Strong regional disparities on the European logistics market according to a BNP Paribas Real Estate study

The European logistics market has experienced strong regional disparities in line with the economic conditions according to a study published by BNP Paribas Real Estate in connection with the Transport Logistic international exhibition scheduled for 4 to 7 June in Munich. The gap is also widening between prime and secondary (B class) warehouses, as users continue to move into new buildings in better locations.

The economic downturn in Europe was accompanied by a slowdown in transactions in 2012

In 2012, under the effect of a 0.5% contraction in GDP and the steep decline in industrial production in the euro zone, activity slowed down in the market for warehouses of more than 5,000 sq m.

After an exceptional 2011, the German market weakened in 2012, but this did not prevent it from yielding very good results in terms of take up levels. On the other hand, the French market contracted sharply, with transactions falling to near the 2010 level (1.76 million sq m).

The shortage of new large available warehousing continues to support demand for end users opting for design and build (Turn-key) options.

Although prime rents have stabilised in most European countries, there is the potential for rental growth in some key markets, due to the scarcity of new warehousing. The incentives landlords are offering have also decreased sharply.

Investors continue to favour the most solid markets

Investment in business premises and logistics warehouses increased by more than 40% in Germany, France, and Sweden, reaching a cumulative volume of €4.44 billion. With €4.37 billion invested, the British market retains its number 1 position.

Although investment in business premises and logistics warehouses has increased in most European countries, obtaining financing remains problematic in Italy, Portugal, and Spain, where investment volumes in 2012 were near their historic lows.

Prime rates of return were relatively stable in 2012. They remain below 7% in Germany, Sweden, and the United Kingdom.
In first quarter of 2013, the slowdown in the European markets was confirmed, in line with the general climate of the European economies.

The German market remains very active, but the volume of transactions involving warehouses of more than 5,000 sq m is down (-7%) compared with first quarter 2012. Operators are being more cautious, and the German economy’s downturn is affecting whether companies decide to move or take on new space.

In France, the beginning of the year was particularly difficult, as transactions dropped by 30% compared with first quarter 2012. The transaction volume is expected to recover in the coming quarters, but the overall level for 2013 should remain relatively low, particularly because of sluggish growth, stagnant household consumption, and industrial production still in decline.

The market trends are more favourable in the United Kingdom, where the level of transactions in the first quarter increased by 7% compared with the same period in 2012. The market was largely supported by the signing of major turnkey agreements. However, the Birmingham market, the largest in Great Britain, recorded its lowest level of take up since 2010.

Warehouse of the Future – Sustainability, cost, location and height will be key concerns for occupiers.

Recent research from BNP Paribas Real Estate, in conjunction with Gazeley and Legal and General, called the Warehouse of the Future, identified the key factors that will shape the future development of warehouses and highlighted that sustainability, cost, location and high eaves are the main priorities for occupiers. To produce the report BNP Paribas Real Estate canvassed opinion from leading retailers, 3PLs and manufacturers to discover what factors would define the warehouse of the future.

The report highlights sustainability as being at the forefront of occupier’s requirements with 86% of respondents agreeing that sustainability initiatives are important to the future of warehousing. The findings also showed that over two thirds of the occupiers surveyed would pay a rental premium for a green unit if it saved on operational costs. In addition to this 76% of respondents stated that they would look favourably on warehousing that was powered by some form of sustainable energy such as wind, solar, biomass or energy from waste.

In regards to the construction of new warehouses there was a strong preference expressed for cross docking facilities, with 87% of those asked believing that this model of warehousing was important in their future plans. A similar amount of respondents (83%) also felt that eaves heights in new units would have to reach a minimum of 10m, with 43% of these preferring high bay facilities.

About BNP Paribas Real Estate

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BNP Paribas Real Estate, leading international real estate provider, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 34 countries through more than 180 offices and 3,300 employees (17 wholly owned subsidiaries and 17 by its Alliance network, that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

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