

PRESS RELEASE

SURVEY “LOGISTICS AND REAL ESTATE 2021” – Focus on Values

New Logistics Survey: Investments in Logistics Real Estate and Construction Activities on Course for New Record

- Demand for logistics and warehousing units expanding into secondary locations
- New-build construction activities point to record levels in 2021 and 2022
- Strong dynamic in the logistics regions of Berlin, Hamburg and Bremen/North Sea Ports
- Quality and sustainability decisive for intrinsic value

Hamburg/Berlin, 6 October 2021 | While the coronavirus crisis briefly stalled the logistics industry, too, the latter soon resumed its growth trajectory, sustaining no lasting damage. In fact, at nearly 5 billion euros by year-end 2020, logistics real estate investments more or less matched the level of previous years. Newly completed logistics facilities, adding up to a total of 3.7 million square metres, trailed the prior-year figure (4.9 million square metres) as a result of the delayed start of many construction projects. But brisk construction activities in 2021 and 2022 are expected to set a high-water mark in completions by topping 5 million square metres each. Even peripheral logistics sites have benefited from growing demand since 2019. Their share in the overall completions volume is about to exceed the long-term average of 14 % substantially at 20 % this year.

These and other findings of “Logistics and Real Estate 2021” were just presented by the survey partners of this seventh edition of the series: bulwiengesa, Berlin Hyp AG, BREMER AG, GARBE Industrial Real Estate GmbH, and Savills Immobilien Beratungs-GmbH.

The key question of this edition being: Is the logistics asset class more valuable now than it was before the crisis? Andreas Schulten, Generally Authorised Agent of bulwiengesa, said: “Logistics has gained enormously in the mind of the general public, being appreciated as the backbone of a well-functioning economic system. Many hold its benefits in higher esteem now, rather than focusing solely on the external costs burdening the environment, e. g. through soil sealing and air pollution. Investor and occupier demand for attractive locations, high building quality and diverse logistics services have caused logistics assets to gain in value in every way.”

New-Build Construction

In 2020, about 3.7 million square metres of new logistics space were completed in Germany. This means that the completions volumes trailed far behind the prior-year figure (4.9 million square metres) but also behind the total volume anticipated for 2021 (5.3 million square metres). The lag is explained by pandemic-related delays to the start of construction projects whose completion dates were thus moved back into next year. The building projects now underway make it reasonable to expect a record total of nearly 5.3 million square metres to be completed in 2021 and another 5.4 million square metres in 2022.

The top 5 among the logistics developers most active in 2021/2022 are Panattoni (1.5 million square metres) in the lead, followed by GARBE Industrial Real Estate (1.0 million square metres), GLP (0.7 million square metres), Dietz AG (0.7 million square metres) and Fiege (0.6 million square metres). Statistically, the top-performer of many years, Goodman Group, still claims the top spot in the ranking. However, Goodman drastically scaled back its construction activities in recent years, and dropped out of the top 10 as far as the 2020/21 development pipeline goes.

