Industrial Property Market **Cologne|Bonn**

10|2019

GREIF & CONTZEN

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Dear readers,

A total of around 185,000 square metres of warehouse space was taken up in the logistics region Cologne|Bonn, over the first nine months of 2019. This corresponds to a decrease of around one third compared to the same period of the previous year. Individual transactions were significantly smaller, in particular those involving retail companies. Most units of more than 10,000 square metres were accounted for by logistics providers. It is expected that a total of around 230,000 square metres will be taken up by the end of the year.

A factor that contributes to the decreasing turnover is that availability of space is scarce in many commercial areas. It is therefore becoming increasingly difficult to cater for warehouse space requests with specific geographic or price-related requirements. Furthermore, demand has been a little bit lower since the second quarter and users tend to be more price-conscious. Nevertheless, prime rents per square metre of EUR 4.80 in the surrounding region and EUR 5.50 in Cologne, were agreed upon for rental units in mint condition.

The biggest individual take-up was accounted for by the new logistics company EULOCO, as construction of around 20,000 square metres of warehouse space for owner occupation was started in Euskirchen. The biggest leases were realised in Bedburg and Kerpen. Thanks to these contracts, a speculatively initiated construction project comprising more than 25,000 square metres of warehouse space was fully let before completion.

Please to not hesitate to contact us, if you have any questions regarding the industrial property market of the Cologne|Bonn region.

»Take-up of space has decreased, but rental levels have remained largely stable.«

Frank Klähn
Head of Industrial and Logistics Properties
Greif & Contzen Immobilienmakler GmbH

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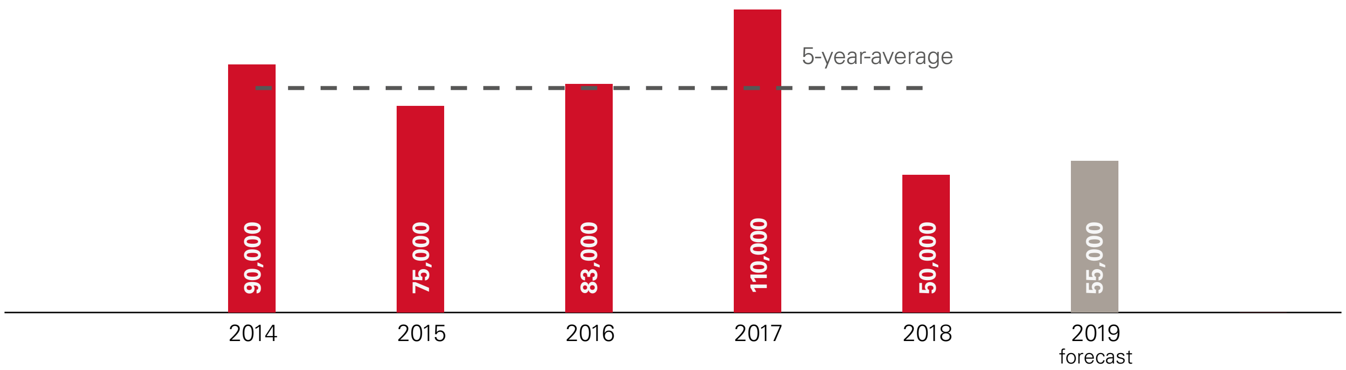
Letting

New buildings cover the demand for space – even in Cologne

45,000 m²
take-up of space Q3
City of Cologne

With around 45,000 square metres, the take-up of space realised within Cologne's city limits during the first nine months of the year was slightly higher than the relatively low figure realised over the same period of the previous year. Several small to medium-sized rental units in the upper price range were let to users from various industries in a new commercial estate in Bickendorf. 75 percent of the total take-up was accounted for by other towns of the logistics region.

