

# Investment Market Cologne

03|2021



GREIF&CONTZEN

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**Introduction**

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## Dear readers,

2019 had been a record-breaking year for Cologne's investment market, while 2020 was unmistakably shaped by the pandemic. Some sales processes were delayed or postponed, and investors were cautious with regard to retail and hotel properties. The transaction volume decreased on the whole, despite the fact that investor demand remained strong for residential, office and logistics properties, as well as development sites. Even lower yields than before were obtained for a small number of top-quality products.

The pandemic will continue to have an impact on the investment market in 2021. However, we have reason to be optimistic that the infection situation will improve considerably and that the economy will start to recover. Many investors continue to be under serious pressure to invest, despite COVID-19. Properties in good locations with a reliable rental income will enjoy high demand.

In this report we are presenting the most important developments and key figures for the market areas of office, retail, logistics, hotel and residential properties. Following brief summaries of these asset classes, we are going to give you an overview of general data, investment volumes, large-scale transactions and the investors' reaction over the course of the pandemic to date. The main section of the report is dedicated to detailed accounts of the individual market segments. To round off the report, we will give you an outlook for 2021.

Please do not hesitate to get in touch with us, if you have any specific questions regarding Cologne's real estate market.



**»Investor demand for properties with reliable rental income will remain high in 2021. Postponed transactions from 2020 will be taken up again.«**

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**Thorsten Neugebauer**

Head of Investment

Greif &amp; Contzen Immobilienmakler GmbH

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# Overview

## Investment market summary

A total investment volume of around EUR 5.3 billion was generated across all segments of Cologne's investment market in 2020. This corresponds to a decrease by EUR 1.2 billion compared to the record-breaking result achieved in 2019. Hotels and retail buildings experienced drops in turnover or even the threat of closures owing to the pandemic, and investor demand decreased noticeably as a result. Office properties were the best-selling commercial property asset class once again, despite the fact that a number of large-scale transactions were postponed.

### Office properties

The transaction volume realised with office and commercial buildings dropped by around 50 percent to around a billion euros in 2020. Well-let properties were highly sought after among investors, nevertheless, also beyond the city centre. The prime yield stood at 3.0 percent. Take-up of rental space decreased by about 21 percent due to the pandemic, to around 230,000 square metres, and vacant office space increased moderately to 2.9 percent.

### Retail properties

The investment volume realised with retail properties rose from around EUR 150 million to EUR 180 million, thanks mostly to the sale of a large Metro store. Investors were rather hesitant with regard to retail buildings in the prime shopping locations, especially since a number of textile chains experienced financial difficulties. The prime yield for retail buildings increased for the first time in many years to currently 3.0 percent. The crisis experienced by inner-city retailing was accelerated and intensified by the coronavirus

crisis. This gave rise to a decline of the rental level. New tenants could be found nevertheless, in particular on Schildergasse, where a number of shops were vacated even in the first quarter.

### Industrial and logistics properties

The transaction volume realised with industrial and logistics properties within Cologne's city limits increased to around EUR 310 million in 2020. This corresponds to a year-on-year rise of about 56 percent. Various smaller and medium-sized and a few very big properties were sold. A number of large-scale transactions took place in the greater logistics region of Cologne | Bonn. Busy sales activities could be observed in Kerpen, Frechen and Euskirchen in particular. The prime yield decreased further to now 3.6 percent.

### Hotels

The hotel market that had been booming in recent years, was hit by dramatic losses and some hotels even had to close owing to the pandemic-related restrictions. The few properties that were sold after all, totalled at an investment volume of around EUR 70 million. A total volume of EUR 300 million had been realised in 2019. Among the few hotel properties sold, was the Ruby Hotel on Hohenzollernring 79-87. The average annual occupancy rate plummeted to around 30 percent. Around 1,050 rooms are scheduled for completion in construction projects in 2021. Once the tourism and business travel situation is back to normal, revenue perspectives for hotels should also improve and investor interest is likely to gradually increase once again.

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**approx. EUR 5.3 billion**  
transaction volume 2020 (all  
real estate segments)

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**Apartment buildings**

The investment volume generated with apartment buildings decreased by about 20 percent in 2020, to around EUR 920 million. Investor interest in this asset class remains very strong, nevertheless, since rental income has been more stable here than in the other real estate segments. No major rent losses involving private individuals occurred due to the pandemic. In addition to individual properties being sold to private investors, there were also a number of portfolio transactions among institutional investors. Purchasing price factors increased further. A core range of between 20 and 34-fold the annual net rent is expected for 2021.

**Condominiums**

The transaction volume generated with condominiums increased further in 2020. With a total of around EUR 1.6 billion, the record level reached in 2016 was slightly exceeded. The number of transactions remained largely unchanged, which means that this increase can be attributed to higher purchasing prices. The COVID-19 pandemic did not change anything about the fact that there is still a demand surplus for condominiums in Cologne. Construction and sales activities are currently particularly busy in the district of Ehrenfeld.

**Outlook**

2021 will also be characterised by the pandemic. While it is likely that greater amounts of vaccine will become available, the further development of infection figures remains uncertain for now. Many companies continue having to navigate in challenging economic waters. Optimistic economic forecasts suggest a noticeable recovery over the next few months, provided that restrictions are eased and supply chains are not interrupted. Investors are under strong pressure to invest and plenty of capital will be available in

particular for residential, office and logistics properties with reliable rental income. Postponed sales from the year before are likely to boost investment turnover in 2021. A total transaction volume of around EUR 2.3 billion could be realised with commercial real estate this year.

**around EUR 2.3 billion**  
expected transaction volume  
of commercial properties in  
2021



One of the biggest office ensembles sold in 2020: Schanzenstrasse 22, 24, 28

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# General data about Cologne

## General socio-economic data

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

**around 580,000**  
employees contributing to  
social insurance in June 2020

Population (as of 31/12/2019)	1,092,000 inhabitants
Population forecast for 2030	1,120,400 inhabitants
Average unemployment rate 2020	9.2 %
Purchasing power in 2020 (MB Research)	106
Centrality index in 2020 (MB Research)	116



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# Real estate market Cologne

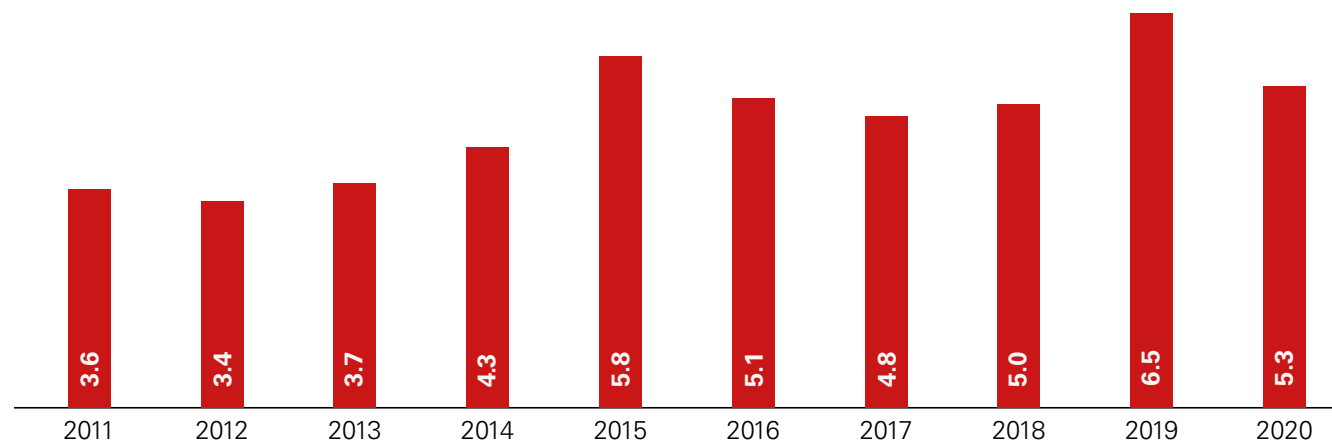
## Significantly lower transaction volume

Across all segments, real estate for a total of around EUR 5.3 billion was sold in Cologne in 2020. This corresponds to a year-on-year decrease of about 18 percent. Around the start of the second quarter, the COVID-19 pandemic became noticeable and it interfered with various sales processes. Over the summer months, the investment market started to recover considerably, but some sales were postponed further, nevertheless.

The total turnover generated with commercial real estate decreased from 2019's record level of EUR 3.1 billion to EUR 1.7 billion. In particular the transaction volume realised with office buildings decreased considerably. Only few hotels changed hands, owing to the pandemic-related drop in the number of overnight stays and to businesses closing.

