

38

39

40

41

## European Logistics Real Estate Markets – Will the Boom Cycle Continue?

## MODERATION



NICHOLAS OF RAGGAMBY  
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## SPEAKERS



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## AGENDA

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### European Logistics Real Estate Markets – Will the Boom Cycle Continue?

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11.00 GARBE Industrial Real Estate GmbH

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11.00 Welcome and moderation  
Nikolaus von Raggamby | Managing Director  
RUECKERCONSULT

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11.05 GARBE PYRAMID 2023 – Key Takeaways  
Tobias Kassner | Member of the Executive Board – Head of Research  
GARBE Industrial Real Estate

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11.25 Investment Focus Europe: Where are the Investment Opportunities??  
Janica Gerecke | Member of the Executive Board – International Business  
GARBE Industrial Real Estate

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11.35 Institutional Investments: Is Logistics Real Estate still Attractive?  
Jan Philipp Daun | Managing Director  
GARBE Industrial Real Estate

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11.45 DiDiscussion and Q&A session

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**TOBIAS KASSNER**

Member of the Executive Board  
Head of Research

## GARBE PYRAMID 2023 – Key Takeaways

## GARBE INDUSTRIAL REAL ESTATE - SNAPSHOT

### Overview

- ✓ 58 years of experience in the real estate industry, of which more than 30 years in the logistics and industrial real estate sector
- ✓ Established partner network in the logistics sector
- ✓ Proven asset management expertise; total AuM in GARBE Industrial of > EUR 10.2 billion including the more than 2.8 million sqm project development pipeline
- ✓ More than 20 years of experience with European funds
- ✓ Scalable platform with 250+ employees in 16 offices and more than 400 tenants
- ✓ Development of logistics and industrial real estate

### Core competencies



Portfolio Management



Investment Management



Asset and Property Management



Project development

**7.9 € bn**

Transaction volume 2015–2022

**7.6 € bn**

Assets under management

**2.8 mm sqm**

PD-pipeline\*

**5.8 mm sqm**

Lettable area\*

**204**

objects

### Locations



GARBE Industrial Real Estate GmbH has an established asset management platform with over 30 years of experience in logistics and industrial real estate.

\*PD pipeline Q2 2022, lettable area Q4 2022

# GARBE UNIQUE WITH ITS 360-DEGREE APPROACH

YOUR SPECIALIST FOR LOGISTICS AND CORPORATE REAL ESTATE FOR MORE THAN 30 YEARS.

1

## // INVESTMENTMANAGEMENT

1.97 billion in transaction volume in 2022 are the result of years of intensive analysis of the individual markets. Precisely for this reason we are constantly on the lookout for land as well as free or rented properties in Europe. Not only for our tenants, but also for our investors.

2

## // PROJECT DEVELOPMENT

Approx. 2.8 million m<sup>2</sup> of project development pipeline volume in the logistics, production and corporate real estate underline our know-how in Germany and Europe.

3

## // REAL ESTATE MANAGEMENT

With more than 5.8 million sqm of lettable space, we have a large portfolio ready to let at short notice - across Europe.

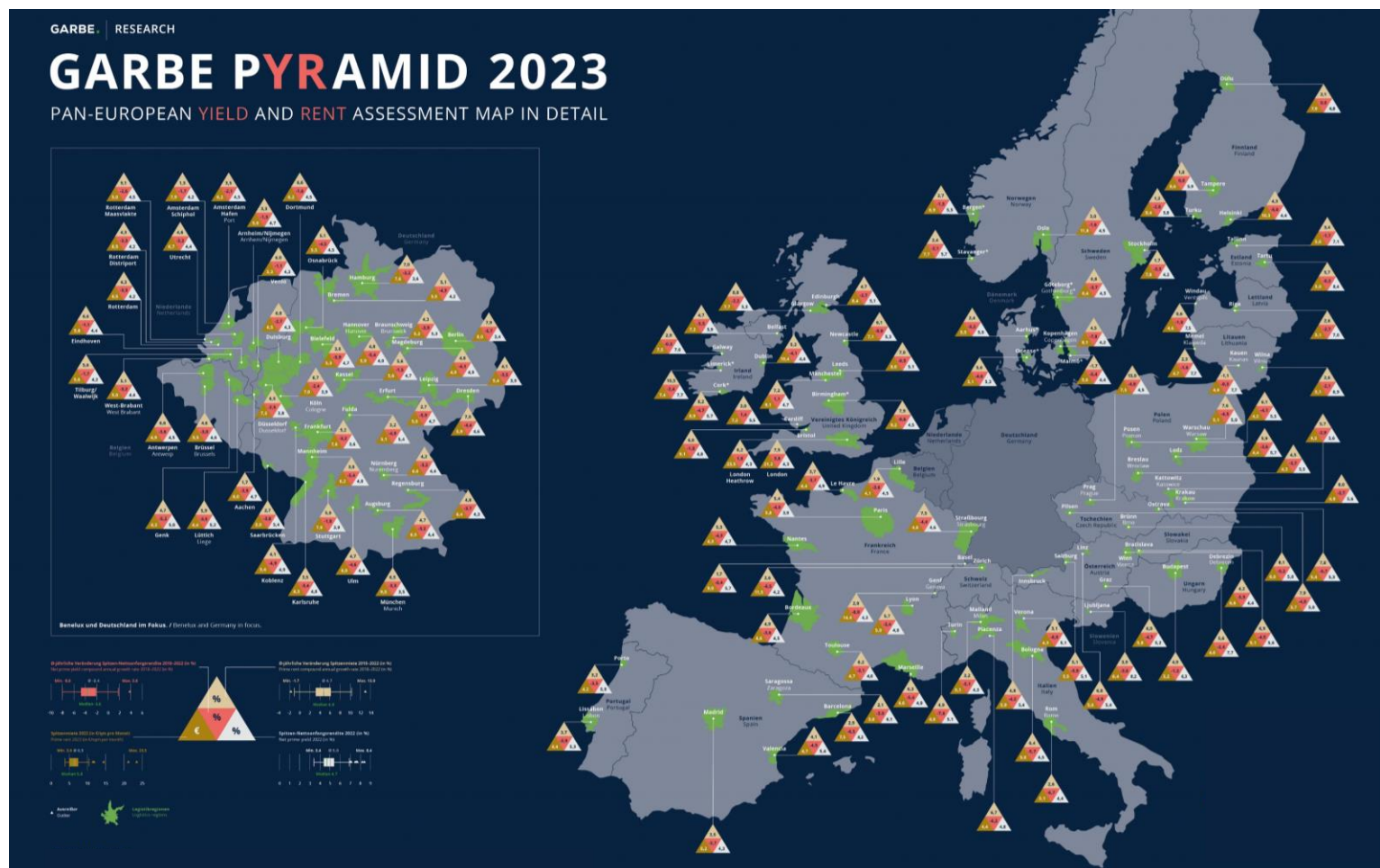
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## // PORTFOLIOMANAGEMENT

10.2 billion € Assets under Management (incl. PD) offer us the possibility of a complete market overview. This enables us to offer flexible and individual investment strategies for our investors.



GARBE PYRAMID 2023



- Unique GARBE product offers a pan-European market overview
- Focus on key indicators of investment and tenant market
- 122 markets, 23 countries - rents, yields, average 5-year growth rates
- Semi-annual updates with moderated webinars and mailing to key investors and clients
- [Can be viewed interactively online at garbe-industrial.de/pyramid-map](https://garbe-industrial.de/pyramid-map)
- [Updates via Research Newsletter: Subscribe](#)

GARBE PYRAMID 2023



## **DIE DIGITALE UND INTERAKTIVE PYRAMID-MAP.**

Jetzt online verfügbar unter  
[garbe-industrial.de/pyramid-map](https://garbe-industrial.de/pyramid-map)

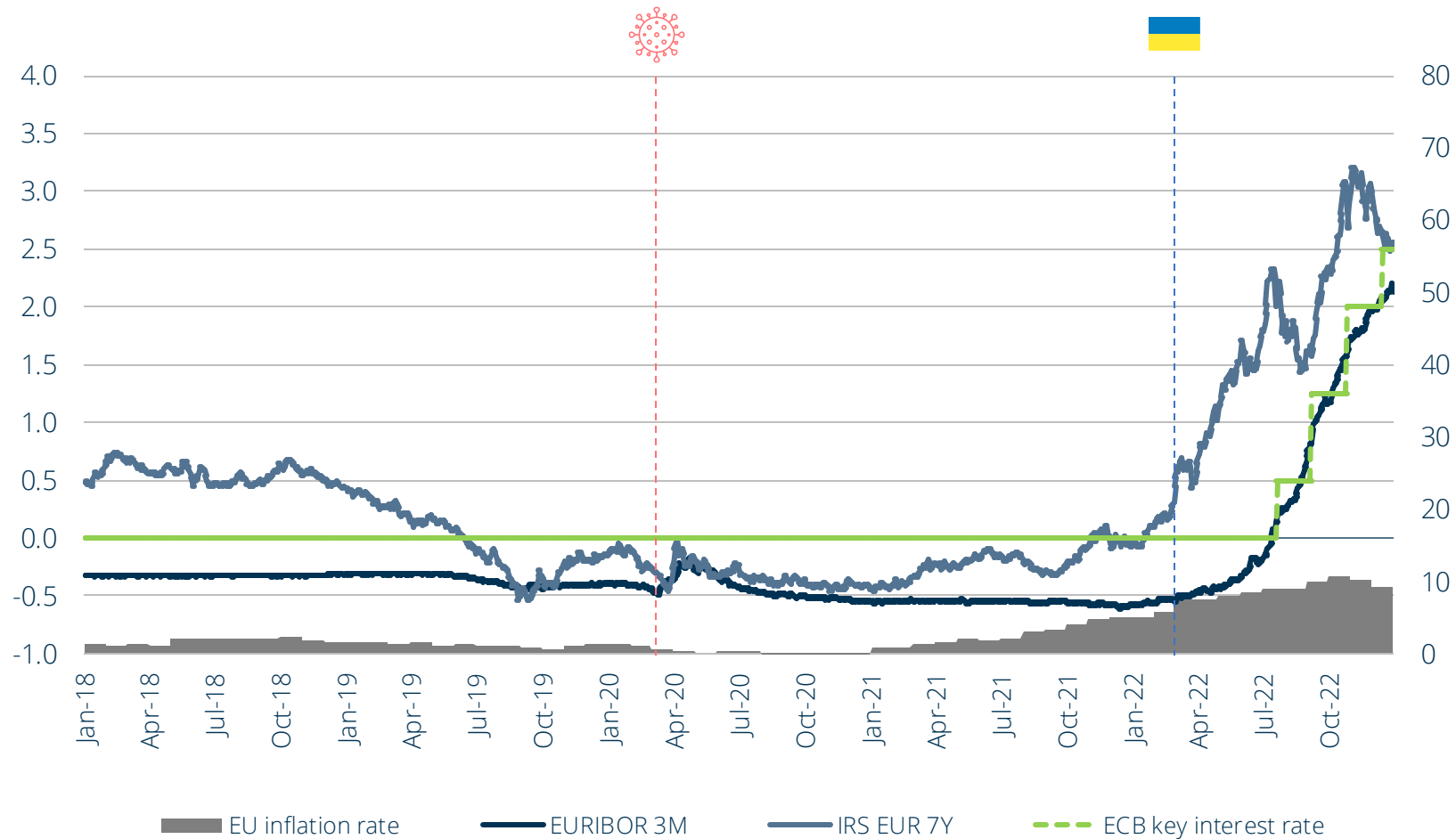
THE DIGITAL AND INTERACTIVE PYRAMID MAP.  
Now available online at: [garbe-industrial.de/pyramid-map](https://garbe-industrial.de/pyramid-map)



# FINANCING CONDITIONS CHANGE SIGNIFICANTLY

GARBE PYRAMID 2023 - WHERE DOES THE MARKET STAND?

