



RESEARCH

**MARCH
2022**

EUROPEAN LOGISTICS MARKET

AN ALL TIMES HIGH FOR LOGISTICS MARKETS

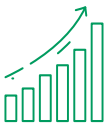


TAKE-UP

+30%

LOGISTICS TAKE-UP FOR
WAREHOUSES OVER
5,000 SQM

(2021 vs 2020)



+51%

INDUSTRIAL & LOGISTICS
INVESTMENT IN EUROPE

INVESTMENT

The industrial & logistics market is yet again breaking a new record volume of investment gaining market share against other assets. Supported by strong occupier fundamentals, yields are still compressing in most market.

- European logistics set up a new record volume of transactions boosted by a strong economic upturn.
- Supply is low with vacancy rates down again to 5.0% or less in most European countries.
- Rents rose by 3.4% in 2021 and are likely to continue to grow, stimulated by inflation, particularly in sectors where the imbalance in demand vs supply is strong.

- With over €65 bn invested during 2021 in industrial and logistics, the market set a new record compared to last year.
- Prime yields compressed by 65% on average in Europe in 2021. The prime yield dropped to 3% in the main markets.
- Further yield compression is expected for prime assets reflecting limited stock and strong demand.

Vincent Robion
Head of Research - Logistics Europe

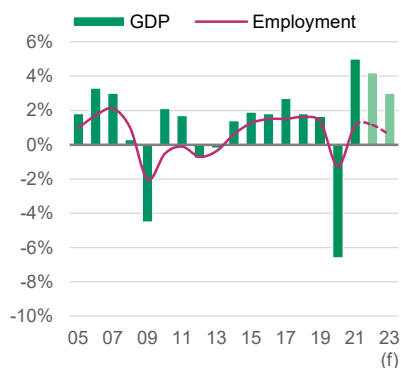
ELEVATED INFLATION IS A COMMON FACTOR IN EUROPE



+5.0%

GDP GROWTH EUROZONE - 2021

GDP and Employment growth in the Eurozone



GDP growth in the Eurozone is expected to reach 5.0% and to ease in 2022 to 4.2%.

A normalization in growth is expected in Europe, with household spending underpinned by cheap financing conditions, a further **improvement in the labour market and faster wage growth.**

However, the world economy is experiencing multiple supply shocks: oil, gas, semiconductors, other materials, labour shortages, generating strong supply chain disruptions and inflationary pressures.

Covid-induced supply bottlenecks are still a dominant theme and caused a pick-up in inflation to levels not seen in decades.

In several countries, household surveys reflect a growing concern about elevated inflation, which is eroding real disposable income. This is particularly an issue for lower income households.

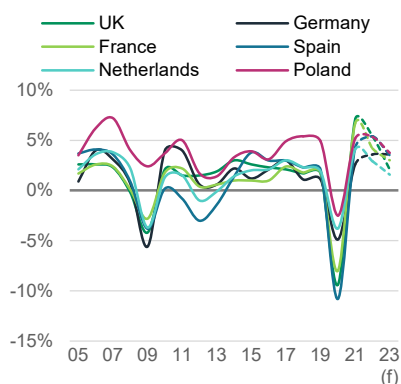
The main central banks in Western economies are arguing that the shock is mainly transitory. However, transitory does not necessarily mean 'short lived' and some forecasters are now considering a scenario in which inflation and upward pressure on wages could last. Indeed, the underlying dynamics of inflation are upwards, with an acceleration of wage growth, which could push companies to increase their sales prices.

Apprehension about the Omicron variant may lead to precautionary behaviour, weighing on certain household spending categories, slowing again the economic recovery.

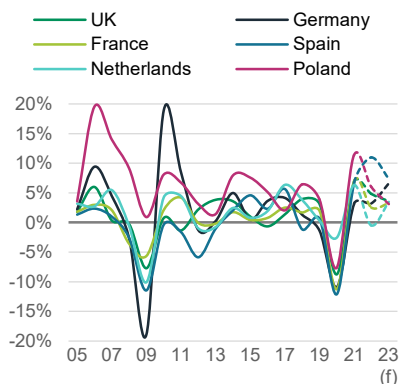
Overall, business conditions surveys have shown resilience so far. Although the downside risks have increased, our scenario for 2022 remains fairly optimistic.

