Office Space Market Cologne

January 2018

Good year end results for 2017, despite declining take-up

Dear Sir or Madam,

In our first brief report for this new year, we would like to summarise the most important key figures of 2017 for you.

Around 310,000 square metres of office space were taken up during the past year, according to our preliminary analysis. This corresponds to a decline by around 30 percent compared to the record year of 2016, however, it is still the third best result of the past decade. The main reason for the decrease in take-up is a weaker fourth quarter and a smaller number of transactions regarding particularly large units. In 2016 there were six lettings of over 10,000 square metres each that accounted for a total of more than 140,000 square metres. Meanwhile, there have been only two take-ups above the five-figure mark in 2017, accounting for a total of around 36,000 square metres.
These two take-ups were realised in Cologne-Deutz. The importance of office locations on the right bank of the Rhine continues to increase. More than 40 percent of office space taken up in the past year was located in areas on the right bank of the Rhine. Furthermore, around 47 percent of office space completed in 2017 is located in this part of the city. These shares are expected to remain large or to even increase over the next few years.

A top rent of EUR 26.50 per square metres was achieved in the premium segment in 2017. The average rent reached EUR 13.00 per square metre. This corresponds to an increase of around six percent. There has been a decline of the average rent weighted according to unit size compared to 2016, however, this is due mostly to the small number of major lettings in the high-priced range. Compared to 2015, there has been an increase by around 10 percent. Owing to the good demand situation combined with low availability - in particular in the city centre - it is expected that prices will continue to increase in 2018.

We would like to wish you a successful year and we are pleased to be at your disposal, should you have any questions regarding Cologne’s office space market.

Yours faithfully

Florian Schmidt

Head of Office Properties
Greif & Contzen Immobilienmakler GmbH

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Office space market Cologne – development key figures

Year	2013	2014	2015	2016	Develop-ment	2017
Take-up (000's m²)	**280**	**260**	**290**	**440**	↓	**310**
Existing space (million m²)	7.6	7.7	7.7	7.8	→	7.8
Completions (000's m²)	62	82	49	110	↖	95
Vacancies (000's m²)	560	510	440	360	↓	300
Vacancy rate in %	7.4	6.6	5.7	4.6	↓	3.8
Top rent (€/m²)	25.00	21.25	24.50	24.80	↑	26.50
Prime rent (according to gif) in €/m²	21.25	21.25	21.25	21.50	→	21.50
Average rent (initial letting*) in €/m²	18.75	18.25	19.75	20.70	↓	19.10
Average rent (weighted according to unit size*) in €/m²	10.80	12.70	12.40	14.10	↖	13.70
Average rent (mean value) in €/m²	11.88	11.90	11.90	12.20	↑	13.00
Employees contributing to social insurance (000's)**	499	512	522	537	↑	550
Unemployment rate in %**	9.3	9.6	9.3	8.5	→	8.5

* For new buildings and revitalised properties in good and very good city centre locations

** as of 30 June

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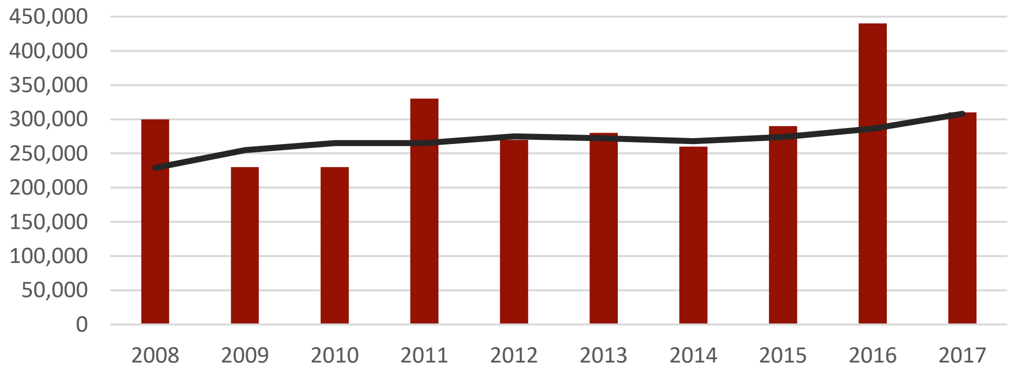
Significant office space transactions

The two biggest take-ups of office space were a total of around 18,800 square metres let to the Federal Office for Family Affairs and Civic Duties and the new headquarters for STRABAG AG for which construction commenced. This building for owner occupancy is going to have a size of about 17,100 square metres.
Associations, societies and public facilities accounted for more than 15 percent of the total take-up of office space. Providers of co-working schemes that are expanding across Germany have also increased their activities in Cologne. They are particularly interested in high quality units in central locations with good infrastructural links.

Take-up of office space (m²) development 2008 to 2017, 5-year average



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Selection of significant lettings

Tenant (location)	office space (m²)
Federal Office for Family Affairs and Civic Duties (Deutz)	approx. 18,800
STRABAG AG (new building for owner-occupation, Deutz)	approx. 17,100
Design Offices GmbH (Banking Quarter)	approx. 9,000
Landschaftsverband Rheinland (Deutz)	approx. 8,000
Deutsche Bahn AG (Köln Ost)	approx. 7,300
OBI GmbH & Co. Deutschland KG (Mülheim)	approx. 6,700
Deutsche Lufthansa AG (Braunsfeld)	approx. 6,500
Federal Office for Family Affairs and Civic Duties (Kalk)	approx. 5,600
Federal Office of Administration (Ossendorf)	approx. 5,500
Deutsche Lufthansa AG (Innere Kanalstraße)	approx. 4,600
DLR (new building for owner occupation, Köln Ost)	approx. 4,600
Warner Bros. International Television Production Deutschland GmbH (Köln Nord)	approx. 4,300

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New building by Deutsche Investitions- und Entwicklungsgesellschaft, Agrippastrasse © Greif & Contzen 2018

Outlook: Demand for office space fuelled by economic upswing

Institutes for economic research estimate the economy to have grown by 2.2 to 2.6 percent in 2017. This is the highest increase since 2011. According to the latest forecasts, this boom will gain further momentum in 2018 with an increase of up to 2.6 percent. The economy is fuelled by corporate investments, construction activities and private household consumption. The labour market is meanwhile approaching full employment.

This strong economic upswing is generally boosting the demand for office space. There are a number of search requests for office units in the four and five-digit square metre range in Cologne that may lead to transactions in 2018 - provided that suitable premises can be found. A number of popular city centre submarkets such as Kölner Ringe, MediaPark and Deutz, do not have sufficient vacancies to allow for an average annual take-up.

Office space completed in 2017 is almost fully let and only about one third of the total of about 80,000 square metres that are due for completion in 2018 are still available. Owing to the low vacancy rate in central locations, many office space transactions are either going to take place in existing buildings in areas in the vicinity of the city centre or in those located further out of town that possess good traffic links or even in new construction projects that are scheduled for completion in 2019. It appears entirely possible that 2018 will become another year with an annual take-up in the 300,000 square metre range.

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