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Catella Research: High Investor Demand Brings Down Logistics Real Estate Yields in Germany and Austria

Over the next five years, additional logistics space demand of around 4 million square metres is expected in Germany and Austria, attributed solely to booming online retail. Real estate investors are aware of the development. Due to the pandemic, the development of rents in 2021 is not very dynamic and depends heavily on the respective use class of warehouse, logistics and production. Together with IndustrialPort, Catella has again analysed 25 logistics regions in Germany and five regions in Austria, which offer above-average opportunities for investors.

Prof. Dr. Thomas Beyerle, Head of Research, Catell Group, explains: "Investors are aware of the development in the logistics real estate market. This can also be confirmed by looking at the thematic logistics map for Germany and Austria. Logistics properties have once again experienced an enormous increase in demand, which is accompanied by a corresponding price rally and a sustained yield compression."

Peter Salostowitz of IndustrialPort comments: "These findings highlight the increasing need for a close examination of the location in terms of current and future use and the resulting rental development as well as the possibilities for follow-up leasing."

Overview of important results of the analysis:

- In both Germany and Austria - as result of the pandemic - there has been a decline in absolute logistics transaction volume, but in relation to other asset classes the volume has increased significantly.
- The average prime yield for logistics properties in Germany is currently 4.05%, further 80 basis points below the value in our last map from 2019. In Austria, the yield has also fallen significantly to an average of 4.96%.
- The most expensive location continues to be Berlin at 3.30%, followed by Munich standing at 3.50%. In comparison, the yield in Vienna region stands higher, currently at 4.20%. Nevertheless, it has also fallen in the last 2 years - by 100 basis points.
- With a focus on attractive return opportunities, only Würzburg (5.00%) in Germany offers a return on capital employed above the 4% mark. This is almost identical to the logistics regions of Linz (4.95%) and Salzburg (5.0%).
- The average median rent of the 25 logistics regions surveyed in Germany rose to around €5.10/sqm in the second quarter. Compared to 2019, this represents an increase of 2%.
- The average top rent level in Austria is significantly higher at €5.34/sqm. However, it is striking that the Austrian price ranges show significantly less heterogeneity than the German regions.
- A look at the heat map also shows: there are still considerable macroeconomic and demographic differences between the eastern and western German states, so that a fairly clear picture emerges for suitability as an attractive logistics location.

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The complete study can be downloaded here:
<https://www.catella.com/en/germany/research>

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