

Office Space Market Cologne

10|2021



GREIF&CONTZEN

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Dear readers,

More face-to-face contact and the majority of business activities are meanwhile possible once again, thanks to improved vaccination coverage. Some office users from the private sector are still hesitant when it comes to determining their future office space requirements, nevertheless. At least demand for smaller to medium sized units has picked up considerably by now. Vacancies are still increasing for now, and this gives rise to greater choice than was the case in recent years, when hardly any units were available in certain size categories. In the medium term, however, this availability of existing units could decrease once again, in line with economic activities gaining momentum.

Alongside individual business decisions and macroeconomic circumstances, political decisions are likely to have a more pronounced impact on market development in the year ahead. In our outlook you will find a summary of some key parameters for market development in 2022.

Those who are familiar with our market reports, will notice that we are presenting our information in a more compact format in this issue, to allow for quicker access to the essential facts.

Please get in touch if you have any questions about Cologne's office space market, or would like to share your feedback with us.



»Vacancies may decrease once again in 2022. In the meantime, those searching for space can benefit from the greater availability.«

Andreas Reul

Head of Office Properties

Greif & Contzen Immobilienmakler GmbH

Office Space Market Cologne Q3 2021



210,000 m²

TAKE-UP OF SPACE

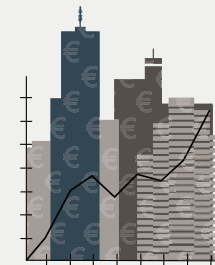
Compared to the same period last year, take-up of office space increased by around 45 percent in the first three quarters of 2021. This result is even slightly higher than the pre-COVID level.



275,000 m²

VACANT SPACE

Vacancies are increasing on a moderate level. No further large units have become available for sub-letting.



€ 26.00 per m²

RENT PRICE LEVEL

A rising trend of rents can be observed with a prime rent of around EUR 26.00/m² and an unweighted average rent of around EUR 15.00/m². The highest rent realised was EUR 29.50/m² (maximum rent).



WORKING FROM HOME

Many are still contemplating how and to what extent working from home arrangements should be used in the future.



OUTLOOK

Demand for space from public users remains high. It is expected that further large units will be taken up in the fourth quarter. Vacancies have been increasing so far, but may decrease once again from 2022.

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Office space market Cologne – key figures, development, and forecast

	2017	2018	2019	Development 2019/2020	2020	Trend	Forecast 2021
Take-up (000's m²)	310	310	290	↓	230	↑	290
Existing space (million m²)	7.8	7.8	7.9	↗	8.0	→	8.0
Completions (000's m²)	95	62	160	↓	70	↑	100
Vacant space (000's m²)	280	200	185	↗	230	↑	290
Vacancy rate in %	3.6	2.6	2.3	↗	2.9	↑	3.6
Maximum rent (in €/m²)	26.50	25.00	29.00	↘	28.50	↗	29.50
Prime rent (according to gif) in €/m²	21.50	23.00	26.00	→	26.00	→	26.00
Average rent (weighted according to unit size) in €/m²	13.70	15.00	16.70	↘	16.50	↗	17.30
Average rent (mean value) in €/m²	13.00	13.00	14.00	→	14.00	↗	15.00
Employees* (000's) (as of June)	553	569	583	↘	580	↘	570
Unemployment rate in % (as of June)	8.5	7.7	7.9	↑	9.6	↘	9.5