Figure: Goodman stagnating, while Panattoni and GARBE show strongest dynamics

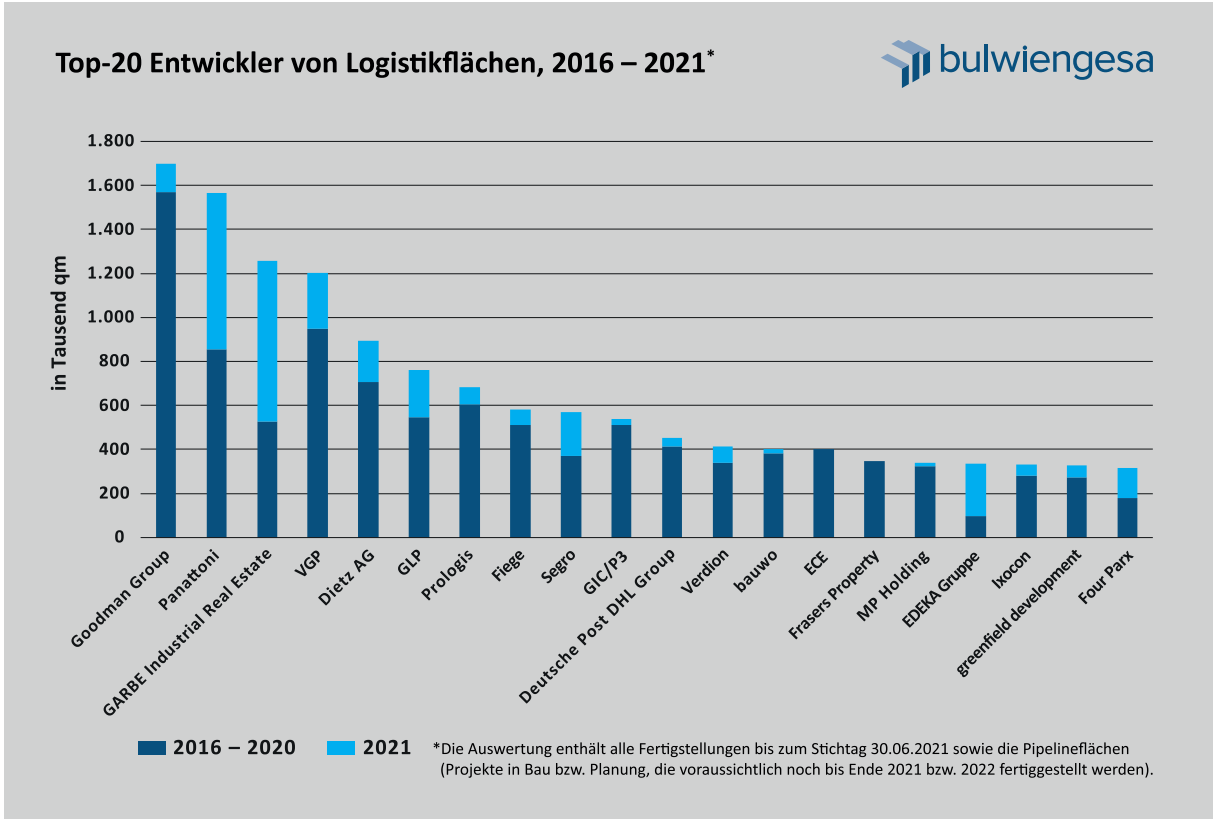


Figure: Top 20 developers of logistics facilities in Germany, 2016-2021

A regional drilldown of the completions during the period of 2016 through 2021, the Berlin logistics region (1.7 million square metres) and the Rhine-Ruhr region (1.6 million square metres) will outperform the Rhine-Main/Frankfurt region (1.4 million square metres) with their high completions figures for the current years (528,000 and 350,000 square metres, respectively). Worth noting is also the very high level of construction in the Bremen and North Sea Ports region this year, which will deliver 467,000 square metres in new logistics space.

Investment Market

On Germany’s investment market for real estate of the types logistics, Unternehmensimmobilien (mixed-use / multi-let) and industrial, 2020 ended with a record-breaking investment total of more than 9.7 billion euros. The new high-water mark is explained by the surging interest in industrial real estate (more than 1.3 billion euros) and Unternehmensimmobilien assets

(more than 3.4 billion euros) which also remain subject to keen demand. It contrasts with the sum total invested in logistics real estate in 2020, which at 4.9 billion euros marked a year-on-year decline that is due to short supply. Among the most active logistics investor, GARBE Industrial Real Estate remained the top-performer during the period 2016 through 2021 with a total of 2.6 billion euros. Runner-up is Frasers Property with 1.8 billion euros, followed by the China Investment Corporation (CIC) with a transaction volume of c. 1.5 billion euros, Union Investment: (c. 1.2 billion euros) and LIP Invest (just below 1.2 billion euros). The five leading regional investment destinations between 2016 and 2021 are the regions Rhine-Main/Frankfurt, Berlin, Hamburg, Dortmund and Hanover/Braunschweig. During the first half-year of 2021, logistics investors in the regions of Hamburg and A4 motorway Saxony were particularly active.

