

Investment Market Cologne

Including Submarket Reports
March 2019



Galeria Kaufhof

© Greif & Contzen 2019



Investment Market Cologne

March 2019

Dear Sir or Madam,

Investors continue their search for new real estate products, and appear to be determined to not prematurely abandon their intent to buy properties, and the corresponding peak phase of this asset class. A fundamental strategic realignment in response to a possible upcoming turnaround of interest rates in 2020 or even later, has apparently been deferred for the time being. Buyers who are willing to accept – and in some cases to even go beyond – the meanwhile very high price level, are found for hotels, logistics facilities, and specialist retailers, as well as locations with certain limitations, and property developments with recognisable and realisable investment potential.

Properties with a total value of around five billion euros were traded in Cologne in 2018. More than two billion euros thereof were accounted for by commercial real estate. The record levels of recent years were missed by only around ten percent, and they could certainly have been matched or surpassed, if a greater supply of investment properties had been available to potential buyers. Notwithstanding the fact that investment potential was not fully exhausted, there have been a number of transactions in the three-digit million euro range once again, and increasing dynamics could be observed in a few real estate segments such as hotels and apartment buildings.

Cologne's investment market and property users benefit from the fact that various construction projects and property developments are currently being promoted, for example for office buildings, logistics centres, and hotels. In addition to this, planning takes place for new buildings and revitalisation measures to be realised in many good locations in the medium to longer-term future. Modernisation and upgrading processes are used to safeguard the lettability and value retention of properties in many parts of the city – ranging from the city centre, via residential areas, through to commercial estates.

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



Yours faithfully

Thorsten Neugebauer, MRICS

Head of Investment

Greif & Contzen Immobilienmakler GmbH

Investment Market Cologne

March 2019

Contents

Summary	4
I. General socio-economic data and urban development	6
II. Real estate market Cologne	8
III. Investment market	10
1. Office buildings	11
2. Retail properties	17
3. Industrial and logistics properties	23
4. Hotels	27
5. Apartment buildings	30
6. Condominiums	33
IV. Outlook	36



Investment Market Cologne

March 2019

Summary

A transaction volume of around five billion euros was achieved in Cologne's investment market across all real estate segments in 2018. This corresponds to an increase by around 300 million euros since 2017, and thus to the second best result of the past decade. The investment turnover for commercial properties amounted to about 2.1 billion euros. Compared to the previous year, there has been an overall decrease in transactions concerning this type of properties. However, 2017 was a record year with a greater availability of products, than was the case in 2018.

Office buildings

With around 1.1 billion euros, office buildings made up about half of the total transaction volume realised with commercial real estate. This corresponds to a slight increase compared to the year before. However, when comparing figures over an extended period, this segment often accounted for a much greater share in the past. A number of properties were sold for prices in the three-digit million euro range. The prime yield decreased to 3.20 percent.

The office letting market was characterised by various lettings in new construction and revitalisation projects in 2018, and significant rent increases were recorded.

Retail properties

Retail properties accounted for about one quarter of the transaction volume for commercial real estate in 2018. In addition to the Kaufhof department store that changed hands in the course of yet another corporate takeover, retail buildings were sold for example on Schildergasse and Neumarkt. Beyond the city centre, a number of specialist retail stores were sold. The prime yield stood at 2.9 percent. Prime rents remained stable in most locations, however, on Hohe Strasse they decreased for the second year in a row to currently around 200 euros per square metre.

Industrial and logistics properties

Industrial and logistics properties for a total of around 150 million euros were sold within Cologne's city limits in 2018. The transaction volume of the entire logistics region that includes Cologne and the surrounding communities was about 280 million euros. A number of large logistics facilities with between 10,000 and 40,000 square metres of warehouse space changed hands. Once more there were a few large portfolio sales, but these were not on the same scale as in 2017, when an investment turnover of about 430 million euros was achieved. Foreign investors were involved in a number of transactions. The prime yield decreased by 0.5 percent points to 4.2 percent.

Investment Market Cologne

March 2019

Hotels

The sale of the centrally located Maritim hotel on Heumarkt was among the biggest transactions of 2018. There were a number of further sales in the hotel segment, including big establishments with more than 200 rooms each, such as the Dorint Hotel at the trade fair grounds, or the Urban Loft hotel on Eigelstein near Central Station that is still under construction. A total of more than 1,000 hotel rooms changed hands in 2018. The average daily rate (ADR) for a room was about 110 euros in 2018, the revenue per available room (RevPar) stood at about 81 euros per day.

Apartment buildings

More apartment buildings were sold in 2018 than in the year before, following three consecutive years of decreasing transaction numbers. The investment turnover remained on a similar level as in 2017. In addition to many individual sales, there were also portfolio transactions each accounting for several dozen existing buildings in Cologne. Purchase prices in good and very good residential areas ranged mostly between 22 and 30-fold the annual rent. Rents are expected to rise further, owing to the tense situation of Cologne's housing market.

Condominiums

Low completion figures and private owners' reluctance to sell have led to the transaction volume for residential properties and condominiums to decrease further in 2018. A total turnover of around 1.26 billion euros was achieved. Purchasing prices have increased further, even though growth has slowed down slightly, compared to previous years. Most of the development projects realised were on a rather small scale. Meanwhile, however, there are new development sites on which a number of residential areas with more than 200 condominiums each will be realised by 2021.

Outlook

Real estate products are still popular among investors, and there continues to be a lack of alternative investment options. As long as interest rates and financing conditions remain as favourable as is currently the case, available real estate will continue to be met by high demand from investors, who are willing to pay high prices. A transaction volume in the range of around two billion euros could be realised with commercial properties once again, provided that there is a sufficient supply of available products. Great investment potential is presented by the many announced and commenced construction and conversion projects, as well as revitalising measures in the office and hotel market. Purchasing prices are unlikely to decrease over the next few months, further slight price increases may even be realised for top properties, owing to the fierce competition among investors.

Investment Market Cologne

March 2019

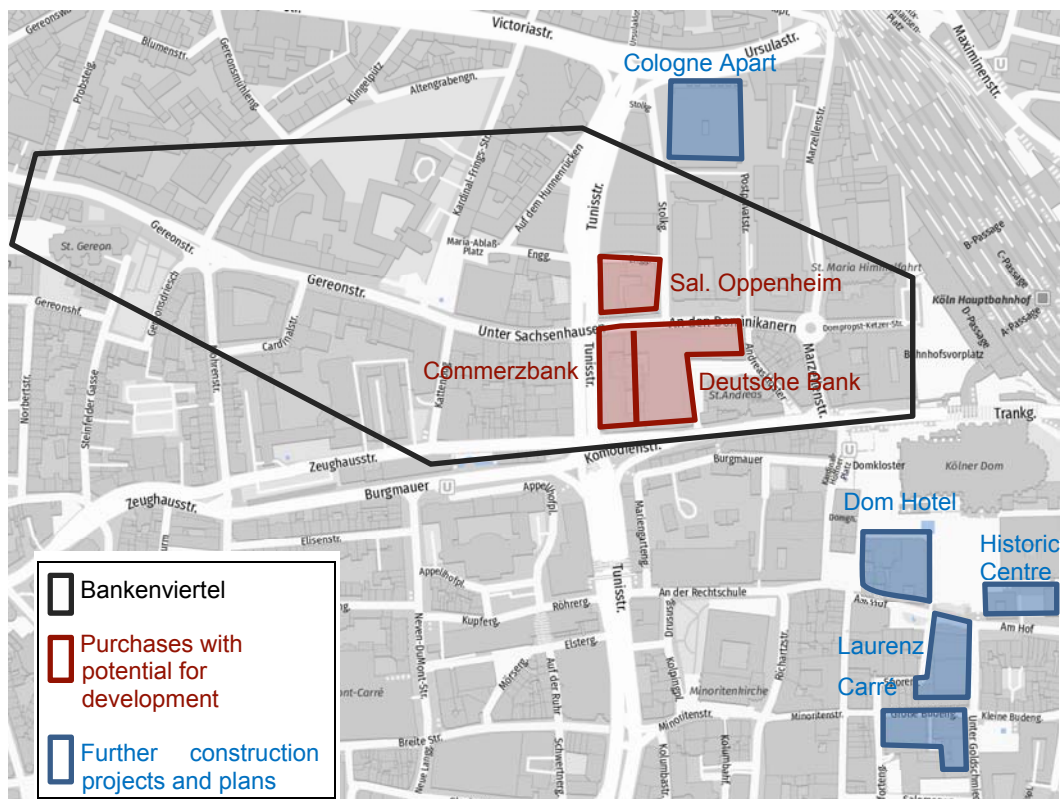
I. General socio-economic data and urban development

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

Population (as of 31 Dec. 2017)	1,084,800 inhabitants
Population forecast for 2030	1,120,400 inhabitants
Average unemployment rate 2018	7.8 %
Purchasing power in 2018 (MB Research)	106
Centrality index in 2018 (MB Research)	114

Transactions and potential for development in the banking quarter

Cologne's banking quarter (Bankenviertel) is a traditional office location within walking distance of Cologne Central Station, Cologne Cathedral, and the city's most popular shopping streets. After the premises of Deutsche Bank, Commerzbank, and the private bank Sal. Oppenheim had been sold over the past two years, it became clear in 2018 that significant parts of the office space in the heart of the Bankenviertel are now owned by a single investor and their respective joint venture partners.



Bankenviertel and northern part of the historic city centre © Greif & Contzen 2019

Investment Market Cologne

March 2019

The existing buildings have a combined total floor space of more than 64,000 square metres. Any changes to the space requirements of the current users in the future, would put the current owners – who have capacities in the field of property development – in a favourable position for realising structural adjustments. Considerable potential for upgrading is afforded by the great locational advantages and heterogeneous building structure.



Building ensemble Tunisstrasse / Unter Sachsenhausen © Greif & Contzen 2019

Further construction and planning activities are taking place beyond the boundaries of this office space submarket. To the north of the Bankenviertel, an old postal building is currently being converted into the mixed-use premises “Cologne Apart”, featuring more than 200 apartments. In direct vicinity to the north of Cologne Cathedral, there are plans for a number of restructuring measures. Dom Hotel is currently being reconstructed, preserving the historic façade and staircase. Directly opposite the hotel, there are plans to connect the Romano-Germanic Museum, the Curia’s House of Cologne Cathedral, and Cologne’s City Museum to form a “Historic Centre”, provided that the further design and cost planning is accepted by the City Council. A little further to the south, an architectural design has meanwhile been selected for the development project “Laurenz Carré”.