Take-up of warehouse space in the City of Cologne: development 2014 – 2018, 5-year-average, and forecast 2019 | in m²



Source: Greif & Contzen Research, Cologne, October 2019

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Selection of significant lettings

Transactions	Location	Type	Rental space approx. in m²
City of Cologne			
Bühnen der Stadt Köln	Kalk	warehouse	8,000
Wall GmbH	Rodenkirchen	warehouse	3,700
Jäger Group	Bickendorf	warehouse	2,700
Retail company	Dellbrück	warehouse	2,500
Logistics region			
EULOCO GmbH (logistics)	Euskirchen	warehouse	20,000
Kurt Rothschild GmbH & Co. KG (logistics)	Bedburg	warehouse	18,100
Logwin AG	Kerpen	warehouse	15,000
Automotive supplier	Kerpen	warehouse	10,000
Wurm GmbH (retail)	Troisdorf	warehouse	8,900
Josef Haas GmbH (logistics)	Frechen	warehouse	6,800
Arena Mietmöbel GmbH	Frechen	warehouse	4,800
Unknown (logistics)	Kerpen	warehouse	4,700
Reifenhäuser GmbH & Co. KG Maschinenfabrik	Troisdorf	warehouse	3,000

Source: Greif & Contzen Research, Cologne, October 2019

20,000 m²
biggest unit taken up: EULOCO GmbH

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Part of the new commercial estate in Cologne-Bickendorf

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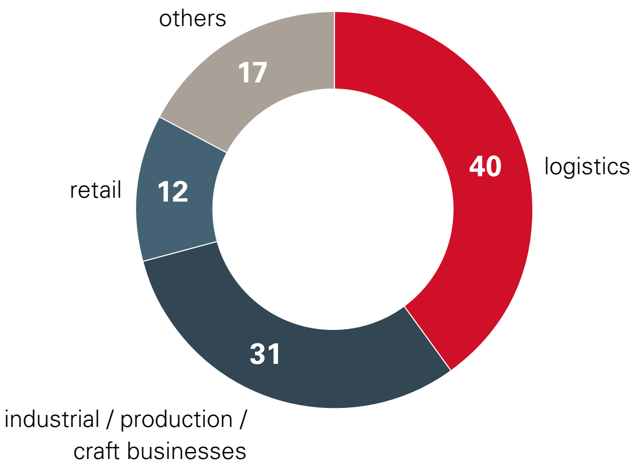
Small and medium-sized units are gaining significance

Over the first three quarters of 2019, logistics service providers once again accounted for the biggest share of take-up. Their share dropped from around 50 to 40 percent since the previous year. There were three take-ups in the five-figure square meter range. However, unlike in the previous year, there were no transactions in the area of 30,000 square metres. Various small to medium-sized contracts were concluded with industrial, crafts, and production businesses that accounted for around 30 percent of the overall take-up, including space for owner occupation. The biggest unit taken up by a retail company had a size of 9,000 square metres and was located in Troisdorf.
In absolute figures, take-up of space through small and medium-sized (up to 5,000 square metres) lettings and measures for owner occupation remained stable compared to the same period last year. These units' share increased from around 30 to 45 percent.

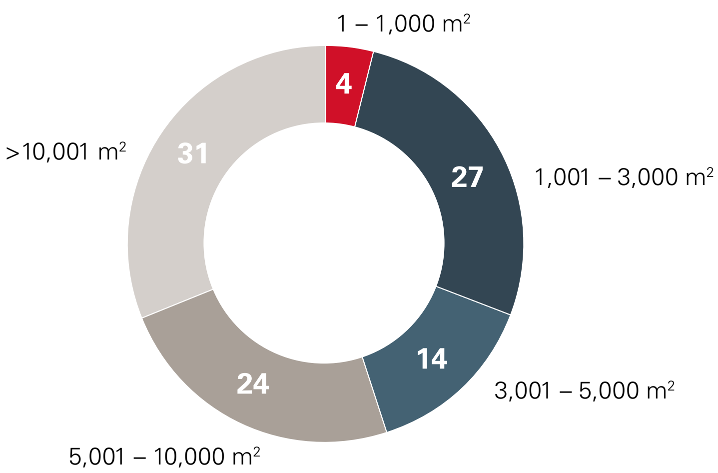
45 %
share of take-up accounted for by the < 5,000 m² segment

Take-up of space in the logistics region up to October 2019 according to industries | in %



Source: Greif & Contzen Research, Cologne, October 2019

Take-up of space in the logistics region up to October 2019 according to size category | in %



Source: Greif & Contzen Research, Cologne, October 2019

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Low availability of space in many areas

Vacant warehouse space in Cologne has meanwhile dropped to just 35,000 square metres, and has thus nearly halved compared to the same month of the previous year. Only few larger coherent units of more than 10,000 square metres are available in existing properties. There is hardly any vacant space left in many commercial estates, including the biggest ones.
In the surrounding region vacancies decreased by around 14 percent, from about 145,000 down to around 125,000 square metres. Less than 10,000 square metres thereof are located within the City of Bonn. Part of the vacant space available in the surrounding region is accounted for by new buildings that have not been let yet.

