Industrial Property Market Cologne|Bonn

09|2021

GREIF & CONTZEN

Dear readers,

With around 285,000 square metres of warehouse space taken up in the Cologne|Bonn logistics region in the first nine months of 2021, the pre-crisis level of around 185,000 recorded in autumn 2019 was not only matched but exceeded significantly. A number of large-scale contracts concluded and projects intended for owner occupation made significant contributions to this result.

The greatest challenge faced by market participants, is the lack of available space that meanwhile affects all market segments. Few large plots are being approved for logistics developments even in the peripheral areas of the region. A noticeable increase of availability is therefore not to be expected in the foreseeable future. The latest increase of prices will continue, at least in the medium term.

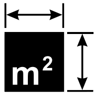
Those who are familiar with our market reports will notice that we are presenting our information in a more compact format in this issue. We chose this new approach to achieve a more contemporary look, as well as allowing for a quicker read.

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

»Availability of space is scarce across all market segments. An increase of rents is to be expected as a result.«

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

Commercial property market of the Cologne|Bonn logistics region



285,000 m²

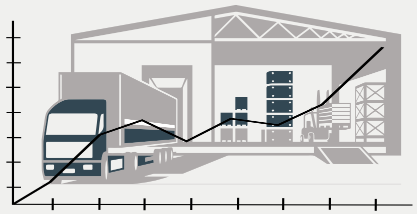
TAKE-UP OF SPACE

Compared to the same period last year, take-up of warehouse space increased by over 250 percent in the first three quarters of 2021.

70,000 m²

VACANT SPACE

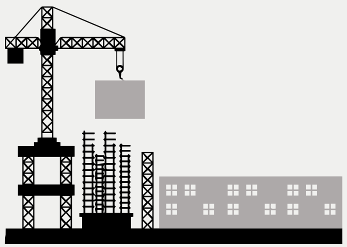
Vacancies decreased significantly across the entire region and have now reached a longtime low.



€ 5.95 per m²

PRIME RENT

Rent levels increased in most parts of the logistics region, owing to the scarcity of available space.



160,000 m²

SPACE COMPLETED

While construction activity is busy, only around a quarter of the new space is freely available, due to pre-letting and owner occupation.

OUTLOOK

Take-up of space will be limited by the scarce availability in the months ahead, and further rent increases are expected, at least in the medium term.

Letting

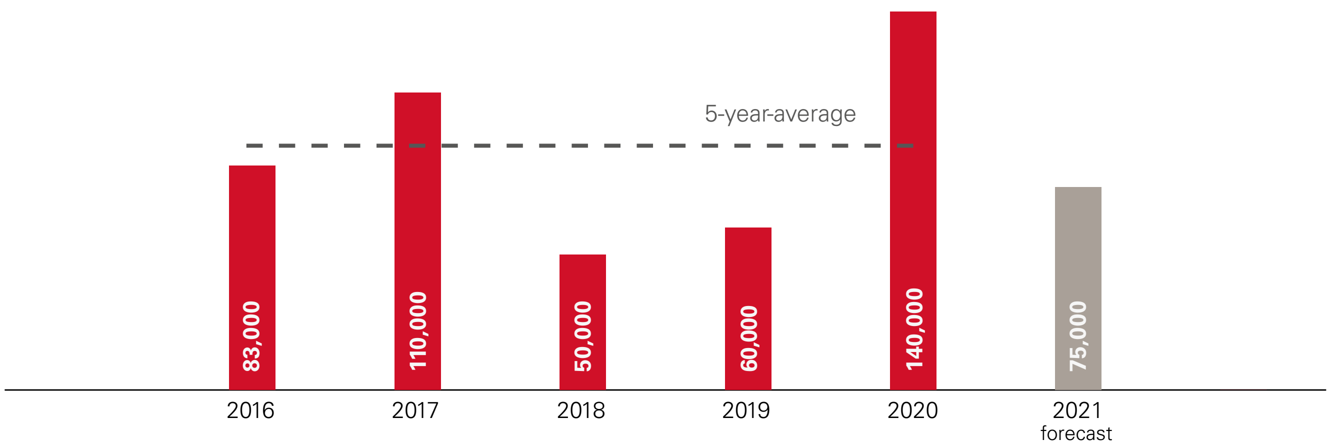
Take-up of space exceeds pre-crisis figures

City of Cologne
Around 70,000 square metres of warehouse space were taken up in Cologne's city area in the year to date. This corresponds to an increase of around 40 percent compared to autumn 2020. It is expected that little space will be taken up in the fourth quarter, owing to the lack of availability.