Investment Market Cologne

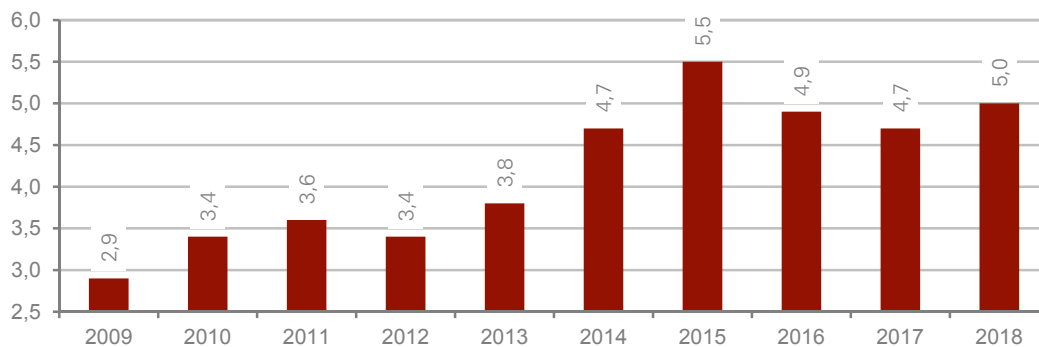
March 2019

II. Real estate market Cologne

Across all segments, properties for a total of around five billion euros were sold in Cologne in 2018. This is the second best result of the past decade after 2015. However, compared to 2017, the investment volume decreased considerably in the market for condominiums in 2018, owing to decreasing availability. Meanwhile, turnover generated with single-unit houses and duplexes increased slightly. A significantly higher investment volume than in 2017 was realised with office and retail buildings.

Commercial properties accounted for a total transaction volume of around 2.1 billion euros in 2018. This corresponds to a decrease of about nine percent since 2017, when a record volume of 2.3 billion euros was realised with commercial real estate.

**Transaction volume (bn. €)
development 2009 to 2018**



Source: Committee of experts of the City of Cologne 2019 (modified regarding 2013, 2014, 2015, and 2018)

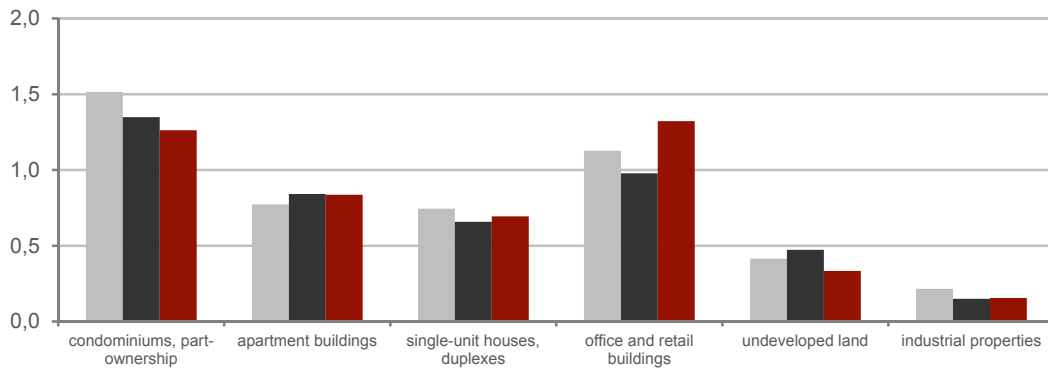


Neumarkt 35-37 © Greif & Contzen 2019

Investment Market Cologne

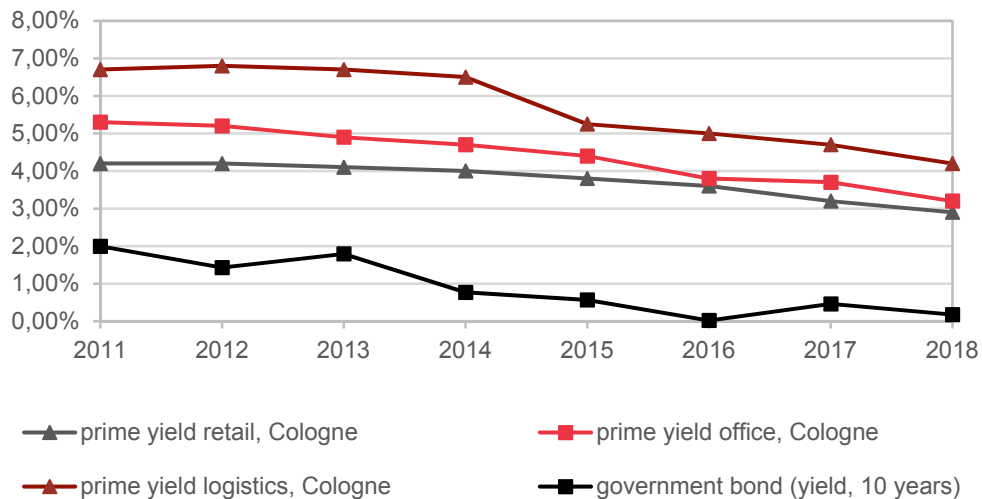
March 2019

Transaction volume according to property types (bn. €)
2016, 2017, 2018



Source: Committee of experts of the City of Cologne 2019 (modified regarding 2016 and 2018)

Yields in the fourth quarter of 2011 - 2018 respectively



Source: Greif & Contzen Research, Cologne March 2019



Investment Market Cologne

March 2019

III. Investment market

Investor demand for real estate products did not slow down in 2018. Instead it was not limited to top-quality properties in premium locations, but also covered buildings in secondary locations. Properties with structural development potential proved to be marketable both before and during the implementation phase. There were five transactions with purchasing prices in the three-digit million euro range. Two of these sales were closed in the form of forward transactions.

Selection of major transactions in 2018

Property (location)	Type	Purchase price
Cologneo I- subarea (Mülheim)	mixed use	approx. 241 m. €
Kaufhof Hohe Strasse (Altstadt Nord)	department store	estimated price > 150 m. €
WALLARKADEN (Kölner Ringe)	mostly office space	approx. 140 m. €
Maritim Hotel (Altstadt Nord)	hotel	approx. 120 m. €
Von-Gablenz-Str. 2-6 (Deutz)	office space	approx. 115 m. €
SportScheck (Altstadt Nord)	retail building	approx. 60 m. €
KÖLNCUBUS (Kalk)	office space	estimated price > 55 m. €
Neumarkt 35-37 (Altstadt Süd)	retail building	estimated price > 50 m. €
Siegburger Strasse 229c (Deutz)	office space	estimated price > 20 m. €
Sternengasse 14-16 (Altstadt Süd)	mostly office space	unknown
Dorint Hotel (Deutz)	hotel	unknown
Urban Loft (Altstadt Nord)	hotel	unknown

Source: Greif & Contzen Research, Cologne March 2019

The planned development on the Cologneo I site in direct vicinity of the trade fair grounds Koelnmesse and Mülheim Harbour was sold to a specialist fund for around 241 million euros. The property is going to be developed for a range of different uses, focusing on residential space with around 33,000 squametres, supplemented by office, retail, and hotel space. The construction work is scheduled for implementation over the next few years. The development site is part of the disused premises of the company Deutz AG that greatly contributed to automotive history. Further major construction projects are currently being planned in the immediate neighbourhood.

About a kilometre farther southwest, Korean investors bought a 20,000 square metre office building on Deutz-Mülheimer-Strasse in Deutz. This building features a particularly long lease with a public authority, and the buyer was therefore willing to accept a low initial yield. The other three top transactions took place in the city centre on the left bank of the Rhine. The floor space of the buildings in question ranged between around 20,000 and an estimated 69,000 square metres.

Investment Market Cologne

March 2019

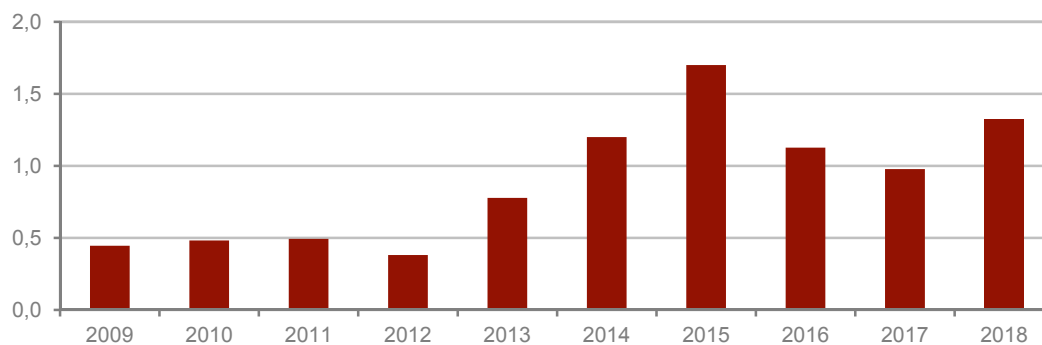
1. Office buildings

According to a statistic published by the committee of experts of the City of Cologne, a transaction volume of around 1.3 billion euros was generated with office and retail buildings in 2018. This corresponds to a year-on-year increase of more than 30 percent.

The highest purchasing price of around 140 million euros was realised with the development project "WALLARKADEN". The buyers are a group of pension funds from northern Germany. The project caters for the premium market segment, and is located on Rudolfplatz in the Kölner Ringe submarket. Former fragmented structures with a heterogeneous appearance are being replaced on the site opposite the historic Hahnenortburg, which is part of the old city fortifications. Most of the total of 14,000 square metres of office space have already been taken up by coworking / business centre operators. The new building is due to be completed in 2020.

About 1.2 kilometres (linear distance) to the north-east, the property developer of WALLARKADEN and an insurance company bought the headquarters of the private bank Sal. Oppenheim from Cologne that has meanwhile been largely dissolved. The office ensemble with around 18,000 square metres of floor space is yet another prime property that the new owner has been able to add to their existing portfolio of large-scale properties in the Bankenviertel.