A total of around 110,000 square metres of new warehouse space is scheduled for completion in the logistics region in 2019. This space is mostly accounted for by large construction projects of around 20,000 to 40,000 square metres each. The two biggest projects are currently being realised in the southwestern part of the logistics region. Around 19 percent of the new space is still available for letting at this point.
Availability of commercial construction land is meanwhile very limited, not only within Cologne's city limits, but also in towns of the surrounding region, such as Bergisch Gladbach. The same is generally true for Bonn, however, a new commercial estate of around 11 hectares is currently being realised in the district of Bonn-Pützchen. Half of these premises are suited for use by crafts and production businesses. Development projects for larger commercial areas are being initiated in the neighbouring towns Alfter and Meckenheim. It is often the case that new properties are only available to a pre-defined range of industries. For example if an estate is being developed based on a particular concept, or if planning provides for low-emission operations. Increased land prices are meanwhile encouraging the take-up of smaller units by tenants with more cost-effective operations.

160,000 m²
vacant space in the entire logistics region

Selection of completions in 2019

User	Location	Warehouse space approx. in m²
EULOCO GmbH and others	Euskirchen	41,000
Eaton Electric GmbH	Rheinbach	32,000
Speculative	Pulheim	25,000

Source: Greif & Contzen Research, Cologne, October 2019

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Rents largely stable since the start of the year

Rents for logistics facilities had increased in Cologne and a number of neighbouring towns during the fourth quarter of 2018. The resulting level of prices has remained largely unchanged since. The prime rent currently stands at around EUR 5.50 per square metre in Cologne. Up to EUR 4.80 per square metre are realised in Bonn and other towns of the logistics region. Rents between EUR 6.50 and 7.50 per square metre have been agreed upon for modern light industrial units in 2019.

5.50 €/m²
prime rent in Cologne

Rents for storage and distribution space within the city limits

	Rents 2018 (Q4) in €/m²	Development	Rents 2019 (Q3) in €/m²	Trend
New properties				
Warehouse space in industrial estates	4.85 – 5.50	→	4.85 – 5.50	→
Adjacent office space	8.00 – 8.50	→	8.00 – 8.50	→
Existing properties				
Warehouse space in industrial estates	4.40 – 4.60	→	4.40 – 4.60	→
Warehouse space in other locations	3.80 – 4.20	→	3.80 – 4.20	→
Adjacent office space	7.00 – 8.00	→	7.00 – 8.00	→
Outdoor areas				
Unpaved, without drainage system	0.50 – 1.00	→	0.50 – 1.00	→
Paved, with drainage system, enclosed	1.00 – 2.50	→	1.00 – 2.50	→

