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PROPERTY
PARTNERS**

Investment Market Cologne

Including Submarket Reports

March 2018



Unter Sachsenhausen / An den Dominikanern

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March 2018

Dear Sir or Madam,

Cologne's commercial property investment market experienced a new record high in 2017. With a total transaction volume of around 2.3 billion euros, the previous record set in 2015 was exceeded significantly by around 20 percent. Investors have been seizing opportunities not only in the city centre, but increasingly also in various other city districts.

There were six transaction with purchasing prices in the triple-digit million euro range. These often regarded large building ensembles or portfolios that were bought in view of their future development or appreciation potential. This is particularly true for the structures of the former Deutz AG production site but also for the real estate portfolio sold in TechnologiePark in Cologne-Braunsfeld, as well as the not yet fully completed urban development project Gerling Quartier.

Another property transaction that has particularly far-reaching significance was the sale of an ensemble in direct vicinity of the cathedral. Under the project name "Laurenz Carré" planning has now been taken up for comprehensive structural modernisation measures. Following our executive summary, we would like to introduce you to the substantial upgrading processes that are currently being initiated in this prominent location, in more detail.

Demand and financial capacity of investors continue to be on an extraordinarily high level and properties that will be available for sale in 2018 will be readily taken up. This will also be the case beyond the most favoured locations and further moderate price increases are likely to be accepted. However, a growing number of market participants are beginning to expect that this trend may be coming to an end.

This report is a summary of the most important developments in the market areas of office, retail, logistics, hotel and residential properties. Please do not hesitate to get in touch with us, if you have any specific questions regarding Cologne's real estate market.



Yours faithfully

Theodor J. Greif

Managing Director / Owner
Greif & Contzen Immobilien GmbH

Investment Market Cologne

March 2018

Contents

Executive Summary	4
I. General socio-economic data and urban development	6
II. Real estate market Cologne	8
III. Investment market	10
1. Office buildings	12
2. Retail buildings	17
3. Industrial, storage and logistics	23
4. Hotels	28
5. Apartment buildings	31
6. Condominiums	34
IV. Outlook	37



Investment Market Cologne

March 2018

Executive summary

Across all segments, properties for a total of 4.7 billion euros changed hands in Cologne in 2017. This corresponds to a decrease of around 200 million euros or about four percent compared to 2016. However, in the commercial property investment market, the figures of the previous record year of 2015 were exceeded significantly, with a total transaction volume of 2.3 billion euros and an increase of around 20 percent.

Office buildings

Compared to previous years, office buildings accounted for a relatively low share of 45 percent of the total transaction volume of commercial real estate. Nevertheless, there were three transactions with purchasing prices in the triple-digit million euro range. The prime yield decreased slightly over the course of the year, to currently 3.7 percent. Demand continued to be strong in the office space market in 2017, while available space decreased further. The rental level is experiencing an upwards trend both when it comes to the market average and in the premium segment.

Retail buildings

Retail properties accounted for about one fifth of the total transaction volume of commercial real estate in 2017. This is a relatively large share, compared to previous years, when willingness to sell had been low. Trading activities included all types of properties. Some of the biggest transactions regarded the shopping centres DuMont Carré and Zollstock Arkaden as well as the IKEA stores in the districts of Godorf and Ossendorf. A number of commercial buildings in top locations also changed hands. The prime yield for this segment decreased slightly to 3.2 percent.

Industrial, storage and logistics

The transaction volume for industrial and warehouse properties in Cologne's city area was around 150 million euros. Larger properties were frequently bought by funds or by foreign investors. Furthermore, a number of small to medium-sized industrial properties were bought by further types of investors as well as by local owner-occupiers. Various properties in the region surrounding Cologne also changed hands as part of a number of portfolio transactions regarding nationwide property portfolios. Over the course of the year, the prime yield decreased by 30 base point to 4.7 percent.

Hotels

Three large hotel properties were sold in the past year. Two of the properties were offered for sale by their previous owners after a holding period of only a few years. The hospitality industry experienced a strong increase of overnight stays by around eight percent. The average price per room per night was above 100 euros, with occupancy rates above 70

Investment Market Cologne

March 2018

percent. A number of new hotel projects are currently under construction or in planning stages, with special focus on 3 and 4 star hotels.

Apartment buildings

The transaction value for apartment buildings increased by about nine percent to around 840 million euros in 2017, despite the fact that the number of transactions decreased by about ten percent compared to 2016. Purchasing prices in good and very good residential areas ranged mostly between 20 and 28-fold the annual rent. There continues to be a shortage of housing, and rents are going to increase further as a result.

Condominiums

Rising prices could not compensate for the substantial decrease of available properties in the market for condominiums. The transaction volume dropped by eleven percent to 1.35 billion euros in 2017. Most of the current construction projects are being realised outside of the city centre, owing to the conditions of the very tense property market. The number of units per project are often in the low to mid double-digit range.

Outlook

The announcement by the European Central Bank that the expansive monetary policy will be adapted by the end of 2018, but will be effectively continued, provides for the yield gap between real estate and fixed-interest investments to remain in place over the months ahead. This means that an important aspect that makes real estate such an attractive asset class is going to be maintained, at least for the time being, and the pressure to invest is going to remain high among investors.

In addition to this, real estate acquisition is further promoted by the parameters of the current general economic development. Considering the ongoing upwards trend, property investors can once again expect that letting markets will be dynamic and marketing activities for property developments will be successful in Cologne this year.

Overall, there is no indication that investor demand might decrease in 2018. Availability of properties continues to be the critical factor. New investment products may enter the market thanks to a growing trend to realise trading profits and to restructure portfolios. Furthermore, there is potential provided by development sites. It appears possible therefore that a transaction volume for commercial properties on a scale of around two billion euros may be achieved by the end of the year.

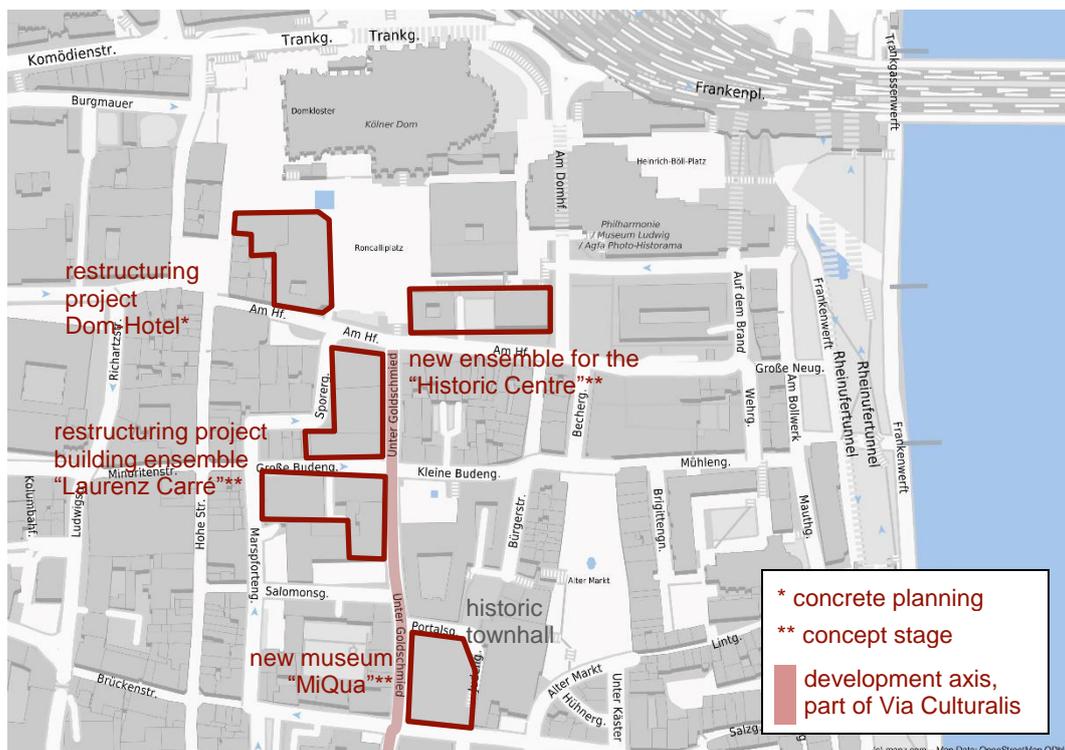
Investment Market Cologne

March 2018

I. General socio-economic data and urban development

Cologne is among Germany's top three economic regions. There is a population of around 17 million people within a radius of 100 kilometres.

Population (as of 31 December 2016)	1,082,000 inhabitants
Population forecast for 2020	1,108,400 inhabitants
Average unemployment rate 2017	8.4 %
Purchasing power in 2017 (MB Research)	107
Centrality index in 2017 (MB Research)	112.8



Historic centre to the south of Cologne Cathedral © Greif & Contzen 2018

Urban development to the south of Cologne Cathedral

The centrally located part of the historic centre between Cologne Cathedral and the historic townhall is one of the city's strongest tourist magnets. The area along and in extension of the street Unter Goldschmied in particular, will be subject to a comprehensive revitalisation process in the medium-term future, thanks to a number of real estate projects and construction projects with a cultural context. This development is also going to have an impact on adjacent areas. The "Via Culturalis" concept provides for a number of individual measures to be integrated into a larger urban planning framework.

Investment Market Cologne

March 2018

Regarding the Dom-Hotel, it is certain that a new hotel building with retail space on the ground floor will be realised, while the historic façade and the stairwell will be preserved. There is no fixed completion date, as previous planning for the restructuring project is currently being revised. The project is likely to be completed around 2020 to 2021.

