Industrial Property Market **Cologne|Bonn**

09|2023

GREIF & CONTZEN

Dear readers,

Demand for space was considerably lower in the Cologne|Bonn logistics region in the year to date, owing to the difficult economic situation. Most users have been avoiding investment and location decisions, unless there is a pressing need. As a result, a below-average amount of warehouse space of around 165,000 square metres was taken up (about 260,000 square metres were taken up in the same period of 2022).

Demand for space is inhibited even further by higher rents. In new buildings, asking rents can be as high as EUR 9.20 per square metre of warehouse space. The prime rent for logistics space stands at EUR 8.50. While investors continue to be willing to realise new construction projects, few building projects are initiated on a speculative basis these days.

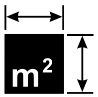
On the next few pages you will find the most important facts and key figures of the market development to date, rounded off with an outlook for the months ahead.

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

»Property developers who specialise in the area of logistics continue to actively pursue projects. However, suitable land is still scarce and subjected to intense scrutiny.«

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

Commercial property market of the Cologne|Bonn logistics region



165,000 m²

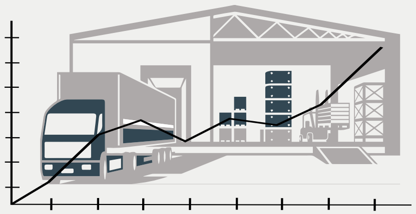
TAKE-UP OF SPACE

Take-up of warehouse space decreased by around 36 percent compared to the same period last year. A decline in demand and low availability of space are noticeable.

150,000 m²

VACANT SPACE

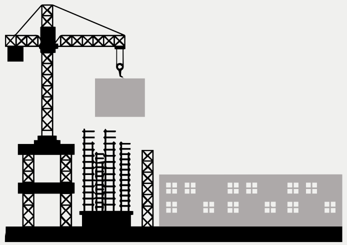
Vacant space in the logistics region has more than doubled, owing to a small number of large units being vacated. Availability still remains low, nevertheless.



EUR 8.50/m²

PRIME RENT

Continuously low availability of space paired with high construction costs gave rise to an increase of rents.



180,000 m²

SPACE COMPLETED

The volume of completions is expected to be higher in 2023 than was the case in the past four years. Almost half of this new space has already been let, while the other half is accounted for by construction activities for owner occupants.

OUTLOOK

The current recession is expected to affect demand for space in the near future. Many users still hesitate to invest or make location decisions. Rents are likely to remain on the same high level, owing to the persistently low availability of space.

Letting

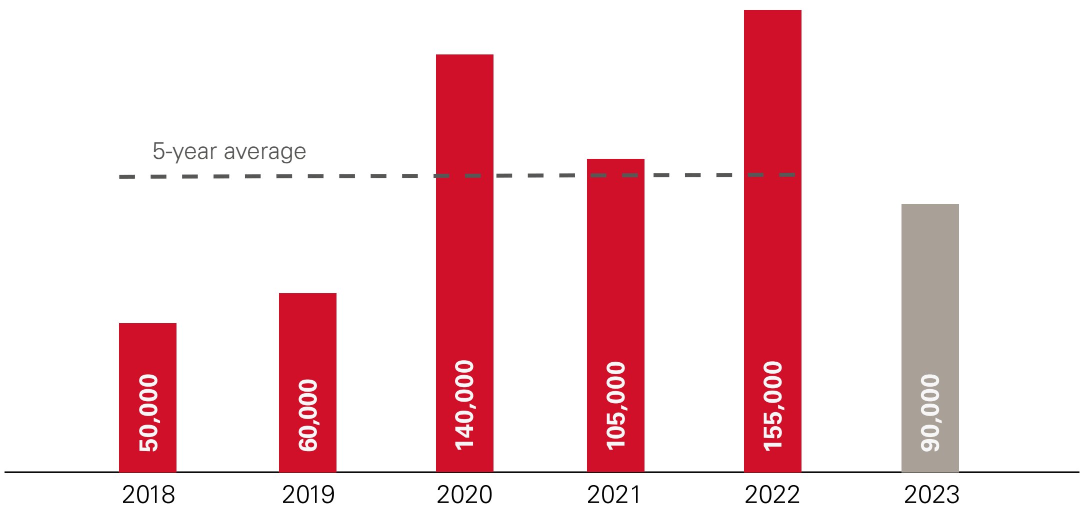
Below-average take-up of space within Cologne's city limits

City of Cologne
Around 70,000 square metres of warehouse space were taken up within Cologne's city limits in the year to date. Two rental contracts were concluded for units of more than 10,000 square metres in Niehl. There has been a noticeable decrease in demand. Users avoid investments and costs as far as possible.

