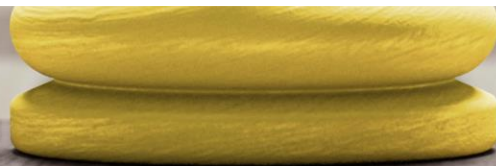




COLOGNE INVESTMENT MARKET REPORT

Half Year Report 2022

Great euphoria is followed by shock
paralysis



COLOGNE INVESTMENT MARKET

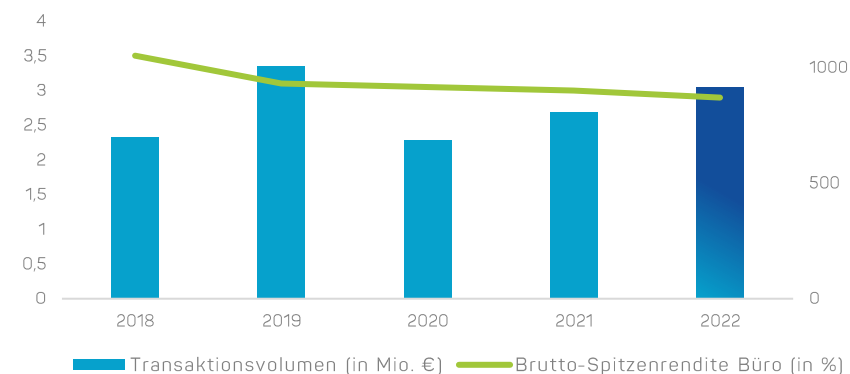
H1 2022

Strong first quarter saves half-year result

With a transaction volume of almost € 910 million, the Cologne investment market closed the first half of the year with the second-best result of the past five years. This is a surprisingly pleasing result, especially against the backdrop of the current massive market distortions and due to the war in Ukraine as well as the increased financing interest rates. At second glance, however, it must be noted that this was made possible in particular by an above-average first quarter with a transaction volume of almost € 850 million. With a turnover of just € 60 million in the second quarter of the year, the investment market really "pulled the plug". The mood at the beginning of the year was quite euphoric, especially against the backdrop of the record result of the previous year. With consistently rising average rents, the Cologne office property market remains stable compared to previous years. Top rents were also achieved in absolute prime locations in the trophy property sector, which until a few years ago seemed a long way off. The still very low vacancy rate, in conjunction with only very few speculative project developments, was and is an extremely attractive prerequisite for medium to long-term investments in office properties.

„Especially regarding the transactions currently parked, buyers and sellers are in a "guarded position".“

KEY FIGURES OF THE INVESTMENT MARKET



KEY FACTS

Transaction volume:	€ 910 Mio.
Most important submarket :	City Centre
Most significant asset class:	Office
Strongest buyer group:	Investmentfunds

Transactions with a volume of over € 850 million pending

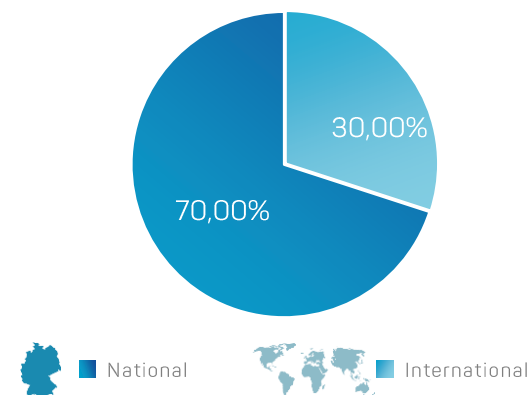
It is therefore not surprising that many owners of existing properties and project developers wanted to take advantage of this moment and placed their products on the market largely in the form of structured sales processes. As a result, as of February, assets with a volume of more than € 850 million were being marketed, including many extremely attractive core products and promising project development properties.

Even though the mood at this year's MIPIM still seemed positive on the surface, despite the Ukraine crisis and looming interest rate changes, some investors were already able to elicit the first gloomier expectations for the future in direct discussions. Nevertheless, the relatively strong rise in financing rates and the sudden reluctance of banks, which was reflected in the lack of financing commitments and significantly lower LTV ratios, came as a surprise to market participants. Even though the products on the market initially enjoyed great popularity, many investors had to adjust their bids downwards or withdraw them in the course of the processes. As a result, transactions of over € 850 million are currently "parked".

German capital sources on hold

While national and international investors still balanced out their sales and purchase activities in the previous year, an interesting picture emerged in H1 2022. On the seller side, international buyers dominated with approx. 70% of the transaction volume, while on the buyer side it was exactly the opposite. Here, 70 % of the transactions were realised by national capital. From the second quarter onwards, however, national investors almost completely stopped their purchasing activities. This restraint is particularly noticeable in sales above €100 million, as these sources of capital have recently regularly been able to match the low initial yields due to the favourable financing environment.

