RECORD TURNOVER AT END OF THIRD QUARTER

The transaction volume in the Cologne investment market at the end of the third quarter totalled 1.34 bn €, that was more than 5 % above the previous record from 2007. After a solid first half, with investment amounting to around 430 m €, momentum in the past three months really picked up. The current volume is already enough to ensure the fourth-best whole-year result of all time. The very good performance was due overall to broadly based market activity, with two substantial deals in the category upwards of 100 m € also playing a major role. It is notable that the proportion of turnover generated by deals above 100 m € has actually declined by about 14 percentage points, indicating that the result has not been dependent just on particularly large investments but has also been fuelled by special dynamism in the mid-range segment. By far the biggest share of aggregate investment, over 90 % in fact, was generated by single deals, which totalled 1.22 bn €.

ALL SIZE CLASSES IN DEMAND

Compared with last year, this year’s similarly high transaction volume has been driven much more strongly by investment in the medium and higher-range size segment. Deals of between 50 and 100 m €, for instance, have accounted for almost 21 % of the total. The 25-50 m € size class has developed in a particularly gratifying manner, generating turnover of more than 218 m €; that is nearly twice last year’s figure and the biggest volume since 2008. Last year, neither of these categories generated substantial proportions. The classes of smaller deals up to 25 m € produced shares that are on a par with their long-term averages but below the figures seen in 2015. Overall, the distribution presents a balanced picture, with all size categories making significant contributions to the total.

OFFICES WELL AHEAD, RETAIL WELL DOWN

The office segment accounted for close to half of all the registered deals and also for the biggest transaction of all, the new headquarters of the Zurich insurance group. That meant that this asset class generated by far the biggest share of turnover, with more than 75 % — corresponding to a rise of nearly 33 percentage points. Hotels (share: 5 %) also attracted more investment than last year. In contrast, lower year-on-year proportions were posted by retail properties (9 %; -36 percentage points) and logistics complexes (1.5 %; -3 percentage points). This was something due in both cases to a shortage of appropriate offers in the face of demand that has remained lively.
CITY CENTRE WITH MARKED INCREASE

Benefiting especially from the Zurich headquarters deal in the Deutz district, the City Centre areas increased their leading position by 21 percentage points to almost 64%. That represents a very strong performance, around 6 percentage points above the ten-year average at the nine-month point, and a positive development for the right-bank precinct. Accordingly, the shares posted by the other locations were lower than before. Investment in the Centre Fringe totalled 344 m €, about 10% below the prior-year level, while the volume in the subcentres fell by all of 58% to just under 138 m €. That corresponds to a turnover-share of 10%, which is comparatively low after being extremely high in 2014 and 2015. In the peripheral areas, which traditionally play a rather subordinate role, there have so far been no investments of any note.

PENSION FUNDS TAKE OVER LEAD

The buyer-category distribution of investment in the Cologne market has produced some marked year-on-year shifts. Pension funds have stepped up their share by 17 percentage points to move into the lead for the first time. Investment/asset managers have expanded their investment volume by all of 40%, enabling them to climb up into second place. In contrast, last year's leaders, listed real estate companies/REITs, have so far invested 70% less than before, giving them just fourth place. Completing the midfield, each with shares of between 6 and 8%, are insurances, special-purpose funds, the public sector and private investors. So the market is at present more broadly based than it was a year ago.

YIELDS STAY AT RECORD LOWS

Yields in the Cologne investment market have continued to fall. This applies especially to the net prime yield for office assets, which has declined by all of 50 basis points since the end of 2015, slipping below the 4% mark for the first time to stand at 3.95%. The yield for retail/office properties has eased by 20 basis points to 3.60%, which corresponds to the level noted in Düsseldorf and Frankfurt. In the logistics sector, the yield in Cologne – 5.10% (-15 basis points) – remains on a par with that in Düsseldorf, Frankfurt and Hamburg.

OUTLOOK

After the successful third quarter, it is already certain that the result for 2016 as a whole will be very good. It is gratifying to note that this performance has been due less to any major deal than to generally lively investment activity in the mid-range segment. This highlights the sustained extent of strong demand in the marketplace, which has been encountering an appropriate level of supply. Given adequate availability of assets in the final quarter, there is a realistic chance that the 2 bn € threshold can be passed by the end of the year.