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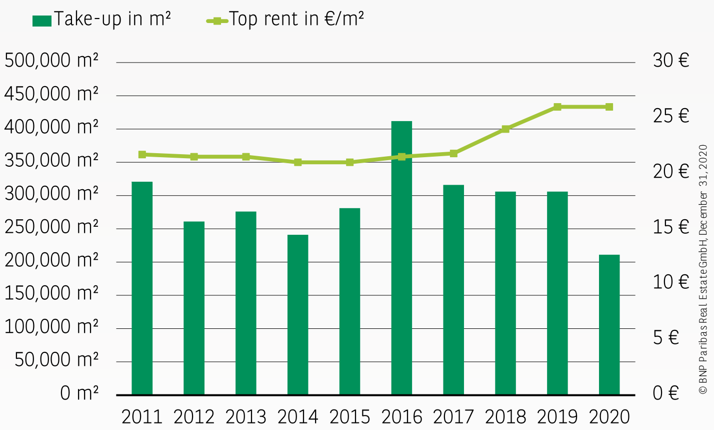
RESEARCH

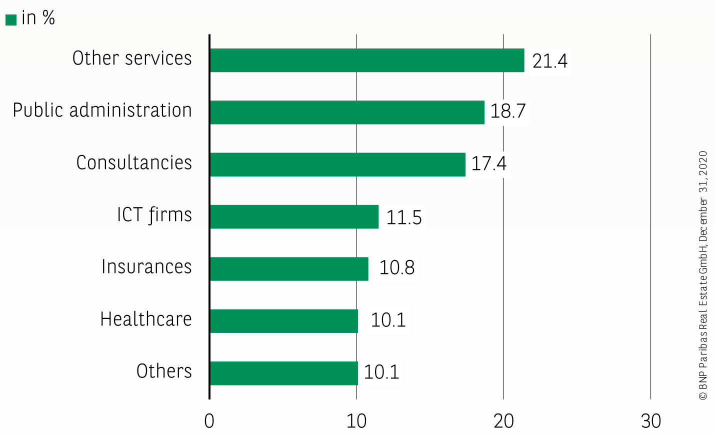
At a Glance Q4 2020

OFFICE MARKET COLOGNE

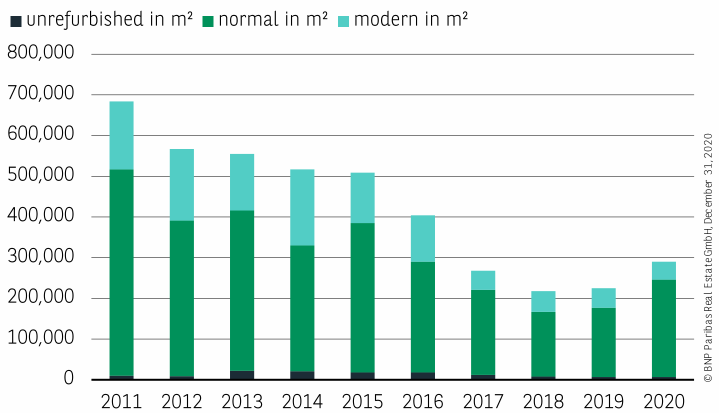
Development of take-up and top rents



Take-up by sector 2020



Development of vacant space



MODERATE DECLINE IN COMPARISON OF TOP MARKETS

The effects of the Corona pandemic and the lockdown in the fourth quarter are clearly reflected in the take-up figures for both the Cologne and the nationwide office markets. Thus, with a volume totaling 211,000 m², the result for the cathedral city in the crisis year 2020 was a good 31% lower than in 2019. Against the backdrop that the previous year's results was missed even more significantly in some other German A-locations, the negative overall annual performance of the Cologne office market is comparatively moderate. The fact that take-up has risen steadily over the course of 2020 and that the strongest quarterly result was achieved in the last three months despite the upturn in infection numbers is a source of optimism. A key factor here was the major deal concluded by KPMG for 19,700 m² in the joint venture project between ECE and Strabag in Messecity. An analysis of the submarkets reveals that demand was strongest in both the central and peripheral locations with 39,500 m² in the City, 38,500 m² in Ehrenfeld/Braunsfeld and 36,000 m² in Porz/Airport.

