STRONG START TO THE YEAR IN THE LOGISTICS MARKET

The Frankfurt market for logistics and light industrial premises got off to an impressive start in 2013 with first-quarter take-up of 125,000 m². That was around 5% higher than the already extremely good prior-year result and actually bettered the average figure of the past six years by all of 70%. This performance means that – apart from Leipzig – Frankfurt was the only major population centre not to suffer any decline in turnover. Just as in the same period in 2012, the excellent start was due primarily to two large owner-occupier deals. In Butzbach, retailer Lidl is having a logistics complex of around 40,000 m² built, while in Dieburg, paper wholesaler Igepa has commissioned new premises of about 20,000 m². But turnover in the first three months of the year was also considerably higher in the small-unit and mid-range size categories up to 12,000 m².

WHOLESALE/RETAIL AGAIN PERFORM WELL

The owner-occupier deals referred to above again gave wholesale/retail the top slot in the business sector distribution of turnover, with a share of just over 62% of the total. In second place, as in 2012, came logistics firms with just under 23%; this, though, represents a fall in relative significance, with eight percentage points less than last year. In contrast, manufacturing companies – which in the first quarter of last year had played only a subordinate role – stepped up their status quite appreciably by achieving a very respectable 14%. All the other sectors virtually failed to put in an appearance at all.

DEMAND IN ALL SIZE CLASSES

Although the two biggest size categories upwards of 12,000 m² again accounted for the largest slice of turnover, their contribution, of around 61%, means that they were not quite so dominant as in the prior-year quarter (80%). In contrast, demand for premises in the mid-size brackets of between 5,000 and 12,000 m² rose quite perceptibly, lifting their share from a lowly 5% the year before to about 28% this year. This indicates that the market was shaped not just by large new leases but also by very lively demand overall. Smaller deals, of up to 5,000 m² also accounted for nearly 11% of the total. So the structure of demand can definitely be described as fairly balanced.
SUPPLY SITUATION STILL TENSE
The start of 2013 has brought no change in the supply situation, which has been tense for some time now, particularly in the segment of sizeable modern newly built premises. It is still the case that the only way of meeting requests for larger-unit premises is to lease space in project developments, but of course this leads to a delay in moving in. The only alternative for business firms is to erect their new complex themselves, as owner-occupiers. At the moment, since the somewhat duller economic climate has stilled the thirst for expansion on the part of many business companies, it seems rather unlikely that any speculative developments will be commenced in the near future. In other words, the available volume of space is unlikely to expand much in the remaining months of this year. So the shortage of modern premises, especially in such favoured areas as in the vicinity of the airport, will continue to restrict market activity.

PRIME RENTS UNCHANGED
The rental price situation remained unchanged in the first three months of this year. So the top rent, obtained in just a very limited area around Frankfurt Airport, stays at about 6.20 €/m². This means that Frankfurt is the second most expensive logistics centre in Germany, after Munich, where the top rent is 6.30 €/m². Average rents also stayed very much the same as before in the first quarter.

NEW LEASES IN ALL RENTAL PRICE CLASSES
The distribution of leases according to rental price classes presents a relatively even structure, something due in part of course to the supply situation outlined above. Since there are only few modern premises available on the market, the top rental price class of over 5.00 €/m² accounted for only just under 16 % of all the analysable deals. At the same time, a relatively large number of contracts for smaller and older premises were concluded, and so more than 24 % of all new leases commanded rents of under 4.00 €/m². But, as before, the largest volume of market activity was in the rental price class of between 4.00 and 5.00 €/m² (60 %).

OUTLOOK
The dynamic start to the year and the buoyant demand above all for smaller and mid-size premises suggest that take-up in the year as a whole will again be good, producing a result above the long-term average. However, there is a latent danger that the inadequate supply of space will make it impossible to meet some sizeable requests for premises. Against this background, a result that is once again above the 400,000 m² threshold could already be considered a success.