**Transaction volume office and retail buildings (bn. €)
development 2009 to 2018**



Source: Committee of experts of the City of Cologne 2019 (modified regarding 2013, 2014, 2015, and 2018)

While almost three quarters of office buildings sold in 2017 were located in the city centre, the same was true for about 60 % of buildings sold in 2018. Nevertheless, around 64 percent of the capital invested in this asset class was accounted for by properties in the city centre. This means that the relatively small number of buildings sold in the city centre was particularly high in value. Foreign investors tended to buy office buildings in Cologne as part of portfolio transactions, or to choose large individual buildings.



Investment Market Cologne

March 2019



Soon to be completed: "One Cologne" on Innere Kanalstrasse © Greif & Contzen 2019

Rental take-up was characterised by development projects

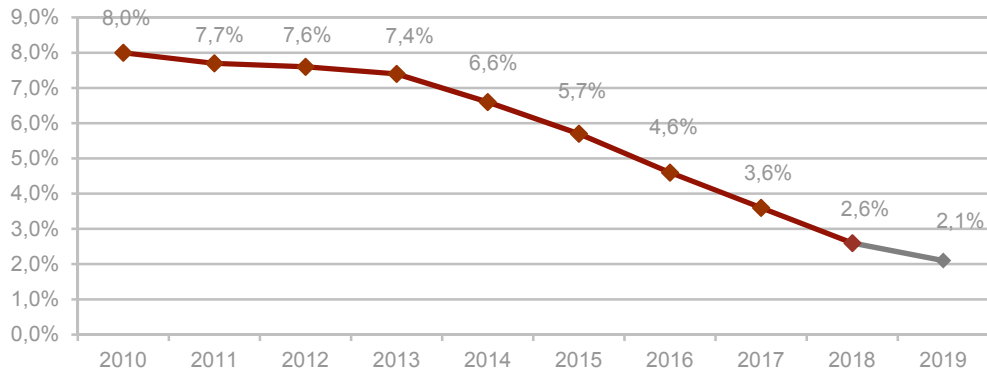
As in the year before, around 310,000 square metres of office space were taken up in Cologne in 2018. Take-up was therefore slightly above the 10-year average of 294,000 square metres. Three contracts were concluded for rental units in the five-digit square metre range, for units ranging between around 10,000 and 13,000 square metres. About one quarter of the take-up was accounted for by new buildings and revitalisation measures. Six of the eight biggest letting contracts signed in 2018 regarded this type of construction project.

Vacancies have decreased by around 80,000 square metres in total in the past year, almost 40,000 of which were located in the city centre. Vacancies decreased to a total of around 200,000 square metres, which corresponds to a rate of 2.6 percent. A further decrease is to be expected in 2019. Available units in existing buildings are meanwhile very scarce in several submarkets, and availability is often made up of small to medium sized individual units. Companies requiring larger office units in the city centre are therefore very likely to be forced to opt for space in new or revitalised buildings.

Investment Market Cologne

March 2019

Vacancy rate **development** and forecast 2010 to 2019

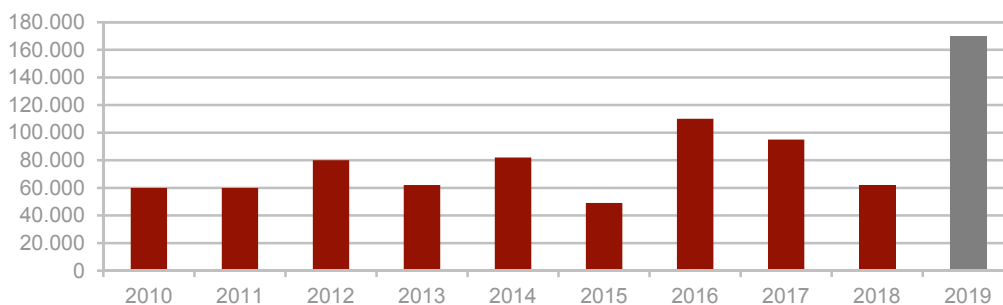


Greif & Contzen Research, Cologne March 2019

Increasing volume of completions

Around 62,000 square metres of office space were completed in 2018. The average figure of the past five reference years stands at around 80,000 square metres, and was thus missed by 22 percent. Around 170,000 square metres are expected to be completed in 2019. However, only around 15 percent of this space is available to the market. In the part of the city centre on the right bank of the Rhine, about 68,000 square metres of office space are scheduled for completion by the end of 2019, in the large-scale project MesseCity. Most of this space is going to be used by Zurich Versicherung. Construction activities are focused in the city centre, and increasingly also in the submarkets of Mülheim, Ossendorf, and Braunsfeld. These locations outside the city centre are qualified office locations for which there are currently specific plans for property developments, and that also feature additional space reserves for further projects. Scheduled completions and future office letting hotspots are covered as a focus topic in our office space market report published in March 2019.

Completions (m²) **development** and forecast 2010 to 2019



Greif & Contzen Research, Cologne March 2019

Investment Market Cologne

March 2019

Significant construction activities in 2019 (properties under construction)

Property / location	Rental space (m ²)	Completion
MesseCity (Deutz)	around 120,000	2019 / 2021*
I/D Cologne (1st part, Mülheim)	around 32,000	2020 / 2021*
ONE Cologne (Innere Kanalstrasse)	around 15,000	2019
WALLARKADEN (Kölner Ringe, Rudolfplatz)	around 14,000	2020
CLOUTH 104 (Köln Nord)	around 13,000	2019
New building VOLLACK Group (Ossendorf)	around 12,500	2019
Kaiser Hof (Innenstadt Nord)	around 12,300	2019
Haus Friesenplatz (Kölner Ringe)	around 9,000	2019 / 2020*
Deutsche Bahn AG training centre (Köln Ost)	around 7,800	2019
b4 Campus (Kalk)	around 5,000	2019

* by construction phases

Greif & Contzen Research, Cologne March 2019

Significant increase of rents

After the prime rent had hardly increased in recent years, due to the small share of space accounted for by high-price rental contracts, it increased by around seven percent, from EUR 21.50 to EUR 23.00 per square metre, in 2018. The development of rents was characterised in particular by various contracts concluded for new construction measures and revitalised buildings in the city centre, as well as in premium-quality existing buildings in top locations such as the Rheinauhafen. The average rent weighted according to unit size increased from EUR 13.70 to EUR 15.00 per square metre.

The highest rent realised of around EUR 25.00 per square metre was achieved in a new construction project in a very good office location. Compared to recent years, there is now a new record level for this property category. Furthermore, a top rent price of around EUR 17.00 per square metre was realised with a new building in a business park location on the right bank of the Rhine. The current structure of maximum rents realised to date, suggests that there is further potential for price increases for new buildings in good and very good office locations.

Please refer to our office space market report from March 2019, for a detailed analysis of maximum rents in the different location and property categories.

Investment Market Cologne

March 2019

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	17,000	6,000	11,000	13 - 20
MediaPark	1,000	1,000	7,000	14 - 20
Rheinauhafen	5,000	5,000	9,000	16 - 20
Kölner Ringe	40,000	8,000	21,000	11 - 19
Deutz	71,000	7,000	34,000	10 - 19
Innenstadt Nord	46,000	16,000	39,000	11 - 19
Innenstadt Süd	29,000	21,000	9,000	9 - 17
Rheinufer Nord	500	500	4,000	15 - 20
Rheinufer Süd	1,000	1,000	7,000	12 - 17
Subtotal	210,500	65,500	141,000	
Districts on the left bank of the Rhine				
Innere Kanalstrasse	500	500	6,000	12 - 16
Ehrenfeld	36,000	9,000	19,000	9 - 13
Braunsfeld	49,000	23,000	12,000	10 - 13
Ossendorf	91,000	18,500	19,000	8 - 11
Köln Nord	26,000	11,000	15,000	7 - 12
Köln West	24,000	22,000	15,000	8 - 14
Köln Süd	37,000	25,000	19,000	8 - 13
Subtotal	263,500	109,000	105,000	
Districts on the right bank of the Rhine				
Gremberghoven	33,000	8,000	15,000	7 - 11
Mülheim	76,000	1,000	23,000	9 - 14
Kalk	500	500	15,000	8 - 15
Köln Ost	108,000	16,000	18,000	8 - 12
Subtotal	217,500	25,500	71,000	
Total	691,500	200,000	317,000	

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.

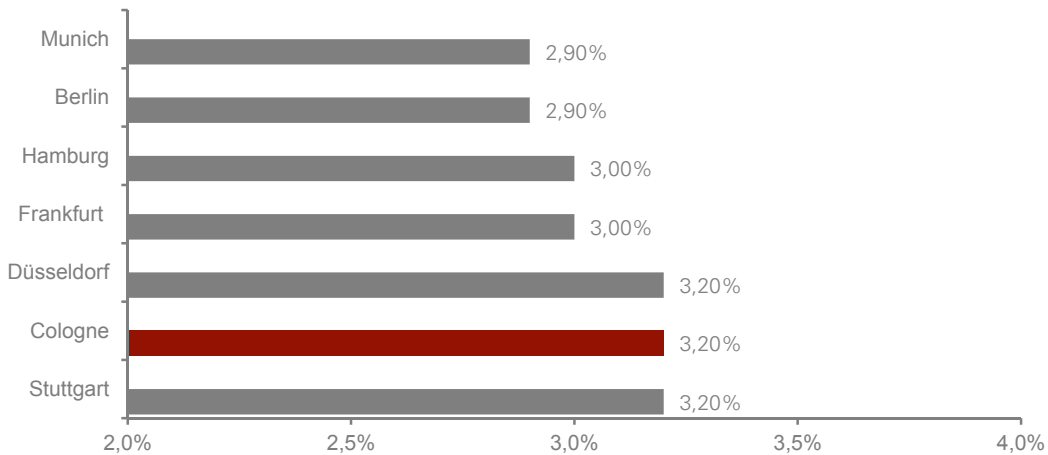
Investment Market Cologne

March 2019

Yields on office buildings

Purchasing prices for office buildings have increased further in 2018, and the prime net initial yield dropped from 3.7 to 3.2 percent over the course of the year. The yield gap to retail buildings that are currently being bought at a 2.9 percent rate of return, has decreased by 20 base points. When comparing the top cities, it becomes apparent that slight declines of yields are possible in Cologne in 2019, since prime yields are even lower in other top 7 cities.

