
Office Space Market Cologne

01|2021



GREIF & CONTZEN

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Dear readers,

The year 2020 was characterised by the challenges posed by the pandemic, and this has also had a noticeable effect on Cologne's office space market. Searches for space were put on hold, more units became available for sub-letting, and some users expected that rents would decrease. However, the level of rental prices remained largely stable. Lower rents and other incentives were only agreed upon in a few cases.

On the following pages, you will find our preliminary assessment of market trends in the past year. Our comprehensive analysis will be published in February 2021, along with an updated office market map with detailed information about Cologne's submarkets.

We would like to thank all those who took part in our recent survey regarding our market reports. Your answers will help us to further improve our range of information provided. As a first step, **we have summarised the most important key figures and statements on the next page, to allow for a quick overview.**

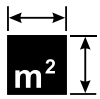
We wish you a healthy and successful year and are looking forward to a fruitful exchange.



»The majority of market participants
has positive overall expectations for
2021.«

Benedikt Graf Douglas

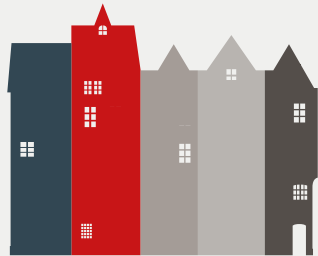
Management Executive, Head of Office Properties
Greif & Contzen Immobilienmakler GmbH



210,000 m²

TAKE-UP OF SPACE

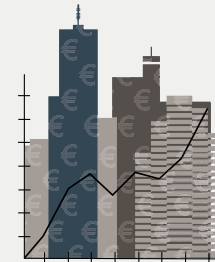
Compared to the year before, take-up of office space decreased by around 28 percent in 2020, and was about 30 percent below the average of the past ten years.



230,000 m²

VACANT SPACE

Vacancies increased moderately to currently around 230,000 m². The vacancy rate stands at about 2.9 percent.



EUR 26.00 /m²

RENT PRICE LEVEL

The level of rent prices remained stable with a prime rent of around EUR 26.00 per square metre and an unweighted average rent of around EUR 14.00.



WORKING FROM HOME

While working from home has become very common, it is not to be expected that this trend will give rise to substantial amounts of office space being vacated in the near term.



OUTLOOK

Demand for space is likely to increase over the course of the year, in line with the expected economic upturn. However, decision making processes tend to still take longer than before. Availability of space is not expected to increase significantly.

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Office space market Cologne – key figures

	2016	2017	2018	2019	Development 2019/2020	2020
Take-up (000's m²)	440	310	310	290	↓	210
Existing space (million m²)	7.8	7.8	7.8	7.9	↗	8.0
Completions (000's m²)	110	95	62	160	↓	75
Vacant space (000's m²)	360	280	200	185	↗	230
Vacancy rate in %	4.6	3.6	2.6	2.3	↗	2.9
Maximum rent (in €/m²)	24.80	26.50	25.00	29.00	↘	28.50
Prime rent (according to gif) in €/m²	21.50	21.50	23.00	26.00	→	26.00
Average rent (weighted according to unit size) in €/m²	14.10	13.70	15.00	16.70	↘	16.50
Average rent (mean value) in €/m²	12.20	13.00	13.00	14.00	→	14.00
Employees* (000's) (as of June)	538	553	569	583	↘	570
Unemployment rate in % (as of June)	8.5	8.5	7.7	7.9	↑	9.6

* employees contributing to social insurance

Source: Greif & Contzen Research, Cologne, January 2021

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Considerable decrease in take-up, despite a number of large-scale transactions

