RHEINREAL

LOGISTICS MARKET

ANNUAL REPORT 2020

REGION COLOGNE

LOGISTICS MARKET REGION COLOGNE – ANNUAL REPORT 2020

Cologne logistics market - RheinReal determines 290,000 sqm of converted space

After a weak first quarter, followed by the "lockdown" and an all-encompassing situation of economic uncertainty, the logistics/industrial market of Cologne finally ended in 2020 with a turnover volume of 290,000 sqm (rental and owner-occupiers).

This result is driven by three major take-ups, all of which took place in the last quarter of 2020.

After just 63,000 sqm of logistics/industrial space had been transacted in the first half of the year, a noticeable resumption of activities on the demand side could be observed for the second half of the year, so that a record-breaking 227,000 sqm (of which 164,000 sqm in Q4) were recorded in the second half of the year. This represents a 49% increase on the previous year (2019) and also 15% more logistics/industrial space transacted than in the already outstandingly good year 2018.

The largest lease registered by RheinReal was concluded with an e-commerce retailer with the size of 40,000 sqm in the north of Cologne, as well as another lease for 30,000 sqm of logistics space with an internationally operating industrial company in the Cologne market area.

Furthermore, an owner-occupier project development of 26,000 sqm is being built in Kerpen for a retail company.

All contracts concern new-build developments where at least a partial building permit has already been granted in 2020 and construction has already started or will start shortly. The implementation of these requirements in existing properties was not possible.

The large deals are reflected in the strong weighting of this size category in the total take-up. Thus, 33 % of the converted space is accounted for by contracts with a volume of more than 12,000 sqm. The segment with a volume of 8,000 sqm - 12,000 sqm has a share of approx. 23 %, the other segments still between 13 % - 17 %.

In the Cologne market area, which usually experiences a smaller segmentation, this weighting is rather unusual compared to recent years.

The Corona pandemic and the accompanying retail closure for several months caused the demand for space for e-commerce retailers and also fulfilment service providers to increase significantly. Thus, RheinReal registers the conclusion of contracts, classified according to sectors; for the retail sector at 42%, logistics and logistics-related services at 34.5%, industry/production/trade at 18.5% and other trades at approx. 5%.

