
Office Space Market **Cologne**

01|2024



GREIF&CONTZEN

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Dear readers,

Demand for space was considerably lower in Cologne's office space market in 2023 than in recent years. At around 200,000 square metres, take-up of space was about 34 percent lower than the ten-year average of 304,000 square metres. This represents the lowest result recorded since 2004.

Demand picked up temporarily after the summer, until further economic and political obstacles, as well as military conflicts arose. These led to new uncertainties and risks which companies must learn to handle. In a few cases, requests for office space were withdrawn for financial reasons. Rental contract negotiations were abandoned and existing leases were renewed instead.

In line with the decrease in demand, the amount of vacant space has increased gradually to around 280,000 square metres. Availability of existing units has improved slightly owing to this noticeable increase. In high-quality new buildings, rents are still rising owing to high construction costs, with prices of around EUR 33.00 or even more.

On the following pages, you will find our preliminary assessment of market trends in the past year, as well as our first outlook for the year ahead. Our comprehensive analysis will be published in February 2024 along with an updated office market map.

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

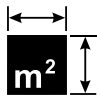


**»In premium-quality new buildings,
the costs incurred by property
developers give rise to rents far above
the current prime rent.«**

Andreas Reul

Head of Office Properties

Greif & Contzen Immobilienmakler GmbH



200,000 m²

TAKE-UP OF SPACE

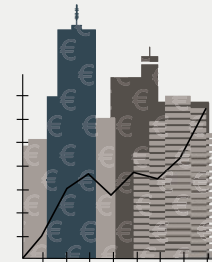
Take-up of office space dropped to a long-term low, and was around 37 percent less than in 2022 (around 315,000 square metres).



280,000 m²

VACANT SPACE

Vacant space increased by around 50,000 square metres in 2023. In addition to this, about 52,000 square metres are currently offered for sub-letting. This corresponds to a vacancy rate of around 3.4 and 4.0 percent respectively.

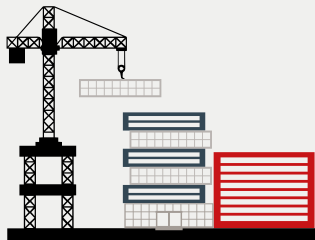


EUR 33.00/m² EUR 35.00/m²

PRIME RENT

MAXIMUM RENT

High construction costs led to further price increases in new buildings. The weighted average rent increased from EUR 18.50/m² to EUR 19.50/m².



COMPLETIONS

Around 100,000 square metres of office space were completed in 2023. The five-year average was therefore matched, and the ten-year average was exceeded by around 10 percent.



OUTLOOK

A slight overall recovery of demand and take-up of space in the order of around 230,000 square metres are expected for 2024. Risks continue to exist, while prime rents and rents for new builds are likely to rise further.

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Office space market Cologne – key figures

	2019	2020	2021	2022	Development 2022/2023	2023
Take-up (000's m²)	290	230	315	315	↓	200
Existing space (million m²)	7.9	8.0	8.05	8.1	↗	8.16
Completions (000's m²)	160	70	95	110	↘	100
Vacant space (000's m²)	185	230	255	230	↑	280
Vacancy rate in %	2.3	2.9	3.2	2.8	↑	3.4
Maximum rent (in €/m²)	29.00	28.50	30.00	36.00	↘	35.00
Prime rent (according to gif) in €/m²	26.00	26.00	27.00	28.50	↑	33.00
Average rent (weighted according to unit size) in €/m²	16.70	16.50	17.00	18.50	↗	19.50
Average rent (mean value) in €/m²	14.00	14.00	15.30	16.70	→	16.70
Employees* (000's) (as of June)	583	580	591	607	↗	610
Unemployment rate in % (as of June)	7.9	9.6	9.5	8.4	↗	8.6

* employees contributing to social insurance
Source: Greif & Contzen Research, Cologne, January 2024

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Drop in take-up of space

Impact of crises

At around 200,000 square meters, take-up was at the lowest level recorded since 2004.