CAPITAL ORIGIN OF THE TRANSACTION VOLUME



Prime yields seemingly stable

The prime yield continued to be stable in the first half of the year, hovering around the magic threshold of 3%. However, this can only be used as a market indicator with reservations, as no more significant transactions were carried out in the second quarter.

In the processes, it could be observed that the market corrected upwards between 30 and 60 basis points, although this was not reflected in actual deals. Many sellers felt compelled to proactively stop the processes, as the interest rate development as well as the market situation was not adequately priced in in their eyes and the risk premiums on the part of investors were disproportionate.

Deals between € 10 and € 100 million dominate – City clearly most popular district

While large transactions dominated the market last year, the first half of 2022 was dominated by mid-sized transactions between € 10 – 50 million. Almost 50 % of the realised transactions were in this range, whereas only one sale in the €150 million range was concluded.

Due to the current elusive market situation, investors are looking at larger ticket sizes to avoid any potential cluster risks and are diversifying through a variety of smaller to mid-sized acquisitions.

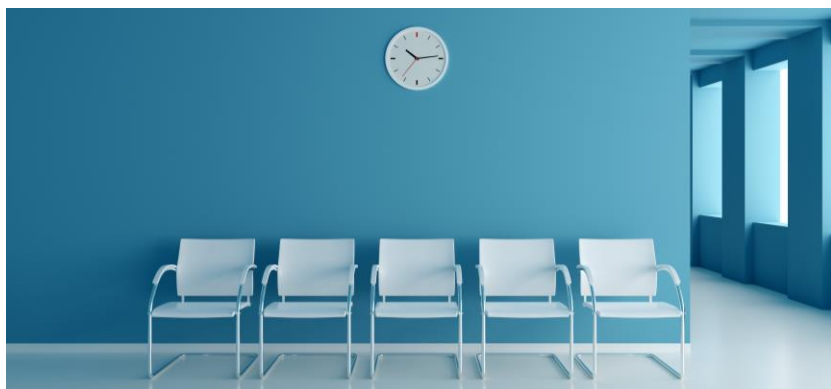
The top deals were all completed in the first quarter of 2022. Deka acquired Kranhaus 1 as an addition to the already owned Kranhaus Süd, while Hanse Merkur Grundvermögen AG expressed its confidence in the Butzweilerhof location with the purchase of Hangar Two, placing itself in good company with DIC and Deka, which have also invested in the immediate vicinity of the location. The only portfolio transaction worth mentioning went to Brookfield Asset Management, which was able to secure 4 properties in the cathedral city through the takeover of Alstria Office Reit AG, which started in 2021.



Is the year-end rally coming after the shock?

Even if the turnover, especially in the second quarter, appears sobering, it remains to be seen how and to what extent investment activities in Cologne will develop in the second half of the year. With regard to the transactions currently parked, buyers and sellers are in a "cautious position". The buying side in particular wants to avoid investing at the wrong time at the wrong price, while the selling side is hoping for a certain calming of the interest rate development and the still high investment pressure of the buyers.

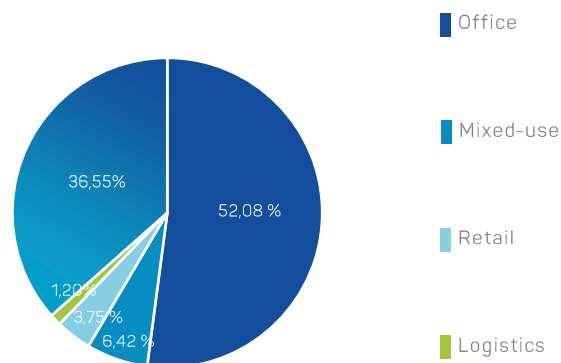
In the industry, the upcoming Expo Real is being eagerly awaited as the first barometer of the mood. It is already clear that the record result of last year cannot be achieved and that a large part of the transactions will be postponed to next year.