* employees contributing to social insurance

Source: Greif & Contzen Research, Cologne, October 2021

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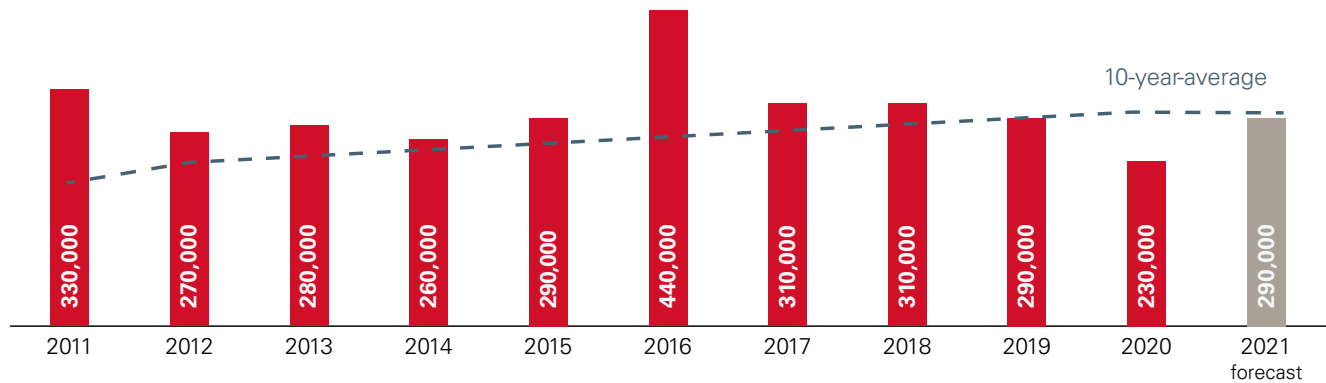
Strong dynamics in the small and medium-size segments

Around 210,000 square metres of space were taken up in the year to date. This result corresponds to an increase of around 45 percent compared to the third quarter of 2020, and is slightly higher than the pre-COVID level. The three biggest units let ranged between 11,800 and 19,000 square

metres in size. A large number of units of less than 1,000 square metres were also let. However, many companies continue to hesitate. Public users accounted for about 41 percent of the total of space taken up.

210,000 m²
take-up of space Q1 – Q3 2021

Take-up of office space: development 2011 – 2021, 10-year-average and forecast 2021 | in m²



Top 5 units taken up in 2021

User	Status	Office space in m²
Unknown (Ehrenfeld)	Existing space	approx. 19,000
Federal authority (Braunsfeld)	Existing space	approx. 16,200
North Rhine Association of Statutory Health Insurance Physicians (Ossendorf)	Development project	approx. 12,800
Federal authority (Braunsfeld)	Development project	approx. 11,800
Institute for Quality and Efficiency in Health Care (Deutz)	Development project	approx. 8,300

Source: Greif & Contzen Research, Cologne, October 2021

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The Institute for Quality and Efficiency in Health Care rented part of the office space in the construction project 'Mattes & Düxx' that has a total size of 25,500 square metres.

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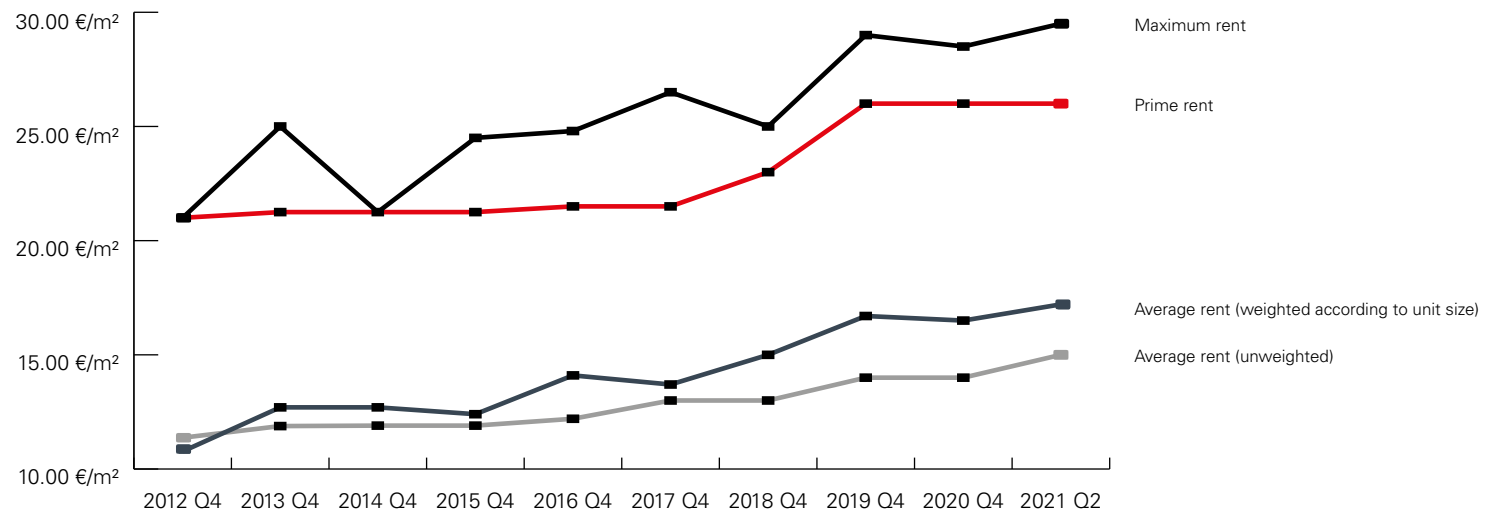
Rising trend of rents continues

