DEMAND PICKING UP

In the first half of 2013, take-up of space in the Munich market for logistics and warehouse premises totalled 90,000 m². This was 32 % lower than in the same period last year and well down on the long-term average. However, this fall was due mainly to the very slow first quarter. In the past three months, demand has picked up considerably, producing a second-quarter turnover of 54,000 m². There are several reasons for the relatively weak first half. One is that there was barely any overhang from last year, when several sizeable contracts were signed just before the end of December. As a result of this, hardly any large deals have been concluded up to now. Another factor is that in Munich, just as in Berlin, the proportion of owner-occupier transactions has so far been extremely low, at under 10 %.

LOGISTICS FIRMS MOVE INTO TOP SLOT

The biggest proportion of turnover in the first half was generated by logistics firms. At just over 32 %, their share was considerably higher than in the first half of last year. In second place, with just under 31 %, came wholesale/retail. The contribution made by manufacturing companies was quite a lot lower year-on-year, with only around 20 %. One reason for this is that in the past two years the automotive sector in particular already completed a number of large deals. As was to be expected, the other business sectors added only relatively little to total take-up.

SMALL-UNIT PREMISES PREDOMINATE

One thing to be borne in mind when assessing the first-half result is that 50 % of all turnover comprised deals involving premises in the size category up to 3,000 m², while a further 10 % was generated by the 3,000-5,000 m² bracket. This shows that demand in the small and mid-range size segments was extremely lively. On the other hand, there has so far been only one major deal of over 18,000 m², concluded by trinks Süd GmbH, and no transactions at all in the bracket upwards of 20,000 m². This is another indication that the somewhat modest scale of turnover was due above all to the lack of sizeable new contracts.
NO CHANGE IN THE SUPPLY OF SPACE

There has been no fundamental change in the supply situation in the Greater Munich area. As before, there is still a bottleneck in the availability of large modern logistics and light industrial premises, especially in the particularly favoured locations. This fact also plays a certain role in the lack of big deals that has been evident up to now. Many of the firms looking for premises are not prepared to accept excessive compromises when it comes to fit-out quality or the desired location and are therefore postponing any decision on renting fresh space. This is a phenomenon apparent particularly in the preferred parts of the eastern and northern environs of Munich. At the moment, there are no signs of any early easing in the relationship between supply and demand especially in these market segments since most of the space in any of the logistics complexes under construction is usually snapped up before the relevant buildings are completed.

RISE IN PRIME RENT

Highlighting the definitely good scale of overall demand is the fact that in the past three months the top rent has risen. It is now 6.40 €/m², which is 20 cents higher than in the first quarter. One reason for this increase is growing competition for the limited volume of readily available modern premises. This development puts Munich ahead of Frankfurt, so that it now again stands alone as the most expensive logistics centre in Germany.

MANY DEALS IN HIGH-RENT SEGMENT

Just like last year, most of the analysable lease contracts were concluded in the high rental price categories, with the two top categories – of over 6.00 €/m² and between 5.50 and 6.00 €/m² – each accounting for around one third of all take-up. Then, with just over 23 % came leases in the rental price bracket 5.00-5.50 €/m². Older, lower-quality premises played only a subordinate role. This is a clear indication that demand is increasingly focusing on modern premium complexes. No other German logistics centre registers such a large number of highly priced new lease contracts.

OUTLOOK

The now appreciably more buoyant volume of demand should help to produce a rise in take-up in the second half. Nevertheless, it will in all probability not be possible to match the very good performances achieved in recent years. After all, even a large number of small-unit lettings are not enough to compensate entirely for the lack of major deals by manufacturers, especially in the automotive industry, or by big retailers. All the same, there is a realistic chance that turnover in 2013 as a whole will again draw level with the average of the past ten years, which is around 250,000 m².