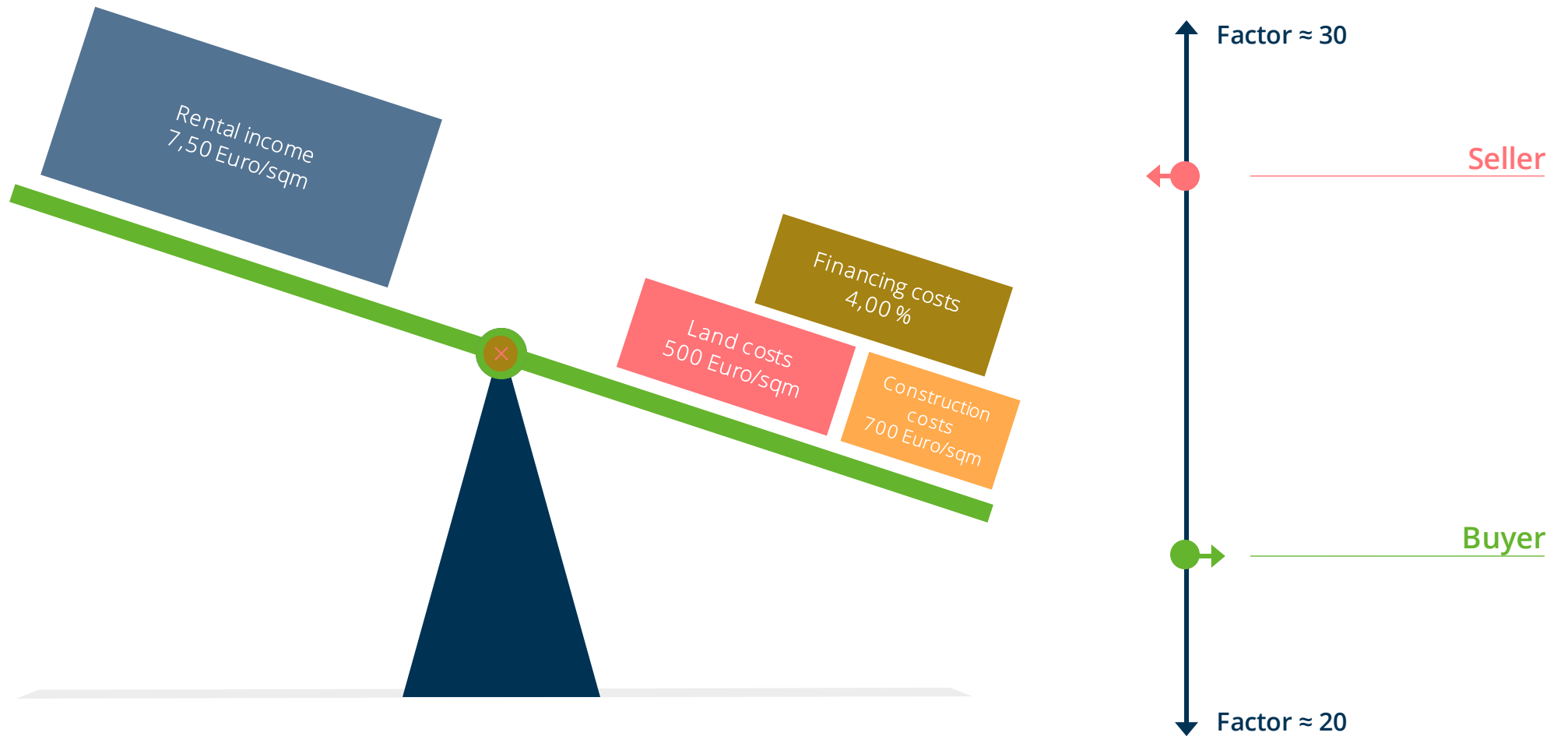
EU inflation rate in %, EURIBOR, 7Y-Interest Swap Rate in % and ECB key rate



- EURIBOR (Euro Interbank Offered Rate) refers to the average interest rates at which many European banks lend to each other in euros.
- EURIBOR (3M) has been mostly stable for many years, from mid-2022 EURIBOR rose sharply
- The 7Y interest swap rate oscillated strongly last year, so loan terms changed significantly
- The inflation rate has risen massively since the end of 2021
- ECB key interest rate also rises sharply in HY 2022

# IMBALANCE: DIFFERENT PERSPECTIVES\*

GARBE PYRAMID 2023 - WHERE DOES THE MARKET STAND?

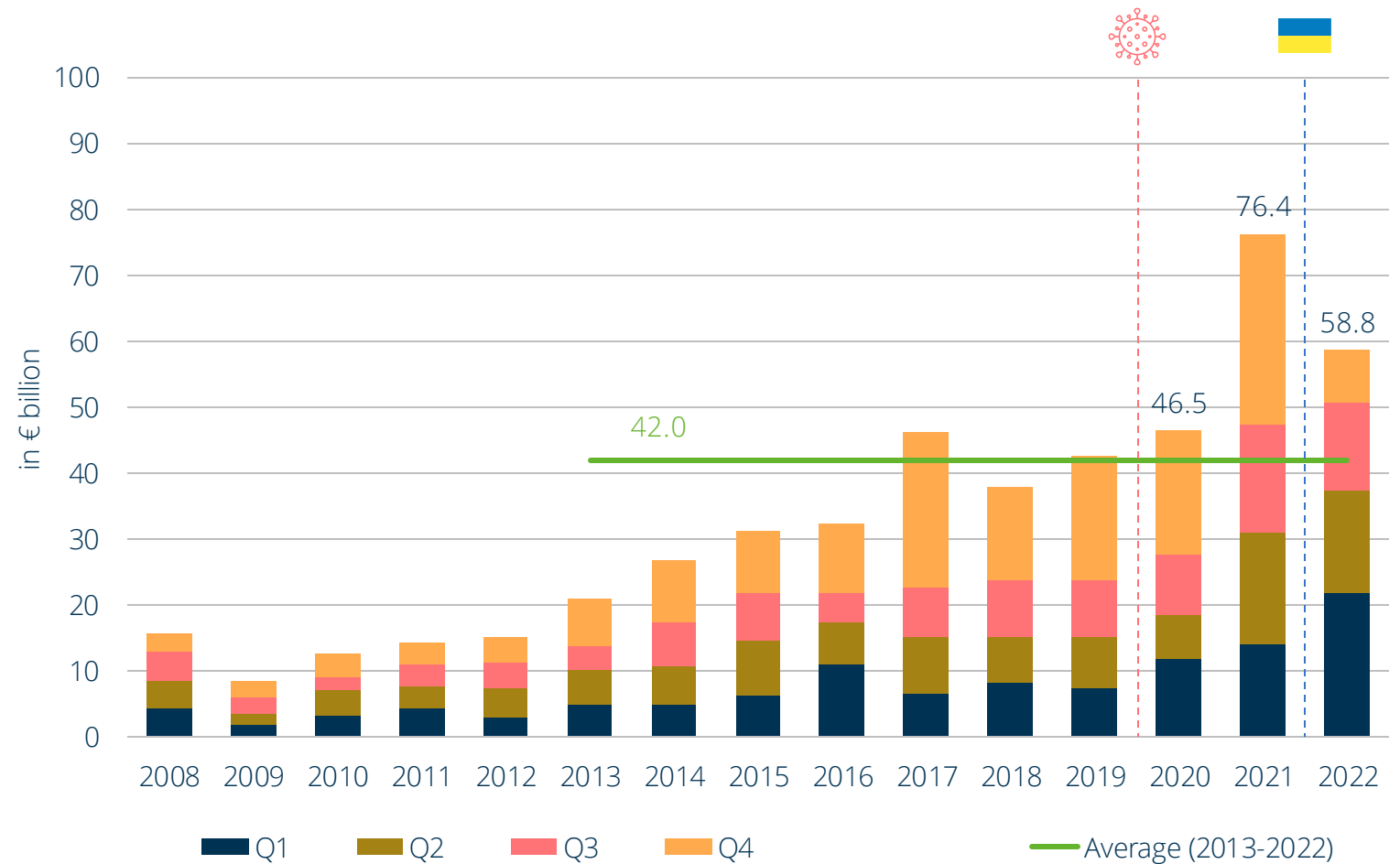
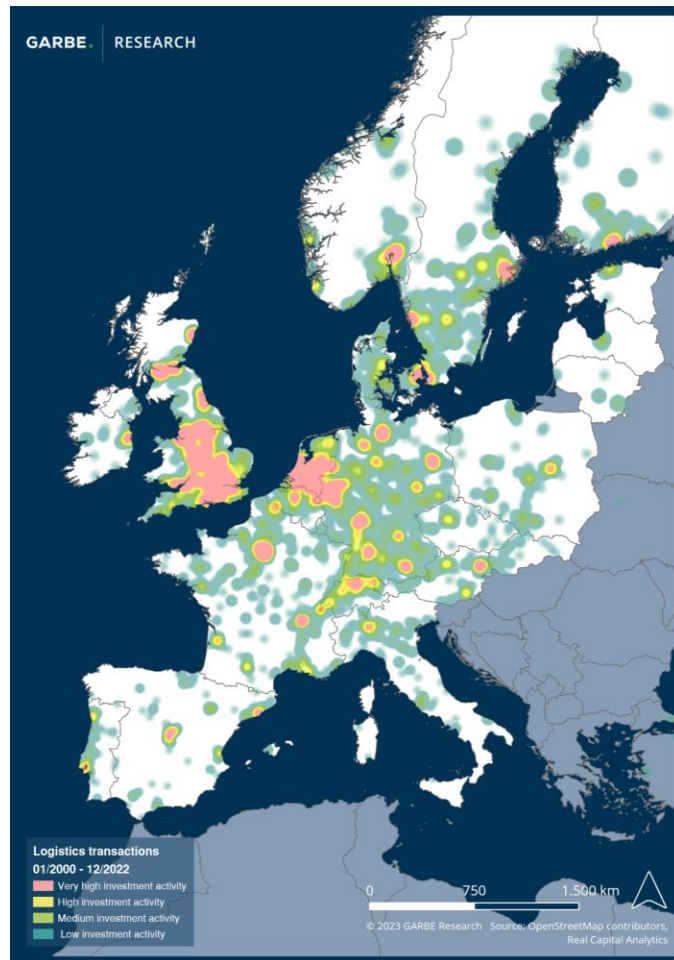


\* Indicative values

# GARBE PYRAMID 2023 - Focus Europe

## GARBE PYRAMID 2023 – KEY TAKEAWAYS

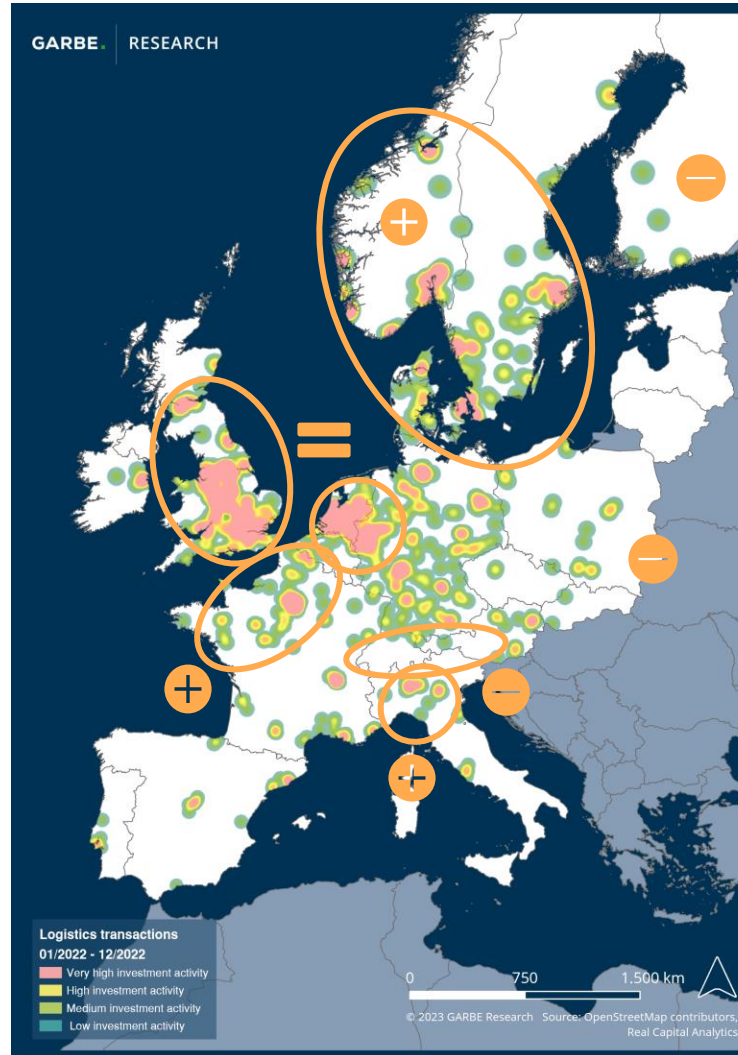
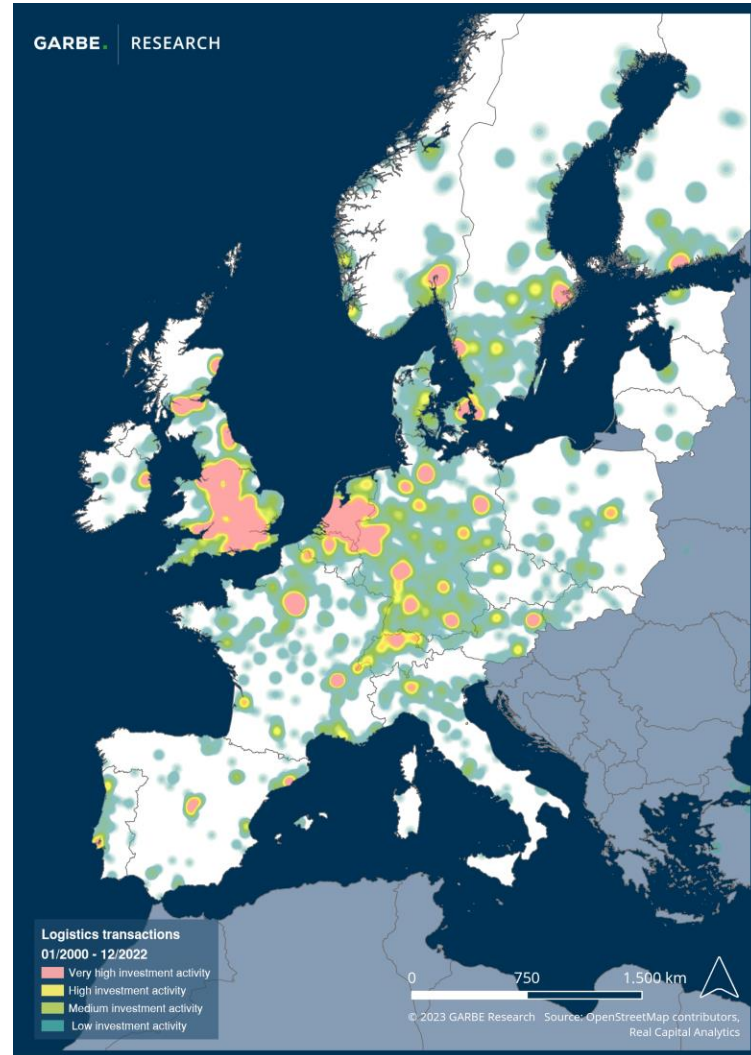
### Transaction volume of logistics properties in Europe





