The economic framework for the further development of the German logistics markets looks very favourable. Several economic research institutes have lifted their GDP forecast for 2015, putting a two in front of the decimal point. The improved outlook is due among other things to the growth in consumer expenditure and the stable labour market, but also to such external factors as the low price of oil and the strength of the dollar. The optimism expressed by the higher GDP forecasts is also reflected by some important sentiment indicators. In March, the Ifo Business Climate Index registered its fifth rise in succession and now stands at 107.9 points. The ZEW Index has risen to 55.1 points, which is its highest level since February 2014. So it is hardly surprising that the Logistics Indicator calculated by the Institute for the World Economy (IfW) on behalf of the German Logistics Association (BVL) climbed in the first quarter to 128.7 points, with a particularly marked rise in the partial indicator for business expectations.

**Take-up at Prior-Year Level**

Nationwide take-up in the logistics and warehouse premises markets in the first three months of 2015 totalled just over 1.08 million m², more or less exactly the same as in the same period last year and nearly 3 % higher than the long-term average. This is the fifth time in a row that first-quarter turnover of logistics and warehouse space has passed the 1 million m² mark. The owner-occupier proportion of the total has declined; it currently stands at about 40 %, which in absolute terms corresponds to a fall of approx. 26 %. Accordingly, the share of the turnover generated purely by lettings has risen (+32 %) and now comes to 654,000 m².

**New-Build Proportion Slightly Lower**

The proportion of total take-up that comprises newly built space has fallen somewhat, but at just under 55 % still accounts for over half the total. In the opening quarters of the two previous years, though, the relevant figure was well over 60 % each time. One reason for the decline is the lower turnover generated by owner-occupiers, who frequently have new, purpose-designed properties made for them. Another reason, though, is that the supply of newly built premises available to the rental market remains limited, so that users are often obliged to opt for existing complexes.
**FAIRLY BALANCED BUSINESS-SECTOR DISTRIBUTION**

The way take-up was spread between the different business sectors in the first quarter presented a relatively balanced picture, thus underlining the broad and stable basis of demand. It seems as if the brighter economic climate has been impacting on business enterprises of all kinds, generating additional need for space. Just like last year, the ranking is headed by logistics firms, which contributed 40% to aggregate turnover, as against 44.5% in the first quarter of 2014. The wholesale/retail sector defended its second place in the ranking by gaining a share of 30.5%. This sector in particular is set to benefit from the predicted growth in consumer expenditure, the healthy labour market and the ongoing dynamic development of e-commerce and to form a mainstay of demand in the months ahead. Completing the leading trio are manufacturing companies; these were responsible for almost 26% of all take-up and thus finished fairly close behind the retailers. Year-on-year, their share has risen by about 8 percentage points. Where this branch of the economy is concerned, it remains to be seen whether the strong dollar will boost exports significantly and thus help to trigger additional demand for logistics premises. Together, all the other business sectors accounted for only just under 4%.

**INCREASE IN TURNOVER OUTSIDE THE MAIN CENTRES**

Take-up outside the major population centres in the first quarter came to 563,000 m². That represents year-on-year growth of more than 16% and was a somewhat better development than that seen nationwide. Of the 14 logistics regions which BNP Paribas Real Estate regularly analyses outside the seven major markets, a particularly positive performance was registered by the Ruhr region. With turnover totalling 120,000 m², it exceeded its prior-year result by nearly 167%. Alongside the biggest deal there, concluded by the logistics firm of Simon Hegele for 30,000 m² in Duisburg, four further contracts for premises of between 10,000 m² and 20,000 m² were registered. Take-up also multiplied in Karlsruhe, to produce a result of 40,000 m², fuelled decisively by the construction of a new logistics centre in the Industriegebiet West (Industrial Area West) in Bruchsal for a local fruit and vegetables marketing cooperative. A much better result than the year before – 21,000 m² (+163%) – was also generated by the logistics region of Ulm, where Goodman is developing one of two new strategic distribution locations for the WMF Group. Take-up also climbed in the Stuttgart area, rising by nearly 64% to 18,000 m². Lower year-on-year totals, on the other hand, were posted for instance by Mannheim (14,000 m²; -69%) and Bremen (7,000 m²; -12.5%). Hannover/Braunschweig, which had led the field in the first quarter of 2014, has this year failed to generate any large-unit deals up to now.
TAKE-UP IN MAJOR MARKETS LOWER

Unlike the rest of the country, the seven major logistics markets (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig, Munich) that BNP Paribas Real Estate surveys on a regular basis have seen turnover fall. At 520,000 m², it was nearly 13 % lower than in the first quarter of 2014. Only Leipzig posted a year-on-year increase, of 74 % to 80,000 m² of space of what was formerly the Neckermann logistics centre in Heideloh by Grosszöberitz. Take-up in Frankfurt slipped only marginally (-4 %) to produce a total of 168,000 m², which was more than enough to give it first place in the inter-city ranking. In second and third places, with more or less equal take-up figures, came Berlin (86,000 m²; -17 %) and Hamburg (85,000 m²; -32.5 %). Considerably lower results than in the same period last year were also recorded by Munich (37,000 m²; -29 %) and Düsseldorf (36,000 m²; -25 %). The smallest turnover so far was that posted by Greater Cologne; it came to 28,000 m². At -39 % this city also registered the sharpest decline compared with the prior year.

SOME RENTS MOVE HIGHER

In the past twelve months, rental price levels have predominantly remained steady. Some modest increases in prime rents and average rents have been observed, though, in a few locations. These include Düsseldorf, Frankfurt, Munich, the Ruhr region and several markets in Southern Germany, such as Ulm and Stuttgart. The most expensive location in Germany is still Munich, where the top rent is 6.50 €/m². Then come Stuttgart with 6.40 €/m², Frankfurt with 6.30 €/m², Nuremberg with 5.80 €/m², Hamburg with 5.70 €/m², Düsseldorf with 5.40 €/m² and Cologne with 5 €/m². Examples of cities with rents below the 5 €/m² mark are Berlin (4.70 €/m²) and Leipzig (4.35 €/m²).

OUTLOOK

Following the good start to the year, all the signs suggest that market activity will continue to be lively in the months ahead. In fact, in view of the favourable economic conditions, it is quite feasible that demand may even gain in momentum. The brighter forecasts for the economy as a whole, the stable labour market, the sustained buying mood of consumers and, not least, the strength of the dollar all contribute towards creating a framework that should generate the need for additional logistics space. The marked improvement in the rental market as early as the first quarter can be regarded as evidence for this estimation. Against this background, turnover in 2015 will in all probability be well above the 4 million m² mark once again.
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