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



Source: Greif & Contzen Research, Cologne March 2019



Von-Gablenz-Strasse 2-6 © Greif & Contzen 2019

Investment Market Cologne

March 2019

2. Retail properties

Retail properties for a total of around 320 million euros were traded in 2018. This segment therefore accounted for around 15 percent of the total investment turnover generated with commercial real estate. The biggest property sold was the Kaufhof department store on Hohe Strasse that changed hands in the course of the corporate takeover of Galeria Kaufhof GmbH. The profitability of this large-scale retail building needs to be optimised, especially since Saturn, as a major tenant that used to encourage shoppers to visit the upper storeys, left in the first half of the year. It is estimated that the property was sold for more than 150 million euros.

The buildings Schildergasse 38-42 and Neumarkt 35-37 with around 5,000 and 8,000 square metres respectively, are two further large retail buildings that were sold in the central retail area. The buyers were an investment company from Hamburg and a specialist fund. A number of specialist retail stores were sold outside the city centre.



Galeria Kaufhof © Greif & Contzen 2019

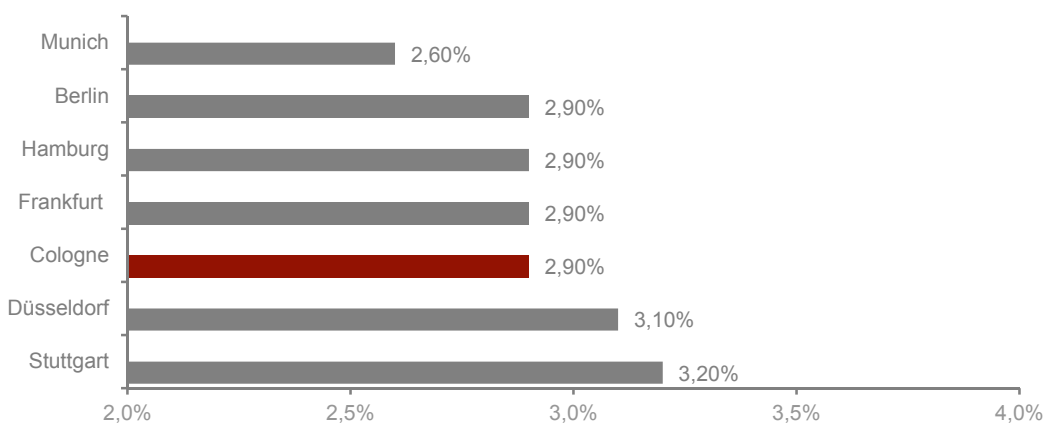
Two investments in retail parks took place in the neighbouring town Kerpen. A family office bought a retail park with about 10,000 square metres, and a specialist fund took over “Erft Karree” with around 54,000 square metres of rental space. However, the transaction volume generated in the municipalities in the surrounding region is not included in the market figures for Cologne.

Investment Market Cologne

March 2019

The prime rent for retail buildings in prime shopping locations decreased from 3.2 to 2.9 percent in 2018, and is now on par with Berlin, Hamburg, and Frankfurt. Retail parks have also become more expensive, and they currently achieve a prime yield of around 4.4 percent. This means that they are gradually approaching the profitability of shopping centres that continue to achieve a rate of return of 4.0 percent. This asset class is under particular pressure, owing to the increasing significance of online retailing. A prime yield of 5.2 percent is achieved with individual specialist retail stores.

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



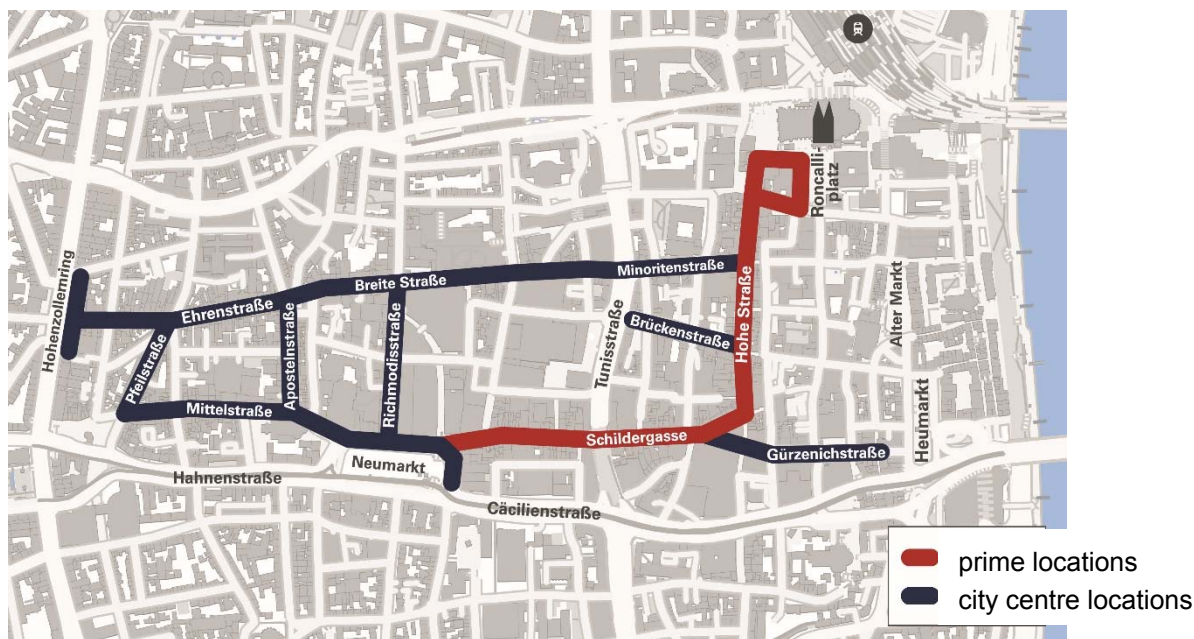
Source: Greif & Contzen Research, Cologne March 2019

Letting market

The focus of market activities shifted to Hohe Strasse in 2018, after several shops had been let in the prime location of Schildergasse in 2017. The British fashion retailers Topshop and Topman took up around 1,300 square metres of retail space in the Kaufhof department store. Following the presentation of its product range in the same building from 2017, as well as in other Kaufhof stores, the French perfumery chain Sephora, took up its own premises with around 1,200 square metres just a few doors down on Schildergasse in 2018.

Investment Market Cologne

March 2019



Retail locations in Cologne's city centre © Greif & Contzen 2019

Selection of lettings in prime locations in 2018

Location	Tenant	Industry	Rental space
Hohe Strasse 41-53	Topshop; Topman	clothing	1,300 m ²
Schildergasse 49	Sephora	cosmetics	1,200 m ²
Hohe Strasse 111a	Foot Locker	footwear	610 m ²
Hohe Strasse 68-82	Femme	clothing	544 m ²
Schildergasse 84a	Levi Strauss	clothing	480 m ²
Hohe Strasse 124-126	Griesson – de Beukelaer	foodstuffs	100 m ²
Hohe Strasse 124-126	Don Gelati	catering	100 m ²
Hohe Strasse 96	Shape World	foodstuffs / cosmetics	60 m ²
Hohe Strasse 52	Banking-Center	finance	50 m ²
Hohe Strasse 139	Rimowa	luggage	unknown
Hohe Strasse 69-71	P1 Markenwelt	clothing / luggage	unknown

Source: Greif & Contzen Research, Cologne March 2019

Various tenant changes took place across the city centre, especially on Ehrenstrasse. Beyond the prime retail locations, there has been a significant decrease of contracts concluded with textiles companies, if two units taken up by retailers for Karneval equipment are considered to be part of a niche segment of the clothing industry.

Investment Market Cologne

March 2019

Selection of lettings in city centre locations in 2018

Location	Tenant	Industry	Rented space (approx.)
Gürzenichstrasse 22	Karnevalswierts	clothing / Karneval	520 m ²
Apostelnstrasse 13	Brogle	jewellery	400 m ²
Zeppelinstrasse 2	Butlers	household goods	350 m ²
Ehrenstrasse 40-42	Pikolinos	footwear	150 m ²
Neumarkt 2-4	Lindt	foodstuffs	110 m ²
Gürzenichstrasse 21	Starbucks	catering	103 m ²
Breite Strasse 23	M&G Atelier	clothing	89 m ²
Pfeilstrasse 10	Chidonkey	catering	85 m ²
Ehrenstrasse 79	Zumo	clothing	80 m ²
Mittelstrasse 12-14	Patrizia Pepe	clothing	50 m ²
Schwertnergasse 1	Pfando	pawn shop	unknown
Schwertnergasse 1	Karnevalshaus.de	clothing / Karneval	unknown
Breite Strasse 100	Kryolan	cosmetics	unknown
Ehrenstrasse 59	iCrush	footwear	unknown
Ehrenstrasse 66-68	Doc Martens	footwear	unknown
Ehrenstrasse 1	YAYA	clothing	unknown

Source: Greif & Contzen Research, Cologne March 2019

Rents in the retail industry

The retail industry in the city centre is under severe pressure to adjust retail concepts, and to find ways to handle the increasing importance of online retailing. Well-known retail chains such as Esprit, Bonita, and Roland / Deichmann gave up their established stores in Cologne's premium retail area in 2018, and there have recently also been changes to the way retail space is managed in the Kaufhof department store. Furthermore, current space requirements are no longer in line with the layouts and unit sizes of older retail buildings. Owing to these developments, it is to be expected that rents for retail space will decrease, however, this type of development cannot be generally observed in the prime rents to date. 2017's decrease of the prime rent on Hohe Strasse continued further in 2018. It dropped from around EUR 230 to around EUR 200 per square metre, and thus decreased by 20 percent within two years. On Mittelstrasse the prime rent decreased slightly from EUR 90 to EUR 85 per square metre. Several rental contracts had been concluded for this location in 2017. Prime rents meanwhile remained stable on Schildergasse and in the luxury retail area of Wallrafplatz, at EUR 260 and EUR 270 per square metre, respectively. Prices remain at a high level, thanks to demand for small stores from expanding premium brands.