At the end of the third quarter, the prime rent was still around EUR 26.00 per square metre. The market average of rents has meanwhile increased in the year to date. The unweighted average rent rose from EUR 14.00 to EUR 15.00 per square metre, while the average rent weighted according to unit size increased from EUR 16.50 to EUR 17.00. The highest rent achieved was EUR 29.50 per square metre.

Vacancies increased, albeit to a moderate extent. At the same time, leeway for incentives is limited for property developers and owners of existing buildings alike, owing to higher construction costs.

EUR 26 /m²
prime rent Q1 – Q3 2021

Development of office space rents 2012 to Q3 2021 | in €/m² per month



Source: Greif & Contzen Research, Cologne, October 2021

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Available space

Busy construction activity in the city centre, Ehrenfeld, Ossendorf, Braunsfeld and Mülheim

Around 100,000 square metres of new office space are scheduled for completion in 2021. This is far above the long-term average. However, only around 20 percent of this space is freely available, owing to pre-letting and buildings

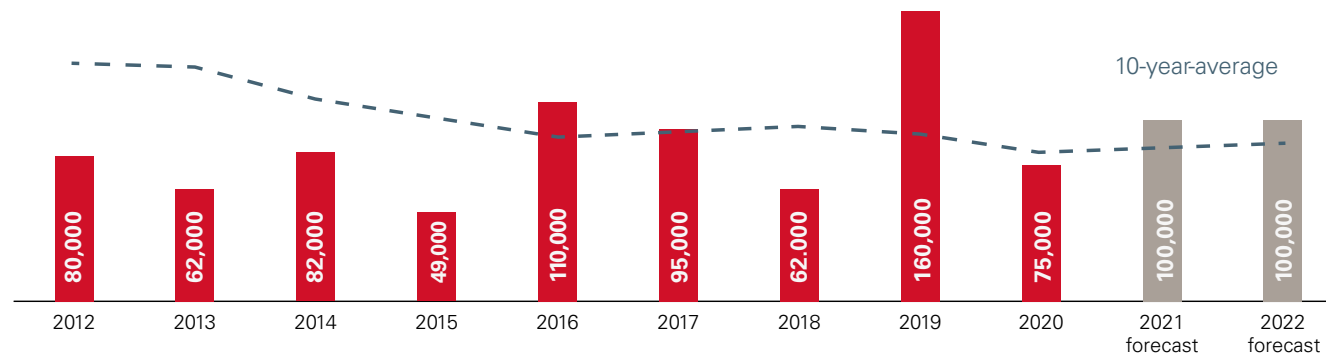
intended for owner occupation.

The volume of completed space should be on a similar level in 2022. About 60 percent of this space has already been taken up.

200,000 m²

new office space scheduled for completion 2021 – 2022

Development of completions 2012 – 2020 and forecast 2021 – 2022 | in m²



Top 3 projects under construction

Property/submarket	Rental space in m ²	Completion
Kite (Ossendorf)	around 23,000	2022
QUADRA (Gremberghoven)	around 21,300	2022
CENTRAAL (Deutz)	around 19,700	2024