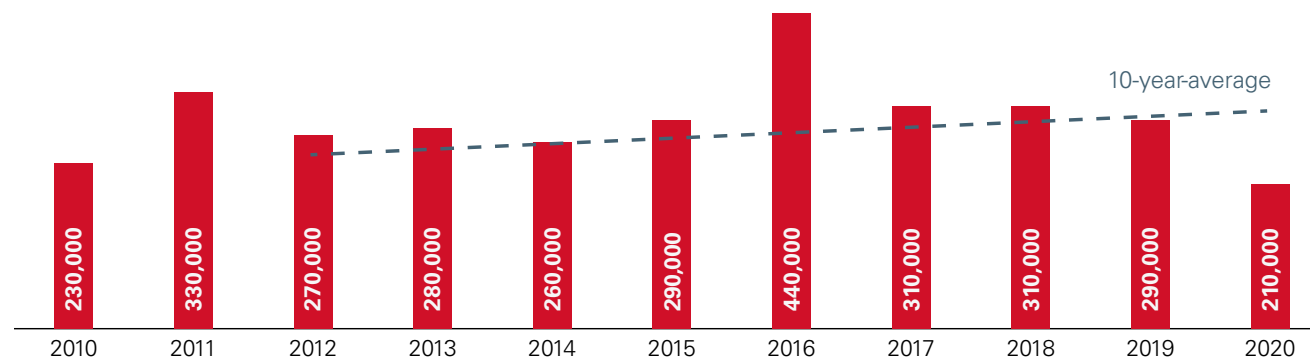
Around 210,000 square metres of office space were taken up in the year 2020 that was shaped by the pandemic. This corresponds to a decrease of about 28 percent compared to 2019. The COVID-19 pandemic had a significant impact on the letting market in the second quarter. Searches for space were put on hold, and in some cases also reduced in scale or abandoned entirely.

The market recovered noticeably from the third quarter onwards, but decision making process continue to be slow in many cases. Three large units of between 10,000 and 19,700 square metres were taken up in new developments. With a combined size of just under 48,000 square metres, these account for around 22 percent of the total take-up of space realised in 2020.

210,000 m²

take-up of space Q1 – Q4
2020

Take-up of office space: development 2010 – 2020 and 10-year-average in m²



Source: Greif & Contzen Research, Cologne, January 2021

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Selection of significant units taken up in 2020

User	Status	Office space in m ²
KPMG Deutschland (Deutz)	Development project	approx. 19,700
AOK Rheinland/Hamburg (Gremberghoven)	Development project	approx. 18,000
Central Customs Office Cologne (Ehrenfeld)	Development project	approx. 10,000
DKMS (Köln West)	Existing space	approx. 4,500
Unknown (Mülheim)	Development project	approx. 4,500
KHD Humboldt Wedag (Gremberghoven)	Development project	approx. 4,300
Unknown (Innenstadt Nord)	Development project	approx. 4,100
Jobcenter (Köln Süd)	Existing space	approx. 3,800
City of Cologne (Köln Süd)	Existing space	approx. 3,600
msg systems ag (Kalk)	Existing space	approx. 3,100
Deutsches Rotes Kreuz e.V. (Ehrenfeld)	Development project	approx. 3,000
ISG Informatik Service KG (Braunsfeld)	Existing space	approx. 2,600

Source: Greif & Contzen Research, Cologne, January 2021

An increase of available space due to new vacancies and space offered for sub-letting, has not had a significant impact on market development to date. The rent level remained stable and around 80 percent of space taken up in the ten biggest transactions, is not located in existing buildings but accounted for by construction projects. Following the take-up of around 8,400 square metres of office space in the major development 'MesseCity' by ARLANXEO in 2019, KPMG took up close to 20,000 square metres of

office space in the eastern part of the site in 2020.

The second biggest unit taken up is located in Cologne-Gremberghoven. AOK concluded a contract for around 18,000 square metres in the construction project 'QUADRA'.

In third place was a 10,000 square metre unit taken up by the Central Customs Office Cologne in the development 'Ehrenwert' in the submarket of Ehrenfeld.

almost 80 %

of the ten biggest transactions were accounted for by developments

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Demand for space is expected to increase again in 2021

The recovery of the German economy that had started in the third quarter of 2020, was curbed once again as the number of COVID-19 cases increased and a second extensive lockdown was implemented. According to the most recent forecasts by economic research institutes, the gross domestic product decreased by between 5.00 and 5.25 percent in 2020. Economic growth of between 3.10 and 4.90 percent is expected for the year ahead, provided that the pandemic can be contained in 2021. However, the most recent increase of infection figures and the protective measures taken, were not taken into account in all forecasts. Following increases between May and September 2020, the ifo business climate index decreased once again over the fourth quarter. In its autumn survey, the Cologne Chamber of Industry and Commerce found the overall mood among small and medium-sized companies in Cologne to have dropped to a negative value. There are slightly more companies that are planning to decrease than those planning to increase staff numbers. However, almost 80 percent of companies intend to keep their existing employees.

