



# INVESTMENT MARKET REPORT COLOGNE

H1 2021

The hunt for the federal eagle

# INVESTMENT MARKET COLOGNE

## H1 2021

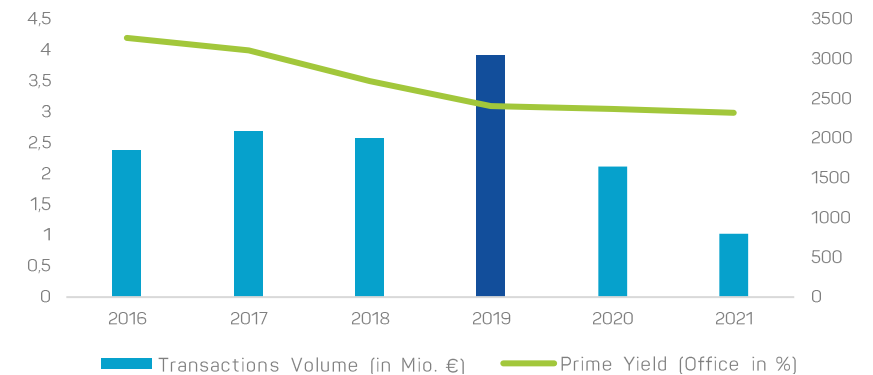
*The hunt for the federal eagle*

*Inflation fears and investment pressure fuel Cologne's investment market*

After a more than unusual year in 2020, the Cologne investment market is back to its old strength. With a transaction volume of more than €805 million, the turnover of the first half of 2020 was exceeded by more than 17%. These extremely positive figures follow the feeling that the situation will soon return to normal amid the still prevailing corona pandemic. "More could have been done" says Alexander Wunderle, head of RheinReal's investment team. "The pressure of demand for attractive investment products on the Cologne commercial real estate market remains high and is far from being satisfied by the scarce supply." Against this background, the large number of attractive project developments in the districts of Braunsfeld, Ehrenfeld and Ossendorf, and with a rapidly increasing letting activity, will certainly ensure a further revival of the investment market.

"It's realistic to assume a transaction volume in excess of €2.5 billion for the full year 2021."

### KEY FIGURES OF THE INVESTMENT MARKET



### KEY FACTS

Transactions Volumen:	€ 805 Mio.
Most important submarket:	City-Centre
Most significant asset class:	Office
Strongest buyer group:	Developers

### *Yields remain under pressure*

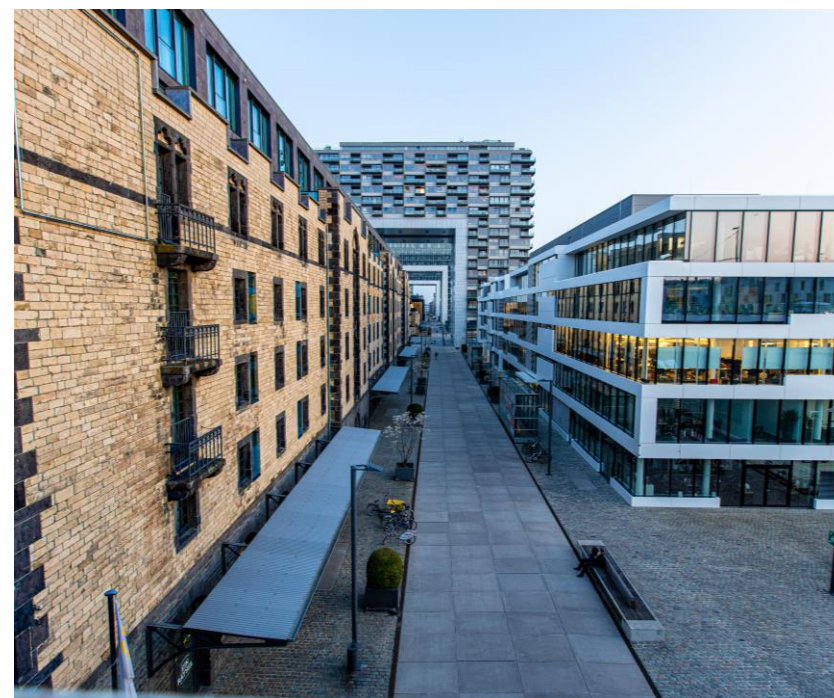
While most market participants were still expecting rising yields last year due to the home office boom triggered by the Covid 19 pandemic, the picture for H1 2021 is the opposite. Yields fell by a further 10 basis points and are now trading at 3%, in some cases even slightly below. This trend is reinforced by the high demand for office products in prime locations with public sector tenants. Surprisingly, there is hardly any differentiation between project developments and existing buildings. Increasing concerns about inflation and the enormous pressure to invest that continues to be triggered by the ECB's monetary policy have ensured that a large number of funds set up specifically for this type of asset are applying for these properties and that yields will continue to fall in the future.