Bonn, Kerpen and other towns
In the neighbouring towns and cities, take-up of space has decreased by some 17 percent compared to last year to around 95,000 square metres (2022: around 115,000 square meters). In Dormagen, the logistics company GXO picked up a new building with around 36,000 square metres of warehouse space.

165,000 m²
take-up of space Q1-3 2023 entire logistics region

Take-up of warehouse space in the City of Cologne: development 2018 – 2022, 5-year-average and forecast for 2023 | in m²



Source: Greif & Contzen Research, Cologne, September 2023

Selection of significant lettings

Transactions	Location	Type	Rental space approx. in m²
City of Cologne			
Unknown (retailer)	Niehl	warehouse	11.000
Arcese Logistik	Niehl	warehouse	10,100
Unknown (retailer)	Gremberghoven	warehouse	6,500
Logistics region			
GXO (logistics)	Dormagen	warehouse	36,000
Hasenkamp Group (logistics)	Frechen	warehouse	11,700
Peek & Cloppenburg (logistics)	Leverkusen	warehouse	4,100

Source: Greif & Contzen Research, Cologne, September 2023

11,000 m²
biggest unit taken up in Cologne

Logistics companies were the most active demander group

Industries
Logistics companies accounted for around 61 percent of take-up, making them by far the most active demander group. This was in part reflected by the fact that a number of very large units were taken up.

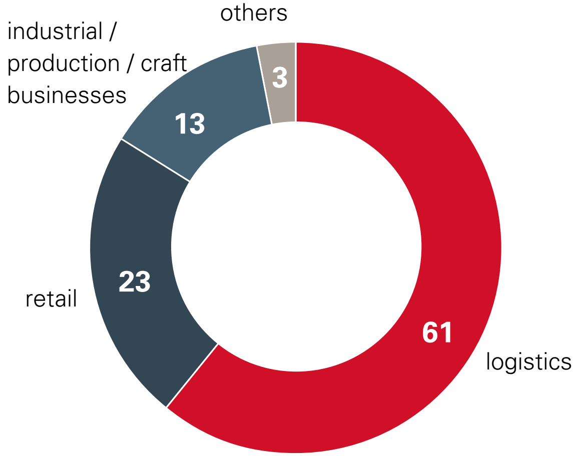
- Retail companies were the second biggest user group. These placed a clear geographic focus on the City of Cologne itself.
- There were only a few instances of industrial and production businesses taking up units of more than 3,000 square metres.

Size categories
The share of take-up accounted for by the over 10,000 square metres size category declined further compared to the first three quarters of recent years (2022: 58 percent, 2021: 72 percent).

- Around 20 percent of take-up was realised in the 3,001 to 5,000 square metres segment (2022: 9 percent).
- The percentage of smaller units below 1,000 square metres remained stable (2022: 4 percent, 2021: 3 percent).

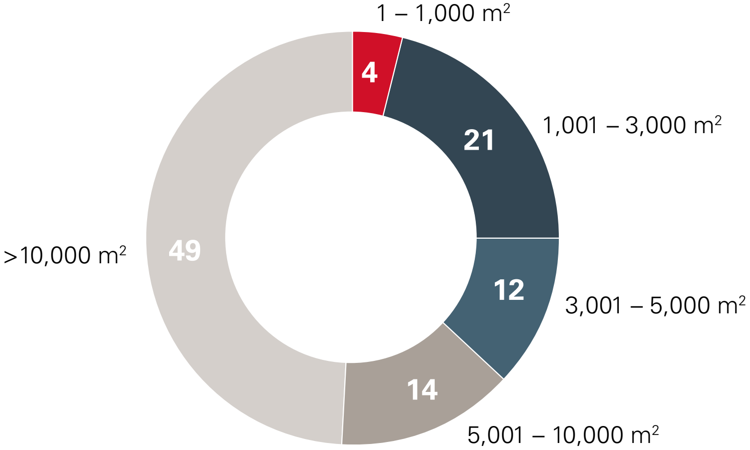
around 51%
share of take-up of the segments below 10,000 m²

Take-up of space in the logistics region up to September 2023 according to industries | in %



Source: Greif & Contzen Research, Cologne, September 2023

Take-up of space in the logistics region up to September 2023 according to size category | in %



Source: Greif & Contzen Research, Cologne, September 2023

Ongoing supply shortage

Vacant space
The amount of vacant space has more than doubled in the Cologne|Bonn logistics region over the course of the year. This was due in particular to a small number of very large units being vacated outside Cologne's city area.

