

Press Information, 08 October 2019

LOGISTICS AND REAL ESTATE 2019 SURVEY – About Shortage and Demand

Completions at Record High, But Shortage Persists

- **New completions record expected for 2019**
- **New calculation model captures nationwide demand for accommodation for first time: 6.5 million sqm wanted**
- **More and more domestic players: Seven German companies among the 20 largest logistics investors**
- **Regions: Rhine-Main/Frankfurt remains in the lead, while Düsseldorf overtakes Hamburg in investments and completions**

Hamburg/Munich, 08 October 2019 | In terms of logistics real estate completions, 2019 is expected to become yet another bumper year. This is all the more amazing as the major logistics sites suffer from an acute shortage of space – investors and developers are increasingly opting for alternative locations on the periphery. But the construction activities will hardly cover the annual demand of 6.5 to 7 million sqm in additional logistics accommodation that was identified. Here is another finding of the latest survey: After many years during which international investors dominated the logistics market, a growing number of domestic companies are becoming aware of the attractive opportunities this asset class offers. The top-20 list of leading investors now includes seven German companies.

These are the key findings of “Logistics and Real Estate 2019,” the latest edition of a survey bulwiengesa just published for the fifth consecutive time in partnership with Berlin Hyp AG, BREMER AG, Garbe Industrial Real Estate GmbH and Savills Immobilien Beratungs-GmbH. Facts and figures from the areas building activity, investment and funding were evaluated for the purposes of the survey. In addition, a number of market experts and insiders were asked for their opinion on the stability of logistics real estate as an asset class.

Tobias Kassner, Division Head for Industrial and Logistics Real Estate at bulwiengesa, who authored the survey, commented: “The shortage in available land plots in some logistics regions is causing the keen demand to go unmet. The good news being: There are alternatives on the periphery that actually work quite well and simultaneously satisfy the safety requirements of logistics operators and property developers. Demand for logistics real estate will remain high going forward. Factors suggesting as much include the changed consumer demand and the dovetailing of logistics and production, but above all the now undisputed macroeconomic significance of logistics.”

Brisk Building Activity Points to Another Record

The market evidence suggests that 2019 could become the next banner year: By mid-year, more than 2.3 million sqm of logistics accommodation were already completed. Provided the projected planning horizons are met, it is by all means realistic that the completions volume clears the mark of 5 million sqm by year-end. This would once again imply a new record for logistics asset completions during the period under review (2014 through 2019) and would exceed the existing record for completed logistics accommodation, set in 2017, by nearly 300,000 sqm. The latest evaluation shows that, while the development of logistics facilities continues to be centred in the established logistics regions, it gravitates more and more toward the peripheries even of these regions. Property developers and investors favour locations close to conurbations. Other factors of importance to them include the proximity of transport nodes, additional land reserves and the multiple occupancy capacity of a given property.

Michael Dufhues, member of the executive board of BREMER, said: “Our experience in the construction business tells us: The stability of a logistics site depends not only on locational factors such as the macro- or micro-environment, but also on the adequacy of the accommodation a given property provides. For example, the number of loading docks is of enormous importance. Just like the occupiers, we assume that turnover rates will keep accelerating and that the logistics business will move even further away from traditional warehousing and toward highly complex and fast-moving distribution processes.”

Mathematical Model Captures Demand – 6.5 to 7.0 Million sqm Annually

For the first time, the mathematical model “GI-Flex lite” that bulwiengesa developed captured the nationwide demand for logistics accommodation. The outcome reveals a large gap: The identified annual demand of 6.5 to 7.0 million sqm of additional logistics space in Germany contrasts with the total of around 5 million sqm in current completions.

The calculation is done, simply put, by matching the job growth relevant to logistics with the demand for space – because floor space requirements rise in proportion to the number of people hired. The identifiable extra demand for accommodation is particularly high in some peripheral regions of the larger states, such as Baden-Württemberg, Lower Saxony and North Rhine-Westphalia. Unlike in the established logistics regions of the metropolises Hamburg and Berlin, where demand for additional logistics facilities is also extremely high, these states have far more options for zoning the required development land.

Jan Dietrich Hempel, Managing Director of GARBE: “A closer look at the volume of new-build accommodation completed over the past years makes one thing perfectly obvious: There is no way to cover the strong annual demand for additional logistics space unless you radically step up the building activity. In addition, there are other alternatives for relieving the shortage of accommodation, e.g. through infill densification, brownfield development, by restructuring existing trading estates, by merging plots or by building multi-storey assets. Especially municipalities should bear in mind that the logistics business generates jobs.”

