

Office Space Market Cologne

02|2024



GREIF & CONTZEN

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Dear readers,

Demand for office space declined to a historic low in 2023, with as little as 200,000 square metres of space taken up. Many property developers continue to be faced with great challenges, and many office users were affected by an insecure business environment.

Inflation at least is forecast to decrease slightly in 2024, according to the prognoses made by most economic research institutes, and the economy is expected to pick up slightly. At the same time, it is to be expected that office users will be pursuing consolidation measures and that further office units will be vacated, while demand for space is likely to increase only slowly.

It is therefore probable that the trend of rising average rents that could be observed to date will come to a halt, at least in older existing buildings. Landlords are experiencing growing pressure to modernise old-fashioned office units. In view of the increasing demands made by users concerning building quality and technology, revitalisation measures continue to represent a sensible strategy in many cases. High costs incurred by property developers provide for stable or even rising rents for new and refurbished office premises.

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.

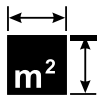


»Rents for new buildings will remain stable and might even rise further in 2024, while rents for older existing buildings are likely to stagnate.«

Andreas Reul

Head of Office Properties

Greif & Contzen Immobilienmakler GmbH



200,000 m²

TAKE-UP OF SPACE

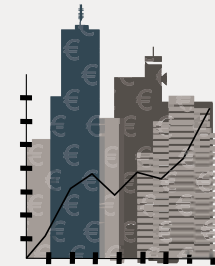
Take-up of office space decreased considerably by around 37 percent. Far less space than in previous years was taken up by public sector users.



280,000 m²

VACANT SPACE

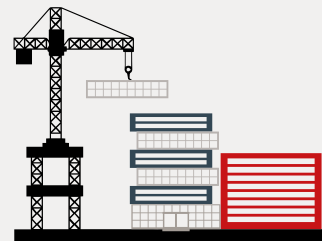
Vacant space increased by around 50,000 square metres in 2023. In addition, some 32,000 square metres were offered for sub-letting (vacancy rate of 3.4 and 3.8 percent respectively).



EUR 33.00/m² EUR 35.00/m²

PRIME RENT MAXIMUM RENT

High construction costs are passed on to tenants in the new-build sector. The prime rent rose by 16 percent to now EUR 33.00/m². The weighted average rent increased from EUR 18.50/m² to EUR 19.60/m².



COMPLETIONS

Around 100,000 square metres of office space were completed in 2023 – ten percent less than in 2022. The five-year average was matched, nevertheless.



OUTLOOK

A weak economic outlook suggests that demand will remain below average in 2024. Vacancies are likely to increase further.

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Office space market Cologne – key figures, development and forecast

	2020	2021	2022	Development 2022/2023	2023	Trend	Forecast 2024
Take-up (000's m²)	230	315	315	↓	200	↗	230
Existing space (million m²)	8.0	8.05	8.1	↗	8.15	↗	8.21
Completions (000's m²)	70	95	110	↘	100	→	100
Vacant space (000's m²)	230	255	230	↗	280	↗	330
Vacancy rate in %	2.9	3.2	2.8	↗	3.4	↗	4.0
Maximum rent (in €/m²)	28.50	30.00	36.00	↘	35.00	↗	36.00
Prime rent (according to gif) in €/m²	26.00	27.00	28.50	↑	33.00	→	33.00
Average rent (weighted according to unit size) in €/m²	16.50	17.00	18.50	↗	19.60	↘	19.00
Average rent (mean value) in €/m²	14.00	15.30	16.70	→	16.70	↘	16.00
Employees* (000's) (as of June)	580	591	607	↗	614	→	614
Unemployment rate in % (as of June)	9.6	9.5	8.4	↗	8.6	→	8.6

* employees contributing to social insurance

Source: Greif & Contzen Research, Cologne, February 2024

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Sharp drop in take-up

Lowest floor-space turnover since 2004

Compared to the year before, take-up of space decreased by about 37 percent to around 200,000 square metres.

- This figure is about 34 percent below the ten-year average.
- The three largest units taken up are between around 9,000 and 14,000 square metres big.
- Among these are the units taken up by the DEVK insurance company and the Cologne Chamber of Industry and Commerce, who both require space temporarily, while their buildings are being refurbished.

