

Pressemitteilung

Köln, 28.09.2023

No need to jump to conclusions

The situation in Cologne's office space market has become challenging: take-up of space has decrease significantly and market participants have adopted a wait-and-see attitude. The property experts of Greif & Contzen warn of excessive pessimism, nevertheless.

It is an established fact that bad news tends to be acknowledged more vividly and to be remembered for longer. This psychological inclination of human beings can currently be observed with regard to Cologne's office space market, too. "The two insolvencies of property developers who are active in Cologne were widely discussed," says Andreas Reul, Head of Office Properties at Greif & Contzen Immobilienmakler GmbH. "There is nothing wrong with that. However, the fact that there are many more property developers in Cologne and that many of these are still solvent and positioned solidly, tends to fade into the background. This gives rise to uncertainty, which is rarely a good advisor."

Projects are still being completed successfully

Andreas Reul points out that excessive pessimism and uncertainty are things that the market could really do without at the minute. "Sober-minded composure would be a much better response," the property experts adds, even though he does not deny the fact that the current situation is challenging. In their latest market survey, Greif & Contzen's researchers report that only around 128,000 square meters of office space were taken up in the first three quarters of 2023, while 270,000 square metres had been taken up in the same period last year.

If this trend continues until the end of the year, take-up of space will be on the lowest level since 2004. Nevertheless, "a number of projects is expected to be completed successfully over the next few months," according to Greif & Contzen's latest office space market report. A total of 90,000 square metres of office space is scheduled for completion this year, which is in line with the ten-year average.

Moderate vacancy rate, rising rents

There are a few more reassuring factors that speak against a lengthy, large-scale crisis for Cologne's office space market: the vacancy rate remains on a moderate level of currently 3.4 percent, while rents are not only stable but are in fact presenting a growing tendency. The prime rent was boosted by individual contracts concluded for premium-quality units, especially in the first quarter, and rose from last year's EUR 28.50 to now

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EUR 32.00 per square metre. The average rent weighted according to unit size increased from EUR 18.50 last year to currently EUR 19.30 per square metre.

The most challenging market situation in many years

It is indisputable that market participants are currently faced with the most challenging circumstances in many years. In addition to the fact that many companies are affected by the general economic downturn, countless businesses across a wide range of industries are considering strategic repositioning. They are asking themselves, what should be their priorities, which workplace concepts are suitable for their workforce, which legislative changes will need to be implemented, and how expenses are going to develop in future. The market for property developers is going to remain uncertain, while office space users are struggling to answer these questions.

A slight recovery can be observed

The calm attitude of Greif & Contzen's property experts is due not least to recent observations: "Over the past few weeks, potential tenants have become more active again," Andreas Reul reports. "A number of rental agreements were concluded for space in new and refurbished buildings, including for a few large units. Office users are willing to pay high prices for top-quality units. In consideration of the activities in recent weeks, we expect a certain increase in contract conclusions in the fourth quarter. Combined with a focus on units in mint condition in good locations, this is likely to cause an increase of rents." He continues by saying that property developers will continue to actively pursue construction and revitalisation projects as long as there is potential to obtain adequate rents.

Outlook: not a crisis but a painful adjustment process

However, it will take a while for the curve to point upward again. The sluggish economy and general reluctance of office users will continue to affect the development of the office space market over the next few months. And yet, Reul points out that he does "not expect a lengthy crisis" but thinks of the situation as "a painful but nevertheless temporary adjustment process".

Based on the assumption that the currently noticeable recovery of demand will give rise to higher take-up of space in the fourth quarter, Greif & Contzen expects that a total of around 190,000 square meters of office space will be taken up in Cologne up to the end of the year. "The strategic focus of some projects will need to be adjusted, and that takes time," Reul says. Business models that rely on a large share of borrowed capital, rising

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real estate prices and quick resale will give way to projects using land that is already owned by the developers, where a large proportion of equity can be used, liquidity is secured for a number of years, and where the market participants involved do not focus on maximising profit in the short or medium term, but on long-term sustainability and income. And there are quite a few of these in the greater Cologne / Bonn area.

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