

Office Space Market Cologne

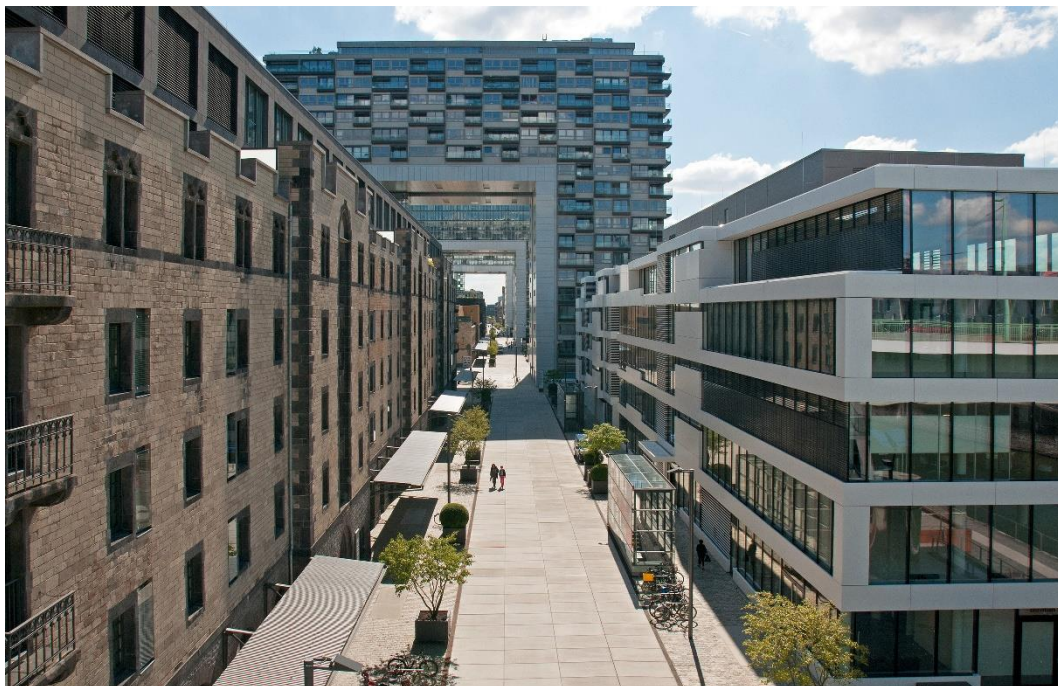
July 2018

“Rents are rising, vacancies down to under three percent“

In the course of the ever increasing supply shortage, the prime rent rose to EUR 22.00 per square metre, during the first half of 2018. Average rents increased by around 2.3 percent to EUR 13.30 per square metre, since the start of the year. The volume of vacant office space decreased to around 230,000 square metres, accounting for less than three percent of the total stock of space.

Around 125,000 square metres of office space were taken up in the reporting period. This corresponds to around 14 percent less than the average figure of the past five reference periods, of around 145,000 square metres. For the first time since 2013, no individual contract for more than 10,000 square metres of office space was concluded during the first six months of the year. More than half of the total take-up was accounted for by units of less than 1,000 square metres. This size category accounted for a share of just 37 percent in 2017.

DSD Duales System Holding GmbH took up around 6,000 square metres of office space in Gremberghoven. The coworking space provider Design Offices took up around 5,600 square metres in the new construction project Kaiser Hof. Further substantial contracts were concluded by the Ford group. Around 7,400 square metres of office space, spread across two buildings in the submarket of Braunsfeld, were rented by Ford-Werke GmbH. Furthermore, existing contracts for almost 17,500 square metres leased by Ford-Werke GmbH and Ford Bank (branch of FCE Bank plc) were renewed, in the same area.