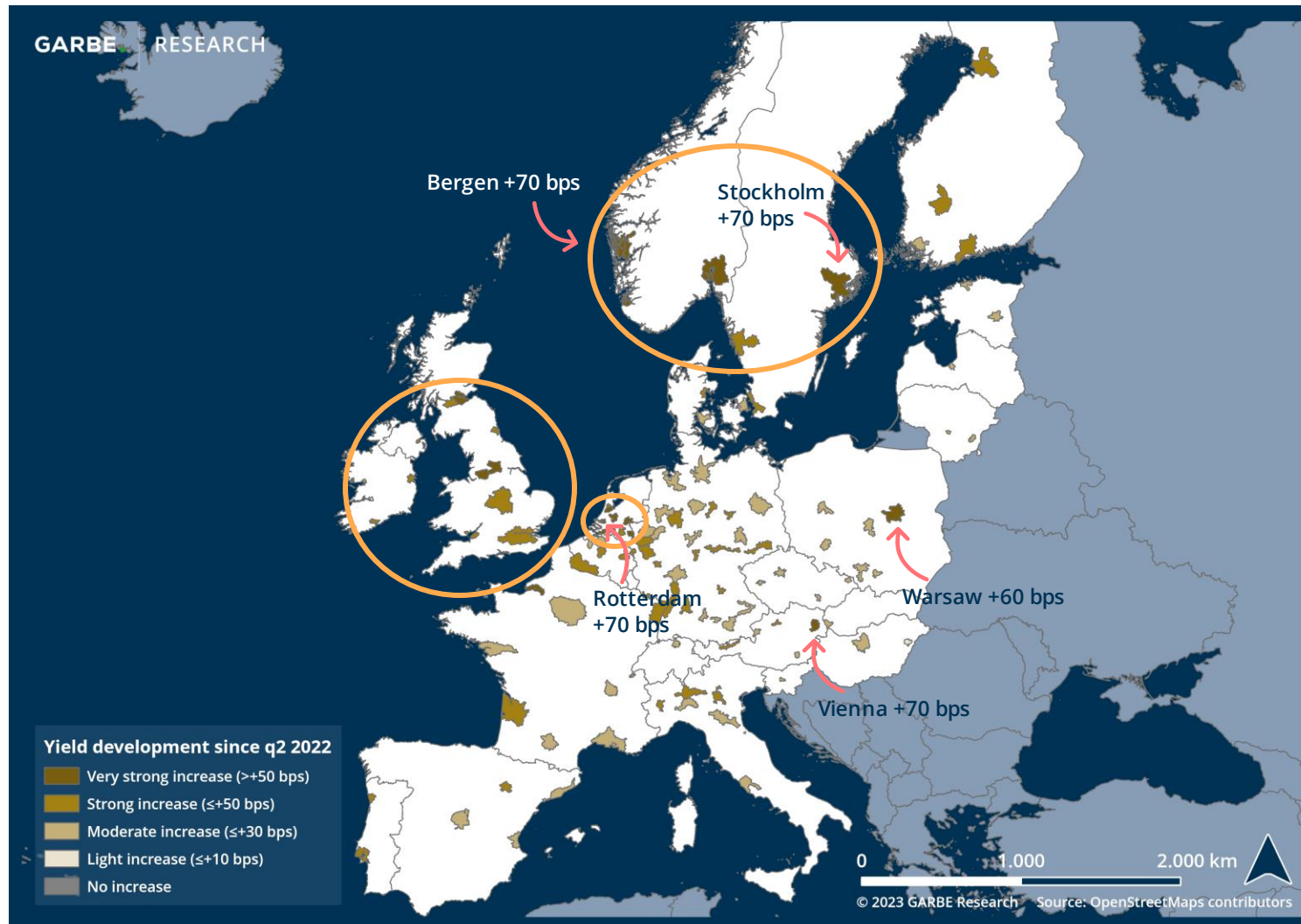
# SMALLER LOGISTICS MARKETS GAIN IN IMPORTANCE

## GARBE PYRAMID 2023 – KEY TAKEAWAYS



- The United Kingdom, the Netherlands and the Rhine-Ruhr conurbation continued to be the most important logistics markets for investors in 2022.
- There was comparatively higher activity on the investment market for logistics properties in parts of Scandinavia - especially in the major cities of Denmark, Norway and Sweden.
- There was also a positive development on the investment market in the north of France and in northern Italy.
- In Finland, the Baltic States and CEE, on the other hand, relatively few transactions were made in 2022. The same applies to Switzerland and the west of Austria.

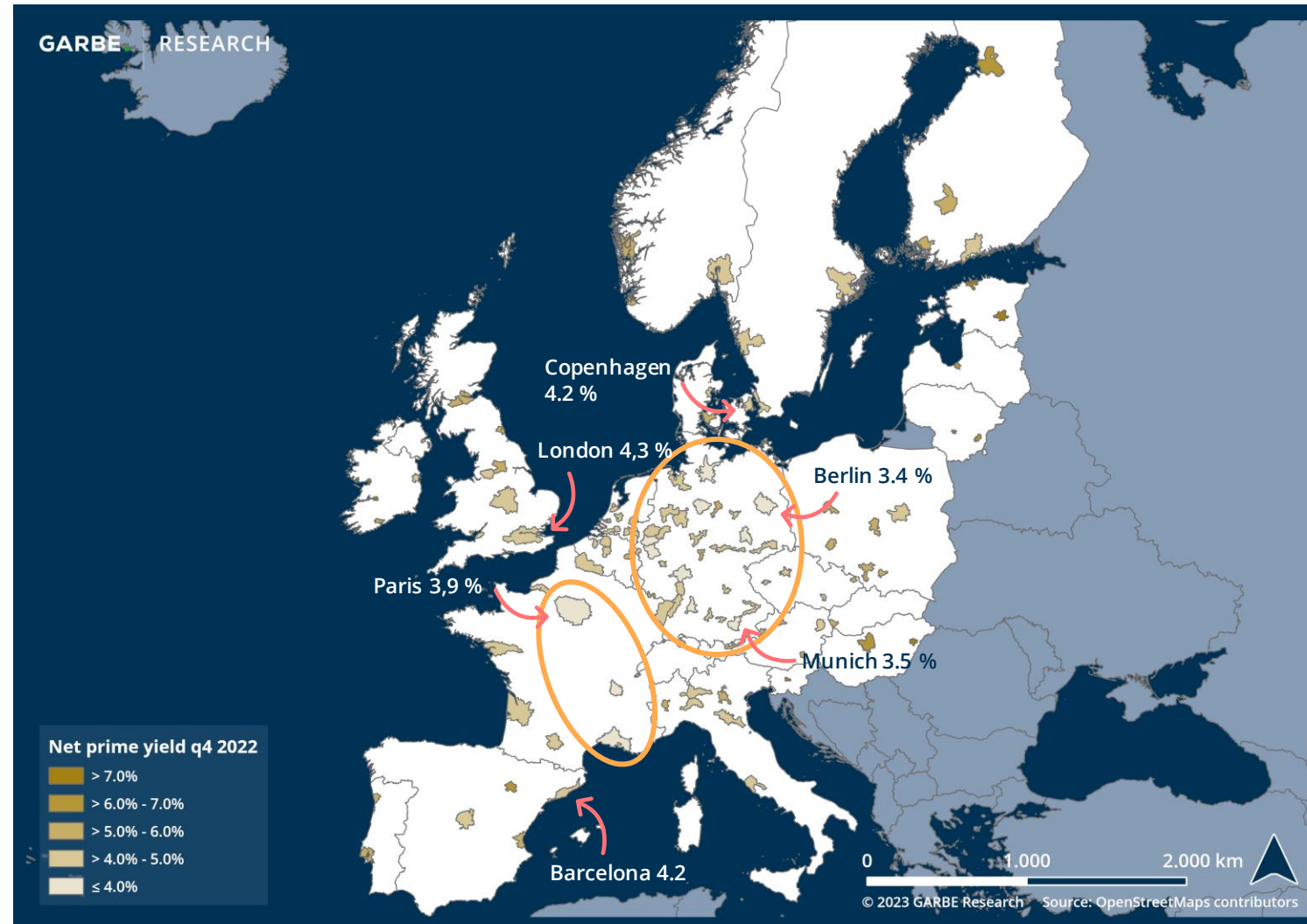
## GARBE PYRAMID 2023 – KEY TAKEAWAYS



- The framework conditions on the financing market in Europe have fundamentally changed in the course of 2022
- After the first half of the year was characterised by transactions that had already been planned, market activity cooled off significantly after the summer break
- The result was a noticeable decompression of the peak net initial yields of the second half of 2022
- There are different dynamics within Europe
- Compared to the first half of 2022, for example, prime markets such as Vienna, Rotterdam and Stockholm gained 70 basis points in net initial yields

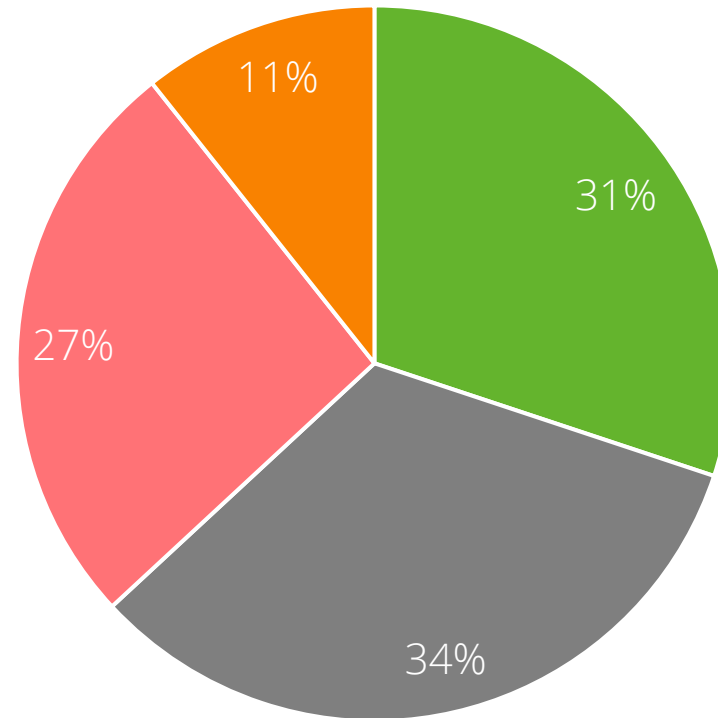
# GERMAN PRIME MARKETS SHOW THE LOWEST RETURNS

## GARBE PYRAMID 2023 – KEY TAKEAWAYS



- Although yields have risen sharply recently, an average of the past five years shows a yield compression in almost all European logistics regions.
- Yields below four per cent are still available in the German prime markets, Leipzig and Paris.
- Logistics market regions that already have a high yield level, such as Eastern European secondary markets (e.g. Ljubljana, Debresin) recorded only a moderate decompression with an increase of ten to 20 basis points

How will net prime initial yields for European logistics properties develop on average in 2023?

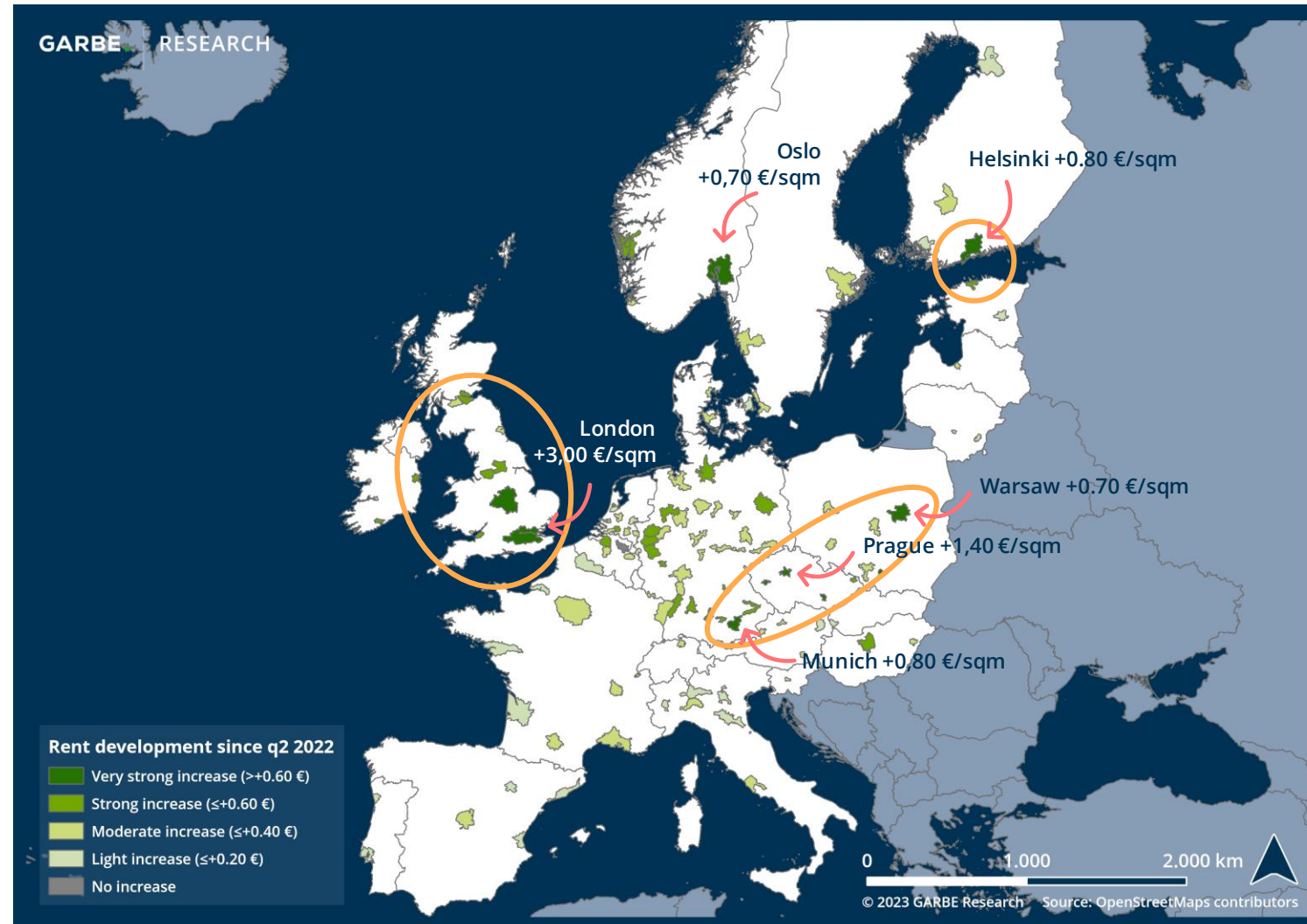


■ Yields continue to fall ■ Yields remain stable ■ Yields continue to rise ■ Contrary, rising and falling



