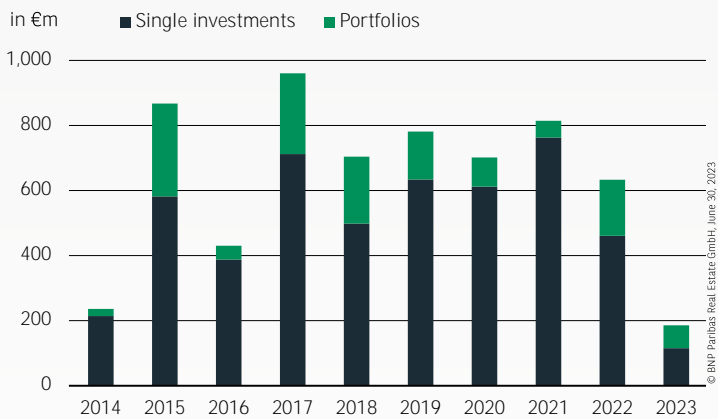




At a Glance **Q2 2023**

INVESTMENT MARKET COLOGNE

Investment volume in Cologne H1

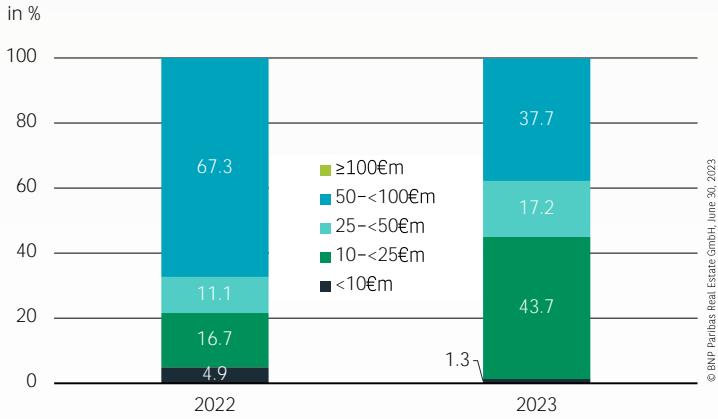


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➤ NO SUBSTANTIAL RECOVERY IN SECOND QUARTER

Having already started the year with a historically low transaction volume, the Cologne investment market did not pick up sustainably in the course of the second quarter either. Only about € 135 million have been placed in the cathedral city in the last three months. The quarterly average over the past 10 years is around € 500 million. At the end of the first half of the year, the volume totalled just under € 186 million, which is 71% below both the previous year's result and the long-term average. Meanwhile, the portfolio share is 38%. The very subdued half-year clearly reflects how the central banks' cycle of interest rate hikes, which has not yet been completed, has so far prevented all market participants from reaching a new sustainable price level.

Investments by € category in Cologne H1

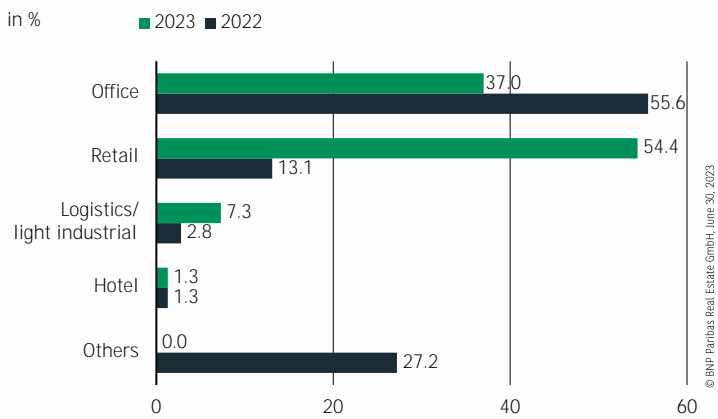


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➤ NO DEALS ABOVE THE €100 MILLION MARK SO FAR

Due to the very low number of transactions registered so far, the distribution of the volume by size category reveals a rather unusual picture. At around 44%, the majority of the volume at the end of the first half of the year is attributable to the market segment of € 10 to 25 million. Although the current result does not say much given the low market dynamics, the high proportion of the mid-sized segment does at least provide an indication that buyers and sellers outside the large-volume core segment may be approaching each other at a somewhat faster pace. The second largest segment with 38% is between €50 million and €100 million, thanks to the only portfolio transaction of the year so far: the acquisition of shares on several department stores in various major German cities, which is proportionately included in this figure.