TRIO AT THE TOP OF THE SECTOR RANKING

The sector distribution of take-up was dominated by the category of other services, which accounted for a good 21% of take-up and was not the sector with the largest deals, but the one with the most. In total, even more deals were registered for this group than in 2019. There was also a slight increase in take-up for public administration and consultancies, which follow in second and third place with just under 19% and around 17% respectively. The fact that three further sectors, ICT firms (just under 12%), insurances (almost 11%) and healthcare (a good 10%), are also involved with over 10% market share shows the relatively broad distribution of take-up across very different demand groups.

VACANCIES ON THE RISE, BUT NOT IN THE MODERN SEGMENT

Although the vacancy rate has increased significantly to 290,000 m² in the last 12 months, it is still at a relatively low level in historical terms. This is particularly true in light of the fact that only 44,000 m² (and thus only around 15%) has a modern fit-out quality. As is tradition in Cologne, the largest supply of vacant space is in the City Center (86,000 m²). Even though the shortage of space has eased somewhat here, the vacancy rate of just 3.1% remains at the limit of the necessary fluctuation reserve and is somewhat lower than in the market as a whole (3.6%).

Major contracts

Sub-market	Company	m²
1.2	KPMG	19,700
3.5	AOK Rheinland	18,000
2.1	BIMA/ Hauptzollamt	10,000
2.4	Art-Invest Real Estate Management	4,600
3.2	DKMS	4,500
3.5	KHD Humboldt Wedag International	4,300

Trends in important market indicators

	2019	2020	Trend 2021
Take-up	306,000 m²	211,000 m²	↗
Vacant space	196,000 m²	290,000 m²	→
Space under construction (total)	183,000 m²	201,000 m²	→
Space under construction (available)	36,000 m²	83,000 m²	→
Top rent	26.00 €/m²	26.00 €/m²	→

AVAILABLE SPACE UNDER CONSTRUCTION PICKS UP

Compared to the previous year, construction activity has increased significantly by 90% to currently 201,000 m², which in view of the difficult market phase is a strong indicator of the market players' confidence in Cologne as a location. At the same time, the volume of speculative space, which is of much greater interest to the market, has risen by a notable 131% to 83,000 m². However, completion for a good 70% of this space is not expected until 2022. The office market zones of Ehrenfeld/Braunsfeld and Ossendorf/Nippes, where numerous projects are in preparation or under construction, should be mentioned as key construction areas.

PRIME AND AVERAGE RENTS MAINTAIN THEIR LEVEL

The prime rent, which rose to 26.00 €/m² at the end of 2019, has stabilized further and is achieved for high-quality space in the City Center. Overall, rents were largely able to maintain their level over the course of the year despite weaker demand. This is particularly true of the modern segment, where supply available at short notice remains limited. At 15.20 €/m², the average rent also remained unchanged year-on-year.

OUTLOOK

The Cologne office market is facing a difficult first half of the year due to the continuing challenging economic environment. However, the market recovery at the end of the year, in combination with a balanced distribution of take-up across the submarkets and sectors, gives rise to expectations of a positive development over the course 2021. On the supply side, vacancies are likely to increase slightly. However, as supply is particularly limited in the modern segment, the rise in vacancy is unlikely to lead to an imbalance in the market or to a significant change in rental price levels.

Key indicators 2020

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	2020	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		26.00	39,500	86,100	20,700	200	43,400	18,200	104,300	46,800
1.2	Deutz		22.50	20,500	4,300	500	0	0	0	4,300	65,500
2	Centre Fringe	15.80 -	16.80	67,300	81,700	4,500	0	100,500	48,600	130,300	214,600
3	Subcentres	11.70 -	15.70	83,700	117,900	18,300	800	57,100	16,200	134,100	153,100
	Total			**211,000**	**290,000**	**44,000**	**1,000**	**201,000**	**83,000**	**373,000**	**480,000**

* The top rent given applies to a market segment of 3-5 % in each case.
** The office market zone map and the key indicator table at submarket level can be found under the following link: Office market zone map and key indicator table 2020

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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