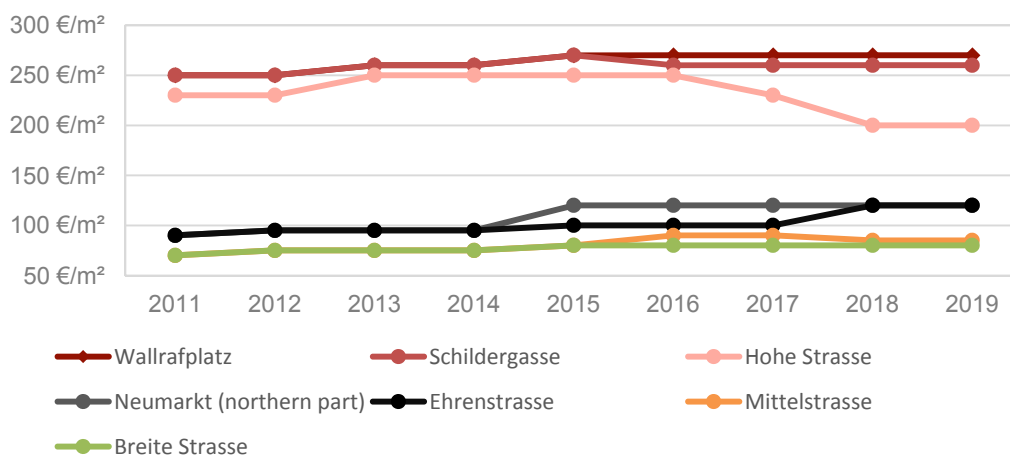
Investment Market Cologne

March 2019

Retail location	Prime rent*	
	2017	2018
Wallrafplatz	270 €/m ²	270 €/m ²
Schildergasse	260 €/m ²	260 €/m ²
Hohe Strasse	230 €/m ²	200 €/m ²
Neumarkt (northern part)	120 €/m ²	120 €/m ²
Ehrenstrasse	100 €/m ²	100 €/m ²
Mittelstrasse	90 €/m ²	85 €/m ²
Breite Strasse	80 €/m ²	80 €/m ²
Very good city centre locations (e.g. Apostelnstrasse, Pfeilstrasse)	60 €/m ²	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	30 €/m ²

*ideal shop with up to 100 m² of retail space Source: Greif & Contzen Research, Cologne March 2019

Prime rent retail development and forecast 2010 to 2019



Sources: Rheinische Immobilienbörse e.V.; forecast: Greif & Contzen Research 2019

The total of around 3,700 square metres of retail space completed in the prime retail area in 2018 were accounted for by two new buildings on Hohe Strasse 52 ("52 HI") and Schildergasse 55. Further upgrading measures were announced for Hohe Strasse, however, few details have been disclosed to date.

In the course of the urban development measure regarding "Laurenz Carré", it was specified in October 2018 that planning provides for around 4,000 square metres of retail

Investment Market Cologne

March 2019

and catering space to be created on the site in direct vicinity of Cologne Cathedral and Hohe Strasse. Construction is scheduled to start in 2019 and to be completed in 2021.

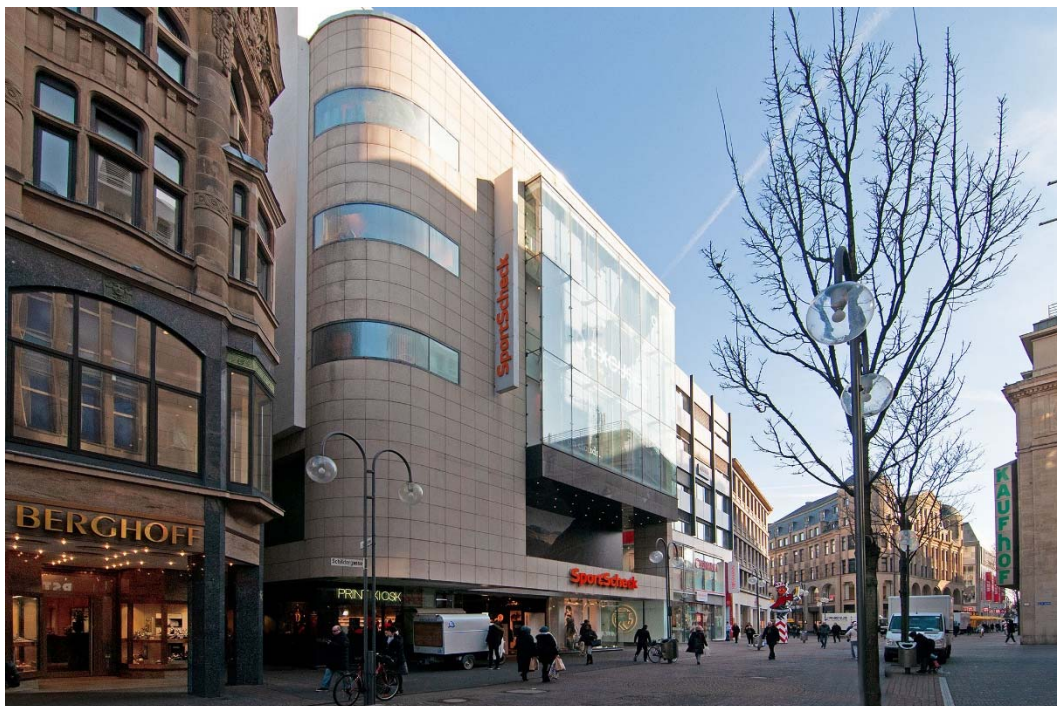
Current retail property developments in the city centre

Property / location	Completion	Retail space
“Laurenz Carré”*	2021	approx. 4,000 m ²
Rudolfplatz 9*	2020	approx. 2,900 m ²
Friesenplatz 2-14 (“Haus Friesenplatz”*)	2019 / 2020	approx. 2,900 m ²
“AntoniterQuartier”	2019	approx. 1,900 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
Richartzstraße 14 (“R’14” ***)	2021	unknown

*office and retail building ** size indication from early planning that may be adjusted

*** hotel project

Source: Greif & Contzen Research, Cologne March 2019



Schildergasse 38-42 © Greif & Contzen 2019

Investment Market Cologne

March 2019

3. Industrial and logistics properties

Industrial and logistics properties for more than 150 million euros were sold in Cologne in 2018. The level achieved in the year before was therefore matched. A number of logistics facilities with more than 15,000 square metres of warehouse space each changed hands. An American private equity investor, for example, bought a real estate package from an Anglo-Saxon real estate joint venture that included a logistics facility with an estimated size of 20,000 square metres. The same portfolio also contained logistics properties in Dormagen and Pulheim.



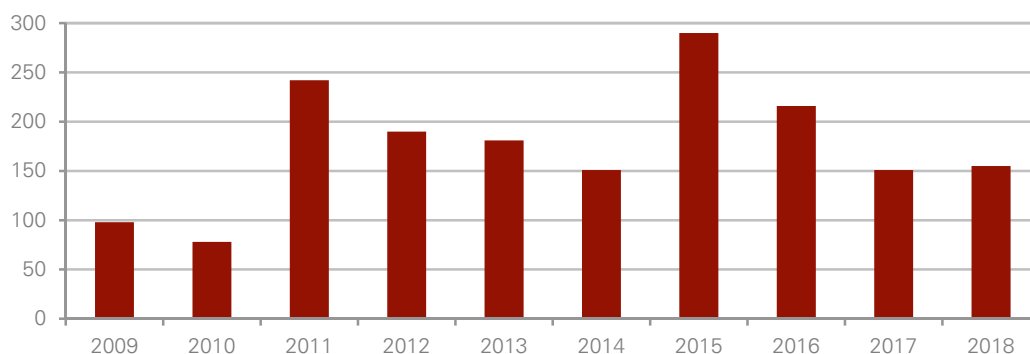
New logistics centre in Cologne-Niehl © Greif & Contzen 2019

A transaction volume of around 280 million euros was generated in the entire logistics region that comprises the city area and the surrounding region. This corresponds to a 35 percent decrease compared to 2017. As was to be expected, the market was supplied with far fewer large portfolios. Particularly high transaction volumes had been recorded in 2017 also in the logistics region of Cologne, owing to a number of very large portfolio sales regarding properties across Germany. Several logistics centres with between around 10,000 and 40,000 square metres of warehouse space were sold in the region surrounding Cologne in 2018. Among the buyers were various types of funds, as well as value-add investors in individual cases. Several investors from English-speaking countries were involved in the transactions. The range of potential buyers for this asset class is wide, and demand is high.

Investment Market Cologne

March 2019

**Transaction volume industrial real estate (m. €)
development 2009 to 2018**



Source: Committee of experts of the City of Cologne, March 2019

Selection of sales 2018 (Cologne and surrounding region)

Location	Plot size (approx.)	Warehouse space (approx.)
Dormagen	107,000 m ²	40,000 m ²
Kerpen	40,000 m ²	25,000 m ²
Cologne-Ossendorf	40,000 m ²	20,000 m ²
Frechen	43,000 m ²	16,000 m ²
Pulheim	20,000 m ²	10,000 m ²
Wesseling	20,000 m ²	10,000 m ²

Source: Greif & Contzen Research, Cologne March 2019

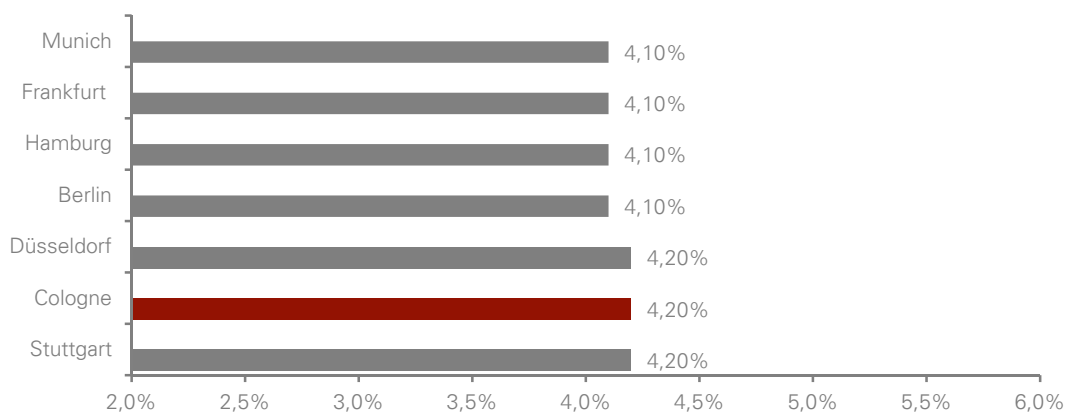
Yields on logistics facilities

The prime yield decreased further in 2018, and it currently stands at 4.2 percent. This key figure has thus decreased by 2.6 percent since the end of 2012. Over the same period, the prime yield for office buildings decreased by 2.0 percent points, and by 1.3 percent points for retail buildings. In an overall comparison of prime yields of logistics properties in the top cities, it can be observed that these vary within the very narrow range between 4.1 and 4.2 percent.

