

Press Information, 29 September 2020

LOGISTICS AND REAL ESTATE 2020 SURVEY – Sustainable and Future-Proof

Logistics Real Estate – Thriving in Times of Crisis

- **Demand for logistics and warehousing units as strong as ever**
- **2020 expected to be another banner year with 5.3m sqm of new-build logistics facilities**
- **Price growth slowing during first half-year of 2020**
- **Investors: GARBE overtakes Blackstone**
- **Sustainability a long-term success factor**

Unlike retail or hotel properties, logistics real estate counts among the winners of the coronavirus crisis. The pandemic highlighted the nature of logistics as an essential industry, while the demand for logistics and warehousing units became even more dynamic because of the expanding market share of online retailing. Investments in German logistics, Unternehmensimmobilien-type and industrial real estate had already reached a new high-water mark in 2019 with more than 9 billion euros. Analogously, the sum total of recently completed pure logistics accommodation set a new record with 4.9 million square metres, subject to an upward trend; the demand for new-build facilities between now and 2030 amounts to 6.5 to 7.0 million square metres, and continues to exceed the available supply by far. Selling prices have gone up in recent years while initial yields of logistics real estate have dropped in reverse proportion to the range of 3.7 to 6.8 percent (2019), depending on location. Yet the price growth lost some of its momentum during the first half-year of 2020.

These are the key findings of the “Logistics and Real Estate 2020” survey in what is now its sixth consecutive edition compiled by bulwiengesa in partnership with Berlin Hyp AG, BREMER AG, GARBE Industrial Real Estate GmbH and Savills Immobilien-Beratungs GmbH. Up to the end of July 2020, the data of around 1,775 logistics assets either under construction or in planning were evaluated for the purposes of the survey.

New-Build Construction: Increase in Speculative Projects Reflects Optimism

The completions volume remains unchanged on a high level. Moreover, there have been signs lately for an increase in speculative projects as opposed to demand-oriented building activity.

Andreas Schulten, Generally Authorised Agent of bulwiengesa, said: “Based on the projects currently under construction, we anticipate more than five million square metres of new-build accommodation in 2020 – which is a new all-time high. The actions of property developers and investors betray optimism as they assume that the demand for logistics facilities will keep going up. The coronavirus pandemic, too, has shown: Logistics is the lifeline of our national economy and of fundamental importance for the purpose of supplying the population. Expanded stockpiling in the production and retail sectors is an option intensely discussed at the moment. Moreover, the pandemic has further fuelled the growth in e-commerce. Logistics floors space requirements, which are high anyway, will keep going up.”

The top 5 list of the most active logistics property developers of the years 2015 through 2020 is headed by Goodman Group (1.9m sqm), followed by Panattoni (1.2m sqm) and the VGP Group (around 950k sqm). Ranks 4 and 5 went to Dietz AG (around 900k sqm) and GARBE Group (around 700k sqm), respectively.

Regional hotspots include the logistics region of Frankfurt am Main once again, trailed at some distance by Berlin, Düsseldorf, Rhine-Ruhr, Hamburg, Dortmund and Hanover/Braunschweig. Spikes in completions of new-build facilities in 2020 were noted in the Berlin and Magdeburg regions.

However, the building activity is increasingly shifting toward the periphery. This assessment is shared by Michael Dufhues, Member of the Board of BREMER AG: “We build predominantly in major logistics regions. But we have also noted that more and more occupiers are contracting us to build logistics properties in peripheral regions.”

Investment Market: GARBE Overtakes Blackstone

On the investment market for German logistics, Unternehmensimmobilien-type and industrial real estate, 2019 was a bumper year with a record-breaking investment total of more than 9 billion euros. But you need to differentiate: The boom is primarily explained by an increased interest in Unternehmensimmobilien assets (multi-use and multi-let commercial properties). The sum total invested in pure logistics and warehouse properties in 2019 was 5.4 billion euros. By mid-year 2020, the investment volumes for logistics and warehouse real estate had already pushed past the mark of 2.7 billion euros, making it safe to expect a year-end investment total on a level with 2019.

With around 1.9 billion euros spent, GARBE Group tops the ranking of companies by total logistics real estate investments for the period 2015 through 2020. Blackstone (1.8 billion euros) and Frasers Property (1.7 billion euros) rank second and third, respectively. They are trailed by China Investment Corporation (CIC) in fourth place and, at some distance, Union Investment. The latter company seriously stocked up its investments by more than 500 million euros during the first half-year of 2020, as did the GARBE Group.

Jan Dietrich Hempel, Managing Director of GARBE Industrial: “Going forward, we intend to keep growing on the basis of our holistic management approach that enables us to cover the entire value chain of a given property with in-house resources.”

