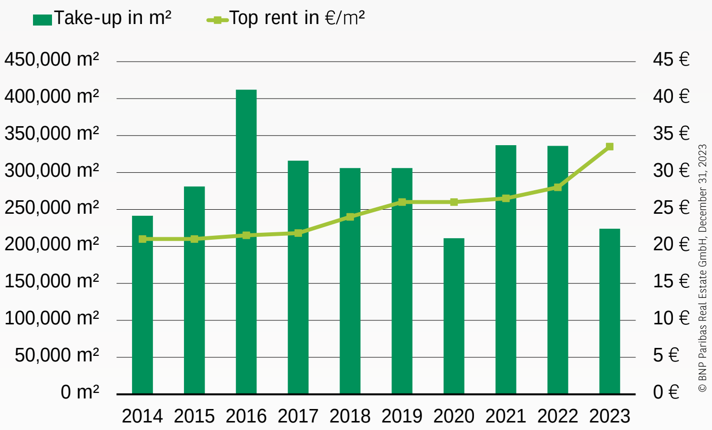
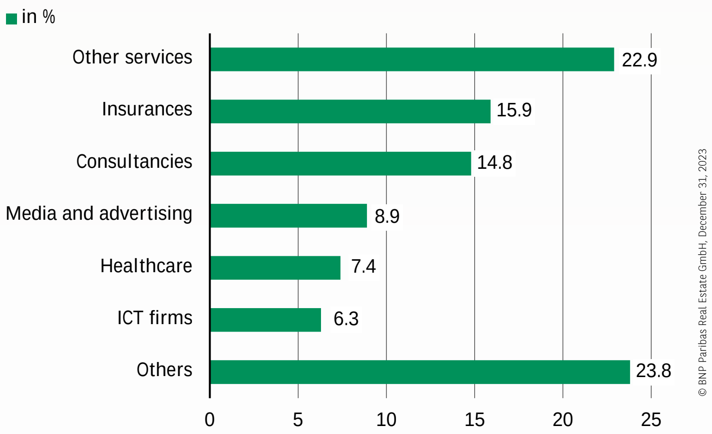
At a Glance Q4 2023

OFFICE MARKET COLOGNE

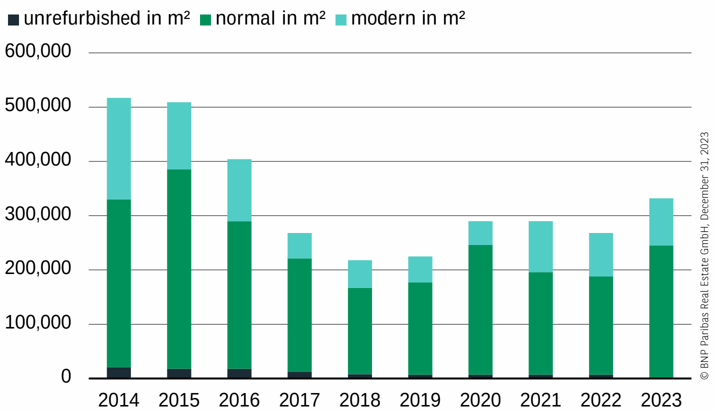
Development of take-up and top rents



Take-up by sector 2023



Development of vacant space



STRONG END TO THE YEAR, BUT BELOW AVERAGE OVERALL

With take-up of around 224,000 m², the Cologne office market was unable to match the previous year's result (-33%) nor the ten-year average (-25%) in 2023. However, it is pleasing that there was a significant market recovery in the fourth quarter: around 74,000 m² was registered in the final quarter, making the last three months by far the strongest period of the year in terms of take-up. The high volume at the end of the year is due to two major lettings of more than 10,000 m², both concluded in the fourth quarter. These include the letting of the insurance group DEVK of 14,000 m² in the Rheinpark-Metropole office property in Deutz and the contract signed by the IHK Cologne for 13,000 m² in Cologne city centre. Apart from individual large contracts, however, smaller lettings are the most important drivers on the office markets in the cathedral city, as in other top locations. This observation is supported by the fact that over 60% of take-up was generated by agreements in the categories up to 2,000 m². In terms of the distribution of the total volume across the submarkets, City stood out in 2023 (81,700 m²), ahead of the equally sought-after office market zones of Ehrenfeld/Braunsfeld (26,800 m²), Ossendorf/Nippes (26,300 m²) and Deutz (22,700 m²).