Architectural designs have been selected for the south-eastern part of Roncalliplatz, in a public competition. These designs illustrate how the Romano-Germanic Museum, the Curia's house of Cologne Cathedral and Cologne's city museum can be connected to create a "Historic Centre". Realisation and funding are currently being discussed by the city council.



Existing buildings Unter Goldschmied © Greif & Contzen 2018

Under the project name "Laurenz Carré", planning has been taken up for a major property development project with a total investment sum of 250 million euros, incorporating the buildings of Senats Hotel and the former Carlton Hotel that was later used by the broadcaster WDR. An architectural competition has already been initiated. Planning provides for a mixed use comprising two hotels, office and retail space as well as high-quality residential units. The construction phase is scheduled to take place between 2019 and 2021.

Further along towards the south, the new Jewish museum MiQua is now under construction, following comprehensive archaeological preparatory work. The museum integrates the abundant ground monuments, including the Roman Praetorium and the medieval Jewish quarter that are presented as exhibits. Thanks to the historic structures' rarity and the opportunity to experience these on site, it is expected that the museum will attract great interest.

It is generally becoming apparent that a revitalisation process is underway in these centrally located areas of the city. This development is going to provide for new points of attraction and for a more appealing cityscape.

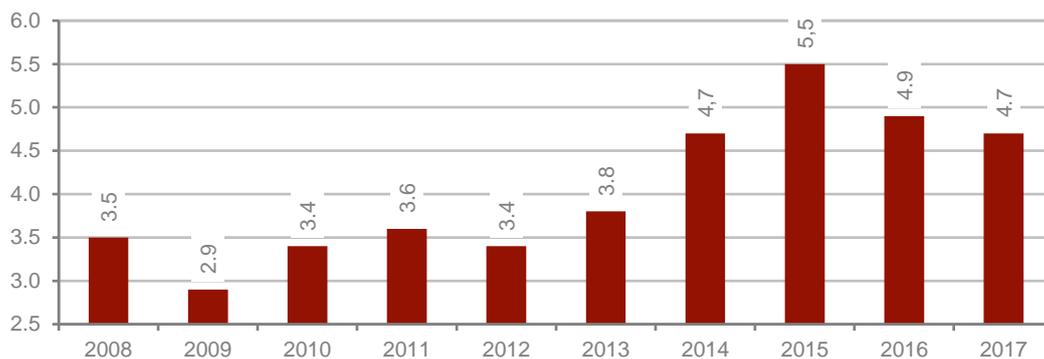
Investment Market Cologne

March 2018

II. Real estate market Cologne

Properties for a total of around 4.7 billion euros were sold in Cologne's real estate market in 2017. The transaction volume was therefore about 200 million or around four percent lower than in 2016. However, trading activities for commercial properties increased significantly. The overall investment turnover rose from 1.8 to 2.3 billion euros, exceeding even the record year of 2015, in which 1.9 billion euros were generated. Compared to previous years, trading was particularly busy in the area of retail properties.

**Transaction volume (bn. €)
development 2008 to 2017**



Source: Committee of experts of the City of Cologne 2018 (modified regarding 2013, 2014 and 2015)

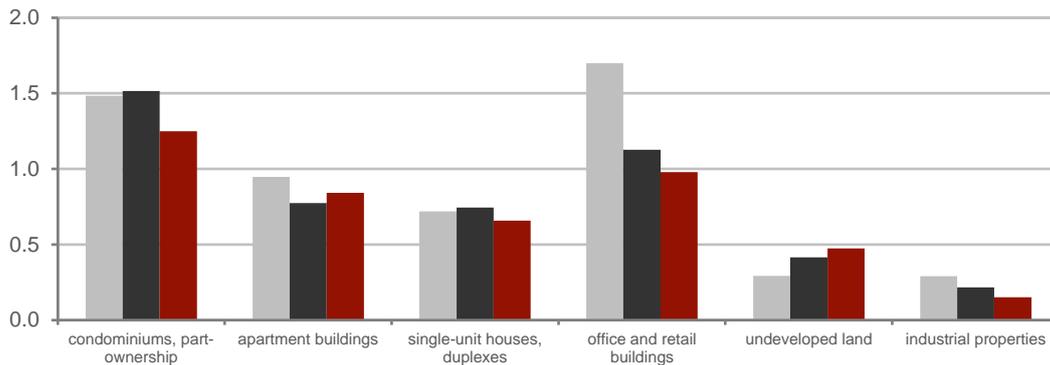


Zollstock Arkaden © Greif & Contzen 2018

Investment Market Cologne

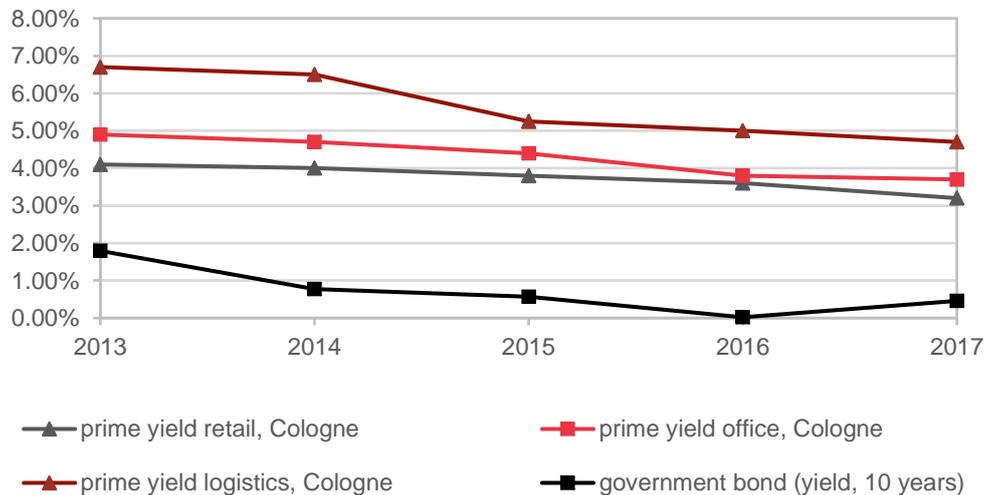
March 2018

Transaction volume according to property types (bn. €)
2015, 2016, 2017



Source: Committee of experts of the City of Cologne 2018 (modified regarding 2015 and 2016)

Yields in the fourth quarter of 2013 - 2017 respectively



Source: Greif & Contzen Research, Cologne March 2018



Investment Market Cologne

March 2018

III. Investment market

Six transactions in the triple-digit million euro range took place in 2017, contributing significantly to the considerable increase of the investment volume for commercial real estate. Large-scale buildings and plots in Cologne are in high demand and are being sold for very high prices. This is true for finished investment products as well as for properties with appreciation potential.

Selection of major transactions in 2017

Property (location)	Type	Purchasing price
Gerling Quartier (incl. Friesenquartier; Altstadt Nord)	mostly office space	approx. 200 m. €
Deutz AG site (Mülheim)	development site	approx. 150 m. €
DuMont Carré (Altstadt Nord)	retail, residential, office space	approx. 150 m. €
Deutsche Bank ensemble (Altstadt Nord)	office space	approx. 130 m. €
TechnologiePark portfolio (Braunsfeld)	mostly office space	> 100 m. €
Triforum (Ehrenfeld)	office space and hotel	approx. 100 m. €
Coloneum, MMC studios (Ossendorf)	office space, TV studios, warehouse	> 50 m. €
Zollstock-Arkaden (Zollstock)	retail, residential, office space	approx. 46 m. €
Hubertushof (Müngersdorf)	office space	approx. 40 m. €
Retail park (Widdersdorf)	retail park	approx. 20 m. €
IKEA stores (Ossendorf and Godorf)	specialist retailers portfolio	unknown
Laurenz Carré (Altstadt Nord)	development site	unknown
Hohe Strasse 152-154 (Altstadt Nord)	commercial property	unknown
Hansestrasse 61-63 (Gremberghoven)	logistics facility	unknown

Source: Greif & Contzen Research, Cologne March 2018

The highest purchasing price in the past year was paid for parts of the building ensembles Gerling Quartier and Friesenquartier, which were sold for an estimated total of about 200 million euros. The entire premises are dedicated mostly to office use, but they also include a construction measure for the hotel chain 25hours.

In the district of Mülheim, on the right bank of the Rhine, Deutz AG sold its tradition-steeped production site (see image on page 27) with a plot size of around 160,000 square metres to a property developer, for about 150 million euros. The buyer is planning to realise a mixed use development with a total investment volume of around a billion euros.

In the retail area of Breite Strasse in the city centre, the shopping centre DuMont Carré was sold to a foreign fund. The property had been revitalised over the past few years and is estimated to have been sold for about 150 million euros. The property comprises around 20,000 square metres of retail space as well as office space, apartments and an underground car park.

Investment Market Cologne

March 2018

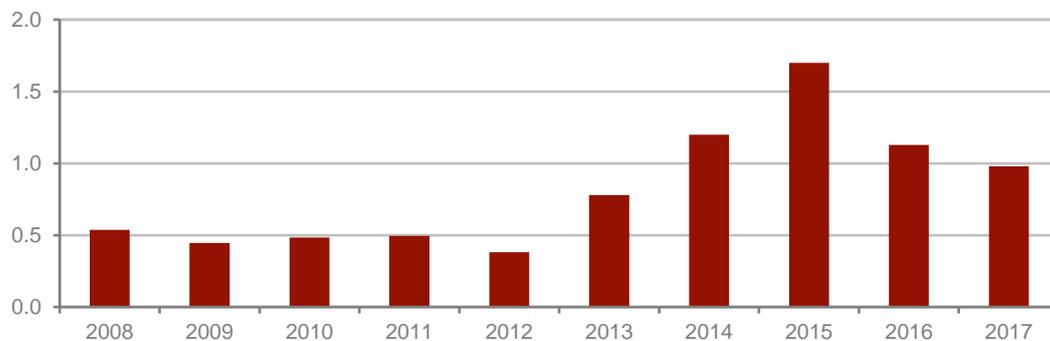
1. Office buildings

According to the committee of experts of the City of Cologne, office and commercial buildings for a total of around a billion euros were traded in 2017. This corresponds to a decrease of some 13 per cent since the previous year.