Investment Market Cologne

March 2019

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



Source: Greif & Contzen Research, Cologne March 2019

Letting market 2018

A total of around 300,000 square metres of space was taken up in Cologne and the surrounding region in 2018. This corresponds to a similar level as in the year before, if it is taken into account that Euskirchen and Rheinbach were added to the considered market area. Owing to the scarce availability of space within Cologne's city limits, the municipalities of the surrounding regions have meanwhile taken on an important role. Logistics service providers accounted for about half of the space taken up in the form of lettings and projects for owner-occupation in 2018. Following a long period of stagnation, the prime rent in the city area increased from EUR 5.00 to EUR 5.50 per square metre. The average rent increased from EUR 4.30 to EUR 4.75 per square metre.

Selection of lettings 2018 (Cologne and surrounding region)

Tenant	Location	Type	Rented space (approx.)
DHL Supply Chain Management	Rheinbach	warehouse	35,000 m ²
Offergeld Logistik	Frechen	warehouse	32,000 m ²
Amazon Deutschland	Dormagen	warehouse	24,000 m ²
Coca-Cola Deutschland	Kerpen	warehouse	12,000 m ²
Grieshaber Logistik	Bedburg	warehouse	11,000 m ²
DPI GmbH (retail)	Brühl	warehouse	10,000 m ²
Hellmann Worldwide Logistics	Kerpen	warehouse	9,500 m ²
G. Lache Spedition GmbH	Kerpen	warehouse	9,500 m ²
Peisker Logistik GmbH	Troisdorf	warehouse	8,700 m ²

Source: Greif & Contzen Research, Cologne March 2019

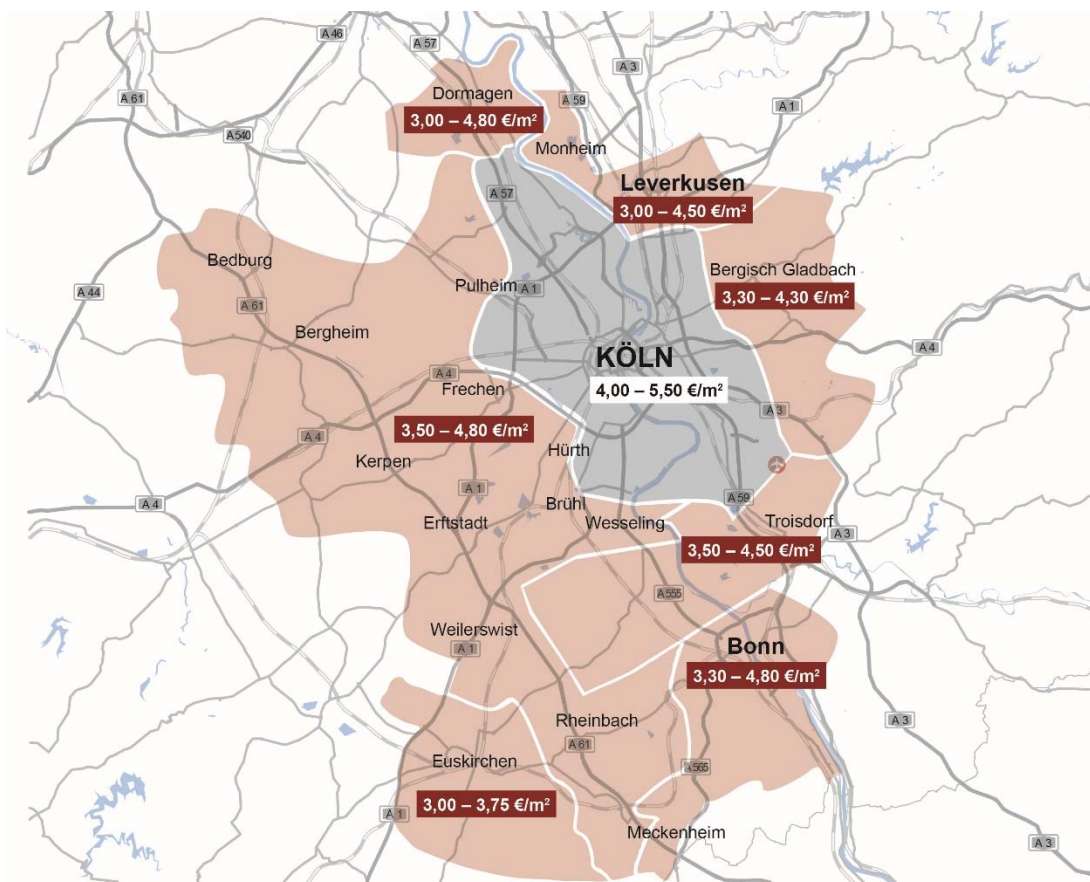
Investment Market Cologne

March 2019

Rents for storage and distribution space in Cologne in 2018

New properties	2017	development	2018	trend
Warehouse space in industrial estates	4.85 – 5.00 €/m ²	▲	4.85 – 5.50 €/m ²	▶
Adjacent office space	8.00 – 8.50 €/m ²	▲	8.50 – 9.50 €/m ²	▶
Existing properties				
Warehouse space in industrial estates	4.30 – 4.50 €/m ²	▲	4.40 – 4.60 €/m ²	▲
Warehouse space in other locations	3.80 – 4.00 €/m ²	▲	3.80 – 4.20 €/m ²	▲
Adjacent office space	7.00 – 8.00 €/m ²	▶	7.00 – 8.00 €/m ²	▶

Source: Greif & Contzen Research, Cologne March 2019



Rent price structure in the logistics region of Cologne © Greif & Contzen 2019

For more in-depth analyses, please see our report “Industrial Property Market - Industrial | Storage | Logistics - Cologne 2018”.

Investment Market Cologne

March 2019

4. Hotels

A relatively large number of hotel properties were sold in Cologne in 2018, including facilities with several hundred rooms. A total of more than 1,000 hotel rooms changed hands. The highest purchasing price of around 120 million euros was achieved with the centrally located Maritim Hotel on Heumarkt. It was built in the 1980s and features 454 rooms and large event areas. The new owner is going to draw up a modernisation concept. The selling company took over the Dorint Hotel with 313 rooms near the trade fair for one of its specialist funds.

In the Eigelstein neighbourhood near Central Station, another capital investment company purchased the design hotel “Urban Loft” that is currently under construction on the former site of the Gaffel brewery. This construction project contributes to the appreciation tendency that is currently gaining foothold in this neighbourhood.

Sales in 2018 (selection)

Hotel (location)	Stars	Rooms	District
Maritim (Heumarkt 20)	****	454	Altstadt Nord
Dorint Hotel (Deutz-Mülheimer-Str. 22-24)	****	313	Deutz
Urban Loft (under construction, Eigelstein 41)	***	212	Altstadt Nord
Hotel Im Wasserturm (Kaygasse 2)	****	88	Altstadt Süd

Source: Greif & Contzen Research, Cologne March 2019

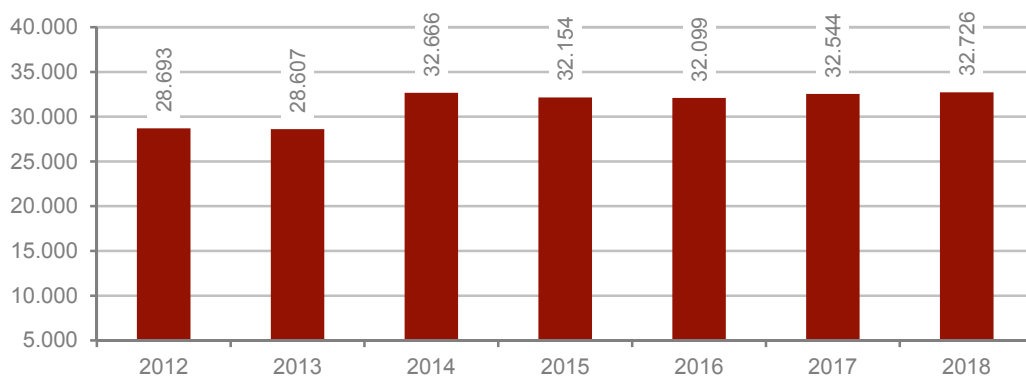
Cologne's hotel market benefits considerably from the city's touristic appeal, the wide range of events, and trade fair participants. Around 6.28 million overnight stays were registered in 2018 – almost 40,000 more than in 2017. According to the analyses prepared by TagungsBarometer Köln, around 53,000 conferences and events were held in the city's event venues in 2018, attracting 4.3 million visitors. The trade fair venue Koelnmesse is also very important for the hotel market. A total of 47 trade fairs were held here in 2018, and construction measures for an expansion of the premises are currently underway. Koelnmesse welcomed just under 1.6 million visitors in 2017.