- Take-up was about 34 percent below the ten-year average.
- The share of take-up accounted for by public sector users fell massively compared to the previous year to around 13 percent (2022: about 43 percent). These had had a stabilising effect on the office space market in recent years.

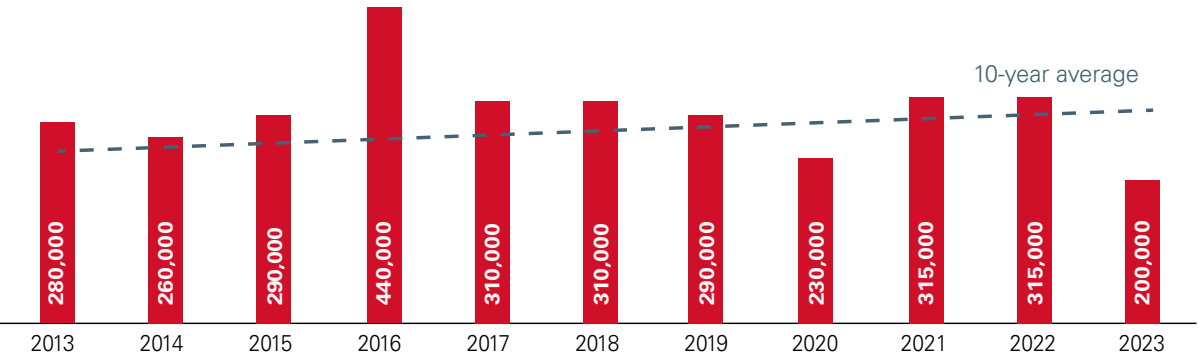
Large units let owing to modernisation requirements

Two contracts for units of more than 10,000 square metres of office space were concluded to cater for temporary space requirements while buildings are being refurbished.

- The DEVK insurance company took up around 14,000 square metres in the Rheinparkmetropole complex in Deutz.
- The Cologne Chamber of Industry and Commerce signed a lease for around 13,000 square metres in direct vicinity of its main building in the banking quarter.

approx. 200,000 m²
take-up of space Q1 – Q4 2023

Take-up of office space: development 2013 – 2023 and 10-year-average | in m²



Source: Greif & Contzen Research, Cologne, January 2024

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Top 5 units taken up in 2023

User	Status	Office space in m²
DEVK (Deutz)	existing space	approx. 14,000
Cologne Chamber of Industry and Commerce (Bankenviertel)	existing space	approx. 13,000
Church Pension Fund of the German Association of Dioceses (KZVK, Innenstadt Nord)	development project	approx. 9,150
Boston Consulting Group (Innenstadt Nord)	development project	approx. 7,250
unknown (Deutz)	development project	approx. 4,300

Source: Greif & Contzen Research, Cologne, January 2024

around 32%
of the ten biggest transactions
were accounted for by
developments

Maximum and prime rent

Higher construction and interest rate costs incurred by property developers are passed on to tenants through the rent. Lower proceeds obtained when selling new buildings also require compensation.

- The prime rent continued to increase, despite the decline in demand, rising to currently EUR 33.00 per square metre.
- The highest rent agreed upon was EUR 35.00 per square metre, and therefore EUR 1.00 lower than the maximum rent realised in 2022.

Average rent

Rental agreements were concluded for three large units in construction and refurbishment projects in the city centre. At the same time vacancies increased. This means that different effects had an impact on the market average.

- The average rent weighted according to unit size increased from EUR 18.50 per square metre to now EUR 19.50.
- The simple arithmetic average rent remained stable at EUR 16.70 per square metre.

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Demand for space expected to remain below average

Economic environment

- In an economic environment that was characterised by crises, the gross domestic product decreased by between 0.3 and 0.5 percent in 2023, according to estimates issued by economic research institutes.
- Forecasts by economists for the development of the gross domestic product in 2024 are currently still on a broad range of between -0.5 and +0.9 percent. Enforcement of austerity measures in the federal budget could limit economic stimulus based on public spending and give rise to new uncertainties for private-sector investment projects.
- There are at least signs that inflation is likely to decline further and that interest rates will not rise further.
- An overall decrease of the ifo business climate index was recorded over the course of the year. In its economic survey conducted in autumn, the Cologne Chamber of Industry and Commerce found the sentiment indicator to have deteriorated among local businesses.
- The possibility of an escalation of the ongoing geopolitical crises is not taken into account in the forecasts mentioned above, and this is one of the risks that apply in the year ahead.