Source: Greif & Contzen Research, Cologne, October 2019

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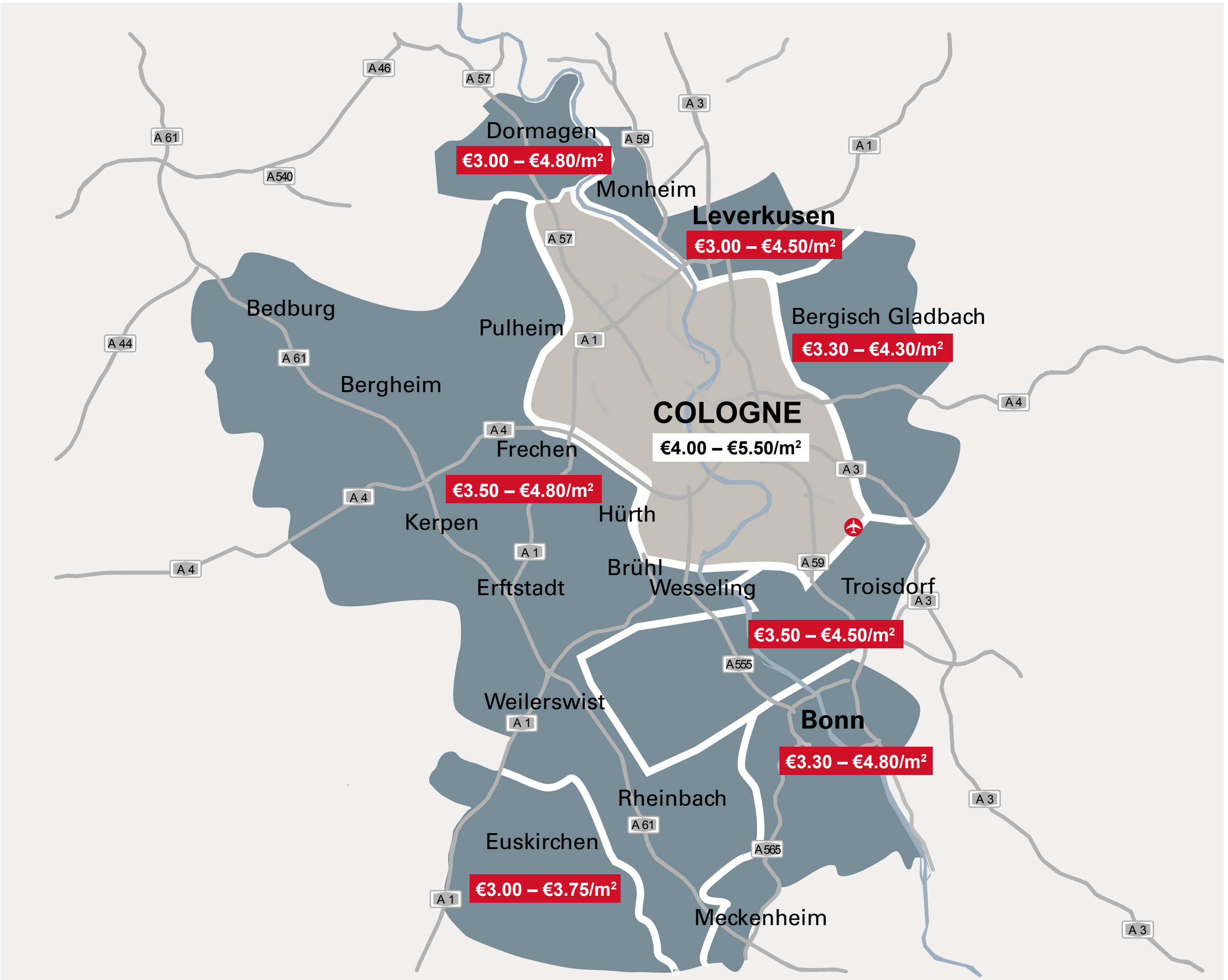
Rent price structure in the logistics region of Cologne|Bonn



Source: Greif & Contzen Research, Cologne, October 2019

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Investment activities on a smaller scale

In the year to date, the investment market of the logistics region has been characterised mostly by transactions regarding smaller properties. A number of properties with plot sizes ranging between 2,000 and 20,000 square metres were sold in Cologne. Owner-occupiers and private investors were involved in many of the transactions concluded. A cross-dock facility in Hürth and a newly constructed commercial estate in Bergheim changed hands in the course of portfolio transactions. A property in Bergheim that was bought by Frasers Property last year, was now sold on to the Frasers Logistics & Industrial Trust REIT. A facility in Hürth is transferred by Patrizia Immobilien into a new fund focussing on logistics properties. With a total transaction volume of around 100 million euros, investment activities in the overall region were generally on a noticeably smaller scale than last year, when portfolio transactions played a more important role. It is unlikely that the total transaction volume of around 280 million euros realised in 2018 will be matched this year, even if a number of transactions regarding some large properties that are currently in progress, are taken into account.

The net prime yield for logistics properties has been 4.2 percent since the beginning of the year. Prices for building land have increased further across most of the region.

