COLOGNE REMAINS ON COURSE FOR RECORD YEAR

The Cologne investment market remains on course for a new year-end record, as already indicated by the performance in the first and second quarters of this year. A total volume of 1.6 bn € surpasses the previous record from last year by no less than 22 %. This gratifying result is based above all on very brisk market activity, with more than 60 deals. The four largest transactions to date were reported in the third quarter, including the DuMont Carré and the Technologiepark. At almost 27 m €, the average volume per deal is roughly on a par with the past two years. The share of portfolio deals stands at almost 17 %, which is markedly up on the corresponding period last year (just under 9 %) and also outstrips the multi-year average (just under 14 %). A good 35 % of the capital originated from abroad. This represents the second-lowest rate among the Big Six, after Munich (32 %).

ALL SIZE CATEGORIES IN DEMAND

While last year’s very good result was largely influenced by a very large-volume deal concerning the new Zurich Group headquarters, this year’s result is spread to a much greater extent across the other size categories. This highlights the highly diversified and very dynamic investment activity. The size category from 50 to 100 m € is predominant, accounting for around one third of the total volume. The transaction volume in this category has increased almost two-fold in comparison to last year. The segment from 10 to 25 m € (contributing a good 25 % share) amassed almost 410 m € with a large number of deals, representing an almost three-fold increase on last year. The category from 25 to 50 m € also claims a very good 22 % share.

OFFICES IN THE LEAD, RETAIL AND LOGISTICS STRONG

Office properties continue to represent the leading asset class on the Cologne investment market. While a repetition of last year’s exceptionally high figure was not to be expected, a volume of around 650 m € nevertheless constitutes a very good result. Both retail (just under 25 %) and logistics (a good 14 %) made very good headway, the latter segment heading for the best overall result of all time, having already generated around 230 m €. Development sites have also performed particularly well. These account for over 90 % of the Others category and report an unprecedentedly good result to date of 250 m €.
Investments according to location in Cologne Q1-3

CITY CENTRE PREDOMINANT, SUBCENTRES DYNAMIC
Almost one in every three transactions and four of the five largest deals to date have been reported in the City Centre, which is once again the leading location on the Cologne investment market, with a good 46 % share. The third quarter was particularly dynamic here. The subcentres are the year’s biggest climbers, however, taking second place with a share of 27 %. The transaction volume to date of 440 m € already marks an all-time record. In addition to two deals just over the 50 m € mark, these locations benefit above all from the large number of transactions (27) in the most diverse asset classes. The share for the Centre Fringe is slightly down on the corresponding period last year, although at 322 m € the total volume here is only slightly (just under 7 %) below last year’s figure. The periphery contributes 7 % to the overall result, with a very good total of 111 m €.

Investments according to buyers’ groups in Cologne Q1-3 2017

SPECIAL-PURPOSE FUNDS AND DEVELOPERS HIGHLY ACTIVE
On the buyer side, special-purpose funds have been particularly active to date, leading the field with a 30 % share. A good 489 m € represents the best result of all time for this segment. The same applies to property developers, who have topped the 300 m € mark for the first time with a vengeance, amassing 368 m € to take second place on almost 23 %. Investment/asset managers are also prominent, claiming a good 15 % share. The remaining market activity is spread relatively evenly across insurances and sovereign funds, each with a share of around 7 %, along with the public sector and listed real estate companies/REITs, on approx. 6 %.

YIELDS REMAIN IN DECLINE
The high levels of market activity are reflected in a continuing decline in yields. As in the other Big Six locations, the prime yields for the asset classes dropped across the board. Figures of 3.70 % for office properties (-15 basis points since year-end 2016), 3.20 % for business premises (-40 basis points) and 4.70 % for logistics properties (-40 basis points) represent absolute records in Cologne. Price adjustments have been particularly evident in this context in the past three months.

OUTLOOK
The Cologne investment market is headed for a record year, whereby the result to date is encouragingly spread across a diverse range of segments. With a high volume in the final quarter, there is thus a realistic chance of the 2 bn € mark being topped for only the second time ever. The record result from 2015 (2.2 bn €) is also within reach. A further drop in yields cannot be ruled out.