



RHEINREAL

# INVESTMENT MARKET REPORT

H1 2020

COLOGNE



# INVESTMENT MARKET REPORT COLOGE H1 2020

*Back to the boom after Corona?*

## **Investment market result collapses by 43% compared to the previous year**

With a transaction volume of just €685 million, the cathedral city's half-yearly turnover slumped by around 43% in contrast to the same period last year. After an already weak result in the first three months of 2020, with an accumulated transaction volume of €464 million, the Cologne investment market is feeling the effects of the corona pandemic particularly strongly. The transactions concluded in the second quarter were therefore mainly purchasing processes that were already at an advanced stage before the temporary lockdown.

In addition to the sharp decline in the transaction volume, the first six months of the year are characterized by a clear shift in buyer preferences. After hotels enjoyed strong popularity last year with a 20% share, no significant hotel transactions were recorded in Cologne this year.

## **Development plots becoming a more popular asset class**

On the other hand, the high proportion of development plot sales in the Cologne real estate market is striking. At around €310 million, the result quadrupled compared to the same period of the previous year and

„IT WAS ALREADY FORESEEABLE AT THE BEGINNING OF THE YEAR THAT THE RECORD RESULT OF 2019 WOULD NOT BE REACHED DUE TO THE SCARCE SUPPLY, EVEN WITHOUT THE CORONA CRISIS “

catapulted this asset class to second place behind the investor's favorite, office, which, with a share of 56%, still ranks first. The overall result was significantly influenced by the sale of the development property "Cologneo II" with a possible construction volume of 71,500 m<sup>2</sup> gross floor area in the south of Mülheim to Partners Immobilien Capital Management.

The top deals in the office asset class included the sale of two forward deals in "I/D Cologne", the office building on Rudolfplatz acquired by AEW Europe and several portfolio



property sales in Cologne-Braunsfeld.

### **National investors dominate the market**

After international investors dominated the market in 2019, the first half of 2020 was dominated by national buyer groups with a share of over 70%. On the one hand, this is due to corona-related travel restrictions during the lockdown, on the other, mainly medium-sized individual transactions of €30 to 60 million were carried out, which are less attractive for international players due to the low transaction volume. The gross prime yield in the office asset class is 3.1%, and thus remains at the already low level of the first quarter.

### **Cologne investment market only in a temporary slumber?**

It was already foreseeable at the beginning of the year that the record result of 2019 would not be reached due to the scarce supply, even without the Corona crisis. Nevertheless, the lockdown brought the investment market to a virtual standstill in the first two months of the second quarter. „After the initial shock moment, we are now observing a surprisingly strong increase in investment activities in Cologne,“ said Alexander Wunderle, Managing Director and Investment Team Leader at RheinReal Immobilien GmbH. „Public authority properties in particular are experiencing a real run on investors, as a result, we have even been able to observe rising purchase price multipliers here“.

The high volatility of the stock markets caused by corona has had an influence on the investment decisions of large, more security-oriented investors and is leading to a further increase in interest in real estate among this group of buyers. A balanced and stable tenant mix and long-term contract terms are more important than ever in the current phase. Demand for value-add properties remains strong, but more conservative forecasts are being used to predict potential rental growth.

The RheinReal investment team expects a strong year-end rally and a continuation of the investment boom in the Cologne real estate market in 2021. This assumption is based primarily on the fact that major planned transactions have been temporarily postponed due to the COVID-19 pandemic and will be resumed when the situation eases further.



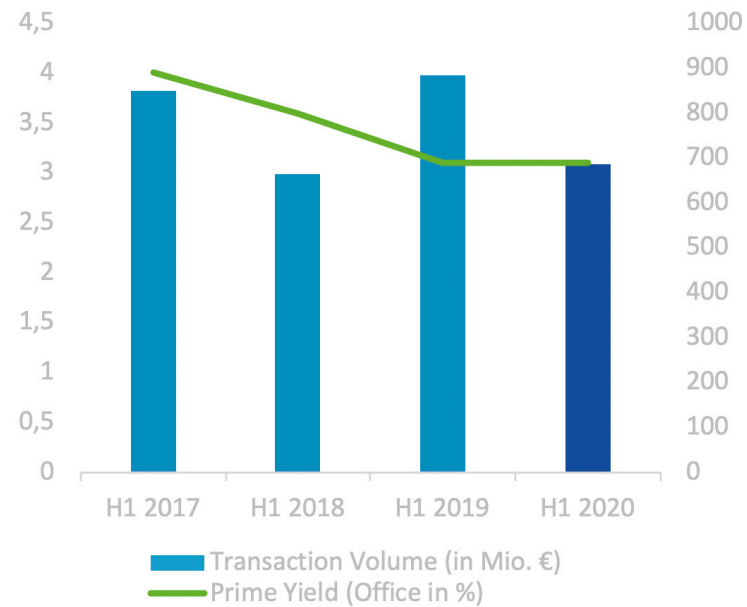
## INVESTMENT MARKET COLOGNE

### TOP 4 TRANSACTIONS

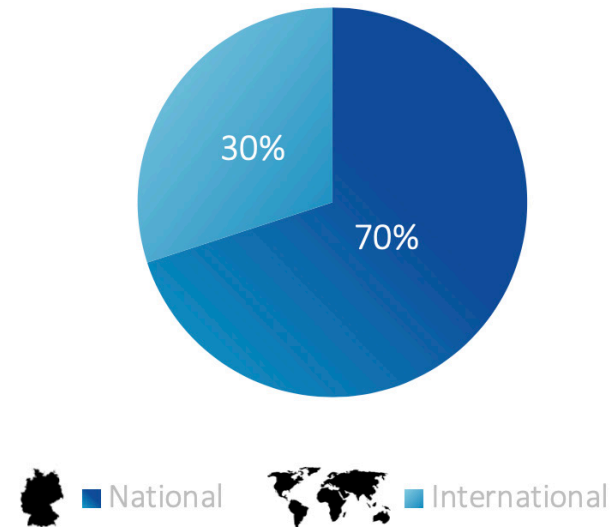
	TOP DEALS	submarket
1	ID COLOGNE	Mülheim
2	Clouth Areal	Nippes
3	Cologneo II	Mülheim
4	Haus am Rudolfplatz	City-Center



### INVESTMENT KEY-FACTS



### BUYER GROUPS



# INVESTMENT TEAM

*Expert advice on the investment market*



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- Structuring of transaction processes at property and portfolio level
- Best regional expertise with an international network
- Landlord Representation Mandates
- Repositioning of portfolios
- Excellent track record



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The data obtained are based on research conducted by RheinReal Immobilien GmbH. The information comes in part from public sources, information from third parties and our assessment. However, we exclude any liability for the completeness and correctness of the information.

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