

Logistics & Industrial Q2 2023

119,600m²
Take-up (cum.)



€7.20
Prime Rent, €/m²/month



€105 million
Transaction Volume (cum.)



4.15%*
Prime Yield



*Prime Yield = Net Initial Yield

ECONOMIC OVERVIEW

The German capital's economic situation is in limbo: While there have been some positive factors, such as falling energy prices and restored supply chains, uncertainties remain high due to the foreign and security policy situation, the continuing high inflation rate, rising interest rates and labor costs, and weakening consumer demand. This is holding back companies' willingness to invest and hire. The economic climate index of the Berlin Chamber of Industry and Commerce – an indicator of situation and expectations balances – reflects the situation with a value of 112 points, which is 7 points less than in the previous year. Accelerating factors for the economy only slightly outweigh the restraining ones. The economy will probably remain in stagnation, as there is no prospect of an upturn in the second half of the year either.

TAKE-UP: BELOW-AVERAGE HALF-YEAR RESULT

The ongoing economic uncertainties are having a clear impact on the logistics and industrial space market. In the Berlin market area, new contracts in the first half of 2023 totalled 119,600m² of logistics, warehouse and industrial space. Of this, 108,900m² is accounted for by pure hall space. Both quarters show roughly the same level of take-up: about 59,000m² in Q1 and about 61,000m² in Q2. The entire take-up was generated exclusively by conventional lettings; there were no owner-occupier transactions. The result is 85% below the exceptionally strong figure for the same period last year, when Tesla's large take-up of around 327,000m² was included in the statistics. The result falls 62% short of the average for the previous five first half-years and is also the weakest result of all first half-years since records began in the year 2011.

The largest deal in Q2 was a sublease: Bär & Ollenroth, a wholesaler of building services and industrial supplies, leased around 15,000m² in a revitalized property in Berlin North. The deal is considered as an example of the recently observed trend of increased availability of sublease space. Retail companies in particular are releasing space for subletting that they had (precautionarily) rented as expansion space during the pandemic but now do not need after all. As the second largest deal in the first half of the year the pre-letting to the semiconductor group ASML with approximately 10,000m² was recorded in the statistics. It took place in the "Behrens-Ufer" development project in Berlin South in Q1.

The retail sector proved to be the strongest segment in terms of take-up, accounting for 52% – with 21% accounted for by companies from the traditional retail sector and 31% by the e-commerce sector, which is particularly strongly represented in the Berlin market area. This was followed by the transport and logistics sector with 17% – that sector rented space primarily in Q2. The third strongest sector was manufacturing/industrial companies with 14% of take-up, which was generated primarily in Q1.

LABOUR MARKET

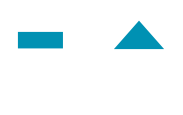
98.4

Ifo Employment Barometer
Germany (Jun 2023)



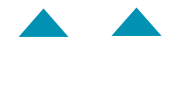
194,600

Berlin Employees in
warehouse-using industries
(Jun 2023)

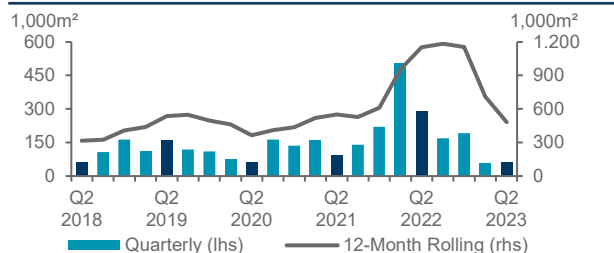


8.9%

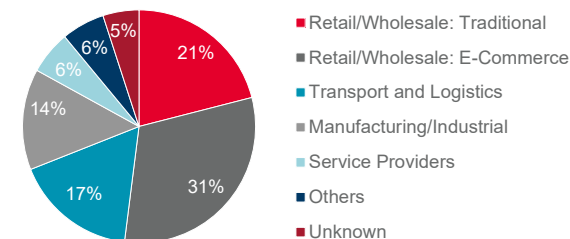
Berlin Unemployment Rate
(Jun 2023)



TAKE-UP



TAKE-UP BY SECTOR Q1-2 2023



RENTS REACH STABLE LEVEL

The prime rent for logistics space settled at the Q1 level in the second quarter and has thus remained stable for the first time after uninterrupted increases in all consecutive quarters since Q2 2021. Irrespective of this, high demand for modern space continues to be met by a shortage of supply in the logistics and industrial real estate market. In addition, developers are facing rising land and construction costs. The achievable prime rent at the end of Q2 was €7.20/m²/month, representing an increase of 11% or €0.70 compared to the same time last year.

