

Office Space Market Cologne

02|2023



GREIF & CONTZEN

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Dear readers,

The geopolitical and economic crises that occurred in 2022 had an impact on Cologne's office space market, too. Many construction projects were already affected by supply problems and sharp cost increases in the second quarter. This gave rise to pressure to increase rents, in order to pass on at least a part of such costs.

Despite rising rents, 315,000 square metres of space were taken up, matching the strong result of the previous year, and vacant space decreased by some ten percent. The low vacancy rate of currently 2.8 percent put landlords in a stronger negotiation position once again.

Development projects continue to be attractive for many tenants, even though rents for new buildings are higher than for existing ones. This was reflected most markedly by the dynamic development of the submarket Mülheim over the course of the year. New buildings tend to offer a favourable perspective, both with regard to new working concepts and in view of energy-related ancillary costs.

Details of the developments in all of Cologne's submarkets can be found in our **updated office location map**.

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



»2022 was a challenging year for many property developers. New buildings continue to be in great demand by users, despite the price increases – they offer some key advantages.«

Andreas Reul

Head of Office Properties

Greif & Contzen Immobilienmakler GmbH



315,000 m²

TAKE-UP OF SPACE

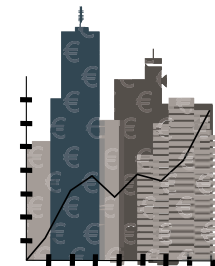
The previous year's strong result was matched and take-up was once again above the ten-year average (around 300,000 square metres).



230,000 m²

VACANT SPACE

Vacant office space decreased by around 25,000 square metres in 2022. This corresponds to a vacancy rate of around 2.8 percent.



€ 28.50/m²

PRIME RENT

€ 36.00/m²

MAXIMUM RENT

Low vacancy rates and higher construction costs caused rents to increase. The unweighted average rent increased further from EUR 15.30 per m² to EUR 16.70 per m². In addition, the high inflation had an impact on existing buildings.



WORKING WORLD

New working concepts and changed requirements due to ESG guidelines give rise to new needs with regard to space in the business world. These can only be met gradually.



OUTLOOK

There is a mood of cautious optimism that the economic downturn expected for 2023 will have no severe consequences for Cologne's office space market. The prime and maximum rent are likely to rise despite an increase of vacant space.

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Office space market Cologne – key figures, development and forecast

	2019	2020	2021	Development 2021/2022	2022	Trend	Forecast 2023
Take-up (000's m²)	290	230	315	→	315	↘	300
Existing space (million m²)	7.9	8.0	8.05	↗	8.1	↗	8.2
Completions (000's m²)	160	70	95	↗	110	↗	115
Vacant space (000's m²)	185	230	255	↘	230	↗	270
Vacancy rate in %	2.3	2.9	3.2	↘	2.8	↗	3.3
Maximum rent (in €/m²)	29.00	28.50	30.00	↑	36.00	↗	38.00
Prime rent (according to gif) in €/m²	26.00	26.00	27.00	↗	28.50	↗	30.00
Average rent (weighted according to unit size) in €/m²	16.70	16.50	17.00	↗	18.50	↗	19.00
Average rent (mean value) in €/m²	14.00	14.00	15.30	↑	16.70	↗	17.00
Employees* (000's) (as of June)	583	580	591	↗	607	→	607
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, February 2023

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Above-average demand for space

Take-up figures were stabilised by major transactions

Around 315,000 square metres of office space were taken up in 2022, matching the previous year’s result. The economic slowdown was noticeable in the fourth quarter, nevertheless.

- Three units of between around 16,000 and 44,800 square metres were taken up.
- The share accounted for by owner-occupiers decreased from about eleven percent to around six percent.
- It is to be expected that the predicted economic downturn will dampen demand for space over the first half of 2023.

