BNP PARIBAS REAL ESTATE

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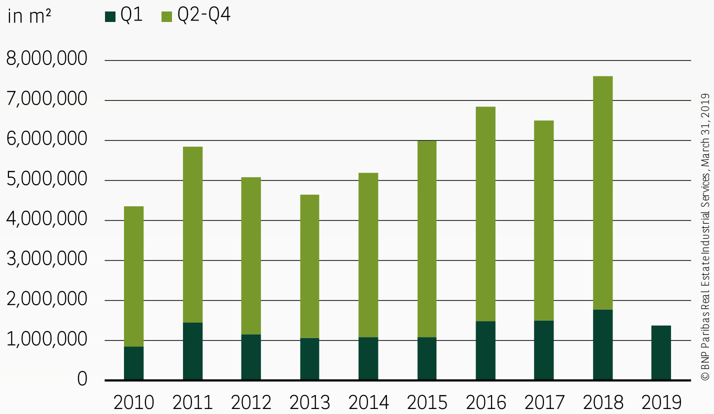
RESEARCH

At a Glance Q1 2019

LOGISTICS MARKET GERMANY

Light industrial and logistics take-up in Germany



Light industrial and logistics take-up by region

	Q1 2018 (m²)	Q1 2019 (m²)	Change (%)
Important logistics markets			
Berlin	80,000	101,000	26.3%
Cologne	81,000	22,000	-72.8%
Düsseldorf	52,000	37,000	-28.8%
Frankfurt	133,000	114,000	-14.3%
Hamburg	98,000	69,000	-29.6%
Leipzig	20,000	35,000	75.0%
Munich	66,000	42,000	-36.4%
Subtotal	**530,000**	**420,000**	**-20.8%**
Other locations*			
Ruhr region	87,000	153,000	75.9%
Other logistics regions (see map)	617,000	276,000	-55.3%
Rest of Germany	537,000	528,000	-1.7%
Subtotal	**1,241,000**	**957,000**	**-22.9%**
Total Germany	**1,771,000**	**1,377,000**	**-22.2%**

* Deals ≥5,000 m²

TAKE-UP DECLINED AS EXPECTED

With a total take-up of 1.38 million m², the german light industrial and logistics markets in the first quarter of 2019 remained around 22 % below previous year's figure. Against the background of last year's new all-time high, however, this development is not surprising. Despite the relatively significant decline, this is still a solid start to the year, as evidenced by the fact that the ten-year average was surpassed by just under 8 %. Demand remains high and is stimulated not least by the consistently positive development in the retail sector, especially e-commerce. As some major demands could not be realised, take-up would probably have been even higher if there had been a bigger supply.

TAKE-UP IN LARGE LOGISTICS HUBS ALSO DECREASED

The major logistics markets (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig, Munich) also recorded a noticeably lower overall take-up. At 420,000 m², the result is almost 21 % below the previous year's figure. In some large markets in particular, the lack of supply plays an important role. Rising land and construction costs and limited availability of development sites have a restraining effect on the market. Bucking the trend Berlin with 101,000 m² (+26 %) as well as Leipzig with 35,000 m² (+75 %) have improved significantly. Despite a decline of 14 %, Frankfurt (114,000 m²) again leads the ranking, followed by Hamburg with 69,000 m² (-30 %). Munich (42,000 m²; -36 %), Düsseldorf (37,000 m²; -29 %) and Cologne (22,000 m²; -73 %) also showed a lower take-up.

RUHR REGION IS TOP OF THE CLASS

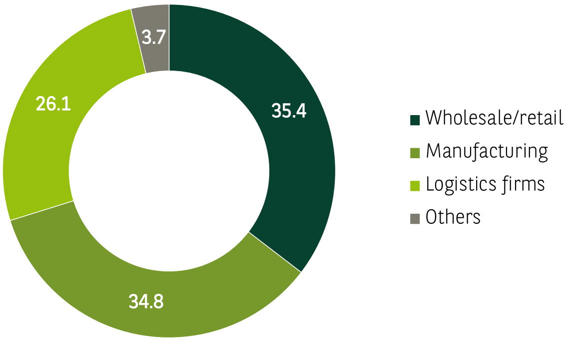
Less take-up was also registered outside the major hubs. A total of 957,000 m² of logistics and storage space was taken up here, which corresponds to a decline of nearly 23 %. However, one region was able to resist the nationwide trend: With 153,000 m², the Ruhr region not only increased by almost 76 %, but also achieved the second-best start to the year ever. This result also underlines the fact that demand remains high overall and leads to a high take-up if supply is available. In the other important logistics regions, which BNP Paribas Real Estate regularly analyses, the previous year's take-up was cut by more than half. In locations outside larger logistics agglomerations, however, the result was relatively stable at 528,000 m² (- 2 %).