However, we are mindful of the increased geopolitical uncertainty as we write. Although this presents a downside risk to our forecast, property assets will remain sought after and highly priced amidst rising inflation and low real interest rates.

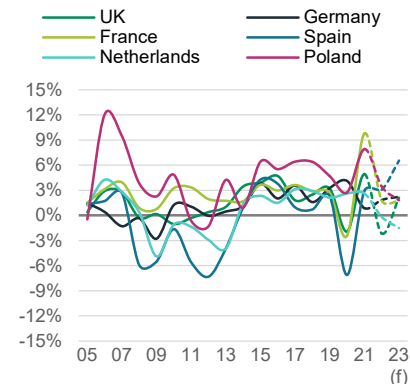
GDP growth (year-on-year change)



Manufacturing output (year-on-year change)



Retail sales (year-on-year change)



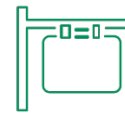
Source: Moody's, BNP Paribas

STRONG DEMAND AND LIMITED SUPPLY CONTINUE TO PUT PRESSURE TOWARDS RENTAL GROWTH.



+30%

**TAKE-UP
(2021 vs 2020)**



±5.3%

**VACANCY RATE
(Q4 2021)**

2021 set yet again another new record volume of transactions in Europe, boosted by online sales and an overall economic upturn. Take-up rose by 30% in the 6 leading European markets with market growth in every country.

The **strong changes in consumer behaviour** triggered by the Covid-19 crisis supported on-line shopping and helped raise the penetration of e-commerce in markets where this had been limited so far, further boosting demand for logistics space.

Supply drying up over the past three years while demand stayed sharp means there is a major imbalance in some markets. This was particularly evident in prime locations where demand shifted towards other regional locations.

The speed of delivery and availability of land will dictate the market balance in areas where the vacancy rate is well below the European average of 5% recorded in 2021. New developments are still insufficient to meet demand, yet few speculative developments are launched.

Prime rents rose by 3.4% (y-o-y) at the end of 2021 in a panel of 49 markets covering 22 countries. In a number of prime locations, the vacancy rate stayed well below 5% and steady demand pushed rents upwards. This can explain some rental growth in markets like Barcelona and Lyon where the vacancy rate was below 2% in 2021.

In the short term, the potential shortage of materials is expected to disrupt the completion of new developments.

Another challenge is the **scarcity of land available in most countries, which will also contribute to future rental growth.**

In **Germany**, the logistics market run at full speed to reach a new record volume of transactions in 2021. The logistics sector came through the crisis better than almost all other sectors of the economy. The continuing boom in e-commerce as well as the reorganisation of supply chains contributed to create demand. New developments also helped, easing supply bottlenecks, even though there is still too little space available in most regions

The **UK** broke a new record in 2021 at 6 million sqm. Market growth was underpinned by a strong economic upturn (+7.1% in 2021). Online trade remains a market booster : retailers accounted for 33% of total take-up in 2021, whilst 3PLs represented 29% of the total. With the development pipeline for new stock contracting slightly and occupier sentiment remaining strong, long term returns look stable as rental growth continues.

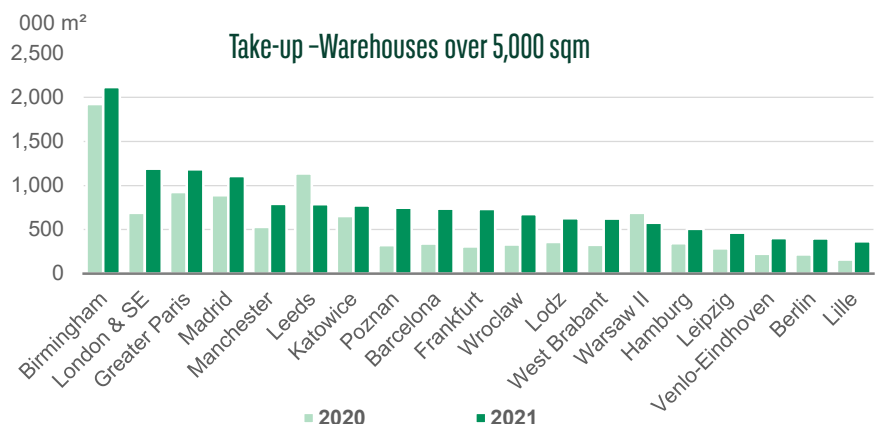
In **Poland**, take-up achieved another record year. The pandemic fuelled the already solid increase of e-commerce. Economic growth has been robust (+5.2% in 2021) and supported the market. Companies from the e-commerce sector and tenants from the retail sector jointly accounted for more than 44% of demand in 2021. As a result the vacancy rate dropped by 3

percentage points to 3.9% at the end of 2021. Prime rents remained stable but rising construction costs, strong demand and low vacancy rates are expected to impact on rents in 2022.

