MODEST START OFFERS UPWARD SCOPE

In 2016, the Leipzig logistics and warehouse premises market got off to a slow start. At just under 21,000 m², take-up in the opening three months was only around one quarter of the prior-year figure. At first sight, this result may seem distinctly disappointing but it certainly does not point to any fundamental decline in demand; instead it should be seen as merely an interim picture for which there are several reasons. One is the fact that a substantial number of contracts were concluded in the end-of-the-year spurt in 2015, producing final-quarter take-up of 112,000 m², the best quarterly performance of all time. Another reason is that Leipzig has so far not registered any major new leases of the kind which – here as elsewhere – have a disproportionate influence on turnover. One further factor is the ongoing shortage of space in the especially favoured central precincts, the Freight Village and the industrial area around the BMW works. Accordingly, not all requests for premises can be met. This is despite the fact that now, for the first time in a long time, a considerable volume of new space is being constructed on a speculative basis, in the VGP Park Leipzig.

RETAIL AND MANUFACTURING DOMINATE SCENE UP TO NOW

Logistics firms generally play a particularly important role in the Leipzig market, but in the first quarter of this year they did not put in much of an appearance and have not been responsible for any sizeable deals up to now. So market activity in the first three months was dominated by retailers and manufacturing companies. The retail sector generated half of all take-up (51.5 %), giving it first place in front of manufacturing (just under 43 %). All the other business sectors made only minor contributions to the total.

SO FAR ONLY SMALL-UNIT CONTRACTS

One reason for the just modest start to the year is that activity so far has been confined to small-unit contracts, with not one single deal of over 5,000 m² registered in the first quarter. Nearly two-thirds of all turnover (more than 64 %) comprised premises of between 3,000 and 5,000 m², with the smallest size class, of up to 3,000 m², accounting for the rest. It is notable that in absolute terms, take-up in the segment below 5,000 m² was actually almost 18 % higher than in the comparable prior-year period. This underlines the definitely lively scale of demand and the fundamentally healthy condition of the Leipzig logistics market.
\section*{SLIGHT RISE IN PRIME RENT}

The first three months of 2016 brought a modest rise of just over 1\% in the prime rent, taking it to 4.40 €/m². This is the figure obtained for smaller-unit newly constructed premises, often developed in the form of built-to-suit solutions, located in business parks close to the inner city. This has had no impact on the average rent, however, and it stands unchanged at 3.65 €/m². A somewhat different phenomenon is apparent in the case of some extensive project developments in peripheral districts, where large-area sites are available at favourable prices. Here, because of the tough competition among project developers, effective rents have been coming under some pressure.

\section*{OUTLOOK}

From today’s angle, all the signs suggest that take-up will gain considerable momentum in the course of this year. Alongside the basically buoyant demand in the small and mid-range size segment, there are requests for large-unit premises which can in all probability be realised. The relevant enquiries come especially from the automotive sector. Whether it will prove possible to pick up from last year’s extraordinary result remains to be seen, though. It seems likely that the supply of space, and especially of medium-sized premises, will be boosted somewhat by building completions. Where the prime rent is concerned, the chance of a further slight climb in the coming quarters cannot be excluded.

\begin{table}
\centering
\begin{tabular}{|l|c|c|c|}
\hline
\textbf{Company} & \textbf{Location} & \textbf{Area (m²)} \\
\hline
Höffner & Leuna & 5,000 \\
ThyssenKrupp & Leipzig & 4,900 \\
MEGA eG & Leipzig & 3,300 \\
Edna International & Sandersdorf-Brehna & 2,000 \\
Clothing firm & Bitterfeld & 1,800 \\
\hline
\end{tabular}
\caption{Major contracts in Leipzig Q1 2016}
\end{table}

\begin{table}
\centering
\begin{tabular}{|l|c|c|c|}
\hline
\textbf{Key figures of logistics market Leipzig} & \textbf{Q1 2015} & \textbf{Q1 2016} & \textbf{Trend remaining year} \\
\hline
Prime rent & 4.35 €/m² & 4.40 €/m² & \uparrow \\
Average rent & 3.65 €/m² & 3.65 €/m² & \downarrow \\
Take-up & 80,000 m² & 21,000 m² & \uparrow \\
\hspace{0.5cm} - Thereof owner-occupier & 0.0 \% & 38.3 \% & \uparrow \\
\hspace{0.5cm} - Thereof new building & 13.8 \% & 40.4 \% & \uparrow \\
\hline
\end{tabular}
\caption{Key figures of logistics market Leipzig}
\end{table}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{logistics_region_leipzig}
\caption{Logistics region Leipzig}
\end{figure}