



INVESTMENTMARKET REPORT COLOGNE

annual review 2021

WOW COLOGNE !

INVESTMENTMARKET COLOGNE 2021

WOW Cologne!

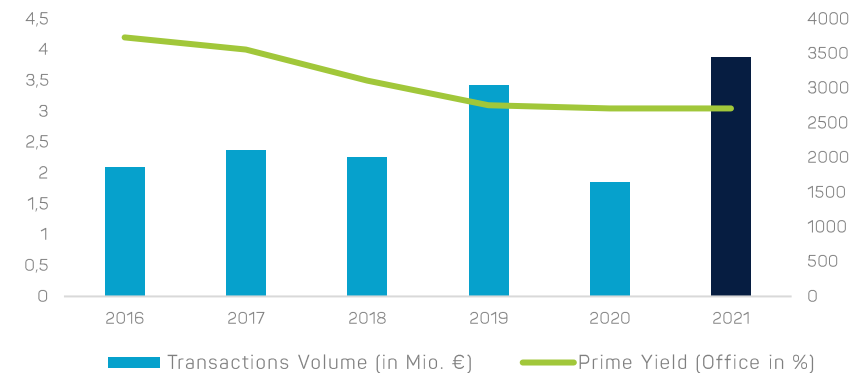
Cologne investment market surprises with new record transaction volume

Corona, what was that again?

"Forecasts are difficult, especially when they concern the future." Even if it is not clear to whom this quote is attributable, the annual result of the Cologne investment market shows how much truth there is in it. Whereas at the end of the first half of the year we predicted that a transaction volume of €2.5 billion was "quite realistic", the annual result of €3.45 billion exceeded all expectations and set a new record. Certainly, the pandemic is still the dominant topic in society, and no one can really estimate how long it will continue to occupy us, but nevertheless: "The 109% higher result compared to the previous year shows that the pandemic has only intensified the run on investment products in Cologne, if at all," states Alexander Wunderle, head of RheinReal's investment team.

IN 2022, INFLATION CONCERNS AND CONTINUED STRONG INVESTMENT PRESSURE WILL FURTHER FUEL DEMAND FOR ATTRACTIVE INVESTMENT OPPORTUNITIES.

KEY FIGURES OF THE INVESTMENT MARKET



KEY FACTS

Transactions Volume:	3,45 Billion €
Most important submarket:	City Centre
Most significant asset class:	Office
Strongest buyer group:	Investmentfonds

Yields remain at historically low level

Even if some market participants try to acquire sales mandates with ever higher multiplier promises, in the end it is clear that the market determines the price. Nevertheless, this year a more than satisfactory result was achieved for the sellers even in the so often feared "failed processes" in the second attempt of selling.

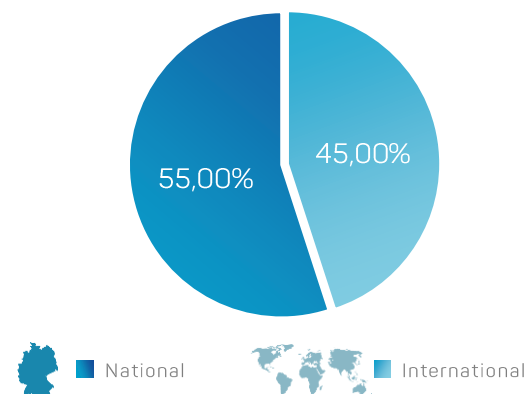
Market participants who predicted at the beginning of the pandemic that the trend towards ever lower yields would be broken have been proven wrong. Accordingly, yields remain at the previous year's historically low level of 3.05%. This year, individual deals have fallen significantly below this level, which was hardly imaginable a few years ago. The ECB's ongoing low-interest-rate policy, the volatility of the stock markets and the average rent, which is still quite moderate compared with the other top seven cities, are creating a real surge in demand for investment opportunities in the Cologne real estate market.

Office as the most popular asset class; national players in front

Office remains the most popular asset class for investors in 2021. With a 52% share of the total transaction volume, office clearly dominates the market, proving that the industry still believes that people will continue to do their work in offices and not exclusively in home offices.

Fortunately, the observations made in the first half of the year regarding the origin of the invested capital are also confirmed. Whereas in 2020, due to the pandemic, around 70% of investments were made by national capital, in 2021 only 55% of purchases were made by national investors. This also shows that Cologne has been able to establish itself as an attractive investment location on a sustainable global basis.

CAPITAL ORIGIN OF THE TRANSACTION VOLUME



The Comeback of Value Add

While value-add products were still the big problem children at the beginning of the pandemic and were appreciated by banks in financing, if at all, with high risk premiums, they are back in the focus of investors: Properties with high potential for value appreciation, both in terms of substance and in terms of rental contracts and management.

