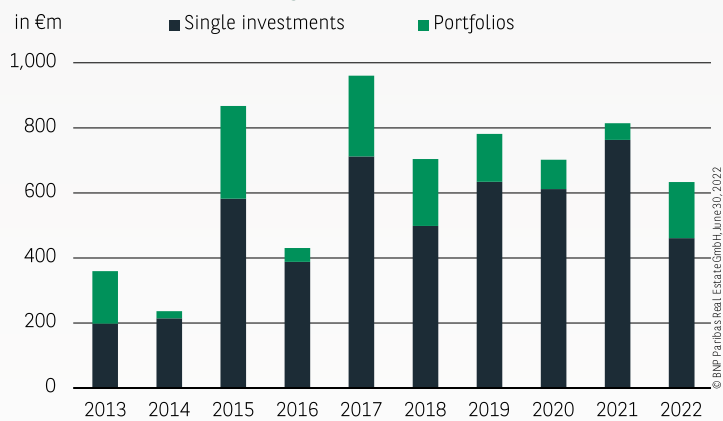




At a Glance **Q2 2022**

# INVESTMENT MARKET COLOGNE

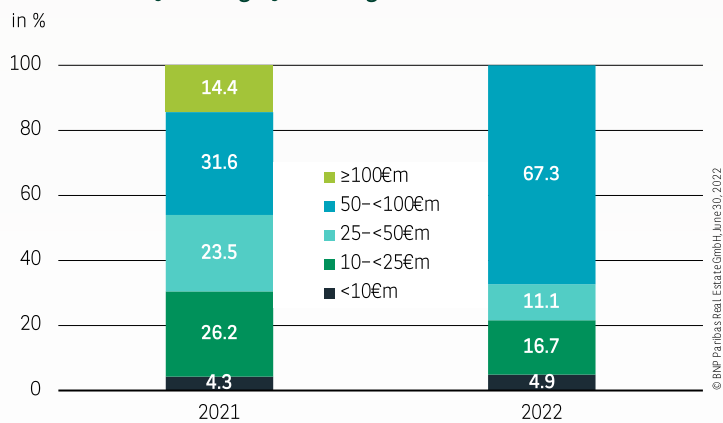
Investment volume in Cologne H1



**➤ SECOND QUARTER VERY SUBDUED**

The Cologne investment market achieved a commercial investment volume of €633 million by the end of the first half of 2022. Although this fell short of the previous year's strong result by a good 22%, it nevertheless corresponds to a volume in line with the long-term average. At 27%, the portfolio share is higher than in previous years, which is attributable to the alstria acquisition by Brookfield. However, the overall solid performance of the Cologne market is largely due to the strong start to the year. After the first quarter, €480 million were already on the books. Due to the geopolitical upheavals, the gloomy economic outlook and the interest rate turnaround now heralded by the ECB, the attitude of many investors has become noticeably more wait-and-see. Accordingly, the past three months accounted for just €154 million, missing the quarterly average of the past 10 years by about 52%.

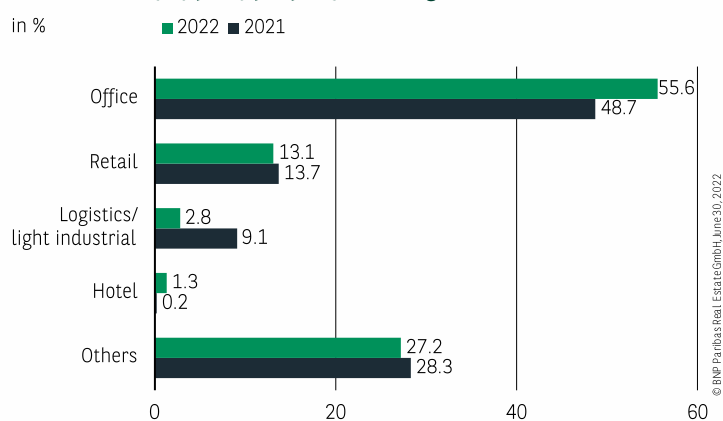
Investments by € category in Cologne H1



**➤ NO DEALS ABOVE THE €100 MILLION MARK SO FAR**

By the middle of the year, no deal above the €100 million mark had been recorded on the Cologne market. Transaction activity was dominated by deals in the €50 to €100 million range, which contributed around 67% or €427 million, a new record. However, this was mainly made possible by the fact that some properties from the alstria portfolio fall into this category. Accordingly, a large part of the volume also stems from the start of the year. Only one further deal could be allocated to this segment in the second quarter. In absolute terms, all other size categories achieved results that were in some cases significantly below average in a long-term comparison.

