RESULT ONLY JUST SHORT OF 2014 RECORD

The volume of investment in logistics and light industrial properties in the first three quarters of 2016 totalled 2.72 bn €. This was slightly above the very good prior-year figure and also represented the second-best nine-month result ever, falling just short (-10 %) of the record set in 2014. Single deals accounted for around 1.61 bn €, equivalent to 59 % of the total. Investment in the portfolio segment, at about 1.11 bn €, was some 7 % higher than last year but failed to match the peak reached in 2014 (1.3 bn €). Underlining the general rise in investment activity is the fact that the number of registered transactions has also increased considerably year-on-year, from about 140 to around 160.

TOP LOCATIONS FALL BELOW PRIOR-YEAR FIGURE

Despite the positive nationwide trend, the volume of investment in the top locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig and Munich) – at about 601 m € – was more than one third down on that posted in the first three quarters of 2015. On the one hand, this reflects the extreme shortage of relevant assets in the major population centres; on the other hand, it is a reminder of the fact that in the logistics segment, more than in almost any other, demand extends well beyond the major markets – and not just because of any lack of supply there. Apart from Munich, which also registered the highest turnover with 155 m €, all the locations under review attracted less capital than last year. The relevant figures were as follows: Hamburg 151 m € (-57 %), Berlin 99 m € (-27 %), Düsseldorf 98 m € (-11 %), Frankfurt 48 m € (-62 %), Leipzig 30 m € (-15 %) and Cologne 20 m € (-66 %).

HIGHER TURNOVER IN SMALLER SIZE SEGMENTS

Whereas last year more than half of all turnover was generated by deals upwards of 50 m €, this year the size classes below 50 m € have substantially gained momentum and were together responsible for almost 62 % of the total. As before, though, the biggest share (29 %) was secured by the category of over 100 m €, mainly because of large portfolio sales. Then came the 10-25 m € bracket (26 %), followed by the class of assets priced at between 25 and 50 m € (23 %). The smallest category, of up to 10 m €, also performed very strongly again, gaining a share of about 13 %.
THREE INVESTOR CATEGORIES PARTICULARLY ACTIVE

Even though more than half of all turnover up to now has been generated by just three categories of buyers, logistics assets are definitely attracting interest from a growing circle of investors. Well out in the lead at the moment are special-purpose funds, with more than 22%. But listed real estate companies have also been busy players, contributing around 19%. A further slice of 11% was secured by investment managers, who deploy capital from various investor groupings. Accounting for other sizeable shares were equity/real estate funds (10%), property developers (8%), corporates (7%) and pension funds (5%). The broad spectrum of demand is underlined by the fact that the remaining buyer categories together gained all of 18%.

DOMESTIC AND FOREIGN BUYERS ROUGHLY EQUAL

The ratio of domestic to foreign buyers is balanced, with German investors generating only a slightly bigger share of the total (53%) than market participants from abroad. On the overall commercial property market, foreign investors account for a proportion of around 38%, so here in the logistics sector they are represented quite a lot more strongly. North American buyers were responsible for nearly 22% of the total. A very active role has also been played by investors from other parts of Europe; they secured a share of around 20%, mainly – unlike the North American participants – in the form of single deals. A further slice of just under 5% of the capital deployed in the German logistics market came from Asia.

DEMAND CONTINUES TO BOOST PRICES

By the end of 2015, yields had already fallen significantly in the face of the pressure of demand. Then, after a brief consolidation phase, they eased further in the third quarter of this year, so that on average across all locations they are now almost 50 basis points below their prior-year level. As before, Munich is the most expensive place for logistics complexes, with a net prime yield of 5.05%. Then come Cologne, Düsseldorf, Frankfurt and Hamburg, each with 5.10%. By far the most favourably priced location is Leipzig, where yield compression has not been quite so marked and where the top yield is 5.70%.

OUTLOOK

In view of the fact that yields in the logistics field are relatively attractive when compared with those in other asset classes, logistics complexes have established themselves as a welcome addition to the portfolios of many investors of different kinds. The very strong demand on the user front and lively construction activity provide support for the supply side, which is, though, far from being able to satisfy investor interest. Against this background, a lively end-of-year spurt can be expected – but whether the prior-year record can be passed will depend decisively on the scale of large-unit deals.