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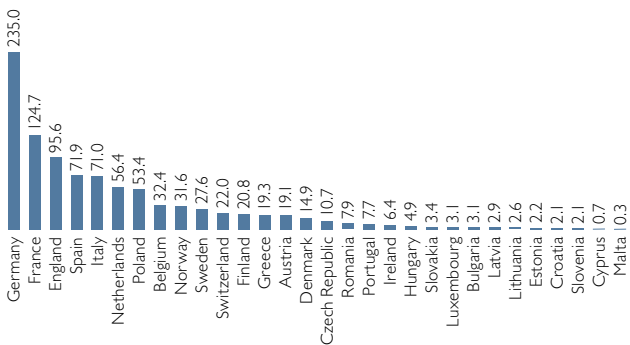
# Logistics regions in Europe – combining dynamism, competitiveness and high-quality locations

The logistics business is one of Europe’s key sectors in terms of revenue volume and dynamic performance. Demand for logistics services for international trade has been rising steadily for years. Manufacturers and consumers’ needs are becoming more varied and extensive, with offerings such as “last mile”, “x-shoring” and “same-hour delivery” now playing a particularly important role. Seen from a geographic point of view, high-potential regions form the setting for this development.

Logistics processes are constantly changing and are influenced by a host of economic, social, political and technological factors. For several years, Europe’s logistics sector has seen increasing revenues, with the overall figure currently approaching the € 1 billion mark. If this is broken down into a table ranking for each country, Germany leads the field. The latest Logistics Performance Index (LPI) released by the World Bank in 2016 puts Germany in first place for the second year running, with France in the next slot. The country’s result is not just due to its excellent location right in the middle of Europe, but also to the outstanding quality of its infrastructure and logistics technology.

At the start of the 1990s, the “Blue Banana” was the key term to describe the centralised geography of logistics activities. Now, halfway through the second decade of the 21st century, this spatial structure has become the “Blue Star”. The dominance of trade routes via the Baltic and North Seas has, together with a growing population and high per-capita GDP, been a long-established and highly influential factor for these trade-focused regions. However, the combination of new infrastructure, rising consumer spending and expanding economies elsewhere, for example in central and eastern Europe, has opened up new trade routes and promoted the formation of powerful new logistics regions in Europe.

FIG. 1: DISTRIBUTION OF LOGISTICS SECTOR REVENUE IN EUROPE IN 2014  
in € billion



Source: Bundesvereinigung Logistik (BVL) e.V.

Catella Research has studied 107 such regions in 20 different countries in terms of their strength. As part of our analysis, we looked at socio-economic factors, real estate and infrastructure-related issues, and we used a scoring system to classify the results (page 2). The Blue Star currently forms the geographical framework, with strong growth being particularly apparent in Scandinavia and central and eastern Europe.

Greater London, the region covering the UK’s capital, occupies first place in the score table (fig. 2). This result is structurally conditioned due to the region’s large population and high consumer spending power. It also varies considerably from scores reached by other regions in terms of real estate. With the highest prime rent for logistics facilities (€ 14.50/m<sup>2</sup>) and simultaneously the lowest top-level yield (4.25%), London is out in front here. Then there is also the UK’s decision to leave the EU, which is currently causing a lot of uncertainty. Potential rivals on the continent are lining up, such as Noord-Holland (Amsterdam, NL), Zuid-Holland (Rotterdam, NL), Haute-Normandie/Île-de-France (FR) and Hamburg (DE). However, we expect few major changes in the medium term. Oslo turned out to be the surprise region within the scoring system, performing well due primarily

Nevertheless, the effects of what are known as “megatrends” on Europe’s logistics sector have resulted in changes to distribution and haulage patterns across the continent in recent years. Such megatrends include globalisation, demographic changes and, above all, digitalisation, and they will continue to be a major influence on structural factors in the near future.

Catella is a leading financial advisor across Europe and asset manager for the areas of property, fixed-income and equity. We occupy a leading position in the real estate sector, with a strong local presence in Europe with around 500 employees across 12 countries.