Weak economic situation and much uncertainty

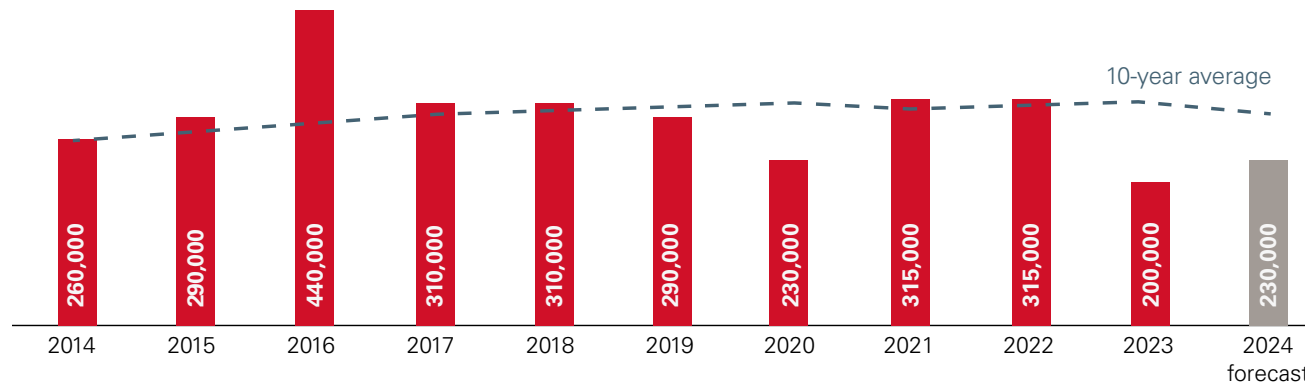
The challenging economic situation remained largely unchanged over the course of the year. A certain increase in demand that could be observed in the summer was only temporary in nature.

- The escalation of the Middle East crisis and disagreements concerning the federal budget gave many companies new reasons for reluctance.
- In some cases requests for space were even withdrawn and existing leases were renewed instead.

around 200,000 m²

take-up of space Q1 – Q4 2023

Take-up of office space: development 2014 – 2023, forecast 2024 and 10-year average in m²



Source: Greif & Contzen Research, Cologne, February 2024

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Top 5 units taken up in 2023

User (submarket)	Status	Office space in m ²
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, February 2024

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



The insurance company DEVK rented office space in the Rheinpark-Metropole complex to use while its headquarters are being modernised.

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Less space taken up by public facilities

Public facilities, associations and societies

The share of take-up accounted for by this user group dropped from around 43 to just 14 percent in 2023. In recent years it had been the most important user group.

- Owing to the unit taken up by the Cologne Chamber of Industry and Commerce, the user group still accounted for the third biggest market share.
- This decline in take-up could not be compensated for with private sector companies.

Private sector companies

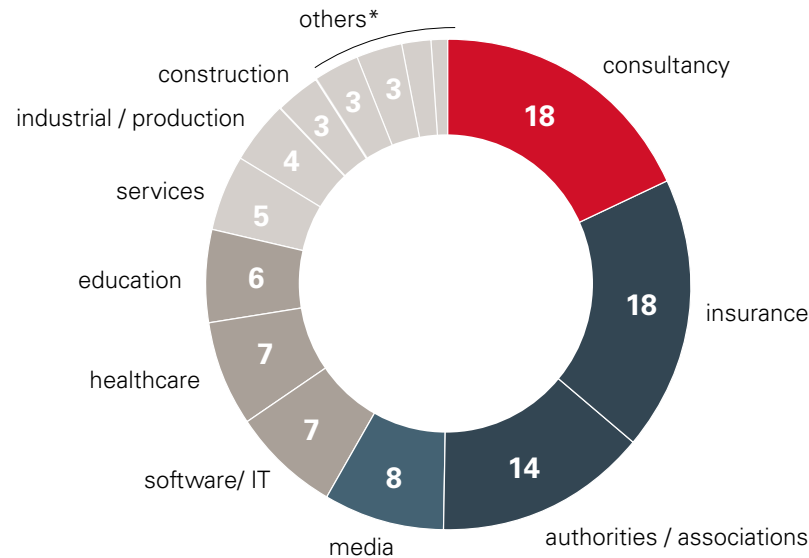
The biggest private sector demander groups were some of Cologne’s long-established business sectors.

- Consultancy and insurance companies were the most important user groups, each accounting for some 18 percent.
- Next up by a clear margin were media and IT companies, who accounted for eight and seven percent respectively.

about 18%

share of take-up accounted for by consultancy and insurance companies

Take-up of office space 2023 (Q1 – Q4) according to industries | in %



* others: 3% finance, 3% retail, 2% transport, 1% real estate, 1% others

Source: Greif & Contzen Research, Cologne, February 2024

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Overall increase of the level of rents**Prime and average rent**

Vacancies have increased and the economy has been weak, but high construction costs still caused rents to rise, especially in the new-build segment.