The biggest transactions in the triple-digit million euro range included the portfolio sale in TechnologiePark in Cologne-Braunsfeld, comprising 17 buildings with a total of more than 100,000 square metres of office space. The buyer was a fund from the US. Seven office and commercial buildings in TechnologiePark had already been taken over by a Swedish private equity investor in 2016. This means that a substantial part of the commercial structures in this submarket has meanwhile changed hands.

In the first quarter of 2017, parts of the centrally located properties of Gerling Quartier and neighbouring Friesenquartier were sold to two investors who are experts in the area of property development. Large parts of the revitalisation and restructuring measures for this comprehensive building ensemble are already complete, and work continues on a number of remaining structures.

**Transaction volume office and commercial properties (bn. €)
development 2008 to 2017**



Source: Committee of experts of the City of Cologne 2018 (modified regarding 2013, 2014 and 2015)

In the banking quarter (Bankenviertel), a specialist fund bought the Deutsche Bank ensemble with a gross floor space of more than 32,000 square metres. It is therefore to be expected that the traditional premium location of Cologne's office space market will experience some new development stimuli over the medium to long term.

In addition to these particularly large-scale investment deals, various further small and medium-sized office buildings also changed hands. While the space sold in 2016 was divided rather evenly between the city centre and the surrounding city districts, almost two thirds of the transaction volume and close to three quarters of the number of transactions took place outside of the city centre in 2017.

Investment Market Cologne

March 2018



Josef-Haubrich-Hof 3-5 © Greif & Contzen 2017

Booming office space market

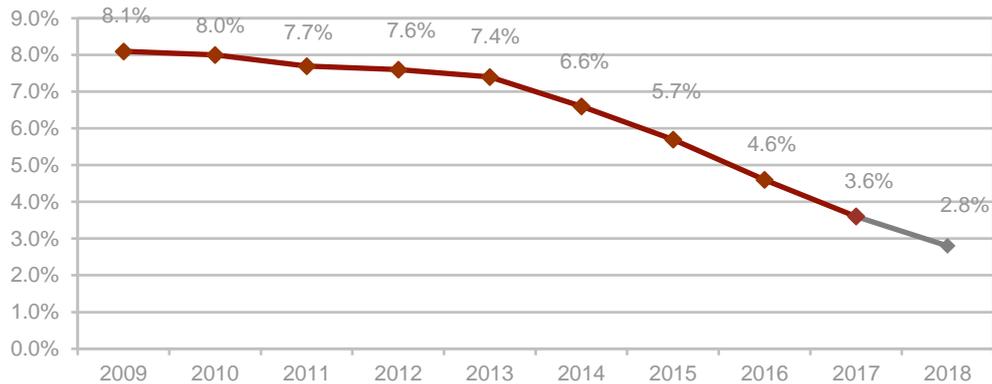
Around 310,000 square metres of office space were taken up in 2017, accounting for the third best result of the past decade. Two units in the five-digit square metre range were taken up, both of which in the submarket of Deutz. The districts on the right bank of the river Rhine have generally become significantly more important for the office space market, over the past few years. Considering the various property development projects in particular in Mülheim, it is to be expected that this trend will continue in future years.

Availability of space has decreased further in the past year, with the city centre being particularly affected by this shortage. Only around 280,000 square metres of office space were vacant at the end of the fourth quarter of 2017. This corresponds to 3.6 percent of the total stock of office space. Around 103,000 square metres of the vacant space are located in the city centre. The current vacancies do not suffice to cover the average take-up of space in a number of popular submarkets such as MediaPark or Kölner Ringe. The vacancy rate is likely to drop to just 2.8 percent over the course of the current year.

Investment Market Cologne

March 2018

Vacancy rate **development** and forecast 2009 to 2018



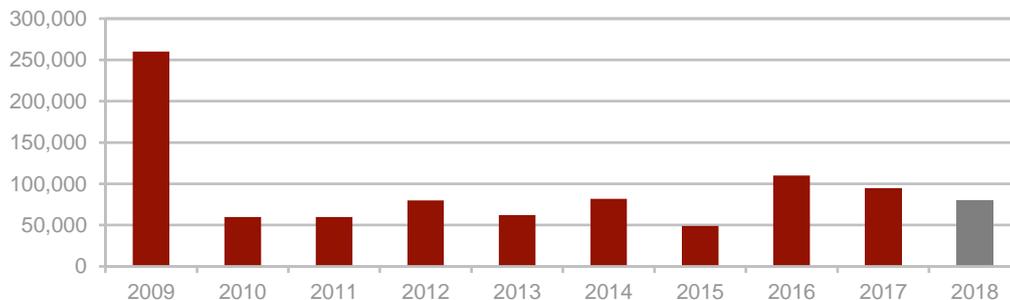
Greif & Contzen Research, Cologne March 2018

Shortage of available space in mint condition

The amount of newly constructed space decreased slightly in the past year, with around 95,000 square metres of office space completed. Only around 80,000 square metres are scheduled for completion in 2018. Owing to the high pre-letting ratio and the fact that part of the space is designated to owner-occupation, less than one third of this space is still available for rent.

Paired with the reduction of vacancies outlined above, there is little availability of office space in mint condition that is available at short notice, especially in the city centre. Property developers and landlords can benefit from decreasing marketing periods and increasing rents.

Completions (m²) **development** and forecast 2009 to 2018



Greif & Contzen Research, Cologne March 2018



Investment Market Cologne

March 2018

Significant construction activities 2018 (properties under construction)

Property / location	Rental space* (m ²)	Completion
MesseCity (Deutz)	around 120,000	2019 / 2021**
b3 campus köln (Kalk)	around 19,000	2017 / 2018**
STRABAG headquarters (Deutz)	around 17,100	2018
ONE Cologne (Innere Kanalstrasse)	around 15,000	2018
Wallarkaden (Kölner Ringe)	around 14,000	2020
CLOUTH 104 (Köln Nord)	around 13,000	2019
GAG headquarters (Kalk)	around 12,400	2018
Kaiser Hof (Innenstadt Nord)	around 12,300	2018
Haus Friesenplatz (Kölner Ringe)	around 9,000	2019 / 2020**

* Rental space across all construction phases, where there is more than one

** according to construction phases

Greif & Contzen Research, Cologne March 2018

Rents are rising - on average and in the premium segment

The rental level is on the rise in Cologne's office space market. The unweighted average rent increased from EUR 12.30 to EUR 13.00 per square metre in 2017. The prime rent as defined by the Society of Property Researchers, Germany (gif e.V.) stands at EUR 21.50 per square metre. However, it can be observed that office users are becoming increasingly willing to pay high prices for premium properties in particular. The highest rent realised in the past year, in a building in mint condition in a very good location was EUR 26.50. The highest rents realised in good locations increased by between EUR 1.00 and EUR 2.75, and the highest rents realised in medium-quality locations also increased significantly in some areas.

This upwards trend of the highest rents achieved, means that it is increasingly worthwhile for property developers and landlords to invest into the quality of their properties and their features and into maintaining these.

You will find a detailed analysis of the highest rents in relation to the different location categories and property types in our Office Space Market Report published in February 2018.





Investment Market Cologne

March 2018

Overview of submarkets

Location	Available space ¹ (m ²)	Vacant space (m ²)	Ø annual take-up ² (m ²)	Benchmark rent ³ (€/m ²)
Innenstadt (City Centre)				
Bankenviertel	14,000	2,000	7,000	13 - 20
MediaPark	2,000	2,000	9,000	13 - 20
Rheinauhafen	17,000	17,000	9,000	16 - 20
Kölner Ringe	44,000	18,000	22,000	11 - 19
Deutz	60,000	10,000	35,000	10 - 19
Innenstadt Nord	59,000	31,000	33,000	11 - 18
Innenstadt Süd	12,000	8,000	10,000	9 - 16
Rheinufer Nord	1,000	1,000	8,000	14 - 20
Rheinufer Süd	14,000	14,000	8,000	12 - 17
Subtotal	223,000	103,000	141,000	
Districts on the left bank of the Rhine				
Innere Kanalstrasse	13,000	2,000	5,000	10 - 16
Ehrenfeld	27,000	14,000	20,000	9 - 13
Braunsfeld	56,000	32,000	13,000	10 - 13
Ossendorf	92,000	12,000	20,000	7 - 11
Köln Nord	33,000	15,000	12,000	7 - 10
Köln West	24,000	19,000	14,000	8 - 14
Köln Süd	29,000	26,000	20,000	8 - 13
Subtotal	274,000	120,000	104,000	
Districts on the right bank of the Rhine				
Gremberghoven	54,000	17,000	14,000	7 - 11
Mülheim	78,000	4,000	19,000	9 - 14
Kalk	3,000	1,000	14,000	8 - 15
Köln Ost	84,000	35,000	16,000	8 - 12
Subtotal	219,000	57,000	63,000	
Total	716,000	280,000	308,000	

¹ The supply of available space consists of vacancies, space under construction and a certain amount of space that is still in planning stages.