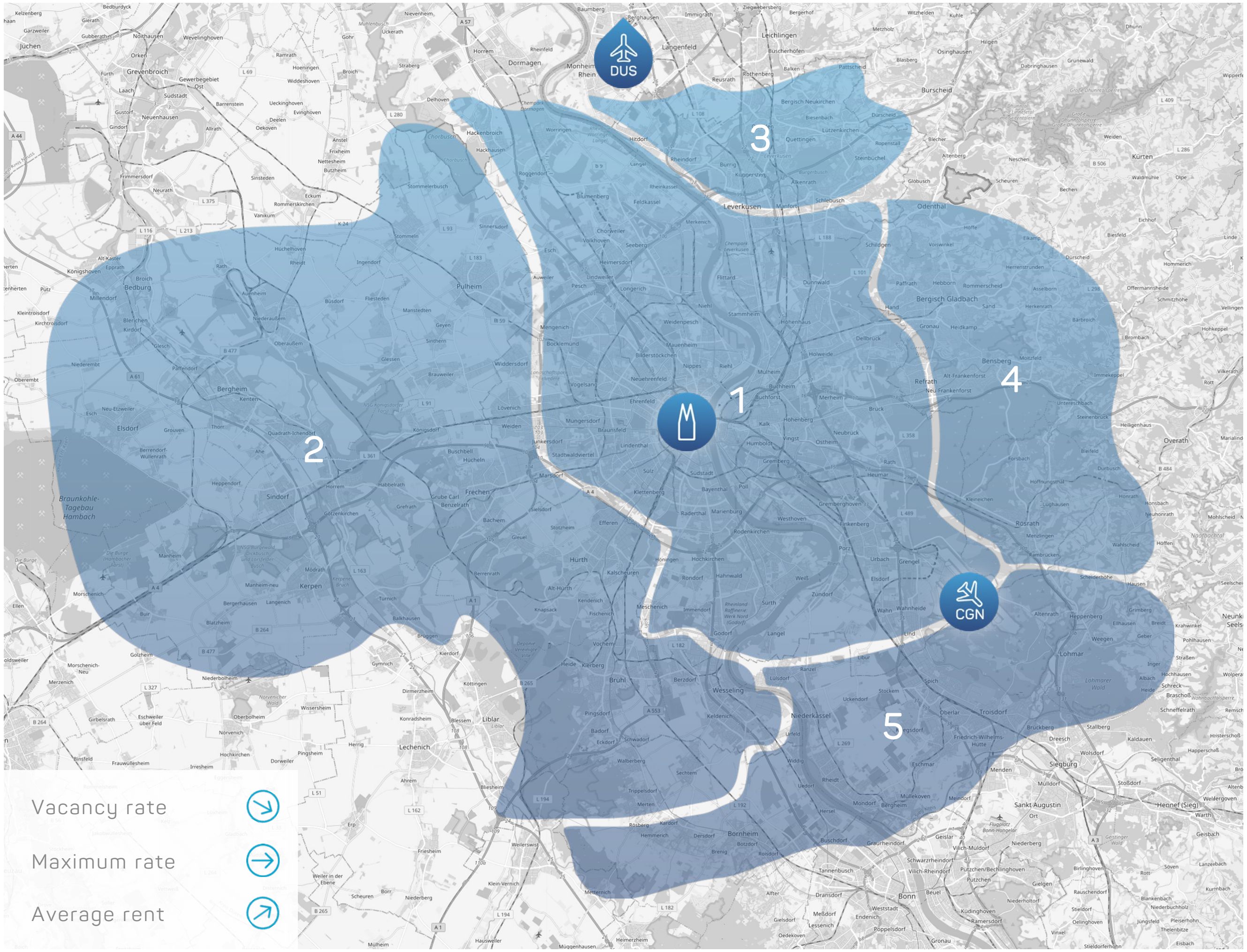
Significantly higher than in previous years, the share of owner-occupiers in total take-up in 2020 is around 15%, whereas this ratio was just 3% in 2019. Here, the higher share is primarily driven by the construction project in Kerpen.

The market movements have also led to a noticeable increase in rents. For example, the top rent for new-build logistics space in Cologne is now approx. 5.80 € / sqm - 5.90 € / sqm, while new-build standard logistics space in the surrounding area, e.g. Kerpen, is trading and contracted for approx. 4.75 € / sqm.

RheinReal estimates the average rent for the entire market area of Cologne at around € 4.70 per sqm, which represents a significant increase on the previous year. Logistics/industrial space for less than €4.00/sqm is now an absolute rarity and in Cologne, or in municipalities bordering Cologne, it is rare to find adequate space for less than €4.75/sqm.

Similarly, the top rent of €6.80/sqm for space in new-build first occupation is now often confirmed in the business park segment and tends to increase a little further.

As an interim conclusion on the Corona pandemic and for the year 2020 as a whole, it can be said that this event is a driver for developments that have already been underway for some time. The logistics/industrial market in Cologne was able to profit from this to an extraordinary degree, which was not foreseeable in this form at the beginning of last year, and certainly not during the first "lockdown" phase.



