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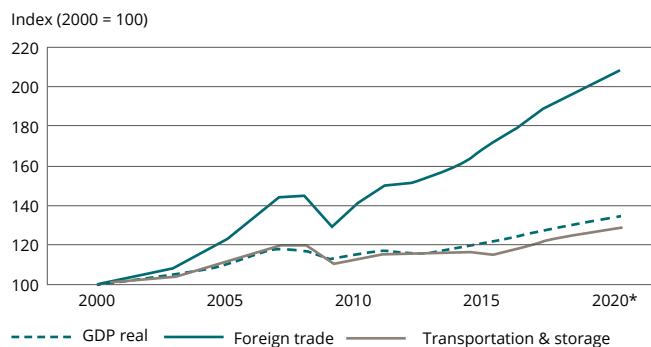
Logistics Europe

GLOBALISATION AND E-COMMERCE

The logistics industry expands in line with economic growth

For many years, the transportation industry has benefited from the increasing interdependence of the world's economies and rising flows of goods. Although cross-border trade in Europe has grown significantly in recent years, the logistics industry is only expanding at the same rate as the economy as a whole, indicating the weakening impact of globalisation.

Growth of the European economy, foreign trade and transport economy

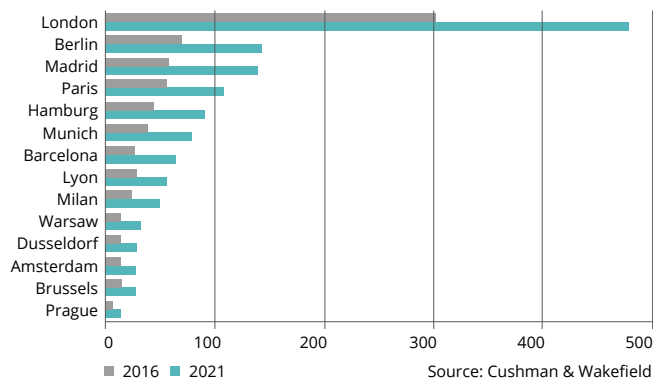


Source: Oxford Economics * Forecast

Rapid rise in parcel volumes

The parcel business, which results from e-commerce, leads to a high demand for sophisticated solutions in order to guarantee fast and efficient delivery, especially in the metropolises. The importance of city logistics will become even more crucial in the coming years as parcel volumes continue to grow.

Projected e-commerce parcel volumes for selected cities (million)

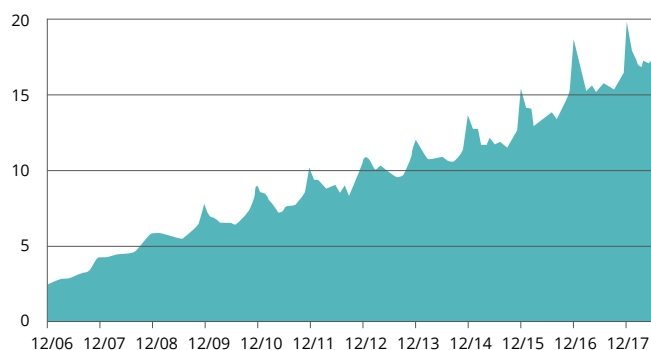


Source: Cushman & Wakefield

E-Commerce as a strong growth factor

The rapid growth of e-commerce is driving the demand for logistics services. In the United Kingdom, e-commerce has achieved a market share of almost 20% of total retail sales - turnovers are particularly strong in the pre-Christmas period.

