German logistics investment market set to break record

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- Transaction volume up by 40% to almost EUR 2.4 billion International investors increase their market share to 67%
- International investors account for 64% market share
- Annual record expected
Investors had snapped up logistics and industrial properties for almost EUR 2.4 billion by the end of Q3 2014, reflecting a 40% increase year over year. Remarkable here is that the 2013 result has already been exceeded and chances are good that we may soon be seeing a new all-time high.

Over the past several years, logistics properties have moved away from being a niche product reserved for a small circle of specialists and have become an established property type. International investors in particular have been pioneers in this area, investing around EUR 1.5 billion in German logistics properties between January and September with a market share of 64%. They are taking advantage of ongoing low interest rates to invest in leading European business hubs and are placing their trust in demand for logistics space by businesses from the industrial and trade sectors remaining steady.

Package deals accounted for a 45% share (EUR 1.1 billion) at the end of Q3, placing them well above the commercial investment market average. A package comprised of five logistics properties, for example, was sold to MStar Europe in Q3 for almost EUR 45 million by a fund managed by Valad. CBRE Global Investors purchased three logistics properties from Raiffeisen Capital for around EUR 62 million. The properties, which feature a total of 74,000 square meters, have been leased to Metro, VW and B Logistik. The largest single deals in Q3 included the sale of a Rossman regional warehouse featuring around 24,600 square meters of warehouse space in Wustermark to the Talanx insurance company and the sale of a Daimler logistics center in Offenbach an der Queich. The Interpark 37 complex, which is comprised of two building segments and features a total of 135,000 square meters, was purchased by a subsidiary of the Arab family office, Tilad Investment Fund.

The majority of investment capital came from four investment groups. Open-ended real estate funds and special funds were the front runners with EUR 648 million ahead of pension funds with EUR 510 million. Asset/fund managers and opportunity and private equity funds followed in the ranks with EUR 410 million and EUR 254 million, respectively.
Prime yield continues to drop

Gross initial yield for class A properties dropped five basis points to 6.83% due to ongoing high demand compared to the previous quarter. Twelve months ago, weighted prime yield was even higher by 26 basis points.

Market share of building types (in %)

Prime logistics properties in the region surrounding Frankfurt am Main are currently the most expensive with prime yield at 6.40%, reflecting a year-on-year decrease of 30 basis points. Prime yield in Düsseldorf was recorded at 35 basis points below previous year levels at 6.70%. That put the capital of North Rhine-Westphalia in at a close second ahead of Munich where prime yield was recorded at 6.75%, a year-on-year decrease of 25 basis points. Hamburg and Stuttgart also fell short of previous year levels at 6.90% (down 30 basis points) and 7.00% (down 20 basis points), respectively. Prime yield in Berlin remained level at 7.30%.

Transaction volume according to buyer groups (in million Euros)

Outlook: Transaction volume could break three-billion-euro barrier for the first time

The currently bleak general economic situation has not yet had an impact on the investment market. Demand for logistics properties will continue to remain high, particularly as we expect to see very low interest rates for some time to come. In addition, a number of investors from Germany and abroad continue to be confident in Germany’s economic strength, guaranteeing steady demand for logistics property. Despite the recent trend toward a more subdued consumer sentiment, we expect online business in particular to gain in market share and become a significant investor in logistics space. Overall, we expect Q4 to generate high investment volume and that we will in all probability exceed the three-billion-euro mark for transaction volume by the end of the year.
485 offices in 63 countries on 6 continents

- United States: 146
- Canada: 44
- Latin America: 25
- Asia Pacific: 186
- EMEA: 84

€1.54 billion in annual revenue

€57 billion in transaction volume with more than 80,000 investment and leasing deals

136 million square meter under management

15,800 professionals worldwide

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