Material bottlenecks and delivery problems

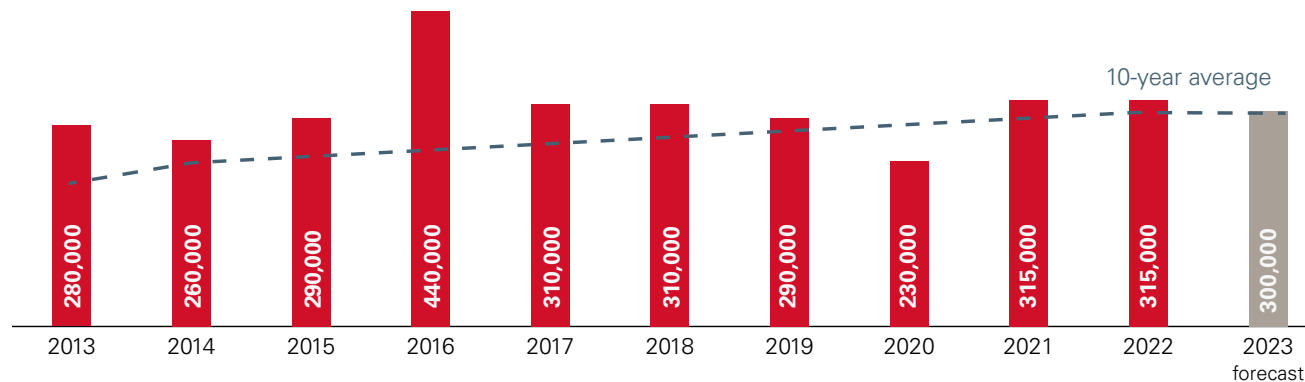
The consequences of the pandemic and the war in Ukraine led to delays and higher costs for some construction projects. Furthermore, developers had to accept price cuts when selling properties, owing to the interest rate turnaround.

- The amount of space available in development projects and existing buildings decreased by around seven percent over the course of the year.
- Plans for further development projects were announced, nevertheless, including new large units in the city centre.

315,000 m²

take-up of space Q1 – Q4 2022

Take-up of office space: development 2013 – 2022, forecast 2023 and 10-year average in m²



Source: Greif & Contzen Research, Cologne, February 2023

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Top 5 units taken up in 2023

User (submarket)	Status	Office space in m ²
Federal Office of Administration (Köln Nord)	development project	approx. 44,800
City of Cologne (Innenstadt Süd)	existing space	approx. 38,800
CBS Cologne Business School (Köln Süd)	existing space	approx. 16,000
City of Cologne (Mülheim)	development project	approx. 8,200
Raiffeisen Waren-Zentrale Rhein-Main eG (Köln Süd)	development project	approx. 6,100

Source: Greif & Contzen Research, Cologne, February 2023

around 50 %
of the ten biggest transactions were accounted for by developments



Further large units were taken up in the new MesseCity Köln buildings.

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Public facilities stabilise take-up of office space

Public facilities, associations, societies

As in the year before, the demand side was dominated by this user group, which accounted for the two biggest transactions and more than ten further rental agreements.

- Users included the city of Cologne, federal facilities and the VRS transport association.
- The agreed upon base rents were frequently above the market average, and approached the prime rent in a number of cases.