### *Portfolio deals less frequent*

Whereas in the record year of 2019 portfolio deals were the trigger for the unprecedented high transaction volume, in this half-year it is mainly individual deals between €20 million and €100 million that dominate market activity. Forward deals also play a less important role than in previous years. The top deals include the sale of the "Friesenquartier" to Hines, the off-market transaction of the Mercedes-Benz Centre, in which our asset management platform KORE supported the seller in an advisory capacity, as well as the sale of the "KÖLNCUBUS", which is already changing hands for the second time in the last two years.

## TOP-DEALS

	<b>Object</b>	<b>Submarket</b>	<b>sqm</b>
1	Friesenquartier	City-Centre	25,000
2	Köln Cubus	Ehrenfeld/Braunsfeld	10,700
3	Mercedes Benz Center	Ehrenfeld/Braunsfeld	34,700
4	Gladbacher Wall	City-Centre	25,000



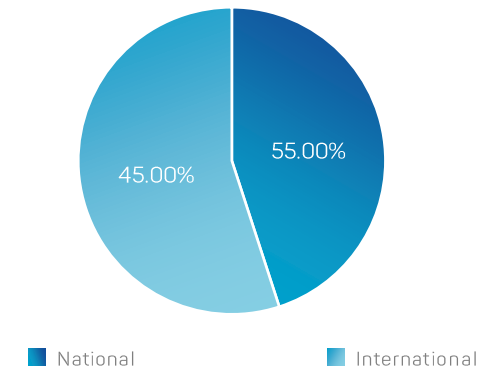
The many individual transactions can certainly be seen as a positive signal for the Cologne investment market. Internationally active institutional investors are now also able to attract capital for volumes of less than € 100 million.

### *Not everything is possible any more*

The positive result cannot hide the fact that sellers are no longer able to easily place all deals due to the further decline in yields. Against the backdrop of the effects of the Covid 19 pandemic on office demand, which still cannot be definitively assessed, investors are now taking a more conservative approach in drawing up their business plans, especially for value-add products and often no longer follow the overambitious purchase price expectations and/or growth forecasts. Our experts assume that transactions with a volume of almost € 300 million are currently on hold.



## CAPITAL ORIGIN OF THE TRANSACTION VOLUME



### *Dominance of national players stopped for the time being*

"While national investors dominated the market in 2020, international investors accounted for almost 55% of purchases in H1 2021," notes Sebastian Britten, Research Analyst at RheinReal. Last year, these investors were very cautious, mainly due to travel restrictions and the near standstill in letting activity on the Cologne office market. The return of international players once again illustrates Cologne's high attractiveness as a stable investment location. Even if yields remain at a low level, investments can be well argued to investors due to the low vacancy rate, the high pre-letting rate for project developments, the extremely strong letting activity of 144,000 sqm in H1 2021 and the still moderate rent increases compared to other major cities.

