By the end of the third quarter, the transaction volume in the Cologne investment market totalled around 433 m €. This was some 14 % down on the prior-year figure and also failed to match the long-term average. One reason for this fall is the lack of large assets. In contrast to previous years, sizeable transactions have been extremely rare, with only one sale in the region upwards of 50 m €. That involved the Cäcilium office building which changed hands within the framework of the SEB portfolio. In absolute terms, though, there have been far more deals than in the prior-year period, thus indicating lively market activity despite the low overall turnover. In contrast to recent years, the result was influenced to a not inconsiderable extent by portfolio deals included on a pro rata basis (37 %).

With just one deal in the size class upwards of 50 m €, the proportion generated by this category was only around 16 %, which represents a marked downturn of 28 percentage points. On the other hand, the 25-50 m € bracket stepped up its performance in absolute terms and lifted its share to 40 %. Deals of up to 25 m € have also increased, although only slightly: the 10-25 m € bracket achieved a share of just over 23 % (+5 percentage points) and was followed closely by the category of under 10 m €, with just over 20 % (+3 percentage points).

Well over half (around 56 %) of the transaction volume in the first nine months of the year was generated by office buildings. So these remain the most favoured investment products and have in fact extended their relative lead by more than 10 percentage points. Second place was taken by logistics complexes, with just under 24 % of the aggregate volume. In absolute terms they actually attracted almost twice as much investment as in the same period last year. A long way behind, with slightly over 6 % (-1 percentage point) came hotels. Retail assets have lost very significantly in importance: after being responsible for more than one quarter of the transaction volume last year, they have this year contributed only 5 %. In this market segment the shortage of adequate products makes itself particularly noticeable.
CITY CENTRE AREAS WITH LOWER SHARE

Just as in the same period last year, the city centre districts accounted for a large proportion (more than 42%) of all investment. But their predominance was not so marked as before: their share slipped considerably, by about 14 percentage points. This downward trend is being sustained by the ongoing shortage of suitable investment products. The centre fringe has moved up into second place in the geographical ranking with a share of 35%. That represents a rise of almost 19 percentage points. In contrast, the subcentres have attracted somewhat less investment, to give them slightly under 17%. The periphery stepped up its share to almost 6%.

PRIVATE INVESTORS GENERATE BIGGEST TURNOVER

Up to now, private investors have been the strongest buyers in the Cologne investment market. They have generated just over 26% of the total after concluding a considerable number of deals in the single- to low double-digit million range. Next come listed real estate companies with 18%. Other groupings achieving double figures were equity/real estate funds (nearly 12%) and special-purpose funds (11%). Fifth place was taken by builders/developers, with about 9%. In close pursuit came corporates (8%) and insurances (over 7%). The proportion of foreign investors, at nearly 36%, was slightly above the nationwide average (32.5%).

PRIME YIELDS STABLE THIS YEAR

In the final quarter of 2012, prime yields for office buildings eased slightly (by 10 basis points) but since then they have remained stable. So the prime yield for high-quality office properties in top areas is still 5.20%. This means that by nationwide standards Cologne is still relatively favourably priced, as the only major city with a prime yield over the 5% mark. The net prime yield for first-class retail/office buildings in Cologne’s premium shopping streets is 4.20%. This makes the city one of the more expensive members of the Big Six, which underlines its ongoing attractiveness as a retail location. The prime yield for new logistics complexes in top areas remains at 6.80%.

OUTLOOK

Basically, there is broad demand on the part of both German and foreign investors and this will continue to generate lively activity in the Cologne market in the future, particularly in the small and mid-range size categories. But especially in the large-volume segment, suitable assets remain in short supply and this will presumably again have a retarding impact on the scale of investment during the rest of this year. So whether or not 2013 will be able to equal last year’s transaction volume of around 565 m € remains to be seen.