



GERMANY

# INDUSTRIAL AND LOGISTICS INVESTMENT

MARKET REPORT

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2018/2019



## INDUSTRIAL AND LOGISTICS INVESTMENT

### Transaction Volume

German industrial and logistics assets generated a transaction volume of over €6.8bn in 2018. Although this result fell short of the exceptional previous year (2017: €8.7bn) due to a lack of larger portfolio deals and takeovers, volume in 2018 was still impressive, particularly compared to the long-term average. The transaction volume generated in this segment topped the 5-year average by a significant 48%, reflecting the second best year-end result after record year 2017 despite the severe shortage of suitable investment opportunities, particularly in the core segment.

Industrial and logistics assets again claimed a market share of 11%, solidifying their position as the third-strongest asset class on the German commercial investment market.

### Supply and Demand

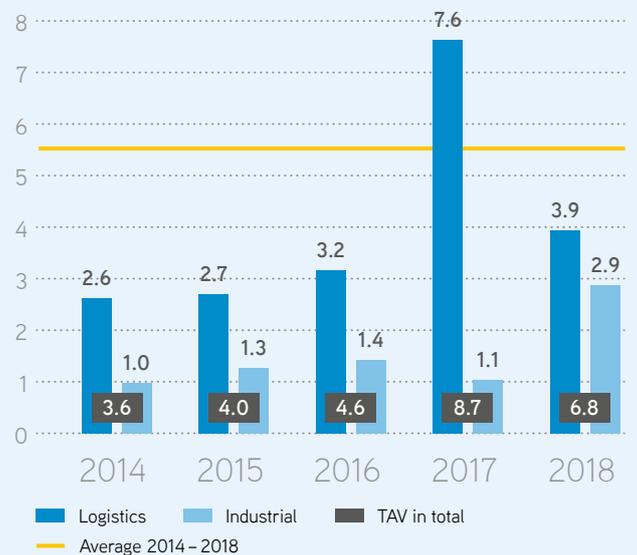
With their broader risk diversification and higher rental income compared to logistics assets, industrial assets were more popular with investors in 2018 than ever before, attracting an increasing number of both German and foreign investors. Two of the three highest-volume deals posted in 2018 were signed in this segment: the Optimus Prime portfolio acquired by Helaba Invest from Beos (21 light industrial assets, 565,000 sqm rental area) for over €500m and a portfolio comprised of 32 assets sold by Aurelis Real Estate for over €600m, which was transferred to Beos' first corporate real estate fund CREFG IV.

The growing demand for light industrial assets can mainly be attributed to their attractive locations in large economic centers and conurbations with significant upside potential in terms of land value, rent levels and space consolidation, making them an attractive alternative to logistics properties and other asset classes.

### Fast Facts

Investment	2018	2017
Transaction Volume in million €	6,814	8,662
Portfolio Transactions	56 %	71 %
TOP 7	38 %	21 %
Share by International Buyers	47 %	65 %
Share by International Sellers	31 %	60 %
Prime Yield Industrial and Logistics in the TOP 7 (average in %)	4.50 %	4.65 %

FIGURE 1: Transaction Volume Industrial and Logistics in billion €



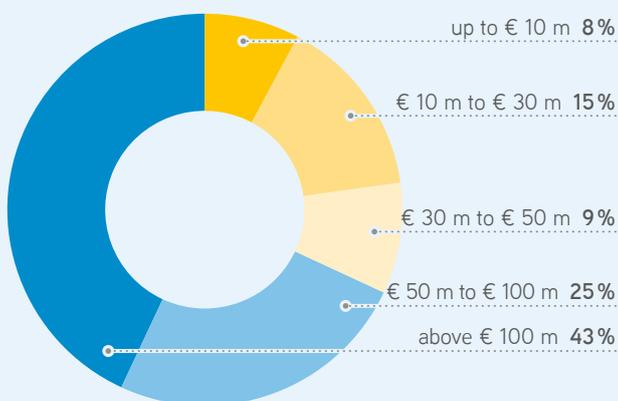
Unlike 2017, German investors had considerably more opportunity in 2018 to invest in industrial and logistics assets, generating more than half of transaction volume as a result (52%). This stands in contrast with their 2017 market share of only 35%.

### Yields

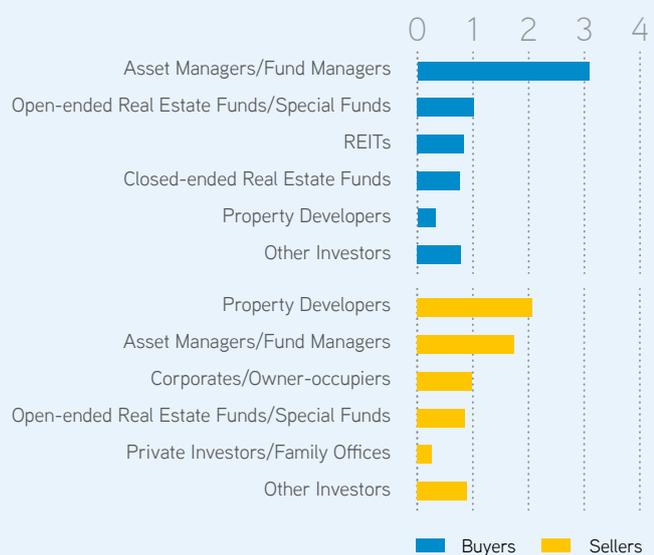
Gross prime yields for the latest generation of Grade A logistics assets with a lease term of 10 years or more again dropped by 15 bps to 4.50% following a period of stability.

Yield compression for prime assets outside of Germany's top locations continued as well, down a total of 30 bps over the course of the year to 4.60% on average. However, we do not expect to see any significant changes over the course of 2019 as there is currently no indication that the supply of high-end core products will pick up any time soon. The trend around light industrial assets could paint a different picture, however. Current market conditions point to further movement in gross prime yields for this asset class throughout 2019.

**FIGURE 2: Transaction Volume by Size Category 2018 share in %**



**FIGURE 3: Transaction Volume by Buyer and Seller Groups in billion €**





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## Summary and Outlook

Transaction volume in 2019 is expected to come in above the long-term average. Portfolio deals will continue to be a popular option for market players looking to invest in German industrial and logistics properties, although the shortage of suitable products will put a damper on investment activity. Speculative investments, however, could boost the market as a number of potential large-scale tenants are currently on the lookout for space. Sharply rising construction costs combined with the fact that many contractor calendars are already full could lead to increases in rental prices for industrial and logistics assets, also outside of prime locations. Even though no major takeovers or mega deals on the industrial and logistics investment market similar to those seen in record year 2017 are anticipated, total results in 2019 will be above average and industrial and logistics assets will again place among the top 3 asset classes on Germany's overall commercial market.

**FIGURE 4: Prime Yield Logistics in the TOP 7**  
Average in %



## CONTACT

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