

## 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 construction is increasing	▶
Demand:	Ongoing strong demand for good quality space.	▶

## Prime Industrial Rents – December 2017

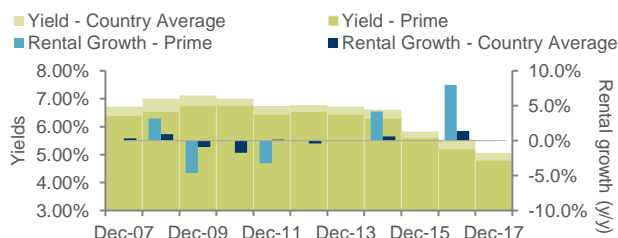
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Berlin	4.70	56.4	6.29	0.0	0.0
Frankfurt	6.00	72.0	8.03	0.0	0.0
Hamburg	5.40	64.8	7.23	0.0	0.0
Munich	6.75	81.0	9.03	0.0	2.4
Dusseldorf	5.40	64.8	7.23	0.0	0.0
Stuttgart	6.00	72.0	8.03	0.0	0.3
Cologne	5.00	60.0	6.69	0.0	0.0
Leipzig	4.10	49.2	5.49	2.5	0.5

## Prime Industrial Yields – December 2017

LOGISTICS LOCATION (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Berlin	5.05	5.35	5.55	7.25	5.05
Frankfurt	4.95	5.10	5.30	6.90	4.95
Hamburg	4.95	5.20	5.35	7.30	4.95
Munich	4.80	4.95	5.20	6.75	4.80
Dusseldorf	5.05	5.25	5.40	7.05	5.05
Stuttgart	5.00	5.30	5.60	7.40	5.00
Cologne	5.05	5.35	5.60	7.05	5.05
Leipzig	5.65	6.05	6.10	7.40	5.65

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

Market conditions have been beneficial for the industrial market in recent months. Industrial output and new industrial orders were at a good level, not least supported by a global recovery. The ifo business climate index achieved a new record level in November and despite weakening in December, sentiment closed the year at a long-term high. Annual GDP grew by an estimated 2.5% in 2017, the strongest growth of the six-year period.

## Occupier focus

Demand for industrial space remains at a high level, in all sectors and sizes. The largest new-let in 2017 took place in Q4 when Rhenus signed a lease for 80,000 sq.m in an industrial park between Dusseldorf and the Belgian border. Given the growth in eCommerce and industry 4.0, demand is varied; 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 national crossroads. Large-scale occupiers still focus on modern newly-built stock which optimally supports their specific business processes. Pre-lets and construction for owner occupation dominate this segment with building activity growing steadily in recent years. Within the main industrial areas, developers who have succeeded in securing land are undertaking speculative building activities. However, land prices are high and availability for logistics purposes is limited in sought-after locations. Particularly in the main economic hubs, last-mile logistics developments have to compete with residential developments on former industrial sites.

## Investment focus

In Q4, industrial investment volumes reached the second highest-ever (€2.39 bn) pushing the annual volume to €3.6 bn and making 2017 the strongest-ever year by far. Volumes were almost twice as high as in 2016 and almost 280% above the 10-year average. Large portfolio sales were the main driver of growth, with a number of industrial platforms changing hands (Logicor, Hansteen, Gazeley). The largest 10 transactions, all portfolios, reflect an investment volume of almost €5.5 bn, of which the overwhelming majority was foreign capital. In particular Asian investors seized the opportunity to enter the market or increase their presence. Yields for prime assets compressed significantly and are expected to compress further in 2018.

## Outlook

Solid economic growth of 2.4% is forecast for Germany  
Occupier and investor demand will remain at a high level.