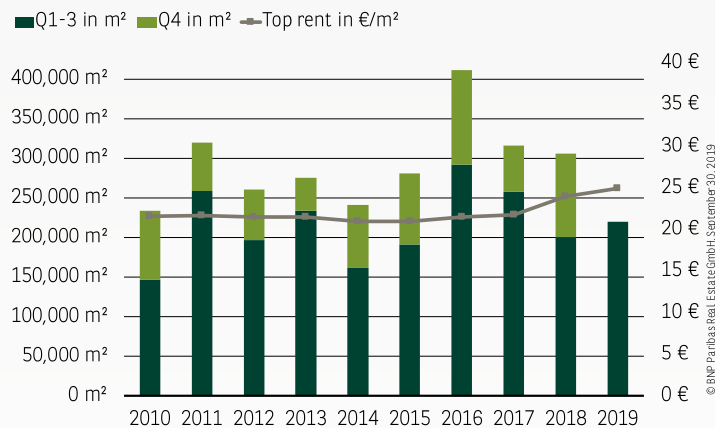




At a Glance **Q3 2019**

OFFICE MARKET COLOGNE

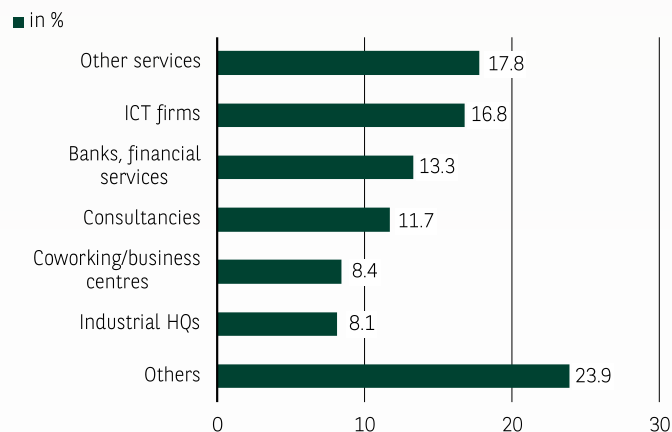
Development of take-up and top rents



➤ HARDLY ANY SUPPLY AVAILABLE - BUT GOOD RESULT

At the end of the third quarter of 2019, the Cologne office market recorded a positive result with a total take-up of 220,000 m², which means that the 200,000 m² threshold was surpassed for the fourth time in a row. It is almost 10% above the previous year's figure and the long-term average is also slightly exceeded (+2%). This outcome is even more remarkable considering that the already very tense supply situation became even more acute in the course of the third quarter. As a result, the vacancy rate has fallen again: it now stands at only 2.5% and is therefore at a very low level compared with the rest of Germany. As in the previous year, the current nine months result is based on dynamic market activity in the medium and small-size segments. Only the Sparkasse KölnBonn (17,600 m²) reports a five-digit square meter deal. The supply situation is increasingly difficult, especially in the City Centre the most important submarket for potential tenants, which accounts for 75,000 m² of current take-up.

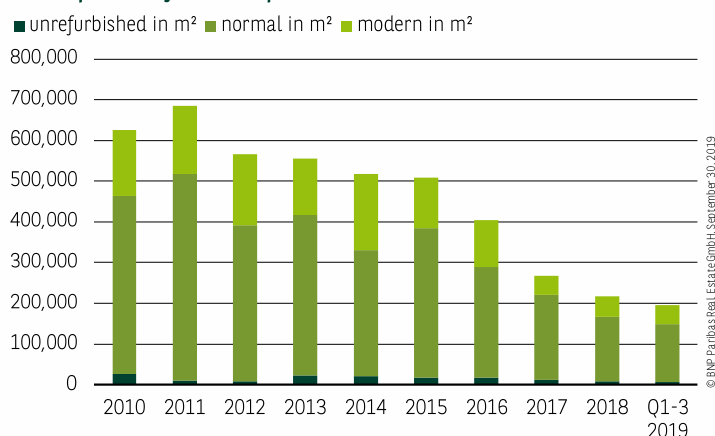
Take-up by sector Q1-3 2019



➤ DIVERSE DEMAND STIMULATES THE MARKET

The current sector analysis shows a broad distribution of demand. No sector is above 20% and the group with the highest volume to date is the category of other services (about 18%). It comes in just ahead of ICT firms, which are the second strongest contributors due among other things to the lettings of Congstar and Cancom (each a good 6,000 m²). Third place is secured by banks and financial services (a good 13%). Consultancies (just under 12%) also achieve a double-digit figure, whereas coworking providers and industrial companies (both a good 8%) remain below 10% despite notable deals by WeWork (7,000 m²) and Arlanxeo (8,400 m²).