# DYNAMIC RENTAL PRICE DEVELOPMENT IN SOME SUBMARKETS

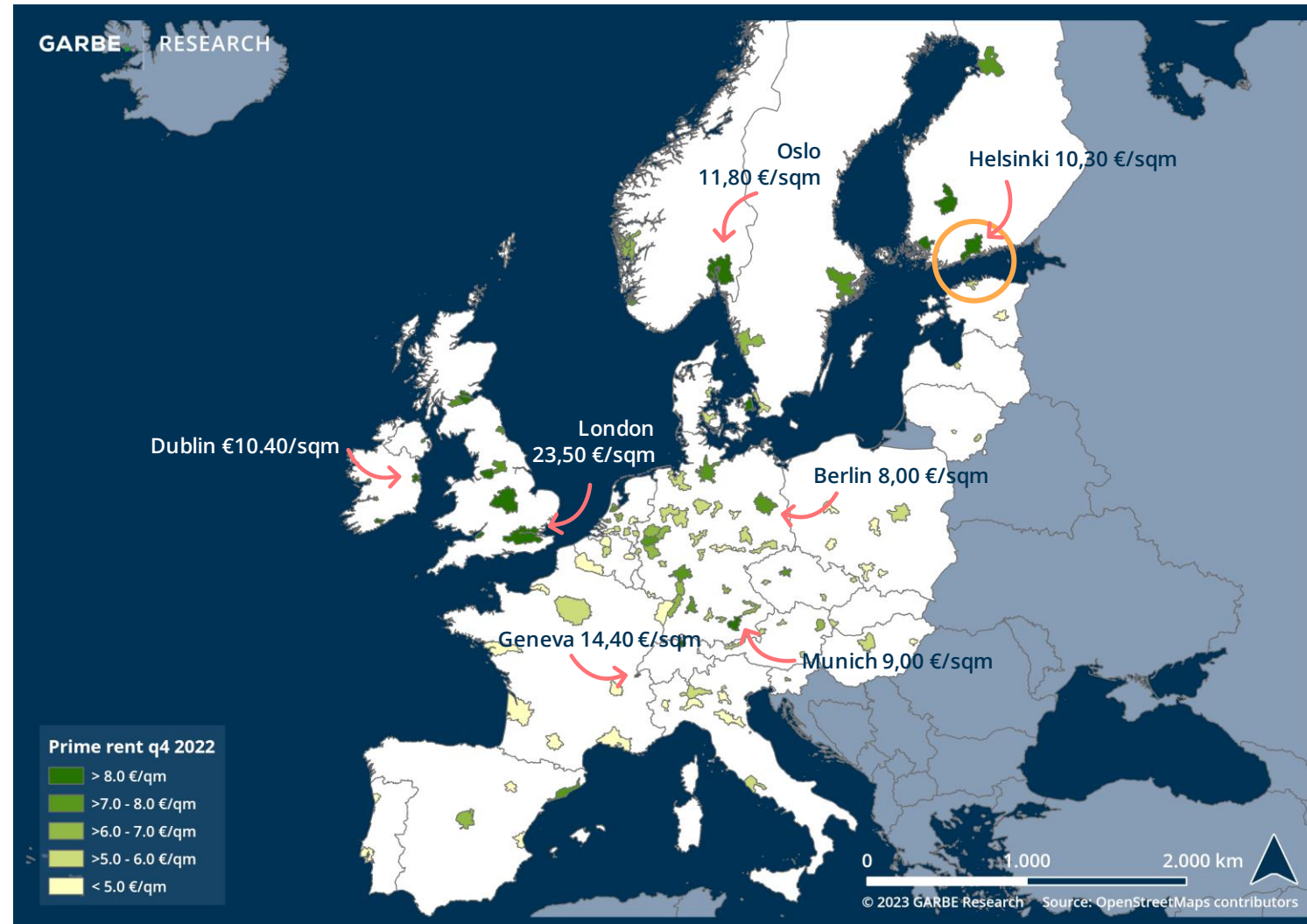
GARBE PYRAMID 2023 – KEY TAKEAWAYS



- Despite the geopolitical crises, the demand for logistics space in 2022 is extremely robust.
- The high demand meets a scarce supply of space in many submarkets in Europe
- Thus, there are sustained increases in the prime rents for logistics real estate
- This development is also driven by significant increases in financing and construction costs.
- Particularly strong rent increases were recorded in the submarkets in the United Kingdom and Ireland
- In addition, there is a wide range of submarkets between Munich and Warsaw
- Overall, rent increases on the logistics real estate markets in Europe averaged 0.40 euros/sqm

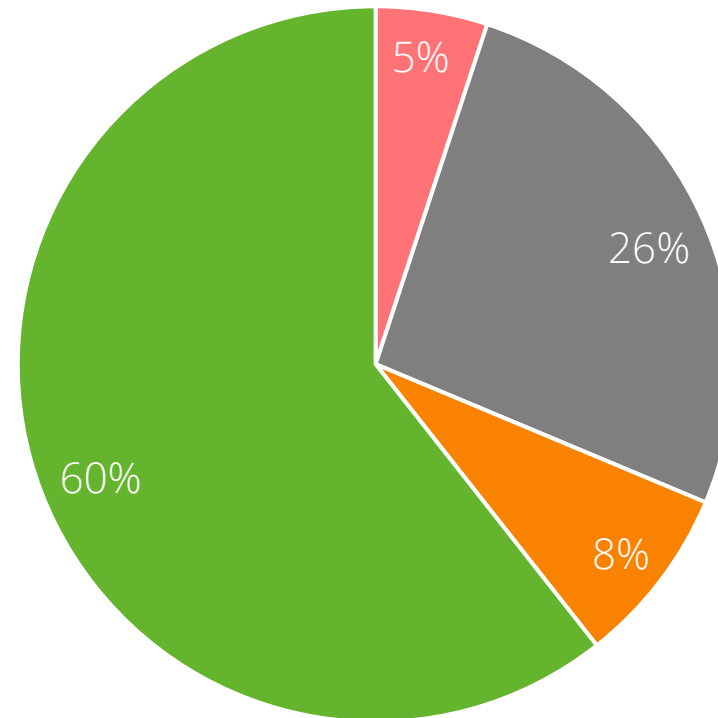
# RENTAL LEVELS IN EUROPE WITH CLEAR DIFFERENCES

GARBE PYRAMID 2023 – KEY TAKEAWAYS



- Prime rents for logistics space vary significantly across Europe
- The most expensive submarkets are mainly located outside the Eurozone, such as Geneva, Zurich and Oslo
- By far the highest prime rents are achieved in London
- But also in other British submarkets, such as Birmingham and Manchester, prime rents of over 9.00 euros/sqm are being achieved.
- Within the Eurozone, the highest prime rents are realised in Dublin and Helsinki
- The most favourable prime rents were recently called in Belgium, France, Italy, Poland and Portugal, among others.

How do you think prime rents for logistics properties in Europe will develop in 2023? The rents will...

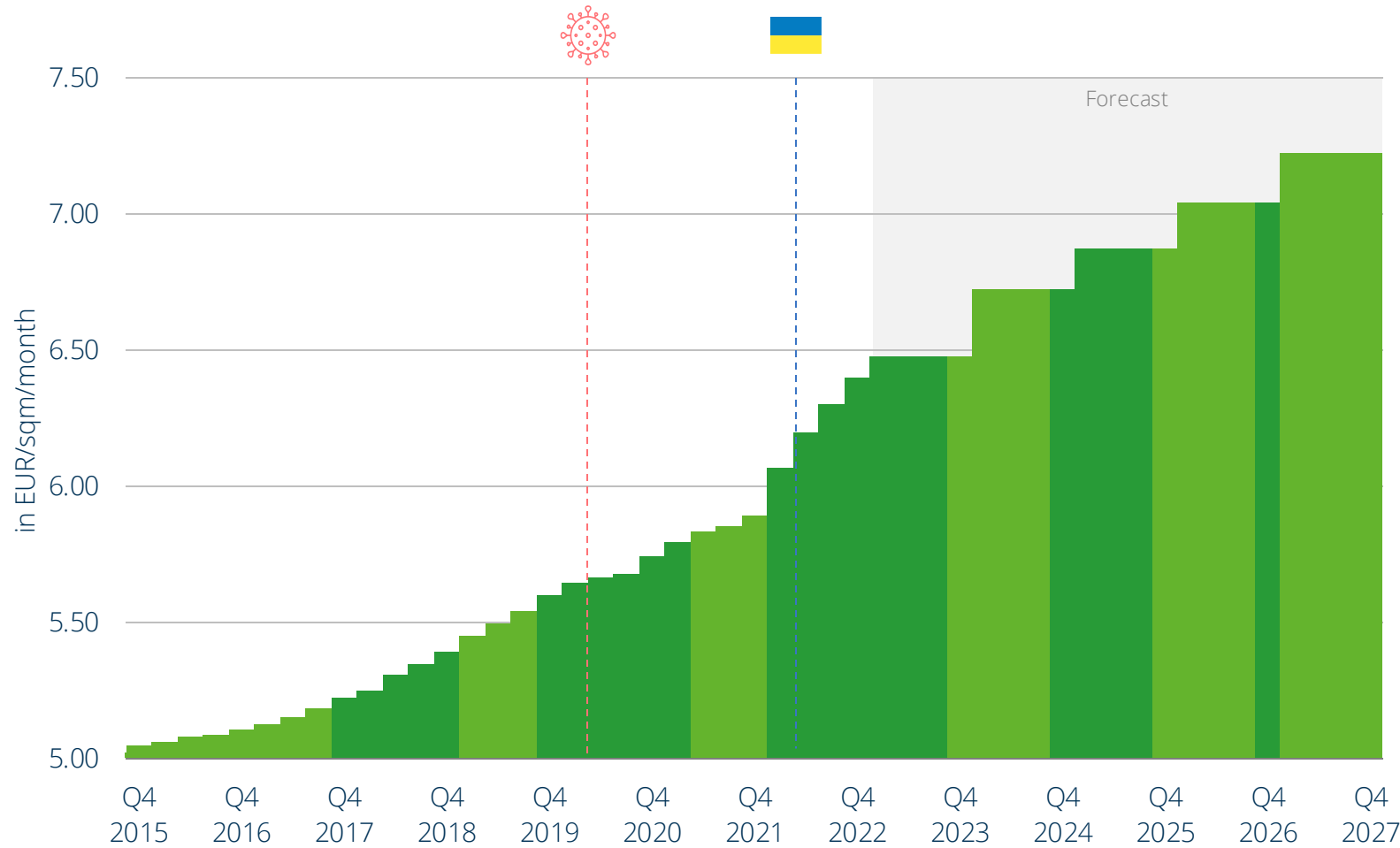


■ Rents are falling again ■ Rents remain stable ■ Contrary, rising and falling ■ Rents continue to rise

# HIGH RENTAL PRICE MOMENTUM CONTINUES UNABATED

GARBE PYRAMID 2023 – KEY TAKEAWAYS

Colour-coded rent iterations up to an increase of 20 cents | Ø logistics/industrial rents in the 122 European regions



