

PRESS RELEASE

Logistics markets in Germany and Europe remain on course for growth

- **Prime yields of European Logistics Real Estate decline, rents increase**
- **Logistics real estate delivers long-lasting stability and good performance compared to other asset classes**
- **Requirements for logistics service providers rise up: megatrends such as digitalisation, e-commerce, increase in global freight traffic and sustainability drive up demand**
- **Investments in logistics real estate at record high**
- **Outlook: the ongoing high demand for space alongside the declining supply throughout Europe is triggering an accelerated development in the cost of rent**

Cologne, 10 February 2022 – The year 2021 was a record year for the German logistics market. Investments in logistics real estate are at an all-time high, as are the rental costs and the demand for floor space. The main factors driving demand are megatrends such as digitalisation and accompanying new technologies, the growth in e-commerce, the rise in the global freight traffic and the increase in outsourcing due to growing competitive restraints and cost pressure. The consistently high demand for space alongside declining supply is accelerating the rental costs and will continue drive demand up in 2022. These are the main findings of yesterday's online press conference "Logistics real estate in Germany and Europe: Outlook 2022", at which GARBE Industrial Real Estate, COMPLEMUS Real Estate and HIH Invest Real Estate presented market data, projects and insights and discussed possible trends.

While the cost of rent rose conversely compared to prior-year period by 2.2% in the fourth quarter of 2021, the prime yields of the logistics market in Europe declined considerably by 7.1%. The most significant changes happened in Germany and the Netherlands: in some cities, such as Rotterdam or Berlin, the prime net initial yields dropped from 4.0% to 3.3% within a year, corresponding to a change of 17.5%. The rents rose during the same period by 6.9%, from EUR 5.80 to EUR 6.20 per square metre. However, logistics real estate continues to remain attractive despite the drop in lucrative returns, thanks to its long-lasting stability and strong performance compared with other asset classes.

Jan-Dietrich Hempel, Managing Director at GARBE Industrial Real Estate, had this to say: "Increased focus has been placed on secondary markets, such as Bremen, Eindhoven or Utrecht. There, the rents have risen rapidly over the past five years. Because in addition to metropolitan areas, cities at transport

hubs with direct connections to ports, airports and motorways are among the most attractive investment locations alongside large cities. The accelerated development in the rent growth could intensify if trends concerning reshoring and nearshoring, stockholding and further growth in e-commerce gather momentum or continue.”

Search for the right site still problematic

Project developers face challenges, in particular when it comes to searching for appropriate parcels. Available space is becoming increasingly expensive due to the continuing boom, and logistics locations are repeatedly encountering resistance from municipal policymakers and local interest groups. Brownfields are becoming ever more attractive, especially in terms of sustainability.

Andreas Preußner, Managing Partner of COMPLEMUS Real Estate, comments: “The conversion of former industrial sites that are no longer used for various reasons is particularly interesting for us. Logistics facilities still require a large amount of space compared to other sectors, so brownfields are becoming increasingly attractive to project developers. It is considerably easier to convince local residents and, in particular, politicians of the benefits of converting former industrial land than it is for the construction of land-intensive developments. In most cases, the necessary building laws are also already in place.”

Coronavirus pandemic, ESG and digitalisation are the main drivers behind demand

While the pandemic initially brought the logistics sector to a stop, it also gave the sector a major boost in momentum. The negative impact on supply and production chains caused by capacity bottlenecks saw demand for logistics space soar in 2021. Probable adjustments, such as the reduction of just-in-time delivery, nearshoring and procurement diversification, will not break this trend in 2022. Supply chains are being put to the test: almost one third (29.5%) of companies in the manufacturing industry and 17.5% in wholesale trade intend to diversify their supply chains in the future. Almost one quarter (25.1% of companies in the manufacturing industry and 23.4% of those in wholesale trade) plan on increasing their warehousing capacities.

Hans-Joachim Lehmann, Managing Director HIH Invest Real Estate, said: “Industry and trade have never before come under such intense pressure from high transportation costs and supply shortages. At the same time, customers’ requirements concerning the delivery of goods and delivery time in particular are increasing. Logistics service providers are experiencing increasing pressure to expand their logistics networks.” This increases the pressure for space and the demand for logistics real estate, and for last-mile properties in particular.” Jan Dietrich Hempel, Managing Director at GARBE Industrial Real Estate, added: “The demand will also be fuelled by changes to supply chains in the future, since

they have not proven to be resilient especially during the coronavirus pandemic. Relocation to affordable, well-connected European locations could be an option. We believe there is huge potential for nearshoring in the Czech Republic, Poland and northern Italy in particular.”