² Specified as average value of the past five years

³ The listed figures are base rent prices. Considerably higher or lower rents are occasionally agreed upon in individual cases.

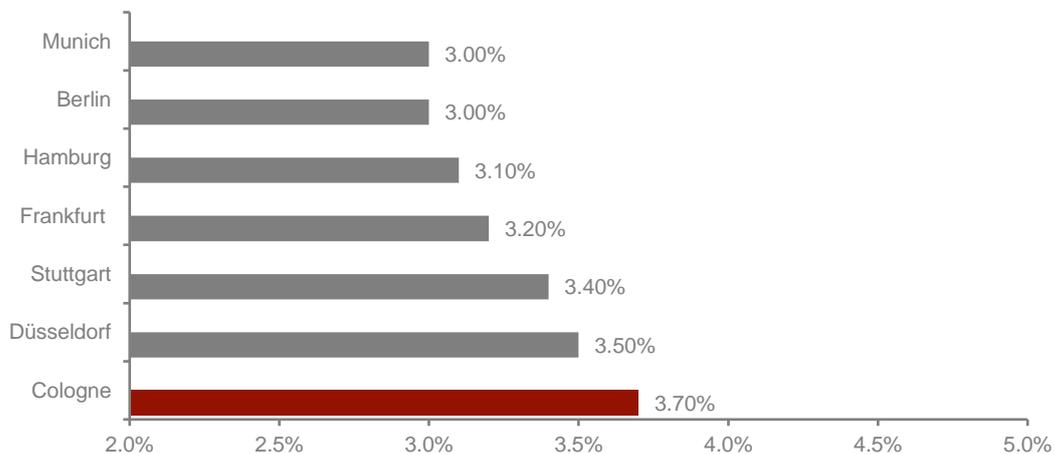
Investment Market Cologne

March 2018

Yields on office buildings

The prime net initial yield decreased slightly by 10 base points over the course of 2017 and it currently stands at 3.7 percent. The gap to Munich and Berlin as the most expensive locations has increased slightly to 70 base points. The average prime yield for Germany's top 7 cities has currently reached around 3.30 percent. On average, prime yields for retail buildings are only 20 base points below this figure.

Prime yields on office properties in Germany's top locations in 2017



Source: Greif & Contzen Research, Cologne March 2018



Hubertushof © Greif & Contzen 2018



Investment Market Cologne

March 2018

2. Retail buildings

Retail buildings for a total of around 500 million euros were sold in 2017. This transaction volume, which is relatively high compared to previous years, was due in particular to the sale of a number of large-scale properties. After DuMont Carré and the two IKEA stores had been sold in the first half of the year, a retail park in Cologne-Widdersdorf and Zollstock Arkaden - another shopping centre - changed hands in the fourth quarter of the year. The property in Zollstock comprises around 5,700 square metres of retail space as well as some 3,500 square metres of office space and more than 70 apartments (see image on page 8). The buyer is a specialist fund that took over the entire ensemble from an insurance company.



DuMont Carré © Greif & Contzen 2018

Furthermore, a number of commercial buildings were sold on Schildergasse and in other premium locations as well as in various areas of the city centre. Two further inner-city

Investment Market Cologne

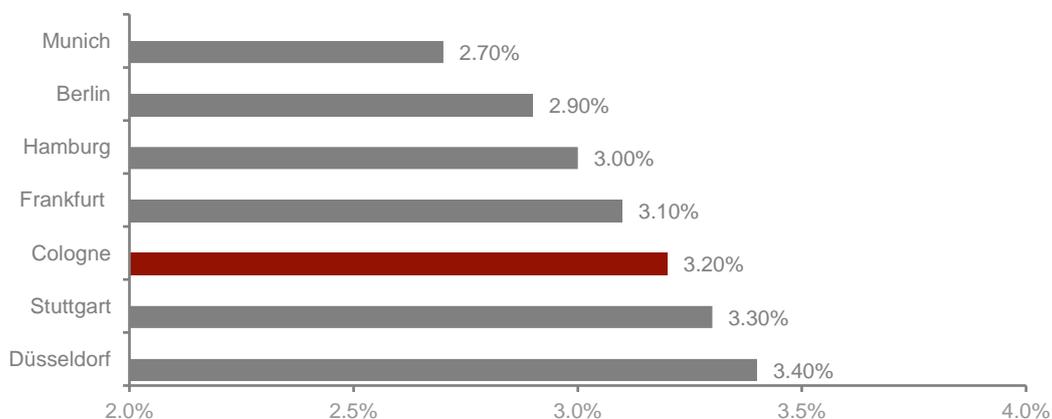
March 2018

shopping centres were sold in towns in the surrounding region: Rathaus-Galerie in Dormagen and RheinBerg Passage in Bergisch Gladbach. In Siegburg, a property developer took over the shopping centre Marktpassage and an adjacent outdoor area from a fund. However, the transaction volume of the towns in the surrounding region is not included in the key figures for Cologne's real estate market.

The prime yield on retail buildings in prime locations in Cologne decreased by 40 base points in the past year and it is currently 3.2 percent. These figures for Cologne are in the medium range, compared to Germany's other major cities.

Gross profit factors range mostly between 23 and 28-fold in Cologne. Net initial yields for shopping centres and retail parks are 4.0 and 4.6 percent respectively and have therefore decreased slightly over the course on 2017. The prime yield for individual specialist retail stores is 5.4 percent.

Current prime yields on retail buildings in Germany's top cities



Source: Greif & Contzen Research, Cologne March 2018

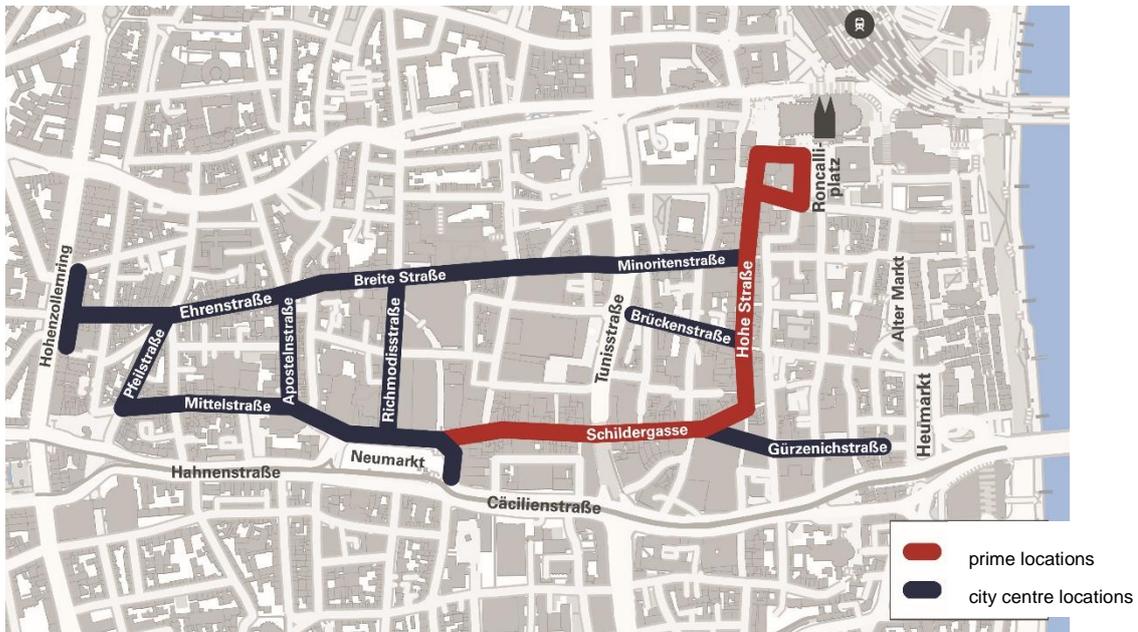
Letting market

The biggest take-ups of retail space in 2017 took place on Hohe Strasse. Saturn took up the store formerly used by Modehaus Jacobi and is planning to set up an innovative, experience-oriented store with some 6,500 square metres of retail space by May 2018. More than 3,000 square metres and therefore almost the entire retail space in the property development "52 HI" was taken up by an international fashion chain. Decathlon took up 3,000 square metres in DuMont Carré on Breite Strasse. This was by far the biggest contract concluded in the city centre.



Investment Market Cologne

March 2018



Retail locations in Cologne's city centre © Greif & Contzen 2018

Selection of lettings in prime locations in 2017

Location	Tenant	Industry	Rental space
Hohe Strasse 46-50	Saturn	electrical goods	6,500 m ²
Hohe Strasse 52	unknown	clothing	3,100 m ²
Schildergasse 32-34	Rossmann	drugstore	1,500 m ²
Hohe Strasse 92	Camp David; Soccx	clothing	855 m ²
Schildergasse 55	Calvin Klein	clothing	400 m ²
Schildergasse 55a	Asics	sporting goods	400 m ²
Schildergasse 90	Ecco	footwear	390 m ²
Schildergasse 137	Nespresso	luxury foodstuffs	315 m ²
Schildergasse 111	IQOS	luxury foodstuffs	300 m ²
Hohe Strasse 134	Elbenwald	fan merchandise	250 m ²

Source: Greif & Contzen Research, Cologne March 2018



Investment Market Cologne

March 2018

Selection of lettings in city centre locations in 2017

Location	Tenant	Industry	Rented space (approx.)
DuMont Carré	Decathlon	sporting goods	3,000 m ²
Ehrenstrasse 14-16	Arket	clothing	1,400 m ²
Breite Strasse 29	Exki	catering	500 m ²
Breite Strasse 110	Targobank	finance	490 m ²
Ehrenstrasse 60	PickNweight	clothing	400 m ²
Breite Strasse 147-151	Das Werk	clothing	400 m ²
Zeppelinstrasse 2	REWE To Go	luxury foodstuffs	300 m ²
Apostelstrasse 2	Exki	catering	270 m ²
Mittelstrasse 12-14	Claudie Pierlot	clothing	240 m ²
Mittelstrasse 26	Maje Paris	clothing	230 m ²
Ehrenstrasse 30-32	Only	clothing	200 m ²
Mittelstrasse 5	Caroline Biss	clothing	150 m ²
Mittelstrasse 9	Essentiel Antwerp	clothing	120 m ²
Breite Strasse 161-167	Assos	jewellery	100 m ²
Mittelstrasse 20-24	Tesla	automotive	unknown

Source: Greif & Contzen Research, Cologne March 2018

Rents in the retail industry

Rents remained largely stable in 2017, despite the fact that the retail landscape is currently undergoing a visible transformation process. Owing to the strong competition from online retailers, brick and mortar retailers are increasingly forced to reconsider their retail and space concepts or to even give up their operations entirely. It is expected that possible decreases of turnover may have a general lowering effect on rents.