### *Large share deals as unknowns*

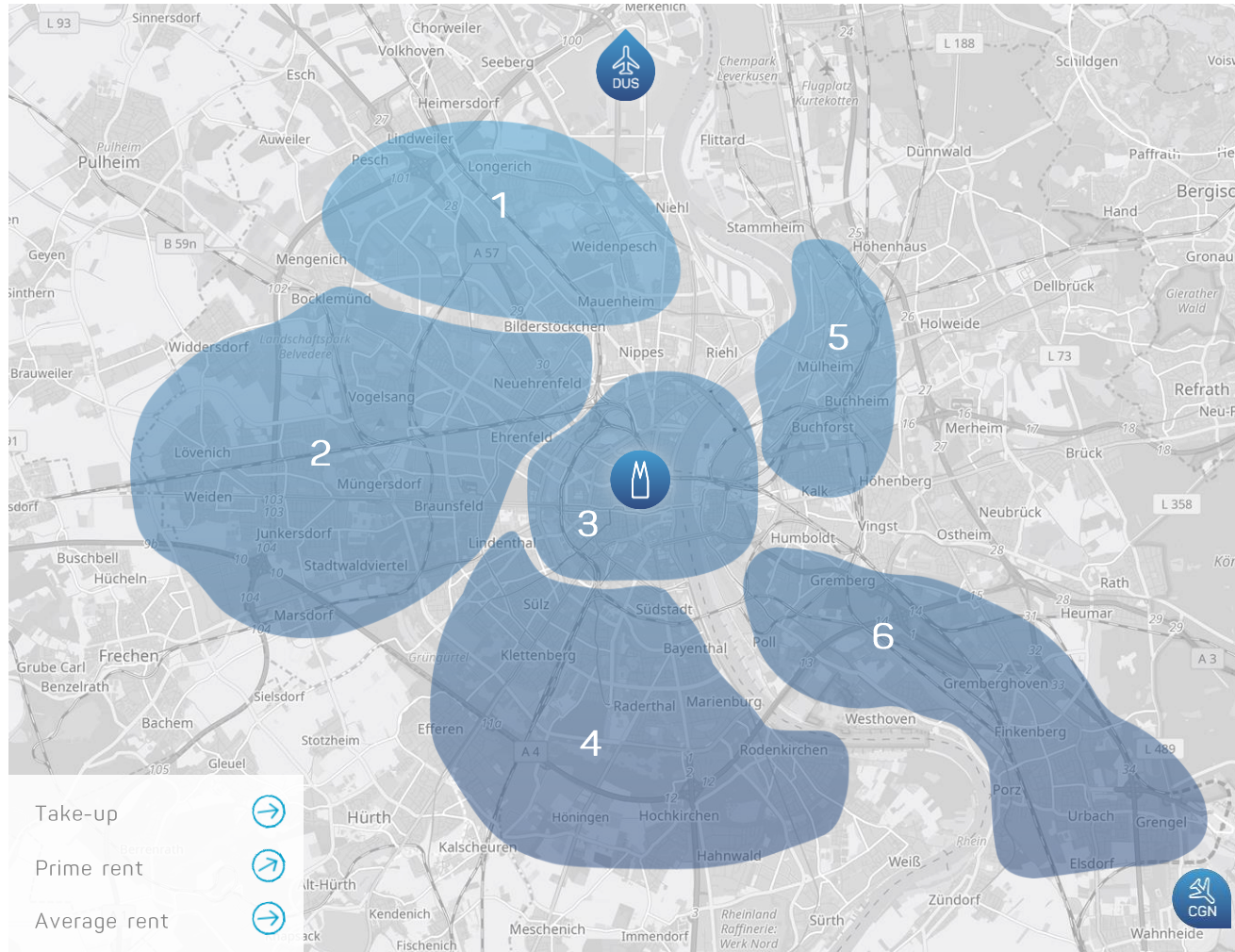
Even if the half-year result in isolation already gives sufficient reason for a positive outlook, the year in the Cologne investment market could end with a more furious result than previously expected by market participants. According to our estimates, share deals with a volume of around € 400 million were realised in the first half of the year. Taking these into account, the transaction volume in H1 2021 is already € 1.2 billion. It is not unlikely that further share deals of this magnitude will be concluded by the end of the year. In combination with the sales processes already underway as well as further transactions in the 3-digit million range in preparation, it is quite possible that a total turnover of € 2.5 billion can be achieved in 2021.

### *So, is everything back to normal?*

According to the available figures, one can hope for a stabilisation of the investment market at the high level before the pandemic. However, it remains to be seen whether the extreme focus on core products will last in the long term and to what extent the value-add investments that were so popular before the crisis will develop. If the rental markets perform at the current level and the existing project development reserves are realised, there will continue to be good reasons for confidence on the part of both buyers and sellers.