Source: Greif & Contzen Research, Cologne, October 2021

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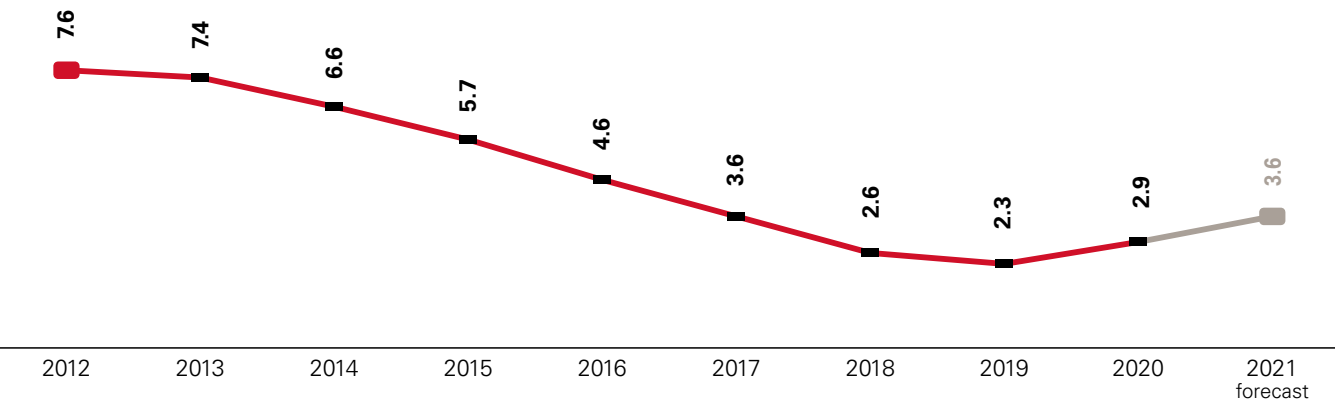
Moderate increase of vacancies

Around 275,000 square metres of vacant office space were recorded at the end of the third quarter of 2021. This means that about 3.4 percent of the existing space is unoccupied. In addition, there are a few large units which are available for subletting, the number of which did not increase over

the past few months. Vacancies are expected to slightly increase further by the end of the year, to about 290,000 square metres. Assuming that the economy will be stronger once again, vacancies could decrease again from 2022.

3.6%
vacancy rate
forecast Q4 2021

Vacancy rate 2012 – 2021 | in %



Source: Greif & Contzen Research, Cologne, October 2021

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Macroeconomic circumstances and political factors

Cologne's office space market in the fourth quarter of 2021

Demand for office space from public users continues to be strong, while some private sector businesses hesitate to determine their future requirements.

- Further large-scale contracts are expected to be concluded in the fourth quarter.
- The total take-up of space in 2021 could match the pre-COVID level (around 290,000 square metres).
- A slight further increase of vacancies is likely.
- Rents are showing a rising trend.

Factors influencing market development in 2022

The economic research institutes forecast growth of gross domestic product by around 3.5 to 5.1 percent. However, various economic contexts are affected by cyclical risks, such as the further progression of the pandemic, an increase of prices for raw materials and supply chain disruptions.

In addition to macroeconomic factors, the following aspects are expected to shape Cologne's office space market in 2022:

- How much time will large private sector companies need to make decisions regarding their use of space?
- Which workplace strategies will users rely on, when determining their demand for space?
- Will construction costs increase further, and to what extent will rent prices be affected?

- How many office users will be affected by the return to the old insolvency declaration rules?
- How long will it take for the new federal government to be formed?

290,000 m²
take-up of space
in 2021



The former Kaufhof headquarters in the city centre

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Glossary

Take-up of space

The take-up of space is the amount of office space let in a defined time period (e.g. quarter or reporting period). Whether a transaction is attributed to the respective time period, is determined based on the date the contract was concluded. New leases, sub-leases, renewed leases, and projects for owner occupation are generally taken into account. The following rules apply for the latter two: If a lease is renewed, only the amount of space by which the new unit is bigger than the old one is taken into account. In the case of owner occupation, the date of the purchasing contract or the date the actual construction measure was begun is considered to attribute the measure to a certain time period. Lettings to final users in office centres or coworking facilities are not taken into account.

Vacant space

Completed office space that is currently not let or occupied and available for rent or purchase by an owner-occupier in the near term, is considered vacant space. The vacancy rate is the percentage of vacant space of the total of existing office space.

Rents

The published figures represent basic net rents (excluding service charges and VAT) per square metre of space per month in the respective reporting period. Any additional charges for tax liabilities or compensation for investment costs paid via the rent are not specified separately. The following definitions apply:

- **Maximum rent**

The highest recorded basic net rent agreed upon in an office building, regardless of the size of the unit let.

