TOP 7 INDUSTRIAL AND LOGISTICS PROPERTY MARKETS

**Very brisk investment activity despite downturn in letting figures**

* **Volume of transactions up by 42 %**
* **On the whole land prices rising more slowly**
* **Modest reduction in take-up of space; average rents higher**

**22 February 2021,** **Hamburg.** Overall, the market for industrial and logistics properties in Germany’s top 7 cities proved resilient in 2020. The volume of transactions in Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt, Stuttgart and Munich rose by 42 % year on year to €2.45bn. Prime yields remained on a falling trajectory. In some cases premium rents and land prices remained unchanged year on year, in others they increased appreciably. As a consequence of the coronavirus pandemic, take-up of space fell by 15 %. German Property Partners (GPP) has reviewed the developments in each of its industrial and logistics property markets in 2020 and the results are contained in the latest market survey. This association of brokers consists of Grossmann & Berger, Anteon Immobilien, GREIF & CONTZEN Immobilien, blackolive and E & G Real Estate.

**LOGISTICS INVESTMENTS GAINING IN POPULARITY**

*“Customer demand for industrial and logistics properties in the top 7 cities was depressed by the coronavirus pandemic but the decline was noticeably less dramatic than in other sectors of the commercial property market. Before the coronavirus pandemic, investors were already showing keen interest in this asset class, which has become even more attractive in view of its better performance in terms of rents and take-up of space,”* remarks GPP spokesperson **Oliver Schön.** Increased demand in Hamburg, Berlin, Cologne and Stuttgart led to appreciably higher transaction totals in 2020. In Hamburg the volume of transactions rose by 209 % to €557m. *“About half of the volume traded in Hamburg and its environs consisted of portfolio take-overs and multi-property sales,”* says **Felix Krumreich**, consultant for industrial and logistics properties at Grossmann & Berger. Portfolio transactions, including trades at prices over €100m, were major factors in other cities too.

**FURTHER YIELD CONTRACTION, SHORTAGE OF BUILDING LAND**

Each city, with the exception of Stuttgart, reports that due to high demand prime yields continue to contract, as they have in previous years. Berlin and Munich posted the lowest prime yields at 3.70 % and 3.60 % respectively. In most of the top 7 cities the prices of development sites for industrial and logistics facilities grew more slowly in 2020 than in previous years. Due to the dearth of supply, several regional logistics centres reported barely any sales of building land for industrial and logistics developments. Düsseldorf and Cologne are the exceptions, where some steep price increases were observed. *“Although moderate rent increases were noted last year, this growth has not kept pace with exploding land prices. As a result, investors are finding it increasingly difficult to generate adequate profits with new buildings,”* remarks **Frank Klähn**, head of the industrial and logistics properties sector at GREIF & CONTZEN Immobilien.

**FEWER INDUSTRIAL AND MANUFACTURING COMPANIES SEEKING PREMISES**

In view of the coronavirus pandemic, rental demand slumped at the end of the 1st quarter of 2020. In the 3rd and 4th quarters some markets rallied, so that the year ended with take-up of hall space totalling 2.17m m². *“The economic downturn hit industry, manufacturing and trade & crafts hardest. As a result, take-up by this sector fell by 60 per cent in 2020,”* comments **Schön.** The effects of the pandemic were less noticeable in the take-up results returned for Hamburg (+35 %), Cologne (+10 %) and Frankfurt (+1 %). Stuttgart posted the largest downturn on the industrial and logistics property market, where take-up of space fell by 50 %. *“The industrial and logistics property market in Stuttgart is currently suffering from the crisis in the automotive industry and the resultant process of transformation. Gradually, growing demand for space from retailers and e-commerce enterprises will compensate for the dramatically reduced requirements of the automotive sector,”* explains **Markus Knab**, head of the industrial and logistics properties sector at E & G Real Estate.

**INCREASED RENTS**

Despite the collapse of certain sectors of the economy, rental rates for industrial and logistics properties continued to rise. This is especially true of average rents. Likewise, premium rents in the core cities rose between 1 % and 5 %, apart from in Hamburg and Stuttgart where no year on year change was noted. Increasing by 30 cents/m²/month, the steepest rise in premium rents was seen in Cologne, Düsseldorf and Berlin. *“In Düsseldorf and its immediate environs, demand for industrial and logistics space rose appreciably in the second half of the year. Consequently, top rents rose by as much as 5 per cent to 6 euros per square metre,”* reports **Timm Georg Roche**, authorized officer (Prokurist) and head of the industrial and logistics properties sector at Anteon Immobilien. Rents reached their highest levels in Munich (€8.00/m²/month) and Berlin (€7.00/m²/month).

**OUTLOOK: STRONG DEMAND AND RISING RENTS**

Investor demand for industrial and logistics real estate will remain strong in 2021. In each of the top 7 cities this asset class will remain a highly-sought-after investment because some sectors of the economy continue to require large amounts of space and investors are under pressure to put capital to work. When the economy picks up speed again, new tenants will emerge or previous users will return to the market. In view of the enormous shortage of space in some cities, rents are likely to rise in many logistics regions.

You may download the full version of our [Market Survey](https://www.germanpropertypartners.de/de/research/marktberichte/page:3/?filter=) of the industrial and logistics property markets in Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt, Stuttgart and Munich from our website.

**ABOUT GERMAN PROPERTY PARTNERS**

German Property Partners is a national network of property service providers; they are all leaders in their local markets. Membership now consists of Grossmann & Berger, Anteon Immobilien, GREIF & CONTZEN Immobilien, blackolive and E & G Real Estate. The network is remarkable for the members’ intimate knowledge of local markets, the experience of the partner firms’ long-standing property consultants and the personal dedication of the owners and directors. In Germany’s top 7 cities - Hamburg, Berlin, Düsseldorf, Cologne | Bonn, Frankfurt, Stuttgart and Munich - network partners have their own offices offering services in the field of property investment, commercial letting, corporate real estate management (CREM), property valuation and research. Rounding off the range of skills are banking, finance and administration services. Currently, more than 430 property specialists work for the network. Nationwide, German Property Partners brokered lets in **2020** involving 462,800 m² of commercial property, and managed investment transactions totalling €2.45bn.