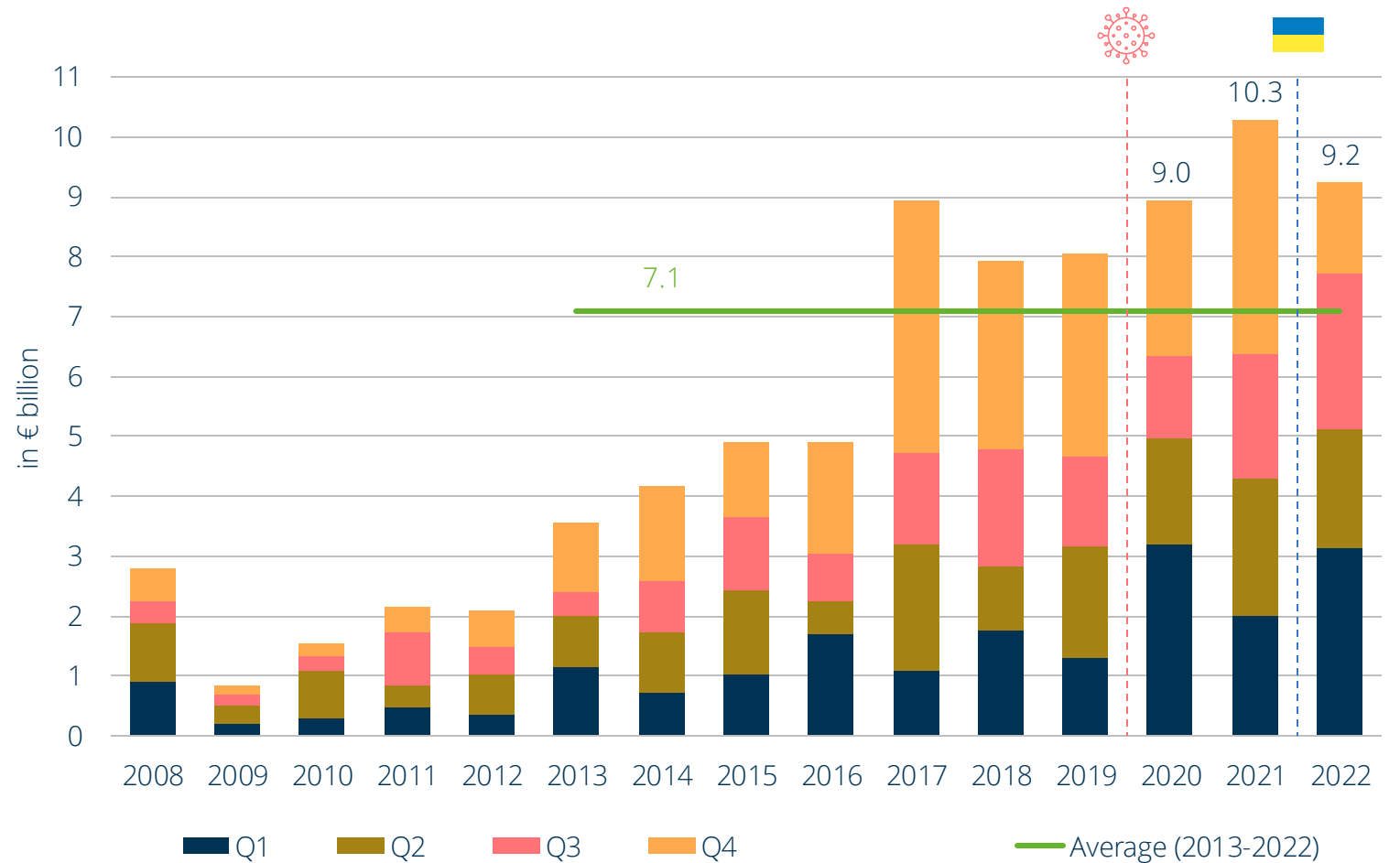
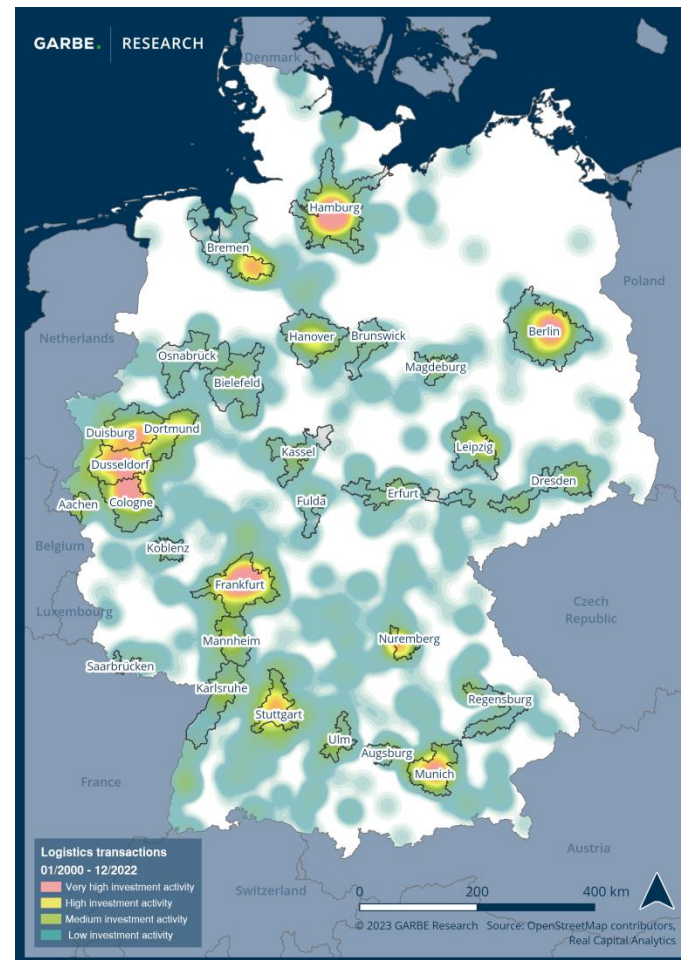
- Lack of space combined with high demand has caused rents in Europe to rise faster and faster in recent years
- While it took 11 quarters to reach a jump of 20 cents in 2015, it was only 4 quarters in 2022
- Shorter iterations are also to be expected in the future (forecast models formulated classically conservatively)
- Between the end of 2022 and the end of 2023, the prime rent is expected to increase by 24 cents/sqm (+4.1 %)
- By Q4 2027, the average rent is expected to be 7.23 EUR/sqm/month



# GARBE PYRAMID 2023 - Focus Germany

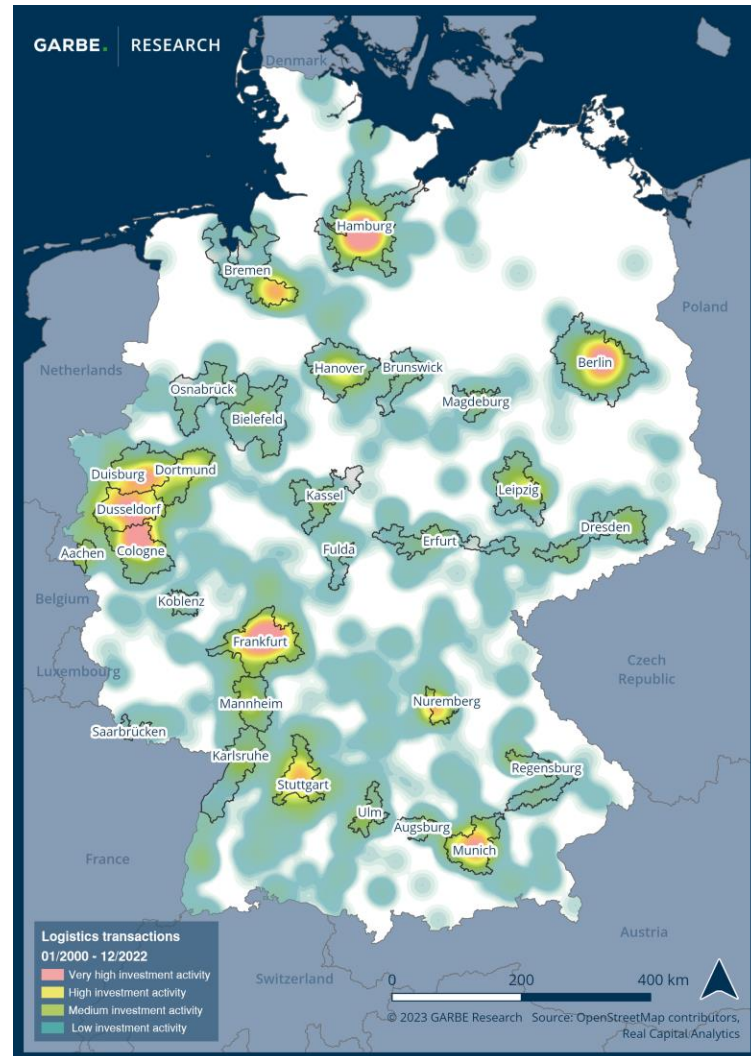
## GARBE PYRAMID 2023 – KEY TAKEAWAYS

### Transaction volume of logistics properties in Germany



# PERIPHERAL LOCATIONS CONTINUE TO GAIN IN IMPORTANCE

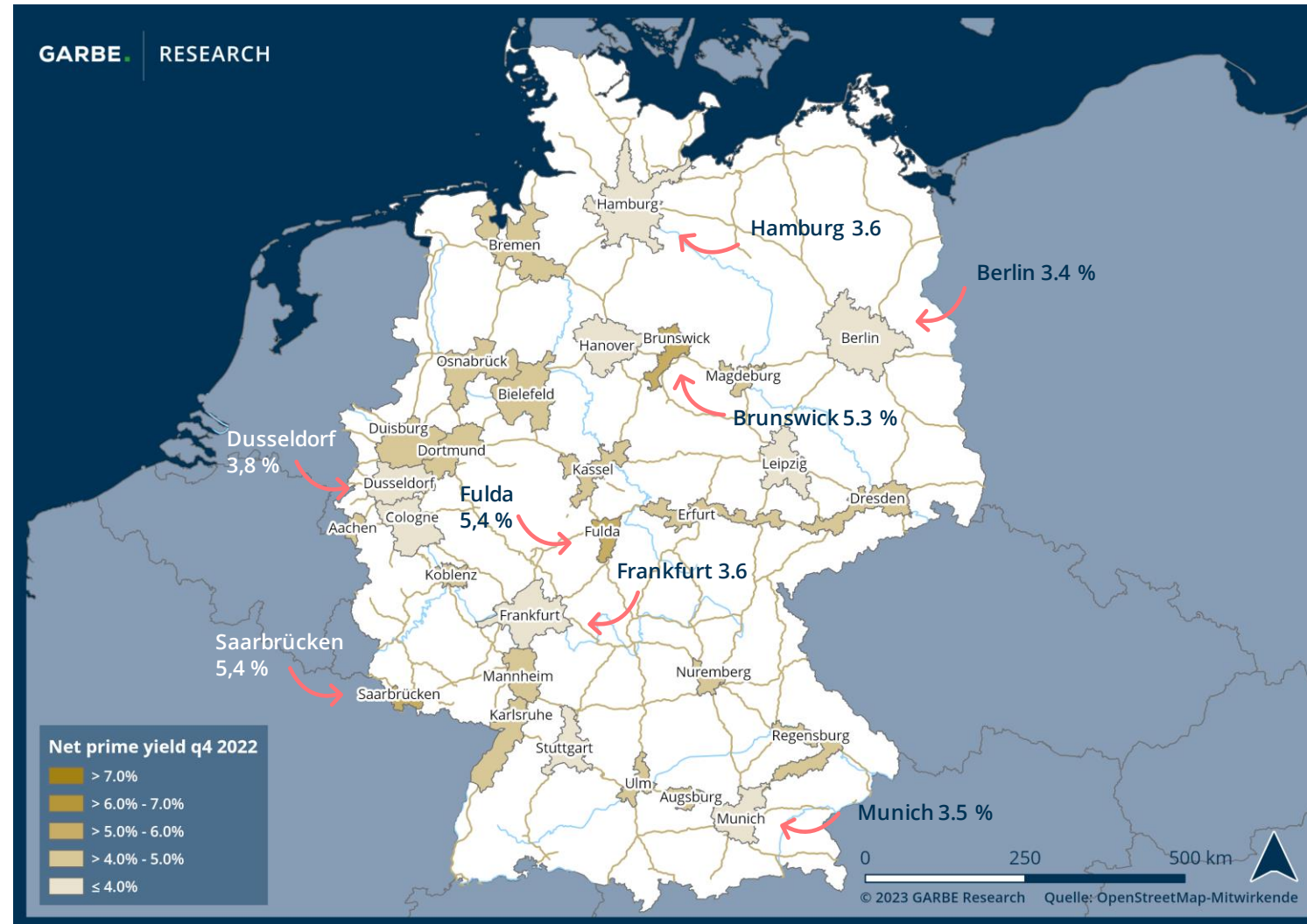
## GARBE PYRAMID 2023 – KEY TAKEAWAYS



- Former secondary markets are experiencing increased investment frequency due to rising prices in the prime and main markets - these include, for example, Kassel and Leipzig
- In some prime markets, such as Munich, Stuttgart and Berlin, significantly fewer investments have been made recently.
- At the same time, construction activity in 2022 was comparatively high in some peripheral regions, such as south of Hamburg or between Dresden and Erfurt
- A transaction cluster is forming along the A3 between Frankfurt and Nuremberg around Würzburg.