**– approx. EUR 1.2 billion**  
decrease of the transaction  
volume compared to 2019  
(all segments)

### Transaction volume development 2011 – 2020 | in billion €



Source: The Expert Committee for Property Values in the City of Cologne

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Completed and sold in 2020: the office building HangarOne in Cologne-Ossendorf

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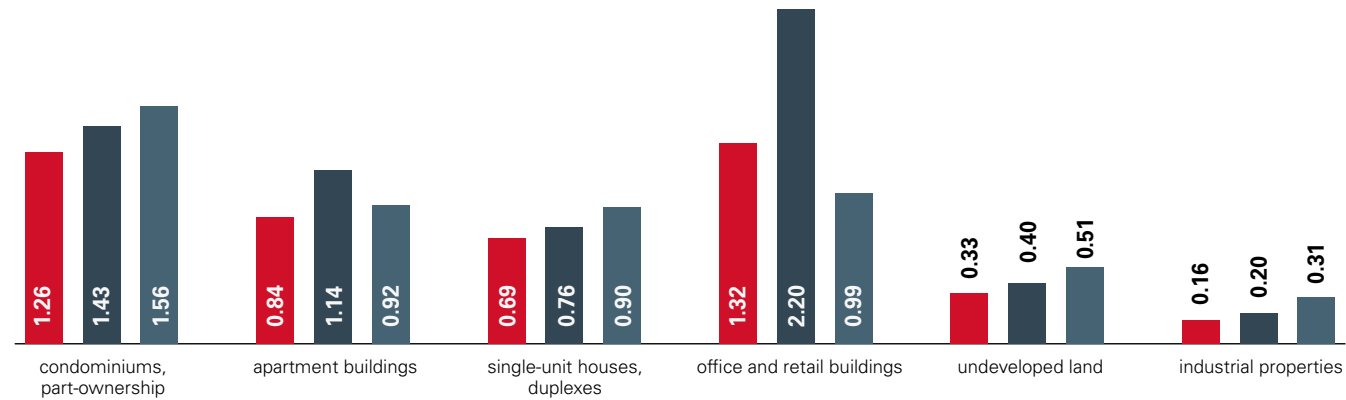
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**Real estate market****Transaction volume****Yields**

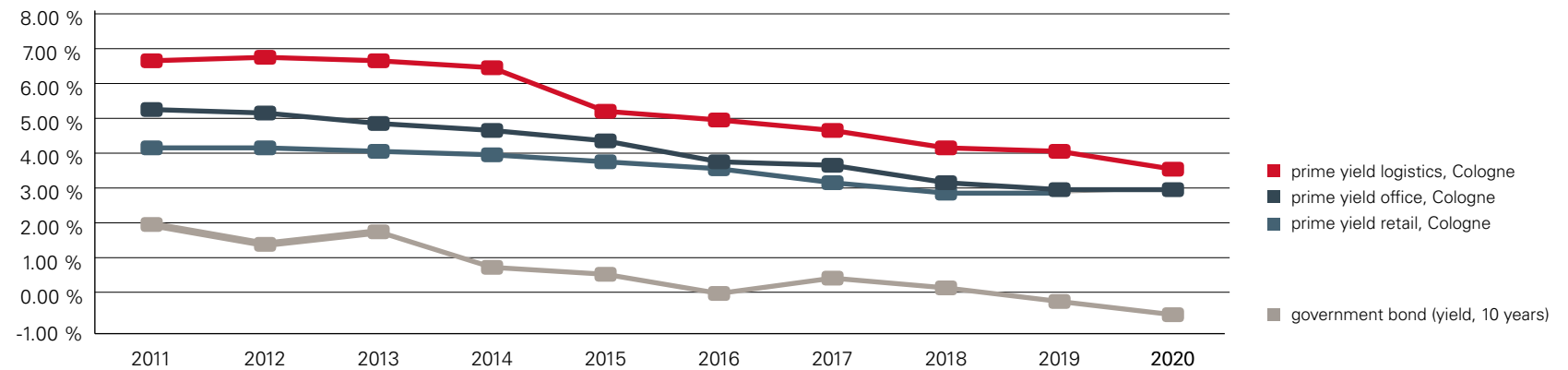
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**Transaction volume according to property types 2018, 2019, 2020 | in billion €**

Source: The Expert Committee for Property Values in the City of Cologne (modified regarding 2018)

**Yields in the fourth quarter of 2011 – 2020 | in %**

Source: Greif &amp; Contzen Research, Cologne March 2021

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## Office buildings continued to be in high demand

While there has been a decline in office property investments compared to the year before, this asset class still accounted for the biggest transactions. A large-scale office ensemble on Schanzenstrasse was sold, as well as a number of developments, new buildings and portfolios.

The investment volume generated with development sites increased further in 2020. Several large sites were sold. Some of these were well over 10,000 square metres big, and a few sites even had more than 40,000 square metres.

### EUR 1.7 billion

investment transaction volume realised with commercial properties in 2020

### Selection of major transactions in 2020

Property (location)	Type	Purchasing price in million €
Schanzenstrasse 22, 24, 28 (Mülheim)	office space	estimated > 90
Neumarkt 35-37, Siegburger Strasse 229c (Altstadt Süd, Deutz)	office space (portfolio)	estimated > 90
Ehrenwert (Ehrenfeld)	office space	estimated > 75
Domgärten (Bayenthal)	development site	approx. 70
Metro store (Godorf)	large specialist retail store	estimated > 65
Haus am Rudolfplatz (Neustadt Nord)	office space	estimated > 60
KölnCubus (Kalk)	office space	estimated > 55
Edmund-Rumpler-Strasse 6, Stolberger Strasse 307-311, Widdersdorfer Strasse 401 (Gremberghoven, Braunsfeld, Müngersdorf)	office space (portfolio)	estimated > 55
Firmwerk site (Braunsfeld)	mostly office space (portfolio)	estimated > 50
Hohenzollernring 79-87 (Neustadt-Nord)	mostly hotel space	estimated > 50
Cologneo 2 (Mülheim)	development site	estimated > 45
HangarOne (Ossendorf)	office space	approx. 38

Source: Greif & Contzen Research, Cologne March 2021

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The COVID-19 pandemic had very noticeable effects on Cologne's investment market and investors had to be flexible.

**The first lockdown in March 2020** hit many institutional investors at a point at which they normally determine the course for the transaction activities of the business year ahead. Some key questions had to be answered: How are the letting markets going to develop? What about the tenants' financial situation? Will there be any price reductions?

**Decisions regarding sales were postponed repeatedly**, as forecasts concerning further developments were uncertain and it was found that a later market phase might be a better time for a sale.

**The investment market began to recover from the summer months**, and the following trends could be observed:

- Pressure to invest remained strong
- There was noticeably less demand for hotel and retail buildings
- Office and logistics properties gained popularity and some price increases occurred in very good locations
- Value-add products and real estate in secondary locations were examined more critically

**Owing to the second lockdown starting in November 2020**, decisions to sell properties were postponed once again and sales processes were delayed, as time frames for due diligence proceedings and funding decisions were extended. However, sales processes were not abandoned entirely in most cases.



Bought by Polis AG in 2020: the office and retail building Ebertplatz 1

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# Office properties

## Investor demand remains strong

Office and commercial buildings for around a billion euros were sold in 2020, according to information issued by the committee of experts of the City of Cologne. This corresponds to a decrease of about 50 percent compared to the very strong year of 2019. While investor demand was high, especially for core products with reliable rental income, there were delays to sales processes regarding some large office buildings, and these transactions will be concluded in 2021 as a result.

Sales prices of over EUR 100 million were realised in a number of cases in 2019. The sale of an office ensemble with around 34,000 square metres of rental space on Schanzenstrasse in Cologne-Mülheim came, at least, close to this price range. The Cologne-based investors Jamestown that had focussed on real estate in the US in the past, bought the ensemble together with two other institutional investors from Germany. The neighbourhood is well-known for being

popular among the creative industries and it is currently being expanded through a number of development projects.

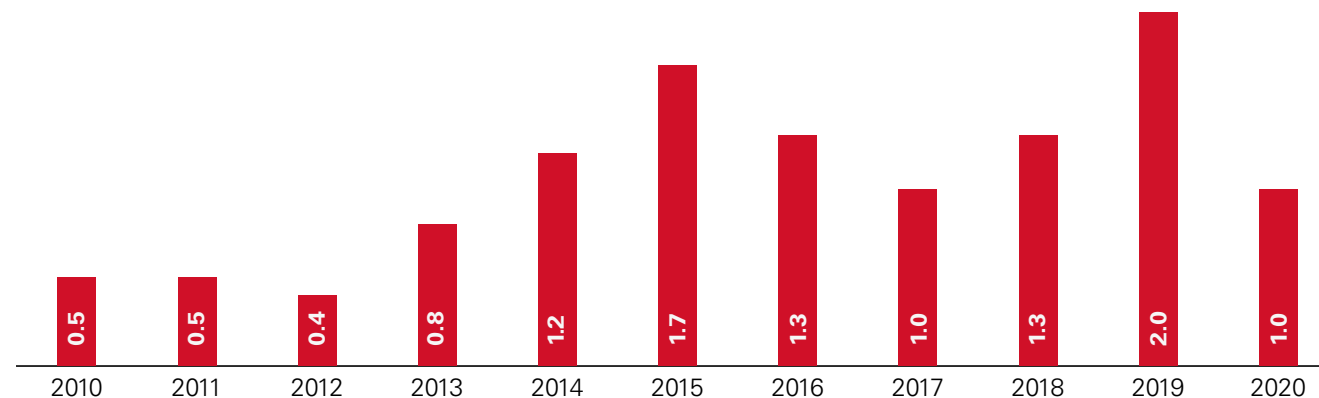
A price of over EUR 90 million was also realised in a portfolio transaction regarding two office buildings on Neumarkt 35-37 in the city centre and on Siegburger Strasse 299c in Cologne-Deutz. Tristan Capital bought the properties from a specialist fund by AEW for the Curzon Capital Partners 5 fund. Arminius Group bought the new construction project Ehrenwert in Cologne-Ehrenfeld. Upon completion, a 10,000 square metre office unit in the building will be occupied by the Central Customs Office Cologne. The property developers Convalor and Stefan Frey AG obtained a selling price of over EUR 75 million.

After a short holding period of less than two years, CONREN Land sold Köln Cubus in the district of Kalk to AEW Ciloger. It is estimated that the property was sold for more than EUR 55 million.

**over EUR 90 million**

highest purchasing price in 2020

## Transaction volume office and commercial buildings 2010 – 2020 | in billion €



Source: The Expert Committee for Property Values in the City of Cologne

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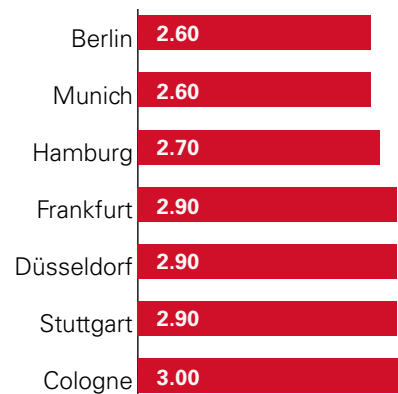
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## Yields on office buildings

Assessment standards for office properties remained stable in 2020, despite the COVID-19 pandemic. The prime yield stagnated at 3.0 percent. Nevertheless, the financial situation of tenants and cash-flow maturities were reviewed more carefully in consideration of the general economic downturn. Compared to hotels, retail buildings and shopping centres, tenants of office buildings were often affected less dramatically by the pandemic. This is a structural advantage of the office segment that will continue to apply in 2021. A further decrease of the prime yield in Cologne is conceivable, in view of the demand surplus in the investment market and the even lower yield levels in other top locations. However, this will also depend on the development of the letting market and of rent prices.