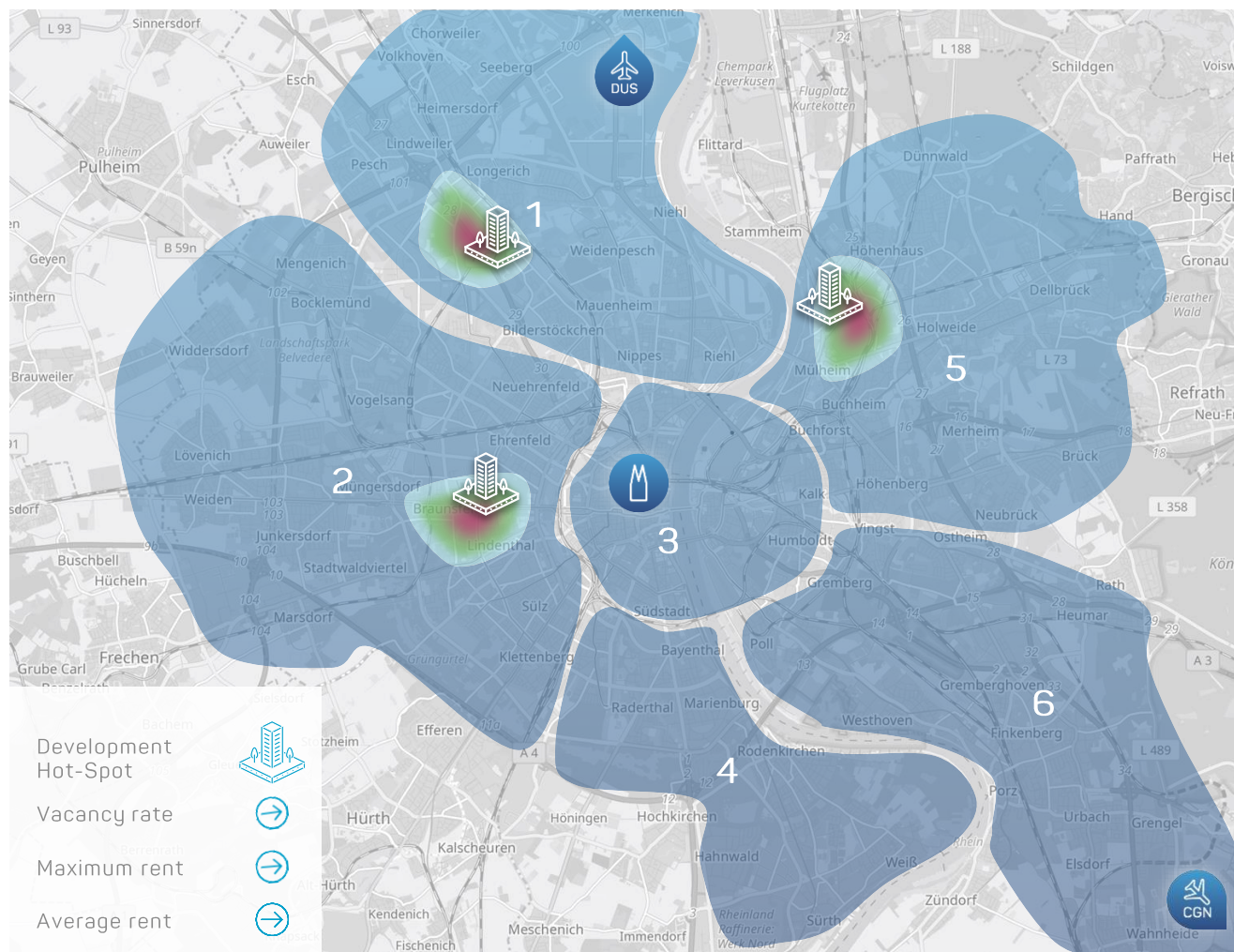
INVESTMENT DEALS

	Property	Submarket	Area in m²
1	Kranhaus 1	Köln - City Centre	17.119
2	Hangar Two	Köln - Butzweilerhof	13.200
3	An den Dominikanern 6	Köln - City Centre	16.800
4	Heumarkt 1	Köln - City Centre	13.000
5	Schildergasse 56-58, Herzogstraße 2-12, Perlenpfuhl 39	Köln - City Centre	8.000

MOST IMPORTANT ASSET CLASS



Cologne | Market trend 2022



KÖLN NORD

1 Butzweilerhof | Ossendorf | Bickendorf | Longerich | Bilderstöckchen

Market Share 29,86%
Rent €/m² 9,50 - 16,08
Average Rent Ø €/m² 12,08

KÖLN WEST

2 Weststadt | Braunsfeld | Ehrenfeld | Marsdorf | Lindenthal

Market Share 14,51%
Rent €/m² 8,50 - 22,00
Average Rent Ø €/m² 12,97

KÖLN INNENSTADT

3 Innenstadt | Deutz

Market Share 29,71%
Rent €/m² 6,40 - 33,50
Average Rent Ø €/m² 18,74

KÖLN SÜD

4 Zollstock | Rodenkirchen | Bayenthal

Market Share 11,06%
Rent €/m² 6,50 - 15,00
Average Rent Ø €/m² 11,41

KÖLN OST

5 Schanzenstraße | Mülheim | Kalk

Market Share 8,91%
Rent €/m² 9,80 - 23,20
Average Rent Ø €/m² 16,55

6 Poll | Porz | Gremberghoven | Westhoven

Market Share 5,58%
Rent €/m² 7,00 - 18,00
Average Rent Ø €/m² 11,54

Other districts

Market Share 0,37%
Rent €/m² 9,50 - 11,00
Average Rent Ø €/m² 10,17

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