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to its excellent geographical location, its infrastructure and the quality of its real estate. Prime rent for logistics facilities come to € 10.30/m<sup>2</sup>, making them among the highest in Europe. Surrounding Paris, the Île-de-France came in third place, followed by Cataluña in Spain, which is a core Mediterranean region.

The score table produced by Catella Research put no less than four regions in Germany within the top 10, illustrating the country's economic strength within Europe.

Another revelation of note is the presence and core location of the Scandinavian regions encompassing Norway, Denmark and Sweden. All of these regions scored well due to the excellent quality of their infrastructure, their connections to waterways and their proximity to neighbouring countries. While regions around the Scandinavian countries' capitals all made it into the top 10, the hinterlands of Gothenburg and Aalborg in no way lag behind in terms of logistics services.

The lowest places in the table are largely occupied by regions in the Baltic states, which are nevertheless currently witnessing rapid improvements regarding economic performance and infrastructure. As in Finland, the impact of politics are currently making themselves felt, with the sanctions imposed on Russia putting the brakes on dynamic development. Estonia is well connected in every direction by land, sea and air, so our findings reveal that Tallinn has the most developed port region among the Baltic states.

**Summary:**

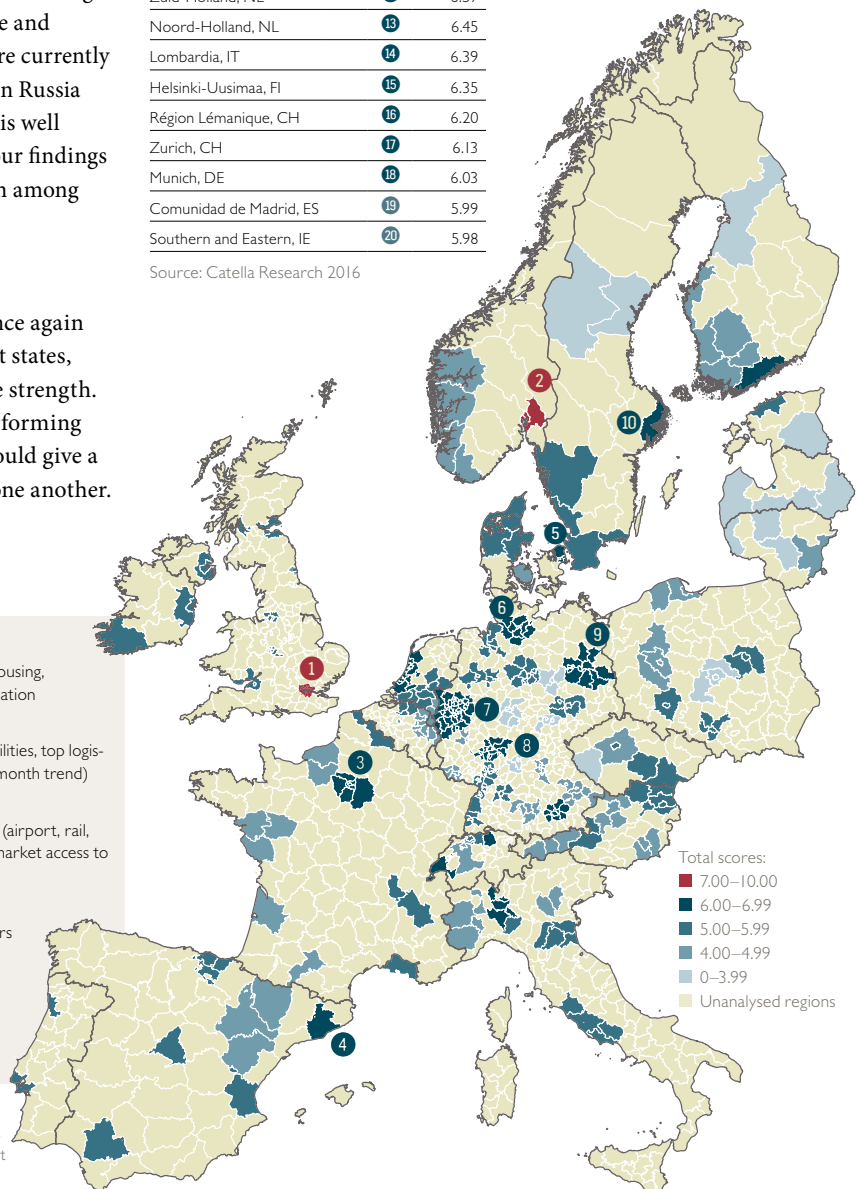
Taking a look at a map of Europe's logistics sector once again makes it clear that it is regions and conurbations, not states, that are the key players when it comes to competitive strength. Investors should pay close attention to this when performing an analysis, and their decision-making processes should give a high priority to the way these regions interact with one another.