### Prime yields on office properties in Germany's top cities in 2020 | in %



Source: gif e.V.; Greif & Contzen Research; various market reports, March 2021



Siegburger Strasse 229c in Cologne-Deutz

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## Overall take-up figures were supported by major transactions

Compared to the year before, take-up of office space decreased by around 21 percent to a total of 230,000 square metres in 2020. However, some of the other top 7 office space markets experienced even more pronounced drops.

A number of major transactions contributed significantly to Cologne's overall result. At the top of the list is a 19,700 square metres big unit taken up by KPMG Deutschland in the eastern part of the large-scale development MesseCity. The health insurance provider AOK took up around 18,000 square metres in the construction project QUADRA in

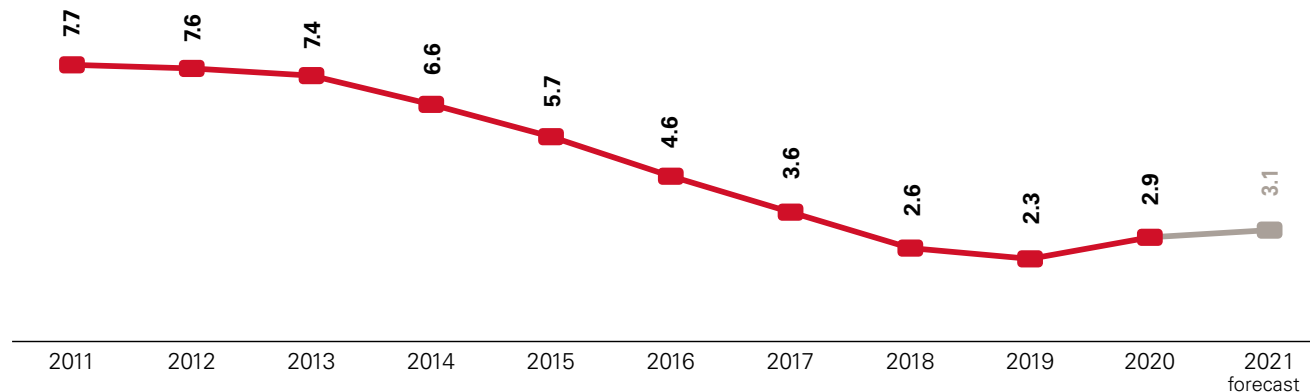
Cologne-Gremberghoven. Public facilities were the biggest user group, accounting for around 30 percent of all space taken up. Next up were consultancy companies with about 14 percent of take-up.

After having decreased steadily for years, vacancies increased to a moderate extent in 2020, to about 230,000 square metres. However, the vacancy rate still remained low at currently 2.9 percent. A further slight increase is expected in 2021.

**230,000 m<sup>2</sup>**

office space taken up in 2020

### Vacancy rate 2011 – 2020 and forecast 2021 | in %



Source: Greif &amp; Contzen Research, Cologne March 2021

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## Below-average construction activity

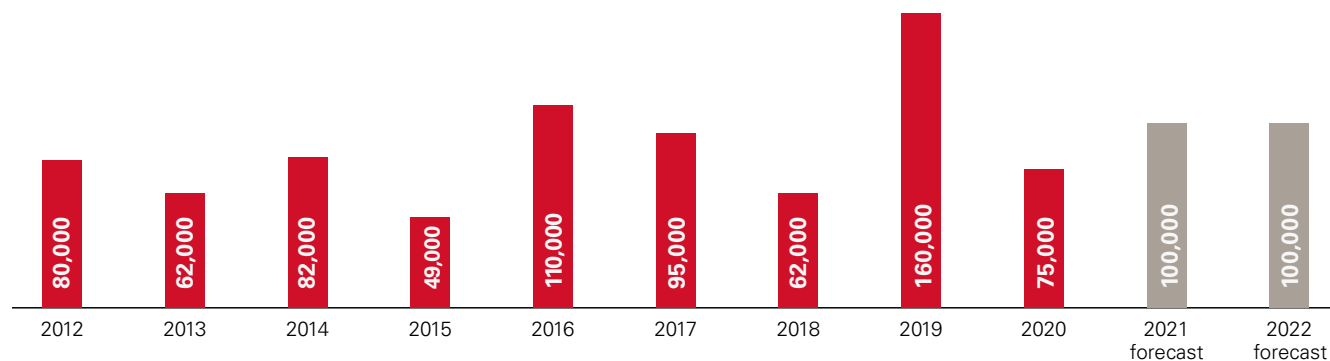
With around 75,000 square metres completed in 2020, the level of completions recorded in the past few years could not be matched.

The biggest construction projects completed were the office building HangarOne in the submarket of Ossendorf with around 8,500 square metres and 8,000 square metres big Kaltenbornweg 8 in the submarket of Deutz. The property developers Nessler Projektidee sold the building HangarOne to a specialist fund of DIC Asset AG last year.

A stronger year-end result is to be expected in 2021. The office buildings Haus am Platz and Patiohaus are about to be completed on the development site I/D Cologne in the submarket of Mülheim, while COCO is nearing completion in Ossendorf. On behalf of a German insurance group, Development Partners have already sold Haus am Rudolfplatz to AEW. The building is scheduled for completion in 2021.

**100,000 m<sup>2</sup>**  
office space due  
to be completed in 2021

### Completions, development 2012 – 2020 and forecast 2021 – 2022 | in m<sup>2</sup>



Source: Greif & Contzen Research, Cologne March 2021

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**Significant construction activity 2021 (properties under construction)**

Property (office submarket)	Rental space in m²	Completion
I/D Cologne 1st construction phase (Mülheim)	approx. 31,000	2021
Kite (Ossendorf)	approx. 23,000	2022
QUADRA (Gremberghoven)	approx. 18,000	2022
I/D Cologne 2nd construction phase (Mülheim)	approx. 16,000	2022
WALLARKADEN (Kölner Ringe, Rudolfplatz)	approx. 12,000	2021
Rheinzeit (Innenstadt Nord)	approx. 11,000	2021
Ehrenwert (Ehrenfeld)	approx. 10,000	2021
COCO (Ossendorf)	approx. 8,600	2021
Haus am Rudolfplatz (Kölner Ringe, Rudolfplatz)	approx. 6,300	2021

Source: Greif &amp; Contzen Research, Cologne March 2021

**Please refer to our Office Space Market Report 02|2021 for further information and analyses.**

→ [www.greif-contzen.de/en/press/market-reports.html](http://www.greif-contzen.de/en/press/market-reports.html)

**Stable level of rents**

The rising trend observed over the past few years, came to a standstill over the course of the coronavirus pandemic in 2020. Some users expected rents to decrease, but the price level remained stable. Lower rents and other incentives were only agreed upon in a few cases. This was due in part to the still very low vacancy rate and the moderate volume of new buildings with high pre-letting ratios. The prime rent remained stable at EUR 26.00 per square metre, while the

unweighted average rent stagnated at EUR 14.00 per square metre. The highest rent realised was around EUR 28.50 per square metre.

The prime rent is likely to remain stable in 2021. However, a slight decrease of average rents may occur, owing to the economic situation that continues to be challenging for many companies.

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# Overview of submarkets

Cologne's office locations – available space, vacant space, annual take-up and benchmark rent

Location	Available space* in m²	Vacant space in m²	Annual take-up** in m²	Benchmark rent*** in €/m²
<b>City Centre</b>				
Bankenviertel	4,000	4,000	8,000	13 – 20
MediaPark	3,000	3,000	5,000	14 – 20
Rheinauhafen	5,000	4,000	11,000	18 – 21
Kölner Ringe	31,000	7,000	18,000	13 – 22
Deutz	73,000	5,000	37,000	11 – 20
Innenstadt Nord	40,000	16,000	32,000	12 – 20
Innenstadt Süd	54,000	9,000	6,000	11 – 19
Rheinufer Nord	1,000	1,000	2,000	15 – 20
Rheinufer Süd	5,000	4,000	6,000	12 – 17
<b>Subtotal</b>	<b>216,000</b>	<b>53,000</b>	<b>125,000</b>	

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

\*\* Specified as average value of the past five years.

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

Source: Greif & Contzen Research, Cologne March 2021



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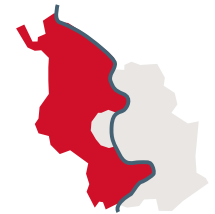
Location	Available space <sup>1</sup> * in m <sup>2</sup>	Vacant space in m <sup>2</sup>	Annual take-up <sup>**</sup> in m <sup>2</sup>	Benchmark rent <sup>***</sup> in €/m <sup>2</sup>
<b>Districts on the left bank of the Rhine</b>				
Innere Kanalstrasse	12,000	7,000	4,000	12 – 16
Ehrenfeld	34,500	34,000	19,000	9 – 15
Braunsfeld	83,000	7,000	16,000	10 – 15
Ossendorf	101,000	16,000	23,000	9 – 14
Köln Nord	35,000	21,000	12,000	7 – 13
Köln West	32,000	9,500	21,000	8 – 15
Köln Süd	46,000	24,000	19,000	9 – 16
<b>Subtotal</b>	<b>343,500</b>	<b>118,500</b>	<b>114,000</b>	
<b>Districts on the right bank of the Rhine</b>				
Gremberghoven	50,000	10,000	17,000	8 – 14
Mülheim	63,000	3,000	23,000	9 – 16
Kalk	500	500	11,000	8 – 15
Köln Ost	80,000	45,000	21,000	8 – 13
<b>Subtotal</b>	<b>193,500</b>	<b>58,500</b>	<b>72,000</b>	
<b>Total</b>	<b>753,000</b>	<b>230,000</b>	<b>311,000</b>	

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

\*\* Specified as average value of the past five years.

