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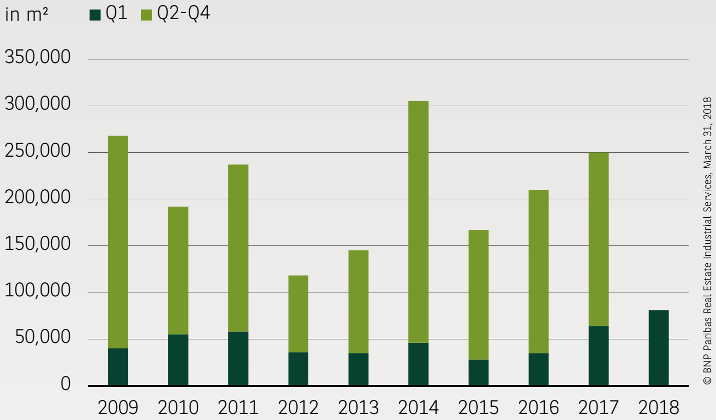
RESEARCH

At a Glance Q1 2018

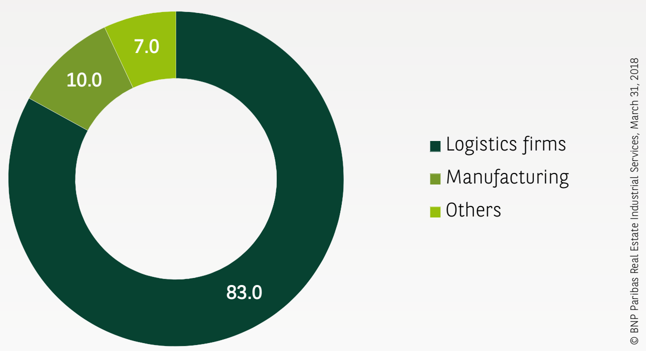
LOGISTICS MARKET COLOGNE

Take-up of light industrial and logistics space in Cologne



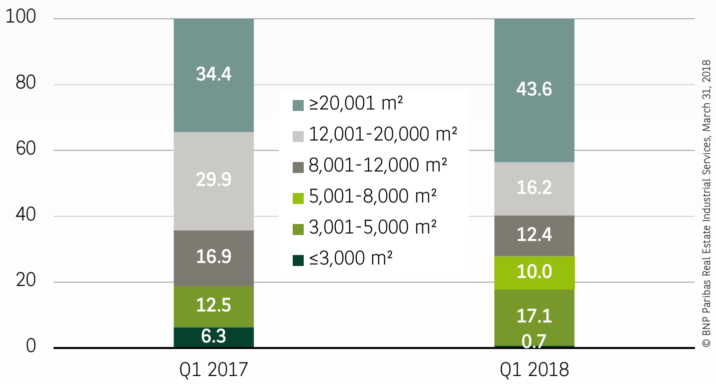
Take-up by sector in Cologne Q1 2018

in %



Take-up by size category in Cologne

in %



EXCELLENT START TO THE YEAR WITH NEW RECORD

The Cologne market for warehouse and logistics space has made a flying start to 2018. With a take-up of around 81,000 m², the previous best first quarter for take-up in 2017 was beaten by no less than 17,000 m² and the long-term average by an impressive 69 %. However, the strong result should not hide the fact that the market situation remains difficult, because modern space is still in short supply and demand in some areas is not at the desired level. In addition, all registered deals were for existing properties, which are only occasionally fitted to modern standards. The current record result was therefore not produced by a large number of deals, but instead by a few major deals, with in particular a lease for 35,000 m² in Frechen standing out among these. In the Core area, in which almost three quarters of the volume was generated, an owner-occupier accounted for a further 13,000 m².

LOGISTICS FIRMS DOMINATE

Logistics firms are traditionally one of the most important sectors in the Cologne logistics market and record four of the five biggest deals. However, an 83 % share of the total volume is extraordinarily high and has never before been generated by a single industry group in Cologne. Only manufacturing companies contribute with a lease in Bedburg for 8,000 m² a significant share to the result with 10 %. It is noticeable that the otherwise important retail sector has barely been active to date, although this is expected to change in the remainder of the year.

ALL SIZE CATEGORIES REPRESENTED

The deals in the first quarter are spread across all size categories, whereby the small-scale segment below 3,000 m² has not made a significant contribution to date with less than 1 %. As in the same quarter of the previous year, several deals above 10,000 m² were registered in 2018, and the category above 20,000 m² is again the clear number one with just under 44 %. Altogether, major deals account for a little over 72 % of take-up and their share is therefore lower than 12 months previous (just over 81 %). However, this time the segment 5,000-8,000 m² is represented and contributes 10 % to the result. The category 3,000-5,000 m² also increased its share and is the second strongest group with currently just over 17 %.