Demands on logistics service providers are influenced by further factors: digitalisation, efficiency and flexibility drive demand for modern space and processes; increasing requirements concerning sustainability lead to additional pressure on demand. Andreas Preußner added: “The real estate sector is doubly affected by ESG requirements: in terms of investment, by taxonomy and the disclosure obligation, but also by the specifications and evaluation criteria when it comes to the construction and operation of real estate. Project developers must take into account factors such as green leases, the conservation of resources during construction as well as barrier-free accessibility, and document these in order to keep up with new customer requirements.”

Investments in logistics real estate at record high

Investors also continue to keep a firm eye on logistics real estate: The industry set an unequivocal revenue record in 2021 with a transaction volume of around EUR 10 billion, corresponding to a share of 20% of the total market. To put that into perspective: logistics transactions accounted for just under EUR 1.5 billion, or 2%, of the overall market in 2012. Demand for space was able to break records thanks to megatrends in logistics due to the COVID-19 pandemic. Take-up grew in 2021 to around nine million square metres (compared to around five million square metres in 2012).

“Thanks to the large number of attractive logistics regions, the market is flexible and diversified. As a result of the supply shortage in the top locations, increasingly attractive, well-connected B and C locations are becoming of interest to investors,” said Hans-Joachim Lehmann. “Logistics real estate will become more intelligent in the future, regardless of location. The industry is currently experiencing a digital shift towards the automation of its services and needs real estate to support productivity through new technologies.”

Image rights information:

The use of the images provided is permitted in connection with reporting on the online press conference and the participating companies. Please always indicate the source. Images may only be edited by way of normal image processing.

Press contact

Judith Ebbinghaus

RUECKERCONSULT GmbH

Hohenzollernring 58

50672 Cologne

Germany

Phone +49(0) 221 292 956 314

ebbinghaus@rueckerconsult.de

About GARBE Industrial Real Estate GmbH

GARBE Industrial Real Estate GmbH is one of the leading platforms for logistics properties, multi-let properties of the Unternehmensimmobilien type and technology properties in Germany and elsewhere in Europe. For more than 30 years, the manager-owned company, headquartered in Hamburg, has counted among the main independent collaboration partners for transport and logistics service providers, the trade sector and the manufacturing industry. GARBE develops, buys, sells, lets, manages and finances high-end commercial properties in attractive locations in Europe. At the moment, GARBE has around 5.0 million square metres of lettable area under management in five different countries that represent property and fund assets (incl. development pipeline) in a combined value of c. 9.5 billion euros (as of January 2022).

About COMPLEMUS Real Estate

COMPLEMUS REAL ESTATE is a manager-owned investment developer. The company plans, develops, implements and funds high-end commercial real estate for renowned companies, including DHL, Amazon and Goldbeck. The company handles all aspects along the entire real estate value chain, from the identification of suitable land through to the transfer of the real estate to the end investor. COMPLEMUS stands out from other service developers because it is also a point of contact for the funding of these projects. Since 2007, the company's management team has implemented projects totalling around EUR 350 million. The company is based in Aachen, Germany, and it develops commercial real estate throughout the whole of Germany from there.

About HIH Invest Real Estate

HIH Invest Real Estate (HIH Invest) is one of the leading investment managers for real estate in Germany and Europe. We adopt a future-oriented approach to finding, developing and managing properties and investments in the interests of our clients. Decades of experience, proximity to the real estate markets and a tight-knit network allow us to identify real estate opportunities and quickly implement them in the right phase of the market. Around 260 institutional clients have entrusted their investments to HIH Invest. Our specialists for structuring, product development, real estate management and market development all work to develop the right investment solutions for them. HIH Invest is represented at ten locations throughout Europe. As part of the HIH Group, our in-house capacities cover the entire real estate investment value chain. Early identification of changes in the market, implementation of regulatory requirements and future-oriented digital management are part of our corporate philosophy. HIH Invest currently manages assets with a volume of EUR 16.4 billion across 90 funds.