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

Source: Greif & Contzen Research, Cologne March 2021



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# Retail properties

## Reduced demand for retail buildings

Retail properties for a total of around EUR 180 million were sold in 2020. This corresponds to a year-on-year increase of about 20 percent. A major contribution to this result was made by the sale of the large-scale Metro store in Cologne-Godorf which was part of a portfolio that the investor P3 bought from Aroundtown for the Singaporean government fund GIC.

A number of retail buildings were also sold, however, this segment was hit very hard by the COVID-19 pandemic, as was the case for shopping centres. The crisis of inner-city brick-and-mortar retailing that had been smouldering for a while, was intensified significantly with shops closing and revenue lost to online retailers in the context of the pandemic-related restrictions. Fashion retailers in particular experienced financial difficulties. Large chains such as Esprit, Gerry Weber or the hairdressing chain Klier and meanwhile even Douglas had to close stores or even file for insolvency. Owing to the fact that online retailers attracted many new consumers over the course of the coronavirus crisis, it is to be expected that the brick-and-mortar retailing industry will not regain its lost market shares in full, after the end of the pandemic either.

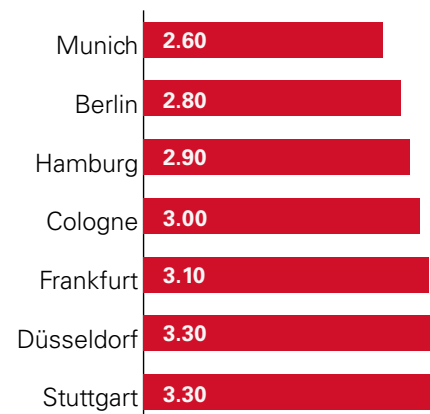
Supermarkets on the other hand, were more likely to record higher revenue and were extremely popular among investors. One example of this is La Francaise buying a refurbished retail building with around 2,800 square metres of retail space in Cologne-Ehrenfeld, which is let to a supermarket and a drugstore.

The prime yield for retail buildings increased for the first time in many years to currently 3.0 percent. At currently 4.9 percent, shopping centres now have a higher prime yield than retail parks (4.1 percent). The prime yield for individual specialist retail stores decreased from 5.1 to 4.8 percent in the past year.

**3.00 %**

prime yield on retail buildings Q4 2020

### Prime yields on retail properties in prime locations in Germany's top cities in 2020 | in %



Source: gif e.V.; Greif & Contzen Research; various market reports, March 2021

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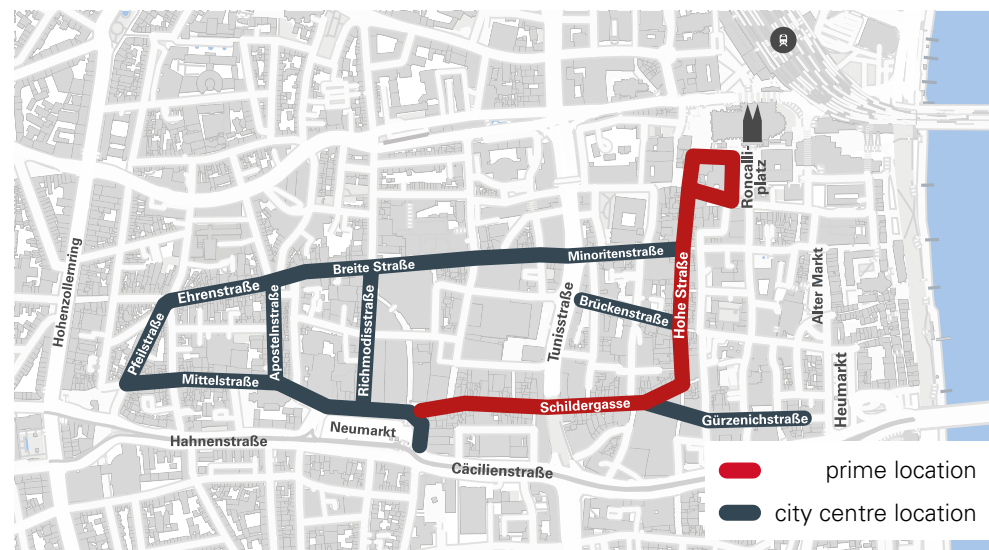
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## Letting market

The ongoing transformation of the tenant line-up in Cologne's prime shopping locations reached Schildergasse in 2020, after the greatest share of retail space had been taken up on Hohe Strasse in 2019. Snipes took up a 1,430 square metre retail unit on the corner of Schildergasse 120 and Krebsgasse. The Dutch textiles company War Denim took up around 1,000 square metres on Schildergasse 52. In addition to this, contracts were concluded for a number of medium-sized units. Several units were also let on Hohe Strasse, including some short-term leases (pop-up stores). The fact that landlords are willing to accept such concepts, reflects the insecurities of the highstreet letting market to a certain extent.

### Selection of lettings in prime locations in 2020

Location	Tenant	Industry	Rental space in m <sup>2</sup>
Schildergasse 120 / Krebsgasse (corner)	Snipes	shoes, clothing	approx. 1,430
Hohe Strasse 93-99	Schwarzer Elefant	furniture	approx. 1,340
Schildergasse 52	War Denim	clothing	approx. 1,000
Schildergasse 31-37	Blaenk (pop-up)	clothing, lifestyle	approx. 500
Hohe Strasse 133	Kingdom of Sweets	foodstuffs	approx. 500
Domkloster 2	Louis Vuitton	accessories	approx. 300
Schildergasse 113-117	Five Guys	catering	approx. 220
Hohe Strasse 93-99	Die Süßwarenfabrik	foodstuffs	approx. 170
Hohe Strasse 115b	unknown	unknown	approx. 130
Hohe Strasse 88	Cheese & More	foodstuffs	approx. 80
Wallrafplatz 3	Juwelier Rüschenbeck	jewellery	unknown
Schildergasse 107-109	Hallhuber	clothing	unknown
Schildergasse 89	Nespresso	foodstuffs	unknown


**1,430 m<sup>2</sup>**

biggest unit taken up in 2020

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**Selection of lettings in city centre locations in 2020**

Location	Tenant	Industry	Retail space in m²	
Antoniterstrasse 14-16 (AntoniterQuartier)	Cafe Extrablatt	catering	approx.	950
Breite Strasse 80-90 (Quincy)	Asia Restaurant	catering	approx.	800
Neumarkt 33	Singh' Exotic Food & Cosmetics	foodstuffs	approx.	270
Apostelnstrasse 14-18	Distorted People	clothing	approx.	200
Antonsgasse 7	Coffee Fellows	catering	approx.	200
Mittelstrasse 25	Worms	clothing	approx.	167
Breite Strasse 137	Salomon	clothing	approx.	160
Pfeilstrasse 14	Zeiss Vision Center	opticians	approx.	150
Breite Strasse 25-27	Blume 2000	flowers	approx.	120
Ehrenstrasse 81	Yuicery	catering	approx.	100
Ehrenstrasse 18-26	24colours	clothing	approx.	92
Neumarkt 2-4 (Neumarkt-Galerie)	Juwelier Alice	jewellery	approx.	60
Apostelnstrasse 20	Shipsheit	clothing	approx.	58
Apostelnstrasse 14-18	The Hemp Concept	cosmetics	unknown	
Ehrenstrasse 13	Van Delft	foodstuffs	unknown	
Neumarkt 2-4 (Neumarkt-Galerie)	Polestar (temporary)	automotive	unknown	

Source: Greif &amp; Contzen Research, Cologne March 2021

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## Rents decreased further

Rents for retail space decreased further across most of the city centre in 2020. The COVID-19 crisis weakened the financial situation of many retail companies. Stores were closed and companies filed for insolvency. This development led to great pressure to re-consider and adapt established brick-and-mortar concepts.

While a number of units were let on Schildergasse over the past year, most of these transactions did not allow for higher

rental prices. These units became available due to a number of stores closing, such as Karstadt Sport, Esprit and Juwelier Deiter. Several retail units had already been vacated on Hohe Strasse in 2019. This increase of availability of space caused further pressure on rents.

The prime rent dropped to around EUR 250 per square metre on Schildergasse and to around EUR 190 per square metre on Hohe Strasse.

**EUR 270/m<sup>2</sup>**  
prime rent in 2020

### Prime rent for retail space

Retail location*	Prime rent 2020** in €/m <sup>2</sup>		Forecast for 2021 in €/m <sup>2</sup>
Wallrafplatz	270	→	270
Schildergasse	250	↘	230
Hohe Strasse	190	↘	170
Neumarkt (northern part)	110	→	100
Ehrenstrasse	100	↘	90
Mittelstrasse	80	↘	70
Breite Strasse	80	↘	70
Very good city centre locations (e.g. Apostelstrasse, Pfeilstrasse)	50	↘	45
Very good locations in districts outside the city centre (e.g. Deutzer Freiheit, Dürener Str., Neusser Str., Hauptstr. Rodenkirchen, Sülzburgstr., Venloer Str.)	30	→	30

\*ideal shop with up to 100 m<sup>2</sup> of retail space<sup>2</sup> Source: Greif & Contzen Research, Cologne March 2021

\*\*little data available and subject to uncertainties owing to the COVID-19 pandemic

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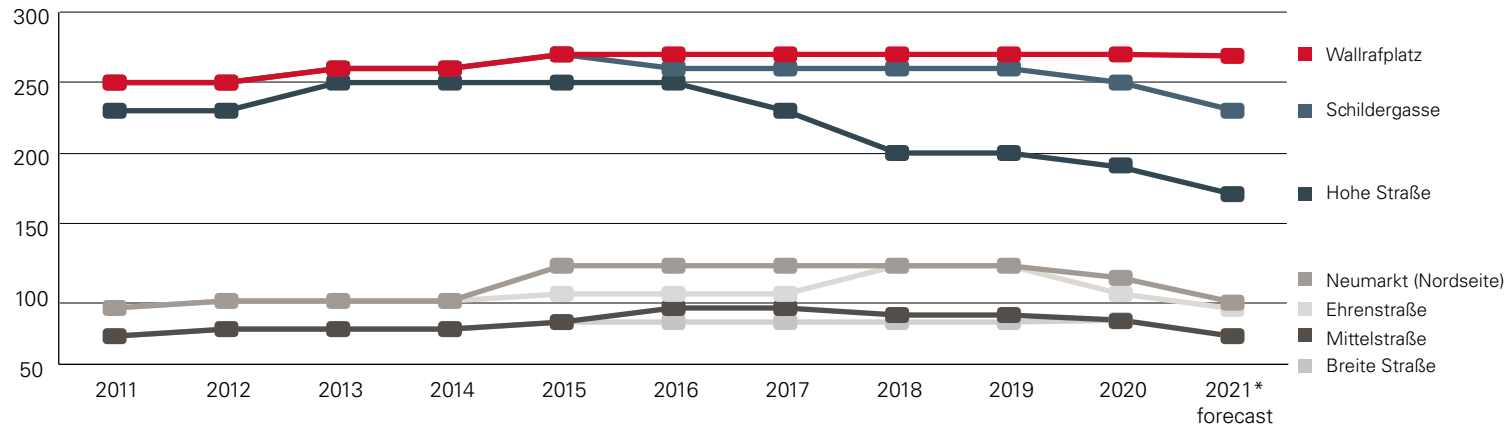
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**Prime rent retail, development 2011 – 2020, forecast 2021 | in €/m²**

Source: Greif &amp; Contzen Research, Cologne March 2021

New retail space can usually only be created in the city centre in the context of consolidation projects, repurposing or revitalisation measures. No new specific plans were made for the city centre in 2020, besides the construction projects featuring retail space that had been announced in the past.