Private sector companies

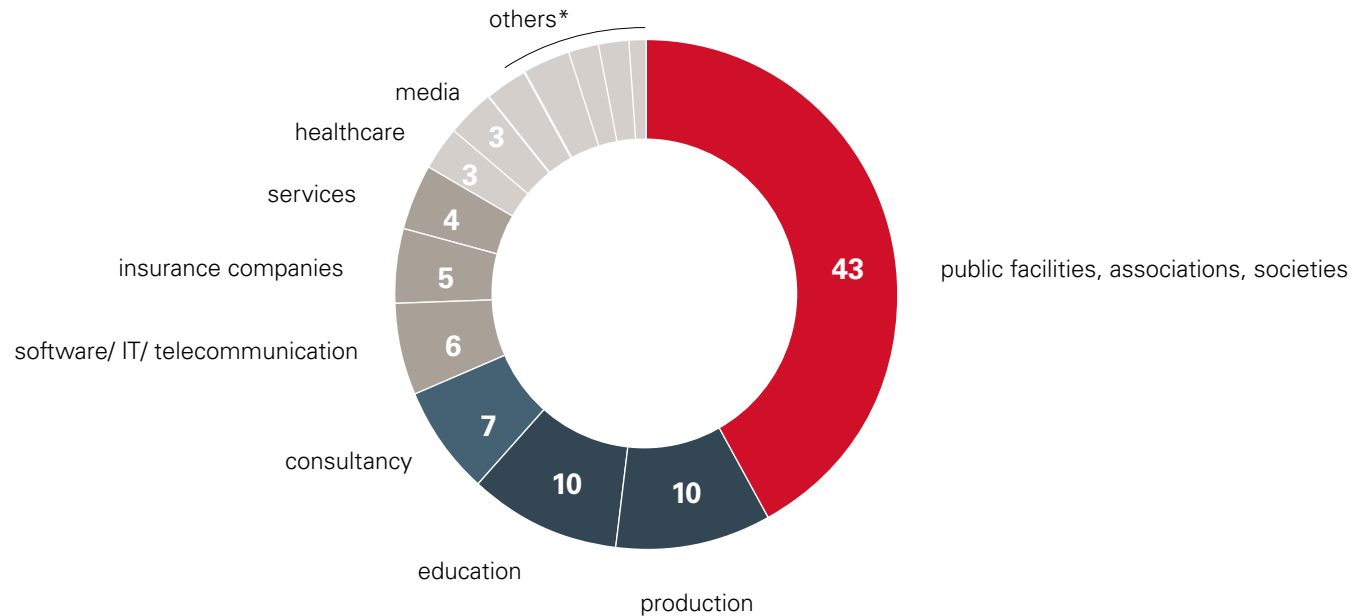
Around 180,000 square metres of space were taken up by private-sector users in 2022. Many companies are still preparing the realisation of new workplace concepts.

- Industrial / production companies and education institutions each accounted for ten percent of take-up.
- Next up were consultancy and IT companies with seven and six percent, respectively.

43 %

share of take-up accounted for by the public sector, associations and societies

Take-up of office space 2022 (Q1 – Q4) according to industries | in %



* others: 3% transport, 3% trade, 2% finance, 1% real estate, 0% construction

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Higher construction costs were passed on to tenants**Prime and average rent**

Owing to the low vacancy rate and significantly higher construction costs, rents were increased considerably in some cases.

- The unweighted average rent rose from EUR 15.30 per square metre to EUR 16.70.
- The weighted average rent based on unit size is currently EUR 18.50 per square metre.
- The prime rent increased from EUR 27.00 per square metre to now EUR 28.50.

Maximum rents

A differentiated pricing structure can be drawn up based on an analysis of office space leases concluded since 2016 for high-price units in around 70 office buildings.

- New maximum rents were realised in good and very good office locations, with marked increases in some cases.
- Units of particularly high quality in top locations are currently being offered for prices above EUR 36.00 per square metre.

€ 36.00/m²

maximum rent 2022

Maximum rent price structure according to property types and quality of location, 2016– 2021 / 2022 | in €/m² per month

	New buildings		Revitalised buildings		Modern buildings in mint condition	
	Q4/2021	Q4/2022	Q4/2021	Q4/2022	Q4/2021	Q4/2022
Top quality location¹	30.00	33.50	29.00	29.00	28.50	36.00
High quality location²	21.50	21.50	21.00	22.20	19.50	22.00
Average quality location³	20.00	20.00	19.75	19.75	23.00	23.00

indicated as monthly base rents per square metre

¹ city centre locations with very good traffic links, high visibility, and an established business environment, such as Bankenviertel, Mediapark, Rheinauhafen, Rheinufer

² city centre locations with certain drawbacks regarding factors such as visibility or neighbours

³ locations outside of the city centre including business parks such as Airport Businesspark, Braunsfeld, Ehrenfeld, Kalk, Ossendorf

Source: Greif & Contzen Research, Cologne, February 2023

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Dynamic office locations

Take-up figures well above average were recorded especially in those submarkets in which the three biggest units were taken up. In the office neighbourhoods in Mülheim and Deutz, good take-up figures and rising rents could be generated with new buildings in particular.

