

Drees & Sommer Reviews the Real Estate Portfolio of the German City of Düsseldorf

The international consulting and project management company Drees & Sommer offers cities and municipalities a strategic real estate consulting service which can, for example, provide an overview of the maintenance required in publicly owned buildings. This constitutes a basis for decisions on the strategic management of the real estate portfolio. The city of Düsseldorf called on this service to obtain a survey and valuation of its real estate portfolio with the exception of schools, so it now has a basis for decisions on future-proof real estate and investment strategies.

Event venues with leaking roofs, public indoor swimming pools with dilapidated sanitary installations or old and run-down sports halls: many public buildings are in need of refurbishment and repairs. The investment backlog is enormous, and many cities are facing great challenges in the maintenance of buildings – not only in defining the priority of the work, but also in personnel and finance. And for many municipal buildings it is an open question whether their use is in fact still economically viable, or whether it would be better to use the land or buildings for other more urgent purposes – for example to increase the urban density mainly by building new residential accommodation. This question cannot be answered without a thorough and substantial basis for decision-making.

Future-Proof Real Estate Concepts are Needed

Düsseldorf, the capital of the federal state of North Rhine-Westphalia, commissioned the experts of Drees & Sommer to carry out a survey and evaluation of part of its real estate portfolio, consisting of about 750 buildings. The result is a comprehensive report which gives a detailed overview of the real estate portfolio and the anticipated refurbishment and repair costs over the next 25 years. For the city of Düsseldorf this was an important step towards a more strategic long-term real estate concept which would help to adapt and optimize the city's budget planning. 'Because the structures have developed over several decades, the municipal decision-makers often do not have sufficiently detailed information to carry out systematic and sustainable real estate management. In this respect, setting the right priorities for the work is an important element,' comments Karsten Eisenmann, Associate Partner at Drees & Sommer in Düsseldorf and an expert in real estate consulting. In many cities there is a great need for comprehensive and forward-looking real estate management, and this applies equally to growing cities and cities which are in a shrinking process.

'The city of Düsseldorf has the same approach to real estate management as private owners. The buildings must be kept economically sound and in a safe condition. To achieve this, it is essential to have information which is up to date and has been systematically analyzed. In addition, the administration and politicians also need basic decision-making information in order to adapt the portfolio and strike a balance, for example, between refurbishment, sale or new construction. With the support of Drees & Sommer, the federal state capital of Düsseldorf has now optimized its data on the real estate portfolio,' comments Thomas Geisel, the Lord Mayor of the city of Düsseldorf.

The survey of property-related data opens up a new perspective on the real estate portfolio: cost drivers can be identified faster, investments in the existing portfolio can be adapted to the municipal budget plan – and now and then hidden treasures may be found. This survey also helps to answer the question of where the urban building density can be increased. Areas which are financially unprofitable or which are wasteful in their use of space can be sold, or used more rationally.

Two-Stage Process ensures Standardized Data Capture and Evaluation of the Real Estate Portfolio

The strategic real estate consulting offered by Drees & Sommer includes an extensive range of services. It begins with a workshop to evaluate and determine the areas which are to be the main focus of the survey, and this is used as a basis to develop a test catalog and a valuation system. In Düsseldorf, the real estate experts cooperated closely with the municipal building management department to define the specific requirements for the overall data capture on the basis of a pilot project. To this end, 19 buildings with different types of use were selected, such as kindergartens, administration buildings, fire stations, sports facilities and cemeteries. The experts from Drees & Sommer used the collected data to compile a building profile and a list of measures for each building. Then all buildings were considered in an overall view and analyzed, and individual measures were assigned priority levels. Drees & Sommer thus provides its clients with a basis for decisions on their real estate strategy, and this is the foundation for all property management work. This helps to avoid misdirected investments and to make long-term plans for maintenance and the sale of buildings.

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