

# Industrial property market Germany



## It's the economy, stupid

"It's the economy, stupid". This quote from the 1992 US election campaign, which is still often quoted today, also describes the lines of development on the German market for industrial property quite well. Both market activity in the first half of 2024 and the outlook for the second half of the year depend on the economic situation. Economic growth in the first quarter was only just positive at +0.2% compared to the previous quarter, and private consumer spending has not yet recovered despite easing inflation.

### Rents and take-up return to normal levels

The situation therefore remains difficult for many industrial and logistics users. The now high rent level - an average of €8.50 at the peak of the top markets and €6.75 on average - is no longer affordable for every company. The period of high rent increases that was observed between 2021 and 2023 is over. Moderate growth can still be expected at the peak, but we are increasingly seeing owners offering more incentives across the board. Although there were still lettings of more than 5,000 and even 10,000 sq m, take-up was moderate and is

returning to normal levels. In retrospect, the record take-up in 2021 and 2022 should be seen as an outlier. Many players are currently in the process of optimising and consolidating the use of their existing space.

### High proportion of sale-leaseback transactions

This also includes selling space from the own stock. Measured by volume, the proportion of sale-leaseback transactions in the first half of 2024 was over 10%. This threshold was exceeded last year for the first time since the beginning of our data collection in 2009. Although there may be many reasons for this, it can generally be recognised that companies are raising capital in this way in difficult economic times and at the same time relinquishing a management-intensive task.

### Fewer transactions - higher volume

Even though the second quarter was comparatively weak in terms of turnover with a transaction volume of €1.2 billion, the half-year result of €2.7 billion is a good 27% higher than the comparable figure for the previous year. Measured in terms of the

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**22%**

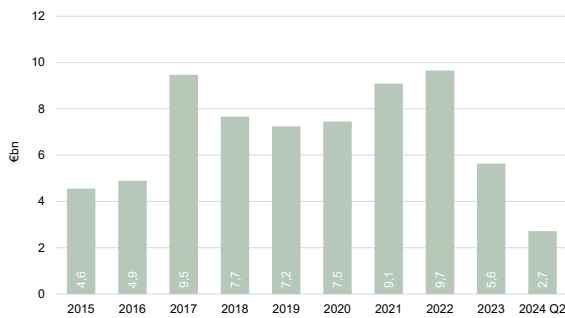
The share of the top 5 logistics regions in the transaction volume has fallen over the last few years and was at 22% in the first half of the year. Locations outside the top 5 have increased their share.



**€32 m**

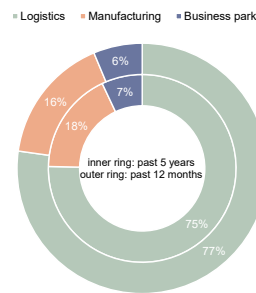
The average transaction volume in the last 12 months was 32 million euros. The figure has been rising continuously for 18 months and is approaching the record high from 2022 (€33.5 million).

Graph 1: Transaction volume industrial properties Germany



Source Savills

Graph 2: Transaction volume by type of use



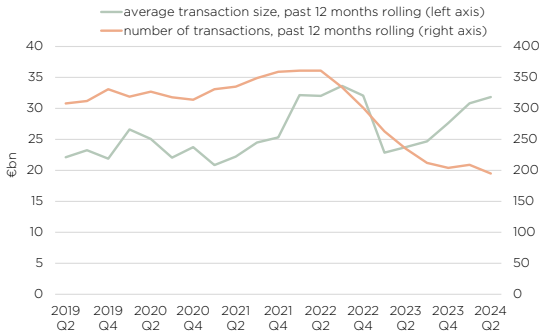
Source Savills

Table 1: Transaction volume at a glance

	Q1 - Q2 2024	Y-O-Y CHANGE	PAST 12 MONTHS	Y-O-Y CHANGE
<b>Logistics</b>	2,135	+58%	4,794	+27%
<b>Manufacturing</b>	462	-1%	1,023	-14%
<b>Business parks</b>	121	-64%	391	-37%
<b>Total</b>	2,717	+27%	6,209	+11%

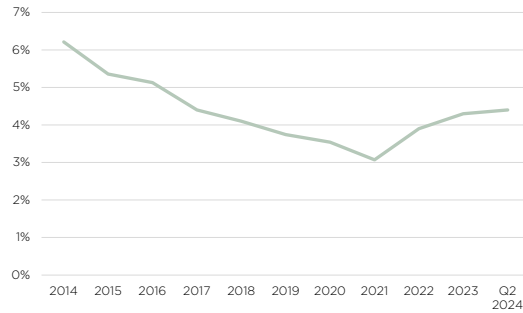
Source Savills / Transaction volume in million in Euro

Graph 3: Deal size and number of transactions



Source Savills

Graph 4: Prime net initial yield logistics properties



Source Savills / Note: The yields shown for 2022 reflect the midpoint of the spread of +/- 20 basis points (yield range reflects the different purchase price expectations of vendors and buyers)

total commercial transaction volume, the industrial segment remains significant with a share of a good 25%. Although the number of transactions was around 10 % lower than in the same period of the previous year at 85, the average transaction size increased significantly, in particular due to a much higher number of transactions in the portfolio segment.

We also saw a number of sales of core properties in the segment above €30 million. These were traded at prime yields, which currently stand at 4.4 % and have thus remained unchanged compared to the previous quarter. However, a lot is also happening in the value-add segment. Here, we are seeing a lot of supply from portfolio rationalisation, for example from non-ESG-compliant properties. Many owners are removing these from their portfolios in order to reinvest the money in modern properties.

While the majority of transactions are still taking place in the mid-size category between 15 and 75 million euros, there is an increase in larger deals, both individual and portfolio transactions. In the three-digit million euro segment, we registered four single asset transactions and five portfolio deals in the first half of the year. In the same period of the previous year, there were also four single asset transactions and two portfolios.

**Share of foreign buyers increased**

We also observed an increase in activity by buyers from abroad in the first half of the year. While German

and foreign players have balanced each other out in terms of transaction volume on average over the past five years, buyers from abroad were responsible for 66% in the first half of 2024. Here, players from other European countries were particularly active with a share of 46% (5-year average: 28%) as well as Asian players (13%, 5-year average: 5%). This also includes some players who are looking to (re)enter the German market and in some cases are willing to pay slightly higher prices than German buyers. Based on the last twelve months, the proportion of foreign buyers is 54%, so it remains to be seen whether the trend towards a higher proportion of foreign buyers will continue in the second half of the year.

**Early indicators signal increasing momentum**

For the first time in over a year, the Logistics Indicator, published by the German Logistics Association (Bundesvereinigung Logistik), is showing slight signs of recovery after the index had steadily deteriorated over the past year. The logistics climate at Deutsche Hypo also brightened considerably at the end of the first half of the year. In the expectation of an improved business situation, there is the prospect that companies will once again rent more space. This also results in positive prospects for the investment market. We therefore expect more transaction activity in the second half of the year. We expect prime yields to move sideways.

**Download the charts and raw data here** 

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