Investments by type of property in Cologne H1

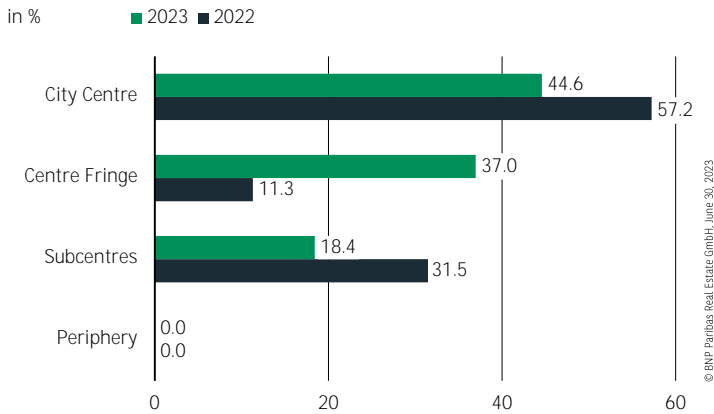


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➤ RETAIL PROPERTIES LEAD THE RANKING

The distribution of investment volume across the different property types is clearly led by retail properties at the end of the first half of the year, which is largely due to the aforementioned portfolio transaction. With a share of around 54%, they achieved the highest share so far in a long-term comparison. In absolute terms, however, the currently registered € 101 million are still slightly below average. On the other hand, office properties, which usually lead the ranking, contributed around 37% to the result. Logistics (a good 7%) and hotel properties (around 1%) also contributed slightly. The "Other" category, which usually consists mainly of development sites, has not yet been able to account for any transactions.

Investments by location in Cologne H1



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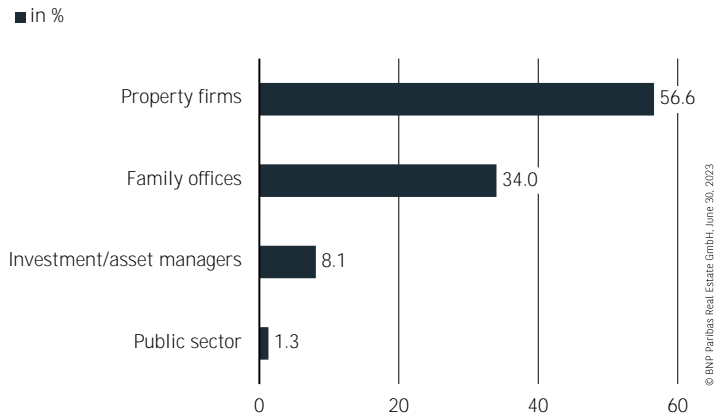
➤ CITY CENTRE AT THE TOP AS USUAL

The distribution of investment volume by location shows a familiar picture at the end of the first half of the year. At around 45%, the majority of the volume is attributable to the City Centre, which also corresponds roughly to the long-term average. The current figure of around € 83 million in the City Centre is nevertheless the lowest result since 2012. Other notable shares are attributable to the Centre Fringe (37%) and the Subcentres (18%). No transactions have yet been recorded in the periphery, which is pretty usual for the Cologne market.

➤ ONLY FEW BUYER GROUPS ACTIVE

Due to the low amount of transactions, the spectrum of buyers in the cathedral city is relatively poorly diversified. Property firms accounted for more than half of the volume by the end of the first half of the year (57%). The fact that family offices are in second place with a share of 34% can be seen as an indication that equity-heavy buyers in particular may see an opportunity in the current market phase. With around € 63 million, they also achieved their third-strongest half-year result on the Cologne market in absolute terms over many years. Investment/asset managers follow in third place with 8%.

Investments by buyer group in Cologne H1 2023

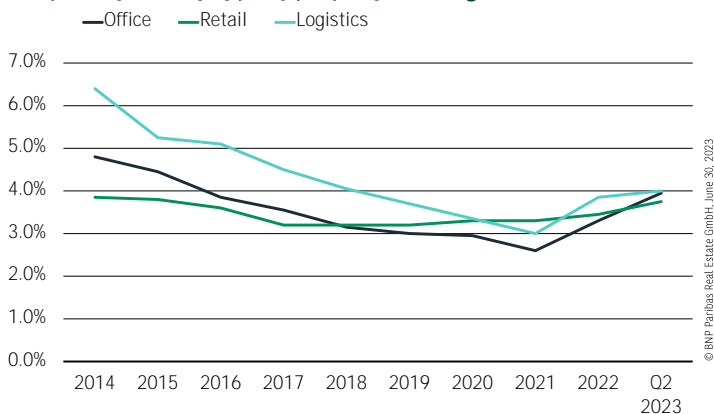


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➤ YIELDS FOR OFFICE PROPERTIES WITH SHARP INCREASE

Yields continued to increase in the second quarter amid further interest rate hikes by the major central banks. The net prime yield for office properties amounts to 3.95% at mid-year, corresponding to an increase of 40 basis points quarter-on-quarter. Cologne therefore recorded the highest increase in the office segment among the A-cities. Retail highstreet properties currently stand at 3.75% (+20 basis points). In the logistics segment, meanwhile, the increase was comparatively moderate, with a rise of 5 basis points to 4.00%.

Net prime yields by type of property in Cologne



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➤ OUTLOOK

Since inflation is more sticky than initially hoped, many factors indicate that further, although moderate, interest rate hikes by the major central banks will follow in the second half of the year. Consequently, the end of the price finding phase and therefore also a noticeable pick-up in transaction activity will be postponed even further. From today's perspective, however, the general conditions will probably improve gradually towards the end of the year. With inflation flattening out and the economy slowly picking up, the occupier markets are expected to pick up noticeably. By this time if not before, most investors might again consider this as an opportunity to increase their real estate exposure.

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