PLEASING FIRST-QUARTER RESULT

With take-up of 55,000 m², the Cologne office market got off to a very solid start in 2017. The total was just marginally below the 10-year average (57,000 m²), and fell slightly more than 11 % short of the very strong prior-year figure. What makes the performance in the opening quarter all the more respectable is that it was achieved without any deals in the large-premises segment upwards of 10,000 m². The broad and lively mid-range categories (1,000-10,000 m²), on the other hand, were responsible for almost 58 % of aggregate turnover. Just over 23,000 m² of all take-up was generated by the City Centre and Centre Fringe zones, with only the City Centre itself (18,000 m²) and Ehrenfeld/Braunsfeld (12,400 m²) passing the 10,000-m² threshold. Apart from that, almost all the submarkets produced a healthy result in the four-digit range.

TRANSPORT AND TRAFFIC HEAD FIELD

The business sector ranking in the first three months was headed by transport and traffic, which had only once before, at the beginning of 2013, generated a double-digit share. It benefited especially from two contracts concluded by Lufthansa. The balanced midfield, with three sectors gaining shares above the 10-percent mark, was led by industrial headquarters. In contrast, two otherwise traditionally strong sectors, public administration and consultancies, suffered marked year-on-year declines, of 19 and 17 percentage points respectively. Taking existing enquiries into account, though, public administration in particular should be able to appreciably lift its turnover in the course of the year and move up the ladder accordingly. At present, it occupies fourth place, with 12 %.

FURTHER FALL IN VACANT SPACE VOLUME

Since 2012, the volume of vacant space in Cologne has been shrinking considerably. The vacancy rate right now is 4.7 %, the lowest level for 15 years. The other key ratios are also remarkably low. By the end of the first quarter, for instance, vacancy had dropped below the 400,000-m² mark for the first time since 2003, after having declined by all of 21 % year-on-year to 369,000 m². The volume of empty offices offering modern specifications totals just 100,000 m² (-15 %), which is 32 % below the 10-year average and represents only around 27 % of aggregate vacancy. Premises of this description, especially those of over 3,000 m², are in short supply throughout the municipal area – a situation unlikely to change much if vacancy continues its expected downward trend.
SUPPLY LOWER DESPITE SUBSTANTIAL BUILDING ACTIVITY

The volume of space under construction has risen strongly during the past twelve months and at 198,000 m² is now well up on the prior-year figure (+71%). However, only 51,000 m², and thus just over one quarter of this, is still available (-6%). Building activity is concentrated on just a few areas. In Deutz, 68,500 m² of new space is currently being created, but only just 2,000 m² of this is available to the market. Similarly, of the 39,800 m² being built in Kalk/Mülheim, only 5,000 m² is still ready to rent. Most of the available space is located in the City Centre (26,500 m²) and in Ossendorf/Nippes (14,500 m²). Overall, the decline in vacancy and the fall in the volume of as-yet-unlet premises under construction has sent the still-available volume of supply down to just 420,000 m².

RISE IN PRIME RENT

The shortage of supply coupled with lively demand is reflected by the way rental prices have developed. Compared with the prior-year period, the prime rent has risen by 2 % to 21.50 €/m², which is the figure commanded, as before, by modern premises in very good parts of the City Centre. Individual top and average rents in several of the central office market zones have also climbed, in some cases considerably.

OUTLOOK

The general economic climate and the scale of existing enquiries suggest that the result for 2017 as a whole is set to be very good. Although it seems unlikely that the exceptionally high prior-year volume can be matched again, aggregate take-up will probably be above the 10-year average of about 280,000 m². The supply of space (including vacancy and available premises under construction) should continue to decline, making slightly higher rental price levels a distinct possibility.