The prime rent on Hohe Strasse dropped from EUR 250 to EUR 230. Rents on Schildergasse remained on their existing rental level of up to EUR 260 per square metre for the time being, thanks to demand from chain store operators for shops with a size of around 100 square metres. Up to EUR 270 are achieved in the luxury location of Wallrafplatz.

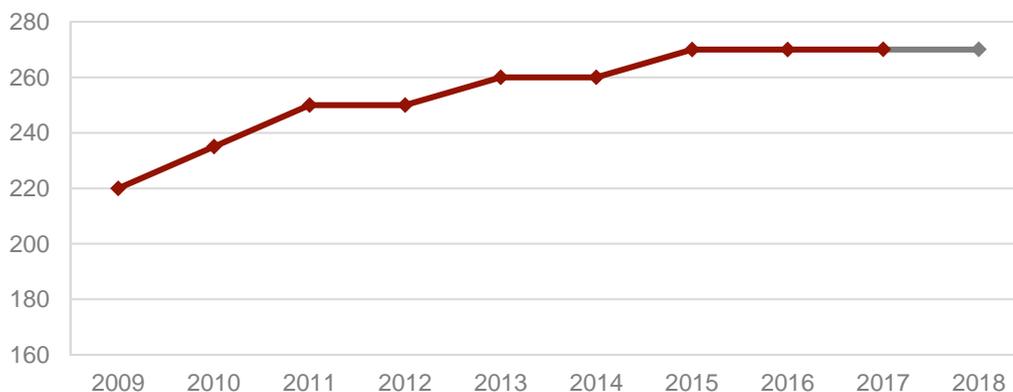
Investment Market Cologne

March 2018

Retail location	Prime rent*
Wallrafplatz	270 €/m ²
Schildergasse	260 €/m ²
Hohe Strasse	230 €/m ²
Neumarkt (northern part)	120 €/m ²
Ehrenstrasse	100 €/m ²
Mittelstrasse	90 €/m ²
Breite Strasse	80 €/m ²
Very good city centre locations (e.g. Apostelnstrasse, Pfeilstrasse)	60 €/m ²
Very good locations in districts outside the city centre (e.g. Deutzer Freiheit, Dürener Str., Neusser Str., Hauptstr. Rodenkirchen, Sülzburgstr., Venloer Str.)	30 €/m ²

*ideal shop with up to 100 m² of retail space Source: Greif & Contzen Research, Cologne March 2018

Prime rent retail (€/m²)
development and forecast 2009 to 2018



Sources: Rheinische Immobilienbörse e.V.; forecast: Greif & Contzen Research 2018

New, high-quality retail space is provided to the city centre retail industry through individual property developments in prime locations as well as along Kölner Ringe. In addition to this, planning activities have been taken up for Laurenz Carré near the cathedral and Hohe Strasse, and this project is likely to also include retail space. Due to the fact that the reconstruction project for Dom Hotel is currently being revised, it is uncertain, whether the originally planned 1,200 square metres of retail space will remain part of the project. Considering the prominent location between Cologne Cathedral and Wallrafplatz it is likely, however, that planning will provide for a substantial amount of space for use by exclusive retailers.

Investment Market Cologne

March 2018

Current retail property developments in the city centre

Property / location	Completion	Retail space
Hohe Strasse 52 / Gürzenichstrasse ("52 HI")	2018	approx. 3,300 m ²
Rudolfplatz 9*	2020	approx. 2,900 m ²
Friesenplatz 2-14 ("Haus Friesenplatz"*)	2019 / 2020	approx. 2,900 m ²
Rudolfplatz ("Wallarkaden"*)	2020	approx. 1,600 m ²
Dom Hotel (sub-units on the ground and first floor**)	2020 - 2021	approx. 1,200 m ²
Schildergasse 55 ("S I 55")	2018	approx. 400 m ²
Richartzstrasse 14 ("R'14" ***)	2019	unknown

* office and commercial building ** floor space indicated from previous planning, subject to change

*** hotel project

Source: Greif & Contzen Research, Cologne March 2018



Schildergasse © Greif & Contzen 2018

Investment Market Cologne

March 2018

3. Industrial, storage and logistics

A large number of industrial and logistics properties were traded in Cologne's logistics region in 2017. This was in particular due to a number of large national portfolio transactions. These included for example a property in Cologne-Gremberghoven with around 11.000 square metres of warehouse space, which was sold to investors from Britain and the US as part of a portfolio.

The transaction volume of industrial and logistics properties in Cologne's city area decreased from around 220 million euros to around 150 million euros, despite the fact that investment activities were busy in the surrounding region. This corresponds to a decrease by about 30 percent since the previous year. The general trend was that medium-sized properties changed hands between private investors and owner-occupiers, while there were only few transactions regarding large logistics centres. For many years now, the availability of land on which commercial premises can be constructed has been much better in the towns of the surrounding region than in Cologne. This is also reflected in the properties available in the investment market.



Hansestrasse © Greif & Contzen 2018

Apart from the property in Gremberghoven, the same portfolio also included three properties in the nearby towns of Troisdorf and Dormagen that account for a total of about 15,000 square metres of warehouse space. Furthermore, an 18,400 square metre

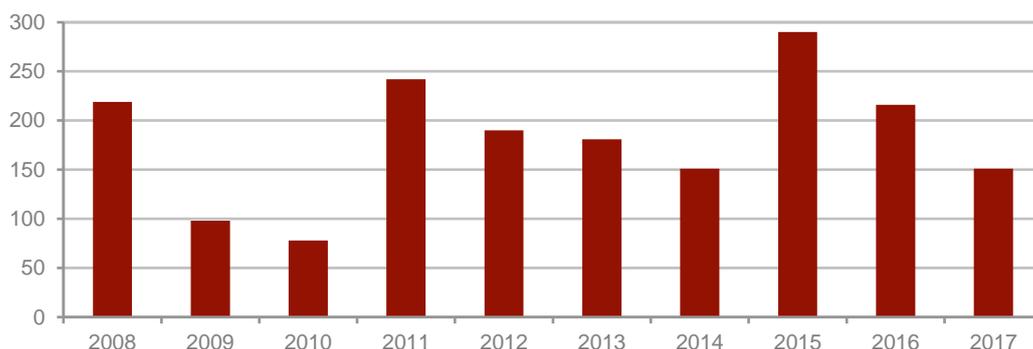
Investment Market Cologne

March 2018

transshipment facility in Frechen was sold to an insurance company as part of a pan-European fund portfolio. A foreign sovereign wealth fund took over the entire stock of buildings from an international logistics investor, including the storage facility used by the forwarding company Hammer in Bedburg, with about 100,000 square metres. In Brühl, a globally active investment management firm took over a DHL distribution centre with a rental area of about 16,000 square metres from a property developer.

On the whole, the availability of properties in Cologne's logistics region has been much greater than in previous years, contributing strongly to a high transaction volume in the property investment market. Demand from institutional investors is very strong and logistics properties that are suitable for investment purposes tend to find buyers quickly.

**Transaction volume industrial real estate (m. €)
development 2007 to 2017**



Source: Committee of experts of the City of Cologne, March 2018

Selection of sales 2017 (Cologne and surrounding region)

Location	Plot size (approx.)	Storage space (approx.)
Bedburg	200,000 m ²	100,000 m ²
Frechen	47,700 m ²	18,400 m ²
Brühl	14,000 m ²	16,000 m ²
Cologne	24,000 m ²	11,000 m ²
Troisdorf	17,400 m ²	7,000 m ²
Dormagen	11,600 m ²	5,000 m ²
Dormagen	6,000 m ²	3,000 m ²

Source: Greif & Contzen Research, Cologne March 2018



Investment Market Cologne

March 2018

Letting market 2017

Around 110,000 square metres of warehouse space were taken up in Cologne in 2017. A total of about 280,000 square metres were taken up in the logistics region, including the surrounding area. This figure corresponds to an increase by 40 percent compared to the previous year. Nine companies took up units of 10,000 square metres and up each. Three of these units were even bigger than 20,000 square metres. The biggest group of demanders were retail companies in particular from the area of e-commerce, accounting for 41 percent. The highest rents were realised within the city area, at up to EUR 5.00 per square metre. The prime rent for the surrounding region increased from EUR 4.50 to EUR 4.80 over the course of the year.

