LOGISTICS INVESTMENT HIGHER AND HIGHER

With a transaction volume of nearly 5.65 bn €, investment in logistics complexes in the first six months not only set a new record, tripling the prior-year-figure, but was also already higher than in any previous entire year. So the success story of this asset class, evident for several years now, is being continued very dynamically. The exceptional performance was made possible only thanks to a number of major portfolio deals. Deserving particular mention in this respect were a package sold by Hansteen for almost 1 bn € to a consortium of Blackstone and M7, and the sale of Blackstone’s logistics platform Logicor. It is therefore hardly surprising that portfolio transactions accounted for the lion’s share of turnover, with 4.28 bn €. But single deals, too, made a substantial contribution, and in fact also achieved an all-time high, with 1.37 bn €. This indicates the dynamism of the logistics investment markets, showing that results in all segments have reached an entirely new level, one that would have been inconceivable not all that long ago.

TOP LOCATIONS ALSO BENEFIT FROM THE SURGE

The major logistics hubs naturally also profited quite extremely from this development, setting a new record with aggregate investment of just under 1.2 bn €. That exceeded the prior-year total by 137 %. Apart from Hamburg and Berlin, which suffered slight declines, with 108 m € (-3 %) and 88 m € (-12 %) respectively, all the cities under review generated very marked increases. The biggest amount of capital went into Munich, with 345 m € (+139 %), which thus moved up into first place ahead of Frankfurt (249 m €; +342 %). The Rhineland metropolises of Düsseldorf (183 m €; +266 %) and Cologne (177 m €) also participated in the upbeat nationwide trend; last year, Cologne had hardly registered any turnover at all. Leipzig, too, was able to step up investment, by 49 % to 45 m €.

MAJOR TRANSACTIONS DOMINATE THE MARKET

Fuelled by the substantial package sales, deals in the three-figure million-euro range accounted for just over 71 % of all turnover. That is by far the highest proportion ever registered. Against this background, the size class of 25 to 50 m € was the only other bracket to gain a double-digit share (15 %) Nevertheless, it must be pointed out that in terms of absolute volume, all the categories upwards of 25 m € achieved considerable increases. This is an indication that many of the professional buyers active in the marketplace basically tend to prefer more sizeable transactions.
SIX BUYER GROUPINGS SHAPE ACTIVITY

Not least because of the size-structure of the transaction turnover, only just a few investor categories accounted for large shares. Overall, 93 % of the total in the first half was generated by six buyer groupings. Well ahead in first place came sovereign wealth funds, with over one third of the capital deployed. This was due substantially to the Logicor logistics platform deal. In second and third places came equity/real estate funds (just under 18 %) and investment/asset managers (12 %). Another double-digit contribution was made by insurances (over 10 %). Completing the top six were listed real estate companies/REITs and special-purpose funds (each: just over 9 %).

LOGISTICS AS A FOREIGN-INVESTOR DOMAIN

Since investors from abroad are traditionally especially active in the large-unit portfolio segment, it is hardly surprising that they dominated market activity in the first half. They accounted for nearly 80 % of the transaction volume – and for all of 96 % of the registered package sales. The situation in the field of single deals was rather different; here, German investors remained out in front, with 71 % of the relevant total. As a result of the Logicor platform transaction, investors from Asia headed the ranking, with a share of almost 42 %. North American buyers, with 21.5 %, finished just ahead of German investors. The capital deployed by participants from other parts of Europe represented nearly 14 % of the volume.

PRICES REFLECT STRONG INTEREST

In view of the distinctly dynamic development of investment, it is only natural that yields have eased further. Compared with the prior-year period, prime yields in the major logistics hubs have declined by an average of 35 basis points. After dropping below the 5-% threshold, they now stand at 4.90 % in almost all the big Six locations. Judging by deals already under negotiation, all the signs suggest that yield compression is due to be sustained during the rest of the year, too.

OUTLOOK

Even though such an out-of-the-ordinary half-year is hardly likely to be repeated, the months ahead should produce an investment turnover that is above average by long-term standards. It is set to be fuelled by one or another major transaction. Something that is already clear is that investment in logistics complexes in 2017 will represent a new record. In the portfolio strategy of an increasing number of investors, this asset class plays an important role. In this respect, nothing will change in the medium term, meaning that the turnover level now reached should be maintained for some considerable time to come.