A popular asset among institutional investors: newly built logistics property in the Cologne|Bonn region

Selection of sales 2019

Buyer	Location	Warehouse space approx. in m²
Patrizia ('Logistik Invest-Europa II' fund)	Hürth	12,000
Frasers Logistics & Industrial Trust	Bergheim	11,000
Unknown	Bergisch Gladbach	2,000

Source: Greif & Contzen Research, Cologne, October 2019

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Purchasing prices for commercial building land according to location

Location	Purchasing price in €/m²	Trend
City of Cologne	150 – 260	↗
City of Bonn	90 – 215	↗
City of Leverkusen	100 – 140	→
Rhein-Berg region	60 – 160	→
Rhein-Erft region	50 – 160	→
Rhein-Sieg region	50 – 150	→

Source: G&C Research, property market reports by the Property Evaluation Committee, Boris NRW, October 2019

Building extension of a logistics centre in Kerpen

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Logistics region Cologne|Bonn

Location data and infrastructure

Cologne and the surrounding towns and regions form a significant metropolitan area in Germany, with more than three million inhabitants, over 5,000 industrial enterprises, and a generally highly efficient and dense road, rail, air and waterway network. Industrial companies of the CCI district of Cologne generated a turnover of around 60 billion euros in 2018. The region is therefore Germany's fourth biggest industrial hub. The cathedral city and its surrounding region are also a central European delivery and redistribution hub.

EUR 60 billion
turnover generated by industrial enterprises

Structural data for Cologne and the surrounding region

	Population*	Trade tax rate in %	Employees contributing to social insurance	Unemployment rate in %
City of Cologne	1,086,000	475	580,000	8.1
City of Bonn	327,000	490	181,000	6.6
City of Leverkusen	164,000	475	65,000	7.5
Rhein-Berg region	283,000	424 – 490	75,000	5.5
Rhein-Erft region	470,000	460 – 565	144,000	6.1
Rhein-Neuss region	451,000	444 – 455	150,000	5.2
Rhein-Sieg region	600,000	428 – 515	162,000	5.0
Total / average	3,381,000		1,357,000	ø 6.2
Change since the previous year	+ approx. 0.1 %		+ approx. 1.5 %	+ approx. 0.09 % points

* Population figures as of 31 Dec. 2018
** Unemployment rate as of August 2019

Source: Greif & Contzen Research, Cologne, October 2019

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Overview

Cologne Bonn Airport – third biggest freight airport in Germany, freight volume in 2018: approx. 860,000 t (+ 2.5 % since 2017), approved to operate 24 hours, international hub of FedEx and UPS

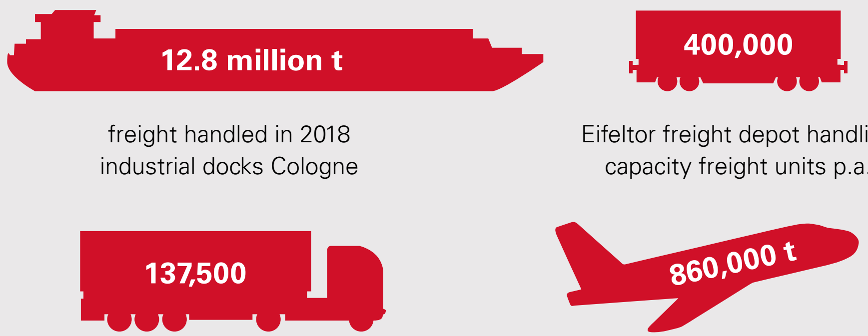
Eifeltor freight depot – among Europe's biggest transshipment centres for combined transport, max. handling capacity: approx. 400,000 freight units p.a.

Terminal Nord – transshipment station for combined transport. Part A1 for up to 42,000 freight units p.a. has been operating since 20 June 2015, the second construction stage A2 is scheduled for completion in early 2020 and provides for an extension to around 137,500 freight units, max. handling capacity when fully completed: approx. 250,000 freight units p.a.

Industrial Rhine docks Cologne – Niehl I and II, Deutz and Godorf, freight handled in 2018: 12.8 million t (-12 % since 2017, in part due to transport being shifted to the railway, owing to the Rhine’s period of low water)

Motorways – Cologne’s motorway ring is an intersection of important west/east and north/south axes: A1, A3, A4, A57, A59, A555, A559

Logistics region Cologne|Bonn



freight handled in 2018 industrial docks Cologne

Eifeltor freight depot handling capacity freight units p.a.

