Realogis expects high take-up transactions in logistics and industrial properties in Germany in 2019

- Yield for properties industrial and business parks with medium lease terms still at 5.60%
- Prime yield for trophy properties can fall down to floor level of 4.00%
- Investments despite softening yields still in great demand

Munich, 27 March 2019 – Even though yields have decreased in the past few years, they are still more attractive than those for other property asset classes. The real estate consultancy Realogis is convinced that logistics markets worldwide are continuing to grow and will offer high upside potential also in the future.

“As the previous years have shown, the level of take-up will depend on the quantity of large-volume portfolio transactions. We generally expect that the result achieved in Germany in 2018 can also be repeated this year. To our knowledge, at least two major portfolio deals with a transaction volume of more than EUR 500 million each are currently in the pipeline,” commented Oliver Raigel, managing director of Realogis. “At the same time, many mid-sized manufacturing companies are looking into selling their operational properties via sale-and-lease-back transactions. It is also still the case that many properties are being sold after having achieved their business plan ahead of schedule due to the good market conditions in recent years”.

“We estimate that the prime yield for trophy properties could fall to 4.00% and reach a floor level there. However, the situation should be different in the light industrial property segment, where we expect prime yields to decrease slightly just below 5% this year,” said Clemens Kerscher, managing director of Realogis. “There are signs of a significant increase in rents for these properties, particularly those close to major metropolitan areas in Germany. This may subsequently put the higher purchase price factors into perspective in some cases.”

In January 2019, the prime gross yield on trophy properties at the top locations* with a minimum term of 10 years (fully indexed) and with triple-A tenants has fallen by 20 basis points and now comes to 4.20% (industrial and business parks 5.00%) according to Realogis. For logistics and industrial properties and for industrial parks and business parks with an above-average lease term the gross yield comes to 4.50% (industrial parks and business parks 5.25%) and for medium lease term to 4.80% (industrial parks and business parks 5.60%).
The shortage of space at top locations is constantly increasing, causing prices in the light industrial/business park segment to rise. Furthermore, land prices have almost doubled in the past three years and have thus moved far apart from the standard land values. At the same time, the allocation guidelines have changed in most municipalities. This makes purchases more difficult for developers who want to engage in speculative construction – even though the sector urgently needs this.

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Realogis is the leading German consulting company for letting and investments in industrial, logistics and commercial properties in Germany. Realogis provides nearly 60 experts looking after the real estate needs of national and international companies and private and institutional investors. The Realogis Group is operating its own branches at the key German logistics locations. Active throughout Germany since 2005, the first mover in the growth market of logistics real estate reported a turnover of EUR 13.24 million in 2018.

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