Innenstadt Süd

- The large unit taken up by the city of Cologne in the former Kaufhof headquarters caused a steep increase of take-up compared to previous years.
- The benchmark rent rose to between EUR 13.00 and EUR 21.00 per square metre. However, significantly higher rents were realised with high-quality office space.

Mülheim

- Take-up was more than 40 percent above the five-year average.
- Multiple rental agreements were concluded for units ranging between 1,200 and 8,200 square metres.
- The rental level increased; rents around EUR 20.00 per square were agreed upon in several cases – and even much higher rents were realised in a few cases.

Deutz

- The amount of space taken up in Deutz was close to the five-year average.
- A few large-scale contracts were concluded for office units with high quality fit-out in the MesseCity Köln area.
- The benchmark rent rose significantly to between EUR 14.00 and EUR 24.00 per square metre.



The large development area I/D Cologne constitutes a considerable expansion of the submarket of Mülheim. The existing focus on the creative and IT industries is increasingly complemented by big corporations and public authorities.

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Despite the challenging conditions: development projects continue to be sought after

2022

The amount of office space completed increased to around 110,000 square metres; however, some delays occurred.

- The Kite and QUADRA buildings in the submarkets of Ossendorf and Gremberghoven were completed.
- Development projects are still available across various locations.

Forecast for 2023 and 2024

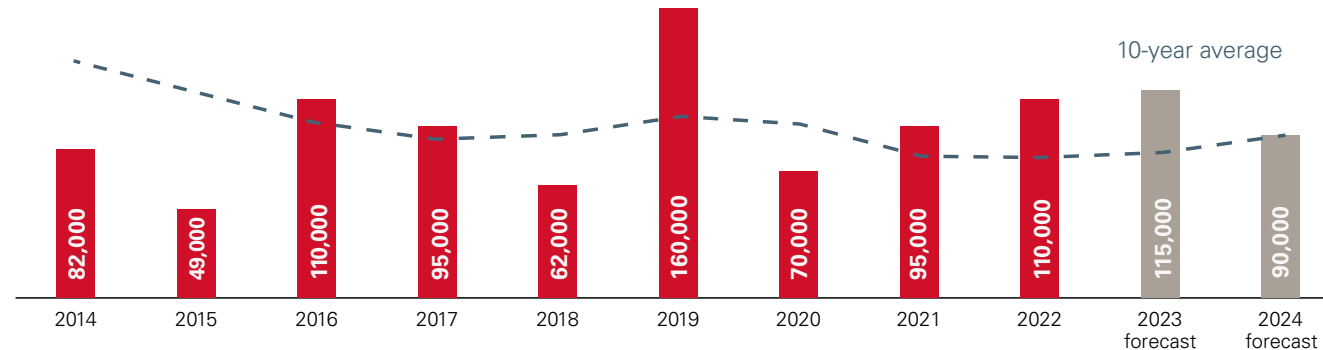
With around 115,000 and 90,000 square metres, respectively, the volume of completions is predicted to remain on a similar level.

- 70 percent of the new space expected for 2023 is no longer available (2024: approx. 60 percent).
- High energy prices and the realisation of new working worlds are making new buildings even more attractive.

205,000 m²

new office space scheduled for completion 2023 – 2024

Development of completions 2014 – 2022 and forecast for 2023 – 2024 | in m²



Source: Greif & Contzen Research, Cologne, February 2023

Top 4 projects under construction

Property/submarket	Rental space in m ²	Completion
ROSSIO (Deutz)	around 25,000	2025
CENTRAAL (Deutz)	around 19,700	2024
OVUM (Braunsfeld)	around 18,400	2023
Mattes & Düxx (1st part, Deutz)	around 12,500	2024

Source: Greif & Contzen Research, Cologne, February 2023

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Slight decrease of vacancies in 2022

2022

Vacant office space decreased by around 25,000 square metres in total last year. This corresponds to a decrease of around 10 percent to now 230,000 square metres.

