ECONOMIC ENVIRONMENT SOMEWHAT LESS CERTAIN

Although the fundamental data are stable overall, the economic climate has dulled slightly. In many indicators, assessments of the current situation are still comparatively robust but where future expectations are concerned, there is a certain degree of uneasiness. This is due to various factors, such as the slowdown in growth in China, the turbulence in connection with the VW scandal, and uncertainty regarding how the refugee situation will evolve. Against this background, important sentiment indicators, like the ZEW Indicator, have dropped appreciably in recent months. Not surprisingly, this is also true of the Logistics Indicator calculated by the Institute for the World Economy (IfW): in the third quarter, this slipped by nearly 8 points, to 125.7. Whether this lack of assurance will be sustained and impact on demand in the coming quarters remains to be seen. Right now, there are no signs of this happening.

SECOND-BEST RESULT OF ALL TIME

With take-up of 4.62 million m² in the first three quarters, the German logistics and warehouse premises markets achieved the second-best result ever registered. It exceeded the already very good prior-year figure by a handsome 21 % and the long-term average by nearly 28 %. This was the first time since 2011 that the 4 million m² threshold has been passed as early as the nine-month mark. What makes this extremely positive development, which actually gathered pace between July and September, especially remarkable is that it took place against the background of the uneasy overall economic situation. It would appear that demand at present is being guided more by fundamentals than by sentiment.

NEW-BUILD SPACE GENERATES TWO-THIRDS OF TOTAL

At the half-year point, new-build premises already accounted for a very high share of aggregate turnover, and this has now actually increased to more than two-thirds of the total. One reason is the relatively low supply of modern, large-unit premises, which means that more and more users have to opt for purpose-designed solutions. The comparatively high owner-occupier proportion (over 39 %) is another factor contributing to the current predominance of newly built space.
What is especially pleasing to note is that the very good take-up has not been triggered unduly by any out-of-the-ordinary developments in any specific branch of the economy. Instead, it is the result of strong demand from all three of the mainstays of the logistics market. Manufacturing companies have moved up into first place with nearly 36% of the total. The automotive sector has been particularly active, commencing construction work on several extensive new logistics and distribution centres. By itself, for instance, BMW has accounted for close to 10% of all turnover in the first nine months of this year, with three large projects in Wallersdorf, Bruckberg and Kleinaitingen. Second and third places in the ranking are taken by logistics firms and retailers, each with around 30%. Above all in the third quarter, retailers expanded their share considerably, thanks for instance to some large leases. Online trading has continued to generate substantial demand, including deals for premises upwards of 100,000 m². But the food sector is also still in the process of optimising its storage and delivery structures by means of new central supply-chain facilities. Although it is only in exceptional cases that logistics firms opt for premises of over 100,000 m², they boost market activity decisively by completing a high number of large deals. In just the first nine months of this year, ten lease contracts for premises of between 25,000 and 50,000 m² have been noted.

A strong influence on the exceptionally good turnover has been exerted by the logistics regions outside the main German population centres: in the first three quarters these generated a total take-up of nearly 2.77 million m². That was not only 26% higher than the prior-year figure but also represented a new record for the past eight years. In addition, it was a hefty 37% above the long-term average. Of that total, around 850,000 m² was accounted for by the 14 logistics regions which BNP Paribas Real Estate regularly analyses outside the key markets. Developments between these regions varied quite considerably, however. One winner was the Kassel/Bad Hersfeld/Eisenach region, which in 2014 had registered only low turnover figures but which this year has produced a volume of 55,000 m², including several deals for premises of between 8,000 and 15,000 m². The result noted by the Karlsruhe region has increased by close to 20%, to 141,000 m². One major contribution to this was a new logistics centre of around 35,000 m² being constructed in Germersheim for the Bremen firm of Compass Logistics International. Contrasting with these positive developments were some downturns. The regions Münster/Osnabrück and Hannover/Braunschweig, for instance, posted year-on-year declines.
In the first three quarters of the year, the seven key logistics markets which BNP Paribas Real Estate surveys on a regular basis – Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig and Munich – together generated take-up of just under 1.86 million m². Whereas at the six-month point the result was slightly down compared with last year, in the third quarter these major centres stepped up turnover appreciably so that it is now more than 13% higher than the prior-year figure. Top place in the inter-city ranking has been taken over by Hamburg with 467,000 m², which represents an increase of more than 53%. Frankfurt has also turned in an exceptionally good performance with 415,000 m² (+22%), which is this city's second-best result ever. Other centres registering marked improvements in take-up have been Berlin with 288,000 m² (+17%) and Düsseldorf with 255,000 m² (+21%). In Leipzig (138,000 m²), the market has developed in stable fashion. In contrast, Munich, with 175,000 m², suffered a slight fall (-5%), something which has been due entirely, though, to a lack of large new contracts. The only location posting a significant decline in turnover has been Cologne. Its total, of 118,000 m², corresponds to a year-on-year fall of 45% and is also one of this city's weaker performances in any long-term comparison.

In view of the very good demand and the fact that supply remains limited, the past twelve months have brought a slight increase in prime rents in some of the major logistics regions. These include Düsseldorf with a rise of just under 2%, and Frankfurt and Munich, each with about 1.5%. The Bavarian capital continues to be the most expensive German location, with a top rent of 6.60 €/m². The second region to feature a prime rent of well over 6.00 €/m² is Frankfurt, with 6.30 €/m². In third place is Hamburg with 5.70 €/m². Then come Düsseldorf, with 5.40 €/m², and Cologne, with 5.00 €/m². Berlin is below the 5 €/m² mark, with 4.70 €/m², while Leipzig, with a top rent of 4.35 €/m², offers certain price advantages.

Both the take-up so far and also the scale of the requests for space currently being processed suggest that the year as a whole can be expected to produce an extraordinarily good result. Despite a few worries, the key overall economic data and prospects are stable, and in combination with the ongoing trend towards optimising production sequences and supply-chain relationships, this will bolster demand in the coming quarters. Against this background, there is every reason to expect the result for the year as a whole to pass the 5 million m² threshold for the second time in succession. Whether it will in fact prove possible to match or even exceed the previous record of just over 5.8 million m² set in 2011 will depend essentially on how many large deals can be finalised before the end of the year.