Key figures logistics market Germany

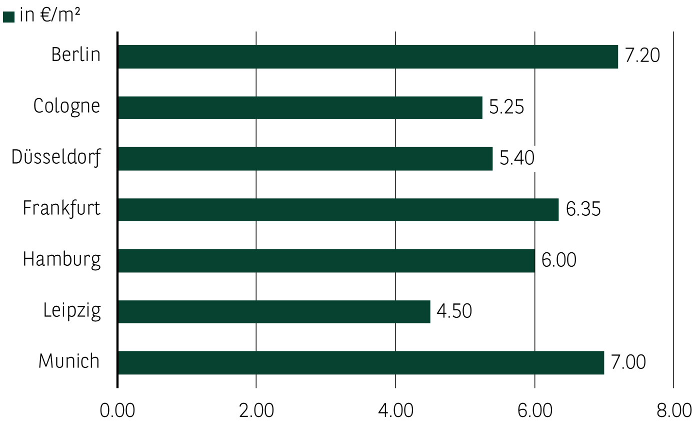
	Q1 2018	Q1 2019	Trend remaining year
Take-up	1,771,000 m²	1,377,000 m²	→
- Share of owner-occupiers	47.8 %	34.1 %	→
- Share of new buildings	67.6 %	66.8 %	→

Take-up by sector Q1 2019

in %



Top rents in important logistics markets Q1 2019



Major contracts Q1 2019

Company	Location	Area (m²)
Car manufacturer	Kösching	87,000
Puma	Geiselwind	63,500
Penny	Kronau	50,000
Fiege	Emmerich	32,000
B+S Logistik und Dienstleistungen	Bielefeld	20,000

SHARE OF NEW BUILDINGS AT LONG-TERM AVERAGE

Approximately two thirds of the take-up are generated by new construction projects, which is roughly at the level of the long-term average. However, structural developments are noteworthy. If the seven major logistics hubs and the Ruhr region are combined, they account for around 42 % of take-up. Nevertheless, the respective share of new construction take-up is only around a quarter. This shows that the lack of supply in the large conurbations is forcing more and more companies to realise their projects outside these locations. This applies in particular to larger owner-occupiers, whose share of the take-up has fallen to 34 %, some seven percentage points below their average.

