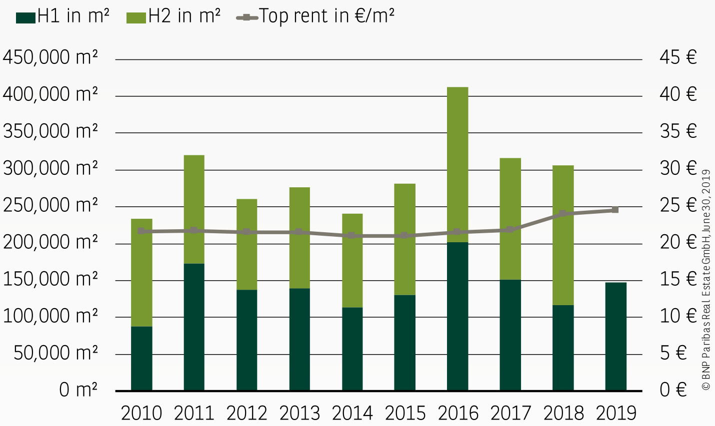
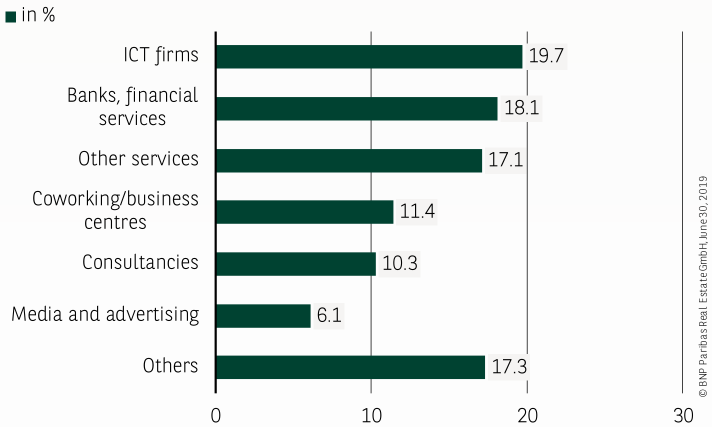
At a Glance Q2 2019

OFFICE MARKET COLOGNE

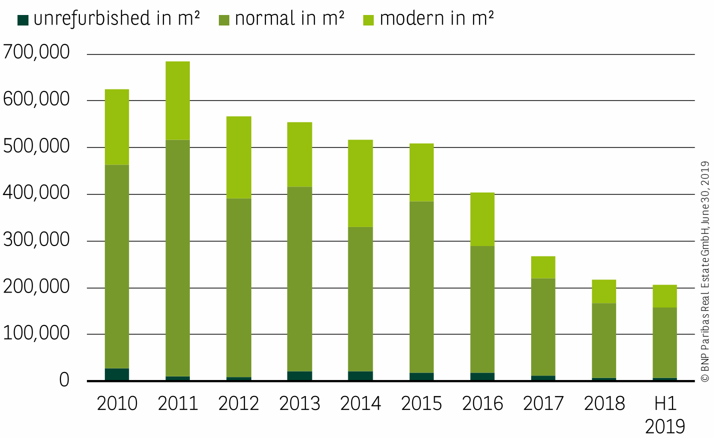
Development of take-up and top rents



Take-up by sector H1 2019



Development of vacant space



SOLID RESULT IN THE FIRST HALF OF THE YEAR

After the Cologne office market reported a record volume in the first quarter, the situation has recently calmed down to a certain extent. Nevertheless, with a total take-up of 147,000 m², the half-year figures are quite pleasing and slightly (5%) above the long-term average. Around 40% of the space was rented in the city (59,700 m²), underlining its status as the most important office market zone in the cathedral city. It benefits in particular from the large number of contracts in the medium and small segments - for larger lettings there is no corresponding offer. The largest transaction to date in 2019 finally took place in a secondary location: The Sparkasse KölnBonn has rented around 15,800 m² in a project development in Cologne-Ossendorf. Such new construction projects are also urgently needed in order to be able to serve requests for larger and modern premises, as the reduction in vacancies continues in 2019 and the space available at short notice is reaching new lows.