A supermarket opened on Hohenzollernring in 2021, in the context of the upcoming completion of the Ruby Hotel. Around 1,600 square metres of retail and catering space will be completed in nearby WALLARKADEN this year.

**Current retail property developments in the city centre**

Property/location	Completion	Retail space
Rudolfplatz 9*	2022	approx. 2,900 m²
Laurenz Carré*	from 2023	approx. 2,400 m²
Hohenzollernring 79-86, Ruby Hotel ***	2021	approx. 1,700 m²
Rudolfplatz, WALLARKADEN*	2021	approx. 1,600 m²
Dom Hotel, sub-units on the ground and 1st floor**	2022-2023	approx. 1,200 m²
Schildergasse / Herzogstrasse	2022	approx. 1,000 m²

\* office and commercial building \*\* size indication from early planning that may be adjusted \*\*\* hotel project

Source: Greif & Contzen Research, Cologne March 2021

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# Industrial and logistics properties

## Investor demand increased further

Commercial and industrial real estate for a total of around EUR 310 million changed hands in Cologne in 2020, according to the statistic published by the committee of experts of the City of Cologne. Properties for around EUR 200 million had changed hands in the year before. Several smaller and medium-sized and a few large properties were sold. Among the biggest transactions was the sale of two commercial properties on Industriestrasse in Rodenkirchen with a combined total plot size of just over 60,000 square metres. The property developers OSMAB bought the ensemble from a packaging manufacturer and an exhibition stand construction company.

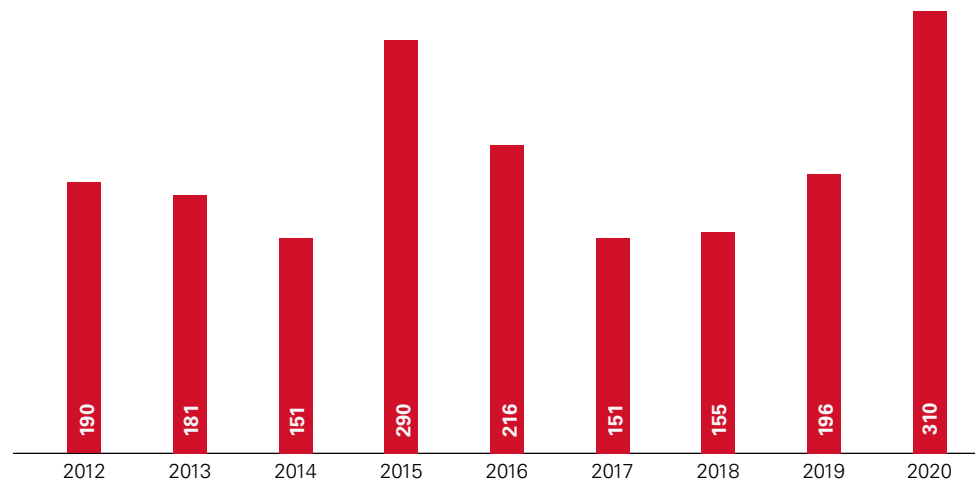
Some larger transactions were recorded in the greater logistics region of Cologne | Bonn. Properties for an estimated total of around EUR 150 million were traded in the surrounding region in 2020.

Investment activities were particularly busy in Kerpen, Frechen and Euskirchen. The biggest industrial property that changed hands, was a paper factory in Euskirchen with around 42,000 square metres of usable indoor space that was bought by Deutsche Industrie REIT. In addition to the industrial site in Cologne, OSMAB acquired a portfolio in Kerpen and Frechen. Two specialist funds also invested into real estate in these towns.

**42,000 m<sup>2</sup>**

warehouse space in the biggest property sold in 2020

Transaction volume commercial and industrial buildings 2012 – 2020 | in million €



Source: The Expert Committee for Property Values in the City of Cologne

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**Selection of sales 2020**

Buyer	Location	Warehouse space in m²
Deutsche Industrie REIT (REIT)	Euskirchen	approx. 42,000
OSMAB Holding (property developer)	Kerpen, Frechen	approx. 10,000
LIP Real Investment Fund (specialist fund)	Kerpen	approx. 26,000
OSMAB Holding (property developer)	Cologne-Rodenkirchen	approx. 19,000
Warburg-HIH Deutschland Logistik Invest (specialist fund)	Euskirchen	approx. 7,800
Alcaro Invest for OSMAB LPF (property developer)	Frechen	approx. 7,700

Source: Greif &amp; Contzen Research, Cologne March 2021

**Yields on logistics facilities**

Strong investor demand has led to a further decrease of yields on logistics properties in the Cologne | Bonn region in 2020. A few top-quality products also entered the market. The prime yield for logistics properties decreased by 0.5 percentage points to now 3.60 percent. Compared to the other top 7 locations, Cologne continues to be at the high end of the range. The prime yield might decrease further in 2021, as investor demand exceeds the supply considerably.

**Prime yields for industrial and logistics properties in Germany's top locations in 2020 | in %**

Source: gif e.V.; Greif &amp; Contzen Research; various market reports, March 2021

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## Letting market 2020

Thanks to a particularly strong fourth quarter, take-up of space in the logistics region Cologne | Bonn increased by 10 percent compared to the year before, to a total of 275,000 square metres. Demand for space had decreased considerably in the second quarter owing to the pandemic. However, the market

recovered from the third quarter onwards, and this development intensified further towards the end of the year with a number of large-scale transactions. A logistics company took up around 41,000 square metres of warehouse space in a major development in Cologne-Niehl in December.

**41,000 m²**

biggest unit taken up:  
EUZIEL International

### Selection of significant lettings

Transactions	Location	Type	Rental space approx. in m²
<b>City of Cologne</b>			
EUZIEL International (logistics)	Niehl	warehouse	41,000
Marelli (production)	Niehl	warehouse	18,000
Unknown	Niehl	warehouse	9,600
Logistics company	Niehl	warehouse	9,500
Logistics company	Junkersdorf	warehouse	7,800
<b>Logistics region</b>			
unknown (logistics)	Euskirchen	warehouse	21,000
Amazon	Troisdorf	warehouse	12,000
ThyssenKrupp Schulte (retail)	Frechen	warehouse	11,000
Brömmelhaupt (retail)	Frechen	warehouse	10,300
Ayyildiz Hali GmbH (retail)	Kerpen	warehouse	9,000
Orion Engineered Carbons (industrial)	Hürth	warehouse	8,900
Amazon	Euskirchen	warehouse	7,800
GKK Logistik	Kerpen	warehouse	7,500

Source: Greif & Contzen Research, Cologne March 2021

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## Rents increased within Cologne's city limits in particular

Scarce availability of space and an upturn in demand towards the end of the year, caused the prime rent to rise to around EUR 5.80 per square metre within Cologne's city limits. The average rent increased to around EUR 5.10. In the surrounding region, the market average rose from

around EUR 4.60 to around EUR 4.75, while the prime rent remained stable at around EUR 5.00 per square metre. Showrooms and light industrial premises in Cologne are mostly let for prices ranging between EUR 6.50 and EUR 7.00 per square metre.

**EUR 5.80/m<sup>2</sup>**

prime rent in Cologne

**Please refer to our report "Industrial Property Market Cologne | Bonn 10|2020" for further information and analyses.**

→ [www.greif-contzen.de/en/press/market-reports.html](http://www.greif-contzen.de/en/press/market-reports.html)

