SECOND-BEST RESULT OF ALL TIME

With a transaction volume of close to 1.59 bn €, investment in logistics properties achieved its second-best half-year result ever and exceeded the ten-year average by more than 40 %. The fact that the total fell around 25 % short of the record prior-year figure is hardly surprising, since there are simply not enough high-grade and large-volume assets available to meet the extraordinary and upward-trending demand on the part of investors. This is particularly apparent in the field of single deals, where turnover fell year-on-year by 35 % to 832 m €. Here, activity was confined mainly to the small and mid-range size classes. Conversely, up to now only six transactions upwards of 30 m € have been registered. In the field of portfolios, the decline in turnover – at around 10 % – was quite a lot lower. And here, the number of sales has actually risen: the investment volume of 752 m € was fuelled by ten registered package deals.

TOP LOCATIONS POST LOWER TURNOVERS

The inadequate scale of supply was evident especially in the major German logistics locations, where aggregate investment totalled 346 m €, which was nearly 31 % down on the prior-year figure. The only markets to report positive developments were Berlin, with almost 80 m € (+44 %), and Düsseldorf, with nearly 66 m € (+59 %). These were also the centres which attracted the most investment in the first half. Next came the traditionally strong Hamburg market with 61 m € (-63 %), followed by Frankfurt with 43 m € (-13 %), Munich with 36 m € (-45 %), Leipzig with 34.5 m € (-36 %) and Cologne with just over 26 m € (-62 %).

DEMAND ACROSS ALL SIZE CLASSES

The transaction volume was spread relatively evenly across all the size classes, indicating broadly based demand. Large deals upwards of 100 m € contributed nearly 28 % to the total and thus moved ahead of the second-biggest category, of deals between 50 and 100 m €, which accounted for almost 24 %. Just behind, with 21 %, came the 10-25 m € bracket. Deals of up to 10 m €, with a share of just over 14 %, also accounted for a higher proportion than the 25-50 m € class. Particularly notable is the fact that the volume of deals involving assets of up 25 m € has increased in absolute terms, while that generated by the bigger size brackets has declined. This reflects the strong interest revealed by investors, which can be met more adequately in the small-unit range because of the greater supply that exists there.
STRONG ACTIVITY BY SPECTRUM OF INVESTORS

The distribution of turnover impressively confirms the great interest exhibited by a range of investor categories, with all of five groupings generating double-digit shares of the total. The top slot was taken over by investment managers/asset managers, which set themselves off somewhat from the rest of the field with nearly 21%. Close together in second and third places came listed real estate companies/REITs, with just over 14%, and equity/real estate funds, with just under 14%. Sovereign wealth funds were responsible for almost 13% of turnover. This put them ahead of private investors, which also performed strongly to gain a share of 10%. Other notable contributions were made by corporates and special-purpose funds, with around 9% and 8% respectively.

FOREIGN INVESTORS REMAIN DOMINANT

Just like last year, market activity has been dominated largely by foreign investors. They see good reasons for investing in Germany: the dynamic development of space take-up, the size of the market, and the scale of the obtainable yields, which in comparison with other regions or other asset classes are still high. Altogether, investors from outside Germany were responsible for more than 68% of the transaction volume. North American investors have taken the lead in the ranking, with nearly 27% of all turnover, pushing European investors (around 22%) into second place. Market players from Asia contributed a notably high proportion, of more than 17%. This was, though, due mainly to one sizeable package deal.

MARKED DECLINE IN YIELDS

In view of the shortage of supply and the resultant tough competition among investors, combined with the readiness of foreign market players to accept the kind of higher price levels they are used to elsewhere, yields have continued to ease significantly in the past twelve months. Prime yields have now fallen well below the 6.00% mark in all the main logistics regions with the exception of Leipzig (6.10%). The most expensive market is Munich, with 5.55%. Yields in all the other regions stand at 5.60%, apart from Berlin, which is somewhat more favourably priced with a yield of 5.65%.

OUTLOOK

From today’s angle the buoyant demand looks likely to continue undiminished, so that turnover in the year as a whole will probably be decided ultimately by the available supply. Some additional potential could result from the trend towards trading in increasingly large pan-European portfolios with corresponding shares in Germany. Against this background, a transaction volume can be anticipated which will be considerably above the long-term average and could possibly again exceed the 3 bn € threshold.