**RESEARCH**

Real Estate for a changing world

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**VERY GOOD RESULT AFTER STRONG THIRD QUARTER**

The Cologne office market is continually gathering pace, its current take-up in the order of 258,000 m² representing the third-best result of the past 10 years. Following a restrained start to the year and a strong second quarter, take-up rose once again in the third quarter. A hefty 46% share of the total take-up was generated in the City Centre locations, which also reported the four largest deals. The only two lets in excess of 10,000 m² resulted from leases with BImA Federal Agency for Public Property (18,000 m²) and Strabag (17,300 m²) in Deutz. Outside of the City Centre locations, Kalk/Mühlheim boasts three deals above 5,000 m² in the City Fringe. Overall, all size categories are represented to more or less the same extent in the city, whereby the 5,000 to 10,000 m² segment and the 2,000 to 5,000 m² segment account for the biggest shares, at 19 and 18% respectively. All in all, the market spans a broad spectrum and has been able to offset the tight supply of space to date.

**VERY EVEN SPREAD ACROSS THE SECTORS**

Public administration leads the breakdown of take-up by sectors, on just under 16%. This has been the leading sector for the past four years, its great importance to the office market demonstrated in particular by the lets to BImA and Rhineland Regional Council. Other services and wholesale/retail also claim double-figure percentage shares of just under 13% and a good 10% respectively. Three other groups - industrial HQs (just under 10%), media & advertising and transport & traffic (each just under 9%) - also contribute notice-ably to the gratifying result. The closeness between the shares attributable to the respective sectors illustrates that market activity is underpinned by various pillars.

**VACANT SPACE NOW UNDER 300,000 M²**

The very high demand in Cologne is confronted with an ever declining supply of office space available in the short term. In particular, larger connected units are almost completely lacking across the entire municipal area. The last 12 months saw a renewed substantial decline of over 30% in vacant space, which has now dropped below the 300,000 m² threshold, at 295,000 m². The vacancy ratio has fallen to 3.7%, representing one of the lowest levels among the major German office locations, behind Berlin (2.4%) and Munich (3.6%). At 67,000 m², the volume of vacant space corresponding to a modern standard is exceptionally low. In addition, a further decline in vacant space is to be expected over the remainder of the year.
NO MAJOR RELIEF FROM CONSTRUCTION ACTIVITY
The marked excess in demand on the Cologne market is accompanied by a generally moderate level of construction activity which remains in the region of the multi-year average. Some 173,000 m² of space is currently under construction, which is down by a good 39 % on last year. As a result of pre-letting and owner occupation, the majority of this new space is not available to the market, and barely 65,000 m², or just 38 % of the total construction volume, is vacant. Around 62 % of this vacant space is to be found in the City Centre locations. The total available floor space (vacant space plus available space under construction) has fallen substantially by almost 32 % as a result of the declining vacant space and a low level of construction activity compared to last year, and currently stands at only 360,000 m².

PRIME RENT ON THE RISE
The highly dynamic nature of the market has also prompted a slight rise in the prime rent in the order of 1 %. The prime rent currently stands at 21.70 €/m², and is attainable for modern premises in very good City Centre locations. The tight situation in the market is also noticeable in the individual office market zones, and is reflected in increased average and top rents in various market zones.

OUTLOOK
As things stand, a very good result is to be expected for the year as a whole. Assuming a dynamic final quarter, there is a realistic prospect of total take-up topping the 300,000 m² mark for only the third time ever. No easing of the situation on the supply side is in sight, however. Rather, the volume of vacant space and the available space under construction are likely to drop still further. Against this background, a further increase in the prime rent cannot be ruled out.