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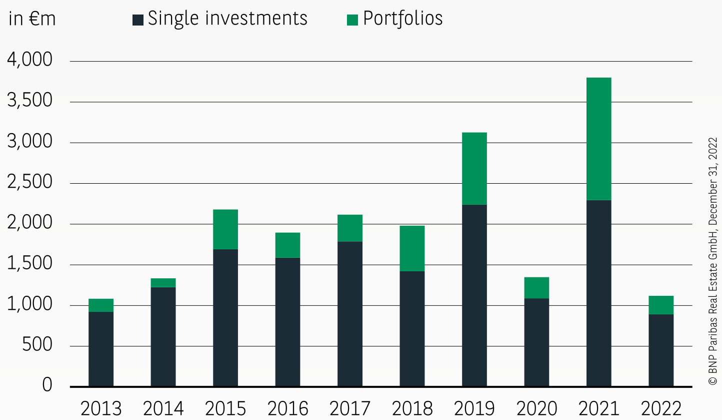
RESEARCH

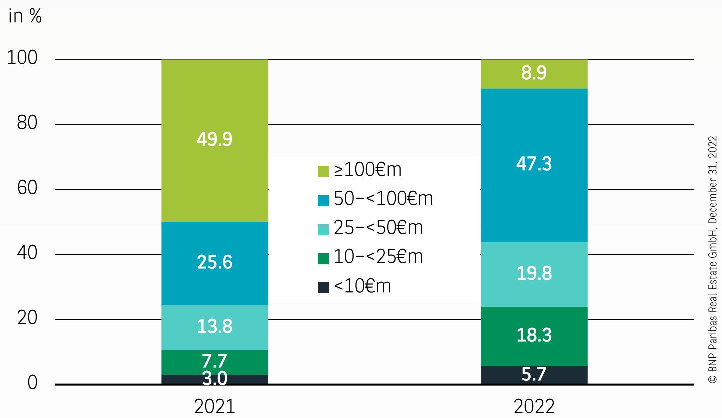
At a Glance Q4 2022

INVESTMENT MARKET COLOGNE

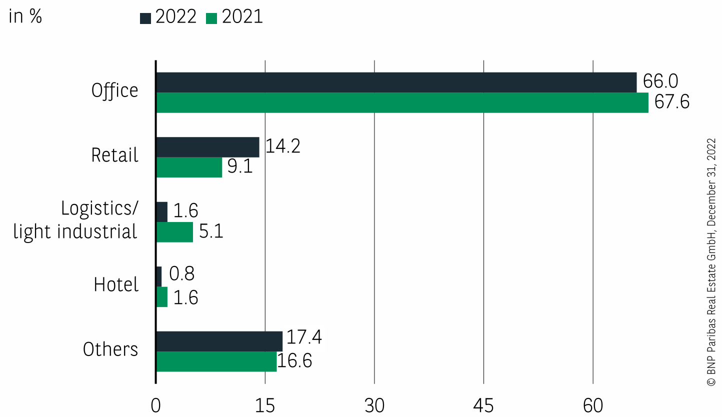
Investment volume in Cologne Q1-4



Investments by € category in Cologne Q1-4



Investments by type of property in Cologne Q1-4



LOWEST RESULT OF THE LAST 10 YEARS

Around €1.12 billion has been invested in the commercial investment market of the Rhine metropolis in 2022, which corresponds to the lowest investment volume in the last ten years. Accordingly, the long-term average was missed by around 44%. After low volumes till the end of the third quarter (just under €724 million), a comparatively strong final quarter of just over €395 million was recorded. The weak annual result is mainly explained by the low volume of single investments (41% below the long-term average). The share of portfolios (20%), is just slightly below the 10-year average. In comparison to the average investment volume of the A-locations (€4.03 billion), Cologne also performed quite weakly.

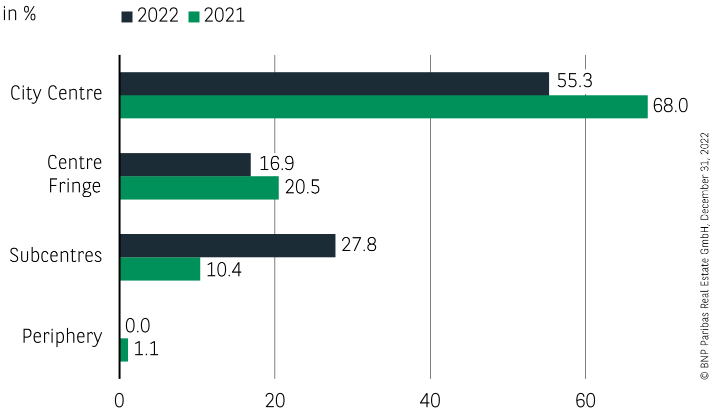
MID-SIZED TRANSACTIONS DOMINATING

IIn particular, the lack of large deals led to the poor result in 2022. Only one transaction fell into the category of large deals above €100 million. Almost half of the deals (€529 million) fell into the medium-sized category with a transaction volume of €50 million to €100 million. Consequently, this is the only size category exceeding its long-term average (a good 8%). At €29 million per deal, the average volume was only about 5% lower than the long-term average. However, the limited number of 38 transactions (almost 41% below the 10-year average) is responsible for the weak performance.