Left to right: Halle 11, Kranhaus Nord and DOCK 6-10 in the Rheinauhafen area © Greif & Contzen 2018

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Office space market Cologne – key figures development and forecast

Year	2014	2015	2016	2017	Develop-ment	Forecast 2018	
Take-up (000's m²)	260	290	440	310	▼	280	▼
Existing space (million m²)	7.7	7.7	7.8	7.8	▶	7.8	▶
Completions (000's m²)	82	49	110	95	▶	60	▼
Vacancies (000's m²)	510	440	360	280	▼	210	▼
Vacancy rate in %	6.6	5.7	4.6	3.6	▼	2.7	▼
Maximum rent (€/m²)	21.25	24.50	24.80	26.50	▲	26.50	▶
Prime rent (according to gif) in €/m²	21.25	21.25	21.50	21.50	▶	22.00	▶
Average rent (initial letting*) in €/m²	18.25	19.75	20.75	19.25	▼	19.50	▶
Average rent (weighted according to unit size*) in €/m²	12.70	12.40	14.10	13.70	▶	14.40	▶
Average rent (mean value*) in €/m²	11.90	11.90	12.20	13.00	▲	13.30	▶
Employees contributing to social insurance (000's)**	512	522	538	553	▲	565	▶
Unemployment rate in %**	9.6	9.3	8.5	8.5	▶	7.7	▼

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

** as of 30 June, forecast regarding employees contributing to social insurance

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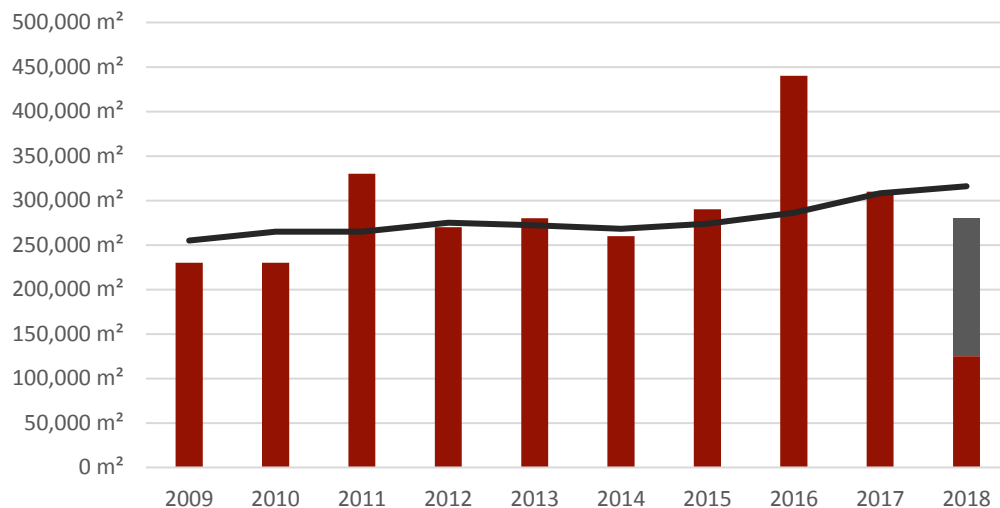
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Selection of significant lettings

Tenant (location)	office space (m ²)
DSD Duales System Holding GmbH (Gremberghoven)	approx. 6,000
Design Offices GmbH (Innenstadt Nord)	approx. 5,600
FOND OF GmbH (Köln Nord)	approx. 5,000
Ford-Werke GmbH (Braunsfeld)	approx. 4,800
Ford-Werke GmbH (Braunsfeld)	approx. 2,800
Stadt Köln (Köln Ost)	approx. 2,700
BG ETEM (Rheinufer Süd)	approx. 2,000
Bank für Sozialwirtschaft AG (Rheinauhafen)	approx. 2,000

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Take-up of office space 2009 to 2018 development, 5-year-average and forecast



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Vacancies continue to decrease – no considerable availability of space in certain submarkets

The office space vacancy rate decreased in virtually all submarkets during the first half of the year. By the end of the second quarter, vacancies were down to just 230,000 square meters. This corresponds to a share of around 2.9 percent of the total stock of space. Very little space remains available in certain submarkets, such as MediaPark. Vacancies increased in only a handful of areas. Most of these are located in submarkets on the outskirts of Cologne.