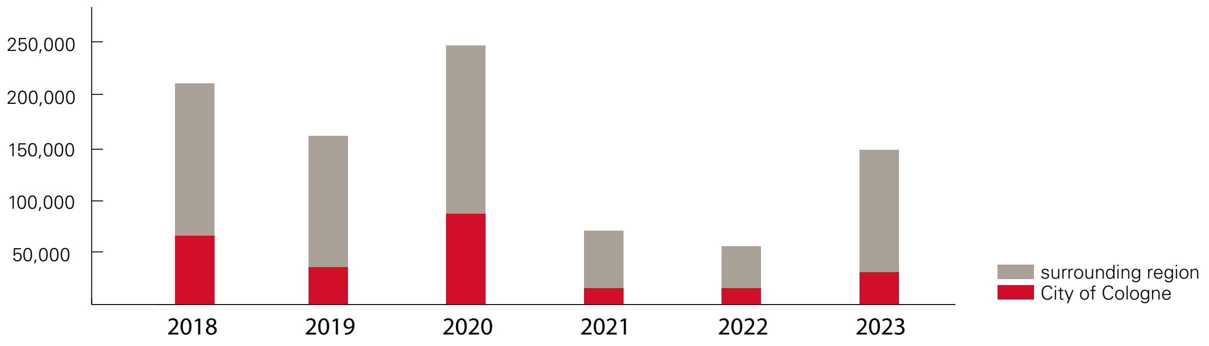
- Availability of space remains low, despite the considerable increase, and is now back to the level recorded in 2019 or the five-year average.
- Between 2016 and 2018, vacancies ranged between 210,000 and 600,000 square metres.

Completions
Around 180,000 square metres of warehouse space are scheduled for completion this year. This result is second only to 2018.

- Almost all of this newly built space has already been let or is intended for owner occupation.
- Property developments are still being planned, marketed and realised, despite the ongoing scarcity of suitable land.

150,000 m²
vacant space in the entire logistics region

Vacancy figures in the city of Cologne & the surrounding region: development 2018 – 2023 (in Q3 of each year) | in m²



Selection of completed buildings Q1 to Q3 2023

User	Location	Warehouse space in m²
Ford (industrial)	Cologne-Niehl	37,000
Flaschenpost and Moll Automobile (retail)	Cologne-Bickendorf	16,400
Cclife Technic and others (industrial)	Euskirchen	6,800

Source: Greif & Contzen Research, Cologne, September 2023

Rents increased but dynamics slowed down

Prime rent
Owing to the lack of availability of large logistics units, warehouse rents have been approaching the originally higher price level of the light industrial segment. The prime rent increased to EUR 8.50 per square metre, and up to EUR 9.20 are charged in new buildings, owing to high costs.

Average rent
The higher rent level applies not only to new buildings but to most of the market. The average rent in the Cologne|Bonn logistics region rose to EUR 6.10 per square metre. In Cologne's city area this corresponds to an increase of about ten percent.