Selection of lettings 2017 (Cologne and surrounding region)

Tenant	Location	Type	Rented space (approx.)
Papyrus Deutschland	Cologne-Niehl	warehouse	22,000 m ²
Computacenter AG	Kerpen	warehouse	22,000 m ²
Benuta GmbH	Dormagen	warehouse	22,000 m ²
unknown	Frechen	warehouse	17,000 m ²
Centershop Vertriebs-GmbH	Cologne-Marsdorf	warehouse	13,400 m ²
Logistics service provider	Cologne-Feldkassel	warehouse	11,000 m ²
Clic-Trade	Cologne-Westhoven	warehouse	10,700 m ²
Arand Spedition	Bedburg	warehouse	10,700 m ²
Amazon EU	Cologne-Feldkassel	warehouse	10,000 m ²

Source: Greif & Contzen Research, Cologne March 2018

Rents for storage and distribution space in Cologne in 2017

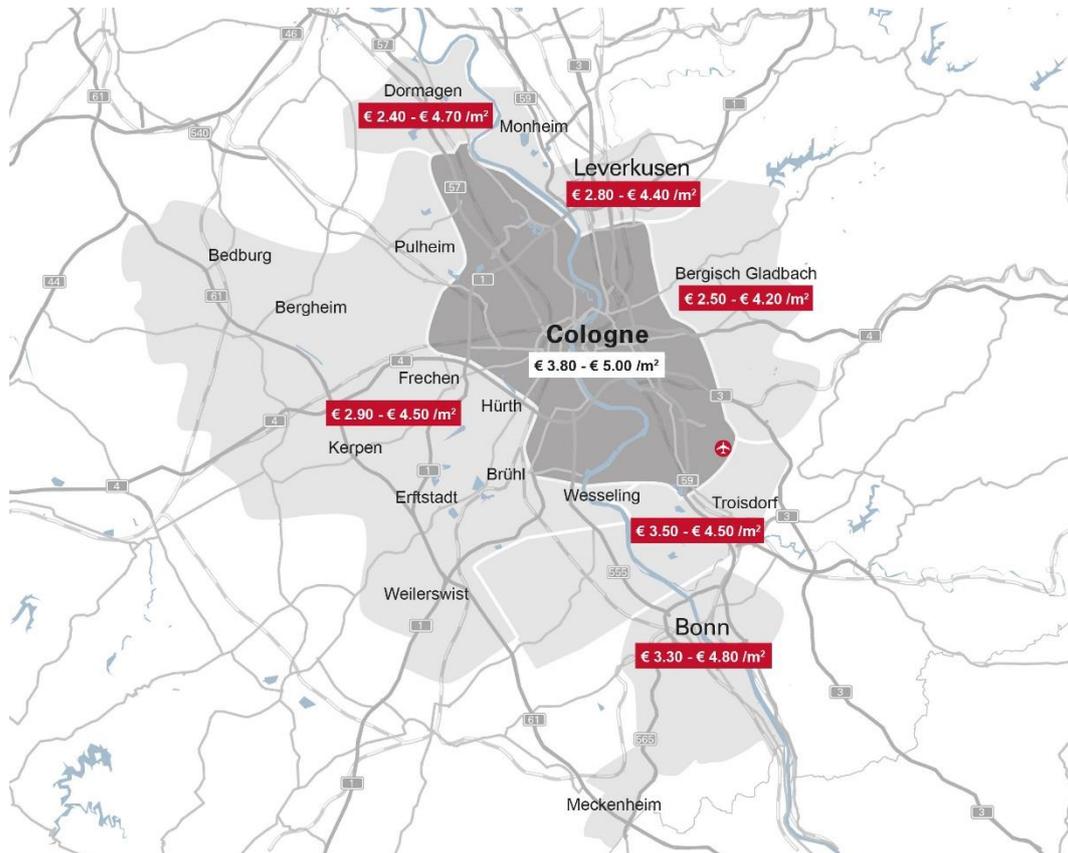
New properties		Trend
Warehouse space in industrial estates	4.85 – 5.00 €/m ²	
Service space	5.50 – 5.75 €/m ²	
Adjacent office space	8.00 – 8.50 €/m ²	
Existing properties		Trend
Warehouse space in industrial estates	4.30 – 4.50 €/m ²	
Warehouse space in other locations	3.80 – 4.00 €/m ²	
Service space	5.20 – 5.50 €/m ²	
Adjacent office space	7.00 – 8.00 €/m ²	

Source: Greif & Contzen Research, Cologne March 2018



Investment Market Cologne

March 2018



Rent price structure in the logistics region of Cologne © Greif & Contzen 2018

Yields on logistics facilities

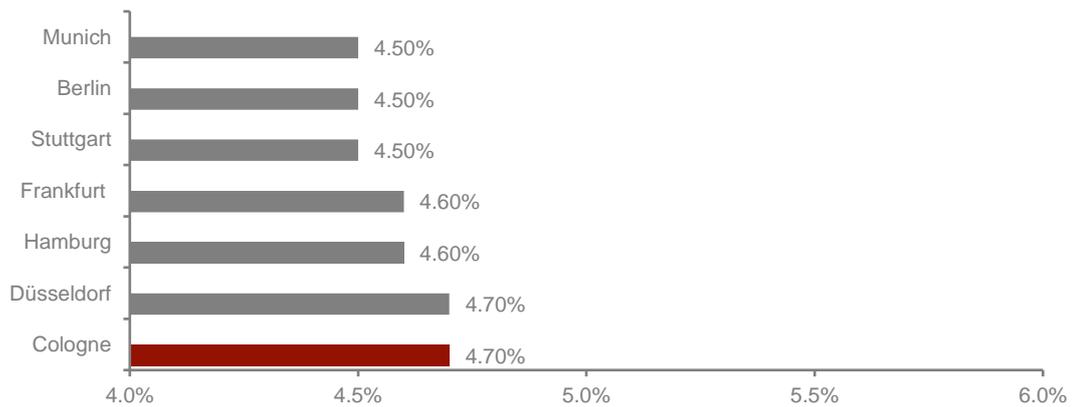
The dynamic investment activities regarding logistics facilities in 2017, were accompanied by further increases of purchasing prices and accordingly by decreasing yields. It is an asset class that is increasingly sought after by investors. The prime yield in Cologne is 4.7 percent. Over the course of the past year, the yield gap to office properties has decreased from 1.2 to 1.0 percentage points.

For more in-depth analyses, please see our latest report "Industrial / Storage / Logistics Cologne and Surrounding Region 2017".

Investment Market Cologne

March 2018

Prime yields on logistics properties in Germany's top locations in 2018



Source: Greif & Contzen Research, Cologne March 2018



Soon to be converted: historic industrial architecture by Deutz AG © Greif & Contzen 2018



Investment Market Cologne

March 2018

4. Hotels

Three large hotel facilities were sold in 2017. The 25hours hotel The Circle with 207 rooms that is currently under construction, was sold along with Gerling Quartier to a group of investors that are experts in the area of property development. A British fund sold the Park Inn by Radisson hotel on Innere Kanalstrasse, which they had bought as recently as 2014, to a German investor. The seller of the Holiday-Inn-Express hotel in Cologne-Mülheim had held the property for an equally short period, before it changed hands between different US funds as part of a larger portfolio.

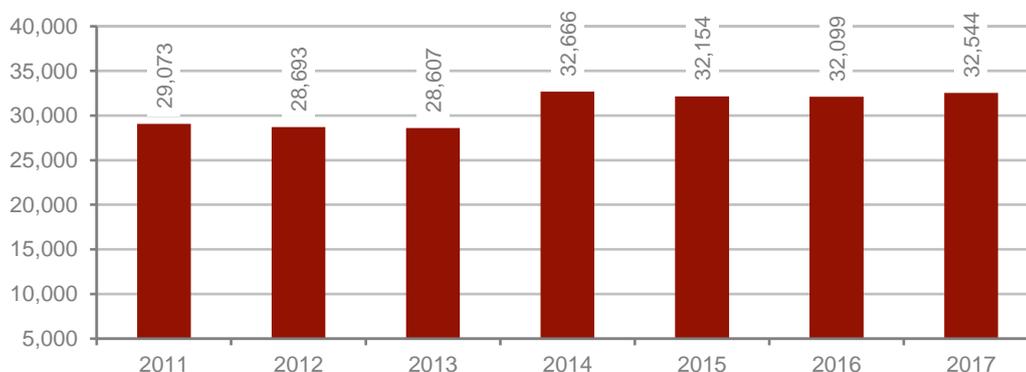
Transactions in 2017

Hotel (location)	Stars	Rooms	District
Park Inn by Radisson (Innere Kanalstr. 15)	****	205	Ehrenfeld
25hours Hotel The Circle (Im Klapperhof 10)	****	207	Altstadt Nord
Holiday-Inn-Express (Tiefentalstrasse 72)	***(*)	107	Mülheim

Source: Greif & Contzen Research, Cologne March 2018

Cologne is a thriving economic, congress and trade fair location with a strong touristic appeal and is therefore popular among hotel investors. The number of overnight stays increased to 6.24 million, which corresponds to an increase of around eight percent compared to 2016. According to a number of different analyses, the average price for a room in Cologne was over EUR 100 per night in 2017, with occupation rates of more than 70 percent.

Beds available in Cologne 2011 to 2017



Source: Landesamt für Statistik NRW and KölnTourismus GmbH

Investment Market Cologne

March 2018

It is becoming apparent that the business potential of the hospitality industry is increasing owing to Cologne's growing events market. Based on projections by TagungsBarometer Köln, it is assumed that some four million people took part in 49,000 events in Cologne in 2017. This corresponds to a year-on-year growth by around five and two percent respectively.



