



INVESTMENT MARKET REPORT

2020

COLOGNE

INVESTMENT MARKET COLOGNE 2020

In the strangeland of supply shortage and COVID-19

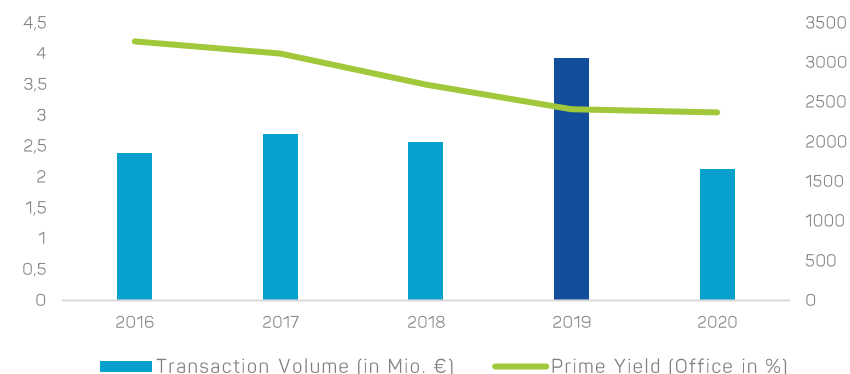
Year-end result of € 1.65 billion, almost 55% below previous year's level.

With a transaction volume of just under €1.65 billion the Cologne investment market closed the year, which was characterised by uncertainty, with a total annual turnover that was 45% lower than in 2019. "This decline seems dramatic at first, but comes as little surprise," states Alexander Wunderle, Managing Director, and head of RheinReal's investment team.

"Even without the paralysis of the market in spring 2020 caused by the outbreak of the Corona pandemic, a decline in the transaction volume was to be expected. Thus, 2019, with its record result of over €3 billion, was primarily characterised by portfolio and large transactions in the 3-digit million range, which is certainly an unprecedented one-off effect by Cologne standards. Adjusted for these one-off effects and with a view to the 10-year average, market activity can thus be described as thoroughly stable.

„INVESTORS' DARLING CONTINUES TO BE LONG-TERM LEASED CORE PRODUCT, IDEALLY WITH PUBLIC SECTOR USERS.“

KEY FIGURES OF THE INVESTMENT MARKET



KEY FACTS

Transaction volume:	€ 1.65 Billion
Most important submarket:	City Center
Most significant asset class:	Office
Strongest buyer group:	Developers

Renewed surge in demand after brief “lockdown shock”.

Even though investors were more hesitant immediately after the first lockdown, this restraint did not last long. The ECB's continuing low interest rate policy, the volatility of the stock markets and the average rent, which is still quite moderate compared to the other top seven cities, are creating a real surge in demand for investment opportunities on the Cologne property market.

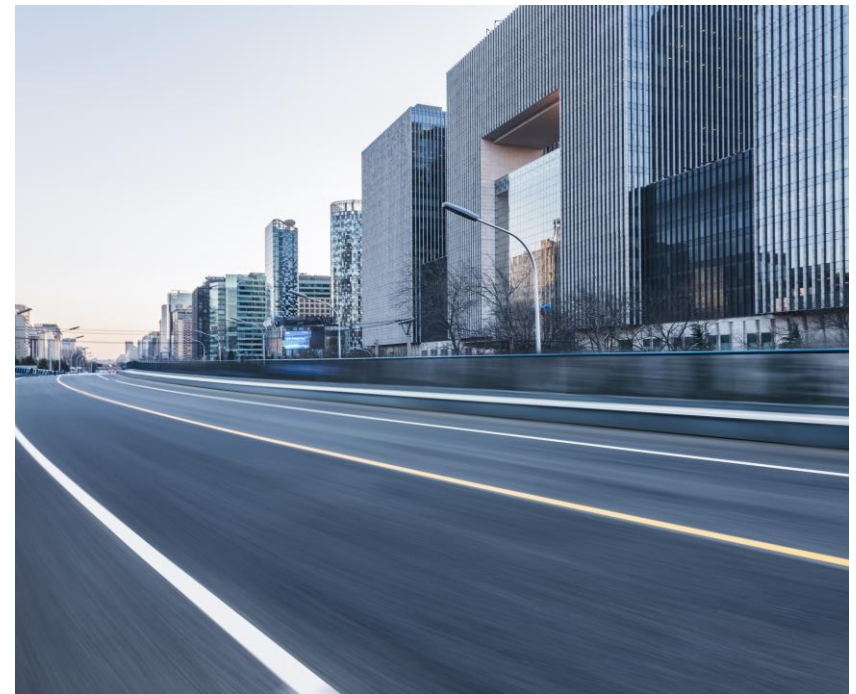
Investors' darling continues to be long-term leased core product, ideally with public sector users. In the past six months, we have seen yields continue to fall by up to 60 basis points. On the other hand, investors in value-add and opportunistic investments are looking very closely at the submarket situation and are being somewhat more conservative with regard to the future development of rents. As a result of this interaction the prime yield remains at the very low level of 3.05% and is down another 5 basis points compared to the previous year.