Bonn, Kerpen and other towns
The towns surrounding Cologne achieved an overall take-up of around 215,000 square metres, thanks to large-scale contracts concluded in Kerpen in particular, and to construction being taken up for very large premises for owner occupation in Bedburg.

285,000 m²
take-up of space Q1-3 2021 entire logistics region

Take-up of warehouse space in the City of Cologne: development 2016 – 2020, 5-year-average and forecast 2021 | in m²



Source: Greif & Contzen Research, Cologne, September 2021

Selection of significant lettings

Transactions	Location	Type	Rental space approx. in m²
City of Cologne			
G. Wurm (retail)	Gremberghoven	warehouse	12,000
Unknown	Ossendorf	warehouse	12,000
Innatura (donation agency)	Gremberghoven	warehouse	6,600
Logistics region			
P&C Modelogistik (retail, start of construction for owner occupation)	Bedburg	warehouse	> 50,000
WEG Germany (industrial/production)	Kerpen	warehouse	46,000
Lekkerland (retail)	Kerpen	warehouse	26,500

Source: Greif & Contzen Research, Cologne September 2021

12,000 m²

biggest unit taken up in Cologne

Large units were taken up by industrial and retail companies

Industries

Retail companies have been the most important user group in the year to date, and this trend is continuing owing to the growing online retailing trade.

- Demand from logistics service providers is strong, but has only led to a few large-scale letting contracts so far.
- Industrial and logistics companies account for a large share of the space taken up, mostly due to the large unit taken up by WEG Germany.

Size categories

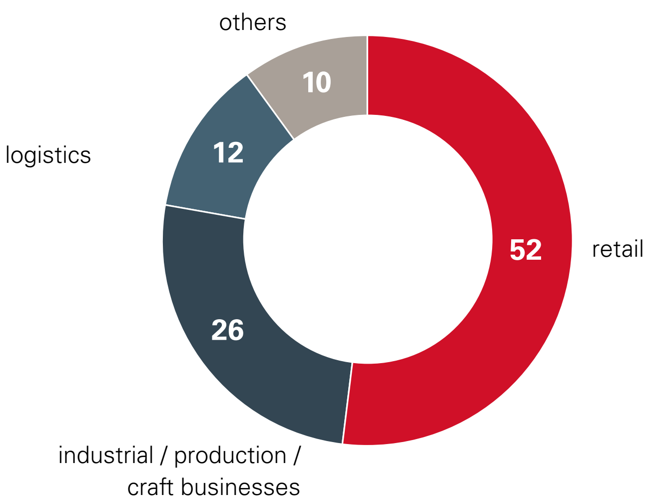
More than two thirds of space taken up were realised with rental contracts and projects for owner occupation in the 'above 10,000 square metres' range.

- The majority of size categories in the medium segment achieved shares of around 8 percent each.
- Few small contracts were concluded for units of less than 1,000 square metres.
- In 2020, no rental contracts for units of more than 10,000 square metres were concluded before the fourth quarter.