Online share of UK retail sales (%)

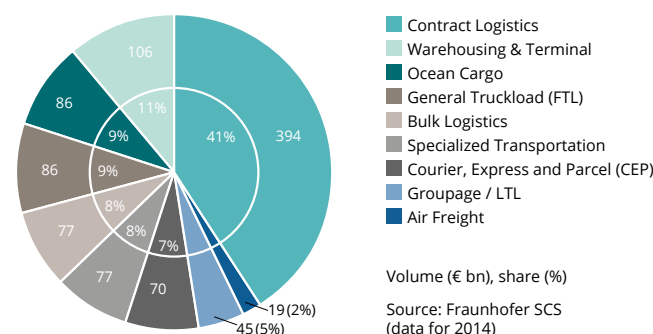


Source: ONS

Conventional logistics businesses dominate the industry

Although the parcel services segment is growing strongly, traditional business areas make up the bulk of the logistics sector. Contract logistics clearly dominates the industry in Europe and reaches a market share of around 40%. Contract or third-party logistics providers (3PL) not only supply transport and storage services but also additional services such as assembly and commissioning for the customer on the basis of longer-term contracts.

Market shares and volumes by types of logistics services in Europe



Volume (€ bn), share (%)

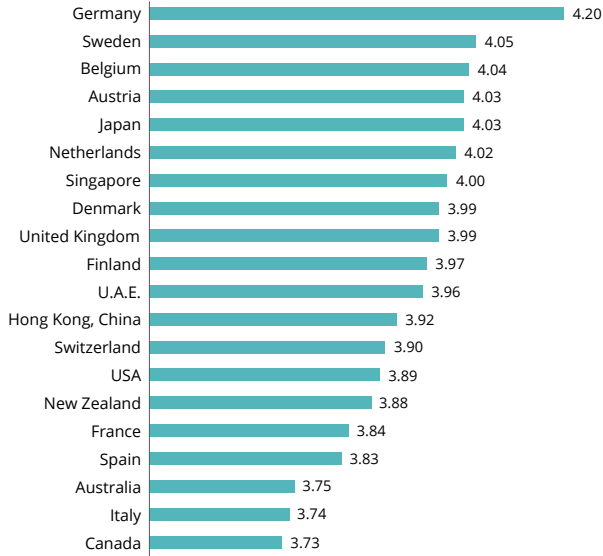
Source: Fraunhofer SCS (data for 2014)

EUROPE AS A POWERFUL LOGISTICS AREA

Europe as a competitive global logistics location

The Logistics Performance Index published by the World Bank assesses countries according to six dimensions of trade and logistics, including the quality of infrastructure and the timeliness of shipments. The top 10 markets in the 2018 ranking include 8 EU countries, led by Germany, Sweden and Belgium, which are ahead of Japan or Singapore.

World Bank Logistics Performance Index 2018

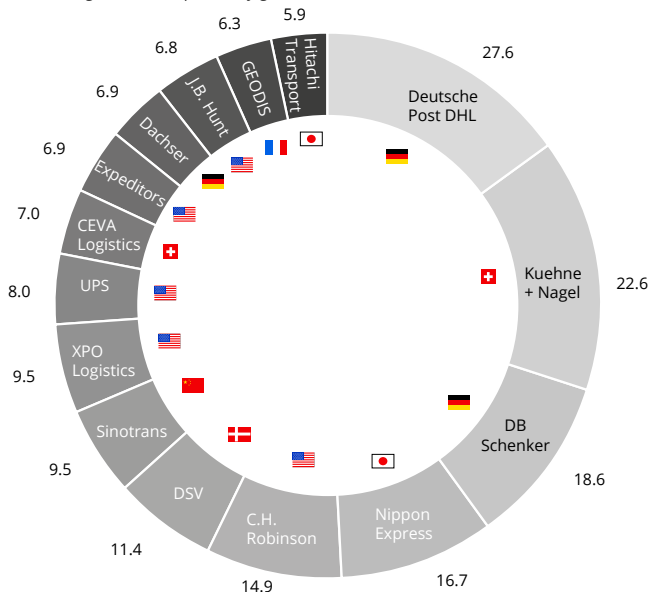


Source: World Bank (Top 20 in descending order)

Europe's logistics companies as global leaders

The strength and competitiveness of the European logistics industry underlines the strong global position of European companies. Led by Deutsche Post DHL and Kuehne + Nagel, five European companies are among the global top 10 third party logistics providers in terms of revenue.