Park Inn by Radisson, Innere Kanalstrasse 15 © Greif & Contzen 2018

Further projects were added to the list of hotel developments in 2017. Planning provides for a new Ruby Hotel with around 190 rooms on Hohenzollernring. MotelOne has picked up their fourth location in the city at MesseCity - together with Adina Apartment Hotels. The facility will comprise a total of about 470 rooms and studio apartments. Furthermore, two hotel developments have been announced for the area close to Cologne Cathedral that is known as Laurenz Carré. Experts consider the four and five star segment to have further potential. However, competitive pressure on smaller hotel businesses has increased significantly and led to consolidations over the past few years, due to new hotels being opened by chain operators.

Investment Market Cologne

March 2018

Current hotel developments

Hotel (location)	Opening	Rooms
2 hotel projects in Laurenz Carré (Unter Goldschmied, city centre)	2021*	unknown
Reconstruction / new building Dom Hotel (5*+, Domkloster 2a, city centre)	2020-2021*	120
Motel One MesseCity (Barmer Strasse, Deutz)	2020*	300
Adina Apartment Hotel MesseCity (Barmer Strasse, Deutz)	2020*	170
Urban Loft (3*, Eigelstein 41, city centre)	2020*	213
Ruby Hotel (4*, Hohenzollernring 79 - 87)	2019*	186
Niu-Hotel (4*, Lina-Bommer-Weg 4, Gremberghoven)	2019*	120
Motel One Cäcilienstrasse (3*, Cäcilienstrasse 32, city centre)	2018*	424
25hours Hotel The Circle (4*, Im Klapperhof 10, city centre)	2018*	207
H'Otello "R'14" (4*, Richartzstrasse 14-16)	2019*	70
V8 Hotel / Motorworld Köln (4*, Butzweilerstrasse 35-39, Ossendorf)	2018*	110
Holiday Inn Express (3*, Perlengraben 2, city centre)	2017	323
Revitalisation Excelsior Hotel E. (5*, Trankgasse 1-5, city centre)	2017	137
Midtown Hotel (3,5*, Kaiser-Wilhelm-Ring 48, city centre)	2017	40

*scheduled

Source: Greif & Contzen Research, Cologne March 2018

The Hyatt hotel in Cologne-Deutz is about to realise a special addition to its business activities. Adjacent to the strongly frequented Rheinboulevard that opened in 2015, the hotel operator is planning to build two catering pavilions with 500 seats right between the Rhine and the hotel. These will be open not only to hotel guests but in particular to visitors to the Rheinboulevard and tourists visiting the river bank.

Investment Market Cologne

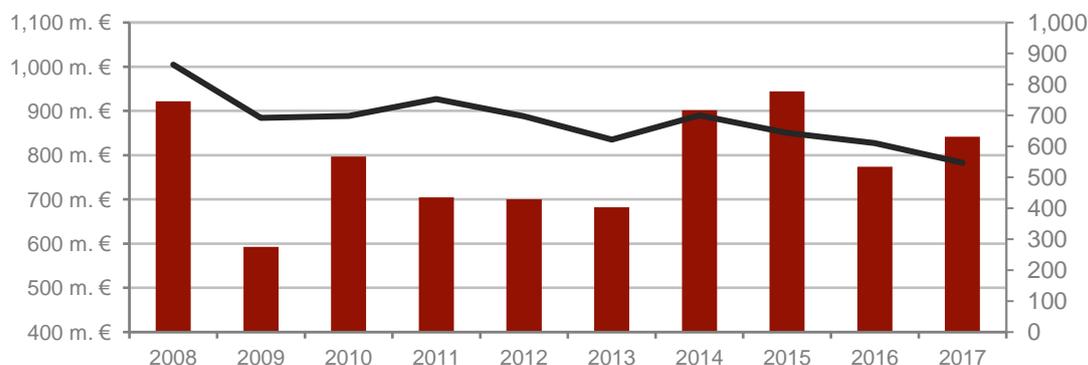
March 2018

5. Apartment buildings

A total transaction volume of around 840 million euros was achieved with apartment buildings in the past year. This corresponds to an increase of some nine percent since 2016, despite the fact that the number of transactions decreased from 611 to 547 over the same period. The decrease of sales corresponds to a trend that can be observed over time and that reflects property owners' increasing tendency to hold on to their real estate. The fact that a high investment turnover could be generated, nevertheless, may be due to increasing prices as well as to the size of the properties sold.

The properties sold in 2017 included residential and commercial buildings with a small number of residential and commercial units, as well as large residential estates that are also bought by institutional investors. In addition to this, there have been portfolio transactions comprising stocks of buildings located across Germany. A specialist fund, for example, bought around 600 residential units that are located in Cologne and in Kiel, for about 60 million euros.

Transaction volume and number of transactions apartment buildings development 2008 to 2017



Source: Committee of experts of the City of Cologne 2018

Cologne's housing market continues to be characterised by great scarcity. According to information provided by the City of Cologne, 6,000 new apartments are required every year to cover the demand. However, the number of apartments realised in the market is much lower than this. Around 2,400 apartments were completed in 2016 and around 4,000 residential units were completed in 2015. In 2017 the city council decided to reintroduce the municipal pre-emptive right, in order to allow for better access to construction land.

A number of urban development projects of varying size have been initiated near the city centre over the past few years, each of which has the potential to provide for thousands of residential units. In this context, extensive conversion sites have been prepared for new

Investment Market Cologne

March 2018

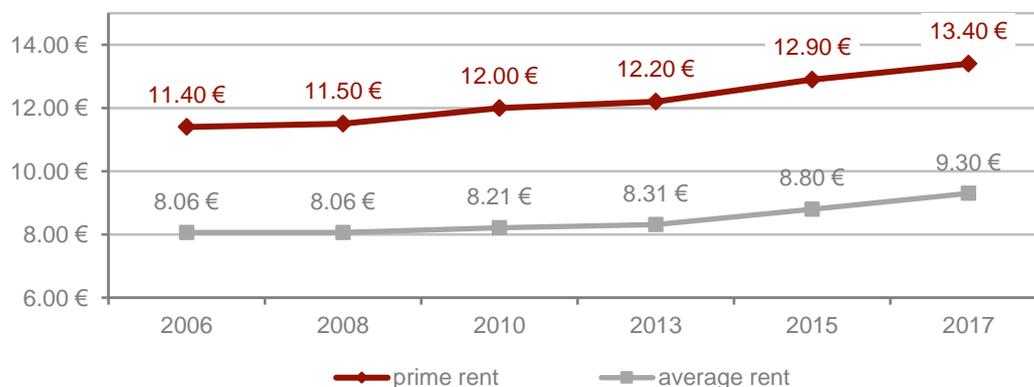
buildings in Mülheim, Deutz and on the southern edge of the city centre. It is to be expected that adjacent areas are also going to participate in the appreciation that is going to result from these modernisation and repurposing measures. In suburban areas there have long been plans for extending the residential areas around Zündorf and Chorweiler / Kreuzfeld. Furthermore, the City of Cologne sold around 220,000 square metres of residential construction land to the west of Rondorf to a property developer in 2017.

What these large-scale urban development sites all have in common, is that the necessary planning measures take a long time and that they have long implementation periods. They also require substantial upgrading of the existing traffic infrastructure that is often subject to major obstacles in terms of funding, approval procedures and public involvement. The housing market is therefore going to continue to be characterised by scarcity, for the next few years.

Rents and purchasing prices

As a result of the low availability of housing and increasing demand, residential rents have increased significantly over the past few years. The prime rent is currently EUR 13.40 per square metre, according to the rent index for the city of Cologne and the average rent is EUR 9.30. Further increases are to be expected over the coming years, due to the insufficient number of new units that are completed. It is likely that price increases will be limited in particular by the available household incomes. The highest rents that are paid in exceptional locations and a select number of premium properties range up to EUR 22 per square metre.

**Rents for apartments according to Cologne's rent index
development 2006 to 2017**



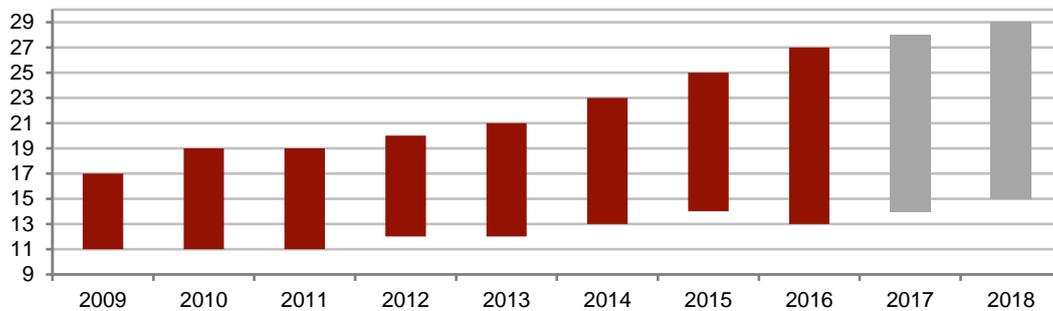
Source: Rheinische Immobilienbörse e.V. i.a.: Kölner Mietspiegel 2006-2017

Investment Market Cologne

March 2018

In good and very good residential areas, purchasing price factors ranged mostly between 20 and 28-fold the annual net rent. Prices for premium properties have increased by up to two years' worth of rent since the end of 2016.