EVALUATION AREA

1 Cologne

2 Rhein-Erft-Kreis (except Erftstadt)

3 Leverkusen

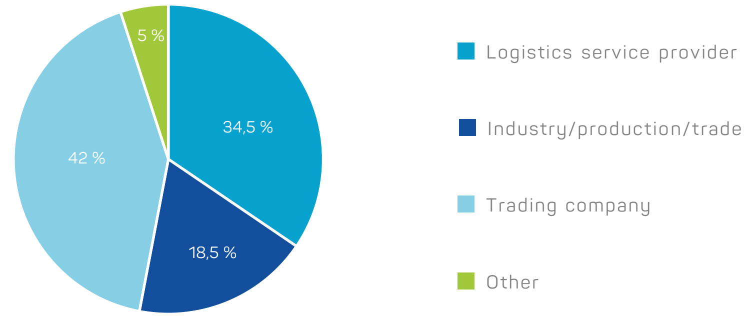
4 Subsection Rheinisch-Bergischer-Kreis (Bergisch Gladbach, Rösrath)

5 Subsection Rhein-Sieg-Kreis (Lohmar, Troisdorf, Niederkassel, Bornheim)

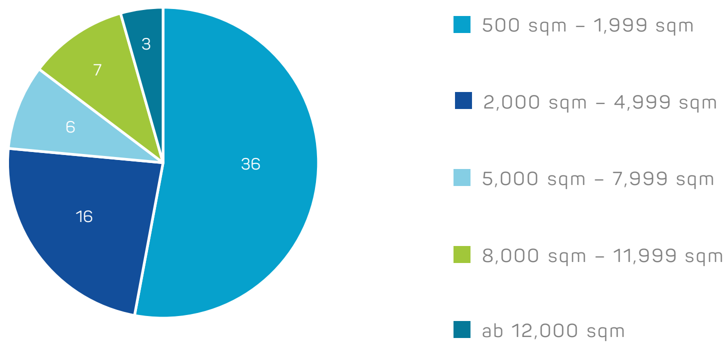
SELECTION OF SIGNIFICANT DEALS IN 2020

No.	Company/Industry	Area	sqm
1	Euziel	Cologne-Niehl	ca. 40,000 sqm
2	Int. Industrial companies	Rhein-Erft-Kreis	ca. 30,000 sqm
3	Lekkerland	Kerpen	ca. 26,000 sqm
4	Logistician	Bedburg	ca. 11,800 sqm
5	Amazon	Troisdorf	ca. 10,000 sqm

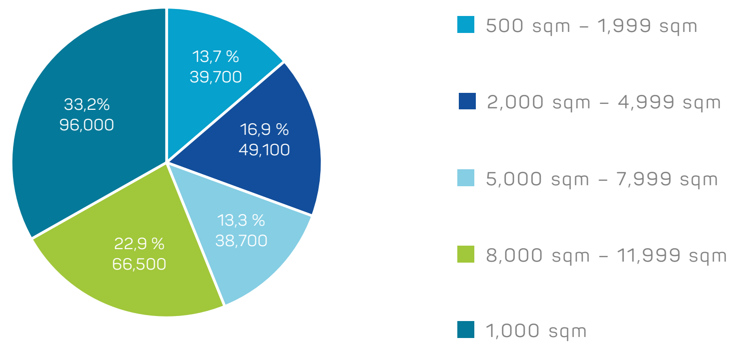
MEDIATED AREA ACCORDING TO SECTORS



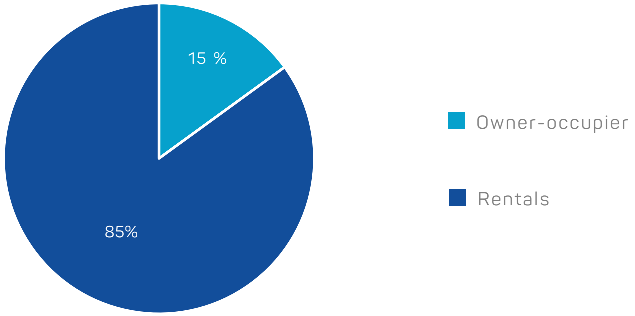
CONTRACTS REGISTERED BY RHEINREAL BY SQM SIZE (68 CONTRACTS IN TOTAL AND 500 SQM OR MORE)