- The unweighted average rent stagnated at EUR 16.70 per square metre.
- The average rent weighted according to unit size increased from EUR 18.50 to EUR 19.60 per square metre.
- The prime rent increased from EUR 28.50 per square metre to now EUR 33.00.

Maximum rents

A differentiated pricing structure can be established based on regular analyses of office space leases concluded for high-price units in around 70 office buildings.

- New maximum rents were obtained once more in good and excellent office locations.
- The few cases in which high-price units were taken up in modern existing buildings suggest that there is still potential to obtain even higher rents for new and revitalised buildings.

EUR 35.00/m²
maximum rent 2023

Maximum rents obtained 2017– 2022 and 2023 according to property types and quality of location | in €/m² per month

	New buildings		Revitalised buildings		Modern buildings in mint condition	
	Q4/2022	Q4/2023	Q4/2022	Q4/2023	Q4/2022	Q4/2023
Top quality location¹	33.50	33.90	29.00	31.50	36.00	36.00
High quality location²	21.50	22.70	22.20	22.20	22.00	25.00
Average quality location³	20.00	20.00	19.80	19.80	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, Rheinuhafen, 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 2024

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Dynamic office locations

In view of the considerable overall decline in take-up in the market as a whole, above-average take-up figures were recorded in just a few submarkets in 2023, all of which are located in the city centre.

Innenstadt Nord

- Take-up was around 37 percent higher than the five-year average.
- Several units ranging between 1,000 and 3,600 square metres in size were taken up in addition to the large units let to the Church Pension Fund and the Boston Consulting Group.
- Rents above EUR 22.00 per square metre were agreed upon in several cases, and even rents above EUR 30.00 were achieved a few times.

Deutz

- High take-up of space was realised thanks to the DEVK insurance company taking up space in the Rheinpark-Metropole complex in particular.
- The benchmark rent rose to between EUR 15.00 and EUR 25.00 per square metre.

Bankenviertel

- The highest take-up since 2018 was realised in this comparably small submarket, owing to the contract concluded by the Cologne Chamber of Industry and Commerce.
- The rent level remained stable for the time being.



To be able to refurbish its headquarters in the banking quarter, the Cologne Chamber of Industry and Commerce picked up a unit in the nearby office building Unter Sachsenhausen 5-7 that was previously used by Commerzbank.

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Unsteady market for development projects

Difficult business environment

High interest rates and construction costs are pushing up costs for new buildings.

- Both demand from final investors and sales prices have decreased significantly.
- A number of property developers filed for insolvency in the third quarter, and others could follow suit.

Forecast for 2024 and 2025

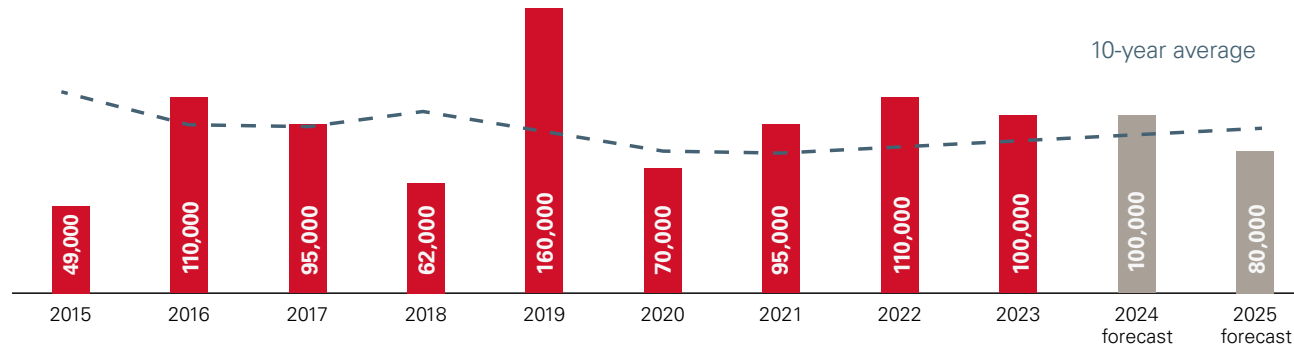
While the overall situation is challenging, there are still some solid business models and construction work continues.

- 80 percent of the new space expected for 2024 is no longer available (2025: approx. 50 percent).
- In some cases, asking rents in the premium segment are even higher than the current prime rent.

