

# MARKETBEAT FRANKFURT

## Logistics & Industrial Q2 2023



**120,700m<sup>2</sup>**

Take-up (cum.)

YoY  
Change

12-Month-  
Forecast

**€7.95**

Prime Rent, €/m<sup>2</sup>/month

**€50 million**

Transaction Volume (cum.)

**4.15%\***

Prime Yield

\*Prime Yield = Net Initial Yield

### ECONOMIC OVERVIEW

Frankfurt's economy is beginning to stabilize, albeit at a low level. However, no return to the pre-crisis level of 2019 is in sight in the short term. There have been some positive developments, such as falling energy prices and restored supply chains, but uncertainties remain high due to the foreign and security policy situation, the continuing high inflation rate, rising interest rates and labour costs, and weakening consumer demand. These are the findings of the result of the economic survey conducted by the Frankfurt-Rhine-Main Chamber of Commerce and Industry in early summer 2023. The business climate index determined in this process – indicating current situation and expectation balances – reflects the situation with a value of 103 points, which is an increase of one point since the beginning of the year. The economic expectations of the companies surveyed are still in negative territory, averaging -5 points, but this is an improvement of 3 points compared to the beginning of the year.

### LOW TAKE-UP IN THE FIRST HALF

The ongoing economic uncertainties as well as the lack of available space are having a clear impact on the logistics and industrial space market. In the Frankfurt market area, new lettings in the first half of 2023 totalled 120,700m<sup>2</sup> of logistics, warehouse and industrial space. Of this, the first quarter accounted for around 37,000m<sup>2</sup> and the second quarter for 83,700m<sup>2</sup>, more than doubling. The low result is 29% below the likewise below-average value of the same period last year and falls well short of the average of the previous five first half-years by 59%. Moreover, it is the weakest half-year result since records began in 2011.

The largest deal was in the second quarter a subletting: Müller – die lila Logistik subleased around 16,600m<sup>2</sup> in a stock property in the Periphery South submarket. The deal is exemplary of the recently observed trend of increased availability of subletting space. A letting of around 12,100m<sup>2</sup> to the industrial company DeNora was the second-largest deal in the first half.

The transport and logistics sector proved to be the strongest occupier segment in terms of take-up in the first half, accounting for 38% of total take-up. Most of their take-up of around 46,000m<sup>2</sup> took place in the second quarter. The share of manufacturing/industrial companies followed closely at 36%. Occupiers from the retail sector – both traditional and online retailers – contributed around 16% of take-up, some 19,800m<sup>2</sup>. Service companies bring up the rear at 9%.

### LABOUR MARKET

**98.4**

Ifo Employment Barometer  
Germany (Jun 2023)

YoY  
Change

12-Month-  
Forecast

**97,930**

Frankfurt Employees  
in warehouse-using industries  
(Jun 2023)

**5.8%**

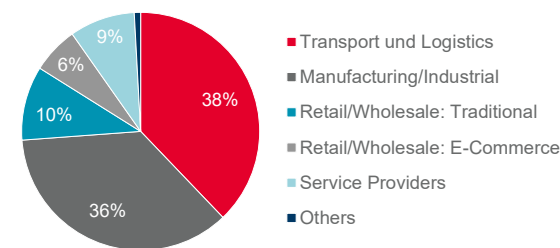
Frankfurt Unemployment Rate  
(Jun 2023)

sources: ifo institute (Index: 2015=100), Moody's Analytics,  
Federal Employment Agency

### TAKE-UP



### TAKE-UP BY SECTOR Q1-2 2023



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## Logistics & Industrial Q2 2023



