

Pressemitteilung

Köln, 27.09.2018

Commercial property market of the Cologne | Bonn logistics region: strong demand and low availability give rise to increasing rents and decreasing yields

The Cologne | Bonn logistics region is and will remain a sound business location. There is currently particularly strong demand for space from the logistics industry. However, there is a drawback: there is not enough space available. In their analysis of the first quarters of 2018, property experts Greif & Contzen found that many requests for space cannot be met due to a lack of availability.

Complaints about the housing shortage are nothing new in the Rhineland region. Hardly a day goes by where we do not hear calls for promoting new residential construction projects. This is perfectly justified, however, in this context another shortage may be easily overlooked: In the towns and communities along the Rhine, from Dormagen via Cologne to Bonn, commercial space is becoming ever scarcer. This is a dangerous development, as a lack of commercial space will hinder growth, impede a further economic upturn and therefore put the region's prosperity at risk.

Does this sound overly pessimistic? – I hardly is, according to the latest figures determined by the research experts from the real estate company Greif & Contzen, whose activities are focused in the logistics region of Cologne | Bonn: Greif & Contzen's latest Industrial Property Market Report suggests that many requests for commercial space could not be met during the first nine months of the year, due to a lack of available space.

Particular scarcity within Cologne's city limits

Competition among demanders is especially high in the city of Cologne: only around 40,000 square metres of warehouse space had been taken up by the end of September within the city limits, and almost all of this space was located in existing buildings. The real estate experts from Greif & Contzen expect that total take-up in Cologne will be lower than the average of the past five years by around one third, by the end of the year. Vacant warehouse space in Cologne has meanwhile dropped to just 65,000 square metres, and has thus halved compared to the same time last year. Only very few existing properties are available in most parts of the city and apart from very few exceptions, the available rental units tend to be smaller than 5,000 square metres.

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Overall results saved by the surrounding region

The overall results are saved by the surrounding region, for now. Greif & Contzen found that more than 80 % of space taken up was located in the towns in the greater region around Cologne. Overall take-up figures for the region continue to be on a high level, with around 280,000 square metres of warehouse space taken up during the first three quarters of the year. "It is like a lucky draw: there are many who walk away empty-handed," says Frank Klähn, Head of Industrial and Logistics Properties.

The surrounding region will not be able to back up the city area for much longer, either. Vacant warehouse space in the towns of the surrounding region decreased from around 310,000 to currently just 145,000 square metres.

Strong take-up figures thanks to logistics service providers

A large share of warehouse space taken up was accounted for by logistics service providers. They generated about half of the overall take-up of space, and their share more than doubled compared to the same period of the year before. "We can observe a trend that the manufacturing industries are increasingly hiring logistics companies to avoid having to operate their own premises," explains Frank Klähn. "The lack of space is also a limiting aspect in this context, though, and it prevents this industry from expanding further."

Construction activities not sufficient

There is help at hand, but it will not be enough: The experts from Greif & Contzen have calculated that around 230,000 square metres of new warehouse space should be completed in 2018. This means that construction activities have more than tripled since 2017, however, according to Greif & Contzen's assessment this will not suffice to cover the demand backlog combined with future demand.

Rents on the rise

In line with the decrease of available space, rents have increased in many parts of the logistics region. In Cologne, the usual rental price range for existing buildings in business parks has increased to between EUR 4.40 and 4.60 per square metre. In individual cases, rents above the current prime rent of EUR 5.00 per square metre have been requested for warehouse space in new properties. Rental levels increased in the surround region as well, in particular in Dormagen, Leverkusen, Bergisch Gladbach and the Rhein-Erft region.

Logistics property investment market

The investment business is also affected by a supply shortage: Following the sale of a number of very large logistics property portfolios comprising real estate across Germany in 2017, the investment business in the overall logistics region has not been able to match last year's figures so far.

The biggest deal of the year so far was Blackstone taking over the MStar Europe portfolio, which had been established by the joint venture partners M7 Real Estate and Starwood

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Capital since 2014. The portfolio comprises three business parks in Cologne, Dormagen and Pulheim with a total of around 46,000 square metres of warehouse space.

Purchasing prices have increased and the net prime yield for logistics properties has dropped from 4.9 percent in autumn 2017 to currently 4.4 percent, owing to the high demand paired with decreasing availability.

Increasing prices for commercial construction land

Prices continue to soar also for commercial construction land. Square metre prices within Cologne's city limits currently range between EUR 150 and 250 per square metre (previous year: EUR 130 to 185 per square metre).

Property development projects and new commercial areas wanted

"The situation is not going to change over the next few months: We observe investors and commercial users, who are looking for properties and rental units, and we observe a very limited supply of space," says Frank Klähn.

Property development projects and a designation of new commercial areas are becoming more and more important for covering demand for commercial space in the industrial property market of the logistics region of Cologne | Bonn. The past few months have shown: Users could quickly be found, even for property projects that were initiated on a speculative basis, without pre-letting.

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Die Entwicklung der Immobilienmärkte analysiert Greif & Contzen in regelmäßig erscheinenden Büro- und Investmentmarktberichten.

Bei Fragen wenden Sie sich bitte an:

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