Colliers International: Logistics assets popular among investors

- Transaction volume of €3.2bn in first nine months of 2016 (up 33%)
- Share of commercial transactions strong at 10%
- Prime yields remain stable
- More large-volume deals in the pipeline
- High willingness to invest suggests new record volume for 2016

Frankfurt/Main 5 October 2016 – According to real estate consulting firm Colliers International, around €3.2bn were invested in the German market for industrial and logistics assets during the first nine months, more than €1bn of which was generated in Q3 alone. This reflects an increase of 33% yoy. Logistics assets accounted for around €2.1bn (66%), while industrial and commercial properties changed hands for €1.1bn (34%).

“Logistics assets are in demand more than ever and continue to generate a double-digit share of 10% in total transaction volume. This asset class is currently trailing office and retail properties and is slightly ahead of hotels. Due to trends such as the steadily growing e-commerce sector and the resulting increase in urban logistics developments in particular, the importance of logistics assets as an investment product has grown considerably in Germany. This trend is causing an increasing number of investors to look to distribution centers used by courier, express and parcel service providers for investment opportunities. For example, Patrizia Immobilien AG’s pan-European fund for logistics properties, which was launched only this year, purchased a portfolio featuring four distribution centers under long-term lease to Hermes for around €23m,” says Peter Kunz, Head of Industrial & Logistics at Colliers International.

Investors hesitant to sell logistics portfolios

The share of portfolio deals decreased slightly yoy (-20%) to a share of 40% (€1.25bn) in total transaction volume, a development that can largely be attributed to ongoing limited supply. Product availability on the German market remains low; this particularly applies to the core segment, which has resulted in hesitation to sell
among many investors. The Alpine portfolio in the core plus segment was one of the portfolio deals signed in Q3 in addition to the high-volume portfolio deals that changed hands in H1 2016, including the acquisition of one French and eight German logistics assets by real estate fund manager Gramercy Europe. The Alpine portfolio deal featured three assets encompassing a total area of more than 70,000 sqm acquired by IVG Garbe Logistik Fonds for around €90m. The Seewarte Group sold two of the three assets, which are located in Nuremberg and Kornwestheim. The third property is located in Hamburg and was sold by Provinzial Rheinland.

Asset/fund managers remain in first place

While open-ended real estate funds and special funds were the most active buyer group investing in logistics properties in 2015, asset/fund managers constituted the strongest group buy side this year to date, acquiring assets for a total of around €1.5bn (47%). UK-based asset manager M7 Real Estate recently purchased a Karstadt Warenhaus GmbH logistics center encompassing 172,000 sqm in the city of Unna.

Open-ended real estate funds and special funds trailed at a considerable distance and generated a market share of roughly 17% (€532m). Project developers and development companies followed in third place with around €413m and a market share of 13.1%.

Project developers and development companies were particularly active sell side, selling assets valued at €1.1bn (35%). In Q3, project developer Panattoni Europe sold a logistics property used by logistics service provider Dachser and encompassing roughly 11,130 sqm located in the town of Überherrn, west of Saarbrücken. The asset was added to the Investoren-Club-Fonds German Logistics (ICF GLog) launched by TH Real Estate and Palmira Capital Partners.

German investors dominate buy side

Sound knowledge of the market is crucial when it comes to beating out strong competition, which is why German investors are increasingly having an easier time making good investments. Although the share generated by international investors has improved from a weak 21% (Q1 2016) to a current 42%, they have not yet been able to match previous year results (-26%).
Product scarcity means greater risk-taking

Products are becoming increasingly scarce while investors continue to be under considerable pressure to invest. New-build products are particularly hard to come by in top German investment hubs, leading to an increase in prices for stock properties and making investors willing to take more risk in order to make money on their investments. Hubert Reck, Head of Industrial & Logistics Investment Germany at Colliers International, says, “Investors are responding to current conditions on the financial markets with increasing flexibility, making them more open to stock properties and prepared to accept yields below 6% as long as the asset’s condition is decent and it is located in a good or prime location. With competition on the market becoming fiercer, forward deals, which give investors the opportunity to get involved in projects at an earlier phase, are also becoming increasingly attractive despite higher risks. We can expect this trend to intensify.”

Yields for traditional core assets remain stable. Gross prime yields continue to be recorded at an average of 5.65% for the latest generation of logistics properties with high-quality fitout and long lease terms in major investment hubs such as Munich, Frankfurt and Hamburg.

Outlook: High willingness to invest suggests new record volume for 2016

“The high willingness to invest in industrial and logistics assets that we have been seeing this year to date is more than satisfactory and gives cause for a favorable outlook for the next three months. Based on the information available to us, several large-volume portfolio deals are currently being listed for more than €100m, which could heavily boost 2016 results. These deals, combined with stable economic conditions, annual e-commerce growth rates and high investment pressure, will continue to spur activity on the investment market. We may be seeing a new all-time high on the industrial and logistics real estate market in 2016 as a result. Ongoing favorable trends make investments in logistics assets particularly attractive to investors who have been holding back and who may now be reconsidering their investments, both within Germany and abroad. Particularly in light of the fact that yields for office and retail assets have fallen below the 5% mark, an increasing number of investors are turning to logistics assets in order to generate reasonable yields. Furthermore, the UK’s plans to exit the EU have yet to be felt on the German market. Any shift of capital flows will most likely be a medium-to-long-term development,” comments Peter Kunz.
About Colliers International:

Colliers International Group Inc. (NASDAQ: CIGI; TSX: CIG) is a global leader in commercial real estate services with more than 16,000 professionals operating from 554 offices in 66 countries. With an enterprising culture and significant insider ownership, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include brokerage, global corporate solutions, investment sales and capital markets, project management and workplace solutions, property and asset management, consulting, valuation and appraisal services, and customized research and thought leadership. Colliers International has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 10 consecutive years, more than any other real estate services firm.

Contact:
Peter Kunz FRICS
Head of Industrial & Logistics Germany
Colliers International Frankfurt GmbH
T +49 (0) 69 719192-0
peter.kunz@colliers.com

Hubert Reck
Head of Industrial & Logistics Investment Germany
Colliers International Stuttgart GmbH
T +49 711 22733-16
hubert.reck@colliers.com
www.colliers.de

Nicole Kinne
Research Consultant I Industrial & Logistics
Colliers International Deutschland Holding GmbH
T +49 89 624 294-792
nicole.kinne@colliers.com
www.colliers.de