Striking to note when studying the countries of origin is that the share of German investors has gone up from one third in 2017 to roughly two thirds today. Similar to new-build construction projects, the regional investment hotspots are Frankfurt am Main, Dortmund, Düsseldorf, Rhine-Ruhr, Hanover/Braunschweig, Hamburg and Berlin. Bertrand Ehm, Director Industrial Investment of Savills, commented: “International players were more reticent during the first half-year of 2020. But the bottom line is that the onset of the coronavirus pandemic did not adversely impact the commercial investment market in Germany during the first half-year of 2020. At nearly 2.7 billion euros, the volume in logistics real estate alone increased by 80 percent over prior-year period.” While the logistics and warehouse properties traded during the first half-year of 2019 added up to 1.5 billion euros, the mid-year total in 2020 equalled 2.7 billion euros.

Sustainability: Environmental and Economic Success Factor

The “Logistics and Real Estate 2020” survey discusses, in addition to the latest development on the market for logistics real estate, the focal subject of sustainability from a variety of angles.

One of them concerns the fact that banks have come to prefer financing sustainable logistics properties because of their enhanced long-term viability. Assem El Alami, Head of Real Estate Finance at Berlin Hyp AG, said: “They have higher mortgage lending values and are often granted superior funding terms compared to non-green logistics properties. Together with the other survey partners, we drafted proposals for the body politic that are meant to expedite the installation of photovoltaic systems. Because these contribute in decisive ways to the climate policy goals both on the level of the European Union and on the national level of Germany. They represent a core element for the CO₂ reduction in line with climate protection measures, and the real estate industry wants and has to contribute to the effort.”

Sustainability will play a more and more important role in the deliberation of new-build construction decisions. Greenfield construction or demolishing and rebuilding brownfield properties are not always the most sustainable options when taking a holistic approach. Jan Dietrich Hempel, Managing Director of GARBE Industrial: “In many cases, investing in older property stock and extending their service life is a more resource-conserving approach. Not just because it makes environmental sense, but also because it is economically sensible.”

Once the decision in favour of a new-build construction has been made, it is of the essence to plan and execute the property in ways that keep its resource consumption as low as possible across its entire life cycle. “Important in this context is to minimise the CO₂ output or to achieve CO₂ neutrality within the framework of the property operation,” emphasised Michael Dufhues, Member of the Board of BREMER AG. “Moreover, the use of recyclable materials will improve the climate footprint in the context of a possible conversion and the eventual demolition.”

Investors with a long-term horizon will also keep giving more weight to sustainability aspects in their investment decisions because they will improve the lettable. “Occupier demand for energy-optimised logistics real estate is growing – motivated by in-house guidelines, but also in response to client requirements. Or simply because it pays to do so: “A sustainable property is energy-optimised and ideally even emissions-free,” said Bertrand Ehm, Director Industrial Investment of Savills. “As a result, it is not necessarily more expensive, because it will incur lower service charges or even generate more energy than it needs.”