In **France**, after a slow start at the beginning of the year, the market gained momentum supported by good activity in Paris and Lille and by strong GDP growth (+6.7% in 2021), one of the highest in Europe. Overall, supply remains scarce in most submarkets. In Lyon and Marseille, the lack of supply for XXL warehouses and the scarcity of new developments particularly constrained market growth.

In the **Netherlands**, take-up set a new record year. Due to low availability in the main logistics hotspots, take-up continued to shift towards less established locations. Rents stabilized but strong demand and low availability are still seeing some upwards pressure.

In **Spain**, the market achieved a historic record volume of transactions above 2 million sqm in 2021. Activity was stimulated by e-commerce and food retailers and was supported by strong economic growth (+4.3% in 2021). Vacancy rates are still very low contributing to create an upward pressure in rents.



PRIME HEADLINE RENTS – WAREHOUSES OVER 5,000 M²

European average

+3.4%

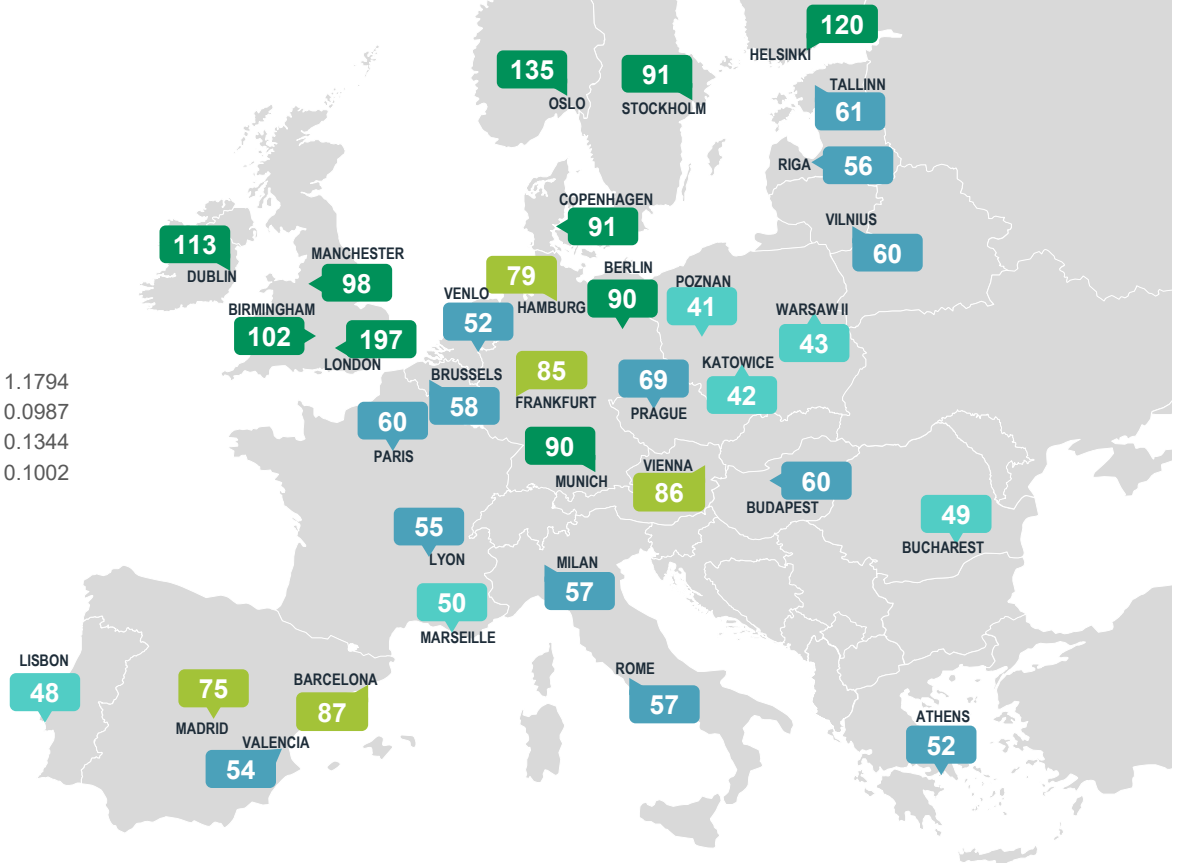
Q4 2021 vs Q4 2020

49 markets, 22 countries

Rents in €/sqm/year

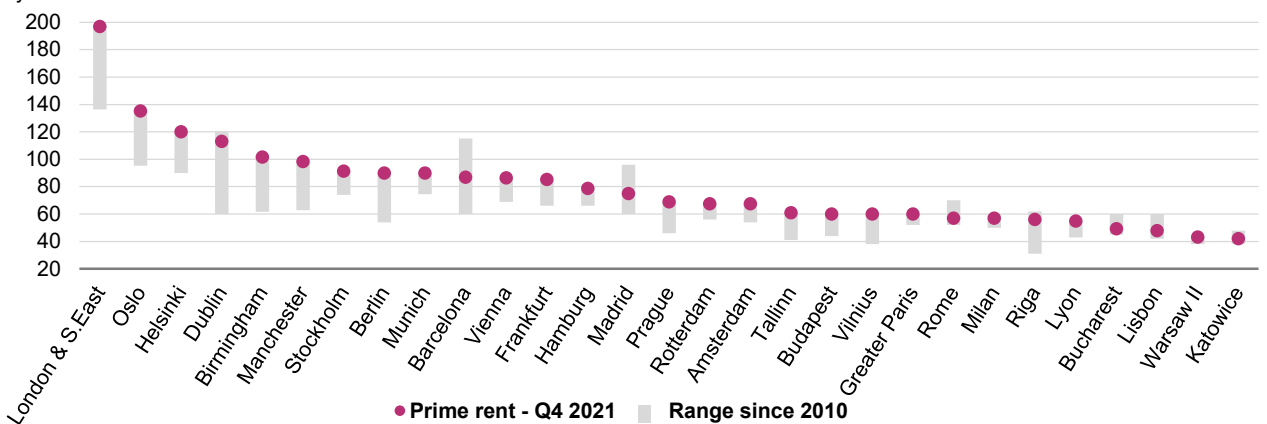
- ≥ €90
- €70-90
- €50-70
- < €50

- 1 GBP € 1.1794
- 1 SEK € 0.0987
- 1 DKK € 0.1344
- 1 NOK € 0.1002



Prime headline rents

€/m²/year



INVESTMENT BROKE ANOTHER RECORD WHILST PRIME YIELDS DROPPED BY 65 BPS IN EUROPE DURING 2021



+51%



24%

Investment volume (2021 vs 2020)

Industrial and logistics investment volumes reached over €65 bn in 2021, a leap of 51% compared to last year. This is particularly remarkable considering a number of disruptive factors. These include supply shortages for primary assets, the sharp rise in inflation and last but not least the impact of the pandemics across Europe.