World's largest 3PL companies by gross revenue (USD bn)

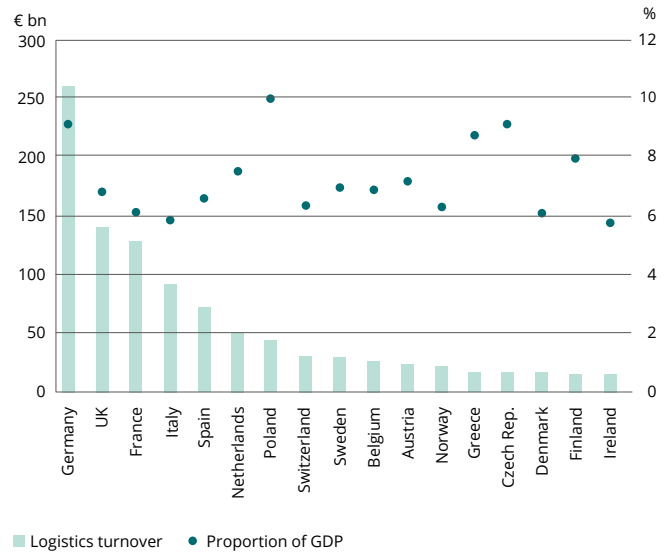


Source: Armstrong & Associates (data for 2017)

Germany dominates the European logistics industry

Germany is by far the largest logistics market in Europe, driven by its economic strength, its central location and function as a transport hub on the continent. Similar to Poland or the Czech Republic, logistics is of above-average relevance for the German economy as a whole.

Turnover in the logistics industry in 2016

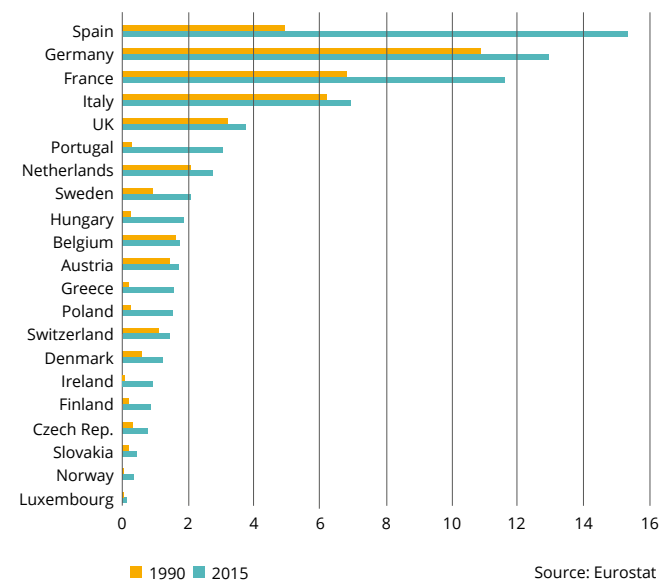


Source: Oxford Economics, Fraunhofer SCS (Spain: 2014 figure)

Expansion of transport infrastructure in Europe's periphery

For the European Commission, an efficient road infrastructure is fundamental to enhancing the European market and reducing regional disparities. By joining the EU, the motorway network in the countries of South and Eastern Europe was heavily enlarged since 1990.

Length of motorways (1,000 km)