TAKE-UP BY SIZE CLASS AND SUBMARKETS

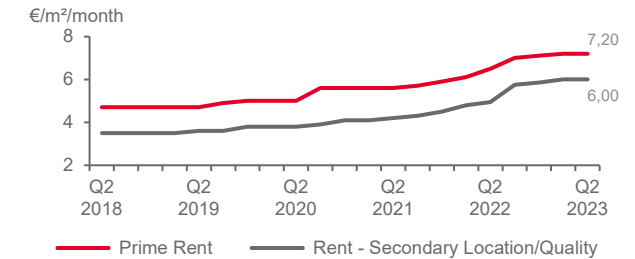
In the first half of 2023, the largest proportion of take-up (35%) was achieved by seven leases in the size category from 5,000m² to under 10,000m²: three of these transactions with users from the retail sector and three with transport and logistics companies. In terms of quantity, the bulk of deals, with 21 lettings, were driven by the small-space segment of 1,000m² to under 3,000m², accounting for one third of take-up. 21% of take-up was spawned by the two largest deals mentioned above, which fall into the 10,000m² to under 20,000m² size category. Large-volume deals over 20,000m², as occurred several times in the previous year, were completely absent in the first half of this year.

Broken down by submarkets, a noteworthy 81% of take-up in the first two quarters of 2023 was captured in Berlin's city boundary and only 19% in the surrounding areas. Normally, these proportions are reversed. However, it was already evident in Q1 2023 that companies were seeking significantly smaller spaces and they were able to meet this demand mainly in the city area. In the submarkets of Berlin South, 28% and in Berlin North 25% of take-up was registered. In the Periphery South submarket, 17,700m² of space – around 15% of the total – was taken up; the Periphery North submarket accounted for 4% of take-up. No transactions were recorded in either Periphery East or Periphery West.

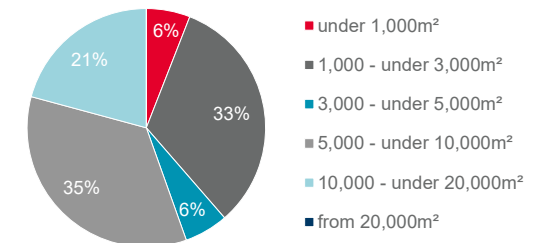
SELECTED TRANSACTIONS 2023

Quarter	Property	City	User	m ²	Type
Q2	Logistics centre	Berlin	Bär & Ollenroth	15,000	New Lease
Q1	Production facility	Berlin	ASML	10,000	Pre-Lease
Q2	Zeppelin Gewerbepark	Berlin	BLG Logistics	8,600	New Lease
Q1	Logistics centre	Ludwigfelde	Flink	6,000	New Lease
Q2	Panattoni City Dock – M21	Berlin	Ecotrade	5,600	New Lease
Q1	Gewerbepark Vehlefanz	Oberkrämer	N. Toussaint & Co.	5,000	Pre-Lease

