BNP PARIBAS REAL ESTATE

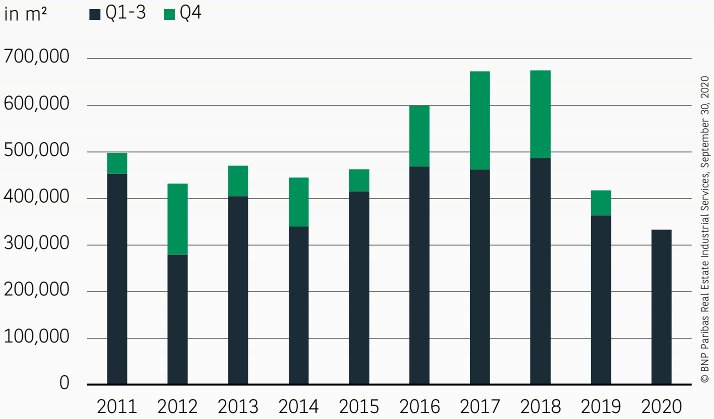
Real Estate for a changing world

RESEARCH

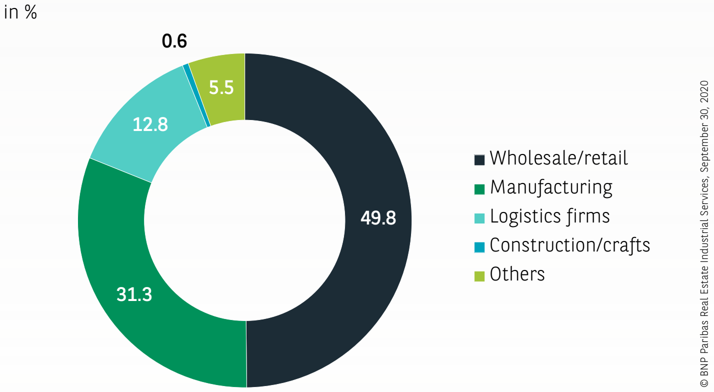
At a Glance Q3 2020

LOGISTICS MARKET FRANKFURT

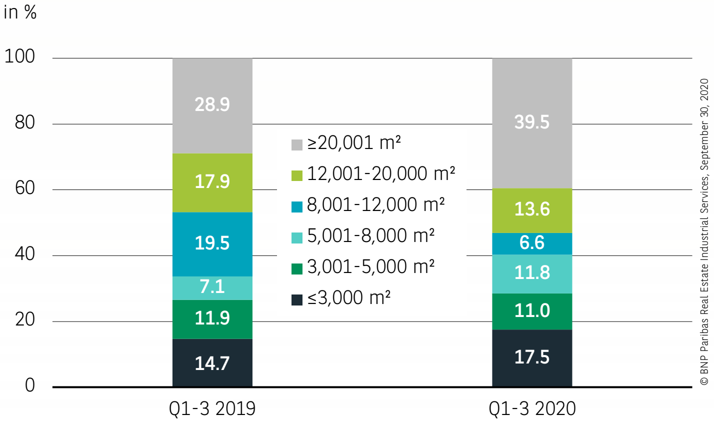
Light industrial and logistics take-up



Take-up by sector Q1-3 2020



Take-up by size category



FRANKFURT LOGISTICS MARKET DEFIES THE CRISIS

Between January and September a take-up of 333,000 m² was achieved on the Frankfurt logistics market, which corresponds to a decline of almost 9 % compared with the same period last year. In the third quarter 102,000 m² of logistics space was taken up, continuing in a slightly weaker form the upward trend that started at the beginning of the second quarter (157,000 m²). Interestingly, the take-up in the first quarter, thus in the period before Corona, was only 74,000 m². This shows that the decline in demand in some export-oriented industries due to Corona has been largely compensated by other industries. The pharmaceutical industry, food trade and the still booming e-commerce sector stand out in particular. Regarding take-up by location, no fundamental changes can be observed in terms of demand patterns. Apart from the logistics region's core market Frankfurt, strong demand is registered along the North-South-Axis connecting the metropolitan areas Rhine-Main and Rhine Neckar as this allows a large catchment area to be served. In some cases, there are considerations to move to peripheral locations, such as the southern or central Rhineland-Palatinate into the Kaiserslautern area.

RETAIL COMPANIES AT THE TOP

By the third quarter, retail companies have achieved a market share of almost 50 %, by far the best result in the last ten years. The largest contract was concluded by discount giant Lidl, which comprises 50,000 m² of logistics space built in Erlensee. Amazon also continues its expansion and has secured 16,500 m² of space in Friedrichsdorf and 15,000 m² in Bingen. Another e-commerce provider even signed for 37,500 m² in Hammersbach. Manufacturing companies rank second and contributed just over 31 % to total take-up so far. Logistics firms, on the other hand, fell considerably short of expectations with a market share of just under 13 %.

LARGE AND SMALL MOVE THE MARKET

Thanks to the large deals described above, the size category from 20,000 m² upwards accounts for almost 40 % of take-up. At the same time, however, the two smallest size segments below 5,000 m² also have achieved a relatively high market share of almost 30 %. This shows that the Frankfurt logistics market has a broad base of different demand groups and is not dependent on individual large transactions.