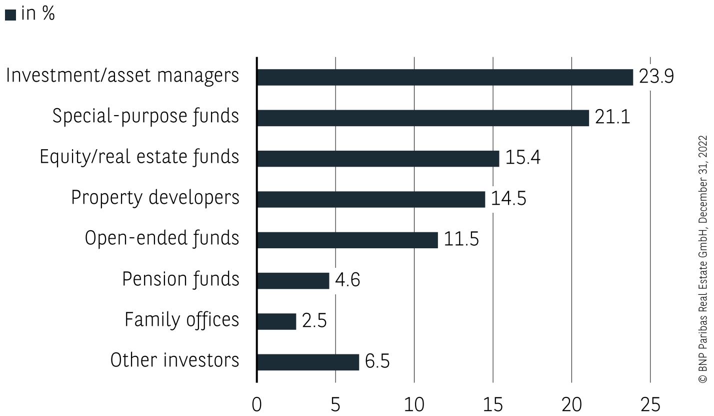
OFFICE INVESTMENT SHARE REMAINS ROBUST

The office segment in Cologne is still relatively robust compared to the other asset classes and contributes a good two-thirds of the total turnover. Furthermore, this is also more than the average of the past 10 years (56%). Around one fifth of the office property turnover is attributable to the alstria takeover by Brookfield. With 14% (€160 million), retail properties contributed a higher volume than in the previous year. This share is slightly below the long-term average (just under 17%). The second highest share of investments was contributed by the category "others" with just under 17%. Investments in logistics properties achieved the lowest value of the past 10 years with a turnover of €18 million which corresponds rather to a lack of supply than to low demand. The hotel segment still plays a very subordinate role.

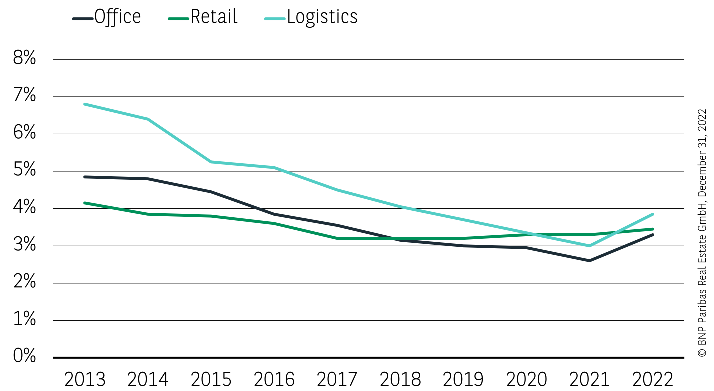
Investments by location in Cologne Q1-4



Investments by buyer group in Cologne Q1-4 2022



Net prime yields by type of property in Cologne



ABOVE-AVERAGE MARKET SHARE OF SUBCENTRES

A good half of the investment volume is attributable to the city centre of Cologne. This share is in line with the long-term average (a good 54%). The usually comparatively strong centre fringe, on the other hand, is well below the 10-year average (a good 26%). By contrast, the subcentres achieved a good result. Around 28% correspond to the highest share in the last 10 years. The long-term average is just under 18%. This broad distribution of investments across the Cologne city area testifies to a solid basic confidence of investors in the Rhine metropolis. The periphery, however, did not record a single transaction.

INVESTMENT/ASSET MANAGERS COMPARATIVELY STRONG

Investment/asset managers recorded the highest investment volume with €267 million (almost 24%). This is the only buyer group with an above-average investment volume. The long-term average stands at around €221 million. Special purpose funds follow in second position with €237 million (21%). Equity/real estate funds, in third place, have an above-average share of a good 15% (long-term average: 10%) due to the alstria acquisition by Brookfield. Project developers (just under 15%) and open-ended funds (just under 12%) also contribute a market share in the double-digit percentage range.

LOGISTICS YIELDS WITH STRONG INCREASE

The new interest rate environment with the more expensive financing conditions is reflected in increased net prime yields. This is particularly evident in the increase in prime yields of 70 and 85 basis points compared to the previous year for office and logistics properties, respectively. Also for commercial properties in premium locations, a rise in interest rates of 15 basis points to 3.45% was recorded for the first time since the financial crisis. Despite the sharp rise in yields, the prime yields of office and logistics properties are still significantly below their long-term average.

OUTLOOK

Due to the new interest rate environment and the increased financing conditions, the real estate markets have entered a new pricing phase. The noticeably increased uncertainties caused many investors to behave in a cautious manner. Combined with the lack of supply (especially logistics properties), the investment performance in Cologne has been very weak. However, the fact that Cologne's user markets are performing relatively weak in comparison to the A-locations in 2022 should be an exception and will probably not continue at this rate. After all, the Rhine metropolis has a solid economic basis and healthy user markets. As soon as the macroeconomic environment stabilises, transaction volumes should also recover relatively quickly.

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