FIG. 2: TOP 10 LOGISTICS REGIONS AS ASSESSED BY CATELLA RESEARCH

Region, country	Ranking	Score					Prime rents* (in €/m <sup>2</sup> )	Top yield** (in %)
		Overall	Socio-economic (25%)	Real estate market (35%)	Infra-structure (40%)			
Greater London, UK	1	8.73	2.08	3.21	3.44	14.50	4.25	
Oslo og Akershus, NO	2	7.05	0.66	2.63	3.76	10.30	5.75	
Île-de-France, FR	3	6.99	2.42	1.93	2.64	4.60	5.75	
Cataluña, ES	4	6.90	1.00	2.45	3.44	6.50	6.00	
Hovedstaden, DK	5	6.89	0.83	2.22	3.84	5.60	7.00	
Hamburg, DE	6	6.85	1.13	2.68	3.04	5.60	5.00	
Duisburg/Niederrhein, DE	7	6.82	0.92	2.22	3.68	5.10	5.00	
Rhein-Main, DE	8	6.81	1.25	2.28	3.28	6.10	5.00	
Berlin/Brandenburg, DE	9	6.80	1.13	2.15	3.52	4.70	5.00	
Stockholm, SE	10	6.76	0.83	2.57	3.36	6.90	5.75	

Kölnener Bucht (Cologne, Bonn), DE	11	6.64
Zuid-Holland, NL	12	6.57
Noord-Holland, NL	13	6.45
Lombardia, IT	14	6.39
Helsinki-Uusimaa, FI	15	6.35
Région Lémanique, CH	16	6.20
Zurich, CH	17	6.13
Munich, DE	18	6.03
Comunidad de Madrid, ES	19	5.99
Southern and Eastern, IE	20	5.98

Source: Catella Research 2016



**Contents and methodology of Catella's scoring system:**

- Application of a scoring model to analyse 107 logistics regions throughout Europe in terms of logistics performance/importance.
- Our model uses quantity and quality-related data. Factors were rated on a scale of 1 (very poor) to 10 (very good).
- The analysis used NUTS3 geographical units for the purpose of creating regions that were as compact as possible.
- Criteria used:
  - Socio-economic factors
    - GDP (gross domestic product), GVA (gross value added), transportation & warehousing, employment, employment in transportation & warehousing, unemployment rate, population
  - Property market
    - Prime rents for logistics facilities, top logistics yield, development (6-month trend)
  - Infrastructure
    - Existing transport facilities (airport, rail, water, road), accessibility/market access to neighbouring countries
  - Weighting of criteria:
    - 25% Socio-economic factors
    - 35% Property market
    - 40% Infrastructure

\* Top leasing costs: Highest nominal rent that can be demanded for high-quality floorspace in the best market subsection at the time that the report was compiled. Nominal rent is the initial rent named in the contract without the inclusion of incentives, ancillary costs and local taxes.

\*\* Top yield: The top yield corresponds to the net initial yield, and it applies to logistics facilities of the highest quality and with the best fittings in the relevant property market's classic business parks.

Source: Catella Research 2016