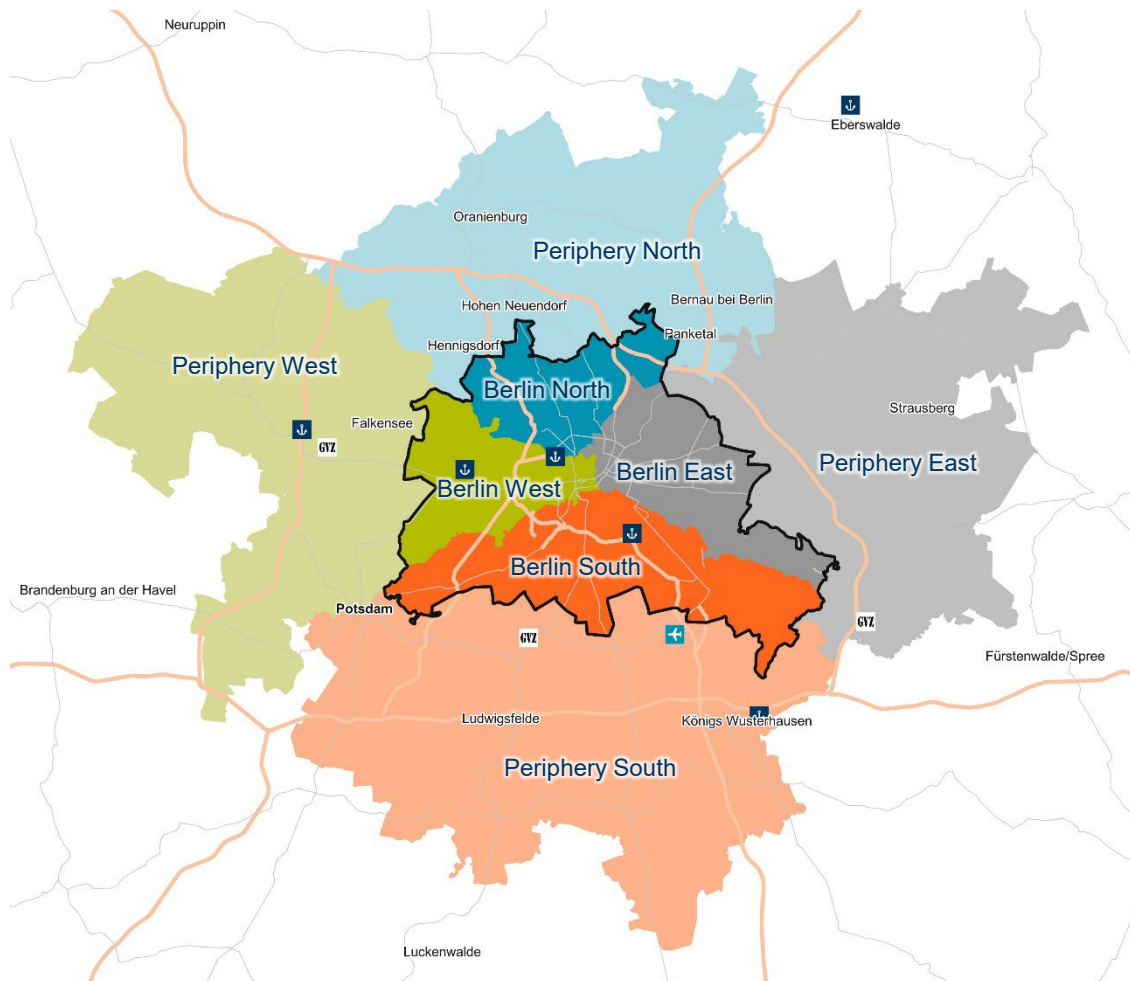
LOGISTICS RENTS



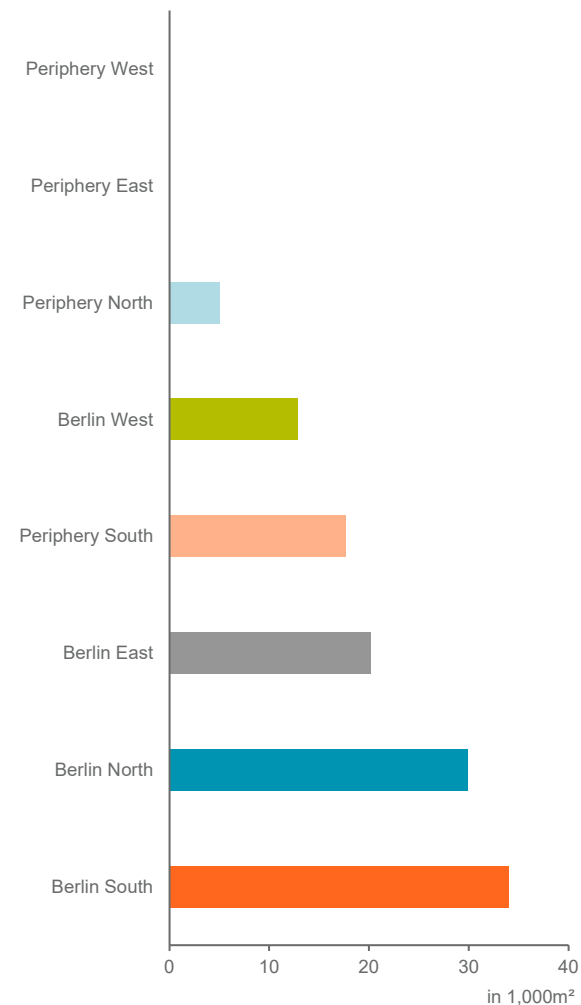
TAKE-UP BY SIZE Q1-2 2023



SUBMARKET OVERVIEW



TAKE-UP BY SUBMARKETS Q1-2 2023



DECLINING INVESTMENT TRANSACTION VOLUME – STABLE LEVEL OF YIELDS

For the first half of 2023, the investment transaction volume in the Berlin market area for logistics and industrial properties amounted to €105 million. This result is 71% below the record figure for the prior-year period and 38% below the average for the previous five first half-years. The result is at the level of H1 2018 (€110 million) and H1 2019 (€100 million), when the asset class started its boom years and the value reached or exceeded the 100 million mark in the first six months of a year. Logistics and industrial investments accounted for around 5% of the total commercial transaction volume in the Berlin market (€2.12 billion) in H1 2023.