For example, for properties such as the Mercedes-Benz Center in Braunsfeld or Kölner Straße in Westhoven, which were only reviewed by absolute connoisseurs of micro-locations during the pandemic, institutional investors with a corresponding vision for various utilisation scenarios could be found. Nevertheless, attractive value-add products are still in short supply, also due to the excess demand that has prevailed in the rental sector in recent years. Many investors are therefore focusing their activities on core+ properties in the expectation that rents will continue to rise.

Everyone wants ESG, but hardly anyone knows how!

Even though ESG has become the dominant topic in the sector over the course of the year, there is still a lack of uniform standards to adequately reflect this in the buying and selling processes.

While the "E" is still relatively easy to grasp in the portfolio thanks to further developed certification options, it is difficult to find measurable and comparable criteria, especially for the topics of "social" and "governance".

In the coming year, this topic will certainly continue to be hotly debated, so that the industry will be forced to continue to improve here. What is clear is that already now, no sensible investment memorandum can be done without adequate consideration of the topic.



Large batch sizes dominate the market

The fact that Cologne does not need to hide behind the other cities in the top 7 is also shown by the high number of deals above €100 million. This year alone, 8 deals and thus about 2/3 (58%) of the total transaction volume were realised in this range. Deals of this size will continue to be highly relevant in the future, as the increase in average rents and the high demand for attractive offices now allow developers to realise larger projects with relatively low vacancy risk.

City in 1st place, Deutz "cheats" its way past Braunsfeld into 2nd place with large share deals

This year, Cologne's city centre once again made it into first place among the most sought-after submarkets in Cologne, even if the lead, with a share of just under 38%, is no longer quite as clear as in previous years.

Deutz and the Ehrenfeld/Braunsfeld submarket zone follow in second and third place with a market share of 27.5% and just under 20% respectively. It is primarily three large share deals in the area of the Rheinhallen and the Köln-Messe with a volume of just under € 950 million and thus 90% of the total transaction volume in this submarket that have helped Deutz to achieve this result.

INVESTMENT DEALS

	Object	Submarket	sqm
1	Laurenz Carrée	Cologne-City Centre	33.000
2	share deal Kölnmesse	Cologne-Deutz	132.000
3	share deal Rheinpark	Cologne-Deutz	58.073
4	Eagles Portfolio	Cologne-Braunsfeld	61.850
5	development property Venloer Straße	Cologne-Ehrenfeld	170.000
6	Friesenquartier	Cologne-City Centre	25.000
7	share deal Rheinparkhallen	Cologne-Deutz	48.023
8	Am Cäcilium	Cologne-City Centre	19.380



The city centre shines in particular with trophy deals in the core segment, such as the sales of Laurenz-Carré and Cäcilium. Even though the magic limit of 10,000 €/m² was narrowly missed, sellers of high-quality office properties in prime locations were able to enjoy an extreme surplus of demand, so that in individual cases the initial yield here has also slipped below 3%.

Braunsfeld was also able to secure a very good 3rd place with a transaction volume of over €617m thanks to the sale of the Eagles portfolio with 3 buildings used by the authorities with a rental area of over 61,000m². However, also noticeable here are the many deals on sites with future development potential, which sustainably prove the belief in high-priced products in this strong submarket.