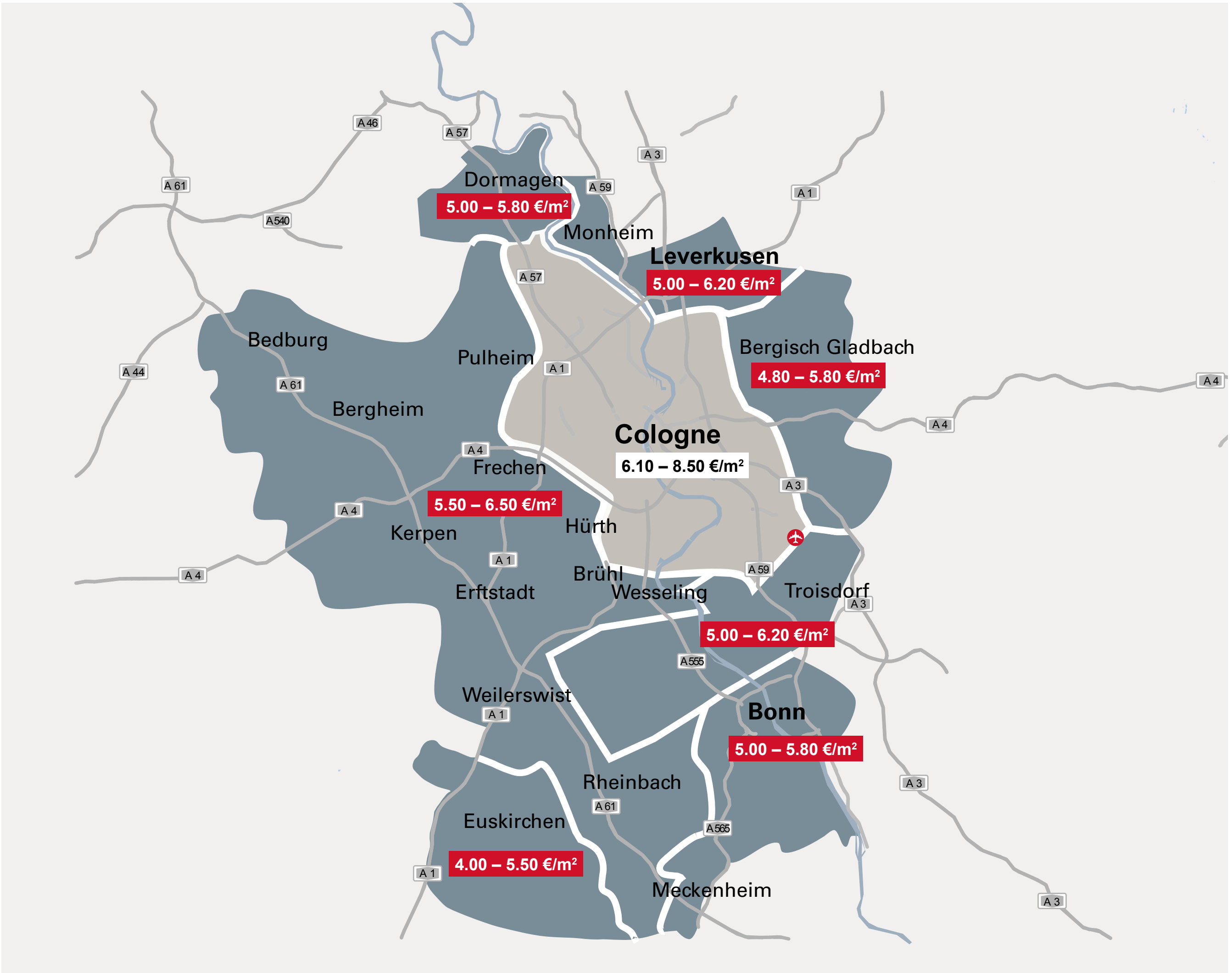
EUR 8.50/m²
prime rent in Cologne

Rents for storage and distribution facilities in Cologne

	Rents 2022 (Q4) in €/m²	Development	Rents 2023 (Q3) in €/m²	Trend
New properties				
Warehouse space in industrial estates	6.50 – 8.00	↗	7.50 – 8.50	→
Adjacent office space	11.30 – 13.50	↗	11.50 – 14.00	→
Existing properties				
Warehouse space in industrial estates	5.10 – 5.80	↗	6.10 – 6.80	→
Warehouse space in other locations	5.10 – 5.80	↗	5.50 – 6.00	→
Adjacent office space	8.00 – 9.00	→	8.00 – 9.00	→
Outdoor areas				
Unpaved, without drainage system	0.50 – 1.50	→	0.50 – 1.50	→
Paved, with drainage system, enclosed	1.50 – 2.50	↗	1.50 – 3.00	→

Source: Greif & Contzen Research, Cologne, September 2023

Rent price structure in the Cologne|Bonn logistics region



Source: Greif & Contzen Research, Cologne, September 2023

Investment

Investors continue to hold back

Investment properties
It continues to be the case that only few sales processes are being initiated. The transaction volume in the Cologne|Bonn logistics region decreased to around 260 million euros, and has thus almost halved compared to the same period last year.

- The by far biggest transaction was the sale of Evonik's industrial sites in Niederkassel and Wesseling that were bought by the International Chemicals Investors Group.
- The net prime yield for logistics facilities increased to 4.30 percent.
- The interest rate level was raised once more in September and initial yields may increase further.

