

Press Release

GARBE PYRAMID-MAP: Price Correction on the European Logistics Real Estate Market Largely Concluded

- European markets stayed robust during the first half of 2024
- Prime yields following stable sideways trend
- GARBE and Oxford Economics publish their first PYRAMID Forecast: Prime rents in top markets will grow by an average of 3.1 percent annually over the next five years

Hamburg, 10 September 2024. Seen against the background of economic and geopolitical parameters, Europe's investment market continues to present a robust picture, especially when compared to other commercial real asset classes, such as office. The decompression cycle for prime net initial yields has more or less concluded in most countries and began to transition into a stable sideways drift during the first half of 2024. Take-up is slightly below the pre-pandemic level. Demand for space remains subdued due to the weak business cycle in many countries, although the pace of the decline has slowed. Regressive demand has caused the rental growth to cool off.

These are some of the findings that GARBE Research presented in its latest GARBE PYRAMID MAP, the 2024 mid-year update of the company's overview of prime rents and prime net initial yields for the 116 most important logistics real estate submarkets in 24 European countries.

"During the first half-year, logistics claimed a 21-percent share of the overall investment market and was therefore on a similar level as the use types of office with 24 percent and residential with 23 percent," emphasised Tobias Kassner, Head of Research and member of the Management Board at GARBE. "This shows: Despite

its complex parameters, the European logistics real estate market has stood its ground as one of the most sought-after real estate asset classes, which is essentially attributable to its excellent return/risk performance.”

European Prime Rents Keep Rising by Another 1.4 Percent

Due to weaker demand for space, the rent performance has noticeably lost momentum. Overall, the growth in prime rents across all of the 116 surveyed logistics regions amounted to 1.4 percent during the first half of 2024. However, attractive logistics regions with a robust economic structure keep seeing particularly fast growth in prime rents. “Here, companies will accept such price levels, not least because attractive units are often in short supply,” explained Dr Peter Bartholomäus, Head of Fund Management & Capital Markets and member of the Management Board at GARBE. The markets with the strongest growth are located in the Netherlands and Germany: Venlo (+7.8 percent), South Limburg (+7.4 percent), Munich (+7.1 percent), Eindhoven (+6.0 percent) and Mannheim (+5.9 percent).

Five-Year Outlook of the GARBE PYRAMID Forecast Exceeds Inflation Forecast

For the first time, a forecast developed together with Oxford Economics was added to the GARBE PYRAMID map. “A valid assessment of the status quo is crucial for a correct diagnosis of market opportunities and risks. But only a well-informed forecast will enable you to devise a pinpoint strategy,” as Kassner elaborated. The forecast provides a five-year outlook for the trends in prime rents and net initial yields in 30 selected European top logistics regions, and it integrates comprehensive macroeconomic and market-specific factors.

Here are the key insights for the years ahead: If the economy regains its momentum, as is to be expected, and if inflation and lending rates continue to come down, prime rents will start growing noticeably over the next five years. In the 30 European top markets selected, their growth rate will average 3.1 percent per year – and thus outpace the projected inflation within the eurozone. Nowhere will prime rents grow

faster over the coming years than in London and Munich, where annual growth rates of 3.9 and 3.8 percent, respectively, are expected. Next in line are Berlin, Hamburg and Manchester with 3.5 percent each.

“This development was triggered by changes in market dynamics, which generate new market stimuli,” Kassner elaborated. In his eyes, three main factors are decisive in this context: First, the fact that the expansion and diversification of e-commerce has resumed, driven especially by growing demand in the food and fashion segments. Second, the nearshoring trend and the devolution of supply chains, especially in southern and eastern Europe. And third, new technologies and alternative energies such as battery cell production, electric vehicles and semiconductors.

For more figures and methodological details, please see the interactive GARBE PYRAMID MAP (<https://www.garbe-industrial.de/pyramid-map/>). The data referenced in our press release are sourced from the PYRAMID project.

GARBE PYRAMID Forecast for 30 selected top markets in Europa:

Top 10 – highest prime rents			
Country	Region/city	Q2 2024 (in euros)	CAGR* 2024–2029 (in %)
United Kingdom	London	28.50	3.9
Germany	Munich	12.00	3.8
United Kingdom	Manchester	10.90	3.5
United Kingdom	Birmingham	10.90	2.9
Germany	Stuttgart	8.70	3.0
Netherlands	Rotterdam	8.70	2.8
Germany	Berlin	8.60	3.5
Germany	Hamburg	8.60	3.5
Germany	Dusseldorf	8.60	3.0
Germany	Cologne	8.50	2.9

Source: GARBE Industrial Real Estate

*CAGR = Compound Annual Growth Rate

Top 10 – lowest prime net initial yields			
Country	Region/city	Q2 2024 (in %)	Q2 2029 (in %)
United Kingdom	London	4.7	4.2
Netherlands	Amsterdam / Schiphol	4.8	4.2
Germany	Munich	4.8	3.7
Netherlands	Rotterdam	4.8	4.2
Netherlands	Tilburg / Waalwijk	4.8	4.0
Netherlands	West Brabant	4.8	4.4
France	Paris	4.8	4.1
France	Lyon	4.8	4.0
Germany	Berlin	4.9	3.7
Germany	Hamburg	4.9	3.7

Source: GARBE Industrial Real Estate

*CAGR = Compound Annual Growth Rate

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About GARBE Industrial Real Estate GmbH

Based in Hamburg, GARBE Industrial Real Estate GmbH ("GARBE") is one of Germany's leading companies selling and managing logistics, light industrial and technology real estate. For over 30 years, the company has counted among the most important collaboration partners for transport and logistics service providers, the trade sector and the manufacturing industry. GARBE develops, buys or sells, lets, manages and finances high-end commercial properties in attractive transport nodes and industrial locations inside and outside Germany. At the moment, GARBE has around 6.4 million sqm of lettable area and a property development pipeline of around 2.0 million sqm in Germany and elsewhere in Europe under management that represent property and fund assets in a combined value of c. 10.6 billion euros (as of 30 June 2024).