

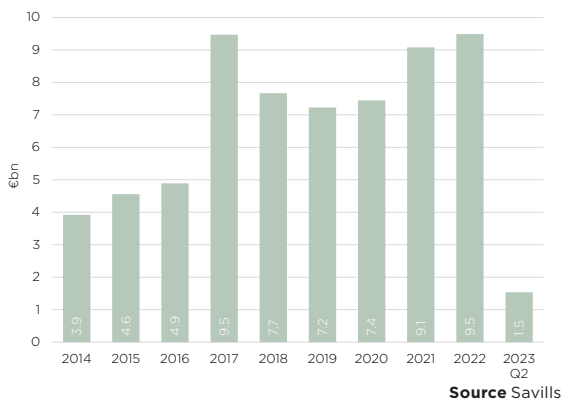
Industrial property market Germany

savills

Stabilisation at a low level

The investment market for logistics properties, production properties and business parks contracted significantly in the first half of 2023 compared to the same period last year. This affects all key figures from the number of transactions to the traded volume and the number of active buyers. Although the second quarter was slightly stronger in terms of turnover than the first three months of the year, in the end around three quarters less was invested than in the first half of the previous year, at just over €1.5 billion. The decline is mainly due to a low number of core and large-volume transactions as well as lower prices. In the size segment of 50 million euros and more, only a few transactions took place in the first six months. Against the background of the economic situation, many investors now prefer to look at smaller halls with less than 50,000 sq m of lettable space. In addition, financing has become much more difficult, especially for larger properties, so that a lot of equity capital has to be used.

Graph 1: Transaction volume industrial properties Germany



Sector sentiment has recently clouded over noticeably

The economic situation is particularly decisive for the occupiers of logistics properties. Although the occupancy rate of the properties is close to full, the industry climate has recently clouded over noticeably according to two surveys by the ifo Institute. On the one hand, the economic researchers registered a drop in demand for transport and logistics services against the backdrop of in part significantly higher prices for these services. On the other hand, this is also reflected in industry sentiment. In the logistics indicator of June 2023, companies assessed their business situation as poorer than at any time since February 2021. Business expectations are also currently being assessed somewhat more negatively by companies. Nevertheless, there are also stabilising factors: consumption and consumer confidence have stabilised at a low level, and some industries such as the automotive sector are also

Graph 2: Transaction volume by type of use

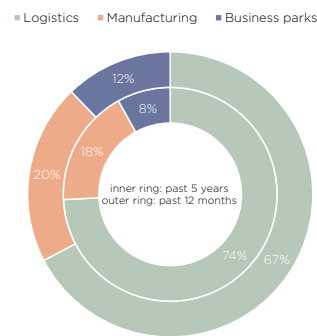


Table 1: Transaction volume at a glance

	Q1 - Q2 2023	y-o-y change	past 12 months	y-o-y change
Logistics	853	-80%	3,407	-60%
Manufacturing	351	-71%	1,035	-51%
Business parks	332	-34%	617	-13%
Total	1,535	-74%	5,058	-55%

Source Savills / Transaction volume in million in Euro

FOCUS ON SELECTED FIGURES



€434m

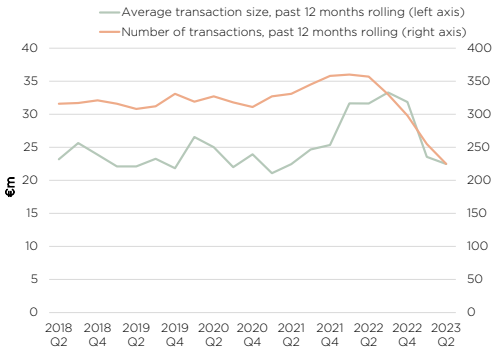
With a purchase volume of €434 million, open-ended special funds were by far the most active group of buyers in the first half of the year.



22%

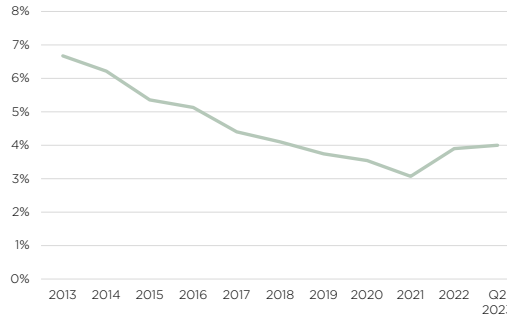
At 22%, the share of commercial parks in the transaction volume was higher than ever before in the first half of the year.

Graph 3: Deal size and number of transactions



Source Savills

Graph 4: Prime net initial yield logistics properties



Source Savills / Note: The yields shown for 2022 reflect the midpoint of the spread of +/- 20 basis points (yield range reflects the different purchase price expectations of vendors and buyers)

reporting positive signals. One sign that things are not going well in all sectors is the increasing number of spaces being offered for subletting. Particularly from the e-commerce and quick commerce sectors, more space is being put on the market that is not currently needed by the current user.

Declining number of transactions and buyers

The economic and financial effects are also noticeable on the investment side of the market. With around 80 individual property transactions and 2 portfolio deals, the total number of transactions in the first half of 2023 was significantly lower than in the same period of the previous year (approx. 140 and 16 respectively). Thus, the decline in the number of transactions that began in Q2 2022 continued unabated. With the lower number of transactions, the number of buyers has also declined. In the first half of the year, we counted about 40 different buyers. In the same period last year, there were more than twice as many. Of the buyers active in the past five years, almost 400 investors have not been active so far this year, including, for example, some larger investment managers. Despite these figures, there is increasing activity in launched and nascent processes, which will again translate into a higher number of transactions in the medium term.

Business parks and light industrial properties more in focus

In relative terms, the segment with logistics and industrial properties continues to be strong in terms of turnover. Logistics and industrial properties

accounted for a good 16% of the volume invested in the overall commercial investment market. However, investor demand has expanded beyond interest in pure logistics halls. For several quarters now, industrial parks and light industrial properties have also been a stronger investment focus. The share of these two sub-segments was over 20% in the first half of the year and thus higher than at any time since Savills began recording these figures in 2009. The reasons for the increased interest are to be found in a greater diversification of risk, the demand for properties with smaller volumes and as an investment alternative for other types of property use.

Prime yield rises to 4%

Even if only a few core transactions have taken place, there is now sufficient evidence at what price buyers and sellers come together. For this reason, we are again reporting a point value for the prime yield for logistics properties, after we had recently always indicated a range of +/- 20 basis points due to a lack of transactions. The prime yield at the end of the 2nd quarter was 4.0 % and thus 10 basis points above the mean value of the range of the previous quarter. However, as soon as a property does not fully meet certain valuation criteria, for example in terms of ESG, the seller must expect significant discounts. It is worth noting that in the prime segment there is currently hardly any difference between offices, prime high street properties or logistics properties, all of which have a prime yield around the 4% mark. The levelled yield level underlines the increased attractiveness and relevance of the logistics asset class in recent years.

[Download the charts and raw data here](#) ↓

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