- Letting of the former Kaufhof headquarters in the southern part of the city centre played a key role with regard to this reduction.
- A slight increase of vacancies could be observed in the fourth quarter, as a number of units of between 2,500 and 8,700 square metres were added.

Forecast for 2023

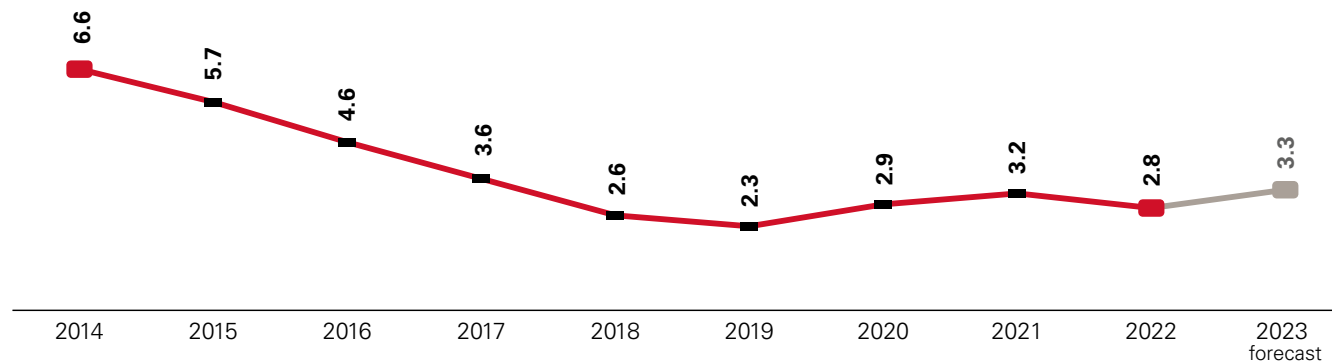
Owing to the forecast economic downturn and corresponding subdued demand, it is likely that more units will be vacated than taken up in the first few quarters.

- Further large-scale contracts are expected to be concluded in the second half of the year.
- On the whole, it is likely that vacancies will increase over the course of the year.
- It is to be expected that some existing office units will be repurposed as schools, for example, and therefore cease to be available.

3.3 %

vacancy rate
forecast Q4 2023

Vacancy rate 2014 – 2022 and forecast 2023 | in %



Source: Greif & Contzen Research, Cologne, February 2023

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Cologne's office locations – available space, vacant space, annual take-up and benchmark rent

Location	Available space ¹ in m ²	Vacant space in m ²	Annual take-up ² in m ²	Benchmark rent ³ in €/m ²
City Centre				
Bankenviertel	9,000	9,000	7,000	13 – 23
MediaPark	14,000	7,000	3,000	17 – 22
Rheinauhafen	3,000	2,000	8,000	18 – 23
Kölner Ringe	28,000	4,000	15,000	14 – 27
Deutz	73,000	8,500	14,000	14 – 24
Innenstadt Nord	45,000	12,000	28,000	13 – 23
Innenstadt Süd	7,000	7,000	15,000	13 – 21
Rheinufer Nord	1,000	1,000	1,000	15 – 20
Rheinufer Süd	3,000	1,000	4,000	15 – 18
Subtotal	183,000	51,500	95,000	

¹ The supply of available space consists of vacancies, space under construction, and a certain amount of space that is still in planning stages.

² Specified as average value of the past five years.

³ The listed figures are base rent prices. Considerably higher or lower rents are occasionally agreed upon in individual cases.