Development sites
A considerable decline in transactions could also be observed on the commercial construction land market. While property developers continue to be active, they tend to scrutinise properties and locations even more critically than they did in previous years.

- Property developers' willingness to pay high prices is limited on the still very tense land market, owing to the reluctant stance of final investors.
- Purchasing prices have stabilised on a high level, and no further price increases are expected for the time being.
- Leasehold contracts are also being realised in some cases for very high quality locations or where users have a particular interest in a certain location.

4.30%
logistics prime yield

Selection of sales in 2023

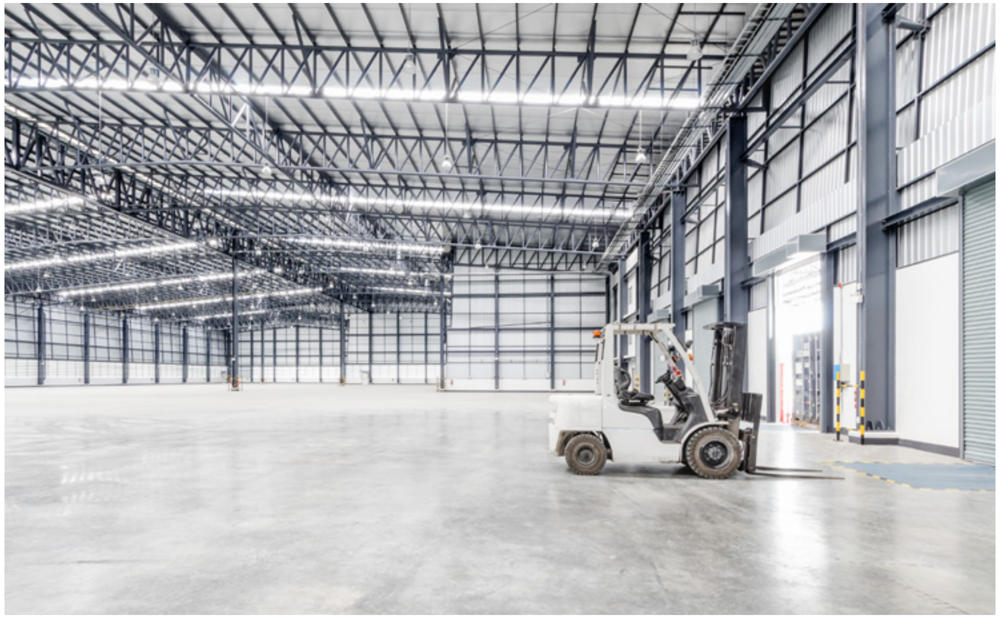
Buyer	Location	Warehouse space in m²
International Chemical Investors (corporate)	Niederkassel & Wesseling	> 50,000
Panattoni (property developer)	Niehl	> 25,000
Unknown	Köln-Gremberghoven	> 8,000

Source: Greif & Contzen Research, Cologne, September 2023

Purchasing prices for commercial building land according to location

Location	Purchasing prices 2022 (Q3) in €/m²	Development	Purchasing prices 2023 (Q3) in €/m²	Trend
City of Cologne	up to 400	→	up to 400	→
City of Bonn	up to 350	→	up to 350	→
Rhein-Erft region	up to 300	→	up to 300	→
City of Leverkusen	up to 250	→	up to 250	→
Rhein-Berg region	up to 250	→	up to 250	→
Rhein-Sieg region	up to 200	→	up to 200	→

Source: G&C Research, Cologne, September September 2023



Outlook

Market conditions will remain challenging

Overall economic situation
Over the course of this year, economic development has been alternating between recession and stagnation. The economy is affected by inflation, the high interest rate level, a decrease in demand from abroad, fewer incoming orders in the industrial sector and also by reduced private consumption.

- Economists expect an economic decline of between -0.4 and -0.6 percent in 2023.
- A gradual recovery on a moderate level is predicted in the gross domestic product forecasts for 2024 (+1.0 to +1.4 percent).
- Economic risks include the geopolitical situation and related supply chain issues, as well as the futher development of inflation and interest rates.
- The RWI/ISL Container Throughput Index suggested slowing international trade at the start of the second half of the year.
- Following an increase in the first quarter, the BVK sentiment indicator for the German logistics industry decreased considerably in the second and third quarter.

Market for industrial and logistics properties
In view of the overall economic situation, it is not to be expected that demand for space will pick up extensively in the Cologne|Bonn logistics region over the next few months.

