Cologne enjoys best-ever half-year

With total turnover of around 960 m € in the first half of the year, the Cologne investment market set a new record. The figure was not only more than twice the prior-year result (+123 %), but also exceeded the previous high of 2015 by almost 100 m €. The cathedral city thus continues the upward trend that has been apparent for some years now and it is definitely closing the gap on the other key German locations. It is particularly pleasing that this strong interim balance-sheet was achieved without major deals upwards of 100 m €. This shows that the market as a whole is broadly diversified and very buoyant, something which is also confirmed by the comparatively high number of deals (almost 50) across the different size categories and asset classes. Almost three-quarters of all investment was generated by single deals, which by themselves accounted for the exceptionally high volume of around 710 m €.

Turnover high in all size brackets

Apart from the small-unit segment, which contributed just under 8 % to total turnover, market activity was spread over several different categories. For example, some large-volume properties in the 50-100 m € class changed hands, together accounting for almost one-third of aggregate investment. At just under 28 %, the share generated by the 25-50 m € bracket was some 4 percentage points lower than in the same period last year, but its total volume, 265 m €, was the second-highest half-year result of all time. The 10-25 m € size class has done particularly well: it produced the largest share of the current investment volume, with over 33 %, and also registered by far its best-ever absolute turnover (nearly 320 m €).

Offices out in front – logistics with very strong half

Office properties are traditionally the most important investment target in Cologne, and although their share of the total volume in the first six months, at just over 38 %, was well below the 10-year average (52 %), the absolute volume generated by this asset class, 367 m €, was the second-highest ever, after 2015. The logistics segment has so far been particularly strong (18 %), fuelled by the sale of the LogiCor logistics platform, and its volume of just under 180 m € is already equivalent to the best full-year result of all time. Retail properties accounted for just under 20 % of turnover, hotels for a further 6 %.
**Investments according to location in Cologne H1**

<table>
<thead>
<tr>
<th>Location</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Centre</td>
<td>31.0</td>
<td>40.7</td>
</tr>
<tr>
<td>Centre Fringe</td>
<td>20.1</td>
<td>33.3</td>
</tr>
<tr>
<td>Subcentres</td>
<td>26.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Periphery</td>
<td>5.9</td>
<td>0.0</td>
</tr>
</tbody>
</table>

**Investments according to buyers' groups in Cologne H1 2017**

- Investment/asset managers: 25.6%
- Special-purpose funds: 13.5%
- Property developers: 12.0%
- Sovereign funds: 11.5%
- Public sector: 10.4%
- Listed real estate companies/REITs: 9.5%
- Insurances: 7.5%
- Others: 10.0%

**Net prime yields according to type of property in Cologne**

- Office: 4.90%
- Retail/offices: 3.60%
- Logistics: -20 basis points

**SUBCENTRES TAKE OVER TOP SLOT**

In Cologne, the City Centre usually generates the biggest proportion of investment, but in the first half of the year, it came only second with a comparatively low 31%. This was despite such significant deals such as the Deutz harbour site, the 24hours hotel and several office investments. First place this time went to subcentres (43%) with a record volume of over 410 m €. This category produced more than half (25) of all registered deals, including the seven investments in the logistics segment. The Centre Fringe areas accounted for a further 20% thanks to the sales of some office properties and development sites. Completing the result was the periphery with just under 6%.

**INVESTMENT/ASSET MANAGERS WITH BIGGEST SLICE**

In the first half, various investor groupings were active in Cologne. The ranking was headed by investment/asset managers, which have already been strong during the past two years, with just over a quarter of the volume. They were followed by four categories of investors each with double-digit market shares. Special-purpose funds accounted just under 14% by generating turnover of around 130 m €, representing their best half-year result of all time. In third place came property developers (12%). For the first time ever, sovereign wealth funds made a notable appearance to take fourth place in the ranking with just under 12%. The public sector was responsible for a noteworthy 10% of the total, and broke through the 100 m € barrier for the first time. This means that five buyer types have each already invested over 100 m € – more than ever before in any first half. About one third of the capital was from abroad, which is roughly the same as the long-term average.

**YIELDS ALSO AT RECORD LEVEL**

The prime yields for office buildings (3.85%) and retail/offices properties (3.60%) have stayed at the all-time lows reached at the end of 2016 in the wake of a sustained downward trend. Logistics complexes, though, have continued to ease (-20 basis points), dropping below the 5% mark for the first time to stand at 4.90%. At the moment, in view of the strong market dynamics, it is not possible to say whether the downward yield trend is now bottoming out.

**VERY GOOD WHOLE-YEAR RESULT CAN BE EXPECTED**

The first six months were characterised by very lively competition, and this is also expected to continue in the second half of the year. The undiminished high demand for real estate assets and the overall positive macroeconomic environment suggest that turnover in the year as a whole will be very good and well above the long-term average. Matching the record result of 2015, though, would call for a supply of products in the large-unit three-digit million-euro range.