

## Office Space Market Cologne

January 2019

### Office space market characterised by rising prices and scarce availability

Dear Sir or Madam

At the start of this new year, we would like to summarise the most important key figures of 2018 for you. Our preliminary assessment has found that a total of around 310,000 square metres of office space were taken up in Cologne in the past year. The result achieved in 2017 has thus been matched. Market development in 2018 was characterised by a significant decrease of vacancies. Only around 200,000 square metres of office space are currently available for rent. This corresponds to about 2.6 percent of the total stock of space. Further space is available to companies in property development projects.

Over the course of the past year, vacant office space in the city centre has decreased by around 37 percent, or almost 40,000 square metres. Landlords of centrally located office buildings featuring high-quality fittings or large connected office units are therefore in a strong position for realising rent price increases, as this type of property has become so scarce. Faced with the reduced availability of space, many companies opt to stay in their existing premises and to renew their leases, even at higher rates if necessary, rather than renting new premises.

This constellation has also led to increased demand for co-working spaces and business centres, whose operators' share of the total take-up of space increased to about 10 percent (approx. 4 percent in 2017). This group of tenants has mostly taken up mint condition office space in sought after locations with rental terms in the upmarket category.

In effect the average rent weighted according to unit size has increased by just under ten percent over the course of the year, and it currently stands at about EUR 15.00 per square metre. The prime rent rose from EUR 21.50 to EUR 23.00 per square metre. Above-average rental prices are realised for properties with high-quality fittings, both in the city centre and in popular suburban districts. The highest rent realised in 2018 was around EUR 25.00 per square metre.

For our final interpretation of 2018, please refer to our in-depth report of the office space market that will be issued at the end of February 2019. In the meantime, we would like to wish you a successful new year and we are gladly available to answer any individual questions about Cologne's office space market.



Yours sincerely

**Florian Schmidt**

Head of Office Properties  
Greif & Contzen Immobilienmakler GmbH

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### Office space market Cologne – development key figures

Year	2014	2015	2016	2017	Development 2017 / 2018	2018
Take-up (000's m <sup>2</sup> )	260	290	440	310	▶	310

Existing space (million m <sup>2</sup> )	7.7	7.7	7.8	7.8	▶	7.8
Completions (000's m <sup>2</sup> )	82	49	110	95	▼	50
Vacancies (000's m <sup>2</sup> )	510	440	360	280	▼	200
Vacancy rate in %	6.6	5.7	4.6	3.6	▼	2.6

Maximum rent (€/m <sup>2</sup> )	21.25	24.50	24.80	26.50	▲	25.00
Prime rent (according to gif) in €/m <sup>2</sup>	21.25	21.25	21.50	21.50	▲	23.00
Average rent (initial letting*) in €/m <sup>2</sup>	18.25	19.75	20.75	19.25	▲	20.75
Average rent (weighted according to unit size*) in €/m <sup>2</sup>	12.70	12.40	14.10	13.70	▲	15.00
Average rent (mean value*) in €/m <sup>2</sup>	11.90	11.90	12.20	13.00	▶	13.00

Employees contributing to social insurance (000's)**	512	522	537	553	▲	570
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

Greif & Contzen Research, Cologne, January 2019

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### Significant office space take-ups

