At a Glance Q3 2018

INVESTMENT MARKET COLOGNE

Investment volume in Cologne Q1-3

- Single investments
- Portfolios

Investments by € category in Cologne Q1-3

- ≥100 m€
- 50-100 m€
- 25-50 m€
- 10-25 m€
- <10 m€

Investments by type of property in Cologne Q1-3

- Office
- Retail
- Logistics/ light industrial
- Hotel
- Others

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COLOGNE MARKET CONFIRMS ITS NEW LEVEL

The Cologne investment market is performing very dynamically for the fourth time in a row and generates a very pleasing result with just under 1.3 bn €. Although this is almost 21 % short of the record set in the previous year, the total turnover is very respectable and confirms the high level of interest in the Cologne market, which has been reflected in a correspondingly high turnover since 2015. The major deals to date include in particular the purchase of the Maritim Hotel in Neumarkt and the complete sale of the Kaufhof building in Hohe Strasse as part of the merger of Karstadt and Kaufhof. Due in particular to this department store deal, the share of portfolio sales has climbed above 38 %. The share of foreign investors totals just over 50 % as a result. Detached from this special case, it can be seen that Cologne is increasingly becoming the focus of international investors.

MAJOR DEALS ARE PUTTING THEIR STAMP ON THE MARKET

Besides the aforementioned major deals, several transactions with a volume above the 50 m € mark were registered in the Cologne investment market and made a significant contribution to the very pleasing result. With around 32 % each, the two size categories above 50 m € account for almost two thirds of the volume to date. The bigger deals carry even more weight, because the number of deals seen is on the whole comparatively small. Consequently, the shares of the segments 25-50 and 10-25 m € have fallen compared to the previous year to just over 16 and 14 % respectively. It should be noted, though, that almost one in every two deals generate a volume of between 10 and 50 m €, underlining the importance of this size category for the Cologne market.

OFFICE AND RETAIL OUT IN FRONT, HOTELS STRONG

Office properties are the most popular asset class in the Cologne investment market almost every year. With just over 44 %, they again hold top spot after the first three quarters of 2018. The likewise traditionally strong retail properties account for a further 30 %. In third place with almost 15 % are hotels, which can already celebrate the second best overall result of all time in Cologne due to the Maritim deal among others. The share of logistics properties (just over 7 %), on the other hand, has fallen significantly following the record turnover in the previous year. However, due to the volume achieved to date, 2018 also promises to be a very good year for this segment.
Investments by location in Cologne Q1-3 in %

- City Centre: 60.7% (2018), 46.4% (2017)
- Centre Fringe: 20.7% (2018), 19.8% (2017)
- Subcentres: 17.5% (2018), 27.0% (2017)
- Periphery: 1.1% (2018), 6.8% (2017)

**CITY CENTRE TAKES LION’S SHARE**
In the Rhine metropolis of Cologne, the City Centre and Deutz are the measure of all things. Almost 61% of the volume was achieved here, although Deutz to the east of the Rhine only contributed one deal. The remaining deals in the Inner City, which include the four biggest investments of the year, all took place in the City Centre submarket. All of the registered hotel deals are also located here. The Centre Fringe increased its share slightly to just under 21%, benefiting from among others the sales of Zollstock-Arkaden in the district of Zollstock and two fully let office buildings in Deutzer Feld. Although the Subcentres are down by almost 10 percentage points after their record year of 2017, they are still successfully represented with just under 18% and show prominent transactions with the Ford supplier park in Niehl and ABC Tower in Porz.

Investments by buyer group in Cologne Q1-3 2018

- Special-purpose funds: 28.6% (2018), 26.4% (2017)
- Property firms: 14.9% (2018), 15.9% (2017)
- Property developers: 9.5% (2018), 10.7% (2017)
- Investment/asset managers: 5.5% (2018), 5.5% (2017)
- Family offices: 5.0% (2018), 5.0% (2017)
- Insurance companies: 3.2% (2018), 3.2% (2017)
- Pension funds: 6.9% (2018), 7.0% (2017)
- Others: 0.0% (2018), 0.0% (2017)

**SPECIAL-PURPOSE FUNDS JUST AHEAD OF PROPERTY FIRMS**
Special-purpose funds and property firms are involved in a head-to-head race, with special-purpose funds in the lead with almost 29% thanks to numerous deals in high double figures. At the same time, property firms (just over 26%) achieve an all-time record, with in particular the acquisition of Kaufhof by Signa Prime Selection contributing to this. The need for investment and construction activity in Cologne is also shown by the persistently high importance of property developers. They are responsible for numerous deals, which, although largely small in volume, produce together the second highest result of all time for the year as a whole.

Net prime yields by type of property in Cologne

- Office: 7.0% (2018), 8.8% (2017)
- Retail: 4.0% (2018), 5.2% (2017)
- Logistics: 4.0% (2018), 4.9% (2017)

**YIELDS LOWER THAN EVER**
In all three asset classes yields are at a record level. While they are unchanged in the high street segment at 3.20%, net prime yields for offices and logistics properties have fallen again. For offices they are now 3.35%, whereby the reduction by a full 20 basis points since the start of the year was seen in the last three months. The logistics market has seen a rise in prices throughout Germany, and as a result the prime yield has also come under pressure in Cologne (~30 basis points). It is currently set at 4.20%.

**OUTLOOK**
The Cologne investment market has to date generated a pleasing result despite the comparatively low number of deals. Although it is not currently expected that turnover will again be around 2bn€ for the year as a whole, a very good result around the average for the last 5 years (approx. 1.7bn€) is very realistic.