

Pressemitteilung

Köln, 02. Januar 2024

Decline in demand on Cologne's office space market

Around 200,000 square metres of office space were taken up in Cologne in the past year – about 36 percent less than in 2022. The latest market report published by Greif & Contzen comprises an analysis of the previous year and an outlook for the months ahead.

Looking back on 2023 at the end of the year in their latest market report, the property experts from Greif & Contzen describe the situation in Cologne's office space market as rather subdued, and their forecast for the next few months and years is also rather guarded. Compared to recent years, a considerable drop in take-up could be observed in Cologne's office space market in 2023. However, Greif & Contzen's researchers do not consider this to be a cause for pessimism. "Following a long period with a very high demand surplus and extremely low vacancy rate, the market is now consolidating," says Andreas Reul, Head of Office Properties at Greif & Contzen Immobilienmakler GmbH.

Decrease in demand for office space owing to a weak economic situation paired with national and global uncertainties

The experts from Greif & Contzen report in greater detail that at 200,000 square metres, take-up was about 34 percent below the ten-year average of 304,000 square metres, and around 37 percent below the total of 315,000 square metres recorded in 2022. This represents the lowest take-up figure since 2004. "Following a rather slow start of the year, demand recovered temporarily in the summer, until geopolitical and local crises hit. The general economic conditions, such as the economic downturn, consumer reticence and political obstacles in Germany, as well as military conflicts around the world, give rise to uncertainties and risks, which businesses need to deal with," says Andreas Reul, looking back on the course of the year. "Decisions with long-term implications, such as relocation or new office-space concepts are frequently postponed in situations like this." Andreas Reul reports that there were a few cases where requests for space were withdrawn, contract negotiations were abandoned, and existing contracts were called into question.

Strong cost pressure on the supply side, investors opt for alternatives

Rising costs are the greatest concern on the supply side. Construction costs are high, financing interest rates and credit requirements have increased and permit proceedings continue to take a long time, which in turn ties up capital in dormant projects. The margins that are achieved in sales are shrinking, and many final investors are no longer



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interested in new buildings, as they can now find alternative investment opportunities on the financial markets. All of these aspects are making it difficult to realise construction projects.

Rents on the rise

Cologne continues to be a solid business location, nevertheless. It may be getting harder to compensate for rising construction costs through rent increases, especially in the premium new-build segment, but some increases were still possible. The prime rent rose to EUR 33.00 per square metre, the highest rent agreed upon was EUR 35.00, and the weighted average rent rose from EUR 18.50 at the end of 2022 to now EUR 19.50. In line with the decline in demand, vacant space gradually increased to around 280,000 square metres. The vacancy rate currently stands at 3.4 percent, and availability of existing units, which had been extremely scarce for many years, has improved.

Office space market hopes for economic recovery

The experts from Greif & Contzen express scepticism but also cautious optimism in their prognosis for the months ahead. Based on the positive assumption that the economic situation will eventually improve again in 2024, a slight increase in take-up is expected also in Cologne's office space market. "In a more stable business environment with better planning reliability, we will be able to witness catch-up effects in the office space market," says Andreas Reul.

However, the picture painted in the various economic forecasts for the new year is still rather mixed. Predictions by economists regarding the development of the gross domestic product range between minus 0.5 and plus 0.9 percent. Austerity measures in the federal budget that became very apparent towards the end of 2023 give rise to new uncertainties. Depending on the corresponding policy decisions, economic stimulus based on public spending will be meagre or non-existent, and additional challenges and uncertainties concerning private-sector investment projects could prove even more problematic.

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