

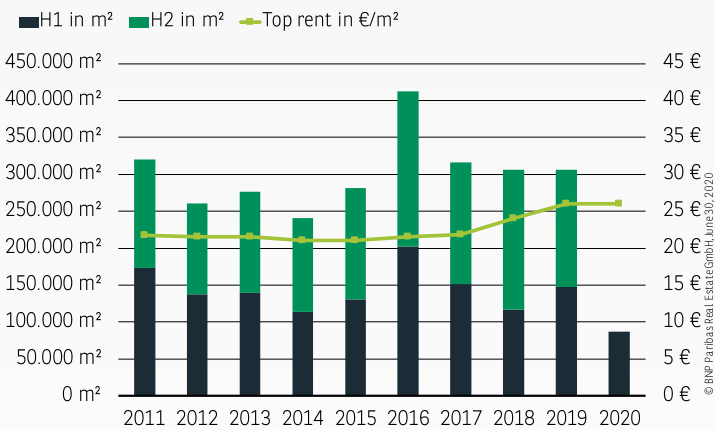


RESEARCH

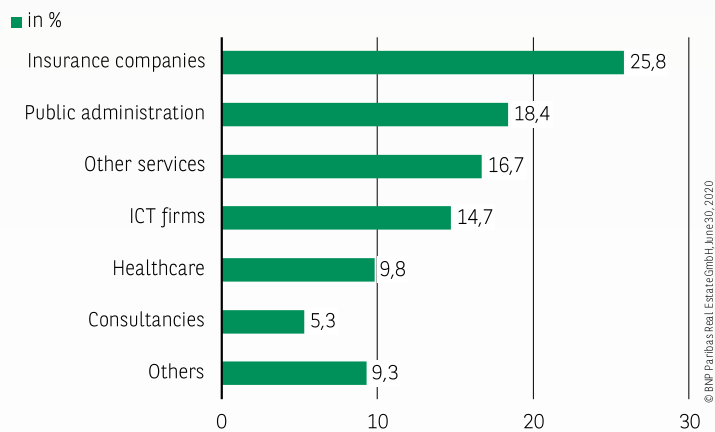
At a Glance **Q2 2020**

OFFICE MARKET COLOGNE

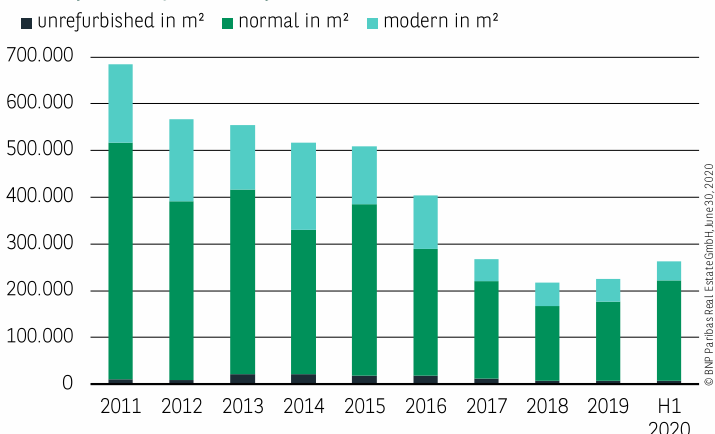
Development of take-up and top rents



Take-up by sector H1 2020



Development of vacant space



WEAK FIRST HALF-YEAR

With 87,000 m² the Cologne office market recorded a very low take-up in the first half of the year, which represents the second weakest result of the last 20 years. Compared to the same period last year, the volume was 41% lower and the ten-year average was 38% undershot. Only Hamburg and Frankfurt recorded similarly significant declines in a nationwide comparison. Both the first three months of the year and the second quarter remained well below the usual figures, with take-up of only 41,000 m² and 46,000 m² respectively. Following the sharp rise in the number of infections, the nationwide lockdown with a ban on contact and the looming recession in 2020, many companies in Cologne, as in all other locations, have either put their planned lettings on hold for an indefinite period of time or, which is predominantly the case, postponed them. Against this background, only one major deal for more than 10,000 m² was recorded in the first half of the year. This was a lease of 18,000 m² in Porz by AOK Rheinland. Larger deals were also concluded by the property management department of Cologne (3,600 m²) and the job centre (3,800 m²).

