

## European Logistics Markets: High transaction prices, high rents, low yields

The European market for logistics property is part of the boom in the European real estate markets. Demand is increasing, while the supply of new properties is hardly keeping pace. As a result, transaction prices and rents are rising, while yields are falling. It is only a matter of time before yields drop below the 4.00% threshold. Investors therefore need to pay particular attention to potential regions. Catella Research has analysed the European logistics scene, covering 109 logistics locations in 104 regions.

Prof. Dr. Thomas Beyerle, Head of Research at Catella, comments: “An intelligent choice of location and accommodation, somewhere between availability of space, affordability and efficiency, is a problem faced by all market players. In the analysis, the investment focus should fundamentally reflect this. In the decision-making process, great importance should be attached to the interactions between these regions. Potential regions form the geographical backbone of development.”

The most important results:

- The average prime rent for logistics space in the 109 locations analysed is currently approx. €5.35/sq m per month. Comparing with last year’s analysis, rents have therefore risen by almost 4% in the past 12 months.
- The spread of rents in Europe is still very wide, ranging from €3.25/sq m in the Liège logistics region in Belgium to the most expensive logistics space around London Heathrow (€16.50/sq m).
- Rents in the logistics regions of the Scandinavian countries, Great Britain, Ireland and Switzerland are almost all higher than the European average. In comparison: in the first half of 2019, the average prime rent in Germany was approx. €4.99/sq m, i.e. below the European average.
- The average prime yield in the locations analysed is currently 5.66%, 43 basis points lower year-on-year. The yield gap with European office property is therefore only 1.4 percentage points.
- The most expensive markets are the logistics locations London Heathrow and Berlin, both having a current prime yield of 4.00%. The prime yield in Berlin has fallen by 70 basis points within 12 months.
- Attractive yield opportunities above 7% are primarily to be found in the Baltic States and in Finland. Catella registered the highest prime yield, 9.25%, in the logistics location Oulu, Finland.

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- The transaction volume in industrial property (warehouses, halls, production, logistics) in the 20 countries surveyed totalled approx. €11.5 bn. This equates to a decline of almost 22% on the previous year (€14.7 bn). In many countries, shortages of supply and the paucity of large-volume portfolio transactions are the main reasons for the decline.

In view of the short supply in popular logistics locations, the trend towards further rental growth and yield compression will continue.

The study can be downloaded here:

<https://www.catella.com/de/deutschland/research>

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