At a Glance Q2 2016

LOGISTICS MARKET GERMANY

RENEWED RISE IN TAKE-UP

Nationwide take-up of warehouse and logistics space in the first half of 2016 totalled around 3.23 million m². It was the fourth year in succession that turnover has increased. The result also fell only about 4% short of the best-ever first-half total, of 3.37 million m² achieved in 2011. This year’s figure exceeded the long-term average by more than one quarter. The fact that such a good performance was possible despite the generally fairly tight situation on the supply side was due not least to owner-occupiers who have been meeting their space requirements through built-to-suit solutions. One example is the new 95,000 m² logistics centre for Adam Opel AG in Bochum.

DEVELOPMENTS IN MAIN MARKETS VARY

Together, the seven main logistics markets (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig and Munich) stepped up their turnover year-on-year by about 7% to 1.18 million m². But developments between the individual markets varied. For instance, only three locations registered increases, but these were sometimes substantial and more than able to offset the comparatively low falls in take-up posted by the other markets. One of the absolute winners in the first half was Frankfurt, with aggregate turnover of 354,000 m², equivalent to a rise of almost 48%. A factor in that was the massive lease for premises of 83,000 m² in Biblis concluded by Action. In second place in the inter-city ranking came Hamburg, with some 255,000 m², corresponding to a decline of close to 8%. Next came Berlin, with around 165,000 m² (+9%). Just like Frankfurt, Leipzig benefited considerably from large deals; these help to give the city fourth place with a total of about 145,000 m² (+34%). The only other location to pass the 100,000 m² mark was Munich, with around 106,000 m² (-2%). Düsseldorf registered 94,000 m² (-35%), while Cologne generated only 59,000 m² (-18%).

TURNOVER OUTSIDE LARGE LOCATIONS HIGHER

Outside the major population centres, take-up increased by about 13% to approx. 2.05 million m² - the highest comparable figure ever. It was fuelled by a number of large contracts, such as that for the expansion by more than 60,000 m² of the MAN logistics centre in Salzgitter and the lease for 57,000 m² concluded by DeLaval Services GmbH in Gallin. Very fine performances were posted by the Ruhr region (378,000 m²), and, for example, the logistics regions of Hannover/Braunschweig (139,000 m²) and Münster/Osnabrück (117,000 m²).
**NEW BUILDINGS FORM THREE-QUARTERS OF TURNOVER**

The limited existing stocks of space, particularly with regard to sizeable connected premises upwards of 5,000 m², are obliging more and more users to opt for new-build solutions to meet their needs. This is reflected by the new-build proportion of turnover, which has been climbing for several years now. At the mid-year point, the relevant figure was 73 %, which is hardly surprising in view of the fact that nine of the ten biggest deals involved new buildings. Another factor is that - with speculative construction remaining low - growing numbers of companies are initiating their own building ventures. This has lifted the owner-occupier proportion to a relatively high level, of around half of all take-up.

**MANUFACTURERS AND RETAILERS NECK-AND-NECK**

The three most important sectors nationwide – manufacturers, retailers and logistics firms – once again finished well out in front of the rest of the field in the first half of 2016. With close to 35 % each, manufacturers and retailers more or less tied for first place. The industrial sector generated a particularly high new-build proportion (around 84 %) and a high owner-occupier share (67 %). In the case of retailers, the new-build proportion – at around four-fifths – was also very high, but since they tend to have their premises built and then rent them, the owner-occupier share was less than one third. Logistics firms accounted for just under one quarter of aggregate turnover, which is somewhat lower than their long-term average. The rest was shared by the sectors supply and disposal (2 %) and construction and crafts (just under 1 %), and the collective category of "Others" (4 %).

**PRIME RENTS STABLE OR RISING**

The way that top rents have developed compared with last year varied between the different locations. While some markets registered slight to marked increases, others have posted ongoing stable rents. The most positive development was noted in the Berlin market, where the top rent climbed by 4 % to 4.90 €/m². Upward movements were also registered in Munich (+2 % to 6.75 €/m²) and Leipzig (+1 %) in all the other locations, there have been no changes since the middle of 2015. The top rents in the other major centres are as follows: Frankfurt 6.30 €/m², Hamburg 5.70 €/m², Düsseldorf 5.40 €/m², and Cologne 5.00 €/m².

**OUTLOOK**

The fact that such a good result could be achieved despite the limited supply highlights the pressure of demand in the market. Increasing numbers of firms are no longer prepared to simply wait for appropriate offers; instead they are opting for built-to-suit solutions, either as owner-occupiers or tenants. The positive demand in the investment markets for logistics facilities let on a long-running basis is favouring this development and offers project developers good opportunities for early sales. Against this background, there are many reasons for expecting the second half also to be very lively, producing an end-of-the-year result that could perhaps even pass the 6 million m² threshold.