WIDE RANGE OF SECTORS

The spectrum of sectors involved in take-up was varied in the first half of the year. Not least due to the deal of the AOK Rheinland, insurance companies occupy first place with a volume share of almost 26%. The other ranks are then very tight. Public administration has secured second place with a good 18%, followed by the group of other services with just under 17% and ICT companies, contributing a further 15%. The leading quintet is completed by companies of the healthcare sector, which are responsible for almost 10% of the result.

SLIGHT INCREASE IN VACANCIES AT A LOW LEVEL

As a result of the slowdown in demand caused by the Corona pandemic, vacancies have increased slightly, as in many other locations. In the second quarter during the lockdown it rose by around 5% to a current level of 263,000 m². However, during the same period, supply in the more important market segment of modern vacancies actually fell by almost 9%. Thus, the slight increase in vacancies has only occurred in the older stock. Overall, a certain bottleneck situation can still be observed in Cologne, which is also demonstrated by the unchanged low vacancy rate of 3.3%. This applies especially to larger modern office spaces in central locations.

Major contracts

Sub-market	Company	m ²
3.5	AOK Rheinland	18.000
3.4	Property management of the city of Cologne	3.600
2.3	Jobcenter	3.800
3.5	Vonovia Immobilien Management	1.300
3.2	Caritas	1.300
1.1	Serge Reitze Anwälte	1.100

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Trends in important market indicators

	H1 2019	H1 2020	Trend remaining year
Take-up	147.000 m ²	87.000 m ²	↗
Vacant space	206.000 m ²	263.000 m ²	↘
Space under construction (total)	194.000 m ²	134.000 m ²	↗
Space under construction (available)	45.000 m ²	37.000 m ²	↘
Top rent	24,50 €/m ²	26,00 €/m ²	→

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➤ AVAILABLE SPACE UNDER CONSTRUCTION DOWN NOTICEABLY

In contrast to the vacancies, space under construction is already in decline and has fallen by over 4% to 134,000 m² in the last three months alone. The reduction is much more significant for the space that is still available on the letting market. At 37,000 m², they are a good 21% below the level at the end of the first quarter. It is particularly noteworthy that only just under 28% of the total construction volume is still available for new tenants. This makes it clear that no real expansion of supply is expected in the medium term, especially in the important modern segment.

➤ RENTAL PRICE LEVELS LARGELY STABLE

Despite the considerably weaker demand in the first half of the year as a result of the corona crisis, no significant changes in rental price levels can be observed due to the continuing tense supply/demand ratio. The top rent is therefore unchanged at 26 €/m². The average rent fell slightly in the second quarter, but this is primarily due to the shortage of modern space.

➤ OUTLOOK

Against the background of the continuing uncertainty and the looming recession, it can be assumed that a certain reluctance on the part of many companies is still likely in the second half of the year. For the year as a whole, it can therefore be expected that overall take-up will be lower than in the previous year. However, with a slow return to normality, there are many signs that demand will nevertheless pick up again slightly in the coming quarters. From today's perspective, rents are likely to remain constant for the rest of the year, as there are no signs of a significant increase in vacancies.

Key indicators H1 2020

Submarkets**	Top rent* (€/m ²)		Take-up (m ²)	Vacant space (m ²)			Space under construction (m ²)		Space on offer (m ²)	
	from	to	H1 2020	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	26,00		18.700	70.000	15.200	1.600	43.600	17.400	87.400	43.800
1,2 Deutz	21,00		800	700	400	0	0	0	700	31.800
2 Centre Fringe	15,50 - 16,50		20.600	80.500	6.200	0	35.000	1.400	81.900	236.600
3 Subcentres	11,80 - 15,50		46.900	111.800	19.200	400	55.400	18.200	130.000	153.800
Total			87.000	263.000	41.000	2.000	134.000	37.000	300.000	466.000

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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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