around 28 %

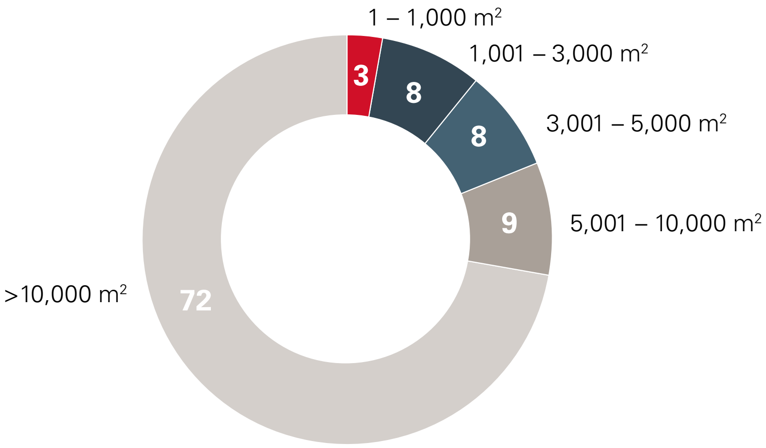
share of take-up in the segments below 10,000 m²

Take-up of space in the logistics region up to September 2021 according to industries | in %



Source: Greif & Contzen Research, Cologne, September 2021

Take-up of space in the logistics region up to September 2021 according to size category | in %



Source: Greif & Contzen Research, Cologne, September 2021

Space is scarce across all market segments

Vacant space
A total of around 70,000 square metres of warehouse space is vacant in the logistics region. Around 150,000 square metres had been vacant in the third quarter of 2019.

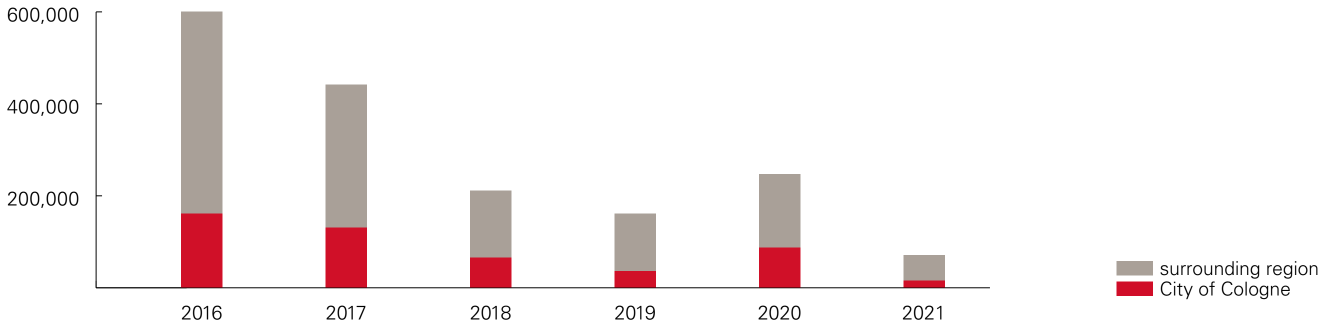
- The temporary increase of availability that occurred in 2020, has therefore been counterbalanced, and vacancies are now even below the pre-crisis level.
- Vacancies decreased in the surrounding area in particular, to currently just 55,000 square metres.

Completions
160,000 square metres of warehouse space are scheduled for completion in 2021. That is about 28 percent more than the average of the past five years.

- Only around a quarter of the new space is available for rent, due to pre-letting and owner occupation.
- Future completions are limited by scarce availability of land in the entire logistics region.

70,000 m²
vacant space in the entire logistics region

Vacancy figures in the city of Cologne & the surrounding region: development 2016 – 2021 (in Q3 of each year) | in m²



Selection of completed buildings Q1 to Q3 2021

User	Location	Warehouse space in m²
Retail company and others	Frechen	22,400
Bühnen der Stadt Köln	Cologne-Kalk	14,400
Amazon	Troisdorf	12,000

Source: Greif & Contzen Research, Cologne, September 2021

Scarce availability gives rise to widespread price increases

Prime rent
The prime rent in Cologne rose by 15 cents in the first nine months of 2021 to currently EUR 5.95 per square metre. A new prime rent of EUR 5.25 was recorded in Euskirchen.

Average rent
Average prices increased in Bonn and other towns in the logistics region. Standing currently at around EUR 4.90 per square metre, the average rent also increased by 15 cents since the start of the year.