THREE INDUSTRIES HEAD TO HEAD AT THE TOP

In the current sector distribution, three branches are close together. With almost 20%, ICT technologies secured first place, to which among other things the contracts of Congstar (6,300 m²) and Cancom (6,000 m²) have contributed. The second strongest force is banks and financial service providers (18%), mainly due to the above-mentioned large transaction, which rank just ahead of other services (around 17%). The fast-growing coworking sector reports a total of three major leases from the providers WeWork and Regus and thus has a share of a good 11%. This puts it ahead of consulting firms, which still contribute slightly more than 10%.

VACANCY IS NEARING THE 200,000 m²-MARK

The Cologne office market is facing an increasing shortage of supply since years. The vacancy rate of 2.6% is one of the lowest in Germany, and demand often takes a long time to find suitable premises. The reduction in vacancies has slowed somewhat recently: in the first half of the year it fell by 12,000 m² to 206,000 m² and is probably approaching its lowest point. The amount of available space is thus well below the fluctuation reserve that is necessary for a well-functioning market, so the tense supply/demand ratio is likely to persist for the foreseeable future.

Major contracts

Sub-market	Company	m²
3.1	Sparkasse KölnBonn	15,800
3.5	DLR Köln-Porz	7,900
1.1	WEWork	7,000
1.1	Congstar	6,300
2.4	Cancom	6,000
2.1	Regus/ Spaces	3,300

Trends in important market indicators

	H1 2018	H1 2019	Trend remaining year
Take-up	117,000 m²	147,000 m²	→
Vacant space	208,000 m²	206,000 m²	↘
Space under construction (total)	149,000 m²	194,000 m²	↗
Space under construction (available)	53,000 m²	45,000 m²	↘
Top rent	22.00 €/m²	24.50 €/m²	↗

ABOVE-AVERAGE CONSTRUCTION ACTIVITY IS NOT ENOUGH

With an actual space of 194,000 m² being built, an above-average construction activity can be observed, which is 30% above the value of the previous year. However, not even a quarter (45,000 m²) of this is available to the market. The spaces are often let before completion (see Sparkasse KölnBonn) or occupied by owner-occupiers, such as the new office building of the German Aerospace Center (DLR) in Cologne-Porz. At 251,000 m², the total available space (vacancy + available space under construction) is lower than ever before and impressively illustrates the need for new buildings in Cologne.

RENTS INCREASE NOTICEABLY

As a result of the described market situation, the rent level in the urban area has risen noticeably. At the top, 24.50 €/m² have to be paid for modern space in the city centre, which corresponds to an increase of around 11% compared to the previous year. The average rent is now at the record level of 16.30 €/m². It increased significantly in almost all submarkets in the course of the last year and shows that the tension has increased in the entire market area.

OUTLOOK

The Cologne office market achieved a good result in the first half of the year, which is all the more pleasing against the background of the difficult market situation described above. Further construction projects are absolutely necessary to relieve the pressure, as the demand for new space remains high. Although it is possible that a total turnover of 300,000 m² will be achieved at the end of the year, the lack of space can have a limiting effect. Due to this imbalance between supply and demand, rents should continue to rise.

Key indicators H1 2019

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	H1 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		24.50	59,700	49,300	11,900	1,500	20,800	9,900	59,200	3,700
1.2	Deutz		18.50	4,300	2,700	2,500	0	68,500	9,400	12,100	30,000
2	Centre Fringe	15.00 -	16.00	33,600	41,600	2,500	0	54,500	5,200	46,800	225,300
3	Subcentres	10.50 -	15.50	49,400	112,400	31,100	9,500	50,200	20,500	132,900	64,000
	Total			**147,000**	**206,000**	**48,000**	**11,000**	**194,000**	**45,000**	**251,000**	**323,000**

* 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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