At a Glance Q3 2018
LOGISTICS INVESTMENT MARKET GERMANY

Data for Q3 2018

LOGISTICS INVESTMENTS CONTINUE THEIR SUCCESS

Logistics investments continued their upward trend seen in recent years in the first three quarters of the current year. With a nationwide transaction volume of 5.01 bn €, the second best result of all time was registered. Although this was 25% short of the record set in the previous year, it needs to be taken into account that the previous year’s record was due in particular to a high number of portfolio transactions, e.g. the sale of Hansteen for just under 1 bn €, the sale of Logicor, Blackstone’s logistics platform, which cannot be repeated every year. The result is still a good one and beats the ten-year average by 93%. In addition, the turnover registered with single deals of just under 2.34 bn € is a new record. By contrast, 41% less was invested in portfolios than in the same period of the previous year, although just over 2.67 bn € represents a very strong result compared over the long term. Overall, the result shows that logistics investments are now very well established and appeal to a broad group of buyers.

TURNOVER DOWN SLIGHTLY IN THE TOP LOCATIONS AS WELL

In line with the nationwide trend, turnover in the major logistics hubs is also down. With just under 1.21 bn €, the result is around 20% down on the same period of the previous year. With the exception of Berlin, where the result has more than tripled to 296 m €, and Hamburg, where 193 m € equates to an increase of just under 84%, all of the other locations have seen a drop in turnover. Three-digit volumes were recorded in Munich (203 m €; -42%), Stuttgart (127 m €; -5.5%), Frankfurt (114 m €; -64%) and Düsseldorf (157 m €; -90%). For the Rhine metropolitan Düsseldorf this also represents the second best result ever recorded. Cologne has generated a result of 96 m € (-58%) and Leipzig has to settle for a modest 17 m € (-70%) for the year to date.

MORE EVEN DISTRIBUTION THAN IN THE PREVIOUS YEAR

Although major deals over 100 m € again account for the biggest share in investment turnover with just over 47%, their share is still down by 14 percentage points due to fewer large portfolio sales. The three size categories between 10 and 100 m € all contribute between 13% and 17.5%, with two increasing their volume in absolute terms. Only transactions between 25 and 50 m € generate a lower result. On the other hand, properties up to 10 m €, which are responsible for a turnover of over 400 m €, have seen significant increase, underlining the broad and lively demand base.
Five investor groups with double-digit shares

There are five investor groups which have been particularly active and account for double-digit shares of turnover. First place is taken by listed real estate companies/REITs with 26%. Portfolios purchased by Asian REITs account for the lion’s share of this with over 80%. In second place are equity/real estate funds with 16.5%, ahead of investment managers with just over 13%. The top five is completed by special-purpose funds with just under 13% and pension funds with 10%. Together, these five investor groups are responsible for almost 79% of the turnover.

Almost two thirds invested by foreign buyers

A particular feature of the logistics sector is the often very high share of foreign buyers compared to other asset classes, who are active in particular in the large-volume portfolio segment. The reason for this is that these investors from other international markets are used to the significantly increased prices and have also been investing for a long time specifically in logistics properties. With a share of just under two thirds, this trend has been confirmed again in the current year. In the case of portfolio sales, they account for as much as 87%. The biggest contribution was made by Asian investors, primarily REITs, with 27.5%, followed by North American investors with just over 21%. Third place is taken by European buyers with almost 12%.

Further fall in prime yields

The assertion that logistics properties have now become an attractive and highly-sought-after asset class in Germany as well is underlined by the further fall in prime yields. The outlook is boosted in particular by the growing share of online business. In the major German logistics locations the net prime yield has fallen since the start of the year by a further 30 basis points and now averages 4.20%.

Outlook

The transaction volume registered to date could have been even higher if there had been a greater supply. The huge interest of a very broad investor group is responsible for this. Taking into account the good long-term outlook of the logistics sector, everything suggests that the lively market activity will continue and that the investment level, now reached will be consolidated. Accordingly, another very good investment turnover is expected for 2018 as a whole, which will be well above the long-term average. The second best result ever recorded is already assured at the end of the third quarter.