The market was boosted by pan-European portfolio deals: the 11 largest transactions accounted for €11bn in 2021.

The UK alone accounted for nearly one third of the market.

The sector is gaining market share over other asset classes in most countries, accounting for 24% of total commercial real estate in Europe.

The positive sentiment in the occupational market is continuing to encourage capital deployment in the sector. Occupation is being driven by the ongoing surge of online retail and 3PL occupiers, and their structural growth to meet changing consumer habits.

Industrial and logistics investment reached another record, but ongoing demand will be satisfied only to a limited extent. The development pipeline cannot supply enough products to meet excess demand.

Prime yields dropped by 65bps (in a panel of 22 countries) to reach historic low levels in 2021. Last mile assets bottomed at 3% in the leading countries. Further compression is likely to continue due to strong demand and the scarcity of products in prime locations.

In the UK, industrial and logistics investment reached an all-time record in 2021, outperforming other asset classes. Strong activity drove sharp competition for the best assets and generated downward pressure on yields, -50bps in 2021.

In Germany, the market recorded yet again a strong momentum despite the scarcity of products in the major hubs. It gained market share against other assets. The prime yield dropped to 3% in Q4.

The market remained dynamic in France, representing 25% of total investment in commercial real estate and exceeding for the first time the volumes invested in retail. The prime yield reached 3% in Q4.