Home office has hardly any impact on demand for office property

Despite the ongoing home office debate, the office asset class remains popular with investors, with a market share of 55%. The trend towards stronger demand for premises observed in the first half of the year has also been confirmed with regard to the full-year result. This asset class was able to achieve a market share of more than 20% and thus ranks second among the most

TOP-DEALS

	Building	Submarket	Area in sqm
1	ID Cologne	Cologne-Mülheim	38,000
2	Cologneo II	Cologne-Mülheim	71,500
3	Selection Portfolio (AEW)	Cologne-Innenstadt	23,864
4	Jamestown Portfolio	Cologne-Mülheim	34,500



popular investments.

Fewer portfolio transactions – more forward deals

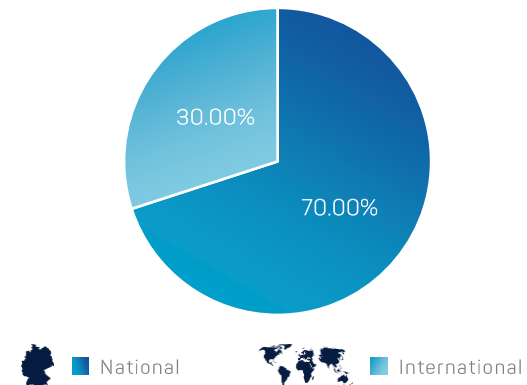
While large portfolio transactions dominated the market last year, this year it was mainly forward deals that triggered a veritable bidding war among investors. The Ehrenfeld/Braunsfeld and Ossendorf submarkets in the west of Cologne and Mülheim in the east of the city were particularly popular. Cologne city centre follows in third place among the investment hotspots. The top deals include the parts of the Selection Portfolio sold by AEW to Tristan as well as the two forward deals in the I/D Cologne project and the land sales of the Cologne II project in Kalk.

National investors remain strong

National investors still clearly dominate market activity in 2020, with a share of 70%. The effects of the pandemic and the months-long lockdown are particularly evident here.

While international investors were much more strongly represented in previous years, with market shares of between 40% and 55%, they simply lacked the opportunity to move at the required speed due to travel restrictions when examining attractive products.