The prime yield for logistics properties was 4.15% at the end of Q2 2023. Compared with the same point last year, this represents an increase of 105 basis points. The figure had been falling continuously for a long time until Q2 2022, when the trend reversed and the prime yield rose sharply. In Q2 2023, it remained stable compared to the previous quarter. The reason for the sharp increase in the past is the significant rise in borrowing costs and a volatile interest rate market. These, in turn, trigger uncertainties, with market participants' pricing processes protracted, and a noticeable revival of the market is still a long time coming.

KEY FIGURES

€105 million

Logistics & Industrial
Transaction Volume (cum.)

YoY
Change



12-Month
Forecast



5%

Share of Logistics & Industrial
Investments of Total Volume

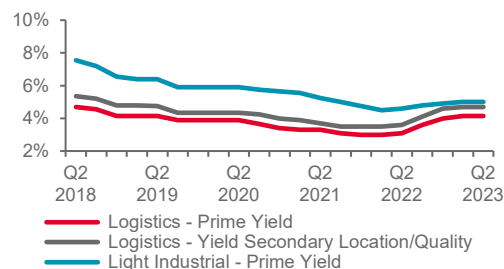


4.15%

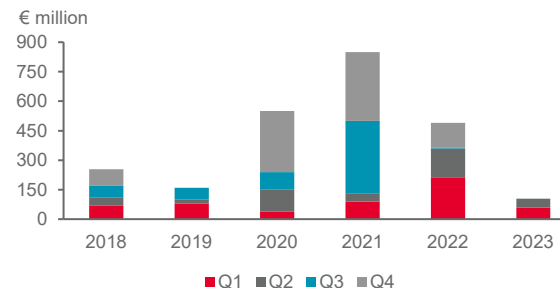
Logistics Prime Yield, net



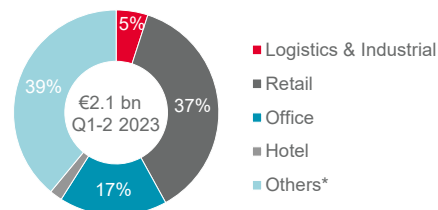
YIELDS BY PROPERTY TYPE



LOGISTICS & INDUSTRIAL TRANSACTION VOLUME



TOTAL COMMERCIAL TRANSACTION VOLUME



* Mixed-use Properties, Development Plots, Nursing Homes, etc.

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