MODEST RISE IN INVESTMENT VOLUME

With a transaction volume of 457 m €, the Cologne investment market exceeded its prior-year total by close to 6 %. At the same time, though, the result was below the long-term average (-28 %), because the availability of large-unit products remains very limited. One positive fact, however, is that the turnover generated by single deals has increased considerably compared with 2013 (+ almost 54 %), indicating lively demand overall. On the other hand, portfolio deals were fewer in number and they have contributed slightly less than 9 % to aggregate investment. In absolute terms, there were more transactions than before, but these were predominantly in the small to medium size spectrum. The biggest deal in the first nine months was the sale of the abc-Tower. The average volume per transaction is only just over 10 m € and thus far lower than in other cities.

DEALS MAINLY IN SMALL SIZE CLASSES

As a result of the restricted supply of large-unit assets, activity in the Cologne investment market is confined chiefly to deals in the single-digit and low double-digit million euro range. Sales of below 25 m €, for instance, account for 63 % of the transaction volume, a substantial increase on the prior-year figure (+19 percentage points). In the bigger size brackets, fewer deals were registered: assets of between 25 and 50 m €, for example, have contributed under one quarter to total investment, representing a sharp drop of almost 15 percentage points. The size class 50-100 m € has produced just one deal, equivalent to a share of 12 % of turnover.

OFFICE BUILDINGS HEAD FIELD

Over half of all the capital invested in the first nine months went into office buildings (52 %). They thus represent by far the most highly favoured asset class, with just a marginally smaller proportion of the total than last year. Next in the ranking come logistics complexes; although these have slipped by almost 6 percentage points in relative terms, they nevertheless account for more than 18 % of all investment. Retail properties doubled their prior-year share to reach just under 10 %. With a contribution of slightly under 5 %, hotels attracted a somewhat lower share than in 2013. The category of other types of real estate has so far mainly comprised plots of land acquired for project developments.
CITY CENTRE AREAS SLIGHTLY AHEAD
The largest proportion of the transaction volume, 40%, was generated by the City Centre precincts. This means that they continue to head the geographical ranking. Next, one place higher than before, come the subcentres, which have stepped up their contribution considerably, to around 36%. One significant element in this strong result was the sale of the abc-Tower. The Centre Fringe has attracted appreciably less investment than last year, giving it a share of almost 23% (- around 12 percentage points). In the peripheral districts, hardly any deals at all have been registered so far.

BROAD SPREAD OF BUYER GROUPINGS
Investment has been quite widely distributed between different categories of buyers, thus indicating a stable market basis. Special-purpose funds head the ranking with a share of 23%. Next come private investors, which are usually fairly strong in Cologne, with slightly over 16%, generated by a whole series of deals chiefly in the small size classes. Closed-end funds have achieved a share of 12% to take third place. They are followed by pension funds (over 11%), which had hardly put in an appearance at all last year. Project developers have accounted for around 9%, corporates for 8%. Insurances have been responsible for a share of only just under 4%. Foreign investors make up a proportion of nearly 35%.

OFFICE PRIME YIELD STANDS AT 4.85%
In the current year, prime yields for office buildings and retail/office properties have remained stable, but compared with this time last year they have eased slightly. Since the end of last year, the prime yield for office assets has stood at 4.85%, which corresponds to a fall of 35 basis points compared with Q3 2013. Something similar applies to retail/office properties: in the same period, the net initial yield for such assets has declined by 5 basis points; since the end of 2013 it has stood at 4.15%. At present, the yield for logistics complexes is 6.50% (-30 basis points).

OUTLOOK
The Cologne investment market is being held back by the restricted availability of large-volume products. This is reflected by the aggregate result, since existing demand on the part of domestic and foreign investors simply cannot be met. However, end-of-year business can be expected to produce a comparatively lively final quarter, since there are still several sizeable deals in the pipeline. So there is definitely still a chance that the result for 2014 as a whole will be above the long-year average and somewhere in the high three-figure million euro range.