TAKE-UP AT EXPECTED LEVEL

Take-up of warehouse and logistics space in North Rhine-Westphalia (NRW) in the first three quarters of 2012 totalled 539,000 m². That represents a fall of 47% compared with the record result of the prior-year period, but since that featured an exceptional number of large deals on a scale unlikely to be repeated, the downturn is not surprising. In fact, this year’s turnover is back at the level customary in NRW. The third quarter produced a positive performance, with take-up of 229,000 m². This was fuelled for instance by online trader Zalando, which signed a large-unit contract of premises for 70,000 m² in Mönchengladbach. Since that is in the Düsseldorf market area, the registered space turnover there was 191,000 m², corresponding to a year-on-year decline of just slightly less than 8%. The Ruhr Area (210,000 m²) also did comparatively well, ending just 25% down on 2011. More marked falls were registered by Cologne, with -58.5% (76,000 m²), and the remaining parts of the NRW market area (-82%), with take-up of only 62,000 m².

RETAILERS AND LOGISTICS FIRMS HEAD RANKING

The business-sector distribution of turnover produced a close finish between wholesale/retail companies and logistics service-providers, with shares of just under 38% and just over 34% respectively. So after ending the first half of the year in third place, retailers have now moved into the top slot, thanks primarily to two major deals (Zalando: 70,000 m² and Lidl: 45,000 m²). In third place, a considerable distance behind the two leaders, come industrial and manufacturing companies, with around 22% of the total. Nevertheless, such companies represent an important mainstay of demand in NRW. The other business sectors have so far played only a subordinate role, with just minor contributions to aggregate take-up.

STRUCTURE OF DEMAND VARIES BETWEEN SUBMARKETS

In the Düsseldorf market area, large deals upwards of 20,000 m², headed by the Zalando contract, accounted for about 37% of all space leased. Cologne, on the other hand, has up to now not registered any deal at all in this size category. Instead, activity there has focused chiefly on smaller lettings, with almost 36% of take-up comprising contracts of less than 3,000 m². In the Ruhr Area, the size ranking is headed quite clearly by premises of between 8,000 and 12,000 m², which achieved a share of nearly 39%. Basically, though, demand has been good in all size classes and market segments.
SHORIENTATION OF SUPPLY IN SOME AREAS
Since the supply of existing market-conformant premises has been reduced considerably by the good to very good level of take-up registered in recent years, demand now exceeds available space in certain market segments and specific areas. This applies especially to logistics complexes upwards of 5,000 m² with modern specifications. So in some cases, tenants are obliged to accept considerable compromises regarding fit-out quality and location. Since hardly any sizeable speculative project developments are being commenced, this situation is unlikely to improve in the medium term either. On the contrary, the shortage of space looks set to intensify, which in some places will restrict the scale of take-up which would otherwise be feasible.

PRIME RENTS UNCHANGED
In the field of prime rents, no changes have been observed. The top rent in NRW is still achieved in the Düsseldorf market area, with 5.10 €/m². The figure for modern logistics premises in very good parts of Cologne, on the other hand, is 4.80 €/m². Top rents in the Ruhr Area are considerably lower, at 4.20 €/m², which is the level achieved particularly in Duisburg Harbour/Logport. Overall, though, owners continue to offer fewer incentives and this is sustaining a slight upward tendency in effective rental prices.

RENTAL PRICE STRUCTURE STABLE
The rental price structure of the analysable turnover is also relatively stable. The biggest share of take-up, just under 41%, has been generated by the rental price category between 3.00 and 4.00 €/m². High-grade premises commanding a rent of over 4.50 €/m² account for about 20% of the result. The fact that just over 34% of all new leases are concluded at rents of under 3.00 €/m² is due at least partially to the shortage of modern complexes, which forces tenants to make do with older premises.

OUTLOOK
At present, everything suggests that demand will continue to develop in basically stable fashion. Following last year’s record performance, turnover is now getting back to a normal level. Even though there is still some uncertainty among market participants over how the currency crisis and the overall economic situation will evolve, no appreciable decline in take-up is foreseeable at the moment. Rental prices are also likely to continue to firm up. Whether the reduction in the supply of space will prompt developers to step up speculative construction remains to be seen. While they are fundamentally ready to do so, they are still confronted by the familiar obstacles of financing terms and differences regarding the duration of lease contracts.