Tightened Requirements to Enhance Intrinsic Value

The “Logistics and Real Estate 2021” survey also discusses the consequences of the continuously optimised and modernised logistics processes for logistics real estate. As prices keep rising, logistics real estate investors check every more carefully how viable and valuable their properties are and the sites they occupy.

Now, as then, the location of a given logistics property plays a key role. “The main question is always: Will this location let me conduct my logistics business?”, said Tobias Kassner, Head of Research at GARBE. “Sites within the metropolises will remain subject to strong demand, while well-connected secondary locations are gradually moving into the focus of occupiers and therefore of investors, too.”

The building quality should orient itself to the occupier’s needs without losing sight of environmental sustainability criteria. Michael Dufhues, Member of the Board at BREMER AG, said: “Construction is increasingly value-oriented to meet the higher quality standards on the occupier side. Having clear warehouse heights of twelve metres has now become the standard, as have thermal insulation and large daylighting areas in roofs and walls. Modern buildings are pre-equipped for the installation of photovoltaic systems, and come ideally with a high floor loading capacity, waterproofing beneath the warehouse base slab, and a larger area for outdoor facilities.”

Maria Teresa Dreo-Tempsch, Head of Market, Member of the Board, Berlin Hyp, added: “When it comes to the valuation of logistics properties, classic parameters like quality of location remain important aspects. Being based in a micro-environment inside a conurbation is particularly advantageous for the ability to deliver 24/7. A closer look at the actual property reveals that demand is particularly strong for multi-tenant suitability and alternative use potential or flexible office concepts instead of classic office blocks.”

Bertrand Ehm, Director Industrial Investment of Savills, never doubted the systemic relevance of logistics, not even prior to the pandemic. The difference now is that the seminal role of logistics is better understood now by the wider public and among a larger number of investors. As demand for logistics accommodation increases, the outlook for logistics real estate continues to brighten. “Online retailing will keep acting as the driving force. While it is necessary to build additional logistics facilities, few municipalities have adequately sized or indeed any business areas left for large-scale logistics. So, an increase in brownfield developments should be the way forward, not least for sustainability reasons.”

Survey Partners:

Berlin Hyp

BREMER

GARBE.
Industrial Real Estate



About the “Logistics and Real Estate” Survey:

“Logistics and Real Estate” is an independent survey series published by the Competence Centre for Logistics and Real Estate that captures the asset class from various angles, and that has already established itself as a leading survey series for logistics real estate in Germany. The research and consulting firm bulwiengesa studied the relevant market movements during the years 2012 through 2021, and evaluated them in four main subject areas, these being “property development,” “construction trends,” “investment” and “financing.”

The survey thus provides an overview of the most important players on the diversified German market, and an orientation guideline serving both peer-to-peer and outside audiences. The commercial real estate lender Berlin Hyp AG, prime contractor BREMER AG, real estate group GARBE Industrial Real Estate GmbH, and the real estate consultancy firm Savills Immobilien Beratungs-GmbH have partnered with bulwiengesa to assist with the survey design, and have shared valuable insights into their respective market segments.

The survey and additional material are available online at: <http://logistik-und-immobilien.de/> or <https://www.bulwiengesa.de/de/publikationen/studien/>

About bulwiengesa

bulwiengesa is one of the major independent analytics firms for the real estate industry in Continental Europe. For almost 40 years, bulwiengesa has supported its partners and clients in real estate industry issues by providing location and market analyses, detailed data services, strategic consultancy and bespoke expert opinions, among other deliverables. The data of bulwiengesa are used by Deutsche Bundesbank for the European Central Bank (ECB) and the Bank for International Settlements (BIS), among other clients.

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