DEMAND REMAINS BUOYANT

By the end of the third quarter of 2012, take-up of logistics and warehouse space in the Greater Frankfurt market area totalled 279,000 m². That corresponds to a fall of around 38% compared with 2011. However, this is hardly surprising, since last year’s record result was fuelled by a large number of major deals on a scale that was unlikely to be repeated. Despite the downturn, this year’s performance must still be considered good; not only is turnover so far nearly 7% up on the five-year average, but it also represents the second-best result of the last five years, exceeded only in 2011. One gratifying fact is that following a relatively weak second quarter, take-up in the period July-September increased considerably. This rise, which had been anticipated, produced a total of 100,000 m², one of the best quarterly figures in recent years. The upturn was due above all to a marked rise in the number of deals in the small and mid-range size brackets.

RETAILERS KEEP LEAD

The distribution of take-up according to business sectors at the end of the third quarter was still led by wholesale/retail, just as it had been at the mid-year point. However, with a share of slightly less than 36%, it is now only just in front of logistics firms, which accounted for almost 34% to finish in second place. The activity demonstrated by production-oriented companies has picked up considerably and they now occupy third place, with around one quarter of all turnover. The business sector supply and disposal accounted for just under 3% of the result. All the other business sectors made only very limited contributions to aggregate take-up.

DEMAND COVERS ALMOST ALL SIZE CLASSES

With the exception of the 8,000 to 12,000 m² category, which only generated a share of just under 4%, demand was lively in all size classes. Deals involving premises of between 12,000 and 20,000 m² achieved the biggest share of turnover, with 31% of the total. Close behind came large contracts of over 20,000 m²; these included deals concluded by Junkers in Butzbach (30,000 m²) and Trans Service Team in Biebesheim (25,000 m²). But the smaller size units also contributed sizeable volumes. Around 17% of take-up, for instance, was produced by units of under 3,000 m², while the 3,000 - 5,000 m² and 5,000 - 8,000 m² classes generated shares of over 10% and just 11% respectively.
NEW AND MODERN PREMISES IN SHORT SUPPLY

The Frankfurt market area, just like most of the other large centres, is suffering from an increasing shortage of modern logistics and warehouse complexes with demand-conformant specifications. This applies especially to larger premises offering short or medium-term availability. The situation is due to the ongoing fact that hardly any complexes are being constructed on a speculative basis. For users, this means that more and more frequently they have to make do with older premises and accept compromises regarding either the fit-out quality or the location. Often, the only alternative to this is opting for a complex developed specifically in accordance with their needs. In this field, however, there is a clash between the lease duration desired by the future tenant and that required by the developer, and this forms an obstacle to prompt realisation of the kind which is frequently wanted. In view of the general economic slowdown and the still unresolved euro crisis, there is hardly likely to be much change in this situation in the medium term, either.

PRIME RENTAL PRICES STABLE

In the third quarter, the top rental prices achieved in the Frankfurt market again remained unchanged. So the prime rent is still 6.20 €/m², but this is obtained only in the close vicinity of Frankfurt Airport. This figure means that – together with Munich – Frankfurt is the most expensive location in Germany. Unlike top rents, effective average rental prices have climbed somewhat because owners are continuing to reduce the scale of the incentives they offer.

RENTAL PRICE CLASS DISTRIBUTION VIRTUALLY UNCHANGED

The distribution of newly concluded leases across the different rental price classes has hardly changed at all. The largest proportion of analysable contracts was generated by the category 4.00 to 4.50 €/m²; it accounted for about one third of the total. The top price class, of over 4.50 €/m², contributed a share of almost 26 %, which was only just slightly larger than the proportion of premises (25 %) which – because of their age or their lower-quality specifications – command a rent of under 4.00 €/m². This does not reflect the actual preferences of tenants, though, but is due instead to the shortage of modern premises referred to above.

OUTLOOK

Even though it will be impossible to match last year’s record result, all the signs suggest that take-up for 2012 as a whole will be very good by long-term standards. It remains to be seen, however, whether the present demand trend continues into next year or whether the cooling-off in the economic climate makes itself felt more strongly.