Major contracts Q1-3 2020

Quarter	Company	Location	Area (m²)
Q2	Lidl	Erlensee	50,000
Q3	Manufacturing firm	Hammersbach	44,000
Q1	E-commerce company	Hammersbach	37,500
Q2	Amazon	Friedrichsdorf	16,500
Q3	Amazon	Bingen-Grolsheim	15,000

Key figures of logistics market Frankfurt

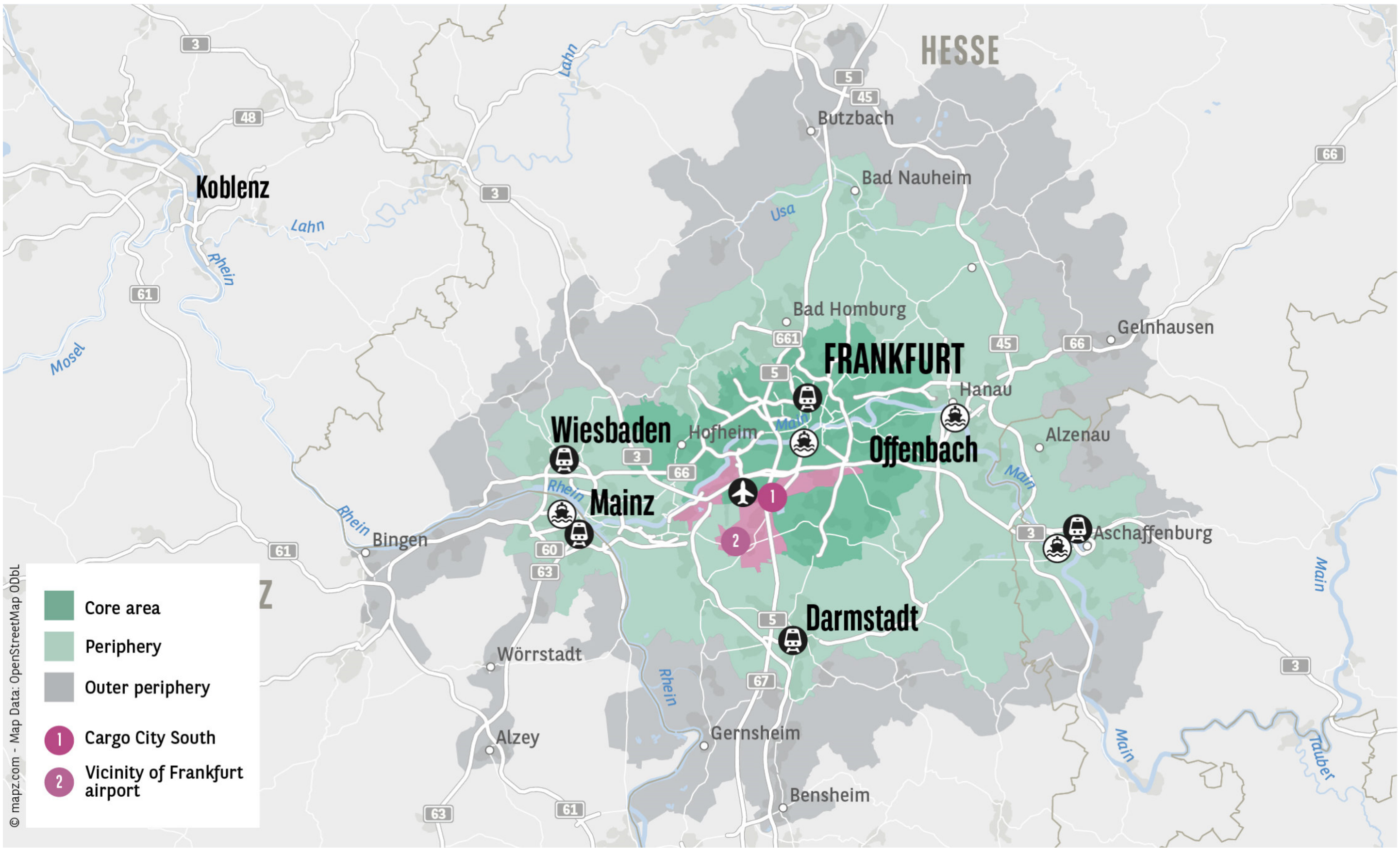
	Q1-3 2019	Q1-3 2020	Trend remaining year
Prime rent	6.60 €/m²	7.00 €/m²	→
Average rent	5.10 €/m²	5.35 €/m²	→
Take-up	364,000 m²	333,000 m²	→
- Share of owner-occupiers	30.3 %	24.6 %	→
- Share of new buildings	56.7 %	70.4 %	→

RISE IN RENTS DESPITE CORONA CRISIS

Despite the Corona crisis, the basic supply/demand relation in the Frankfurt logistics region has not changed. In addition to the quality of the location, technical equipment is playing an increasingly important role, which is reflected among other things in increased demand for special real estate such as cold storage facilities or warehouses suitable for WGK. In terms of rental prices, the trend arrow continues to point noticeably upwards. Due to a further shortage of building land and rising construction costs, the prime monthly rent is climbing by a remarkable 7 % to 7.00 €/m². The average rent is also increasing by 5 % to 5.35 €/m². As before, top rents are still being achieved in the Mönchhof and Raunheim areas and in business parks which are located in city proximity.

OUTLOOK

Despite all the prophecies of doom, the Frankfurt logistics market has so far proven to be surprisingly crisis-resistant. Some modern speculative built logistics space was quickly absorbed. Therefore, take-up is almost at the same level as in the same period of the previous year. Although there are still economic risks, a further recovery of the market is quite possible towards the end of the year. Demand is likely to remain high, especially since many players are making use of the current situation to repositioning themselves in the market and to push ahead with restructuring, consolidation and digitization projects.



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