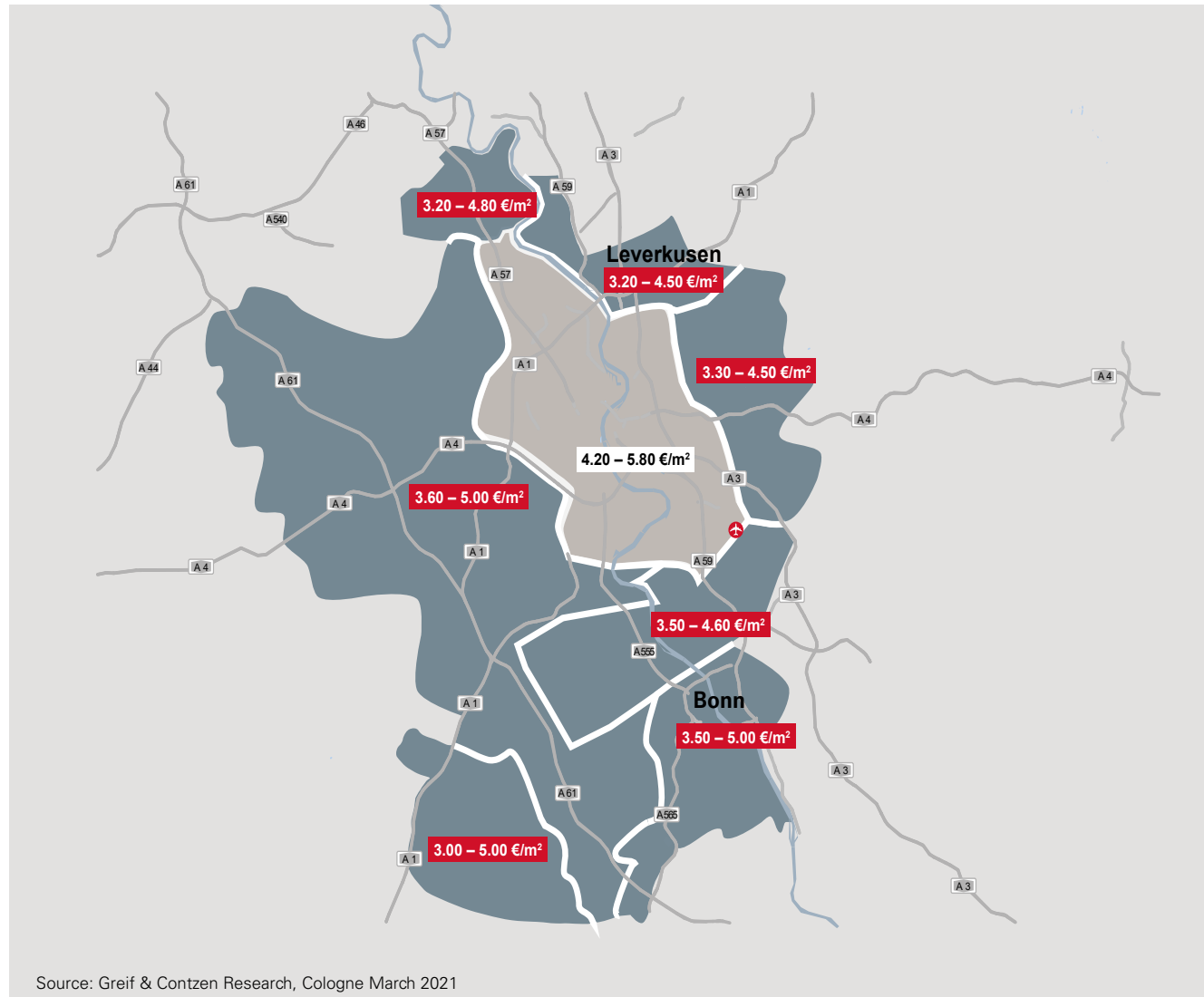
### Rents for storage and distribution space within Cologne's city limits

	Rents 2019 (Q4) in €/m <sup>2</sup>	Development	Rents 2020 (Q4) in €/m <sup>2</sup>	Trend
<b>New properties</b>				
Warehouse space in industrial estates	4.85 – 5.50	↗	5.20 – 5.80	↗
Adjacent office space	8.00 – 8.50	↗	8.50 – 11.50	→
<b>Existing properties</b>				
Warehouse space in industrial estates	4.40 – 4.60	↗	4.40 – 4.70	→
Warehouse space in other locations	3.80 – 4.20	→	3.80 – 4.20	→
Adjacent office space	7.00 – 8.00	→	7.00 – 8.00	→
<b>Outdoor areas</b>				
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 March 2021

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### Customary rent price structure in the Cologne|Bonn logistics region for units of 500 square metres and up

**EUR 5.10/m²**

average rent in Cologne's city area

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# Hotels

## Few hotels were sold in 2020

Following the boom observed in the hotel segment in 2018 and 2019, the pandemic caused investment turnover to collapse in 2020. A total investment volume of only around EUR 70 million was achieved, while around EUR 300 million had been turned over in 2019.

Among the few hotels sold was the Ruby Hotel on Hohenzollernring 79-87 that is due to be completed this year. The building will have 186 rooms and will also be home to a supermarket and office space. The buyer is a German family office.

The hospitality industry was hit very hard by the COVID-19 pandemic. In a similar way as retail stores, hotels had to shut for extended periods. This was due in part to government regulations, but also a way to reduce running expenses when earnings were low. There was virtually no tourism, and trade fairs, conferences, conventions and festivities were postponed or cancelled altogether. Even after restrictions had been eased in July, hotel operations were only possible with significant overcapacities and on the verge or even below profitability.

**approx. EUR 70 million**  
transaction volume  
for hotels in 2020

### Selection of sales 2020

Hotel	Location	Stars	Rooms	District
Ruby Hotel	Hohenzollernring 79-87	4*	186	Neustadt Nord

Source: Greif & Contzen Research, Cologne March 2021

The average occupancy rate for the year plummeted from around 74 percent (2019) to about 30 percent. The average daily room rate (ADR) dropped from about EUR 114 to around EUR 92, while the revenue per available room (RevPar) decreased from around EUR 85 to just EUR 27 per

day. There were also months, in which the figures were far lower, in particular during the lockdown phases. In December, for example, the occupancy rate was under ten percent and the average revenue per room was less than ten euros a day.

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**Selection of current hotel developments**

Hotel (location)	Scheduled opening	Rooms
Radisson Red Hotel (4*, Unter Goldschmied, city centre)	2023/2024	262
Schlafwerk (2-3*, Taubenholzweg, Poll)	2023	140
Reconstruction Dom Hotel (5*+, Domkloster 2a, city centre)	2022/2023	130
Meininger Hotel (3*, Stolberger Strasse 349, Braunsfeld)	2022	200
Moxy Hotel (3*, Deutz-Mülheimer-Strasse, Mülheim)	2022	176
Moxy Hotel (3*, airport, Wahn)	2021	250
Niu-Hotel (4*, Lina-Bommer-Weg 4, Gremberghoven)	2021	120
Legend Hotel (Alter Markt, Altstadt Nord)	2021	20
Motel One MesseCity (3*, Barmer Strasse, Deutz)	2021	308
Ruby Hotel (4*, Hohenzollernring 79 - 87)	2021	186
Adina Apartment Hotel MesseCity (4*, Barmer Strasse, Deutz)	2021	171
Hotel planned on Tunnisstrasse / Enggasse (3*, Altstadt-Nord)	unknown	300
Hotel planned near Aqualand (Merianstrasse 1, Chorweiler)	unknown	144
Hotel planned by Kölner Haie and Köln 99ers (Düsseldorfer Strasse, Stammheim)	unknown	100

Source: Greif &amp; Contzen Research, Cologne March 2021

**approx. 1,050 rooms**  
to be completed in 2021

While a number of hotel projects had originally been scheduled for completion in 2020, only two construction projects were actually completed. The design hotel Urban Loft with 213 rooms opened on Eigelstein. It had been sold to Patrizia in 2019. A B&B Hotel with 160 rooms opened on Mercedes-Allee in Braunsfeld.

The hotels listed for completion in 2021 are likely to add around 1,050 new rooms to the market, provided that there are no further delays. Plans were announced to build new hotels in the Banking Quarter, near the leisure pool Aqualand in Cologne-Chorweiler, and in Cologne-Stammheim along with an accessible sports centre.

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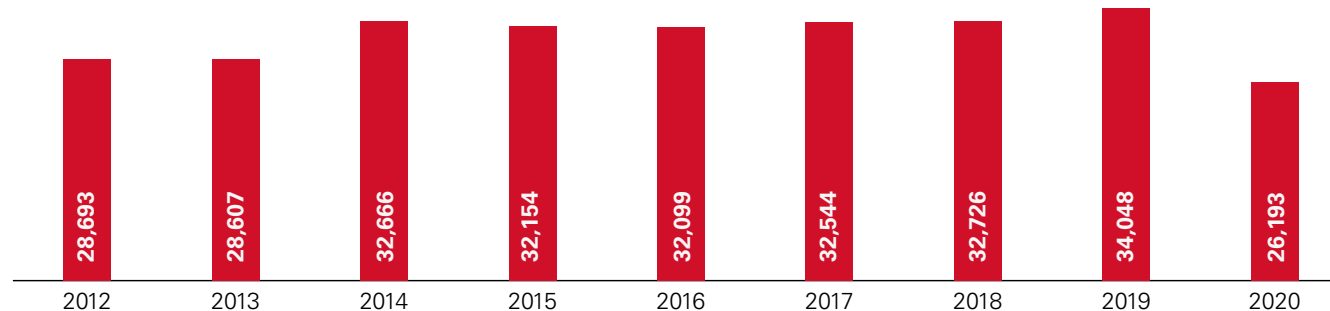
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**Beds available in Cologne 2012 – 2020**

Source: Landesamt für Statistik NRW 2021 and Köln Tourismus GmbH

For the first time in several years, the number of available beds decreased significantly in 2020 to around 26,000. However, this decline by almost one quarter does not reflect the actual number of beds, but it indicates reduced operation during the COVID-19 crisis. The number of available beds is likely to increase again, once the pandemic is over.

The number of overnight stays plummeted by over 60 percent to around 2.56 million, owing to a downturn in the areas of recreational tourism and business travel. Due to the fact that 2021 started with lockdown restrictions in place and that further travel restrictions are to be expected, occupancy levels of hotels are not going to recover quickly. Planning provides for the gardening trade fair spoga+gafa to be held as the first large-scale on-site event at the important business travel destination Koelnmesse from 30 May 2021. It is estimated that overnight stays will return to the pre-crisis level no sooner than between the second and fourth quarter of 2022.

