

## **Pressemitteilung**

Cologne on 30/09/2022

### **Cologne's office space market: stability in testing times**

**The current economic situation and mood are rather gloomy in Germany in these difficult times. However, there are exceptions: Cologne's office space market appears to be rather unaffected by the crisis to date. The latest analysis prepared by the property experts from Greif & Contzen outlines a market where prospective tenants who are looking for units from all size and price segments are still plentiful.**

Rising energy prices, disrupted supply chains, consumer reluctance: the economy is burdened by a wealth of adverse factors. The economic outlook has deteriorated considerably over the past few months, and expectations for the coming winter are far from optimistic. Nevertheless, there are rays of hope in this gloomy environment. One of these is Cologne's office space market. "The economic slowdown has not had a significant impact on demand for office space in our city yet," says Andreas Reul, Head of Office Properties at Greif & Contzen Immobilienmakler GmbH.

#### **Take-up of space slightly above the 10-year average**

The crisis resistance of Cologne's office space market so far is reflected by the latest figures published by Greif & Contzen's researchers in their office space market report: around 270,000 square metres of space were taken up in the first three quarters of the current year, which corresponds to an increase of some 29 percent compared to the same period last year. Vacant office space decreased by around 16 percent in the year to date to around 215,000 square metres and a vacancy rate of around 2.7 percent. Those looking for office space are acting a little more cautiously in parts, but no drastic decline in prospective tenants can be observed. Greif & Contzen's researchers expect that about 315,000 square metres will be taken up by the end of the year in total, surpassing the 10-year average slightly.

#### **Price increases**

In view of stable demand and scarce availability of new, modern office space, landlords have been able to realise price increases and pass on higher construction costs to tenants of new buildings. While the prime rent remained stable at EUR 27.00 per square metre, prices of up to EUR 36.00 were recorded in the premium segment, and the average rent weighted according to unit size rose from EUR 17.00 to EUR 18.00 per square metre since January. Greif & Contzen's experts anticipate further price increases over the months



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ahead. “New construction and revitalisation projects in particular continue to be scarce and in high demand. Rents will rise further, especially for those types of properties,” Andreas Reul explained. He added that most rent prices provided for by existing contracts had already been adjusted for inflation based on index clauses.

### **Stabilising effect of public sector users**

Cologne’s office space market is currently benefiting from the structure of its tenants, as these include numerous public sector organisations that take up plenty of space. Public sector tenants have a stabilising effect on Cologne’s office space market, as they tend to be affected less strongly by economic fluctuations than businesses. Among the biggest units taken up in the current year were the former Kaufhof headquarters with around 38,800 square metres that were let to the Department for Facility Management of the City of Cologne. Another public institution picked up around 45,000 square metres in the north of Cologne, while the Cologne Business School took up 16,000 square metres.

### **Uncertainties are becoming noticeable**

With regard to the final part of the year, Greif & Contzen expects that demand will remain strong for now. Greif & Contzen’s experts estimate that around 130,000 square metres of new office space will be added to Cologne’s market in total this year. However, less than 15 percent of this space is still available for rent, as the rest has been pre-let or is intended for owner occupation.

Far less space will be completed in 2023: about 60,000 square metres. It is likely that the uncertainties that are expected to burden the economy in coming months will become noticeable here after all: the required pre-letting ratio was not reached for a number of construction projects, as many companies have been gradually putting their expansion plans on hold, due to the overall economic situation. This in turn causes planned construction and expansion projects to be put on hold, too. “The decisive factor with regard to market development in the year ahead will, of course, be the duration of the expected economic downturn and whether the economic outlook will improve once again around mid-2023 as anticipated,” Reul said.

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Die Entwicklung der Immobilienmärkte analysiert Greif & Contzen in regelmäßig erscheinenden Büro-, Logistik- und Investmentmarktberichten.

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