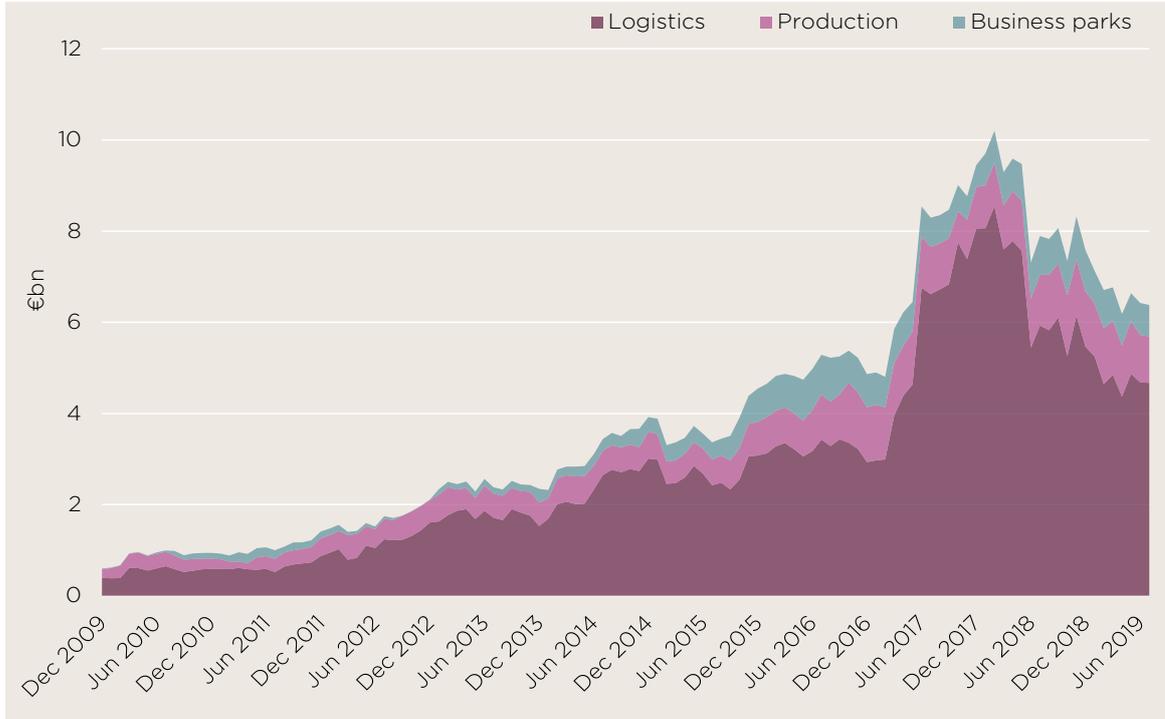


# Industrial property market Germany



Graph 1: Transaction volume Germany (12 months rolling)



Source Savills

## Industrial property continues to perform strongly

The investment market for industrial property (logistics and production property as well as business parks) has witnessed less activity than the last two years during the year to date. The transaction volume between January and July totalled approx. €3.3bn, representing a decrease of around a quarter compared with the corresponding period last year. From a long-term perspective, however, investment volume remains at extremely high levels, with 2019 ranking as the third strongest year of all time.

The current year has already posted a new record with regard to initial yields. At 4.1% (as at the end of June), the prime yield has reached a new record low, which we expect to fall

further to 3.9% during the remainder of the year. By way of comparison, the prime yield for shopping centres has softened to 4.2%. Yield trends (Graph 3) also illustrate that the lower investment volume is not attributable to declining demand but is rather the consequence of a growing supply shortage. This is particularly true of the top seven logistics regions, where transaction volumes have fallen across the board with the exception of the Frankfurt/Rhine-Main region. The supply shortage is also particularly evident in the portfolio segment and in terms of high-value properties generally. Portfolio transactions have accounted for €1.4bn of investment during the year to date. This compares with €2.2bn for the same period last year and €4.4bn in 2017.