180,000 m²

new office space scheduled for completion 2024 – 2025

Development of completions: 2015 – 2023 and forecast for 2024 – 2025 | in m²



Source: Greif & Contzen Research, Cologne, February 2024

Top 4 construction projects

Property/submarket	Rental space in m ²	Completion
ROSSIO (Deutz)	around 25,000	2025
CENTRAAL (Deutz)	around 19,700	2024
Mattes & Düxx (1st part, Deutz)	around 12,500	2024
Reiterstaffel Offices (Köln Süd)	around 11,800	2024

Source: Greif & Contzen Research, Cologne, February 2024

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Vacancies increased especially in the first half of the year

2023

In the past year, vacant office space increased by some 50,000 square metres to now 280,000 square metres, which corresponds to an increase of around 18 percent.

- Vacant space in the city centre increased by about 14,000 square metres. Owing to the low initial amount, this corresponds to a rise of about 27 percent.
- The increase in availability slowed down noticeably in the second half of the year.
- An additional around 32,000 square metres are offered for sub-letting.
- The vacancy rate rose from 2.8 to now 3.4 percent (or 3.8 percent including space offered for sub-letting).

Forecast for 2024

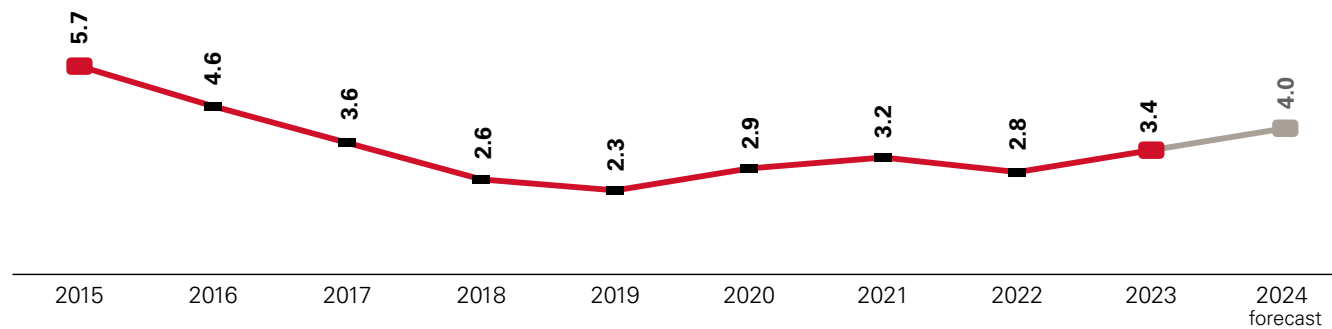
In consideration of the continuously weak economic situation and increase in consolidation measures taken by businesses, it is to be expected that further units will be vacated.

- Demand for space is likely to remain subdued for the time being, and additional vacant space will be absorbed only in part.
- Old-fashioned existing office buildings in peripheral locations are increasingly at risk of staying empty, owing to rising user demands concerning building quality and energy efficiency.
- Investment in modernisation is key to avoid an increase in the number of buildings that are difficult to market.

4.0%

vacancy rate
forecast Q4 2023

Vacancy rate 2015 – 2023 and forecast 2024 | in %



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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	10,000	10,000	6,000	13 – 23
MediaPark	16,000	5,000	3,000	17 – 22
Rheinauhafen	1,000	500	6,000	18 – 23
Kölner Ringe	34,000	8,000	13,000	14 – 27
Deutz	83,000	12,000	17,000	15 – 25
Innenstadt Nord	59,000	17,000	25,000	14 – 25
Innenstadt Süd	7,000	7,000	15,000	14 – 24
Rheinufer Nord	3,000	3,000	1,000	15 – 20
Rheinufer Süd	5,000	3,000	3,000	15 – 19
Subtotal	218,000	65,500	89,000	



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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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	13,000	3,000	2,000	14 – 21
Ehrenfeld	58,500	18,000	17,000	10 – 18
Braunsfeld	64,000	23,000	19,000	12 – 18
Ossendorf	96,000	29,000	25,000	9 – 15
Köln Nord	43,000	27,000	21,000	10 – 15
Köln West	29,000	18,000	20,000	11 – 16
Köln Süd	18,000	13,000	16,000	10 – 17
Subtotal	321,500	131,000	120,000	
Districts on the right bank of the Rhine				
Gremberghoven	17,000	17,000	13,000	10 – 17
Mülheim	34,000	24,000	15,000	13 – 19
Kalk	1,000	1,000	1,000	9 – 16
Köln Ost	63,000	41,500	18,000	10 – 16
Subtotal	115,000	83,500	47,000	
Total	654,500	280,000	256,000	



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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Low demand will cause stagnation of rents for existing buildings