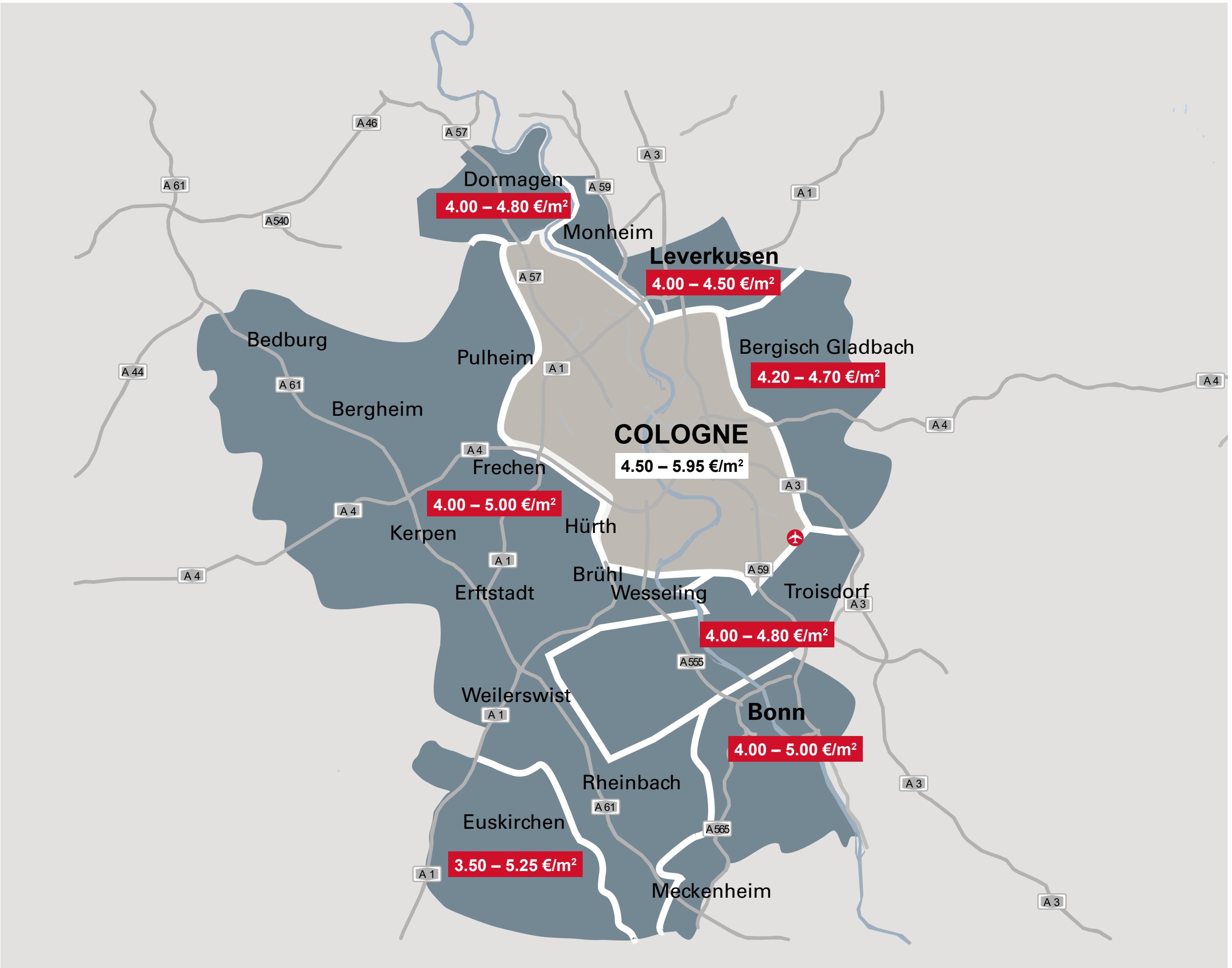
EUR 5.95 /m²
prime rent in Cologne

Rents for storage and distribution facilities in Cologne

	Rents 2020 (Q4) in €/m²	Development	Rents 2021 (Q3) in €/m²	Trend
New properties				
Warehouse space in industrial estates	5.20 – 5.80	↗	5.40 – 5.95	↗
Adjacent office space	8.50 – 11.50	→	8.50 – 11.50	→
Existing properties				
Warehouse space in industrial estates	4.40 – 4.70	↗	4.60 – 4.90	↗
Warehouse space in other locations	3.80 – 4.20	↗	4.20 – 4.60	↗
Adjacent office space	7.00 – 8.00	↗	7.50 – 8.50	↗
Outdoor areas				
Unpaved, without drainage system	0.50 – 1.00	↗	0.50 – 1.50	→
Paved, with drainage system, enclosed	1.00 – 2.50	↗	1.50 – 2.50	→

Source: Greif & Contzen Research, Cologne, September 2021

Rent price structure in the logistics region of Cologne|Bonn



Source: Greif & Contzen Research, Cologne, September 2021

Investment

Funds and developers were especially active in 2021 to date

3.50 %
logistics prime yield

Investment properties
A total transaction volume of around 140 million euros has been realised in the Cologne|Bonn logistics region in the year to date. Investment transactions have therefore decreased by over 40 percent compared to the same period last year.

- Since investor demand remains unbroken, transactions are limited especially by the lack of availability.
- Among the properties sold, were logistics centres in Cologne's districts Lind and Ossendorf, and a business park in Troisdorf.
- The net prime yield decreased to 3.50 percent.

Development sites
Land prices increased further, owing to the lack of available commercial building land, with prices ranging up to around EUR 300 per square metre in Bonn and up to EUR 350 per square metre in Cologne.

- Price increases of frequently more than ten percent, compared to the third quarter of 2020, could be observed across the entire logistics region.
- Few development sites are available for lower prices than the maximum values indicated above.

Selection of sales 2021

Buyer	Location	Warehouse space in m²
Catella Logistik Deutschland Plus (fund)	Cologne-Lind	18,000
Osmab Holding (property developer)	Cologne-Ossendorf	13,000
Strategic Industrial Real Estate (real estate company)	Troisdorf	10,000
Edmond de Rothschild Euro Industrial Real Estate Fund	Cologne-Feldkassel	9,000