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The new GAG headquarters are about to be completed © Greif & Contzen 2018

Rents continue to rise

The decreasing amount of available space paired with continuously high demand, causes rental levels to rise further, even though take-up of space has decreased compared to the previous year. Many popular submarkets, such as MediaPark, Kölner Ringe, the areas along the banks of the Rhine, as well as Ehrenfeld, do not have enough space available to realise average annual take-up figures.

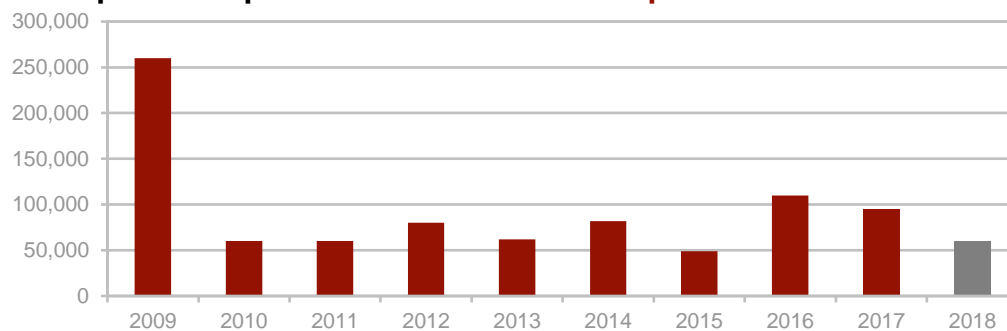
The prime rent reaches around EUR 22.00 per square metres for the first time. Particularly high-price lettings took place in the Rheinauhafen area and in a new construction project in the city centre.

The simple average rent stood at around EUR 13.30 per square metre at the end of the second quarter. Rents have therefore increased by about 30 cents, during the first half of the year. The average rent weighted according to unit size increased by around 70 cents to about EUR 14.40 per square metre.

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Office space completed 2009 to 2018 **development** and forecast



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Significant construction activities 2018 (properties under construction)

Property / location	Office space* (m²)	Completion
MesseCity (Deutz)	around 120,000	2019 / 2021**
b3 campus köln (Kalk)	around 19,000	2017 / 2018**
STRABAG headquarters (Deutz)	around 17,100	2018
ONE Cologne (Innere Kanalstrasse)	around 15,000	2019
Wallarkaden (Kölner Ringe)	around 14,000	2020
CLOUTH 104 (Köln Nord)	around 13,000	2019
GAG headquarters (Kalk)	around 12,400	2018
Kaiser Hof (Innenstadt Nord)	around 12,300	2019
Haus Friesenplatz (Kölner Ringe)	around 9,000	2019 / 2020**
The Ship (Köln Nord)	around 8,000	2019

* rental area across all construction phases, where there are multiple phases

** in multiple construction phases

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KölnCubus süd in the submarket of Kalk © Greif & Contzen 2018

Outlook: Economic boom slows down

Compared to the very optimistic economic forecasts at the start of the year, institutes of economic research are considerably more reserved by the end of the first half of the year. Researchers expect economic growth of between 1.8 and 2.1 percent in 2018 and between 1.5 and 2.3 percent in 2019. Figures for 2018 are between 0.5 and 0.8 percentage points lower than those forecast last March. The domestic economy and employment market continue to be robust, nevertheless. However, increasing insecurities in the context of trade disputes, concerns regarding political and economic developments in Europe and crises in the Near East are having a stronger effect and are impacting the import trade. The ifo business climate index has decreased significantly over the past few months, but it is still in the positive range.

The most recent survey conducted among local enterprises by Cologne's Chamber of Industry and Commerce in spring 2018, found the economic climate to have improved further. The overall economic conditions as a basis for demand for office space in Cologne are still on a good level. Based on forecasts, annual take-up of office space is likely to fall short of the five-year-average of around 300,000 square metres. Considering the scarce availability, it is to be expected that rents will at least remain stable, and a further increase would not be surprising, either.

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