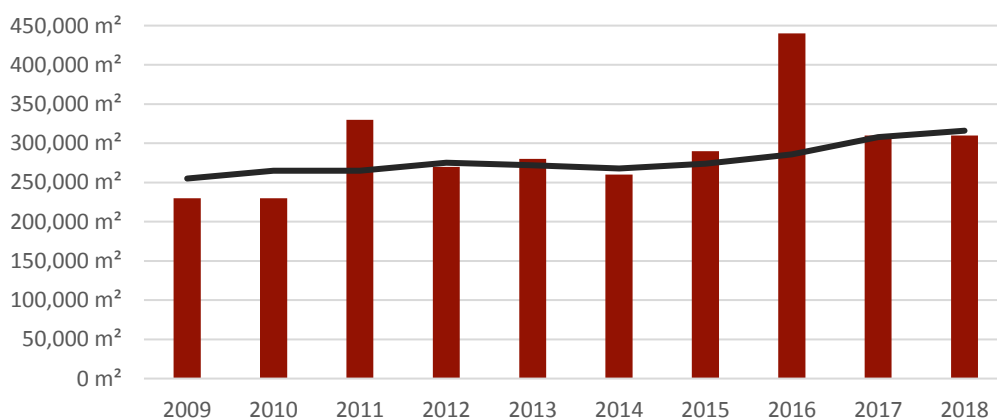
Ranks one and seven of the biggest units taken up in the past year were accounted for by Design Offices GmbH. The co-working provider took up around 13,000 square metres in the development project I/D Cologne in Mülheim, as well as around 5,600 square metres in the premium property Kaiser Hof in the city centre. Siemens AG was secured as a tenant for “Haus am Platz” on the I/D Cologne site, taking up more than 10,000 square metres. The Finance Office of North Rhine-Westphalia (Oberfinanzdirektion) took up a unit of around 10,600 square metres in the “Dominium” building in Cologne’s banking quarter. With a number of large and several smaller contracts concluded, authorities and associations accounted for about 21 percent of the total of space taken up. The districts to the right of the river Rhine accounted for a market share of about 28 percent.

### Selection of significant lettings

Tenant (location)	office space (m²)
Design Offices GmbH (Mülheim)	approx. 13,000
Finance Office of North Rhine-Westphalia (Bankenviertel)	approx. 10,600
Siemens AG (Mülheim)	approx. 10,500
City of Cologne (Innenstadt Nord)	approx. 8,500
DSD Duales System Holding GmbH (Gremberghoven)	approx. 6,000
parcIT GmbH (Innenstadt Nord)	approx. 5,900
Design Offices GmbH (Innenstadt Nord)	approx. 5,600
Cologne Chamber of Commerce and Industry (Braunsfeld)	approx. 5,300

Greif & Contzen Research, January 2019

### Take-up of office space **development** 2009 to 2018, 5-year-average



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### **Outlook: Further market development curbed by scarce availability of space and the economic situation**

The institutes for economic research have made several downwards adjustments to their growth forecasts for the gross domestic product, as the year went by. While increases of up to 2.6 percent were forecast in initial calculations, the most recent estimates for 2018 have been indicated as 1.4 to 1.8 percent. Major causes for this development include the fact that the level of capacity utilisation is already very high in the economy, as well as international trade disputes, and uncertainties regarding further developments in Britain and Italy. Recent forecasts of economic growth in 2019 range between around 1.1 and 1.8 percent. Consumer spending and the employment market continue to be assessed as sound.

The IFO business climate index decreased for the fourth consecutive time in December, and the temporary increase achieved in August has meanwhile been evened out once again. The business survey conducted among local businesses by Cologne's Chamber of Commerce and Industry in autumn 2018, has found business sentiment to have decreased. However, on the whole Cologne's businesses continue to have a positive outlook for the future.

The economic situation outlined above is expected to provide for solid yet slightly lower demand for office space in the year ahead. This aspect combined with the low vacancy rate and higher rent prices, makes it appear likely that a total of around 280,000 square metres of office space will be taken up in 2019.

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**If you have any questions, please contact:**



**Theodor J. Greif**  
Managing Director / Owner  
  
GREIF & CONTZEN  
Immobilien GmbH  
Tel: +49 221 93 77 93 - 200  
Email: [gl@greif-contzen.de](mailto:gl@greif-contzen.de)



**Florian Schmidt**  
Head of Office Properties  
  
GREIF & CONTZEN  
Immobilienmakler GmbH  
Tel: +49 221 93 77 93 - 340  
Email: [florian.schmidt@greif-contzen.de](mailto:florian.schmidt@greif-contzen.de)



**Frank Pönisch**  
Managing Director  
  
GREIF & CONTZEN  
Beratungsgesellschaft mbH  
Tel: +49 221 93 77 93 - 265  
Email: [frank.poenisch@greif-contzen.de](mailto:frank.poenisch@greif-contzen.de)



**Dr. Jan Schubert**  
Consultancy, Research  
  
GREIF & CONTZEN  
Beratungsgesellschaft mbH  
Tel: +49 221 93 77 93 - 263  
Email: [jan.schubert@greif-contzen.de](mailto:jan.schubert@greif-contzen.de)

Address: Pferdengesstrasse 42, 50968 Köln

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