Investment Market Cologne

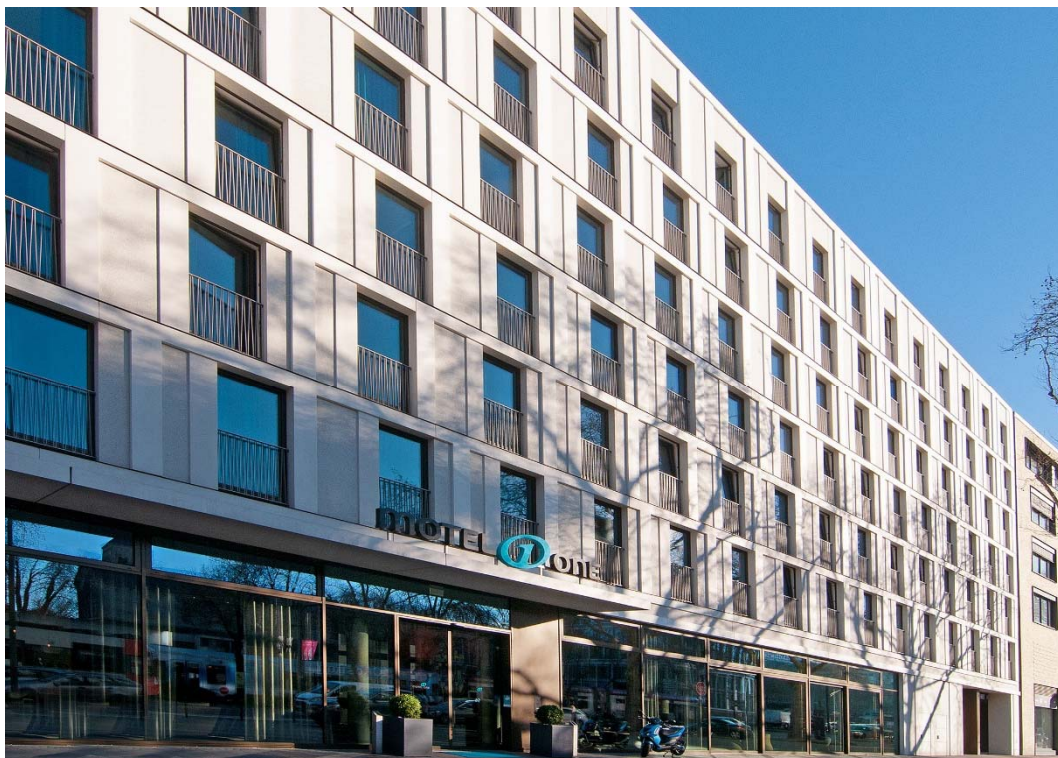
March 2019

**Beds available in Cologne
2012 to 2018**



Source: Landesamt für Statistik NRW and KölnTourismus GmbH

The average daily rate (ADR) for a room was about 110 euros in 2018, the revenue per available room (RevPar) stood at about 81 euros per day.



Completed: MOTEL ONE COLOGNE-NEUMARKT © Greif & Contzen 2019

Investment Market Cologne

March 2019

In addition to purchases of finished investment products, capital is also invested into new construction and refurbishment projects in Cologne's hotel market. A new Motel One hotel opened on Cäcilienstrasse in 2018, as well as the 25hours hotel The Circle as part of Gerling Quartier. Further hotel construction projects were announced, for example at the airport or in Hybrid Park in the district of Braunsfeld. While many of the current or recently completed construction projects are located in the city centre, the latest projects often regard locations beyond the inner city.

Renovation and refurbishment measures were carried out on the Lindner Hotel on Magnusstrasse, the Park Inn by Radisson on Innere Kanalstrasse, and the Radisson Blu in Deutz in 2018. The trend to upgrade existing facilities is thus continued, following modernisation measures carried out for example in the Hyatt Regency, Steigenberger, and Excelsior Hotel Ernst in recent years.

Current hotel developments

Hotel (location)	Opening	Rooms
2 hotel projects in Laurenz Carré (Unter Goldschmied, city centre)	2021*	unknown
Moxy Hotel (3*, airport, Wahn)	2021*	250
Reconstruction Dom Hotel (5*+, Domkloster 2a, city centre)	2021*	120
Niu-Hotel (4*, Lina-Bommer-Weg 4, Gremberghoven)	2021*	120
H'Otello "R'14" (4*, Richarzstrasse 14-16)	2021*	approx. 70
Legend Hotel (Alter Markt, Altstadt Nord)	2021*	20
Motel One MesseCity (3*, Barmer Strasse, Deutz)	2020*	300
Adina Apartment Hotel MesseCity (Barmer Strasse, Deutz)	2020*	170
Urban Loft (3*, Eigelstein 41, city centre)	2020*	212
Ruby Hotel (4*, Hohenzollernring 79 - 87)	2020*	186
Hotel im Hybrid Park (Mercedes-Allee, Braunsfeld)	2020*	123
V8 Hotel / Motorworld Köln (4*, Butzweilerstrasse 35-39, Ossendorf)	2019*	110

*scheduled

Source: Greif & Contzen Research, Cologne March 2019



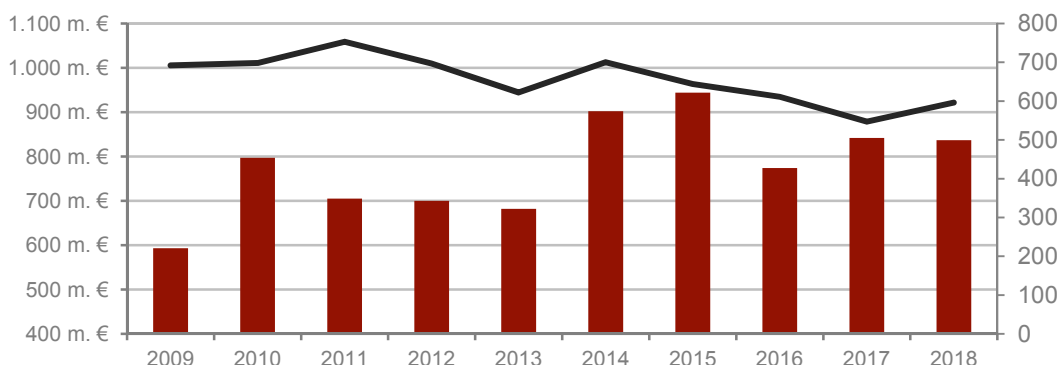
Investment Market Cologne

March 2019

5. Apartment buildings

More apartment buildings than in the year before were sold in 2018, after the number of transactions had declined for three consecutive years. The transaction volume remained on a similar level as the year before. It must therefore be the case that the properties traded in 2018 feature a lower rental income. In addition to numerous individual sales, larger portfolios that each comprised several dozen residential units in Cologne, were bought by housing associations and funds.

Transaction volume and number of transactions apartment buildings development 2009 to 2018



Source: Committee of experts of the City of Cologne 2019

A current study conducted by the Society of Property Researchers, Germany (gif) has once more confirmed Cologne's position as a top investment market for residential real estate. The housing market is considered to be of nationwide and even international interest, and to feature a low investment risk, paired with high demand from various groups of investors. The housing shortage that has been characterising Cologne for several years continues. The number of units for which planning permission is granted and that are completed, is far below the demand of 6,000 residential units per year that was identified by the city administration. Large residential complexes are currently under construction in districts including Bickendorf, Chorweiler, Ehrenfeld, and Ossendorf. These locations feature at least basic infrastructural facilities and traffic links. However, the demand for housing is much higher. There are plans for realising new large-scale residential areas, and in a few cases even entire new urban neighbourhoods in Cologne. Nevertheless, it will take years in many cases, before these can be occupied. The large urban development areas on the edges of Zündorf and Rondorf, require sufficient traffic infrastructure, first of all.

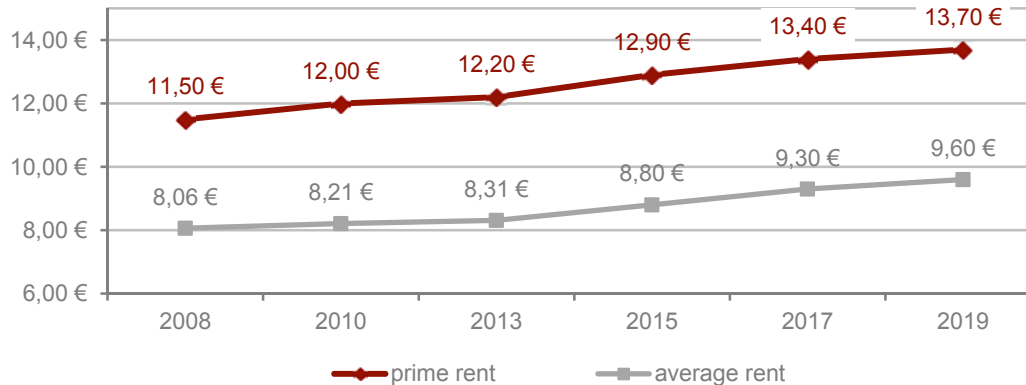
Investment Market Cologne

March 2019

Rents and purchasing prices

As a result of the low availability of housing paired with growing demand, residential rents have increased significantly over the past few years. The average rent is currently EUR 9.60 per square metre, according to the rent index for the city of Cologne and the prime rent rose to EUR 13.70. Significantly higher rents can be realised with particularly high-quality apartments in very popular locations. A (top) rent of EUR 24 per square metre was, for example, agreed upon for a unit in a premium property on the bank of the Rhine in 2018. Rent levels are expected to increase further over the coming years, due to the insufficient number of new units that are completed.

Rents for apartments according to Cologne's rent index development 2006 to 2019



Source: Rheinische Immobilienbörse e.V. i.a.: Kölner Mietspiegel 2006-2019

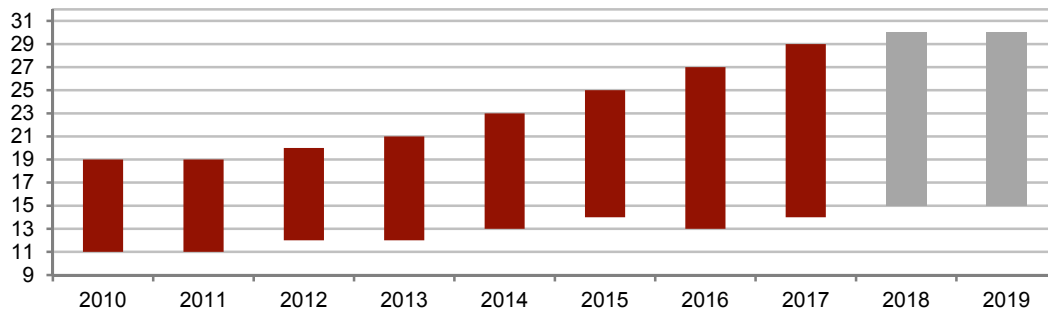
In good and very good residential areas, purchasing price factors for apartment buildings ranged mostly between 22 and 30-fold the annual net rent. This price level is likely to be maintained in 2019.



