MARKET IN MINUTES
Savills Research

Industrial property market Germany

savills

Stable, but still lacking momentum

Against the backdrop of the weak German economy and the associated crises in individual sectors, activity on the market for industrial and logistics properties was low in the third quarter. Comparatively few deals were concluded on both the investment and letting markets. Industrial and logistics companies are currently reluctant to let properties due to uncertainties regarding future economic developments and the regulatory framework. Against this backdrop, players on the investment market are also currently rather cautious.

Demand on the rental markets: Recently weak, growth expected from 2025

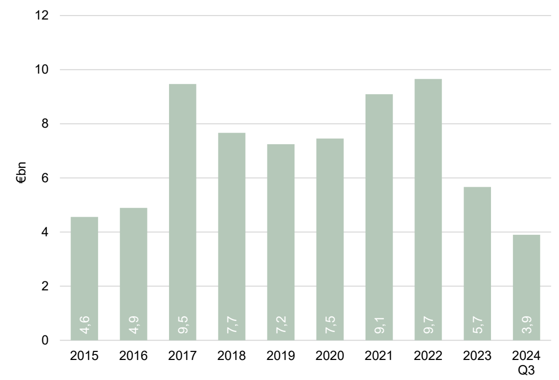
Turnover on the letting markets was weak in the first half of 2024 compared to previous years. Nevertheless, demand for logistics properties in Europe is expected to increase significantly until 2025 and beyond. This is a key finding of the fourth 'European Real Estate Logistics Census', which was conducted in summer 2024 by supply chain consultancy firm Analytiqa on behalf of Tritax EuroBox and Savills. More than three quarters of the 642 respondents were occupiers of logistics space. More than half of the occupiers surveyed assessed their business conditions in 2024 more favourably than in the previous year. It is true that 69% have postponed their general expansion plans due to the current economic conditions. Crucially, however, of the 69%, only 6% have put their plans on hold indefinitely - 32% plan to postpone by one to two years, 24% by two to five years. In the next twelve months, 70% of users plan to keep their current space. For the next one to three years, 53% of tenants expect to take up more space.

In the future, further demand stimuli will come from reshoring. 45% of respondents see this as a potentially market-changing development for their logistics properties. In the next three years, 27% of respondents plan to diversify their supplier base in order to reduce the risk of disruption. This is also likely to be accompanied by demand for more space in Europe and Germany.

Investment market from two perspectives: relatively strong, absolutely weak

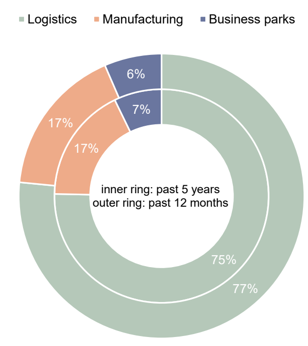
With an investment volume of around €1 billon, the third quarter was the weakest quarter of the current year in terms of sales. This is due in particular to the low number of single asset transactions. However, with a transaction volume of €3.9 billion from the first three quarters of 2024,

Graph 1: Transaction volume industrial properties in Germany



Source Savills

Graph 2: Transaction volume by type of use



Source Savills

FOCUS ON SELECTED FIGURES

19

In the first three quarters of the year, 19 portfolio transactions were concluded, which is already more than in the entire previous year (16).

€400 million

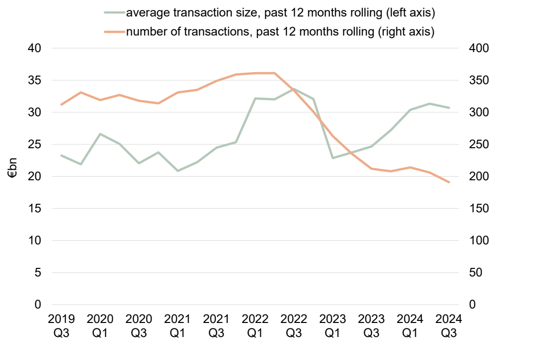
With a transaction volume of 400 million euros, the Frankfurt / Rhine-Main logistics region was the region with the highest turnover so far this year, followed by Hamburg (270 million euros) and Berlin (230 million euros).

Table 1: Transaction volume at a glance

	Q1 - Q3 2024	Y-O-Y CHANGE	PAST 12 MONTHS	Y-O-Y CHANGE
Logistics	3,104	+17%	4,487	+27%
Manufacturing	569	-7%	995	-7%
Business parks	227	-49%	380	-41%
Total	3,900	+5%	5,862	+12%

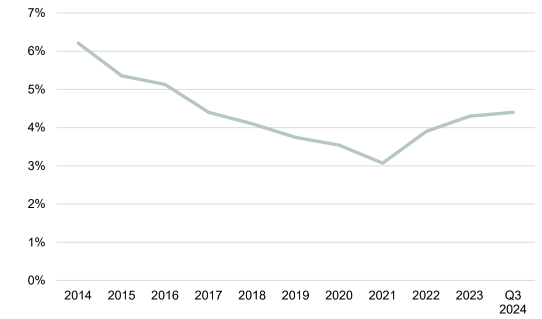
Source Savills / Transaction volume in million in Euro

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)

the result was still slightly higher than in the same period of the previous year. Just under 80% of the transaction volume was attributable to logistics properties and 15% to the light industrial segment. Investments in business parks only accounted for a good 5%, half as much as in the previous year (11%). Even though the segment as a whole recorded a slight increase of 5% compared to the same period of the previous year, it will take a particularly strong final quarter (Q4 2023: €2 billion) to match the previous year's result in the end. In relative terms and compared to other types of use, the logistics and industrial property segment is proving to be quite resilient. With a 24% share of the total commercial transaction volume, industrial and logistics properties continue to be the highest-turnover type of use alongside the retail segment. If we compare the transaction volume of the last twelve months (€5.9 billion) with the average of the last ten years before the start of the Covid-19 pandemic (2012-2021), industrial and logistics properties are in the best position of all types of use. Their transaction volume over the last twelve months corresponds to the annual average for the period from 2012 to 2021, whereas it is at least 50% below this level for all other major segments.

Strong focus on top locations

In the current market environment, we are seeing a stronger focus on the top logistics regions and central locations. The credo 'location, location, location' applies more than ever before. Banks are still quite restrictive when it comes to lending and pay particular attention to the location and the tenant's creditworthiness. While the share of investment volume in the top 5 logistics regions reached a low of 21% in 2022, this has risen again to 28% in the year to date at the expense of locations outside the established logistics regions. Property owners are also noticing a stronger concentration of tenant demand in central locations. As a result, they are responding by offering more rent-free periods in peripheral locations. We are observing this much less frequently in the central locations.

Prime yields stable

The achievable prime yields have remained stable compared to the previous quarter. While a net initial yield of 4.4% can be achieved for new-build properties let on long-term leases in prime locations, the same property in the periphery is 50 basis points cheaper. Most investors are currently taking a very close look here and are hardly deviating from their investment criteria. Yields are not expected to change significantly in the coming months either. In the medium term, yields could fall again slightly if interest rates are cut further and financing conditions continue to improve.

Download the charts and raw data here

SAVILLS TEAM

Please contact us for further information

PANAJOTIS ASPIOTIS
Managing Director
COO
+49 211 22 962 220
paspiotis@savills.de

BERTRAND EHM
Director Investment
+49 40 309 977 140
behm@savills.de

FABIAN SPERBER
Associate
Research
+49 30 726 165 139
fsperber@savills.de