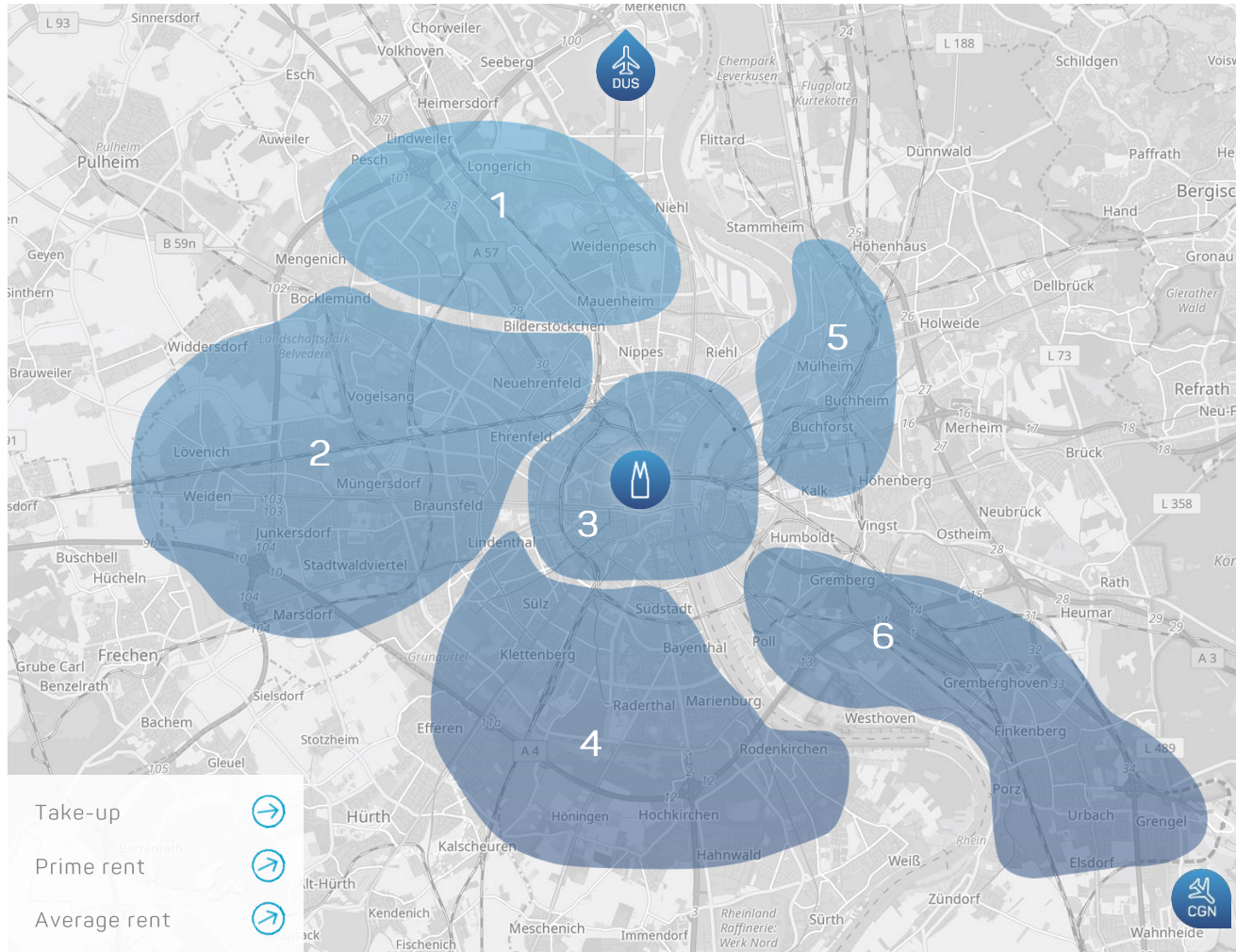
What's next, after the record?

In 2022, inflation concerns and continued strong investment pressure will further fuel demand for attractive investment opportunities. These are rosy prospects for those who, despite long building permit phases and a short-lived hesitancy in demand due to the pandemic, have managed to get their projects out of the ground with high pre-letting rates and aim for timely exits.

Even though the record mark is now ambitiously high thanks to this extraordinarily high result, the product pipeline is already filled with attractive investment products for 2022 as well, so that the Cologne investment market will certainly come up with one or two surprises again.



KÖLN | Teilmarktzone 2021



COLOGNE NORTH

1	Ossendorf Bickendorf Longerich Bilderstöckchen
market share (take-up)	9,07%
rent range	€/m ² 9,00 - 15,00
average rent	Ø €/m ² 13,21

COLOGNE WEST

2	Braunsfeld Ehrenfeld Marsdorf Lindenthal
market share (take-up)	33,55%
rent range	€/m ² 10,00 - 18,00
average rent	Ø €/m ² 15,77

COLOGNE CITY CENTRE

3	Innenstadt Deutz
market share (take-up)	30,56%
rent range	€/m ² 12,00 - 30,00
average rent	Ø €/m ² 19,81

COLOGNE SOUTH

4	Zollstock Rodenkirchen Bayenthal
market share (take-up)	4,64%
rent range	€/m ² 10,00 - 17,00
average rent	Ø €/m ² 15,88

COLOGNE EAST

5	Mülheim Kalk
market share (take-up)	7,93%
rent range	€/m ² 12,50 - 17,00
average rent	Ø €/m ² 13,95

COLOGNE EAST

6	Poll Porz Gremberghoven Westhoven
market share (take-up)	9,29%
rent range	€/m ² 8,50 - 15,00
average rent	Ø €/m ² 11,45

other submarkets

market share (take-up)	4,96%
rent range	€/m ² 5,00 - 10,00
average rent	Ø €/m ² 8,50

OUR INVESTMENT & LANDLORD-SERVICES TEAM

Competent advice for your real estate



DIRK HINDRICHS
Managing Director I
Diploma Appraiser (DIA)

T +49 221 94740 - 133
E hi@rheinreal-investment.com



ALEXANDER WUNDERLE
Managing Director I
Director Investment

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



NILS HEIKUS MRICS
Director Landlord-Services
Immobilienökonom (IREIBS)

T +49 221 94740 - 300
E nh@rheinreal.de



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



RHEINREAL

RheinReal Immobilien GmbH

Josef-Lammerting-Allee 18 | 50933 Cologne

www.rheinreal.de

T +49 221 947 40 - 0

E 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 – January 2022