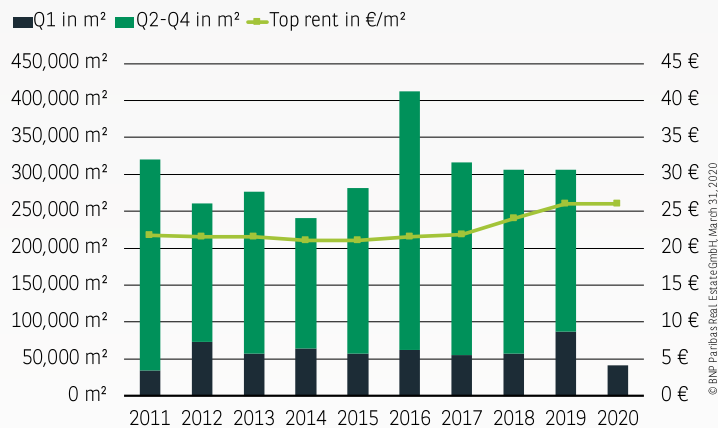




At a Glance **Q1 2020**

OFFICE MARKET COLOGNE

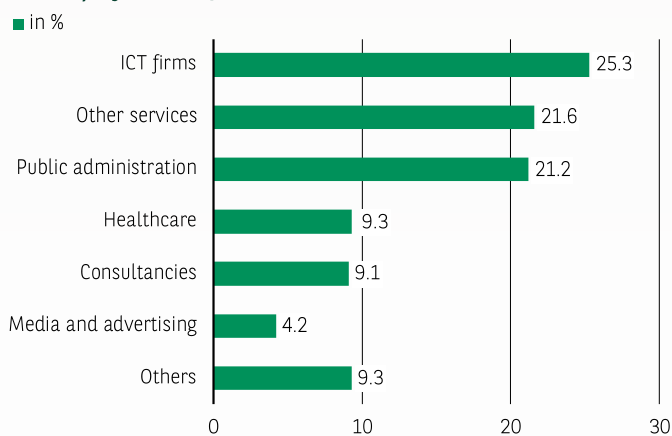
Development of take-up and top rents



➤ RESTRAINED START INTO THE YEAR

The Cologne office market had a rather moderate start into the year with take-up of around 41,000 m² and fell short of the long-term average by around 30%. It is not surprising that the record result of the previous year (-53%) could not be repeated. Among other factors, last year the market benefited from larger deals and numerous lettings in the 1,000 to 5,000 m² range. In the first three months of 2020, demand on the market was again high. However, so far there has been a lack of larger contracts in particular. There are several reasons for this: Firstly, there is still a lack of available, larger and modern spaces in Cologne. Second, a big number of contracts were signed in the final quarter of 2019. It has often been observed that after a strong final quarter, the market comes to rest in the first weeks of the year. Last but not least, the uncertainty of demand due to the Corona crisis is also impacting the Cologne office market.

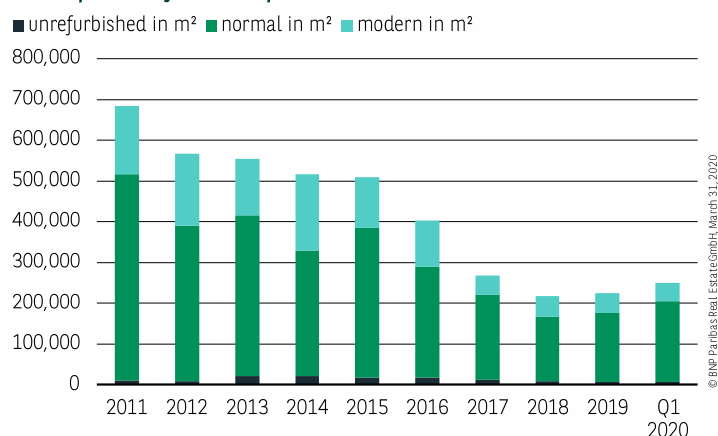
Take-up by sector Q1 2020



➤ ICT FIRMS AGAIN VERY STRONG

Even if the take-up analysis by sector in the first quarter is a snapshot, it shows that the three dominant sectors of the past two years account for more than two thirds of total volume. A good quarter of the leased space can be attributed to ICT companies. It is mainly the numerous smaller contracts here that are responsible for the very good results to date. With a total take-up of just over 10,000 m², this sector recorded one of the strongest first quarters ever. Second place goes to other services (just under 22%), and third place on the podium is taken by the traditionally strong public administration sector, which benefits in particular from the Federal Office of Administration, which occupies space in Cologne West.

