

# Investment Market Cologne Q1–4 2023

## EUR 800 million

### COMMERCIAL PROPERTY TRANSACTION VOLUME

Sales declined by around another third in 2023, even compared to the year 2022 which was characterised by the interest rate turnaround. Moderate dynamics could be observed in the office space segment in the second half of the year.

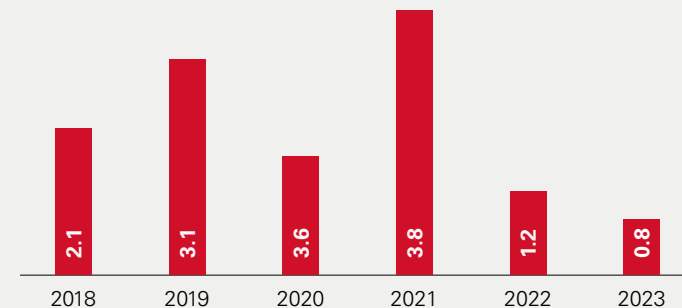


## Reassessment of costs, risks, prices and asset classes

The sequence of interest rate hikes carried out by the European Central Bank that had started in 2022 continued through to the third quarter of 2023 and changed the financing environment dramatically. Purchasing prices decreased significantly, and most investors are still acting with restraint.

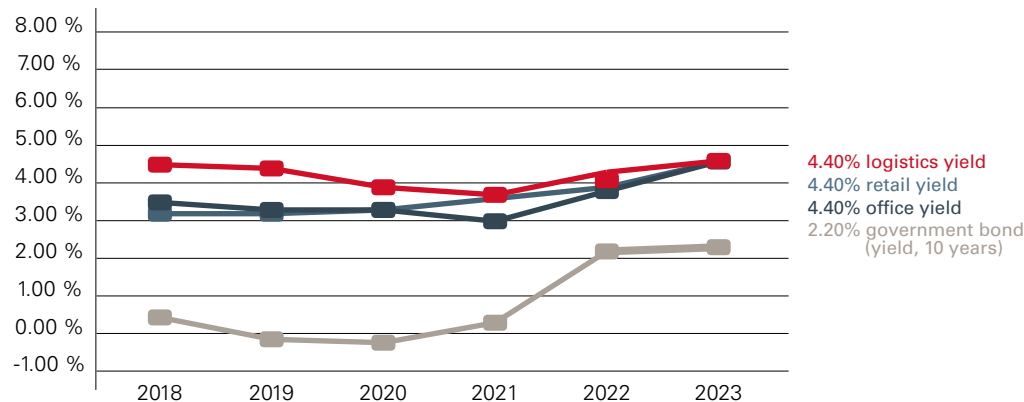
- The profitability of properties offered for sale is restricted by the new interest rate level. In addition, the partially unclear legal situation is making it difficult to determine the modernisation costs involved.
- Many investors put their plans to sell properties on hold, as the prices that the remaining potential buyers were willing to pay were not sufficient for them.
- Net prime yields have meanwhile approached an identical level of 4.40 percent in the asset classes of retail, office and logistics buildings. The graded risk assessments that applied to the different asset categories over the past several years have evened out in the current situation, despite the fact that land value still varies.
- Only a very small number of office buildings changed hands in the first half of the year. In the second half, several office properties were sold, including two transactions with purchasing prices above 50 million euros.

## Commercial property transaction volume Development 2018 – 2023 | in billion €



Source: G&C Research 2024

## Prime yields 2018 (Q4) – 2023 (Q4) | in %



Source: Greif & Contzen Research, Cologne; regarding government bond: Investing.com December 2023

## Selection of major transactions in Q1–4 2023

Property (location)	Type	Buyer	Purchasing price in million EUR
Office building (City Centre)	office space	fund	> 60
Office building (Mülheim)	office space	unknown	> 50
Dorint-Hotel (Deutz)	hotel	ASHG (fund)	unknown
“Lofthaus” (Mülheim)	office space	family office	> 30
Plot for a new logistics facility (Niehl)	industrial land	Panattoni	> 30

## Cautiously optimistic outlook for 2024

Following two challenging years, a number of indicators can meanwhile be observed which suggest that the investment market has passed the lowest point, and that a recovery could be coming up in 2024.

- Inflation decreased over the past few months. The European Central Bank did not carry out any further interest rate hikes in October or December. Some analysts believe a scenario to be realistic in which interest rates are lowered in the first half of 2024.
- The 10-year SWAP rate dropped by 100 basis points in the past six weeks.
- Many market players assume that the required increase in initial yields in response to the new interest rate level has meanwhile largely established itself in the market.
- A slightly higher overall transaction volume in the range of one billion euros could be achieved once again in 2024.
- Risks concerning this type of development include the existing as well as possible new geopolitical crises, and a potential renewed increase in inflation.

## Contact



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