# Cologne | Submarkets 2021



## COLOGNE NORTH

<b>1</b>	Ossendorf   Bickendorf   Longerich   Bilderstöckchen
Market-share (take-up)	5,73 %
Rent range	9,00 - 15,00 €/m <sup>2</sup>
Average rent	14,01 €/m <sup>2</sup>

## COLOGNE WEST

<b>2</b>	Braunsfeld   Ehrenfeld   Marsdorf   Lindenthal
Market-share (take-up)	55,73 %
Rent range	10,00 - 16,50 €/m <sup>2</sup>
Average rent	15,67 €/m <sup>2</sup>

## COLOGNE CITY-CENTRE

<b>3</b>	Innenstadt   Deutz
Market-share (take-up)	21,67 %
Rent range	12,00 - 30,00 €/m <sup>2</sup>
Average rent	17,90 €/m <sup>2</sup>

## COLOGNE SOUTH

<b>4</b>	Zollstock   Rodenkirchen   Bayenthal
Market-share (take-up)	2,12 %
Rent range	10,00 - 15,50 €/m <sup>2</sup>
Average rent	14,42 €/m <sup>2</sup>

## COLOGNE EAST

<b>5</b>	Mülheim   Kalk
Market-share (take-up)	2,55 %
Rent range	12,50 - 17,00 €/m <sup>2</sup>
Average rent	14,93 €/m <sup>2</sup>

## COLOGNE SOUTH-EAST

<b>6</b>	Poll   Porz   Gremberghoven   Westhoven
Market-share (take-up)	7,94 %
Rent range	8,50 - 14,00 €/m <sup>2</sup>
Average rent	11,55 €/m <sup>2</sup>

## Sonstige Stadtteile

Market-share (take-up)	4,17 %
Rent range	5,00 - 10,00 €/m <sup>2</sup>
Average rent	8,50 €/m <sup>2</sup>

# OUR INVESTMENT & LANDLORD-SERVICES TEAM

*Expert advice on the investment market*



**DIRK HINDRICHS**  
Executive Partner  
Diplom-Sachverständiger

**T** +49 221 94740 - 133  
**E** hi@rheinreal.de



**ALEXANDER WUNDERLE**  
Managing Director I  
Investment Team Leader

Master of Business Administration  
(MBA) in Real Estate International  
**T** +49 221 94740 - 390  
**E** wu@rheinreal-investment.com



**CHARLOT SCHRÖDER**  
Associate Investment & Marketing  
Real Estate Asset Manager (IREIBS)

**T** +49 221 94740 - 333  
**E** cs@rheinreal-investment.com



**SEBASTIAN BRITTEN**  
Junior Investment Manager  
Bachelor of Science (B.Sc.)

**T** +49 221 94740 - 100  
**E** sb@rheinreal-investment.com



**PAUL RIEKER**  
Team Landlord Services  
& Investment

**T** +49 221 94740 - 360  
**E** ri@rheinreal.de



- 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

# EXCLUSIVE MANDATES

## **KORE** KORE - TPG

Volumen: 116,000 sqm  
Client: TPG REAL ESTATE  
Mandate: Brokerage Mandate  
Asset Management Mandate



## **OVUM**

Volumen: 28,000 sqm  
Client: *FAY Projects GmbH*  
*Alfons & Alfreda Management GmbH*  
Mandate: *Qualified exclusive Mandate*



## **HANGARONE**

Volumen: 8,250 – 13,000 sqm  
Client: Nessler Projektidee GmbH  
Mandate: Qualified exclusive Mandate







# RHEINREAL

## **RheinReal Immobilien GmbH**

Josef-Lammerting-Allee 18 | 50933 Cologne

**[www.rheinreal.de](http://www.rheinreal.de)**

**T** +49 221 947 40 - 0

**E** [info@rheinreal.de](mailto:info@rheinreal.de)

---

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.

**Copyright:** RheinReal Immobilien GmbH | Josef-Lammerting-Allee 18 | 50933 Cologne – July 2021