### RENTS REACH STABLE LEVEL

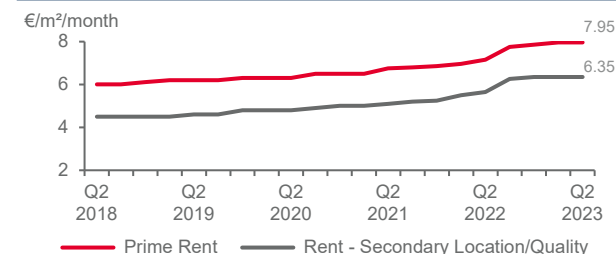
The prime rent for logistics space remained at the level of the first quarter in the second quarter, thus remaining stable for the first time after uninterrupted increases in every consecutive quarter since the second quarter of 2021. Irrespective of this, high demand for modern space continues to encounter a shortage of supply in the logistics and industrial real estate market. In addition, developers are facing increased construction costs, which continue to drive rental prices higher. The achievable prime rent at the end of the second quarter was €7.95/m<sup>2</sup> per month. This represents an increase of 11% or €0.80 compared to the same point last year.

### TAKE-UP BY SIZE CATEGORY AND SUBMARKETS

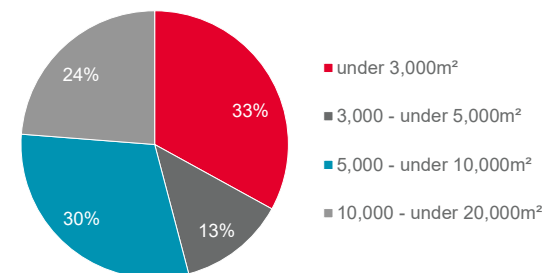
In the first half of 2023, the largest proportion of take-up (33%) was attributed to the small-space segment of under 3,000m<sup>2</sup>. Around 30% of take-up were contributed by six leases in the 5,000m<sup>2</sup> to under 10,000m<sup>2</sup> size category: three of these lettings were to manufacturing/industrial companies and three to firms in the transport and logistics sector. Nearly one quarter (24%) of take-up was accounted for by the two largest deals, which fall into the 10,000m<sup>2</sup> to under 20,000m<sup>2</sup> size category. Large-volume deals over 20,000m<sup>2</sup> were completely absent in the first half of this year.

Broken down by submarket, the highest take-up, at around 43,800m<sup>2</sup> and a share of 36%, was in Periphery South. The second-strongest submarket proved to be Periphery East where 36,200m<sup>2</sup> of logistics, warehouse and industrial space were let. In the submarkets Periphery North, Periphery West and Frankfurt Airport 10% or 9% was registered in each case. The city of Frankfurt accounted for around 6% of take-up, at 7,000m<sup>2</sup>.