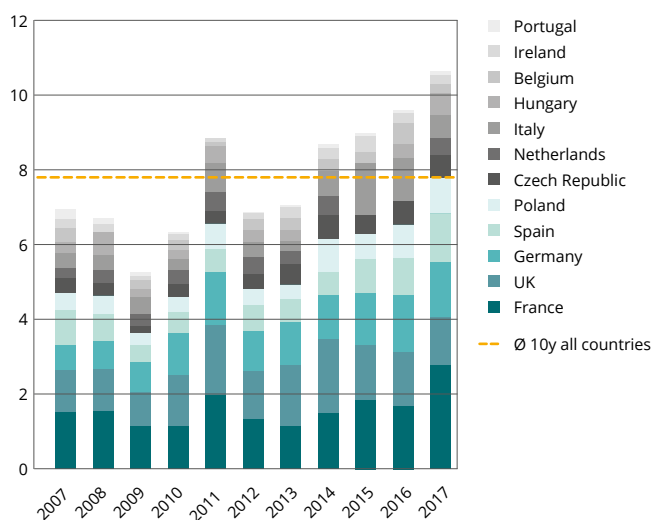
Source: Eurostat

NEED FOR MODERN RENTAL SPACE

The economy and optimization of space are driving demand

Take-up of logistics space has risen in recent years due to the economic upturn and the boom in e-commerce. However, a considerable proportion can be attributed to relocations in the course of modernisation and rationalisation. Nevertheless, today's demand for modern space is significantly higher than in the last upswing 10 years ago.

Logistics take-up in European key markets (m sq m)

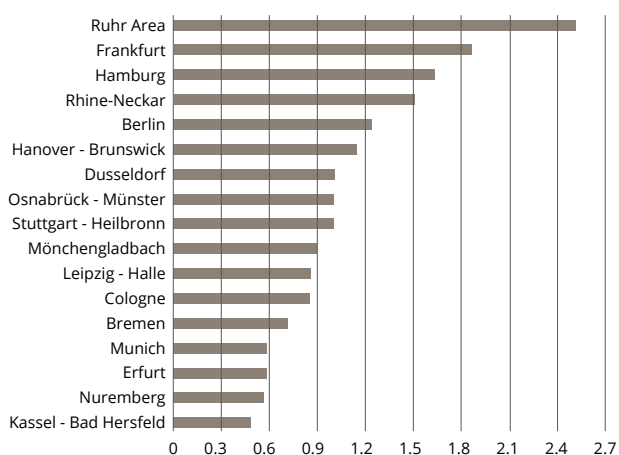


Source: PMA (estimates based on brokers' data)

Strong demand for logistics space outside of the top 7

Demand for logistics space is much more regional than in other real estate sectors. The example of Germany demonstrates that, in addition to the major metropolises, regions with high traffic connectivity, local economic power or a gateway role generate considerable demand and take-up.

Logistics take-up in German regions (aggregate 2013-2017, m sq m)

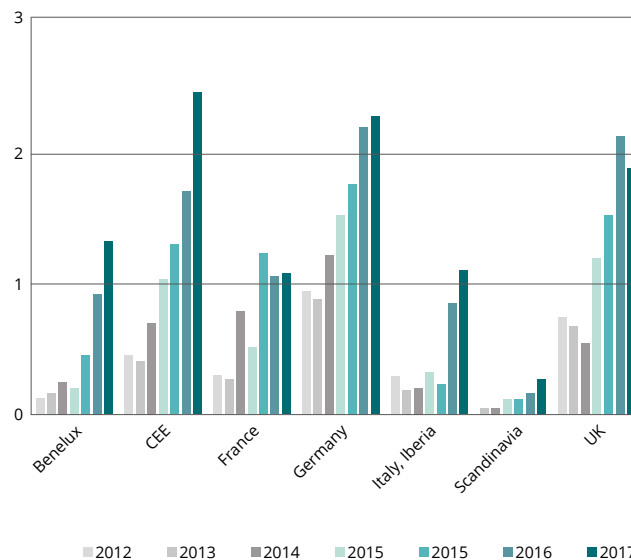


Source: JLL

Increasing demand stimulates construction activity

Completions have increased in recent years, in terms of volumes especially in the core markets of Germany and the UK. Central Europe is catching up but at the same time the region features a significantly higher share of speculative construction activity.