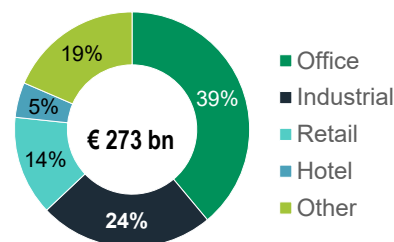
In the Netherlands, the logistics sector continued to be driven by e-commerce. Investment volumes were steady even though products have been limited. As a result, yields further compressed throughout the country with a record at around 3% (NIY) in Tilburg.

Share of Logistics in Commercial Real Estate

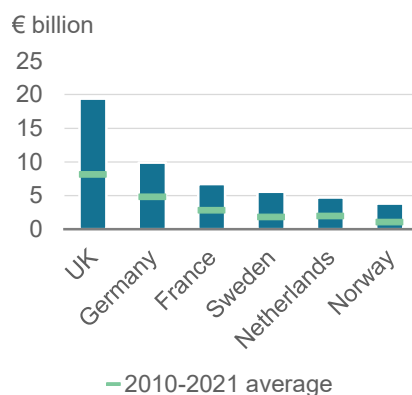
In Poland, following a major increase in activity last year, investor interest remained robust, generating great competition for new projects and high pricing expectations from sellers.

In 2021, Spain reached a record volume of investment in industrial and logistics with €2.9bn. The sector continued to catch investor interest and gained market share. Prime yields dropped to 3.6% for last mile purposes in 2021.

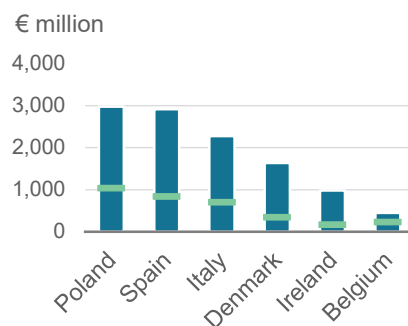
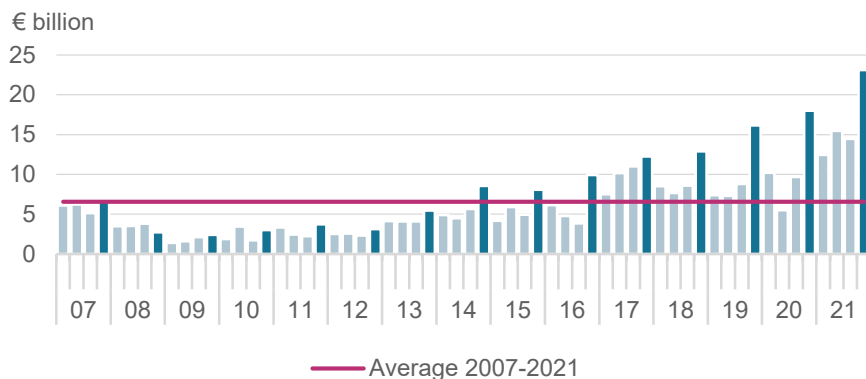
Investment volume in Europe - 2021



