Press Release

Frankfurt am Main, 12 August 2020

COVID-19 boosts prospects for logistics real estate investments

From the perspective of the capital markets, the European logistics real estate market will emerge as a beneficiary of the COVID-19 pandemic in the medium to long term, according to a current market analysis by Catella Research. For this purpose 107 European logistics regions were examined.

A decisive reason for this is the further volume growth of online trade during the Corona crisis. This development is reinforced by the increasing expansion of working from home. In addition, there are significant upheavals among department store operators in Europe, which further improve the positive conditions for logistics property investors. In operational terms, the first measurable effects of production relocations are also being recorded, and this is accompanied by a change in location within the European conurbations.

Prof. Dr. Thomas Beyerle, Head of Research Catella Group, comments: "The still existing excess returns compared to other asset classes and the constant shortage of space continue to drive investor demand. This metamorphosis, away from a niche segment to a sustainable investment class, is continuing almost exponentially".

This development is reflected in the development of yield compression: Currently, the European average yield is 5.4%, the lowest at 3.7% in Berlin and the highest at 8.5% in Tartu, Estonia. In Germany's top regions, the prime yields for logistics properties have fallen well below the 4% mark.

Further results:

- The current European top rent averages €5.62/sqm, while the respective willingness to pay rent for one square metre of logistics use ranges from €3.40/sqm in Lodz in Poland to €16.15/sqm at London Heathrow.
- Many Mediterranean cities also show significant yield discounts, with Marseille, for example, showing a decline of 125 basis points to 4%.
- In Poland and the Czech Republic, rising prices can be observed across the board.
- We continue to find the highest yield values in the three Baltic countries, with top yields of 7.25%.
- The Nordic markets still appear cheap compared to their European counterparts, with Copenhagen (5.0%), Helsinki (5.2%) and Stockholm (4.6%) in particular experiencing further yield compression.
- Price levels are more or less stable only in the UK, Italy and Poland. The logistics region London continues to generate by far the highest rents, with yields remaining unchanged at 4%.

Conclusion: A glance at the European logistics map illustrates the country-specific consequences of the pandemic on the one hand and the overarching run on logistics properties on the other. Although Europe continues to grow together in functional and geographical terms via the various transport and traffic corridors, specific functional clusters can still be identified in each country, which continue to represent a large offer for investors with different risk profiles.

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

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