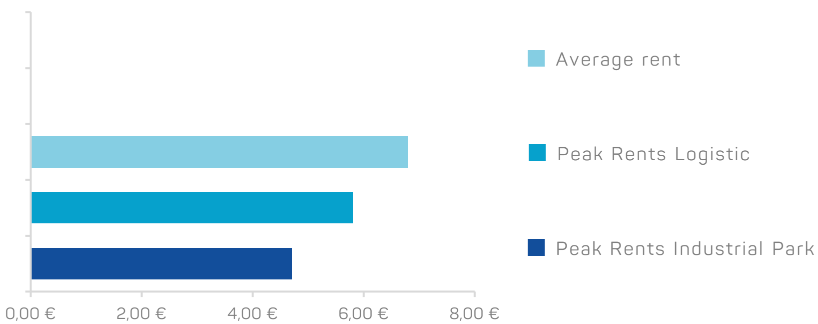
SHARE OF SIZE CLASSES IN TOTAL SPACE TURNOVER OF 290.000 SQM



SHARE OF SPACE TURNOVER THROUGH LEASING OR PURCHASE BY OWNER-OCCUPIERS



Average / Peak rents per sqm – Annual Report 2020 (LOGISTIC)



COLOGNE

Implemented Squaremeters

Q1 2020	26,450 sqm
Q2 2020	37,130 sqm
Q3 2020	62,470 sqm
Q4 2020	163,950 sqm

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PERSPECTIVE 2021

Outlook Logistics and Industrial Market 2021

After significantly reducing vacancies last year, letting speculative new developments before completion and also securing land for the development of built-to-suit projects by project developers, interested parties of all sizes will now face the even greater challenge of finding suitable space for their businesses.

Speculative new developments are few and far between. For example, the developer Segro, which specialises in the logistics and light industrial segment, is speculatively building sections 4 and 5 in Vitalisstraße in the Cologne district of Bickendorf for users in the business park segment, and the developer Alcaro is building logistics areas of up to 12,000 sqm in Kerpen and Cologne, but otherwise, at least at the present time, only a few other market impulses can be observed which could lead to an increased supply of space.

Also worthy of mention in the owner-occupier segment is the planned implementation of a building project in Bedburg with approx. 45,000 sqm of space by the textile group Peek & Cloppenburg, which is currently in preparation.

Overall, RheinReal expects a further moderate increase in the average rent, while the top rent is considered to remain at a consistently high level, also due to a lack of suitable space.

The slightly higher top rent of € 6.90 / sqm in the business park segment will be enforceable, while rents in the surrounding area of Cologne will also come under pressure and continue to converge with the level of sought-after locations in the Cologne city area.

Of course, the dynamic events surrounding the Corona pandemic remain to be seen, which at this point do not allow any reliable forecasts for 2021 as a whole. Should a "wave of insolvencies" be the result of the pandemic and the accompanying measures, it is equally impossible to estimate how this will affect the sectors that are represented as users and interested parties in the logistics/industrial market in Cologne. Any sudden vacancies cannot be foreseen at this point in time. Nevertheless, a quick absorption of such vacancies can be considered realistic.

Although there are even greater uncertainties and fluctuations than already exist, from today's perspective it nevertheless seems unlikely that the good turnover result from 2020 will be repeated, primarily due to the progressive reduction of corresponding vacancies. Furthermore, interested parties with the pressure to find suitable sites relatively soon will continue to be forced to generously expand the search area in 2021.

OUTLOOK FOR PROJECT DEVELOPMENTS UNDER CONSTRUCTION MARKET AREA COLOGNE 2021

	Type of construction	Location	Area in sqm
1	partly speculative	Rhein-Erft-Kreis	50,000
2	owner-occupier	Bedburg	45,000
3	speculative	Cologne-Niehl BA II	30,000
4	built-to-suit	Kerpen	26,000
5	speculative	Cologne-Bickendorf	18,000

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