GREAT START TO COLOGNE INVESTMENT MARKET YEAR

The Cologne investment market started the year exceptionally well. The first-quarter turnover came to 598 m € - three times the prior-year figure and more than twice (+124 %) the long-term average. One particularly notable feature of this record result was the large number of transactions - some 30 were registered, none of them in the class upwards of 100 m €. Accordingly, the average volume per sale was around 20 m €. Single deals – which accounted for about 85 % of all investment, on a par with the multi-year average – produced a total of 500 m € for the first time ever. Something else worthy of mention was the significant role played by property developers: they were responsible as vendors for one deal in every three. The proportion of foreign investment, on the other hand, was comparatively minor, with just about 18 %.

BROADLY BASED MARKET WITH MANY TRANSACTIONS

The great dynamism apparent in the market was evidenced especially by the number of deals: in all, the survey covered 30 transactions, three times the prior-year figure. Unlike the opening quarter of last year, when there were just three deals in the double-digit million range, the investment volume was spread fairly evenly across the different size classes. Almost half of all sales were in the 10-25 m € category, while together, the two size brackets between 10 and 50 m € accounted for around 70 % of aggregate turnover. Due to this strong midfield performance, the size category of over 50 m € represented only about 23 %, although in absolute terms it actually attracted slightly more investment than in the first three months of 2016. The small-unit segment of assets up to 10 m € – despite a modest rise in the scale of capital attracted – was responsible only for the comparatively low share of just 7 %.

SEVERAL ASSET CLASSES POST STRONG MARKET SHARES

The biggest slice of investment in the first three months of 2017, just as before, was generated by office buildings. They accounted for 264 m €, which was higher than in any previous opening quarter. The fact that this nevertheless represented a decline in relative terms, to 44 %, is because all the other asset classes also produced appreciable increases compared with last year. Retail properties, for instance, lifted their turnover to 153 m € (share: 26 %), the highest level since 2010. Hotels also accounted for 10 % of all turnover. The result generated by the category of other forms of real estate was fuelled by the buoyant demand for development sites.
DOWNTOWN WITH ALMOST HALF OF TOTAL VOLUME

The geographical spread of investment shifted substantially year-on-year, triggered mainly by the strong interest shown in central locations. The City Centre precincts assumed the lead with nearly 49%, representing a handsome increase of 45 percentage points. The Centre Fringe performed in an almost diametrically opposite way (-43 percentage points) and had to be content with third place, with 13%. With a share of 33%, the subcentres held onto their second place. The periphery, which traditionally plays a rather subordinate role, this year generated the respectable share of nearly 5%.

INVESTMENT/ASSET MANAGERS WAY OUT IN FRONT

The foreground in the Cologne investment market in the first quarter of the year was occupied by investment managers, a category that is generally active on behalf of various market players, such as pension funds, insurances or other funds. They were responsible for all of 45% of the aggregate volume. Well behind came the public sector, special-purpose funds and listed real estate companies/REITs. Each of these three groupings generated slices of between 11 and 13%. Completing the midfield were property developers, which added a further 8%. Other the other groupings have so far made only minor contributions to the transaction volume.

YIELDS SLIP TO RECORD LOWS

Compared with the same period last year, the prime yields for offices have eased by 60 basis points to 3.85%, those for retail/office properties by 20 basis points to 3.60%. The past three months have not produced any further decline, but simply confirmed the low levels already registered by the end of 2016. This suggests that the steady fall seen in recent years is currently taking a breather. In the case of logistics complexes, there are so far no signs of any such consolidation: in the past twelve months, the prime yield in this field slipped by a further 35 basis points, dropping below the 5-% threshold for the first time to stand at the new low of 4.90%.

MARKET PROSPECTS REMAIN POSITIVE

Following on from two extremely strong years, 2017 has also got off to an exceptionally dynamic start. The interest exhibited in investing capital in this Rhineland metropolis is undiminished and so Cologne seems on its way towards another very successful investment year. Given an appropriate supply of assets, especially ones permitting large-unit deals, investment looks set to reach the 2-bn-€ mark once again. At any rate, a result well above the long-running average can be expected.