Logistics markets and take-up are benefiting from the broadly stable, growing German economy. Nevertheless, there is an undercurrent of disturbing factors which have depressed sentiment indicators such as the Ifo and ZEW indices in recent months. Given that there is little or no change in the consensus on the current business situation, this downturn results entirely from gloomier expectations, due mainly to uncertainty over future developments in international trouble spots such as Iraq and Ukraine or the renewed flare-up in the Middle East. In the context of logistics markets, the positive underlying mood has brought about a relatively sharp rise in the logistics indicator computed by IfW (Institute for the World Economy), which now stands at 138.8 points. The current business situation gets a more than 11-point better rating; expectations are up by over 5 points.

Nationwide take-up in the German logistics and warehouse premises market in the first half of 2014 totalled 2.58 million m² which is on a par with the prior-year period and nearly 13 % higher than the long-term average. This is the fourth time in succession that the half-year result has passed the 2 million m² mark by a considerable margin, so it seems that logistics markets are now established at this higher level. The main driving forces here include structural developments such as the growing importance of e-commerce and the continued outsourcing of processes in industry. Both these factors fuel the demand for logistics premises.

Owing to the ongoing shortage of large modern premises, a considerable amount of market activity is focused on the new-build sector. In the first six months of the year, newly built premises accounted for almost two-thirds of aggregate take-up. Many occupiers now opt to have premises built to their own specifications rather than considering suboptimal existing properties. This trend is also reflected by the owner-occupier ratio; this remains high, reaching just over 50 % at the mid-year point.
**MODERATE SHIFTS IN DEMAND**

Compared to the prior-year period, moderate shifts can be seen in the way take-up is spread over business sectors. The turnover-by-sector table is now headed by last year’s runners-up, logistics firms, which account for 45.5% of the total. Their rise is largely due to the good economic performance of major branches of industry, something that generally impacts fairly quickly on the awarding of contracts, especially in the area of third-party logistics, and accordingly boosts demand for premises. Last year’s leaders – wholesalers/retailers – have contributed 34% of turnover, which puts them well ahead of the rest of the field in second place. In absolute terms, in fact, the take-up they generated is only marginally lower than in the prior-year period. They remain a dynamic sector, operating at a substantially higher level than in the last decade. The leading trio is completed by industrial and manufacturing companies, accounting for more than 15% of the result. Compared to the prior-year period, this represents a drop of around 10 percentage points. It must be borne in mind, though, that in recent years this sector has undergone vigorous expansion, which cannot be maintained at the same level every year. All the other demand groups have so far played only a secondary role.

**TURNOVER OUTSIDE MAJOR CENTRES SLIGHTLY LOWER**

In contrast to the nationwide trend, logistics take-up outside the main population centres decreased by nearly 5% overall. All the same, it still totalled more than 1.4 million m², and this can be considered a satisfactory result by long-term standards. It should also be noted that there were some marked performance differences between regions. BNP Paribas Real Estate regularly analyses a total of 14 logistics regions outside the seven major markets and a number of these registered substantial increases in turnover. Münster/Osnabrück merits mention in particular with a turnover figure of 184,000 m², which was partially due to the construction of a new logistics centre of over 70,000 m² for Gerry Weber. The Karlsruhe area also registered a very good result, with around 118,000 m²; this included an 80,000 m² logistics centre being built by regional project developer Roth Consulting and already let on a long-term basis before completion. Also among the top regions, with take-up totalling around 112,000 m², is Hannover/Braunschweig, where VW has started work on the construction of a 50,000 m² logistics facility in Wendeburg and rail vehicle manufacturer Alstom has taken up a lease on a 30,000 m³ project development in Salzgitter. In the Ruhr region, leases were concluded for a total of around 128,000 m², which is over 25% more than in the prior-year period.
TAKE-UP HIGHER IN MAJOR MARKETS

The seven major logistics markets (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig, Munich) that are regularly surveyed by BNP Paribas Real Estate registered an increase in take-up overall. At nearly 1.18 million m², it exceeded the comparable prior-year figure by more than 10%. However, developments differed from one market to another. The Frankfurt market area produced by far the largest take-up – 243,000 m² – although this was slightly lower (-3%) than in the prior-year period. A significant portion of the total was due to the construction of the Fiege Group’s new 90,000 m² multi-user logistics centre in Dieburg.

Hamburg, in second place with 201,000 m², posted a result more or less in line with that in the first half of 2013. The Berlin market stepped up its turnover (+5%), registering around 189,000 m². But the most vigorous growth was seen in Cologne, where take-up surged to 179,000 m² (+142%), largely as a result of the construction of a new 100,000 m² logistics complex for Hammer in Bedburg. The remaining slots in the ranking are occupied by Düsseldorf with 143,000 m² (+35%), Munich with 122,000 m² (+36%) and Leipzig with 102,000 m² (-39%).

PRIME RENTS IN MOST MARKETS HIGHER

Owing to the good level of demand coupled with still-limited supply, especially in the modern segment of the market, prime rents in most locations have increased over the past twelve months. In Düsseldorf and Cologne, they climbed by around 4%, rising to 5.30 €/m² and 5.00 €/m² respectively. But in the Leipzig market area too, the dynamic development of recent years helped push up the top rent by more than 2% to 4.35 €/m². Munich remains Germany’s most expensive location with a prime rent of 6.50 €/m², which is around 1.5% higher than in the prior-year period. An upturn on a similar scale was noted in Hamburg, which is the third most expensive logistics location in Germany with a prime rent of 5.70 €/m². The only major centres where top rents have remained static are Frankfurt – still second-placed behind Munich with 6.20 €/m² – and Berlin with 4.70 €/m².

PROSPECTS FOR SECOND HALF GOOD

Against the backdrop of fundamentally positive forecasts, there is every reason to assume that the general economic upswing will continue to have a stimulating effect on demand for logistics and warehouse premises in the second half of the year. What is more, trends such as the rise of e-commerce and the increase in outsourced operations in industry are likely to continue, which will also generate more demand. Over the year as a whole, there is thus a good chance that take-up will again clearly exceed the current six-year average of around 4.44 million m².