Investment Market Cologne

March 2019

Focus price factors for apartment buildings
(multipliers of a property's annual rent)
development and forecast 2010 to 2019



Source: Committee of experts of the City of Cologne 2018, forecast: Greif & Contzen Research 2019



Residential complex in Cologne-Sülz © Greif & Contzen 2019



Investment Market Cologne

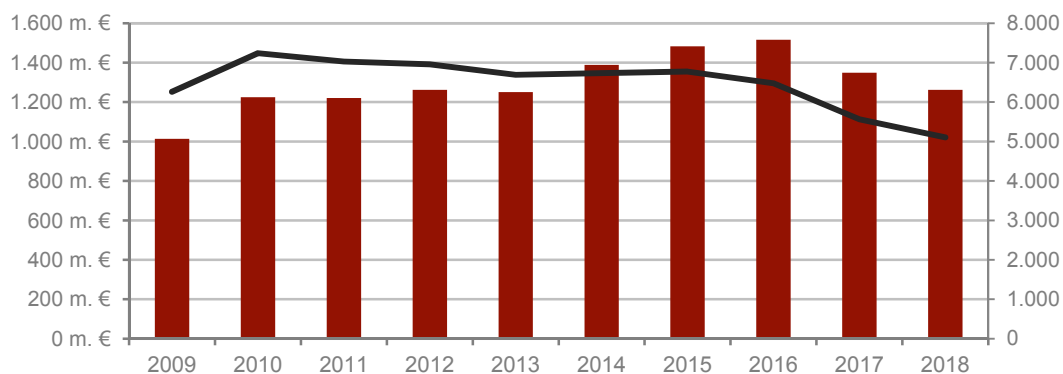
March 2019

6. Condominiums

The volume of transactions concerning condominiums and part-ownership decreased for the second time in a row in 2018. The total turnover declined by six percent to 1.26 billion euros. The number of transactions decreased by around eight percent.

Purchasing prices for condominiums have increased steadily over the past few years. The average price for apartments built between 2000 and 2009 was around EUR 3,800 per square metre in 2017. An average of around EUR 4,500 per square metre was paid for new units built from 2010 onwards. According to preliminary analyses, purchasing prices have increased further in 2018, albeit not at the same rate as in previous years. This development is likely to continue. Prices per square metre that are far higher than the average figures are achieved for particularly high-quality properties, nevertheless. In individual premium properties, square metre prices go up to the five-figure range.

**Transaction volume condominiums, part-ownership,
and number of transactions, development 2009 to 2018**



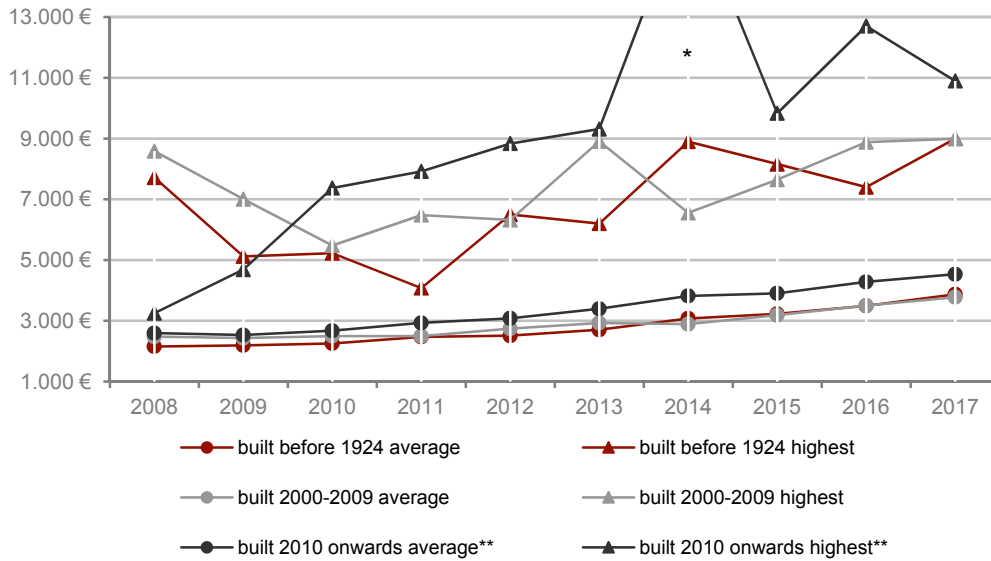
Source: Committee of experts of the City of Cologne 2019

Particularly sought-after locations that feature good value retention for condominiums can be found in the districts Rodenkirchen and Lindenthal, in the south and west of Cologne. Selected neighbourhoods in the southern city centre (“Südstadt”), Ehrenfeld, and Nippes are also in high demand among a more urban-oriented clientele. Areas such as Mülheim and Dellbrück on the right bank of the Rhine are steadily gaining popularity.

Investment Market Cologne

March 2019

Development of prices for condominiums in €/m² 2008 to 2017



* In 2014 the figure for “new building from 2010 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 2018



Condominiums in Kranhaus Nord © Greif & Contzen 2019

Investment Market Cologne

March 2019

Selection of current residential projects

Project (location)	Completion	Residential units (approx.)
Waldviertel (Rodenkirchen)	2021	270 condominiums
Kwartier Werk (Ehrenfeld)	2021	117 condominiums
5 Freunde (Ehrenfeld)	2021	85 condominiums
Clarenbachplatz (Ehrenfeld, border to Braunsfeld)	2021	67 condominiums
Wohnen am Alpenerplatz (Ehrenfeld)	2020	45 condominiums
Miner's (Neustadt Nord)	2020	43 condominiums
Niehler Hermesgasse (Niehl)	2020	36 condominiums
Living Point Lövenich (Lövenich)	2020	35 condominiums
Nikolausstrasse 99 (Sülz)	2020	31 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
Halle 17 (Clouth site, Nippes)	2018	47 condominiums
Venloer Strasse 1055 (Vogelsang)	2018	36 condominiums
Neue Paulihöfe (Braunsfeld)	2017 / 2018	127 condominiums

Source: Greif & Contzen Research, Cologne March 2019

The realisation of new large-scale construction projects with more than 200 condominiums each is drawing nearer in the form of the development areas on the old freight depot in Cologne-Ehrenfeld ("Ehrenveedel") and the so-called "Waldviertel" in Rodenkirchen. The new buildings are scheduled for completion in 2021. Developments on this scale have been a rare occurrence in Cologne's housing market in recent years, owing to the scarcity of building land. The three biggest construction measures completed in 2017 and 2018 consisted of between 120 and 137 apartments each. Many projects comprise between 30 and 50 or even fewer residential units.

Investment Market Cologne

March 2019

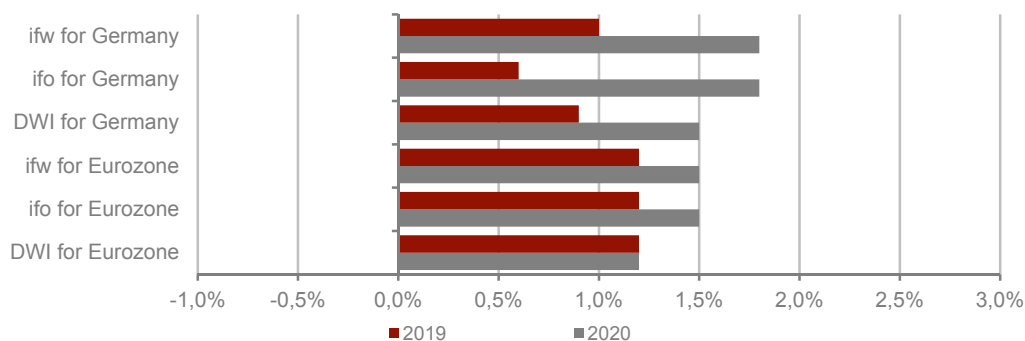
IV. Outlook

Real estate products are still popular among investors, and there continues to be a lack of alternative investment options. Contrary to previous announcements, the European Central Bank is not going to raise the base rate in 2019 after all. As long as interest levels and financing conditions remain as favourable as is currently the case, available properties will continue to be met by high demand and investors who are willing to pay high prices over the next few months.

Capital investors can expect strong take-up figures in the letting markets once again in 2019. The economy has weakened over the course of 2018. However, the gross domestic product still increased by 1.4 percent. International trade disputes and the announced Brexit are considered to pose significant economic risks. For the time being, economists still predict that the economy will grow by between 0.6 and 1.0 percent in 2019. The federal employment agency expects employment levels to remain high. In its latest survey among local companies, the Chamber of Industry and Commerce Cologne has found the overall mood to still be positive, despite a decreased indicator value. Rents are likely to rise in the residential and office space markets, owing to the supply shortage. The framework conditions are therefore still suitable for property investments.

A total transaction volume of around two billion euros could be achieved with commercial real estate once again, provided that there is a sufficient supply of products available. Great investment potential is afforded by the announced or commenced construction and conversion projects, as well as revitalisation measures of the office space and hotel markets. Purchasing prices are unlikely to decrease over the next few months. Competition among investors may even lead to slight further price increases for premium properties. In view of the rising rents, investments with high purchasing prices may also prove profitable.

Economic forecasts for Germany and the Eurozone GDP 2019 and 2020



Source: Forecast as of Dec. 2018, data compiled by Greif & Contzen Research, Cologne March 2019



GREIF & CONTZEN
I M M O B I L I E N • I V D

Investment Market Cologne

March 2019

If you have any questions about Cologne's property market, please contact:



Thorsten Neugebauer, MRICS

Head of Investment

GREIF & CONTZEN
Immobilienmakler GmbH
Tel: +49 221 93 77 93 - 123
Email: thorsten.neugebauer@greif-contzen.de



Frank Pönisch

Managing Director

GREIF & CONTZEN
Beratungsgesellschaft mbH
Tel: +49 221 93 77 93 - 265
Email: frank.poenisch@greif-contzen.de



Dr. Jan Schubert

Consultancy, Research

GREIF & CONTZEN
Beratungsgesellschaft mbH
Tel: +49 221 93 77 93 - 263
Email: jan.schubert@greif-contzen.de

Address: Pferdengesstrasse 42, 50968 Köln



Investment Market Cologne

March 2019

The information contained in this report is in part based on public sources, information provided by third parties and our own calculations. We have compiled this information with the greatest care and attention and are providing the information to the best of our knowledge. However, any liability for the completeness and correctness of any of the information, contents or citations contained shall be excluded. The information compiled and provided in this report shall not establish any kind of consulting relationship with the recipient.

© Greif & Contzen Beratungsgesellschaft mbH, 2019. All rights reserved. These documents are our intellectual property and subject to our copyright. They are intended solely for the recipient. Any form of reproduction, amendments or distribution to third parties, in whole or in part, shall require our prior explicit agreement in writing. Where we do not hold the copyright on grounds of third-party-copyright, we refer to the copyright of the third party.