

# Office Space Market Cologne

09|2022



GREIF & CONTZEN

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**Dear readers,**

The economic outlook has been deteriorating in recent months, as the economy is burdened by rising energy prices, disrupted supply chains and growing consumer reluctance.

This economic slowdown has not had any significant impact on Cologne's office space market to date. At around 270,000 square metres, take-up of space was about 29 percent higher than in the same period last year. Rents have increased on the whole and this trend is likely to continue, owing to the low vacancy rate paired with high construction costs.

Demand continues to be strong and prospective tenants are still searching for large-scale units. The decisive factor with regard to market development in the year ahead will be, whether the economic outlook will improve once again around mid-2023 as anticipated.

Please get in touch if you have any questions about Cologne's office space market, or would like to share your feedback with us.



**»New construction and revitalisation projects are still sought after and rents will rise further.«**

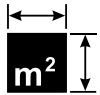
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Head of Office Properties

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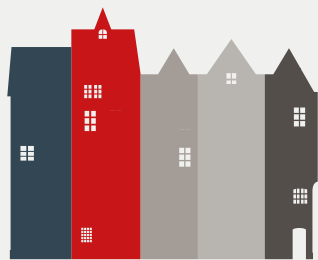
# Office Space Market Cologne Q3 2022



**270,000 m<sup>2</sup>**

## TAKE-UP OF SPACE

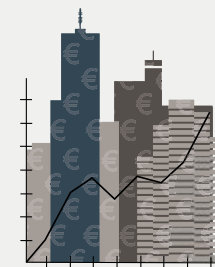
Compared to the same period last year, take-up of space increased by around 29 percent in the first three quarters of 2022. Two particularly large units of around 39,000 and 45,000 square metres were taken up in the first half of the year.



**215,000 m<sup>2</sup>**

## VACANT SPACE

The amount of vacant space decreased by some 16 percent in the year to date. This was due in large part to the former Kaufhof headquarters being taken up.



**27.00 €/m<sup>2</sup>**

## PRIME RENT

**36.00 €/m<sup>2</sup>**

## MAXIMUM RENT

The low vacancy rate and increasing construction costs give rise to higher rents. The weighted average increased from EUR 17.00 to EUR 18.00 per m<sup>2</sup> since January.



## WORKING WORLD

Many companies are adjusting their working environments to new requirements, including remote working. However, the office remains the centre of professional activities, despite individual units being vacated.



## OUTLOOK

Demand for space remains strong across all size and price segments. Rents will rise further for new buildings. The expected recession is likely to reduce demand in 2023.

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Office space market Cologne – key figures, development and forecast

	2018	2019	2020	Development 2020/2021	2021	Trend	Forecast 2022
<b>Take-up (000's m<sup>2</sup>)</b>	310	290	230	↑	315	→	<b>315</b>
<b>Existing space (million m<sup>2</sup>)</b>	7.8	7.9	8.0	↗	8.05	↗	<b>8.15</b>
<b>Completions (000's m<sup>2</sup>)</b>	62	160	70	↑	95	↑	<b>130</b>
<b>Vacant space (000's m<sup>2</sup>)</b>	200	185	230	↗	255	↓	<b>200</b>
<b>Vacancy rate in %</b>	2.6	2.3	2.9	↗	3.2	↓	<b>2.5</b>
<b>Maximum rent (in €/m<sup>2</sup>)</b>	25.00	29.00	28.50	↑	30.00	↑	<b>36.00</b>
<b>Prime rent (according to gif) in €/m<sup>2</sup></b>	23.00	26.00	26.00	↗	27.00	→	<b>27.00</b>
<b>Average rent (weighted according to unit size) in €/m<sup>2</sup></b>	15.00	16.70	16.50	↗	17.00	↗	<b>18.00</b>
<b>Average rent (mean value) in €/m<sup>2</sup></b>	13.00	14.00	14.00	↑	15.30	↗	<b>16.40</b>
<b>Employees* (000's) (as of June)</b>	569	583	580	↗	591	↗	<b>600</b>
<b>Unemployment rate in % (as of June)</b>	7.7	7.9	9.6	↘	9.5	↓	<b>8.4</b>

