

## GERMANY

# Industrial Market Snapshot

First Quarter | 2018



## MARKET INDICATORS

### Market Outlook

**Prime Rents:** Prime rents for large logistics assets are expected to remain static across the key German hubs whereas rents for smaller distribution centres close to the cities will increase. ▶

**Prime Yields:** Yields will compress further, as demand is strong. ▲

**Supply:** Availability of land is crucial, speculative development is increasing. ▶

**Demand:** Ongoing strong demand for good quality space. ▶

### Prime Industrial Rents – March 2018

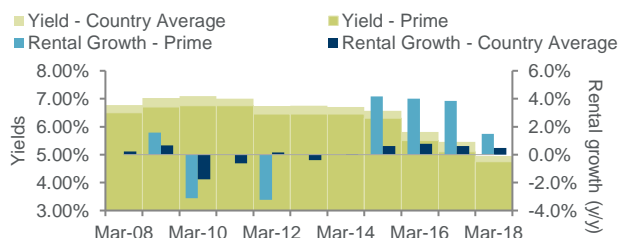
LOGISTICS LOCATIONS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Berlin	4.70	56.4	6.55	0.0	0.0
Frankfurt	6.00	72.0	8.36	0.0	0.0
Hamburg	5.40	64.8	7.52	0.0	0.0
Munich	6.85	82.2	9.54	1.5	2.7
Dusseldorf	5.40	64.8	7.52	0.0	0.0
Stuttgart	6.15	73.8	8.57	2.5	0.8
Cologne	5.00	60.0	6.97	0.0	0.0
Leipzig	4.10	49.2	5.71	2.5	0.5

### Prime Industrial Yields – March 2018

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT		LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Berlin	4.95	5.05	5.45	7.25	4.95
Frankfurt	4.85	4.95	5.20	6.90	4.85
Hamburg	4.85	4.95	5.30	7.30	4.85
Munich	4.75	4.80	5.10	6.75	4.75
Dusseldorf	4.95	5.05	5.35	7.05	4.95
Stuttgart	4.90	5.00	5.50	7.40	4.90
Cologne	4.95	5.05	5.50	7.05	4.95
Leipzig	5.35	5.65	6.05	7.40	5.35

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

Germany began 2018 tentatively. German business sentiment, as measured by ifo business climate index has weakened in recent months. In particular companies became less optimistic about the months ahead due to the threat that levels of protectionism will increase. Oxford Economics forecasts GDP to grow by 0.4% in Q1 2018 but expects stronger growth in Q2.

## Occupier focus

Demand for industrial space remains at a high level, in all sectors and sizes and varies from requests for space in multi-use industrial buildings and cross-docking-assets located close to the main economic centres, to large-scale distribution centres close to major motorway junctions. Large-scale occupiers focus on modern newly-built stock which optimally supports their specific business processes. Pre-lets and construction for owner occupation therefore dominate this segment. The largest new-let in Q1 2018 was a pre-lease by technology company Bosch in the wider Stuttgart region for 40,000 sq.m in an industrial park currently being developed on a brownfield site. Amazon will take up occupation of another large distribution centre close to the A2 motorway in the Hanover region by the end of 2018. The pre-let of 35,000 sq.m warehouse space and 65,000 sq.m external areas was signed early 2018. Developers are keen to buy greenfield or brownfield sites in order to develop new supply, with speculative building activity focused on the main industrial areas. In total, more than 800,000 sq.m of new development started in Q1.

## Investment focus

The extraordinarily strong demand for industrial and logistics assets which pushed annual investment volumes in 2017 to their highest ever-level continued into 2018. Newly-signed purchases reached an aggregated investment volume of €1.58 bn. making the first quarter the second-strongest start to a year after Q1 2017. Frasers Property Europe signed the largest deal by purchasing 22 assets in Austria (5) and Germany (17) from Alpha Industrial. In total portfolio transactions contributed almost half to the quarterly result and international capital dominated the new investments in German industrial assets, at over 70%. Yields for prime assets compressed by 10 to 30 basis points in the first three months of 2018 and are expected to compress further given the stable high demand for all types of industrial assets.

## Outlook

Solid economic growth of 2.3% is forecast for Germany. Occupier and investor demand will remain at a high level.

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