### LOGISTICS RENTS



### TAKE-UP BY SIZE Q1-2 2023



### SELECTED TRANSACTIONS 2023

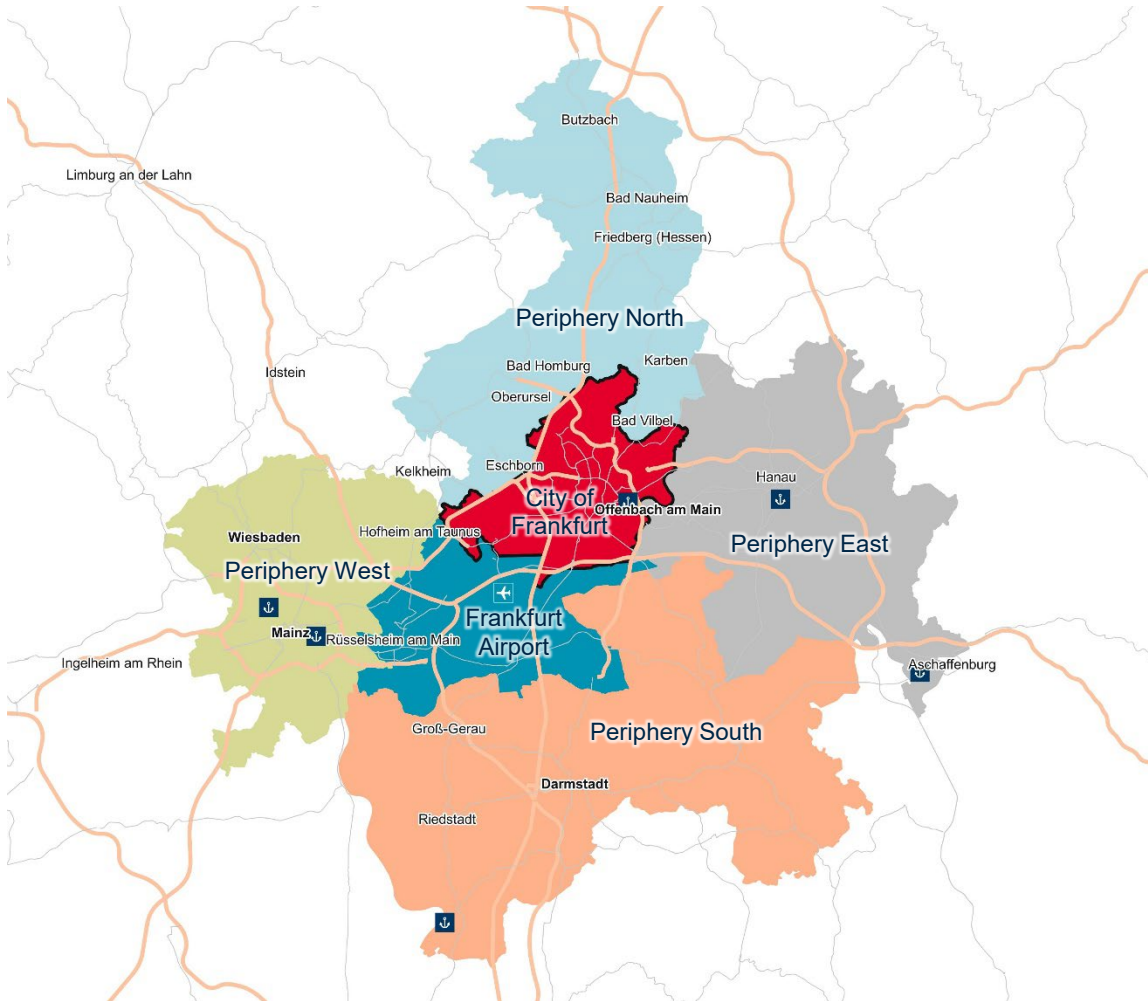
Quarter	Property	Location	Tenant	m <sup>2</sup>	Type
Q2	Logistics centre	Eppertshausen	Müller – die lila Logistik	16,600	New Lease
Q2	Logistics centre	Hanau	DeNora	12,100	New Lease
Q2	Logistics centre	Stockstadt am Rhein	Aviapharm	7,900	Pre-lease
Q1	Logistics centre	Oberursel	Burgschneider GmbH	6,700	New Lease
Q1	Holzpark Hanau	Hanau	Heinrich Kopp GmbH	5,700	Pre-lease
Q2	Logistics centre	Erlensee	GEL Express Logistik	5,200	New Lease

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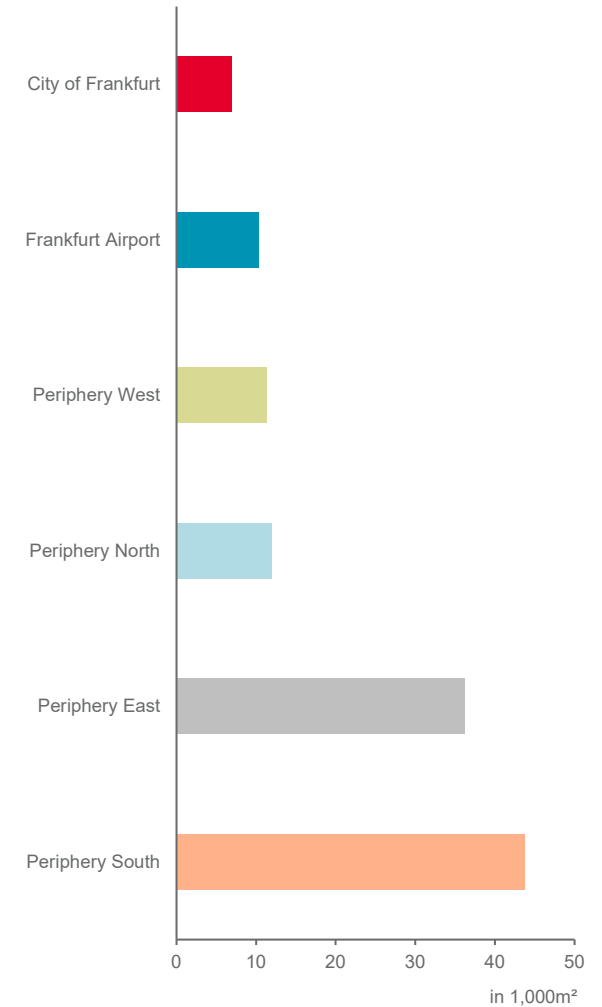
Logistics & Industrial Q2 2023