Table 1: Transaction volume (€m)

	Jan - Jul 19	against Jan - Jul 18	Aug 18 - Jul 19	against Aug 17 - Jul 18
Logistics	2,534	-24%	4,671	-21%
Production	424	-31%	1,017	-9%
Business parks	363	-37%	692	-19%
<b>Total</b>	<b>3,321</b>	<b>-27%</b>	<b>6,381</b>	<b>-19%</b>

Source Savills

### Focus on selected figures



**19 %**

Around a fifth of all German industrial property of 1,000 sq m or larger is less than ten years old.



**-220 bps.**

The prime yield for logistics properties has hardened by 220 basis points over the last five years.



**11 %**

Online retail now accounts for more than 11% of German retail revenues. In the UK, demand for logistics space increased significantly once this level was reached.

The rest of Germany is benefiting marginally from the shortage of high-value investment opportunities in the top seven regions. If investment over the last twelve months is compared with that over the preceding twelve months, the volume outside the top seven regions rose by 9% (in contrast, all top seven regions registered double-digit declines in investment volume). However, the relatively modest increase also indicates that investors are not shifting away from the top regions on a large scale. In other words, investors remain primarily focused on low-risk locations (see our [heat map](#)) even at the risk of not being able to fulfil their investment plans.

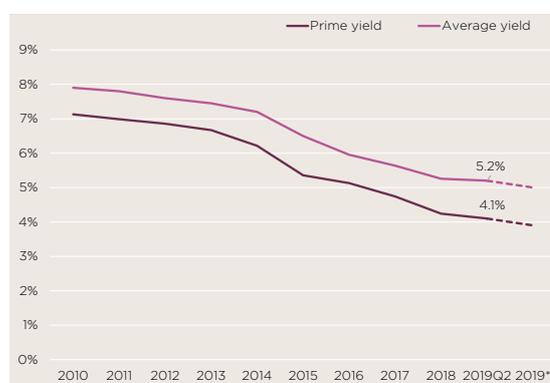
The slower economic activity, and particularly the weakening industrial sector, also now appear to be impacting occupier demand. Nevertheless, space in the sought-after locations remains scarce, rental growth has exceeded the long-term average (Graph 2) and we expect this growth to continue going forward. Indeed, in view of the massive increase in site and construction costs, rental growth has been surprisingly restrained. In the competition for development sites and (renowned) occupiers, developers are not passing on the full extent of their increased costs to tenants, particularly since achievable sale prices for their developments are still rising owing to sustained yield compression.

**Graph 2: IWIP rental index**



Source: IndustrialPort, German Economic Institute

**Graph 3: Net initial yields (Ø Top 7)**



Source: Savills / \* forecast

**Table 2: Top ten transactions of the last twelve month\***

Object / Portfolio Location(s)	(Main-) Type of property	Volume (€m)↓	Area (1,000 sq m)	Buyer	Seller
Laetitia Portfolio	Business parks	ca. 630	ca. 538	Beos AG	aurelis Real Estate GmbH & Co. KG
Optimus Prime Portfolio	Logistics building	ca. 520	ca. 565	Landesbank Hessen-Thüringen (Helaba)	Beos AG
Portfolio	Logistics building	ca. 350	ca. 294	GreenOak Real Estate Advisors LLP, u. a.	Tilad
Portfolio	Logistics building	ca. 320	ca. 207	Frasers Centrepoint Limited	Frasers Centrepoint Limited
Coldplay Portfolio	Logistics building	undisclosed	n/a	Barings Real Estate, Tristan Capital Partners	Nagel-Group
Titanium Startportfolio	Business parks	ca. 168	ca. 191	Axa, Sirius Real Estate	Sirius Real Estate plc
Portfolio, Munich, Starnberg	Logistics building	undisclosed	ca. 84	Büschl Unternehmensgruppe	Deutsche Post AG
KNV Logistikzentrum, Erfurt	Logistics building	undisclosed	ca. 175	Thelen Holding GmbH	unknown Corporate (Germany)
Dr.-Zumach-Ring 1, Ansbach	Logistics building	ca. 120	ca. 77	Savills Investment Management	ECE Projektmanagement GmbH & Co. KG
Portfolio	Logistics building	ca. 100	ca. 83	Invesco Real Estate	MP Holding GmbH, u. a.

Source: Savills / \* only published transactions are shown

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