# BERLIN AND MUNICH ARE THE EUROPEAN FRONTRUNNERS

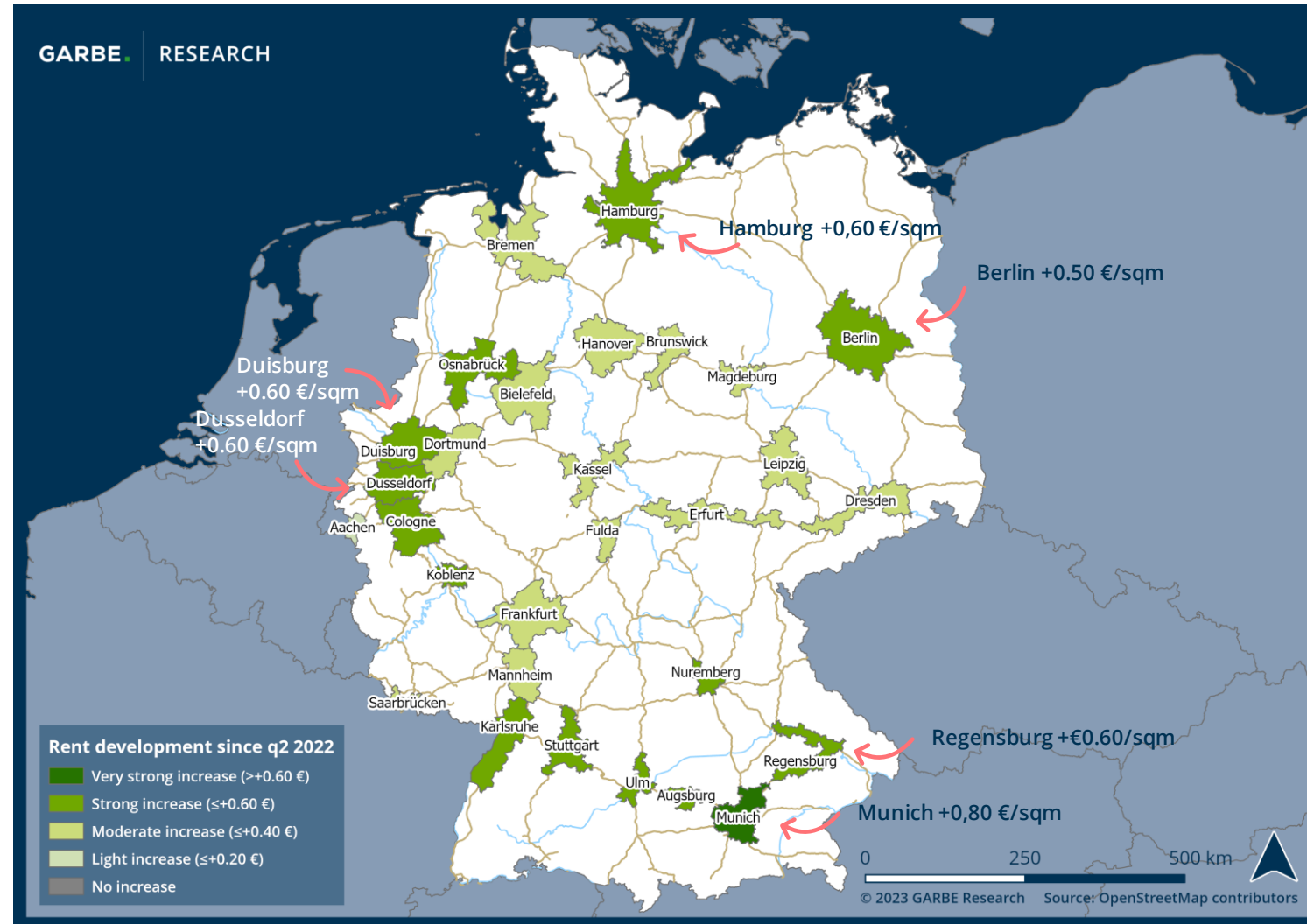
## GARBE PYRAMID 2023 – KEY TAKEAWAYS



- The German investment market for logistics real estate shows reduced dynamics in decompression
- Depending on the region, peak net initial yields increased between 30 and 40 basis points
- The lowest peak net initial yields were achieved in the prime markets of Berlin, Munich, Frankfurt and Hamburg
- The highest yields are called on secondary markets such as Saarbrücken, Fulda and Braunschweig



## GARBE PYRAMID 2023 – KEY TAKEAWAYS

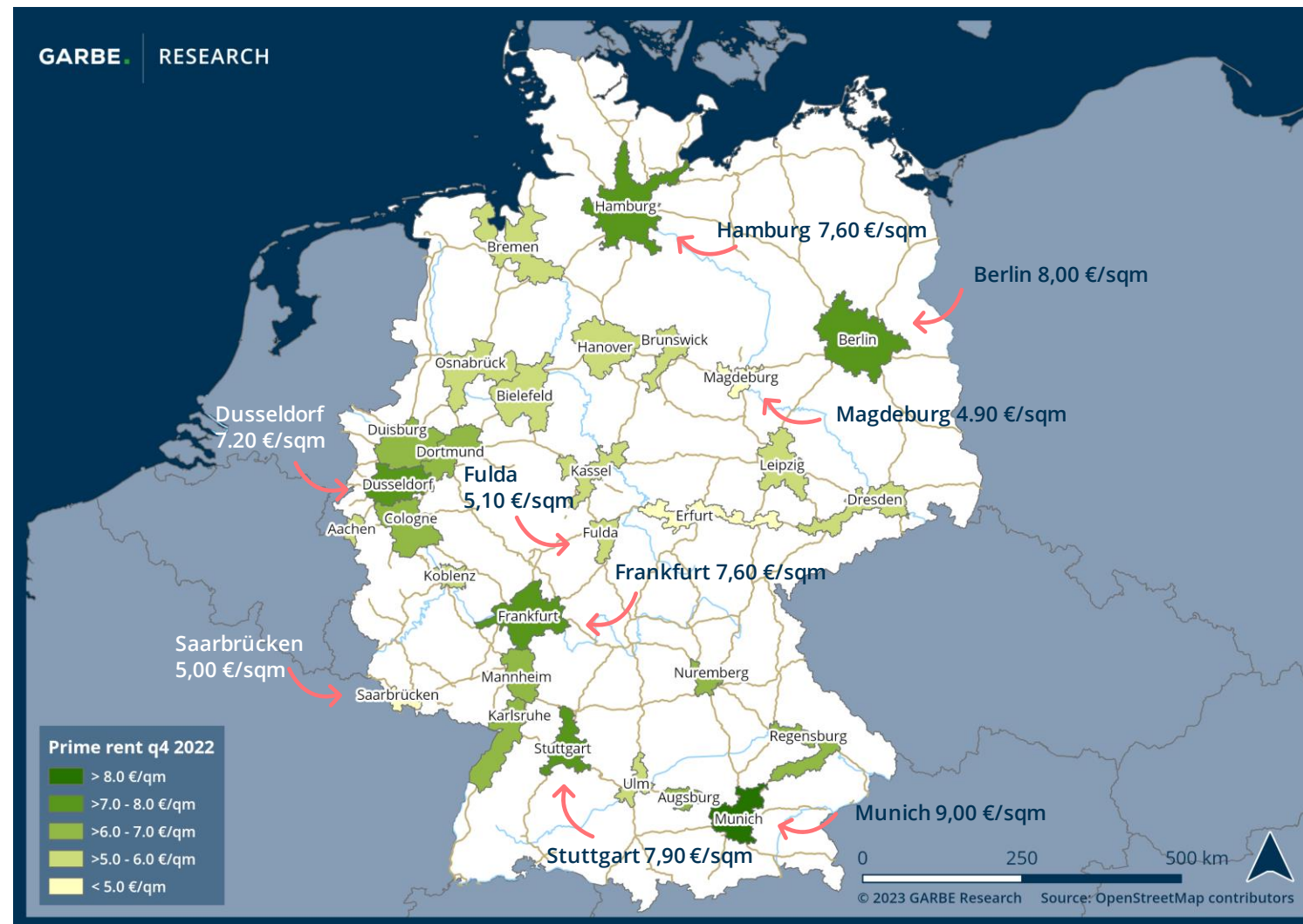


- The growth in prime rents, which has been ongoing for years, will also continue on the German market in the second half of 2022
- In addition to Munich, the markets with the highest momentum are other prime locations such as Hamburg, Düsseldorf and Stuttgart (+0.60 euros/sqm).
- But there are also corresponding increases in prime properties in secondary markets such as Duisburg, Koblenz and Regensburg.



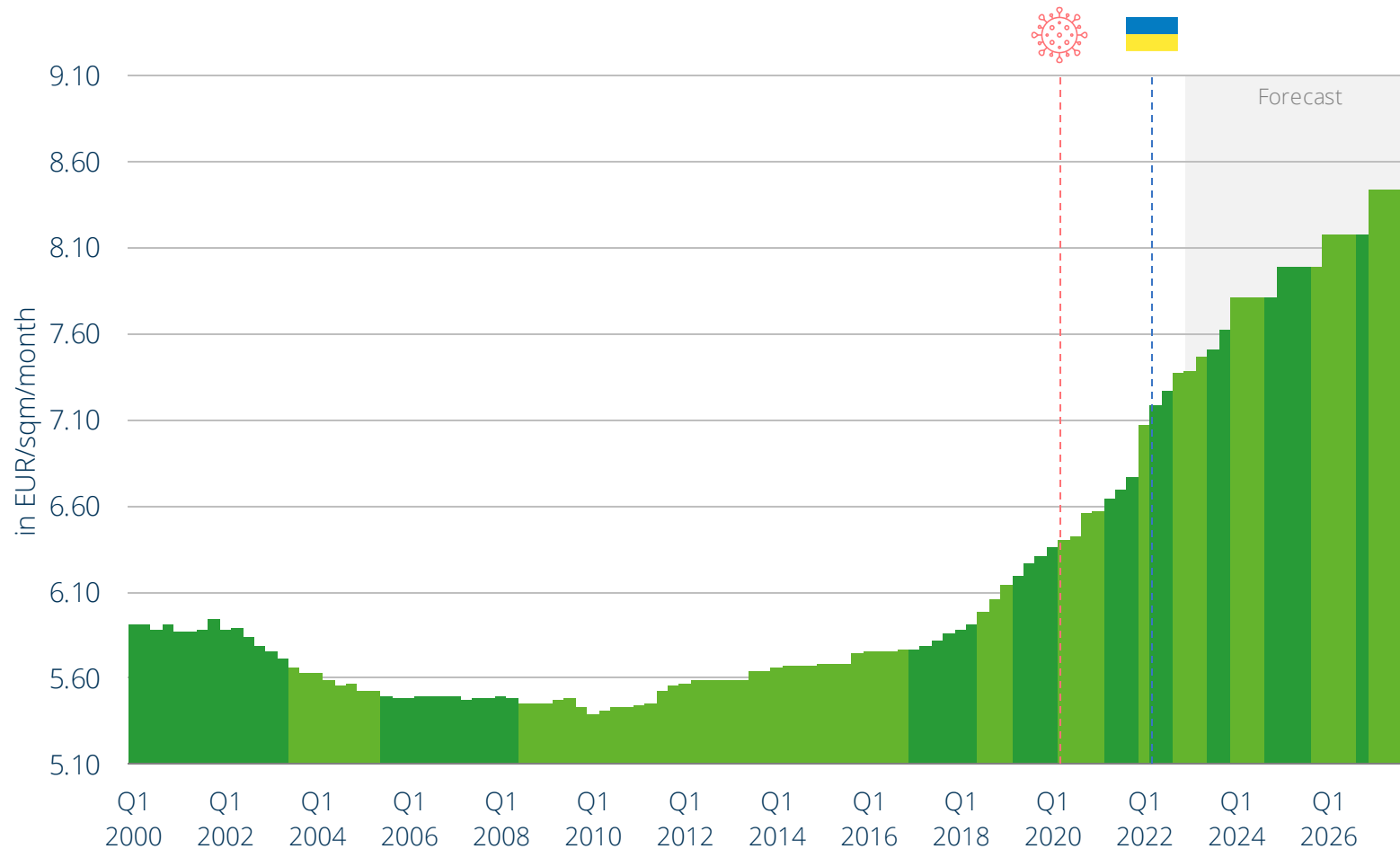
# BIG 7 CITIES WITH THE HIGHEST PRIME RENTS

GARBE PYRAMID 2023 – KEY TAKEAWAYS



- The highest prime rents were recently achieved in the seven prime locations
- They vary between 7.00 euros/sqm in Cologne and 9.00 euros/sqm in Munich.
- The lack of space potential and labour in the prime logistics regions means that tenants are increasingly turning to secondary markets and secondary locations
- The increasing acceptance of these locations is also reflected in the rental dynamics
- Examples of this are Dortmund, Duisburg and Dresden, with average annual growth rates of up to ten percent over the past five years.

## Colour-coded rent iterations up to an increase of 20 cents | Ø logistics/commercial rents in the 7 prime markets in Germany

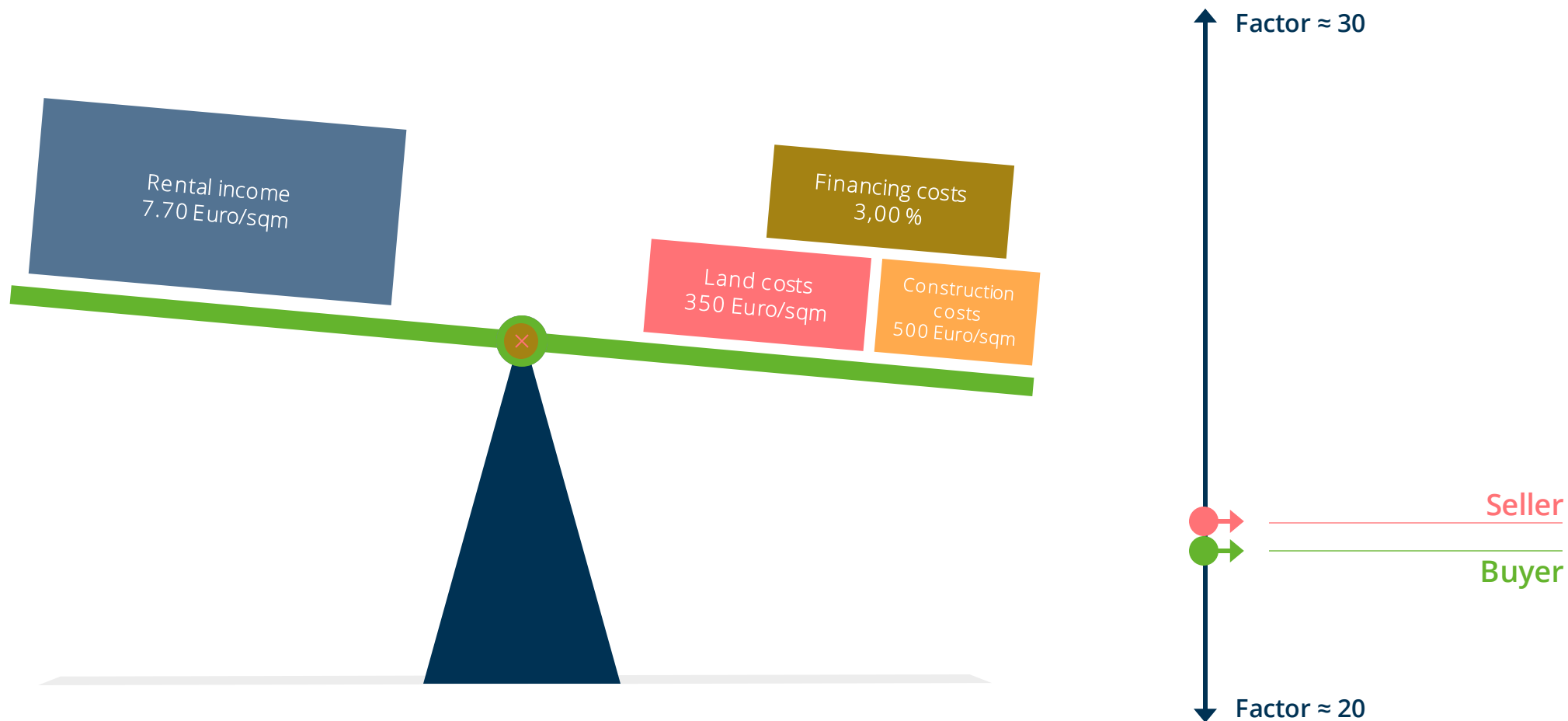


- Lack of space and high demand cause rents to rise at ever shorter intervals
- Whereas it took 35 quarters for a 20-cent jump at the end of 2008, it is now only 1-2 quarters
- Between the end of 2021 and the end of 2022, the prime rent is expected to rise by 60 cents/sqm (+8.9 %). By the end of 2023, a further 26 cents/sqm is possible (+3.5 %).
- By Q4 2023, the average rent is expected to be 7.63 EUR/sqm/month

Note: Average of prime rents in the 7 prime markets (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich, Stuttgart)

# WHEN AND WHERE DO BUYERS AND SELLERS FIND EACH OTHER AGAIN?\*

GARBE PYRAMID 2023 - WHERE DOES THE MARKET STAND?

