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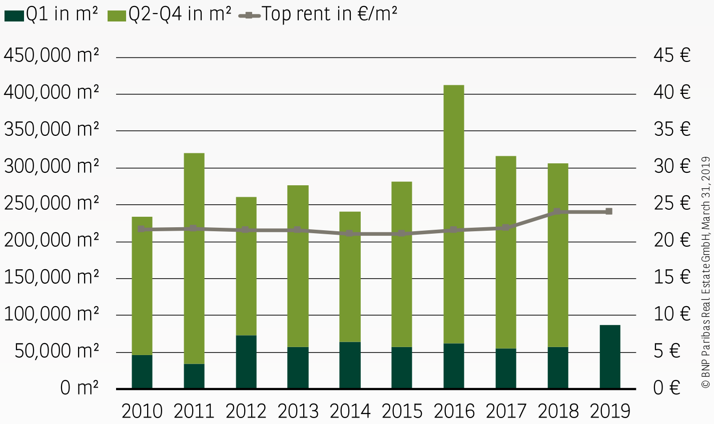
RESEARCH

At a Glance Q1 2019

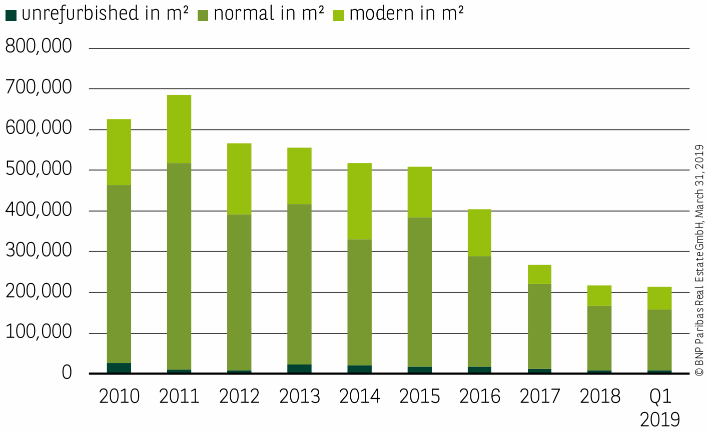
OFFICE MARKET COLOGNE

Development of take-up and top rents in Cologne



Take-up by sector in Cologne Q1 2019

Development of vacant space in Cologne



COLOGNE STARTS THE NEW YEAR WITH RECORD RESULTS

The Cologne office market achieves a very successful first quarter: The best start to the year ever was registered with a take-up of 87,000 m². The result is therefore well above the previous year's figure (57,000 m²) and the 10-year average (55,000 m²). The two submarkets City (38,800 m²) and Ossendorf/Nippes (23,500 m²) accounted for the majority of turnover. Furthermore it should be stressed that the large number of contracts in the smaller and medium-sized segment up to 2,000 m² makes this strong result possible. To date, Sparkasse KölnBonn (15,800 m²) in Ossendorf/Nippes contributed the largest lease contract. Despite the record turnover, however, a dilemma in the Cologne office market should not be ignored: Once again, vacancies have fallen, making it increasingly difficult for medium-sized and larger requests to find modern space. Against this backdrop, the high momentum in the first quarter is all the more impressive.

BANKS/FINANCIAL SERVICE PROVIDERS IN THE LEAD

The banking and financial services sector usually plays a minor role in the Cologne office market. Thanks to the above-mentioned major deal and a number of further ones in the small-scale segment, however, this sector is currently taking the top position with a good 26 % and is already achieving one of the best overall results ever. Information and communication technologies were already on the podium at the end of 2018 and were able to take this momentum with them into the new year. At almost 17 %, they rank second and are ahead of the rapidly growing coworking sector, which is responsible for two of the largest deals in the first quarter through the leases of Wework (6,800 m²) and Regus (3,300 m²).

FURTHER VACANCY REDUCTION

Cologne has been experiencing decreasing vacancy rates for years, and even in 2019 no end to the supply shortage seems to be in sight. During the first three months of the year, vacancy fell by a further 5,000 m² down to the low level of 213,000 m². The vacancy rate of only 2.7 %, which is also very low by national comparison, additionally illustrates the tense market situation. Besides, a modern standard is available for just 55,000 m², which represents a slight increase of 8 % since the beginning of the year. Overall, however, the number of spaces available at short-term notice is too low, so that it is becoming increasingly difficult for demand to get what it is looking for.

Major contracts in Cologne

Sub-market	Company	m²
3.1	Sparkasse KölnBonn	15,800
1.1	Wework	6,800
2.1	Regus	3,300
1.1	KPMG	2,700
1.1	Business agency of the city of Cologne	2,700
1.1	Check24	1,900

Trends in important market indicators in Cologne

	Q1 2018	Q1 2019	Trend remaining year
Take-up	57,000 m²	87,000 m²	→
Vacant space	214,000 m²	213,000 m²	↘
Space under construction (total)	150,000 m²	177,000 m²	↗
Space under construction (available)	55,000 m²	46,000 m²	↘
Top rent	21.90 €/m²	24.00 €/m²	↗

AVAILABLE OFFER DECLINES DESPITE CONSTRUCTION ACTIVITY

Modern office space is needed in Cologne, and indeed several new spaces are being developed in the city area. In particular in Deutz (68,000 m²) and Ossendorf/Nippes (35,500 m²) larger projects will be completed within the next 12 months. However, most of the 177,000 m² space under construction in Cologne has already been pre-let or owner-occupied, meaning that only 46,000 m² is available to the market. The total available space (vacancy + available space under construction) reached an all-time low of just 259,000 m². Although the fact that new office properties are coming onto the market is encouraging overall, the current volume is unlikely to provide sufficient relief in the medium term.

SUBSTANTIAL RISE OF THE PRIME RENT

In the entire market area, demand exceeded supply and as a result rents rose noticeably last year. With currently 24 €/m² for modern space in the city, the top rent is almost 10 % higher than in the same period of the previous year. In the same timeframe, the average rent rose even more strongly to the new record value of 16.20 €/m². Due to the continuing surplus in demand, a further increase in average and prime rents is likely during the rest of the year.

PERSPECTIVES

In the first quarter, the Cologne office market laid a very good foundation for a successful year based on dynamic market activity in the mid-market segment. Notwithstanding a still difficult supply situation, a renewed attack on the 300,000 m² mark is possible. Further construction projects are necessary, however, to give the market the required flexibility for healthy dynamism.

Key indicators Cologne Q1 2019

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	Q1 2019	total	modern	of this, since completion	total	available	available	projected
Submarkets**		1		2	3	4	5	6	7	8 = (3 + 7)	9
1	City Centre										
1.1	City Centre		24.00	38,800	52,500	17,000	4,000	23,600	13,900	66,400	16,400
1.2	Deutz		18.50	4,000	900	700	0	68,000	9,000	9,900	30,000
2	Centre Fringe	14.00	16.00	14,000	45,800	5,700	0	39,300	8,500	54,300	175,300
3	Subcentres	10.50	15.40	30,200	113,800	31,600	10,000	46,100	14,600	128,400	88,300
	Total			**87,000**	**213,000**	**55,000**	**14,000**	**177,000**	**46,000**	**259,000**	**310,000**

* The top rent given applies to a market segment of 3-5 % in each case.
** The relevant office market zone can be found on our website under "Research".

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