## SUBMARKET OVERVIEW



## TAKE-UP BY SUBMARKETS Q1-2 2023



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## Logistics & Industrial Q2 2023



### DECLINING INVESTMENT TRANSACTION VOLUME – STABLE LEVEL OF YIELDS

For the first half of 2023, the investment transaction volume in the Frankfurt market area for logistics and industrial properties amounted to €50 million, of which €10 million was attributable to the 1st quarter and €40 million to the 2nd quarter. This result is 86% below the record figure of the prior-year period and falls short of the average for the previous five first half-years by 67%. The purchase of a logistics portfolio by Peakside Capital Advisors in Cargo City South at Frankfurt Airport contributed significantly to this result. The logistics and industrial sector accounted for around 14% of the total commercial real estate transaction volume in the Frankfurt market (€365 million) in the first half of 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 a sharp increase of 105 basis points. Previously, this figure had seen years of continuous compression, until the trend reversed in Q2 2022. In Q2 2023, it did however remain static 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, protracting market participants' pricing processes. A significant revival in the market still appears a distant prospect.

#### KEY FIGURES

**€50 million**

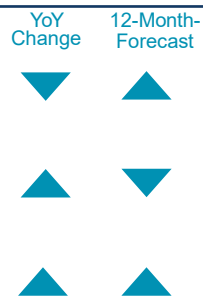
Logistics & Industrial  
Transaction Volume (cum.)

**14%**

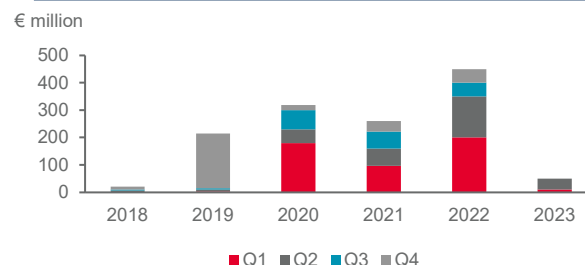
Share of Logistics & Industrial  
Investments of Total Volume

**4.15%**

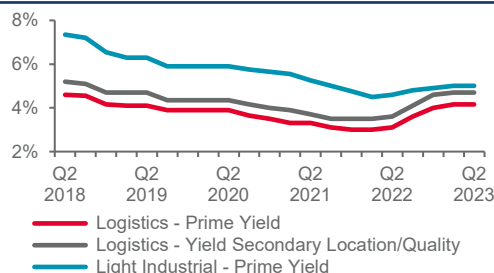
Logistics Prime Yield, net



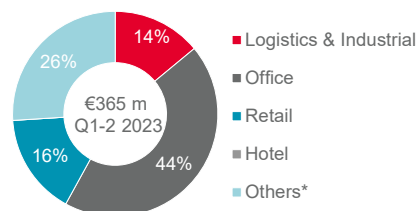
#### LOGISTICS & INDUSTRIAL TRANSACTION VOLUME



#### YIELDS BY PROPERTY TYPE



#### TOTAL COMMERCIAL TRANSACTION VOLUME



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

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