Economic environment

- The Federal Statistics Office reports that the gross domestic product decreased by 0.3 percent in 2023.
- High inflation and interest rates, as well as geopolitical crises gave rise to poorer economic circumstances and much uncertainty. As a result, both private consumption and orders received in the industrial sector declined, and the same can largely be said for investment plans made by companies.
- Gross domestic product forecasts issued by economic research institutes in December 2023 ranged between -0.5 and +0.9 percent for 2024, with the majority anticipating minor growth. Risks related to growth prognoses include the development of inflation and the prevailing geopolitical crises.
- The ifo business climate index decreased further in January.
- In its latest economic survey conducted among local businesses, the Cologne Chamber of Industry and Commerce still observed a predominantly negative mood.

Cologne's office space market in 2024

- It is likely the case that many companies need to catch up with regard to their workplace concepts, owing to the developments since the start of the pandemic.
- In consideration of the weak economic outlook, demand for office space is expected to improve only slowly over the course of the year.
- Slightly higher take-up of space than last year could be realised, with an overall result that might come a little closer to the five-year average once again.
- A slight further rise of vacancies is likely.
- Continuously high costs are forcing property developers

to implement further rent increases in the new-build segment, and a small number of rental agreements could be concluded for high-price units.

- However, many potential tenants will have to be price-aware and can benefit from greater availability of vacant space, which will lead to downward pressure on average rents.

230,000 m²

take-up of space
forecast for 2024



The new building of the North Rhine Association of Statutory Health Insurance Physicians was completed in the submarket of Ossendorf in 2023.

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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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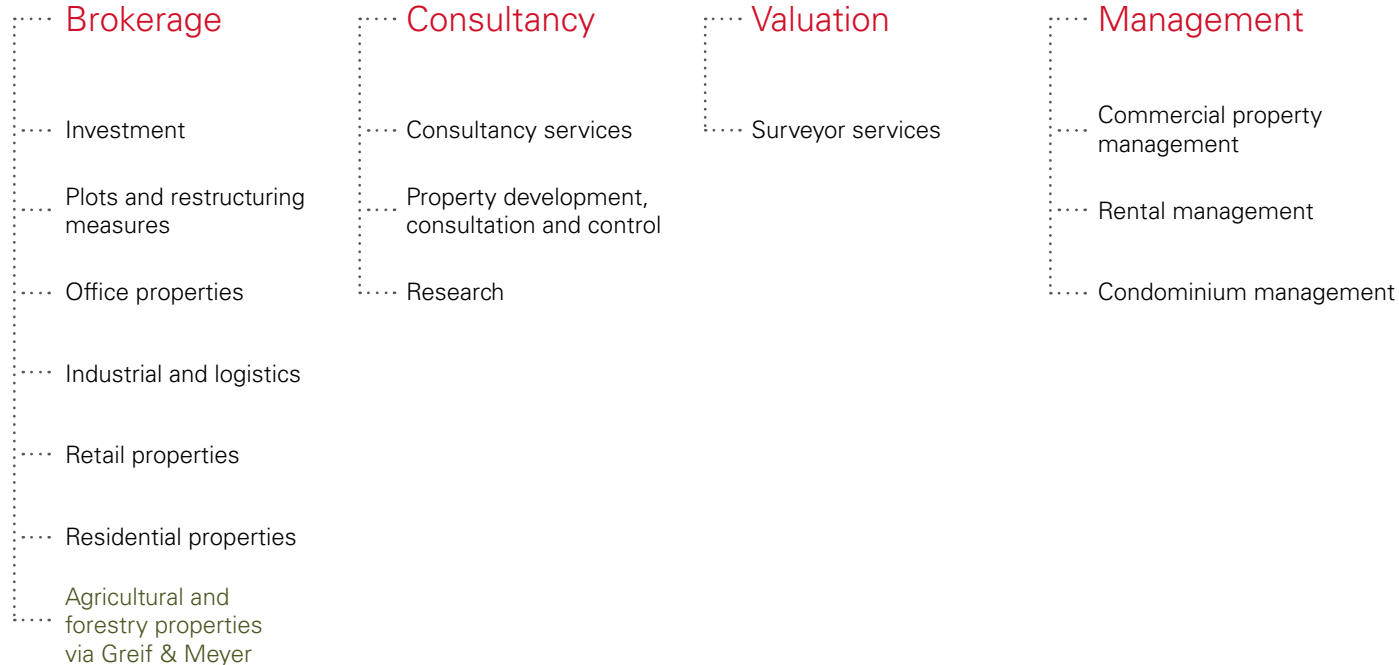
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1976

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



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