Source: Greif & Contzen Research, Cologne, September 2021

Purchasing prices for commercial building land according to location

	Purchasing prices 2020 (Q3) in €/m2	Development	Purchasing prices 2021 (Q3) in €/m²	Trend
Location				
City of Cologne	up to 300	↗	up to 350	↗
City of Bonn	up to 250	↗	up to 300	↗
Rhein-Erft region	up to 160	↗	up to 250	↗
City of Leverkusen	up to 160	↗	up to 180	↗
Rhein-Berg region	up to 160	↗	up to 175	↗
Rhein-Sieg region	up to 150	↗	up to 165	↗

Source: G&C Research, Boris NRW, September 2021

Outlook

Future market development will be characterised by the lack of space

Economy
While the COVID-19 pandemic is not over, the situation is currently being handled in a way that is less disruptive to business activities.

- The economic research institutes forecast a growth of the gross domestic product of between 2.1 and 3.5 percent in 2021 (2022: 3.5 to 4.9 percent).
- The RWI/ISL Container Throughput Index, which is considered a mirror of international trade, indicates a rising trend.
- The BVK sentiment indicator for the German logistics industry is significantly higher than was the case in the first quarter.

Market for industrial and logistics properties
Demand for space for rent is currently on a moderate level in the logistics region of Cologne|Bonn, while availability is very low. Demand cannot be satisfied as a result.

- In the fourth quarter, take-up of space in the entire region may be limited to a total of around 25,000 square metres of warehouse space, owing to the lack of availability.
- It is to be expected that this scarcity of space will lead to further rent increases, at least in the medium term.
- Land prices are likely to rise even more, while the prime yield could continue to go down a little further.

310,000 m²
take-up of space forecast for Q1-4 2021

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 building types.

- **Prime rent**
  The prime rent is the highest rental price realised for logistics units with a size of at least 5,000 square metres.

- **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 all ancillary acquisition costs) and the annual rental income minus non-apportionable ancillary costs.

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

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