Terminal Nord handling capacity freight units p.a.

freight volume in 2018 Cologne Bonn Airport

Source: Greif & Contzen Research, Cologne, October 2019

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Moderate take-up of space expected in the fourth quarter

The outlook of the German economy has weakened over the course of the year. A number of export-oriented industries are affected by a decrease of international demand. Forecasts concerning the growth of the gross domestic product in 2019 issued by economic research institutes are down to a range between 0.4 and 0.6 percent. A growth of between 0.9 and 1.4 percent is expected in 2020. Following a brief recovery at the start of the year, the IFO business climate index has since decreased a number of times.

The BVL sentiment indicator for the logistics industry has also decreased significantly, despite the fact that the industry continues to experience growth. The economic survey among small and medium-sized local companies that was conducted this summer by Cologne's Chamber of Industry and Commerce, also found the mood to have dampened, despite the fact that business was still going well.

On the whole it is to be expected that over the next few months, the signs of a decline of demand from prospective commercial space users will increase in the logistics region Cologne|Bonn. It is likely that marketing periods will generally become longer. Rent prices will play a bigger role once again, when it comes to location decisions, and the development of prices is expected to stagnate for the time being.

In view of these conditions, a total of around 230,000 square metres of warehouse space is likely to be taken up by the end of 2019. This corresponds to a decrease of about 70,000 square metres compared to 2018. Nevertheless, it is still possible that multiple tenants decide to take up large units in properties that are currently under construction or in planning stages, or are available in new buildings in the fourth quarter, giving rise to a correspondingly better year-end result.

230,000 m²
take-up of space
forecast for Q4 2019

Medium-sized logistics facility in Troisdorf

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Glossary

Definition of the market region
The logistics region Cologne|Bonn that is covered in this report, comprises the administrative areas of Cologne and Bonn, and the municipal districts in the adjacent surrounding areas are usually also included. Owing to established business links between the market participants, the market region also includes municipalities to the west and the southwest, which are not directly adjoined.

Take-up of space
The take-up of space refers to the total of all warehouse units that were let, as well as sold to or constructed by owner-occupiers within the considered period of time. The date the rental or purchasing contract was concluded, or construction was taken up on the base plate, is considered to determine, whether a transaction is included. Renewals of existing leases are not registered as take-up. Calculations are based on the floor space indicated in the rental contract.

Vacant space
Warehouse space that is currently not let or occupied and available for rent, subletting, or purchase by an owner-occupier in the near term, is considered vacant space.

Rents
The published values represent basic net rents (excluding service charges and VAT) per square metre of warehouse space per month in the respective reporting period. Unless otherwise indicated, all figures refer to standard storage and distribution facilities and not to light industrial properties, showrooms, or other types of building.

- **Prime rent**
  The prime rent is the highest rental price realised for logistics units of 5,000 square metres and up.

- **Customary rental price ranges**
  These are identified for market segments that are defined based on geographical or structural characteristics. A range covers the majority of rents agreed upon in the market, allowing for individual contracts providing for higher or lower prices. Rental units of less than 5,000 square metres are also taken into account in this context.

Prime yield
The attainable prime yield is the initial yield that can be achieved with a state-of-the-art property with a long-term standard lease (creditworthy tenant) in a very good location. It is indicated as the initial net yield in percent, i.e. as the ratio between the gross purchasing price (net purchasing price plus land transfer tax, notary fees, and broker’s commission) and the annual rental income minus non-apportionable ancillary costs.

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We are Greif & Contzen

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We are real estate consultants, brokers, managers, and surveyors. Around one hundred property experts from all relevant fields form teams to meet the respective requirements, and to provide you with a sound basis for decision-making in any real estate related matters. For more than 40 years now, we have been successfully using this approach in our activities in Cologne, Bonn, and the entire metropolitan Rhineland region.

Our expertise is characterised by strong regional links. After all, there are two crucial aspects in a market for durable goods such as real estate: profound knowledge of the development and particularities of the market and excellent relations with decision makers.
Greif & Contzen is your experienced and reliable partner, if you are looking for real estate expertise in the Cologne|Bonn region.

1976
the year Theodor J. Greif started his one-man business as an estate agent

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Issuer:
Greif & Contzen Beratungsgesellschaft mbH
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Design
Greif & Contzen Immobilien GmbH

Picture credits
Illustration p. 2 – Julian Rentzsch
P. 16 – Bernd Vogel Photography
All other images and graphics –
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This report was published in
October 2019