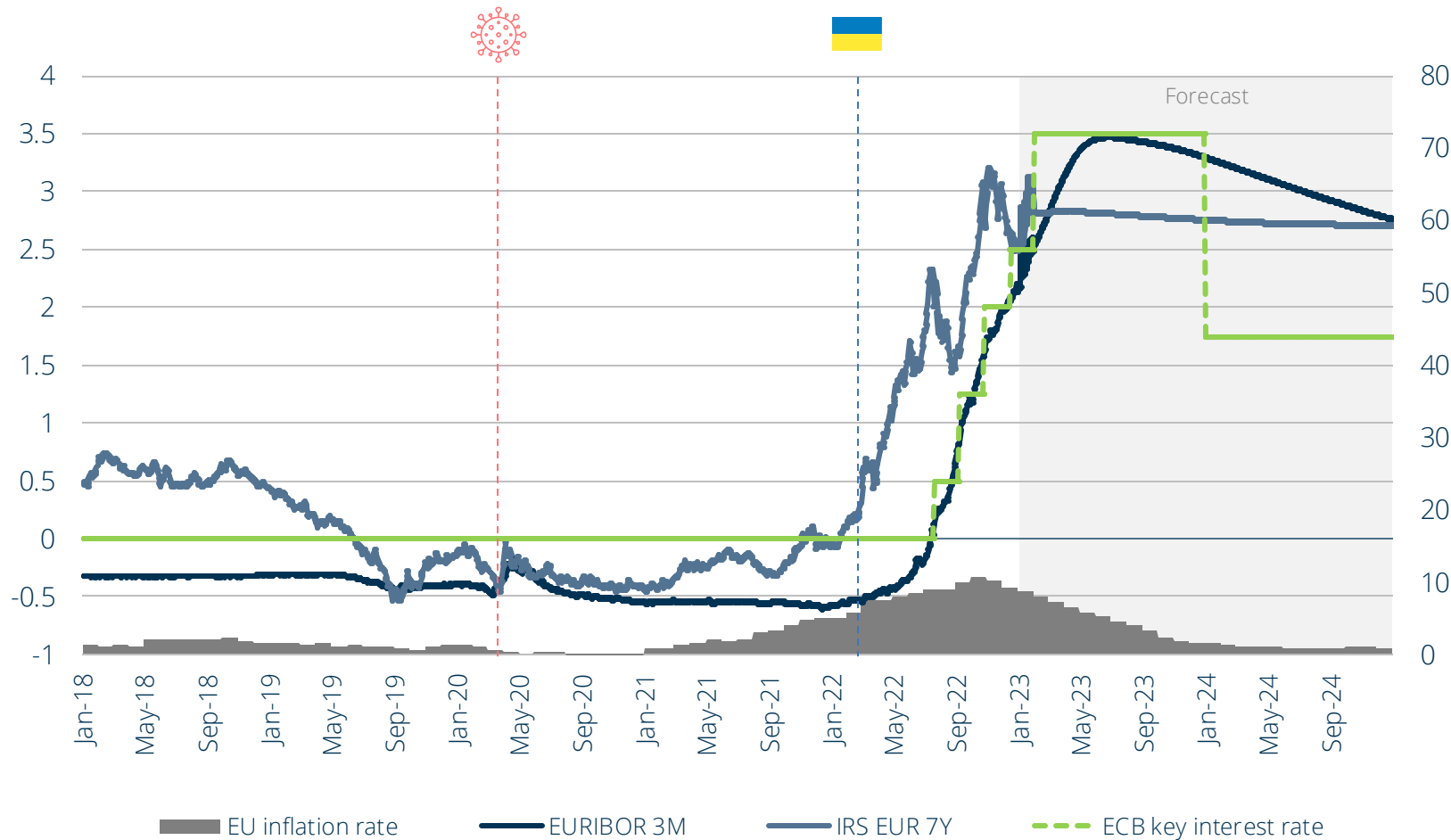


\* Indicative values

# FINANCING CONDITIONS CHANGE SIGNIFICANTLY

GARBE PYRAMID 2023 - WHERE DOES THE MARKET STAND?

## EU inflation rate in %, EURIBOR, 7Y interest swap rate in % and ECB key interest rate incl. forecast

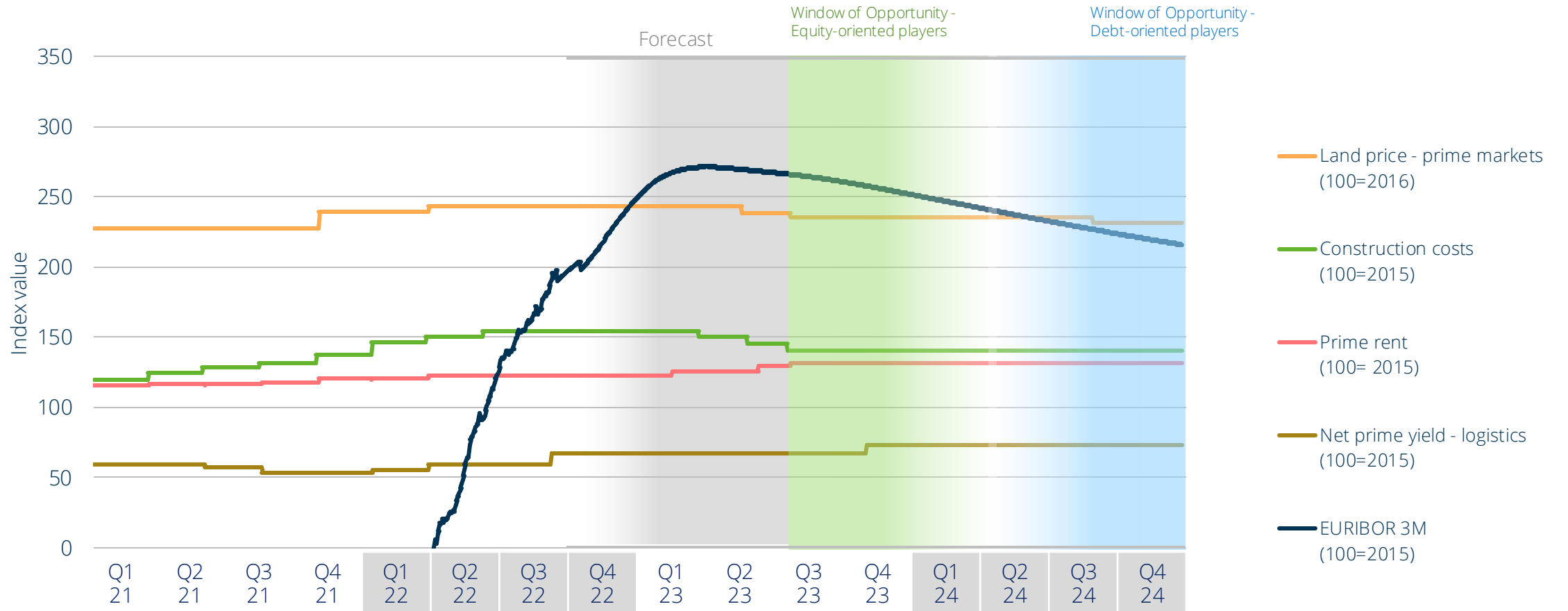


- EURIBOR (Euro Interbank Offered Rate) refers to the average interest rates at which many European banks lend to each other in euros.
- EURIBOR (3M) has been mostly stable for many years, EURIBOR rose sharply from mid-2022 and is expected to stabilise or decline in Q2 2023
- The 7Y interest swap rate oscillated strongly last year, so loan terms changed significantly
- The inflation rate has risen massively since the end of 2021, but a positive development is assumed
- The key ECB interest rate also rises sharply in HY 2022, with a significant decrease expected from 2024 onwards

# FROM THE END OF Q2 2023, BUSINESS MAY PICK UP AGAIN

GARBE PYRAMID 2023 - WHERE DOES THE MARKET STAND?

## Forecast of key logistics real estate indicators over time (Germany)





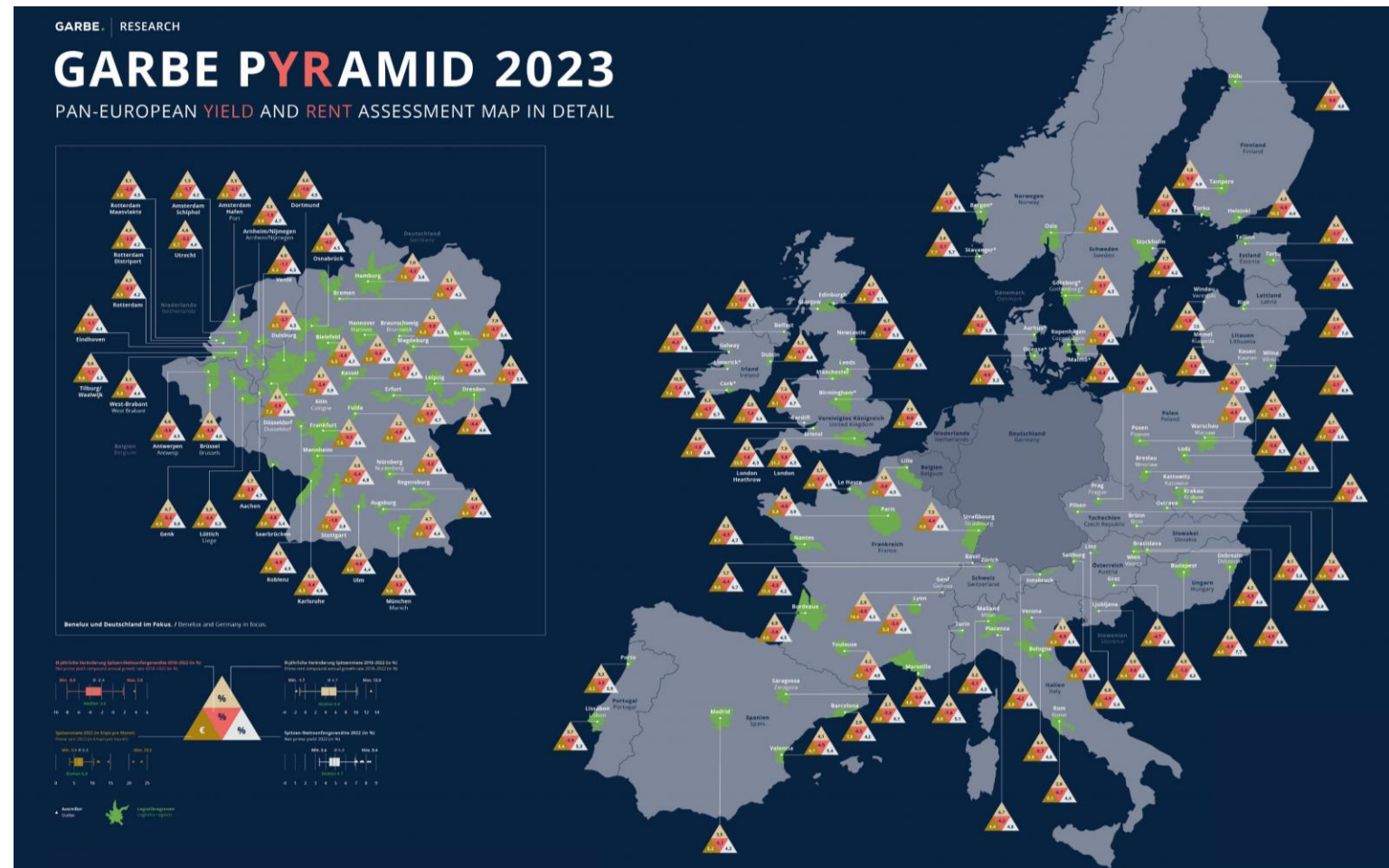


Janica Gerecke

Member of the Executive Board  
International Business

## Investment Focus Europe: Where are the Investment Opportunities?

INVESTMENT FOCUS EUROPE: WHERE ARE THE INVESTMENT OPPORTUNITIES?