Source: Greif & Contzen Research, Cologne, February 2023



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Location	Available space ¹ in m ²	Vacant space in m ²	Annual take-up ² in m ²	Benchmark rent ³ in €/m ²
Districts on the left bank of the Rhine				
Innere Kanalstrasse	8,000	2,000	3,000	13 – 20
Ehrenfeld	37,500	15,000	17,000	10 – 18
Braunsfeld	68,000	22,000	23,000	11 – 17
Ossendorf	91,000	11,000	24,000	9 – 15
Köln Nord	49,000	24,000	23,000	8 – 15
Köln West	24,000	19,000	21,000	10 – 16
Köln Süd	33,000	18,000	17,000	10 – 16
Subtotal	310,500	111,000	128,000	
Districts on the right bank of the Rhine				
Gremberghoven	14,000	14,000	14,000	10 – 16
Mülheim	56,000	13,000	19,000	13 – 19
Kalk	500	500	3,000	8 – 16
Köln Ost	95,000	40,000	21,000	9 – 15
Subtotal	165,500	67,500	57,000	
Total	659,000	230,000	281,000	



¹ The supply of available space consists of vacancies, space under construction, and a certain amount of space that is still in planning stages.

² Specified as average value of the past five years.

³ The listed figures are base rent prices. Considerably higher or lower rents are occasionally agreed upon in individual cases.

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Prime and maximum rents will rise further

Economic environment

- The German GDP increased by 1.9 percent in 2022. No recession occurred, despite a drastic increase of energy prices and further supply problems.
- Economic research institutes are anticipating a moderate economic downturn for the first half of 2023, but the economy is likely to recover once again in the third and fourth quarter.
- Macroeconomic risk factors such as escalation of the war in Ukraine, and problems related to energy supply and foreign trade are going to prevail, nevertheless. Growth forecasts for the whole year 2023 range between -0.75 and +3.0 percent.
- A slight improvement of the ifo business climate index was recorded in January for the fourth consecutive time.
- In its latest economic survey among local enterprises, the Cologne Chamber of Industry and Commerce observed a clear improvement of the business sentiment, which is approaching a neutral level.

Cologne's office space market in 2023

- Dampened demand for office space is to be expected over the next few months, owing to the forecast economic slowdown.
- Demand may increase once again from the second half of the year onwards. Due to the developments since the start of the pandemic, it is likely that many companies need to catch up with regard to their workplace concepts.
- The total of space taken up could be on a similar scale as the long-term average of around 300,000 square metres.
- An increase of vacancies is anticipated; however, it is also

- likely that some units will be repurposed as schools, for example, and thus cease to be available as office space.
- An overall trend of rising rents is likely. Owing to high construction costs, it is probable that new prime and maximum rents will be achieved in new and revitalised buildings in particular.

300,000 m²

take-up of space
forecast for 2023



The new construction project VOLAERO in the submarket of Ossendorf features some 15,500 square metres of modern office space.

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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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1976

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



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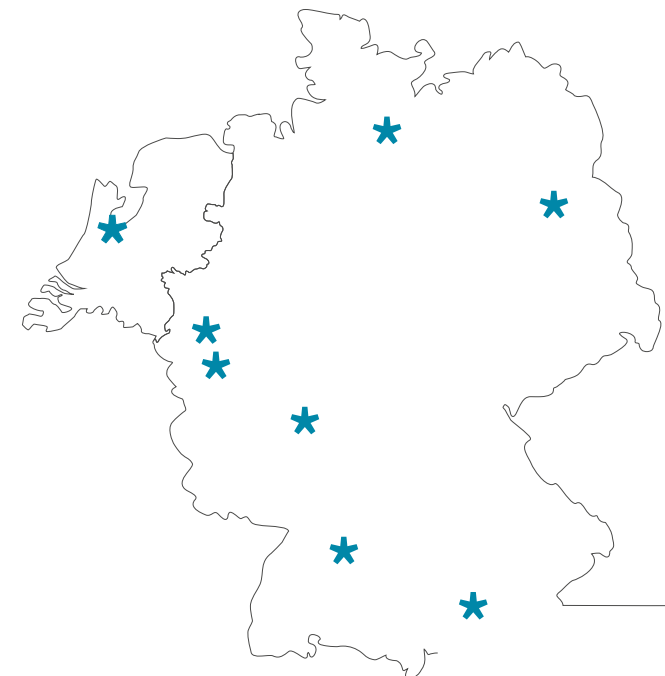
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