TRADE AND MANUFACTURING HEAD TO HEAD

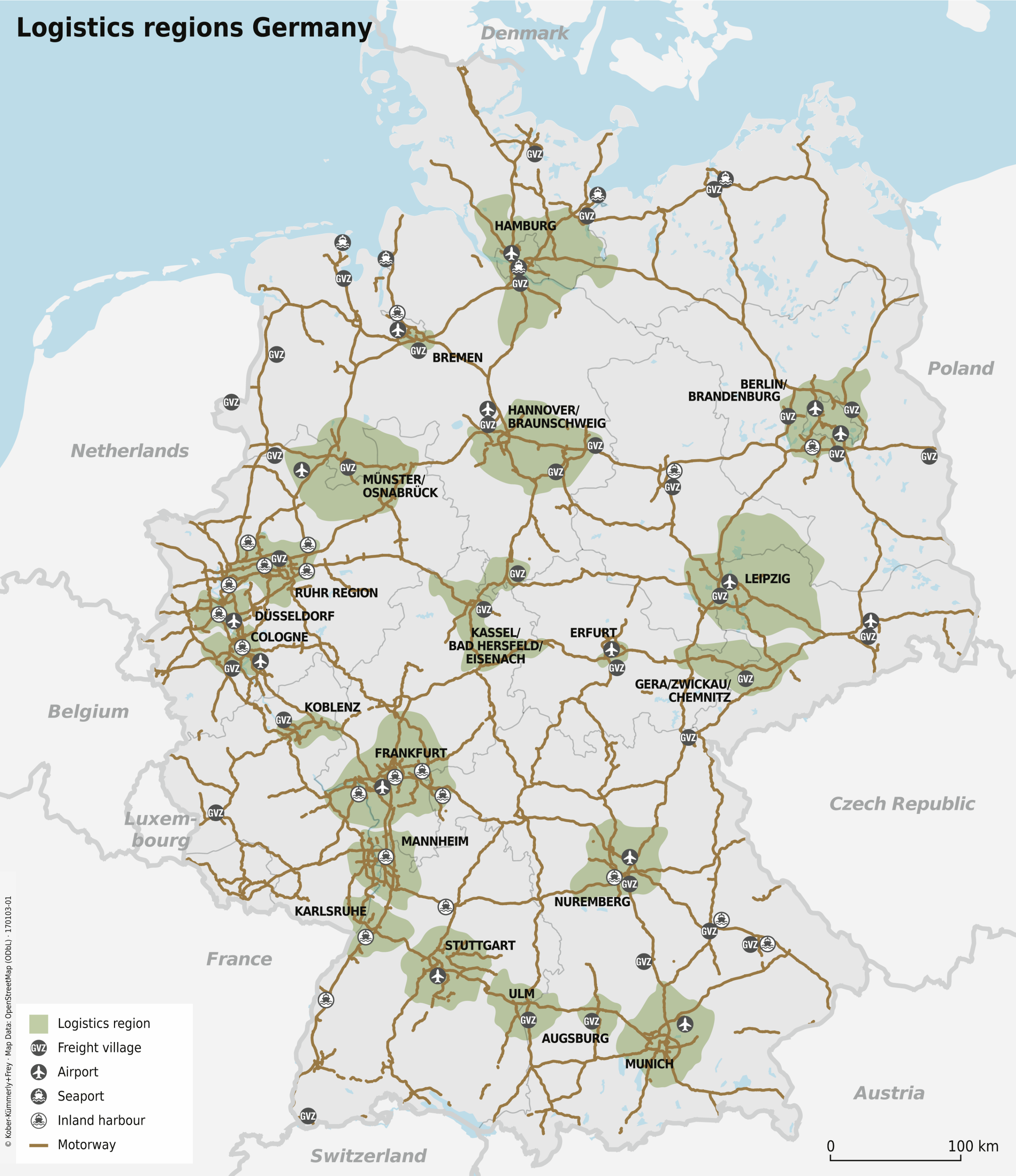
In the first quarter, trading and manufacturing companies competed in an exciting head-to-head race for the top position of the branch groups. With a take-up share of a good 35 %, the trading sector was able to assert itself very thinly leaving industrial companies in second place. In relative terms, both groups achieve results several percentage points above the long-term averages. The situation is different for logistics service providers, who at 26 % are more than ten percentage points below their average. Particularly this target group, however, is often very price-sensitive and therefore suffers considerably from the supply bottleneck and increased property and construction costs. Demand in this market segment, on the other hand, is currently still at a high level.

PRIME RENTS RISING AT MOST LOCATIONS

The increasing competition for available space due to the lack of supply has led to rising prime and average rents at several locations. This becomes particularly evident in Berlin, where the prime rent in central locations close to the city centre has climbed to 7.20 €/m², whereas in the surrounding area new properties are sometimes offered from 4 €/m². Currently the prime rent in Munich is 7 €/m², in Frankfurt 6.35 €/m², in Hamburg 6 €/m², in Düsseldorf 5.40 €/m², in Cologne 5.25 €/m² and in Leipzig 4.50 €/m². In the Ruhr region it remains stable at 4.70 €/m².

PERSPECTIVES

Overall, a high and stable demand can still be observed, especially in the trading sector, which is also reflected in the current requests. A significant downturn due to the lowered GDP forecasts is not yet noticeable. However, it remains to be seen whether the relatively low participation of logistics service providers in the first quarter in connection with declining exports will solidify in the further course of the year. Because of the lack of large properties of modern standard at many locations, the total take-up may be limited. Against this background, it remains to be seen whether the annual take-up will again exceed the 6 million m² threshold. Notwithstanding this, rents should continue to rise slightly in some areas.



Imprint Publisher and Copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 31.03.2019

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