- Many users will be making efforts to limit rent increases and to renew their rental agreements for existing units.
- Take-up of space will largely be limited to users with urgent demand and adequate margins.
- Looking further ahead, it is likely that the announced gradual economic recovery over the course of next year will also cause demand for space to increase again.
- The current level of rents is expected to be underpinned by continuously low availability of space and higher construction costs.

220,000 m²
take-up of space forecast for Q1-4 2023

Glossary

Definition of the market region

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

Take-up of space

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

Vacant space

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

Rents

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

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

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

Prime yield

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

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

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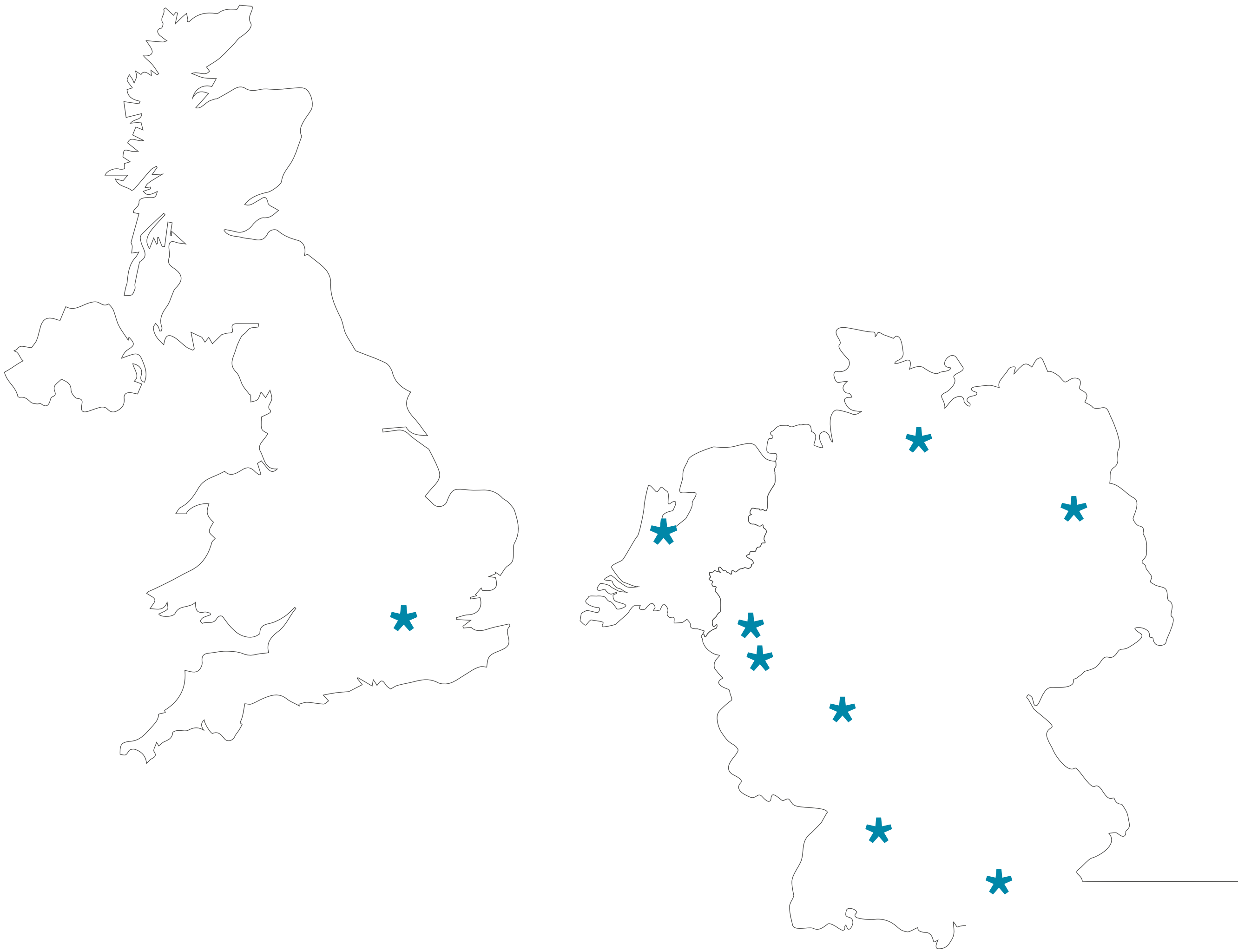

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