Industrial & logistics investment - 2021



Industrial & logistics investment volume in Europe

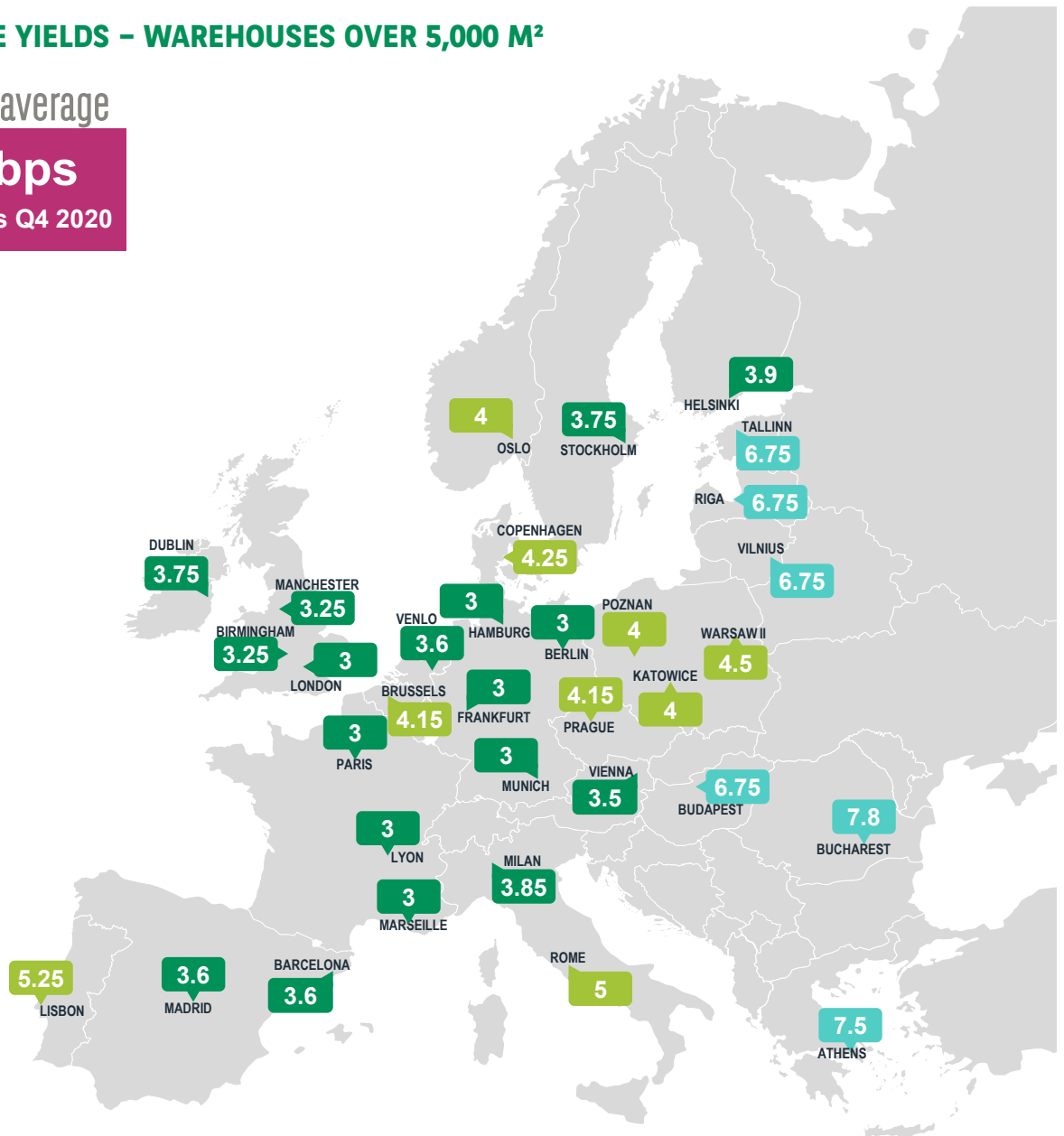
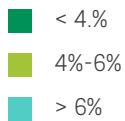