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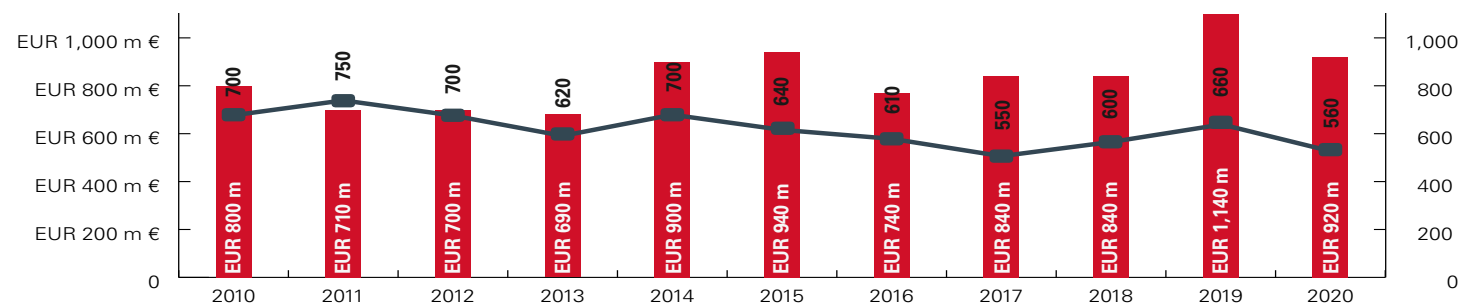
# Apartment buildings

## Low transaction volume despite continuously high demand

Apartment buildings worth over EUR 920 million were sold in Cologne in 2020. This corresponds to a decrease of around 20 percent compared to the very strong year 2019. The number of properties sold declined by about 15 percent. However, the COVID-19 pandemic has not caused a decrease in investor interest in this asset class, as rental income has been more stable here than in other real estate segments. No major rent losses involving private individuals occurred due to the pandemic. Where there are commercial tenants in apartment buildings, some deferment agreements have already had to be extended owing to the second lockdown. In addition to individual properties being sold to private

investors, there were also a number of portfolio transactions with institutional investors. Specialist funds by Aberdeen, Real IS and other organisations bought, for example, ensembles in Ehrenfeld, Bickendorf and Merheim, including several property developments. Furthermore, LEG Immobilien added another 160 apartments to its portfolio, including units in Roggendorf and Ehrenfeld. Domicil Real Estate bought two micro apartment facilities in Cologne-Deutz for a Danish pension fund. Another supra-regional portfolio that included a large residential complex in Cologne-Urbach, was also bought by Domicil Real Estate for over EUR 100 million. This package included around 500 apartments in total.

### Transaction volume and number of transactions, apartment buildings 2010 – 2020



Source: The Expert Committee for Property Values in the City of Cologne

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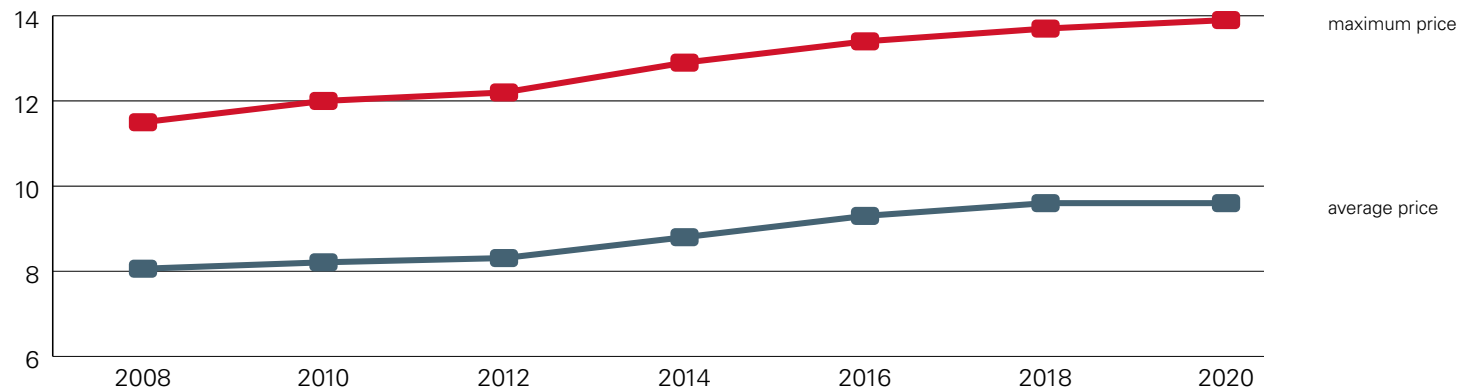
## Rents and purchasing prices

The latest rent index for the City of Cologne was published in February 2021, covering rent adjustments and new lettings of the past six years. The maximum rent recorded here increased from EUR 13.70 to EUR 13.90 per square metre. The average rent across the different building age, location and quality categories remained stable at around EUR 9.60 per square metre. Price increases were realised for younger buildings in particular. The development of rents was no longer quite as dynamic as in recent years.

Rents that are significantly higher than those listed in the rent index, are frequently indicated in listings on online platforms for apartments in popular locations, such as Lindenthal, Braunsfeld, Ehrenfeld or the historic city centre. Asking rents for apartments in mint condition can be as much as EUR 20 per square metre. Rents for furnished rooms are often even higher than that.

Purchasing price factors for apartment buildings in Cologne increased once again in 2020. A core range of between 20 and 34-fold the annual net rent is expected for 2021. Prices may deviate from this range in individual cases.

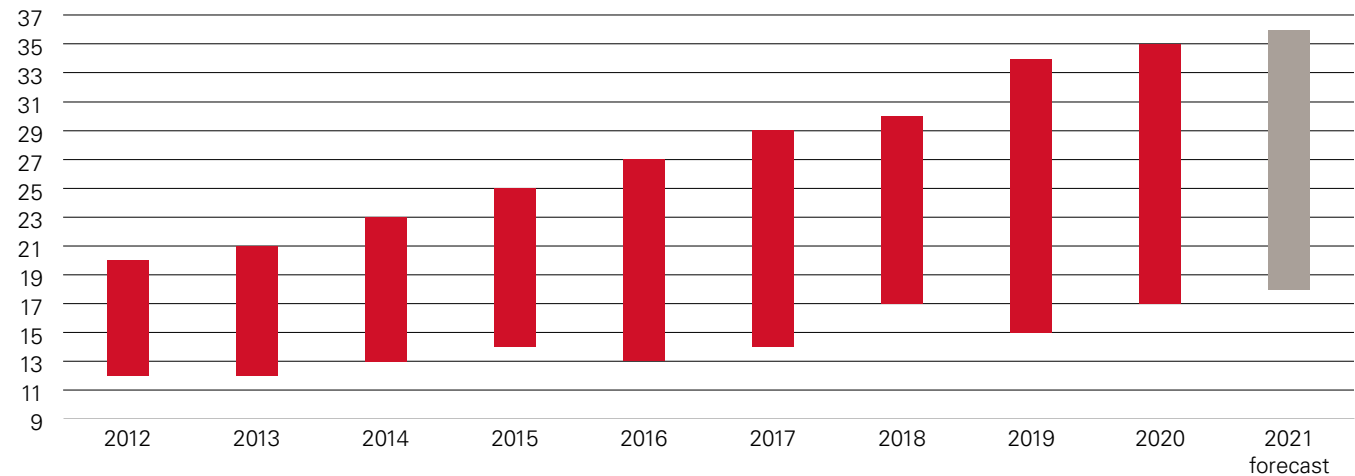
### Rents for apartments according to Cologne's rent index, development 2008 – 2020 | in €/m<sup>2</sup>



Source: Greif & Contzen Research, Cologne March 2021 based on the rent index by Rheinischen Immobilienbörse e.V.

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Price factors for apartment buildings (multipliers of a property’s annual rent), development 2012 – 2020 and forecast 2021



Source: Data from the committee of experts of the City of Cologne 2020, diagram and figures for 2020 and 2021 by Greif & Contzen Research



Lothringer Strasse in Neustadt-Süd

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# Condominiums

## Further increase of the transaction volume and purchasing prices

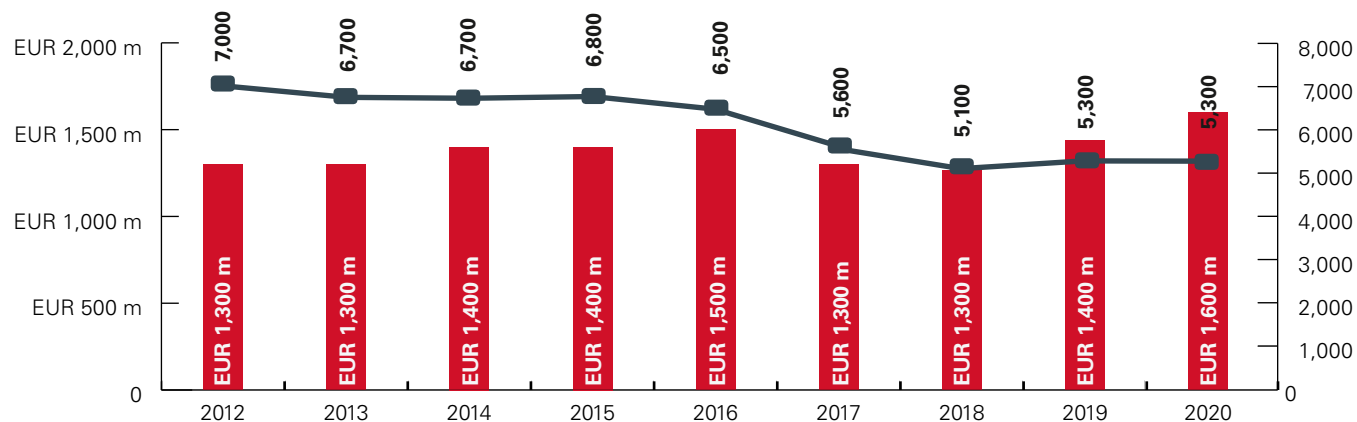
The transaction volume generated with condominiums rose to almost EUR 1.6 billion in 2020, and was therefore slightly higher than the previous record level achieved in 2016. Compared to 2019, there has been an increase of about nine percent. However, the number of apartments sold was about the same, which means that the increase was due mostly to higher purchasing prices.

The COVID-19 pandemic did not reduce the excess in demand and it did not give rise to any price reductions, either. Less densely populated towns surrounding the top 7 cities have become more attractive to residents over the

course of the pandemic, according to surveys and media reports. However, appreciation of one's home and of real estate assets has increased also in big cities. Cologne is still characterised by a pronounced supply shortage paired with low completion figures.

