and linked up more effectively with public transport, while reducing motorized private transport at the same time.

Dailytime population Düsseldorf

828,300

Projected number of inhabitants Düsseldorf 2030

629,000

Source: IT.NRW

Figure 9: Düsseldorf city center frequency analysis



Source: CBRE Location Intelligence 2023

Conclusion and Outlook

Düsseldorf's city center with the Kö as the main attraction bridging the various shopping locations and a magnet for discerning office occupiers would be significantly enhanced through the planned developments as well as through urban and regional planning for traffic construction: all in all, a versatile urban region with a vibrant occupier mix, a high standard of living and sustainable, attractive architecture with an international flair. Given the current market environment, the time horizon is nevertheless partly in doubt; if projects cannot be realized as planned, all the relevant stakeholders (policymakers, companies, investors and the public) should engage in developing new strategies and implementing them in order to achieve this end result.

A higher proportion of residential usage would have a positive impact; only a small number of (premium) residential units are available in this area. A greater functional mix in the projects would deliver significant value added. With regard to the impact of climate change, the planned approaches to sustainable building and greening are to be welcomed. Growing consideration is given to making a substantial contribution to the micro-climate in new buildings. In the real estate segment, the topic of sustainability is playing an ever greater role, both for occupiers and investors who are increasingly prepared to pay higher prices and rents for properties of this kind. The emphasis here is on reduced energy consumption, sustainability certification and climate resilience, as well as the well-being of tenants and employees, which considerably enhances the value of properties.

The projects reviewed in this report hugely reinforce the CBD's importance and put Düsseldorf's prime capital values in the league of other top German cities; in the greater market area there is nevertheless further potential for leveraging synergies in locations that are not part of the CBD and for creating vibrant, sustainable districts, especially in view of the relocations to be anticipated and the resulting vacancies in existing stock.

Figure 10: Outlook – The “New” Kö



Sustainable premium office, retail and gastronomy space is to be created that will add to and significantly upgrade the existing stock on Düsseldorf's real estate market. Companies will have the option of new quality premises on the one hand, while the pressure to upgrade existing stock (ESG compliance) is set to increase, on the other, particularly in the office segment.



Environmental aspects are specifically addressed by sustainable urban development, also by reducing motorized private transport and traffic calming measures, especially more greening, recycling, building materials, and by targeting the certification of new properties built to the highest sustainability standards, not forgetting creating and enlarging public places.



The city will be made more multifunctional. The focus is being directed away from retail space, which has proven to be disadvantageous particularly during the coronavirus pandemic, toward urban, more vibrant space with upgraded areas for recreation and meeting, interspersed, however, by merely sporadic residential usage in the neighboring streets. In terms of interlinked urban planning and mixed usage, the Kö forms the bridging element between the Rhine Promenade, the old town, Hofgarten and the eastern city center.



The new architectural highlights on the Kö that supplement Düsseldorf's existing jewels of architecture, flanked by plans for exceptional line-up of retail and gastronomy, serve to enhance Düsseldorf's and the Kö's attractiveness as a whole – and especially of the Kö in an international context as well.

More information on sustainability & ESG in the real estate industry can be found in the CBRE reports on [“The Value of Sustainable Building Features”](#), May 2023, and [“Strengthening Value Through ESG”](#), February 2023

Source: CBRE Research 2023



Contacts

Business Lines

Max Schultheis

Senior Director
City Lead Düsseldorf & Rhine-Ruhr
max.schultheis@cbre.com

Research

Dr. Jan Linsin

Managing Director
Head of Research Germany
jan.linsin@cbre.com

Anja Scholz

Associate Director
Research Germany
anja.scholz@cbre.com

© Copyright 2023. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.