Figure: Top 20 developers of logistics facilities in Germany, 2015-2020

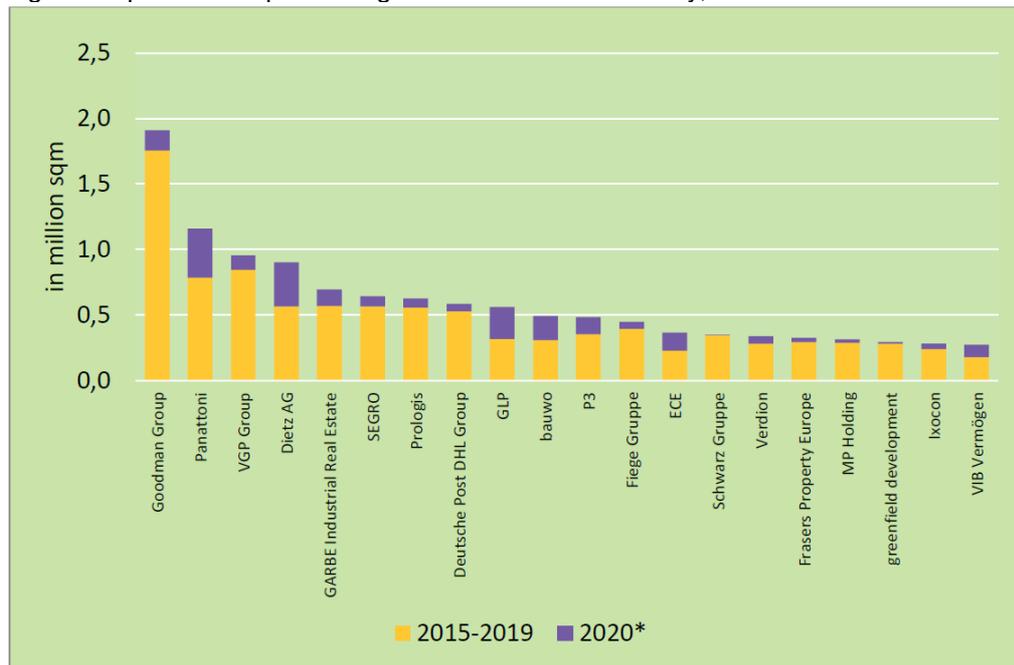
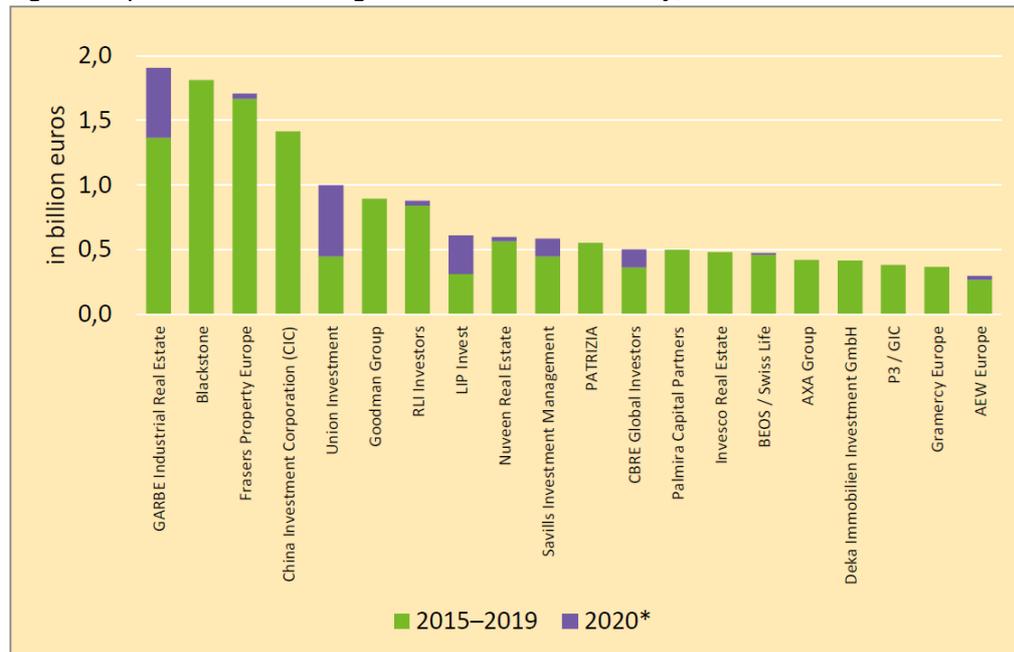


Figure: Top 20 investors of logistics facilities in Germany, 2015-2020



The survey and additional material are available online at:
<https://logistics-and-real-estate.com/>

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About the “Logistics and Real Estate” Survey:

“Logistics and Real Estate” is an independent survey series published by the Competence Centre for Logistics and Real Estate that comprehensively captures the asset class of logistics real estate from various angles, and that has already established itself as a leading survey series for logistics real estate in Germany. The research and consulting firm bulwiengesa studied the relevant market movements during the years 2011 through 2020, and evaluated them in four main subject areas, these being “property development”, “construction trends”, “investment” and “financing.” The focus subject in 2020 is sustainability.

The survey thus provides an overview of the most important players on the diversified German market, and an orientation guideline serving both peer-to-peer and outside audiences. The commercial real estate lender Berlin Hyp AG, prime contractor BREMER AG, real estate group GARBE Industrial Real Estate GmbH, and the real estate consultancy firm Savills Immobilien Beratungs-GmbH have partnered with bulwiengesa to assist with the survey design, and have shared valuable insights into their respective market segments.

About bulwiengesa

bulwiengesa is one of the major independent analytics firms for the real estate industry in Continental Europe. For almost 40 years, bulwiengesa has supported its partners and clients in real estate industry issues by providing location and market analyses, detailed data services, strategic consultancy and property appraisals, among other deliverables. The data of bulwiengesa are used by Deutsche Bundesbank for the European Central Bank (ECB), the Bank for International Settlements (BIS) and the OECD, among other clients.

About Berlin Hyp

Berlin Hyp specialises in large-volume real estate finance for professional investors and housing societies, for whom the Bank develops individual financing solutions. As an enterprise forming a Group together with the German savings banks, it also makes an extensive spectrum of products and services available to these institutions. Berlin Hyp is not only at the forefront as the issuer of the first Green Pfandbrief; the bank also supports the financing of sustainable real estate. Berlin Hyp's clear focus, 150 years of experience and the ability to actively shape the digital transformation in the real estate sector with an eye to the future characterize the Bank as a leading German real estate and Pfandbrief bank.