Lettings to final users in office centres or coworking facilities are not taken into account here.

- **Prime rent**

We use the definition by the Society of Property Researchers, Germany (gif) as a guideline. The prime rent corresponds to the median value of the highest rents realised in the reporting period that must account for at least three percent of the overall take-up of space. There should be at least three corresponding rental contracts.

- **(Unweighted) average rent**

The arithmetic mean (simple average) and median value of all recorded rental prices from individual letting contracts are calculated. Large-scale lettings are considered in the same way as small rental units. The average rent is usually specified as a rounded value between the two measured values.

- **Weighted average rent (according to unit size)**

The rental prices of all leases concluded are weighted according to the size of the respective rental unit, and the mean value is calculated. To do so, the unit size and rent price of each letting are multiplied with each other. The total sum of these products is then divided by the total amount of space let.

- **Benchmark rent**

This figure is specified for a geographically defined office submarket. It is based on the range of the standard deviation below and above the (unweighted) average rent.

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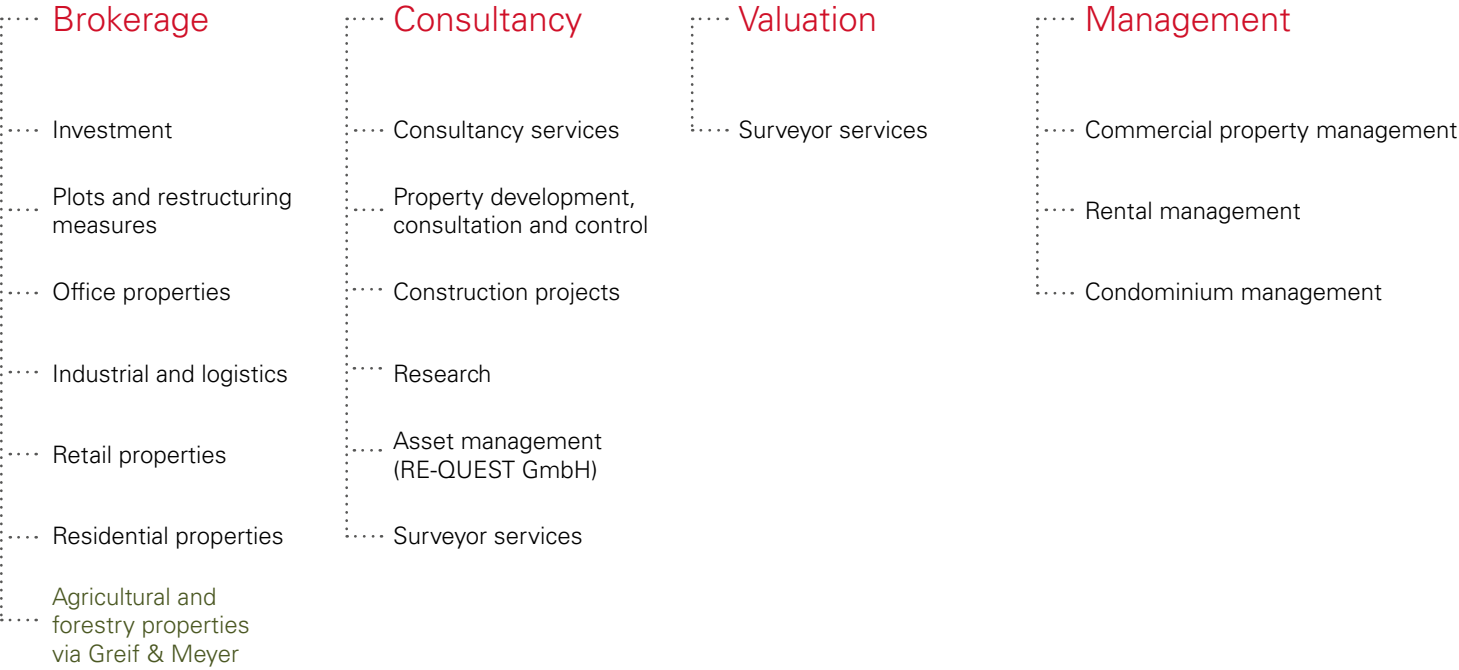
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1976
the year Theodor J. Greif started his one-man business as an estate agent



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