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## Dark clouds appearing on the horizon?

Even though experts throughout the entire real estate industry are predicting the end of the longest boom ever witnessed, there is still no sign of an end to the investment rally. With a transaction volume of more than € 1 billion in the first half of this year, the Cologne investment market clearly outperformed the first half year of 2018, € 700 Million. With a prime yield of 3.1 % we still see an ongoing decline by almost 40 basis points; however, the decline isn't as significant compared to the previous years.

As already predicted in our last report, the locations outside the city centre benefited the most from this ongoing investment boom as well as from the sheer scarcity of product within the prime locations. As a result, we now witness structured transactions of forward deals yielding towards 3.5%. This indicates a decrease of almost 100 basis points compared to the similar period of the previous fiscal year. However, this still needs to be verified as these transactions are ongoing and some potential investors that tend to buy outside the city centre for years are already withdrawing.

The successfully completed sale of the "Wallarkaden" by Momeni for more than € 140 Million, the transaction of One Cologne for around € 100 Million and the off-market-sale of the Barthonia-Forum for € 220 Million show, that Cologne has finally become a promising market for bigger transactions.

"With at least two mega-transactions in the 2nd half of this year equating to a volume of more than € 600 Million there is a strong likelihood that last year's transaction volume of € 1.97 billion will be reached again, maybe even outperformed if market rumors about further portfolio sales turn out to be true", stated Alexander Wunderle, Managing Director and Investment Team Leader at RHEINREAL.

So, everything is fine in the Cologne commercial investment market then? Well, even with records still tumbling on a quarterly basis, there is a strong tendency towards increasing divesting activities implying that some investors believe that it is now or never to cash in on this outstanding boom. The turnover speed i.e. the tightening holding periods of some assets, such as the "Blaulich" in Oskar-Jäger-Strasse or the "Office Connect" in the Airport Business Park support this trend.

However, the ECB's statement about keeping the interest rates at the currently low level and the relatively poor performance of DAX-companies combined with signs of an upcoming recession in Germany will keep investors pushing into real estate, therefore allowing this rally to continue for a while.



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