\* employees contributing to social insurance

Source: Greif & Contzen Research, Cologne, September 2022

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# Letting

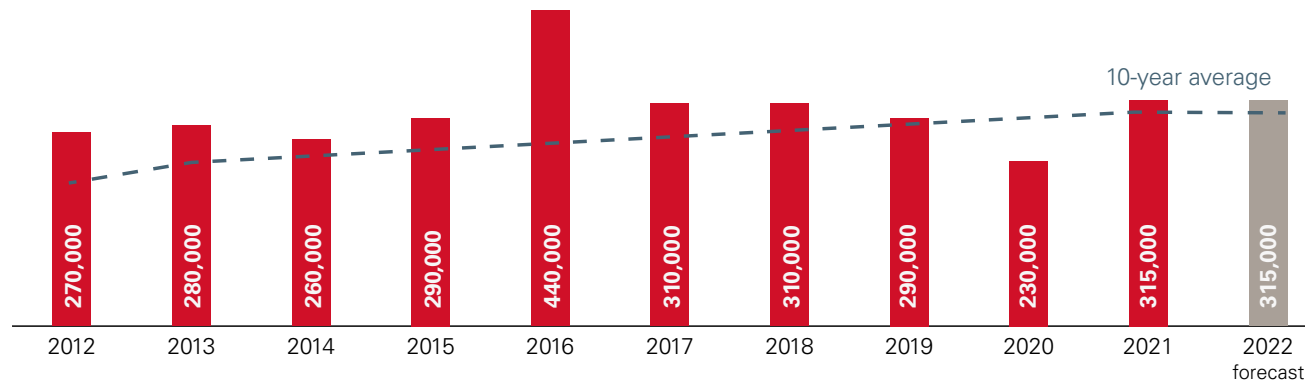
## Demand across all size and price segments

Around 270,000 square metres of space were taken up in the first three quarters. The corresponding increase of about 29 percent compared to the same period last year, was due in particular to three very large units that were taken up. These range between 16,000 and 45,000 square metres

in size. In addition, a number of units were taken up in the 1,000 to 5,000 square metres segment. At 43 percent, the share of take-up that was accounted for by public users was similar to that recorded in autumn 2021 (Q3 2021: about 41 percent).

**270,000 m<sup>2</sup>**  
take-up of space Q1 – Q3 2022

### Take-up of office space: development 2012 – 2021, 10-year-average and forecast for 2023 | in m<sup>2</sup>



### Top 5 units taken up in 2022

User	Status	Office space in m <sup>2</sup>
Public-sector facility (Köln Nord)	development project	approx. 45,000
City of Cologne (Innenstadt Süd)	existing space	approx. 38,800
CBS Cologne Business School (Köln Süd)	existing space	approx. 16,000
City of Cologne (Mülheim)	development project	approx. 8,200
IT company (Deutz)	existing space	approx. 5,500

Source: Greif & Contzen Research, Cologne, September 2022

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## Landlords can realise price increases

Office space users must pay higher rents due to the low availability of vacant space and high construction costs.

- The prime rent has been stable at EUR 27.00 per square metre in the first three quarters of the year. However, a rising trend can be observed in this segment.
- Rents of over EUR 31.00 per square metre were agreed upon for a number of smaller units in central locations. The highest rent realised was EUR 36.00.

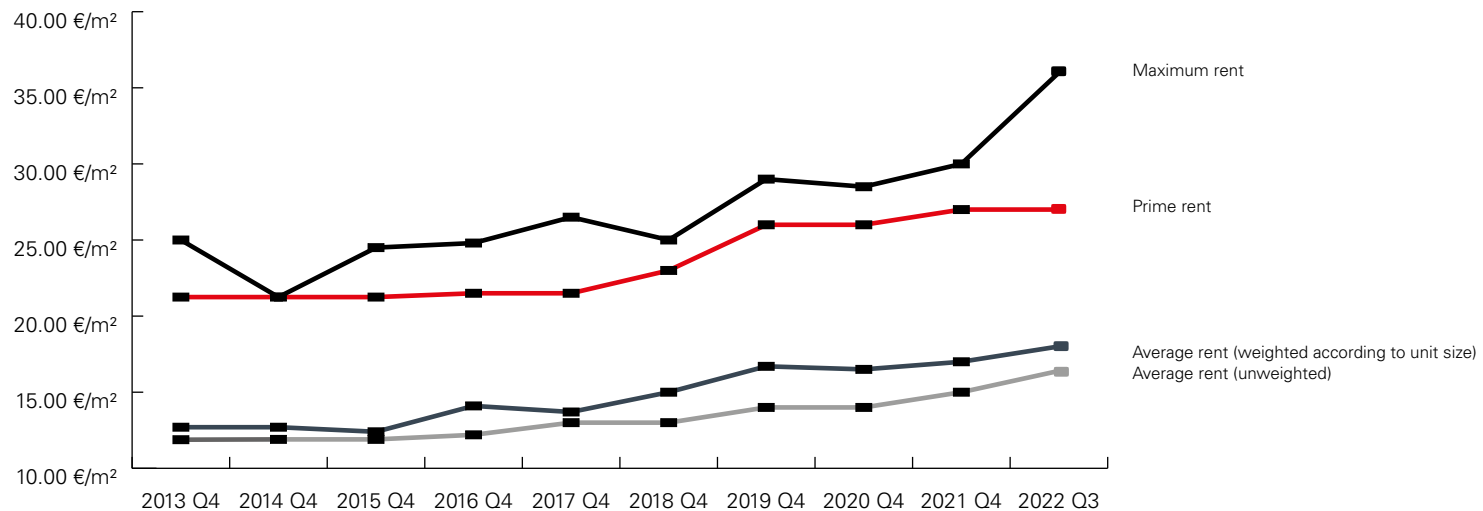
The increase of prices is clearly reflected in the market average.