More and More Domestic Companies Enter the Investment Market

The investment demand for logistics real estate has regained a high level in 2019. At c. 3.8 billion euros to date, the investment volume in warehouse/logistics real estate and real estate of the Unternehmensimmobilien type slightly exceeds the volume of the prior-year period. Decisive factors included once again the increased building activity,

intensified trading and the persistently low level of interest rates on the investment markets. At the same time, the keen demand is visibly held back by the fast-dwindling supply in attractive investment-grade assets. The fact is reflected in the transaction total at mid-year 2019, among other things. For it is much lower than the mid-year investment volume of 2018, which in turn showed a year-on-year decline. Then again, the large number of small-scale transactions are evidence for brisk market dynamics.

The top 20 list of leading investors now includes seven German companies. However, their investment total this year to date, which adds up to c. 1.1 billion euros, equals only around 58 % of their year-end total in 2018.

Bertrand Ehm, Director Industrial Investment at Savills, said: “More and more German investors are discovering the opportunities in the logistics market. International companies have been aware of the appeal of logistics real estate as an asset class for a long time and managed to secure large holdings, most notably through portfolio acquisitions. Despite the regressive tendency, international players maintain a strong presence in the market, especially those from other countries in Europe and from Asia. At the moment, their share of the German logistics investment market equals around 50 %.”

The ranking is currently topped by Blackstone and Frasers Property Europe. Next in line are China Investment Corporation (CIC) in third place and Garbe, a German logistics property developer and investor, in place 4 with approximately 1.2 billion euros invested. Goodman Group ranks fifth. Garbe Group is admittedly the only German market player among the top 5. But the top 10 list includes another three domestic investors, these being RLI Investors, Palmira Capital Partners and PATRIZIA.

Gero Bergmann, member of the executive board of Berlin Hyp, commented: “Compared to other asset classes or countries, German logistics real estate stands out with a high rate of return. However, the hardening of yield rates has noticeably narrowed the gap to other types of real estate. The fact that Germany is characterised by a comparatively high degree of industrialisation and a high owner-occupancy rate translates into diverse options for investors to buy in. Moreover, the appeal of this asset class is boosted by its low cyclicity and its high cashflow returns.”

Regional Analysis: Supply Shortage Not Felt Everywhere in Germany

Logistics firms strive to be near consumers and human resources. This motivates them to move as close as possible to metropolises. But since there is barely any land available there anymore, the fastest growth is reported from the more remote regions. Logistics companies were particularly successful in moving closer to their consumers in the regions of Nuremberg, Halle/Leipzig and Kassel/Göttingen. Sites in these regions reached an extra 20,000 to 35,000 residents on average during the period that started in 2010.

The completions volume in the top 5 logistics regions equalled 6.2 million sqm between 2014 and 2018. Thus, they account for a 30 % share of the entire new-built logistics facilities completed in Germany. The ranking of regions by completions continues to be topped by Rhine-Main/Frankfurt. While the Hamburg logistics region scored second place in last year’s survey, it lost that spot to the Düsseldorf logistics region during the current period. The Rhine-Ruhr logistics region scored fourth place.

The gap between facilities in planning or under construction, on the one hand, and demand, on the other hand, is widest in the established logistics regions of Hamburg,

Berlin and Munich. The keenest demand between now and 2021, comparatively speaking, was identified in the peripheral regions of Bavaria and in the Rhine-Main/Frankfurt logistics region at around 1.9 million sqm. But not all parts of Germany suffer from short demand: In the logistics regions A4 motorway Saxony, Augsburg, Bremen and North Sea ports but also in the periphery of Hesse, demand is already covered to more than 90 %. Inversely, the greatest demand surplus was identified in the logistics region of Magdeburg (see GI-Flex lite).

The survey and additional material are available online at:
<http://logistik-und-immobilien.de/>

Survey Author

bulwiengesa AG
Tobias Kassner
Moorfuhrweg 13
22301 Hamburg
Tel 040-42 32 22-20
kassner@bulwiengesa.de

Press Contact

Sigrid Rautenberg
Wallstraße 61
10179 Berlin
Tel 030-2787 68-24
rautenberg@bulwiengesa.de

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 become established as leading survey series for logistics real estate in Germany. The analytics firm bulwiengesa studied the relevant market movements during the years 2011 through 2018, and evaluated them in four main subject areas, these being “property development”, “construction trends”, “investment” and “financing.” The focus subject of 2019 is “shortage and demand.”

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 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 more than 30 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 bespoke expert opinions, 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.

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.