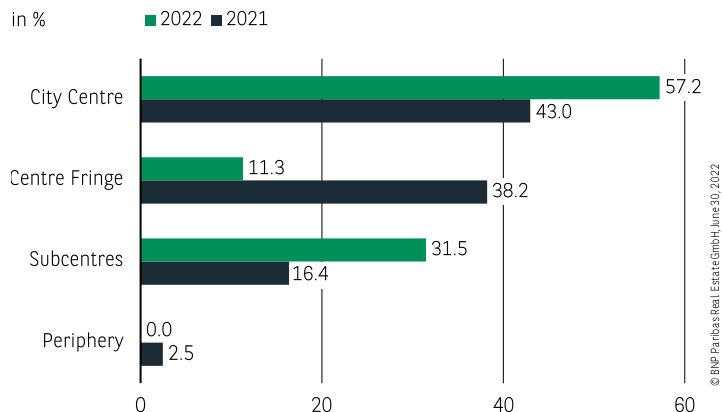
Investments by type of property in Cologne H1



**➤ OFFICE INVESTMENTS REMAIN THE MOST POPULAR**

At the end of the first half of the year, the distribution of the investment volume among the different property types was led by office properties by a wide margin. They account for about 56% or €352 million. Retail properties also contribute a high share (13%) compared to the rest of Germany. In addition to a transaction from the retail warehousing segment, the good performance is also supported by sales of inner-city high street properties. A conspicuously large share of the result was also contributed by the collective category of other properties, which represents a good 27%. This segment mainly includes mixed-use properties. Logistics properties, meanwhile, only generate around 3% of the total, which is the second weakest result in the past 10 years. Hotel investments have so far only played a subordinate role with a share of just over 1%.

**Investments by location in Cologne H1**



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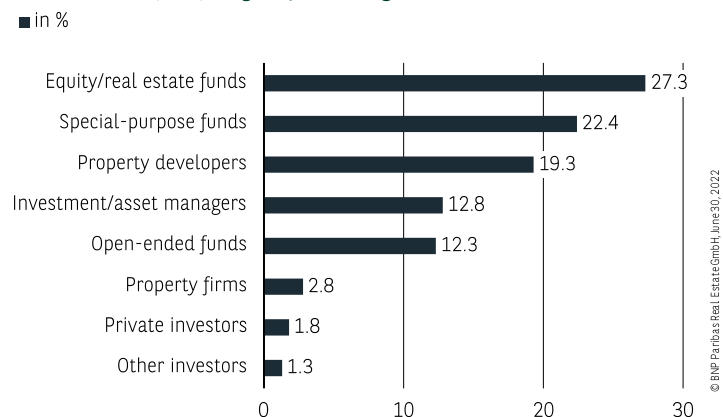
**➤ CITY LOCATIONS ARE THE FOCUS OF INVESTMENT**

In the first half of the year, around 57% of the investment volume was accounted for by the City Centre of Cologne, which clearly leads the distribution of investments by location. The €363 million currently registered in the City Centre corresponds to a result about one fifth above the long-term average. The Subcentres also account for a significant share of the volume, achieving their second-best result of the last 10 years with around €200 million. While there was considerably less movement in the Centre Fringe than in previous years, with a share of 11%, no deals have yet been recorded in the Periphery.

**➤ BROADLY DIVERSIFIED BUYER SPECTRUM**

The distribution of the investment volume by buyer groups has been comparatively broadly diversified so far this year. No fewer than five investor types have achieved double-digit shares. For the first time, equity/real estate funds have taken the lead with a good 27%, which can be attributed to the acquisition of Alstria by Brookfield.

**Investments by buyer group in Cologne H1 2022**



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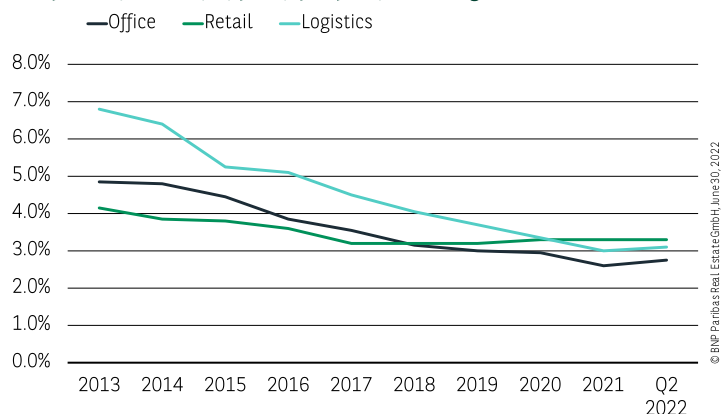
**➤ YIELDS RISE FOR THE FIRST TIME SINCE THE FINANCIAL CRISIS**

The turnaround in financing conditions is now also visible in the development of yields. The net prime yields in both the office and logistics segments have risen for the first time since the financial crisis. While an increase of 10 basis points to 3.10% can be reported in the logistics segment compared to the previous quarter, the increase in the office segment amounts to 15 basis points. The peak here is now 2.75%. In contrast, a sideways movement can be seen in high street properties. In the premium locations, the net prime yield is stable for now at 3.30%.

**➤ OUTLOOK**

Due to the new reality on the financial markets and the changed interest rate environment, the investment markets are in a price-finding phase for the time being. Buyers and sellers must first agree on a new level that is acceptable to both sides. Experience shows that this process is likely to be gradual and take some time. The net prime yields should therefore continue to differentiate depending on the asset class and move further upwards in the coming months. The necessary evidence is still lacking for a serious statement on the level at which they will eventually settle. However, the fact that the occupier markets continue to perform well in the majority of asset classes should be seen as a positive sign. It therefore does not seem unlikely that transaction activity will pick up again somewhat by the end of the year.

**Net prime yields by type of property in Cologne**



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