European Logistics Market

- Take-up increased by 21% in the first half of 2015
- Investment volume represented € 10.1bn

said BNP Paribas Real Estate in its European Logistics Market report for the first half of 2015

During EXPO REAL 2015, taking place from October 5 to 7 in Munich, BNP Paribas Real Estate presented the latest edition of its European Logistics Market report. It found that the scarcity of prime warehouses is affecting both occupier and investment markets in Europe. Economic uncertainties still impact on speculative developments, leaving the development pipeline insufficient to offset the structural lack of new supply after several years of crisis. Sustainable appetite for logistics remains and leads to bidding wars at a European scale, pushing yields down.

**Occuper take-up is increasing despite supply issues**

**Take-up increased by 21% in the 22 European cities** covered by the research from H1 2014 to H1 2015. As BNP Paribas Real Estate Head of Logistics Investment for Europe, Logan Smith commented: “The gradual economic improvement has had positive impact on consumption and domestic demand, which in turn stimulated the market for distribution warehouses in Europe during the first half of 2015”.

**Supply dried out during the crisis** and despite an economic revival, high grade supply stood at its lowest level during Q2 2015. While some speculative developments have taken place in countries including the UK, the Netherlands and Spain, demand for new high-grade warehouses remained stronger than availability in most markets. As a result, design and build solutions continued to be a strong alternative, particularly for large units.

**Prime rents only evolved marginally in the main European markets** despite the chronic lack of prime new warehouses. Logan Smith explained: “One of the main reasons lies in the low margins achieved in the logistics industry, which in turn constrain tenants who can't afford higher rents”.

With e-commerce activity continuing to increase in Europe, demand for warehouses from the retail and distribution sector accounted for more than half of the total volume of transactions signed over the past 12 months: France (61%), the UK (57%) and the Netherlands (52%). In Germany it represented 25% and was surpassed by the industrial sector, a traditionally strong demand source.

**Strong investor interest in logistics across Europe**

Four countries: the UK, Germany, Sweden and France, accounted for 75% of total European logistics and industrial investment during H1 2015. Industrial and logistics investment in Europe remained buoyant, amounting € 10.1bn during the first half of 2015.
The **UK** alone accounted for some 45% of industrial and logistics investments in Europe with €4.3bn achieved in H1 2015, the second strongest start to a year ever. Although demand remained strong, the volume of investment declined by 28% compared with H1 2014. The market remained constrained by a lack of opportunities and when they arose they resulted in bidding wars, with a knock on effect on yields. **Germany** also achieved its second best half year (€1.59bn), yet volumes declined by 25%. Like the UK, the drop in the amount invested in industrial and logistics should not undermine the vigour of the market. Another similarity to the UK is the lack of new built supply and high grade large units.

In **France**, the volume of industrial and logistics investments fell significantly during H1 2015 to €800m (€960m in H1 2014) reflecting both sluggish economic activity and the scarcity of products. The market was mainly boosted by portfolio transfers, accounting for nearly 60% of total industrial and logistics investments. These are expected to pick-up, with large deals anticipated in the second half of the year.

The upturn in investment recorded at the end of 2014 was confirmed during H1 2015 in **Spain** (€377m) and the **Netherlands** (€627m), releasing opportunities in both countries after several years at standstill.

### NET PRIME YIELDS - WAREHOUSES OVER 5 000 M²

![Prime Yields Chart](chart.png)

Prime yields contracted in all the main European markets, reflecting stronger demand in the letting markets and limited prime availability. Apart from Portugal, Spain and Italy, prime yields are nearing their lowest point in most European countries. They dropped well below 5% in the UK and in the main German hubs (5.55% in Munich). They reached 6.20% in Amsterdam, 6.25% in Stockholm and 6.35% in Paris, whilst they bottomed out to 6.75% in Ireland and the Czech Republic.


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BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network, that represents today more than 3,200 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.

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