Logistics completions by region (m sq m)

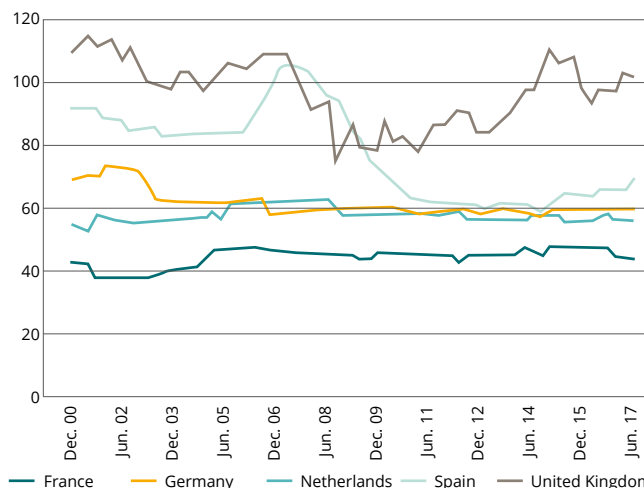


Source: PMA (estimates including units of >10,000 sq m only)

Rents in the logistics sector in an upwards trend

The historical trend shows that rents for logistics space in most European countries and regions are moving sideways, partly interrupted by economic cycles. Nevertheless, rents in logistics hotspots have risen in recent years. This trend is likely to continue thanks to the scarcity of land and high construction costs. However, the potential for rental growth in the entire market appears to be limited.

Prime logistics rents (country averages in €/sq m/year)



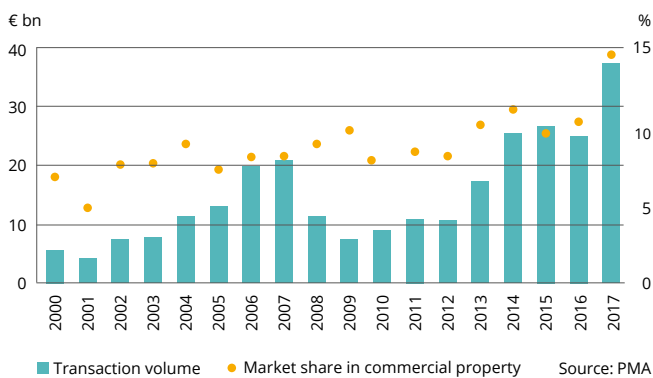
Source: Cushman & Wakefield

INVESTORS PAY STRONG ATTENTION TO LOGISTICS

Logistics is a primary focus of investors

The logistics sector has gradually gained in importance among institutional investors over the past two decades, as the total transaction volumes as well as the market share in commercial real estate investments demonstrate. The volumes in recent years are well above the levels of the boom years 2006/07.

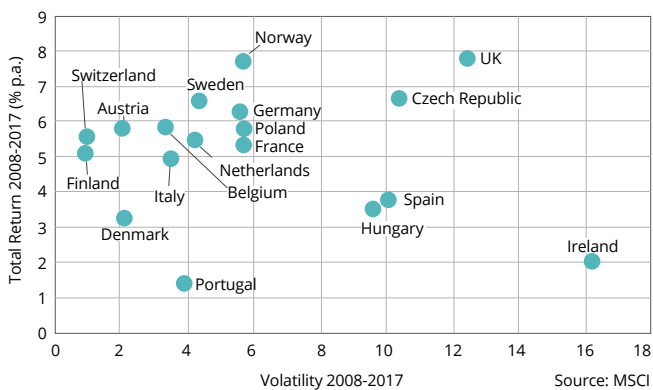
Logistics transaction volume in Europe



Strong performance in Northern and Central Europe

According to MSCI, investments in logistics and industrial property have clearly outperformed the overall market in Europe over the past 10 years. Among the top performers, countries in Northern and Central Europe dominate. Historically total returns in the sector were driven by income, however recent out-performance was due to yield compression.

Risk-return-profile of logistics investments by country



High liquidity in the UK and Germany

From a regional perspective, the UK dominates the investment market, followed by Germany, which has gained in importance particularly in 2017. In addition, liquid investment markets have been established in France, Sweden and the Netherlands. Major economies such as Spain and Italy have received little attention from investors due to their economic weakness, even though volumes have increased in the recent past. The locations of the transactions analysed largely reflect the “blue banana” as the core area of European logistics from South England to Northern Italy.

Logistics transactions in Europe 2015 - H1 2018



Source: PMA (excluding portfolio transactions, deals not comprehensive)

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