- Mismatch in buyer and seller expectations on property pricing
- Shift in loan terms and credit availability (e.g. speculative developments)
- Uncertainty on inflation forecasts
- Geopolitical landscape
- Increased construction costs

Potential investment opportunities given by these challenges for active investors

INVESTMENT FOCUS EUROPE: WHERE ARE THE INVESTMENT OPPORTUNITIES?

1

## CONTINUED GROWING DEMAND FOR LOGISTICS ACROSS EUROPE

- The COVID pandemic did not impair take-ups
- Take-up tends to be inhibited by a limited supply of land and logistics space
- Second-tier markets/locations gain in importance
- Global supply chains are reorganizing - European re- and nearshoring, paradigm shift from JIT to JIC, stockholding and e-commerce are besides the bread and butter business the key drivers

2

## HIGH DYNAMIC OF RENT LEVEL INCREASES

- Logistics' cash flow yield development is sustainably positive and outstrips that of most other real estate segments
- Rent levels have developed positively in all markets over the last five years – and this is expected to last mid-term
- Rent increases were recently achieved at ever shorter intervals
- Some developing/emerging markets show much higher growth dynamics than established core markets

3

## GROWING IMPORTANCE OF SUSTAINABILITY AND REDUCED LAND SEALING

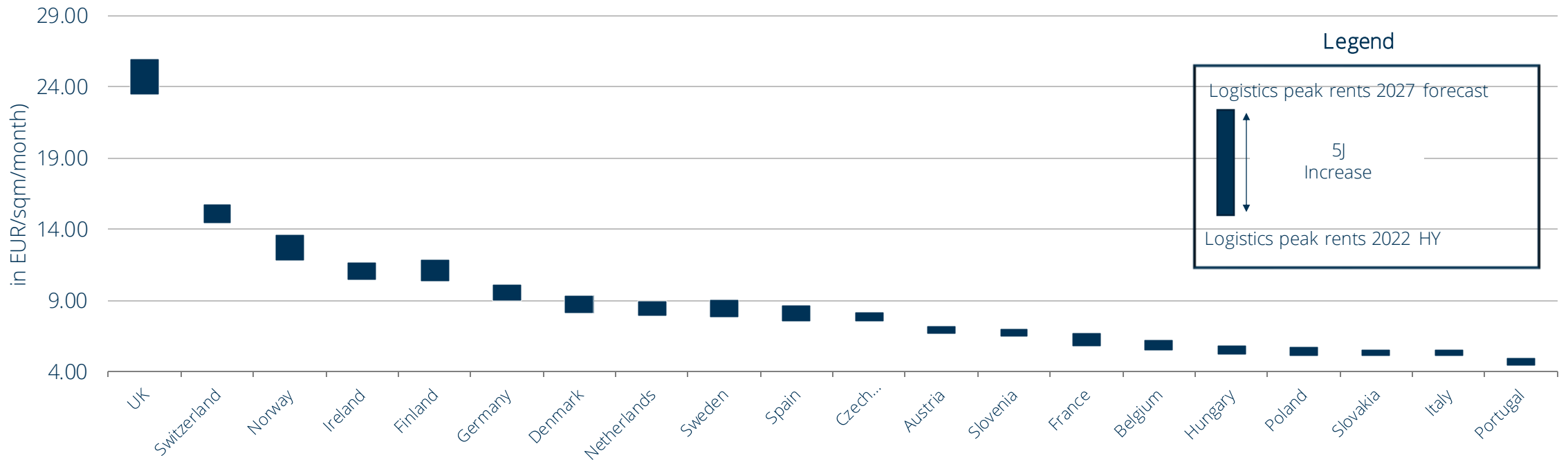
- Political impetus of reduced land sealing will have an impact on new developments – standing assets come into focus
- Refurbished existing property with a vital role on overall portfolio carbon footprint
- The life cycle footprint of existing properties often outperforms that of new buildings

To unlock investment opportunities local networking reach is of high importance → „boots-on-the-ground“ approach in focus countries

# PEAK LOGISTICS RENTS IN EUROPE

INDEPENDENT OF MARKET FLUCTUATIONS, WE EXPECT STABLE MEDIUM-TERM RENTAL GROWTH OF ~2.4% PER YEAR UNTIL 2027

## Prime logistics rents in Europe 2022 HY - 2027



- Investment and development opportunities can be found in all our focus countries
- The UK is ahead of the European cycle → business is starting to recover
- First transactions at the new price level have also taken place in Germany and Poland



Jan Philipp Daun  
Managing Director

## Institutional Investments: Is Logistics Real Estate still Attractive?

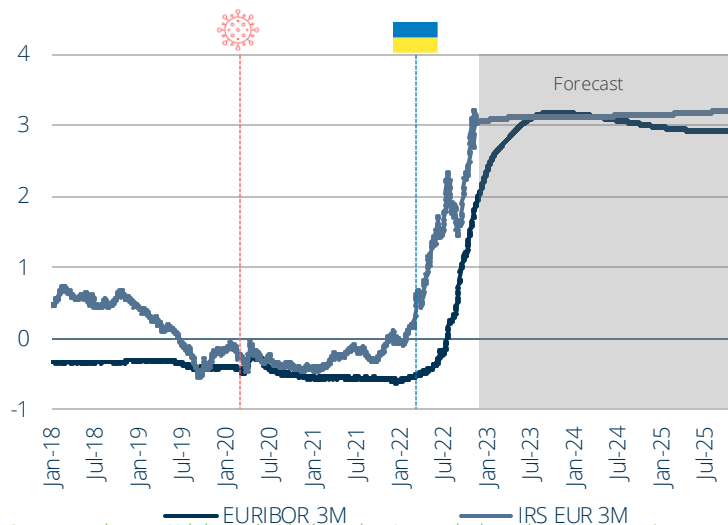


# HOW RESILIENT HAS THE MARKET PROVEN TO BE?

## INSTITUTIONAL INVESTMENTS: IS LOGISTICS REAL ESTATE STILL ATTRACTIVE?

### Challenges

- Inflation of over 10% in 2022. For 2023 inflation is expected at approx. 6%.
- End of low interest rate period – interest rate increase of more than 300 basis points since the start of 2022.
- Increased caution of banks.
- End of yield compression.
- General economic uncertainty.
- EUR SWAP Rate (5 yrs. / 10 yrs.): 2.87% / 2.86%

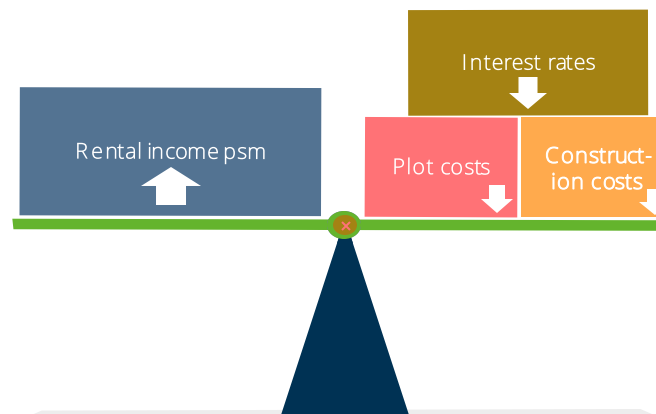


### Chances

- Continued high demand for logistics sector space.
- Expectation of further rent growth, additionally driven by inflation.
- Continued shortage of available space and land.
- Slowing of purchase price declines in the coming months.
- Rise in investment demand linked to price increases potentially starting Q2 2023.

### Resume

- Shortage of available plots and rental area lead to higher market rents.
- Leases are usually long-term and fully CPI indexed, thus inflation-protected.
- Good solvency of logistics tenants.
- Investments in strategically valuable locations.
- Long-term cash flow.
- Possibilities to ensure ESG strategy (f.e. solar panels on roof area).
- High third party usability of logistics assets.



# WHAT REQUIREMENTS ARE INSTITUTIONAL INVESTORS FACING?

INSTITUTIONAL INVESTMENTS: IS LOGISTICS REAL ESTATE STILL ATTRACTIVE?

## CONTINUED TRANSACTION DEMAND

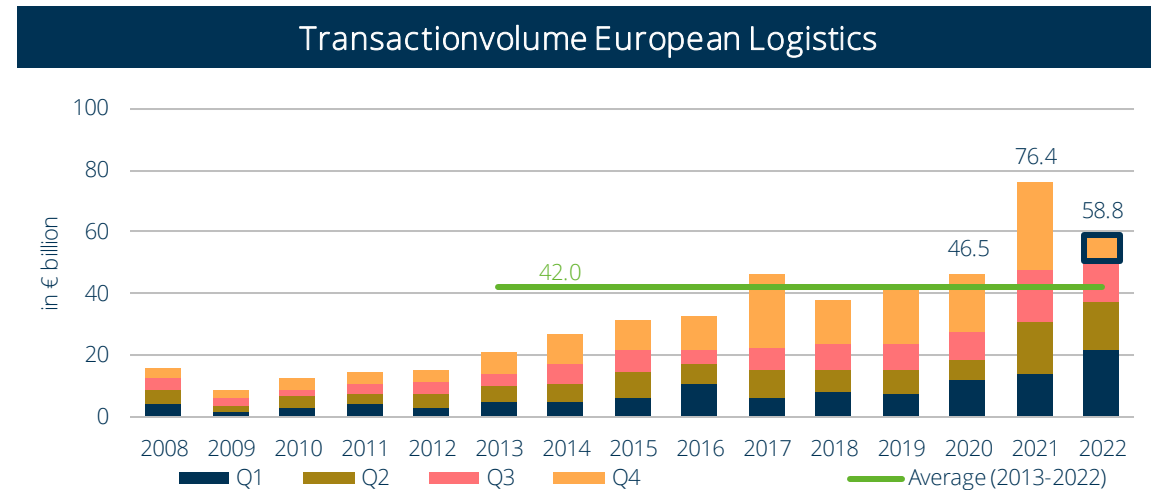
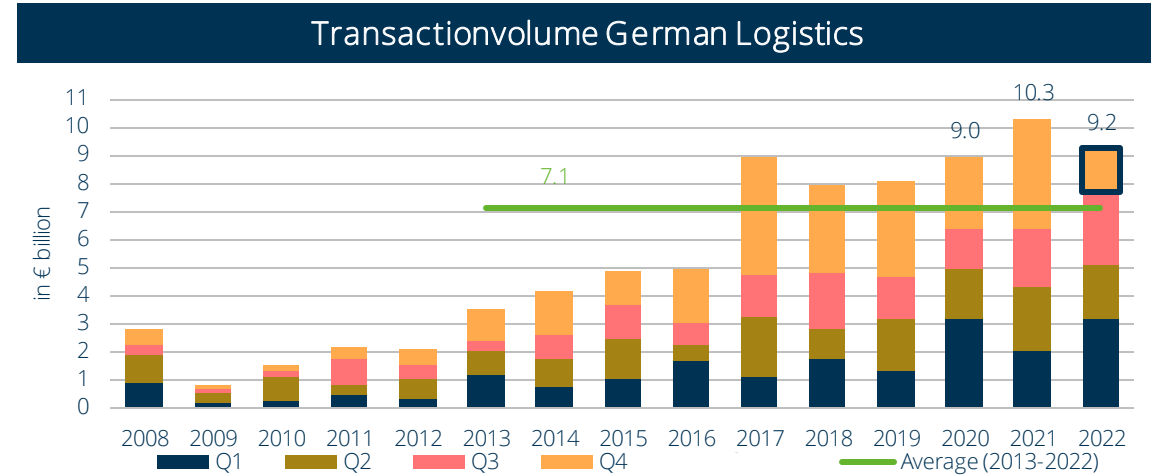
- Transaction volume for logistics assets in Q4 2022 still showed a significant number.

## INFLATION COMPENSATION

- Market rent growth due to lack of available area.
- Fully CPI indexed rental contracts.
- Solvent logistics tenants.
- Less political risks in terms of index based rental growth compared to other asset classes (f.e. residential).

## STABLE RETURNS

- Stable CoC returns of logistics investments compensate inflation risk, which f.e. federal bonds can not provide.
- Long term goal of Core asset CoC is 3.5% - 4.0%.



# WHEN WILL THE INVESTMENT MARKET REBOUND?

INSTITUTIONAL INVESTMENTS: IS LOGISTICS REAL ESTATE STILL ATTRACTIVE?



**CoC > 3.5% still possible**

**Stable capital values due to rent increase**

	Feb 21	Feb 21	Jan 23
	Unlet at Acquisition	Look at Acquisition	Current
Rental Area (sqm)	23,039	23,039	23,039
Multiple	20.0x	27.0x	21.0x
GIY	5.00%	3.70%	4.76%
Rent psm (EUR)	3.75	3.75	5.00
Rent p.a. (k EUR)	1,037	1,037	1,382
Net Purchase Price (k EUR)	20,735	27,992	29,029
Cap Value psm (EUR)	900	1,215	1,260

## GARBE EXAMPLE CASE

- In 2021 we bought an unlet asset for a multiple of below 20x, while the value for the fully let asset would have been 27x.

## MARKET RENT AS OF TODAY

- Current market rent is 5 EUR psm.

## RESUME

- Cap Value is still secured since 2021. Due to active management and rental growth, the value as of today is even slightly higher than in 2021.

## MODERATION



NICHOLAS OF RAGGAMBY  
RUECKERCONSULT  
MANAGING DIRECTOR

## SPEAKERS



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For questions or comments, please contact



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