Major contracts in Cologne Q1 2018

Company	Location	Area (m²)
Logistics firm	Frechen	35,000
Logistics firm	Cologne	13,000
Logistics firm	Wesseling	10,000
Manufacturing company	Bedburg	8,000
JCL Logistics	Cologne	4,800

Key figures of logistics market Cologne

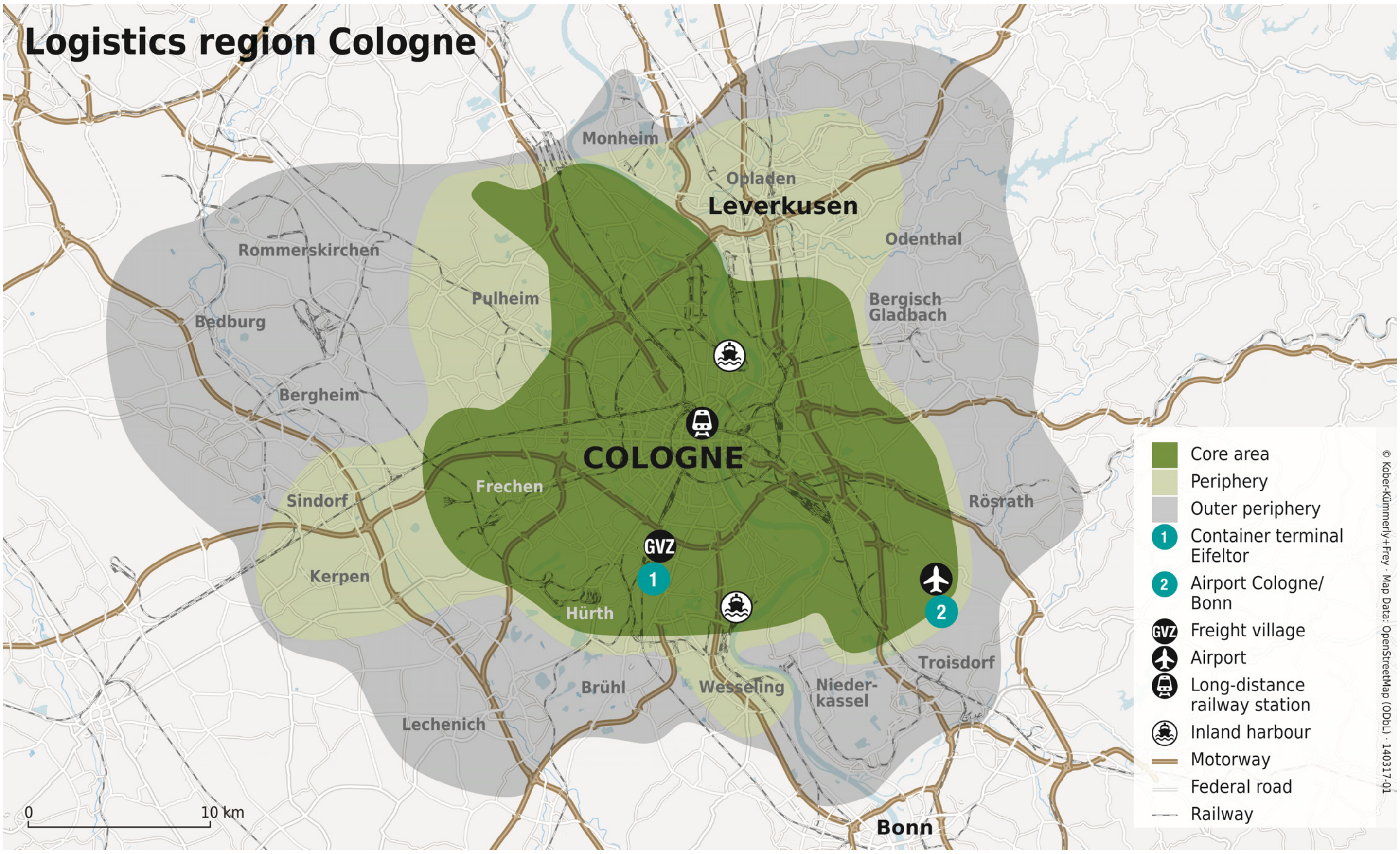
	Q1 2017	Q1 2018	Trend remaining year
Prime rent	5.00 €/m²	5.00 €/m²	↗
Average rent	4.10 €/m²	4.20 €/m²	→
Take-up	64,000 m²	81,000 m²	↗
- Thereof owner-occupier	5.8 %	22.4 %	↗
- Thereof new building	34.4 %	0.0 %	↗

TOP RENT REMAINS STABLE, NEW-BUILD SPACE IN SHORT SUPPLY

The top rent is unchanged at 5 €/m² and the average rent has risen slightly to 4.20 €/m². However, the demand for new and modern space is particularly evident in this snapshot in time: Not one lease was in a new-build property. The short supply of high-quality space is unable to cover all of the demand, and space in existing buildings is often re-let before the previous tenant has moved out. Three properties built on a speculative basis, which have now been completed in the Periphery, should at least provide a little relief in the short term. The owner-occupier share is currently just over 22 % and therefore well above the share for the past three years.

OUTLOOK

It is expected that demand, which increasingly has an eye on the right-hand side of the Rhine, will remain high throughout the municipal area in the remainder of the year. The new space in the Periphery cannot compensate entirely for the reduction in the supply of existing space, with the result that the market will remain difficult especially in the Core area. Rents may increase slightly due to the excess demand and rising land prices throughout the market region. For take-up, a result in the region of the previous year's very good volume of 250,000 m² appears to be realistic.



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