SECTOR DISTRIBUTION INDICATES BROAD MARKET STRUCTURE

In 2023, very different sectors made notable contributions to take-up on the Cologne office market, which is reflected in the result of the collective category of others (just under 24%). At the end of the year, other services were at the top of the individual categories (almost 23 %). However, companies from the insurance sector were also very active, generating a comparatively high share of almost 16% due to the two large contracts signed by DEVK in Deutz (14,000 m²) and Nippes (4,000 m²) as well as KZVK in the city centre (9,200 m²). The leading trio is completed by consultancies (just under 15 %).

VACANCIES HIGHER THAN IN 2022, BUT LOWER THAN IN Q3

At around 332,000 m², the total vacancy volume at the end of the year was almost 24% higher than in the previous year. However, the positive market development in the fourth quarter led to a reduction in vacant space of a good 5%. The increase mainly occurred outside of modern space, which remained at a low level of 87,000 m², including only 19,700 m² in central locations. The same applies to the vacancy rate, which remains at a very low level of 4.1% and only 2.6% in the city centre.

Major contracts

Sub-market	Company	m²
1.2	DEVK	14,100
1.1	IHK Cologne	13,000
1.1	KZVK	9,200
1.1	BCG	7,300
3.1	DEVK	4,000
2.1	Uniklinik Cologne	3,900

Trends in important market indicators

	2022	2023	Trend 2024
Take-up	336,000 m²	224,000 m²	→
Vacant space	268,000 m²	332,000 m²	→
Space under construction (total)	238,000 m²	181,000 m²	↘
Space under construction (available)	82,000 m²	81,000 m²	↘
Top rent	28.00 €/m²	33.50 €/m²	↗

CONSTRUCTION ACTIVITY DECLINES, AROUND 55% PRE-LET

The moderate letting activity over the year and the current difficult financing environment are reflected in the development of construction activity. There is currently 181,000 m² of space under construction on the Cologne office market. This represents a decrease of 24% compared to the same time last year. Construction activity is mainly concentrated in the city centre (68,300 m²) and Deutz (61,000 m²) as well as in isolated locations on the centre fringes. At present, the market still has a good 33,100 m², or around 48% of the new-build space in the central city centre locations available to the market.

PRIME AND AVERAGE RENTS CONTINUE TO RISE

In very good city centre locations, prime rents of €33.50/m² are now being achieved for modern space, an increase of 20% compared to the previous year. The traditionally more volatile average rent has also continued its growth trend over the last 12 months. It currently stands at €18.20/m², a good 10% above the level at the end of 2022.

OUTLOOK

Cologne's office market is starting 2024 on the upswing from the fourth quarter and the prospect of improving economic conditions. It can also be assumed that demand will increasingly focus on the most attractive and strongest office market zones in Cologne's market area over the next 12 months. On the supply side, the decline in construction activity and the associated shortage of new-build space is likely to exert further pressure on rent levels. Against this backdrop, rents are currently expected to continue their growth in 2024.

Key indicators 2023

		Top rent* (€/m²)		Take-up (m²)	Vacant space (m²)			Space under construction (m²)		Space on offer (m²)	
		from	to	2023	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		33.50	81,700	73,600	19,700	0	68,300	33,100	106,700	69,000
1.2	Deutz		24.00	22,700	7,800	1,800	0	61,000	26,500	34,300	0
2	Centre Fringe	17.50 -	21.00	55,900	114,000	24,200	0	32,300	16,000	130,000	264,100
3	Subcentres	13.50 -	17.50	63,700	136,600	41,300	3,000	19,400	5,400	142,000	98,900
	Total			224,000	332,000	87,000	3,000	181,000	81,000	413,000	432,000

* 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 2023

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