Condominiums built between 2010 and 2018 were sold for an average of EUR 4,600 per square metre in 2019. Newly built apartments cost around EUR 5,300 on average in 2019. Average purchasing prices in new buildings rose to around EUR 5,700 per square metre in the first half of 2020.

### Transaction volume and number of transactions, condominiums and part-ownership, development 2012 – 2020



Source: The Expert Committee for Property Values in the City of Cologne

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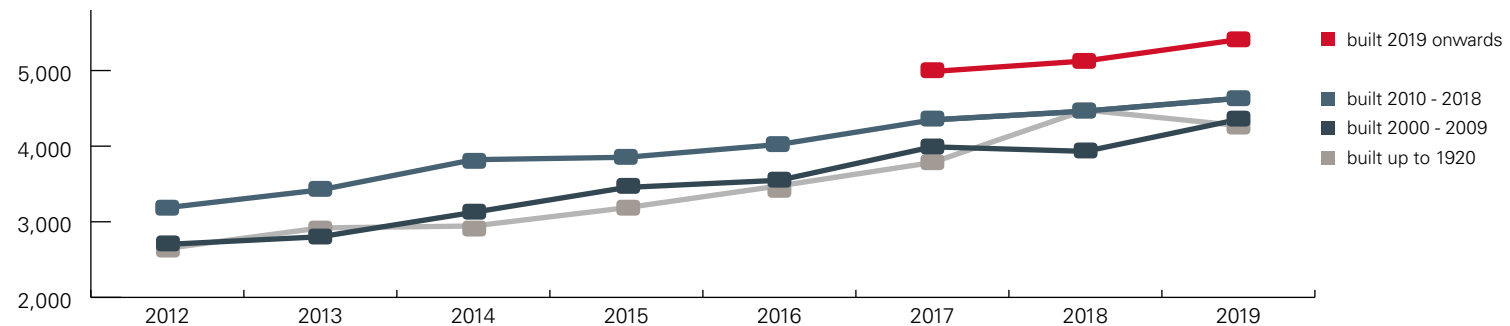
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**Development of prices for condominiums 2012 – 2019, average purchasing prices | in €/m<sup>2</sup>**

Source: Committee of experts of the City of Cologne 2020

Many of the construction projects that are currently being marketed are located in Ehrenfeld. Around ten projects with a total of over 750 condominiums are scheduled for completion here between 2021 and 2024. Among these are three very big complexes with more than 100 apartments each that are being built on the former freight depot site. Further large-scale developments are being realised in the districts Neustadt-Nord, Braunsfeld and Rodenkirchen. Construction of a number of individual property projects is

already underway in the development area Mülheim Süd, where plenty of residential space is being created in the form of condominiums and rental apartments. The sub-project COLOGNEO 1, for example, provides for 218 rental apartments to be completed by the end of 2021. As a general rule, large-scale development projects must include a 30 percent share of subsidised housing.

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**Selection of current residential projects**

<b>Project (location)</b>	<b>Completion</b>	<b>Residential units (approx.)</b>
Campus 1 (Neustadt Nord)	2024	198 condominiums
Ehre & Liebig (Ehrenfeld)	2024	67 condominiums
Alsdorfer Strasse 7-9 (Braunsfeld)	2023	150 condominiums
Subbelrather Strasse 436 (Ehrenfeld)	2023	70 condominiums
Gutenberg-Karree (Ehrenfeld)	2023	64 condominiums
Ehrenfeldgürtel 2 (Ehrenfeld)	2023	39 condominiums
Waldviertel (Rodenkirchen)	2022	272 condominiums
Herler Strasse 111 (Buchheim)	2022	111 condominiums
9 Freunde (Ehrenfeld)	2022	117 condominiums
Äußere Kanalstrasse 86 (Ehrenfeld)	2022	54 condominiums
Kwartier Werk (Ehrenfeld)	2022	113 condominiums
5 Freunde (Ehrenfeld)	2021	129 condominiums
Clarenbachplatz (Ehrenfeld, border to Braunsfeld)	2021	67 condominiums
EhrenWert (Ehrenfeld)	2021	43 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

Source: Greif &amp; Contzen Research, Cologne March 2021

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# Outlook

## Investors continue to focus on reliable rental income

Economic growth of between 3.1 and 4.9 percent is predicted for 2021, in the forecasts by economic research institutes from early December. However, the subsequent intensification of restriction measures was not taken into account in these. The lowest value of this range is assumed in more recent estimates. Even economic growth of 3.0 percent is unlikely to be achieved, if infection figures are to increase again, causing restrictions to remain in place and supply chains to be interrupted.

The ifo business climate index changed direction a number of times over the past few months. Business sentiment improved in February, especially due to the upswing in the industrial sector. In its economic survey conducted among local companies, Cologne's Chamber of Industry and Commerce also found the mood to have improved since autumn,

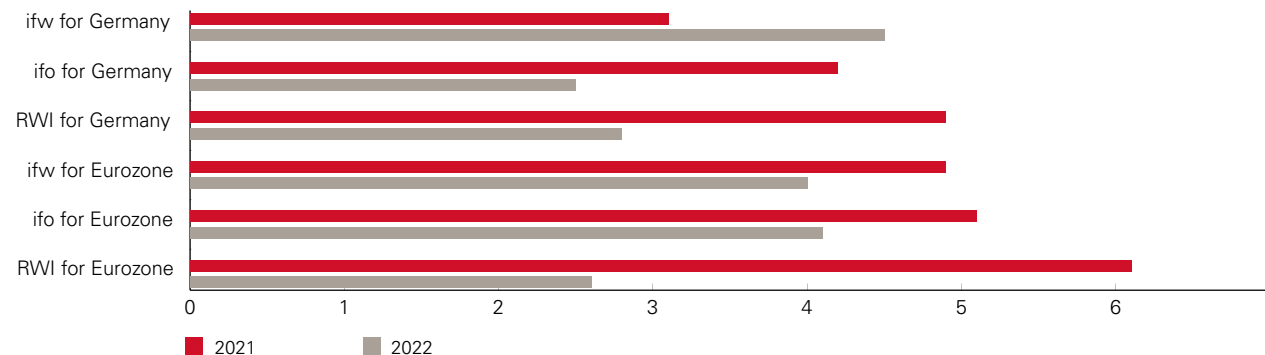
even if the overall result is still negative.

In view of the sustained expansive monetary policy and persistent investment pressure, there will be strong demand from potential buyers for properties with reliable long-term cash flow. It is therefore to be expected that various transactions will take place in the real estate submarkets for residential, office, industrial and logistics properties, as well as development sites in 2021. Some large-scale transactions are already being prepared to be concluded in 2021, as selling processes for a few very big office buildings were delayed last year. A total investment volume of around EUR 2.3 billion could be realised with commercial properties. There might be further slight decreases in prime yields for top products.

### EUR 2.3 billion

transaction volume  
commercial properties  
forecast 2021

## Economic forecasts for Germany and the Eurozone: GDP growth in percent 2021 and 2022



Source: Forecast as of Dec. 2020, data compiled by Greif & Contzen Research, Cologne March 2021

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# Glossary

## Take-up of space

The take-up of space is the amount of space in buildings that is let in a defined time period (e.g. quarter or reporting period). Whether a transaction is attributed to the respective time period, is determined based on the date the contract was concluded. New leases, sub-leases, renewed leases, and projects for owner occupation are generally taken into account. The following rules apply for the latter two: If a lease is renewed, only the amount of space by which the new unit is bigger than the old one is taken into account. In the case of owner-occupiers, allocation to a time period is determined based on the date of the purchasing contract or the time the actual construction measure was taken up. Lettings to final users in office centres or coworking facilities are not taken into account.

## Rents

The published figures represent basic net rents (excluding service charges and VAT) per square metre of space per month in the respective reporting period. Any additional charges for tax liabilities or compensation for investment costs paid via the rent are not specified separately. The following definitions apply:

- **Maximum rent**  
The highest recorded basic net rent agreed upon in a building, regardless of the size of the unit let. Lettings to final users in office centres or coworking facilities are not taken into account here.
- **Prime rent**  
We use the definition by the Society of Property Researchers, Germany (gif) as a guideline. The prime rent corresponds to the median value of the highest rents realised in the reporting period that must account for

at least three percent of the overall take-up of space. There should be at least three corresponding rental contracts.

- **(Unweighted) average rent**

The arithmetic mean (simple average) and median value of all recorded rental prices from individual letting contracts are calculated. Large-scale lettings are considered in the same way as small rental units. The average rent is usually specified as a rounded value between the two measured values.

- **Weighted average rent (according to unit size)**

The rental prices of all leases concluded are weighted according to the size of the respective rental unit, and the mean value is calculated. To do so, the unit size and rent price of each letting are multiplied with each other. The total sum of these products is then divided by the total amount of space let.

## 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 and the annual rental income minus non-apportionable ancillary costs.

## (Investment) transaction volume

The transaction volume is the sum total of purchasing prices of properties sold within Cologne's city limits in the respective time period. Transactions are assigned to a certain time period, based on the date the contract was signed.

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→ [www.greif-contzen.de/en.html](http://www.greif-contzen.de/en.html)

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# We are Greif & Contzen

## Your partner for all real estate endeavours

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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# German Property Partners

## Local expertise - across Europe

Greif & Contzen is a member of German Property Partners (GPP), a network of leading commercial real estate agents. The GPP network also cooperates with international partners. We are therefore able to provide outstanding market know-how and expertise in Germany's top 7 cities, as well as in Britain and the Netherlands. The service spectrum offered by German Property Partners covers all aspects of commercial real estate use. Property transactions, requests for commercial space for rent, CREM (corporate real estate management) and property research are all part of the network's standard range of services. The German Property Partners also provide further real estate services such as equity financing for property development projects, property management, banking and financial services as well as fund and asset management.

### Hamburg and Berlin

Grossmann & Berger

### Düsseldorf

Anteon

### Cologne|Bonn

Greif & Contzen

### Frankfurt a. M.

blackolive

### Stuttgart and Munich

E & G Real Estate

### International cooperation partners:

Carter Jonas in the United Kingdom,

Van Gool Elburg in the Netherlands



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