If economic development takes place in line with the economists' assessments and the situation is going to brighten over the course of 2021, Cologne's office space market is also likely to gain new momentum. Nevertheless, some businesses from Cologne will continue having to navigate in challenging economic waters. Based on these assumptions, a total of around 250,000 square metres of office space

could be taken up in the year ahead. This would correspond to an increase compared to last year, while not quite matching the level achieved in 2019.

It is to be expected that more space will become available in various existing buildings, but an increase in demand is likely to absorb such units. Vacancies are unlikely to increase significantly, allowing for a sustainable level of rent prices.

250,000 m²

take-up of space
forecast 2021



Soon to be completed: 'COCO' in Cologne-Ossendorf

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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, subletting, 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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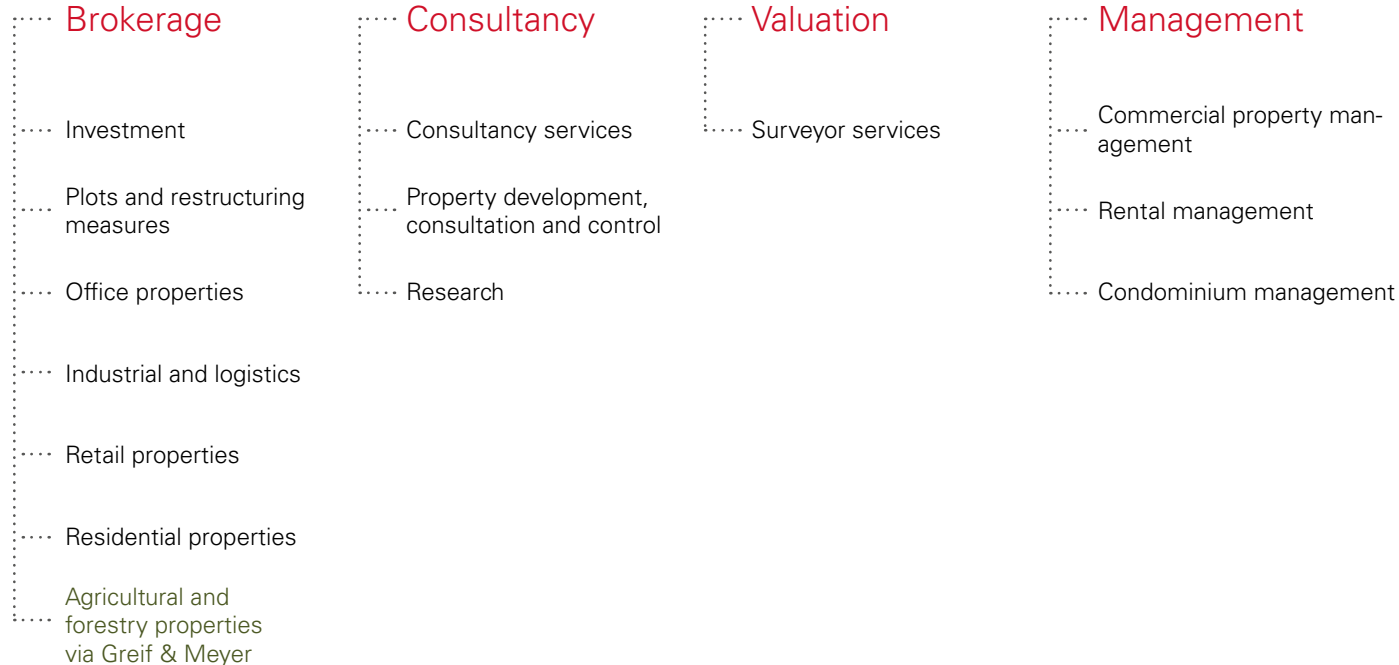
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1976

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



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