

Pressemitteilung

Köln, 03.01.2020

Turnover of EUR 3.1 billion: record transaction volume for Cologne's commercial property market

A new record was set in Cologne's commercial property market in 2019: Greif & Contzen's researchers establish an investment transaction volume of just over EUR 3.1 billion. Around 35 percent more than in 2017, when a total real estate turnover of more than two billion was realised in Cologne for the first time. Compared to 2018, the transaction volume has increased by as much as 48 percent.

When analysing the investment market of 2017 in January 2018, Greif & Contzen's real estate experts found that "A new record level for Cologne!" had been achieved. Back then, the researchers of the Cologne-based property service provider reported a transaction volume of EUR 2.3 billion. The record level for the city on the Rhine has now been exceeded once again: with a total transaction volume of around EUR 3.1 billion, the previous record of Cologne's commercial property investment market was surpassed by around 35 percent. A total of EUR 2.1 billion was achieved in 2018.

The real estate market continues to be fuelled by the ongoing low-interest phase, in which even negative interest is now charged for 'parked' cash. In addition to this, and owing to unstable global markets and a weakening economy, investors have been focussing even more strongly on investment opportunities for which the risk involved is minimised as far as possible. Properties in safe countries, growing metropolises and relatively good locations are particularly popular among investors. Cologne plays a part in this game, despite being relatively small by global standards. Especially in the last few months of any year, institutional investors tend to be under strong pressure to complete any ongoing transaction processes before the start of the new year. "Cologne's property market was therefore especially dynamic in the last quarter of the year," says Thorsten Neugebauer, Head of Investment at Greif & Contzen. "About half of the entire transaction volume of 2019 was realised in this period."

International buyers and sellers

A number of large properties were sold in Cologne-Deutz: the biggest transaction was accounted for by the town hall that was acquired by a specialist fund for a group of insurances and other security-oriented investor types for EUR 500 million. 'Constantinhöfe' on Ottoplatz and the hotel project 'Southern Cross' in the MesseCity area in Deutz also changed hands. As had been the case in recent years, Cologne's investment market was once again characterised by buyers and sellers with a wide range of different backgrounds:

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there were globally active insurance companies, as well as investment companies, German and international property developers, and a Swiss family office.

Company shareholding for real estate acquisition

A number of large transactions were only concluded in the past few weeks. These involved some prominent buildings that are well-known to Cologne's citizens and characteristic parts of the cityscape. Both 'KölnTurm' in MediaPark and the office building 'Cäcilium' were sold by their former owner, the Canadian trust 'Dream Global'. The buyer, the US fund 'Blackstone', concluded its corporate take-over of Dream Global in December. The purpose of the corporate acquisition was to obtain the real estate held by Dream Global. KölnTurm and Cäcilium accounted for a value of around EUR 260 million in this context. "In the real estate market, we have been observing an increasing trend among investors to participate in companies that hold properties and construction projects. Take-overs and participations are often aimed primarily at these properties. This also goes to show that owing to the lack of alternative investment opportunities, real estate will continue to be considered a good option," says Thorsten Neugebauer, and he predicts that: "this is not going to change in the next few months."

Office buildings are the strongest asset class

Greif & Contzen's researchers have still found a difference to the record year of 2017: while office buildings accounted for a relatively small share of about 45 percent of Cologne's transaction volume in 2017, they were once again the dominant asset class in 2019, accounting for around 70 percent.

Office properties increased in price for investors in 2019, due to a significant increase of rents over the course of the year, and initial yields decreased once again, albeit slightly. The prime yield for top properties decreased by 0.2 percent points to now 3.1 percent. The prime yield for logistics facilities saw a slight decrease to 4.1 percent.

More properties with relatively short holding periods

This is also new: an increase of investors pursuing an opportunistic strategy, who placed their properties on the market in 2019, after holding them for just a few years, in order to realise profits afforded by the dynamic price increases. According to Greif & Contzen's experts, this strategy had only played a minor role in market development, in the past.

Cologne's market continues to be dynamic

For the months to come, Greif & Contzen's researchers are certain of one thing: Cologne's market is going to stay dynamic. Safety-minded investors such as insurance companies, as well as a wide range of investment companies, compete for the properties available to the market. Buyers can also be found for buildings with room for improvement with regard to their letting situation, or those requiring structural development measures. Investors looking for suitable properties come to Cologne from around the world. Real estate will



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remain an important asset class, and a growing and economically sound city like Cologne can benefit from this.

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Die Entwicklung der Immobilienmärkte analysiert Greif & Contzen in regelmäßig erscheinenden Büro- und Investmentmarktberichten.

Bei Fragen wenden Sie sich bitte an:

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Mini CV:

- | Business Graduate (University of Cologne)
- | Real-Estate Economist (IREBS)
- | MRICS
- | Over 12 years of experience in the field of commercially used investment properties
- | Staff member of Greif & Contzen Immobilienmakler GmbH since 2008
- | Head of Investment since 2015

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