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PRESS RELEASE

Major European logistics markets set to ride out political uncertainty in 2017 as e-commerce continues to boom

The logistics sector is set for another year of growth across European markets driven by strong tenant and investor demand in the face of on-going political uncertainty, BNP Paribas Real Estate’s Pan-European Logistics Breakfast heard this morning.

Logan Smith, Head of Logistics for BNP Paribas Real Estate’s International Investment Group said: “European logistics has been particularly dynamic despite on-going economic and political uncertainties. Germany, France, and the UK recorded double digit growth during 2016, while the industrial and logistics investment market experienced yet another strong, year enabling further yield compression.

“Looking ahead, investor and occupier demand is expected to remain strong, and we are closely monitoring structural changes to supply chains posed by e-commerce and new models of retailing. We are delighted to have been named as a top 3 service provider in European industrial and logistics by the RCA, and will continue to stay at the forefront of new trends in the sector as the real estate adviser for a changing world.”

The event highlighted the importance of retail, which accounted for 40 to 60 per cent of logistics take-up across Europe’s major markets in 2016, with growing, structural synergies between retail and logistics set to continue to drive demand across the continent. This has led to renewed investor interest in central European countries, particularly Poland, and also Spain, and a renewed focus on speculative development.

The political importance of the UK logistics and manufacturing sectors, as demonstrated by the government’s commitment to the new International Advanced Manufacturing Park for Nissan UK that has been designated as a Nationally Significant Infrastructure Project by the government, was also highlighted.

The planned 150 HA-park in Sunderland, adjacent to what is already Europe’s most productive car plant, will see 3m sq ft of logistics space delivered in the coming years.

Hugh White, Head of National Investment at BNP Paribas Real Estate said: “Nissan’s International Advanced Manufacturing Park is one of the most ambitious development projects in the northern power house. While e-commerce is undoubtedly one of the biggest drivers of demand, these ‘Superplants’ with sector specific supplier parks are increasingly relevant
demand drivers, offering manufacturers the opportunity to realise efficiencies through the supply chain by clustering all of their key suppliers around them.”

BNP Paribas Real Estate research found that Germany saw take-up increase by 17% on 2015, reaching a record 6.1m sq m to sit well above the 10-year average, while France and the UK saw take-up increase by 12% and 10% to 3.6m sq m and 3.3m sq m, respectively.

Birmingham saw the largest take-up volume out of all European cities with over 1,200 sq m of space taken, an increase of 22% on 2015, demonstrating a vote of confidence in the UK following the EU referendum and in line with a trend towards notable activity in regional hubs seen across Europe. In France, this was seen in a decline in the volume of transactions by 25% in the Greater Paris region and a shift towards territories outside of the North-South axis.

All European markets saw a strong increase in demand from businesses serving the retail sector, which accounted for over 50% of take-up in France and Germany. However, with a lack of speculative development to keep pace, 2016 also saw a trend towards increased owner-occupier deals, which accounted for nearly half of all transactions in France.

BNP Paribas Real Estate found 2016 saw investment volumes reach €25bn across Europe. Despite an overall decline in the first three quarters of the year, Q4 saw the second highest quarterly volume ever recorded with more than €9bn of investment. Prime yields declined in most countries but stayed well above 10-year government bonds.

The UK was the largest logistics and industrial investment market with volumes reaching €6.8bn, despite a decline of 9% on 2015, accounted for by a lack of available product.

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About BNP Paribas Real Estate

BNP Paribas Real Estate, one of the leading international real estate providers, 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. With 3,900 employees, BNP Paribas Real Estate supports owners, leaseholders, investors and communities in their projects thanks to its local expertise through 36 countries (16 direct facilities and 20 through its Alliance network) in Europe, Middle-East and Asia.

BNP Paribas Real Estate generated €704m revenues in 2016 with, for property development, 154,000 sqm of completions and more than 1,500 homes launched; €24.1bn assets under management in Investment Management; 38m sqm managed in Property Management; 6.2m sqm taken up and €19bn invested in Transaction; and three main types of Consulting services: Real Estate Advisory for occupiers, Building Consultancy and Outsourced Real Estate Management.

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