Development of vacant space



➤ FREE UNITS ARE RARE - VACANCY RATE DECLINES

Although the pace at which vacancy reduction is progressing slows down, a decline of 22,000 m² - a minus of 10% - in the first three quarters of the year is sufficient to meanwhile undercut the 200,000 m² mark. The remaining vacant space of 196,000 m² is mainly located in the office market zones Porz/Airport (20%), City Centre (almost 18%) and Ehrenfeld/Braunsfeld (a good 17%), with the lack of modern and contiguous space being the main issue. The search for vacant office space therefore often requires patience or a willingness to compromise.

Major contracts

Sub-market	Company	m²
3.1	Sparkasse KölnBonn	17,600
1.2	Arlanxeo Germany	8,400
1.1	WeWork	7,000
1.1	Congstar / Telekom Germany	6,300
2.4	Cancom	6,000
3.5	AHAB - Akedemie	3,700

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Trends in important market indicators

	Q1-3 2018	Q1-3 2019	Trend remaining year
Take-up	258,000 m²	220,000 m²	↗
Vacant space	295,000 m²	196,000 m²	↘
Space under construction (total)	173,000 m²	183,000 m²	↗
Space under construction (available)	65,000 m²	40,000 m²	↘
Top rent	23.00 €/m²	25.00 €/m²	↗

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➤ CONSTRUCTION ACTIVITY UP, BUT RELIEF IS NOT IN SIGHT

Despite a slight increase in construction activity, a noticeable relief of the office market is not expected in the short to medium term. Although space under construction has risen by around 5% compared to the previous years level, only 40,000 m² of this space is still available. Most of the space has already been pre-let or is occupied by owner-occupiers. For example, only 10,400 m² are available in the important City Centre submarket. In addition, many new offices are being built in Deutz (68,100 m²), but only a small amount of space (9,000 m²) is still available here. And so the total available space (vacant space + available space under construction) has fallen again and is extremely low at 236,000 m².

➤ TOP RENT CLIMBS ONCE AGAIN

If sustained high demand meets increasingly scarce supply and bottlenecks occur in the market that cannot be remedied in the near future, rising prices are a logical consequence. In Cologne, this is evident from the top rent, which has climbed by a total of 2 € compared to last year and now notes at 25 €/m². The average rent is also at a high level with currently 15.50 €/m².

➤ OUTLOOK

The Cologne office market is showing a pleasing nine months result and is entering the home straight of 2019 with a positive outlook. Assuming that one or two larger deals are completed, a total take-up of 300,000 m² is quite realistic. However, the lack of supply could make such a successful final quarter more difficult, especially as vacancy rates are likely to fall further. It cannot be ruled out that prime rents will rise again in the final quarter.

Key indicators Q1-3 2019

Submarkets**	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1-3 2019	total	modern	of this, since completion	total	available	available	projected
	1		2	3	4	5	6	7	8 = (3 + 7)	9
1 City Centre										
1.1 City Centre	25.00		74,800	35,100	12,200	1,400	18,500	10,400	45,500	3,700
1.2 Deutz	20.00		15,300	800	400	0	68,100	9,000	9,800	30,000
2 Centre Fringe	15.50 - 16.20		55,400	41,900	4,100	0	46,300	1,900	43,800	162,700
3 Subcentres	11.00 - 15.50		74,500	118,200	30,300	600	50,100	18,700	136,900	78,600
Total			220,000	196,000	47,000	2,000	183,000	40,000	236,000	275,000

* The top rent given applies to a market segment of 35 % in each case.

** The relevant office market zone can be found on our website under "Research".

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