- The average rent weighted according to unit size increased from EUR 17.00 to EUR 18.00 per square metre.
- The unweighted average rent rose from around EUR 15.30 to EUR 16.40 per square metre.
- Most rent prices provided for by existing contracts have already been adjusted for inflation based on index clauses.

**EUR 27/m<sup>2</sup>**  
prime rent Q1 – Q3 2022

**EUR 36/m<sup>2</sup>**  
maximum rent Q1- Q3 2022

### Development of office space rents 2013 to Q3 2022 | in €/m<sup>2</sup> per month



Source: Greif & Contzen Research, Cologne, September 2022

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# Available space

## Above-average completion figures in 2022

### Available space

#### Construction activity

#### Vacant space

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Around 130,000 square metres of office space are scheduled for completion in 2022.

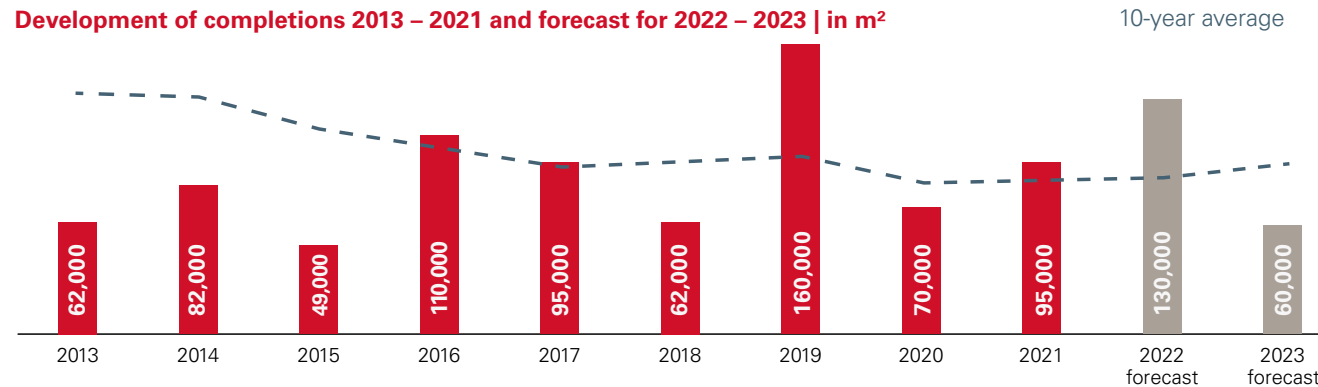
- This is the second highest volume recorded in many years.
- Less than 15 percent of this space is still available for rent.

Far less space will be completed in 2023: about 60,000 square metres.

- The required pre-letting ratio was not reached for a number of construction projects.
- A few medium-sized units are still available.

**190,000 m<sup>2</sup>**  
new office space scheduled for completion 2022 – 2023

Development of completions 2013 – 2021 and forecast for 2022 – 2023 | in m<sup>2</sup>



### Top 3 projects under construction

Property/submarket	Rental space in m <sup>2</sup>	Completion
Kite (Ossendorf)	around 23,000	2022
CENTRAAL (Deutz)	around 19,700	2024
Ovum (Braunsfeld)	around 16,100	2022

Source: Greif & Contzen Research, Cologne, September 2022

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Vacancy figures are almost back to pre-COVID-levels

Over the course of the year, vacant office space decreased from around 255,000 square metres to now around 215,000 square metres.

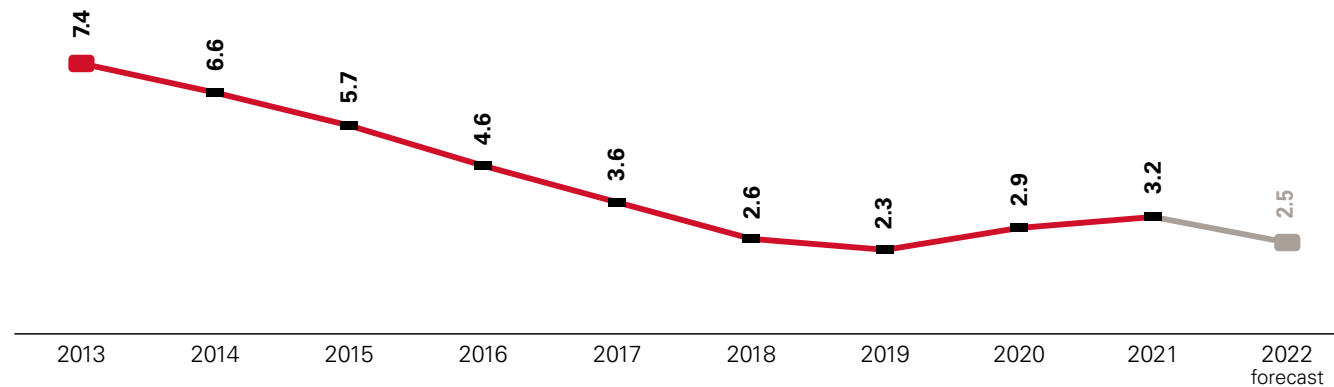
- The vacancy rate is about 2.7 percent.
- The transaction concerning the former Galeria Kaufhof headquarters caused availability to decrease significantly in the city centre.
- A few large units were also sub-let.