Focus price factors for apartment buildings (multipliers of a property's annual rent) development and forecast 2009 to 2018



Source: Committee of experts of the City of Cologne 2016, forecast: Greif & Contzen Research 2018



Hauffstrasse in Neuhrenfeld © Greif & Contzen 2018

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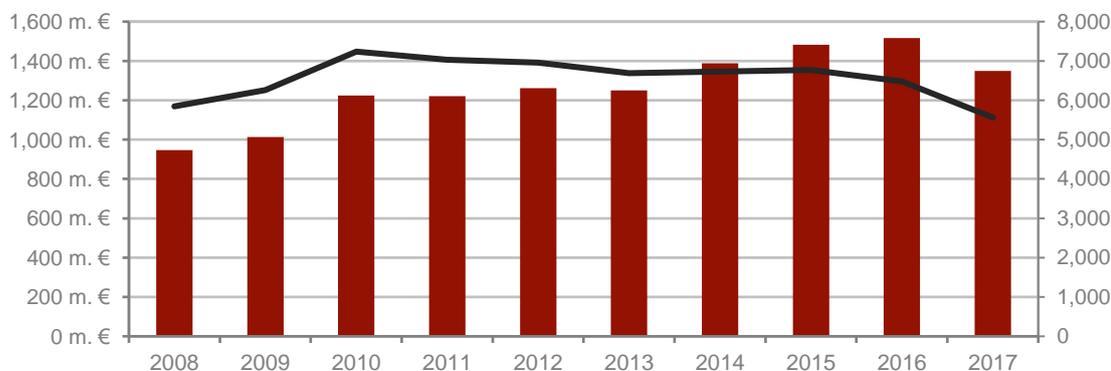
March 2018

6. Condominiums

The transaction volume in the area of condominiums and part-ownership decreased by about eleven percent to around 1.35 billion euros in 2017. Available properties decreased by around 14 percent and unlike in 2016, rising sales prices could not fully compensate for this development. In addition to the tendency among owners to hold on to their properties, this decline also reflects the lower number of new units completed.

Between 2010 and the end of 2016, average prices for condominiums have increased from EUR 1,950 to EUR 3,137 per square metre. According to preliminary estimates, average prices have increased by about ten percent in 2017. Sales prices for units in new buildings in popular locations were generally above EUR 4,200 per square metre. Prices per square metre are considerably higher for particularly exclusive properties, in some cases these are in the five-digit euro range.

**Transaction volume and number of transactions
condominiums and part-ownership, development 2008 to 2017**



Source: Committee of experts of the City of Cologne 2018

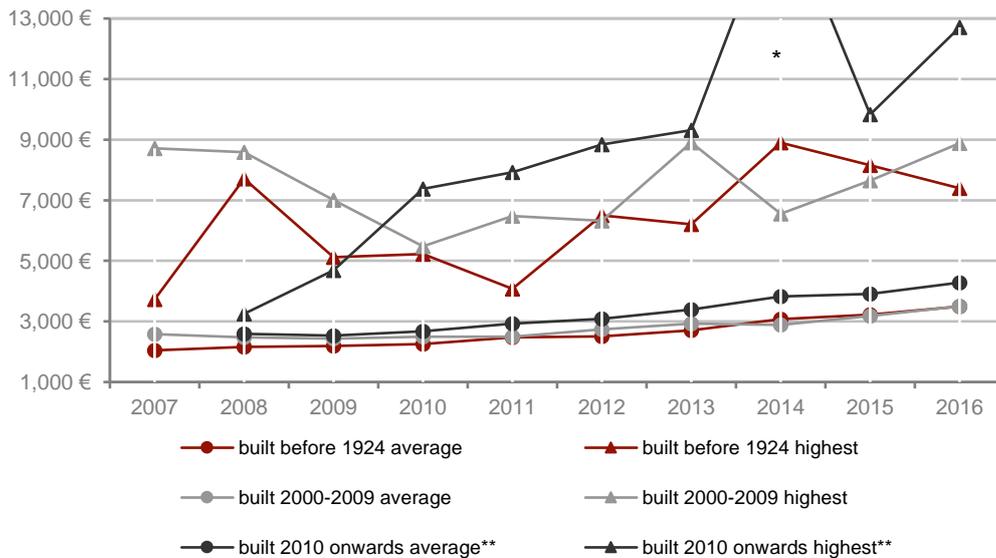
According to forecasts by some institutes of economic research for selected major cities, prices for residential space are not expected to increase further. However, it has been concluded in various analyses of Cologne's market that the upwards trend of prices is going to continue over the coming years. A continuously growing population is met by a too low availability of housing.

Current construction projects for new condominiums tend to be outside the city centre and they often provide for only a small number of residential units, owing to the shortage of available building land. Larger urban development measures are often based on space potential provided by conversion sites, such as the Clouth site in Nippes or the former freight station in Ehrenfeld, where the urban area known as "Ehrenveedel" is going to be realised.

Investment Market Cologne

March 2018

Development of prices for condominiums in €/m² 2007 to 2016



* In 2014, the figure for "built 2010 onwards highest" was around 17,000 euros owing to an individual transaction with a remarkably high price; **including sales before completion

Source: Committee of experts of the City of Cologne 2017



Completed: Von-Groote-Gärten © Greif & Contzen 2018

Investment Market Cologne

March 2018

Selection of current residential projects

Project (location)	Completion	Residential units (approx.)
Wohnen am Alpenerplatz (Ehrenfeld)	2020	45 condominiums
Miner's (Neustadt Nord)	2020	43 condominiums
Nikolausstrasse 99 (Sülz)	2020	31 condominiums
Clarenbachplatz (Ehrenfeld, bordering Braunsfeld)	2019 / 2020	67 condominiums
Junkersdorfer Stadtgärten (Junkersdorf)	2019	44 condominiums
Lindenthalgürtel 28-30 (Lindenthal)	2019	43 condominiums
Zülpicher Strasse 222 (Sülz)	2019	37 condominiums
Kemperbacher Auen (Dellbrück)	2019	31 condominiums
Vielrings (Altstadt Süd)	2019	27 condominiums
Wohnen am Butzweilerhof (Ossendorf)	2018	120 condominiums
Clouth Galerie (Clouth site, Nippes)	2018	52 condominiums
Christianstrasse (Ehrenfeld)	2018	51 condominiums
Halle17 (Clouth site, Nippes)	2018	47 condominiums
Venloer Strasse 1055 (Vogelsang)	2018	36 condominiums
Neue Paulihöfe (Braunsfeld)	2017 / 2018	127 condominiums
Klosterhöfe (Junkersdorf)	2017	137 residential units
Reiterstaffel, 2nd part (Marienburg)	2017	90 residential units
Pandion FINE (Clouth site, Nippes)	2017	74 condominiums
Living Ehrenfeld (Ehrenfeld)	2017	34 condominiums
Von-Groote-Gärten (Marienburg)	2017	30 condominiums
Annastrasse 3 (Raderberg)	2017	14 condominiums

Source: Greif & Contzen Research, Cologne March 2018



Investment Market Cologne

March 2018

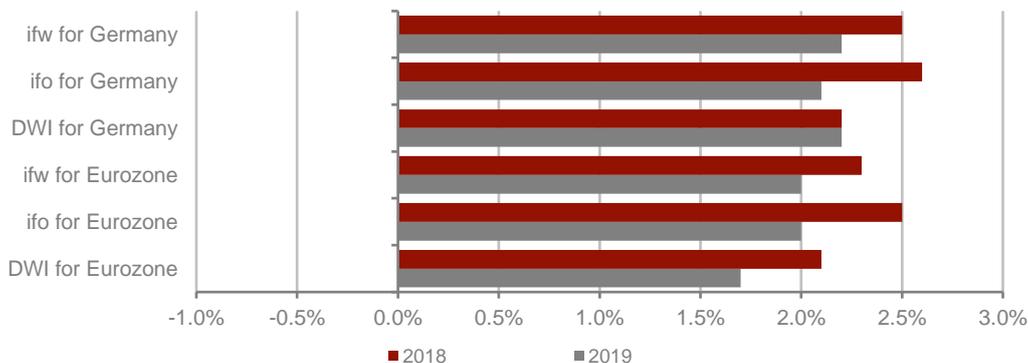
IV. Outlook

The announcement by the European Central Bank that the expansive monetary policy will be adapted by the end of 2018, but will be effectively continued, provides for the yield gap between real estate and fixed-interest investments to remain in place over the months ahead. This means that an important aspect that makes real estate such an attractive asset class is going to be maintained at least for the time being and that the pressure to invest is going to remain high among investors.

In addition to this, real estate acquisition is further promoted by the parameters of the general economic development. The majority of economic research institutes forecast that the German gross domestic product is going to grow by around two percent in 2018 and 2019. Forecasts for the Eurozone are lower than those for Germany. The boom here is fuelled by corporate investment, construction activities and private household consumption. The employment market continues to grow to a moderate extent. The ifo business climate index decreased in February 2018, however, it is still on a very high level from a long-term perspective. In the survey conducted by the Cologne Chamber of Industry and Commerce among businesses in winter 2017/2018 it was found that the local economic climate has improved further.

Considering the ongoing upwards trend, property investors can once again expect that letting markets will be dynamic and marketing activities for property developments will be successful in Cologne this year. Due to the situation of the financial markets described above, there is no indication that demand from investors might decrease in 2018. Availability of properties continues to be the critical factor. The growing trend to realise trading profits and to restructure portfolios may provide the investment markets with new available properties. Furthermore, there is potential provided by development sites. It appears therefore possible that a transaction volume for commercial properties on a scale of around two billion euros may be achieved by the end of the year.

Economic forecasts for Germany and the Eurozone
GDP 2018 and 2019



Source: Forecast as of Dec. 2017, data compiled by Greif & Contzen Research, Cologne March 2018

Investment Market Cologne

March 2018

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Investment Market Cologne

March 2018

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