Development of vacant space



➤ VACANCIES RISE SLIGHTLY, BUT SPACE REMAINS RARE

The market has been characterised by a very pronounced shortage of supply for years now. The vacant space continued to fall and in the meantime had even dropped below the 200,000 m² mark. In the first quarter, a slight increase in vacancies of around 11% to 250,000 m² was observed, but this is only a short-term and one-time effect. This means that a necessary fluctuation reserve is still a long way off. The vacancy rate remains very low at 3.1%, and especially the lack of large spaces in central locations remains a problem for the demand side.

Major contracts

Sub-market	Company	m²
2.1	ISG-Institut - Sozialforschung und Gesellschaftspolitik	2,600
3.2	Bundesverwaltungsamt	2,100
3.5	Technisches Hilfswerk	1,400
1.1	ECKD Service	1,300
3.1	DEKRA Akademie	1,000

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Trends in important market indicators

	Q1 2019	Q1 2020	Trend remaining year
Take-up	87,000 m²	41,000 m²	↓
Vacant space	213,000 m²	250,000 m²	↓
Space under construction (total)	177,000 m²	140,000 m²	↑
Space under construction (available)	46,000 m²	47,000 m²	↓
Top rent	24.00 €/m²	26.00 €/m²	→

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SUPPLY OF SPACE INCREASES

In the cathedral city, the demand of modern space is still high. Although it remains to be seen how the corona crisis will affect overall demand, the lack of supply of modern space stays. In recent years, many potential tenants have made arrangements with their office situation. They have not been able to find adequate premises and are therefore likely to continue their search in general. The space under construction (140,000 m²) could provide a possible relief here. However, these are only to be found in certain sub-markets and are often already pre-let. The available space (available space under construction + vacancies) in Deutz, for example, is just 700 m². In total, it amounts to around 297,000 m² in the city area, the highest figure since the end of 2017.

RENT DEVELOPMENT IN THE FIRST QUARTER

Rents in the first quarter were not yet greatly affected by the Corona crisis. Not least because many contracts, especially larger ones, had been negotiated for some time and were about to be concluded. As a result, the top rent is at 26 €/m² and the average rent is at 14,40 €/m².

OUTLOOK

Since large parts of the economy are suffering at least temporarily from the effects of the Corona crisis, letting requests and investments are likely to be postponed in some cases. Against this backdrop, take-up is expected to be significantly lower than in 2019, but it is not possible at present to reliably predict how strong the change will be. The same applies to the development of rents, even if significant declines are rather unlikely due to the relatively low supply situation in a long-term comparison.

Key indicators Q1 2020

	Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
	from	to	Q1 2020	total	modern	of this, since completion	total	available	available	projected
	1	2	2	3	4	5	6	7	8 = (3 + 7)	9
Submarkets**										
1 City Centre										
1.1 City Centre	26.00		11,700	66,600	16,100	600	43,700	28,000	94,600	43,800
1.2 Deutz	20.50		600	700	400	0	0	0	700	32,400
2 Centre Fringe	15.50 - 16.50		11,100	70,100	6,200	0	35,000	1,400	71,500	241,300
3 Subcentres	11.50 - 15.50		17,600	112,600	22,300	400	61,300	17,600	130,200	154,500
Total			41,000	250,000	45,000	1,000	140,000	47,000	297,000	472,000

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* 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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Further Information BNP Paribas Real Estate GmbH | Branch office Cologne | Phone +49 (0)221-93 46 33-0 | www.realestate.bnpparibas.de