Vacant space could slightly decrease further by the end of the year to about 200,000 square metres.

- The few available vacant units with more than 5,000 square metres of office space are located outside the city centre.
- Requests for units of more than 10,000 square metres can be catered for almost solely with construction and refurbishment projects, or in rare cases as direct follow-on leases.

**2.5%**  
vacancy rate  
forecast Q4 2022

Vacancy rate 2013 – 2022 | in %



Source: Greif & Contzen Research, September 2022



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## Rents remain stable to rising despite the economic downturn

### Overall economic situation

Many economists expect that rising energy prices, the interest rate turnaround, disrupted global trade and increasing consumer reluctance will cause the economy to shrink from winter onwards at the latest.

- Institutes of economic research predict an overall growth of the gross domestic product of between 1.1 and 1.6 percent in 2022.
- The majority of gross domestic product forecasts for 2023 are negative (-1.75 to +0.8 percent).
- The ifo business climate index has been decreasing again since May.

### Office Space Market Cologne

No noticeable decline in demand has occurred in the local office space market to date, despite the fact that an economic downturn is becoming apparent.

- Current requests for space suggest that units of considerable size will continue to be taken up over the next few months.
- A total of around 315,000 square metres of office space could be taken up in 2022, matching the result achieved last year.
- Vacancies could slightly decrease further in the fourth quarter.
- The trend of rising rents continues, and construction and refurbishment projects in the city centre are offered at prices above the current prime rent.
- The decisive factor with regard to market development

in the next year will be, whether the expected recession will be limited to the winter months or will persist for a longer period.

- For the time being, the price level will be backed up by the low availability of vacant space and high construction costs.

**315,000 m<sup>2</sup>**

take-up of space  
forecast for 2022



Office building in the large-scale development MesseCity

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# Glossary

**Take-up of space**

The take-up of space is the amount of office space 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 occupation, the date of the purchasing contract or the date the actual construction measure was begun is considered to attribute the measure to a certain time period. Lettings to final users in office centres or coworking facilities are not taken into account.

**Vacant space**

Completed office space that is currently not let or occupied and available for rent or purchase by an owner-occupier in the near term, is considered vacant space. The vacancy rate is the percentage of vacant space of the total of existing office space.

**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 an office 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.
- **Benchmark rent**  
This figure is specified for a geographically defined office submarket. It is based on the range of the standard deviation below and above the (unweighted) average rent.

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**1976**

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



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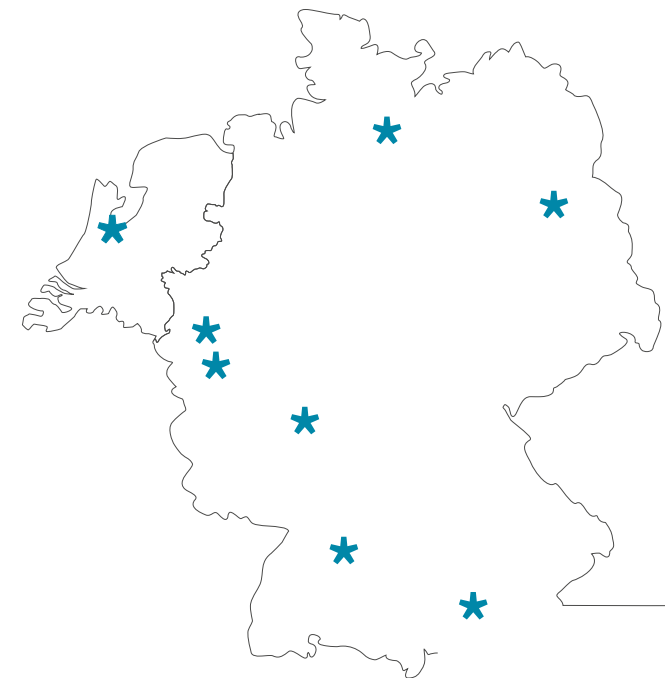
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## Company details

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