CAPITAL ORIGIN OF THE TRANSACTION VOLUME



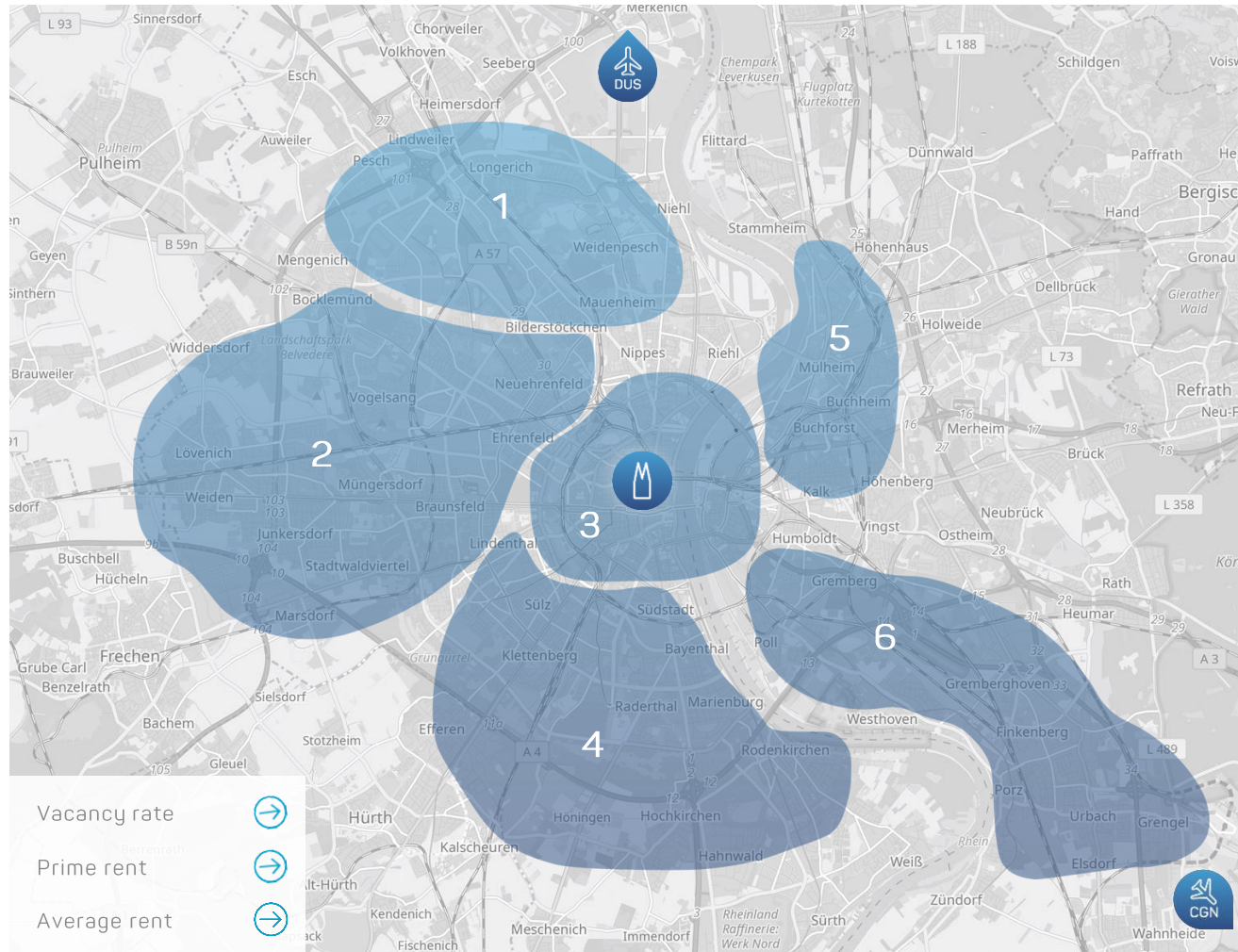
Product scarcity will continue to be a dominant issue in 2021

According to our experts, the coming year will also be characterised by strong excess demand. Even though the absolute vacancy rate has risen slightly due to the right-sizing effects of larger companies, the average rent has continued to rise slightly to 16.50€/sqm and still leaves enough room for medium-term growth imagination. This, in conjunction with the continued absence of speculative project developments, ensures that demand on the office rental market will also be difficult to meet in the future and that investors can therefore also rely on the stability of the office asset class in the long term.

Even though more sales preparation activities are currently being observed, particularly for pre-let project developments and long-term leased existing properties outside the city centre, a record result like in 2019, is a long way off. Currently, an increase in the transaction volume of around 15%-25% can be assumed, whereby prime yields are likely to continue to decline, albeit only slightly due to the already very low level.



COLOGNE | Submarkets 2020



COLOGNE NORTH

1	Ossendorf Bickendorf Longerich Bilderstöckchen
Market share	5.03%
Rent	€/sqm 9.00 – 15.00
Average rent	Ø €/sqm 14.00

COLOGNE WEST

2	Braunsfeld Ehrenfeld Marsdorf Lindenthal
Market share	25.75%
Rent	€/sqm 10.00 – 16.00
Average rent	Ø €/sqm 13.80

COLOGNE CITY CENTER

3	City Center Deutz
Market share	31.32%
Rent	€/sqm 12.00 – 25.00
Average rent	Ø €/sqm 19.00

COLOGNE SOUTH

4	Zollstock Rodenkirchen Bayenthal
Market share	7.46%
Rent	€/sqm 10.00 – 16.50
Average rent	Ø €/sqm 13.37

COLOGNE EAST

5	Mülheim Kalk
Market share	7.87%
Rent	€/sqm 12.50 – 17.00
Average rent	Ø €/sqm 14.15

6	Poll Porz Gremberghoven Westhoven
Market share	19.65%
Rent	€/sqm 8.50 – 15.00
Average rent	Ø €/sqm 11.65

Other Districts

Market share	2.92%
Rent	€/sqm 5.00 – 10.00
Average rent	Ø €/sqm 8.50

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- Structuring of transaction processes at property and portfolio level
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- Landlord Representation Mandates
- Repositioning of portfolios
- Excellent track record



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