Cologne's office space market – outlook for 2024

- Many users of office space have postponed necessary adjustments to their unit size and workplace concepts due to the risks indicated above and the financial uncertainties that apply for the coming year. They plan to address these requirements more resolutely, as

well as to rent new units or move to other premises, as soon as the uncertainties diminish and business prospects improve.

- Take-up of office space is therefore likely to draw a bit closer to the average value of the past five years of 268,000 square metres once again in 2024.
- The start of construction of the new building for owner-occupancy by Landschaftsverband Rheinland with more than 20,000 square metres on Opladener Strasse in Cologne-Deutz that is scheduled for 2024 is going to contribute to this.
- Further rent increases are to be expected in the new build and premium segments.

approx. 230,000 m²

take-up of space
forecast for 2024



The Cologne Chamber of Industry and Commerce took up the office building Unter Sachsenhausen 5–7 that was previously used by Commerzbank.

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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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Contact

**Theodor J. Greif**

Managing Director / Owner
Greif & Contzen Immobilien GmbH
+49 221 937793-200
gl@greif-contzen.de

**Andreas Reul**

Head of Office Properties Cologne
Greif & Contzen Immobilienmakler GmbH
+49 221 937793-220
andreas.reul@greif-contzen.de

**Torsten Hamm**

Head of Office Properties Bonn
Greif & Contzen Immobilienmakler GmbH
+49 221 937793-210
torsten.hamm@greif-contzen.de

**Frank Pönisch**

Managing Director
Greif & Contzen Beratungsgesellschaft mbH
+49 221 937793-265
frank.poenisch@greif-contzen.de

**Dr. Jan Schubert**

Consulting, Research
Greif & Contzen Beratungsgesellschaft mbH
+49 221 937793-263
jan.schubert@greif-contzen.de

**Press contact****Stefan Altmann**

Head of Marketing and Communication
Greif & Contzen Immobilien GmbH
+49 221 937793-312
presse@greif-contzen.de

Address

Pferdmengesstrasse 42
50968 Köln
Germany
+49 221 937793-0
welcome@greif-contzen.de

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



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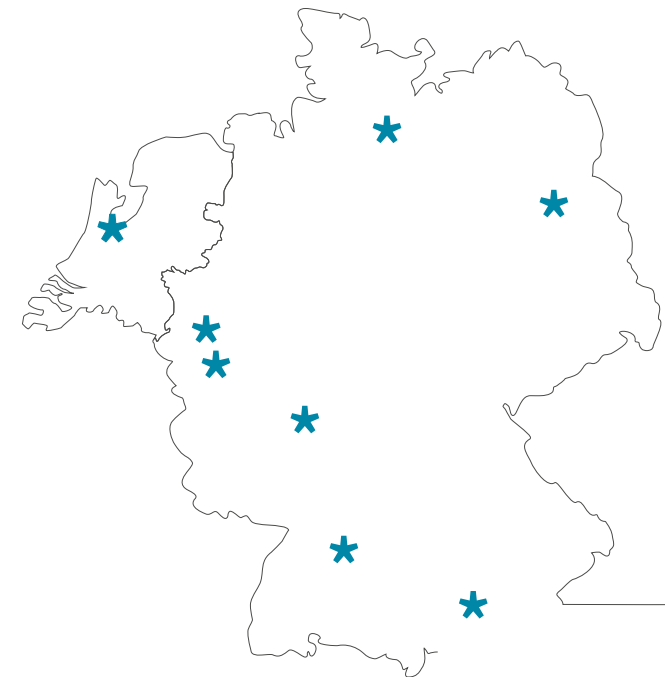
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Pferdmengesstrasse 42
50968 Köln
Germany
+49 221 937793-0

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