NET PRIME YIELDS – WAREHOUSES OVER 5,000 M²

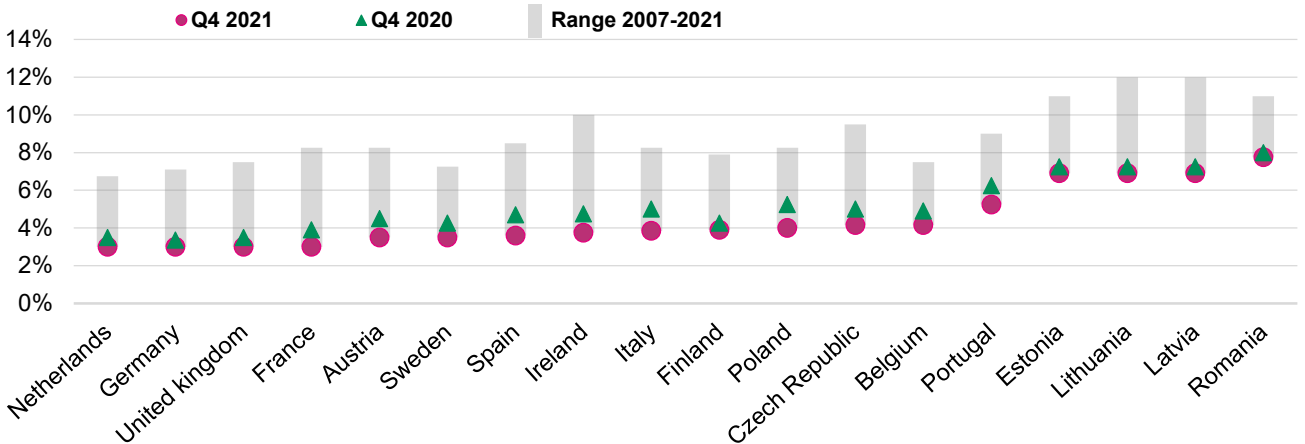
European average

-65 bps

Q4 2021 vs Q4 2020



Net prime yields



Occupier logistics market - Warehouses over 5,000 sqm

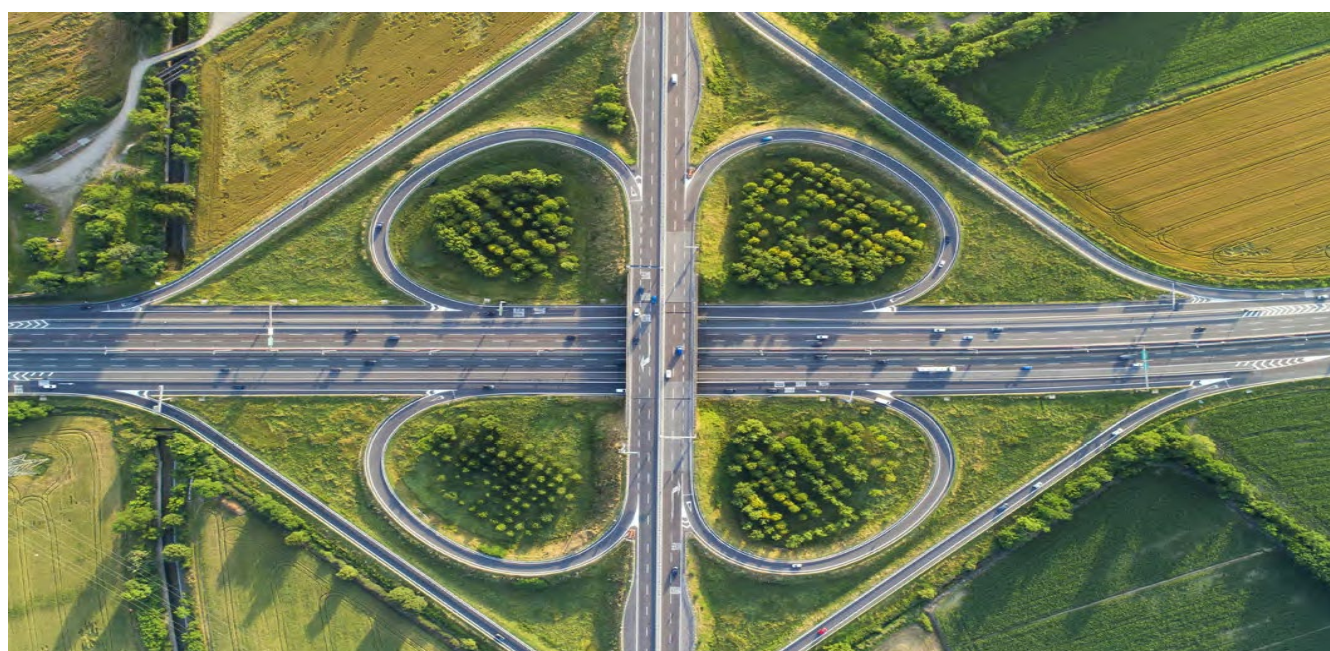
City	Take-up (000 sqm)			Rents (€/sqm/yr)	
	2021	2020	Variation y-o-y (%)	Q4 2021	Q4 2020
Birmingham	2,120	1,930	10%	102	95
Madrid	1,110	890	25%	75	75
Poznan	750	320	134%	41	41
London & South East	1,190	690	72%	197	190
Barcelona	740	340	118%	87	84
Katowice	780	660	18%	42	42
West Brabant	630	330	91%	54	54
Greater Paris	1,180	930	27%	60	57
Manchester	790	530	49%	98	95
Leeds	790	1,140	-31%	89	89
Wroclaw	670	330	103%	44	44
Frankfurt	740	310	139%	85	84
Venlo-Venray-Eindhoven	400	230	74%	52	52
Hamburg	510	350	46%	79	76
Lodz	630	360	75%	43	43
Lille	370	160	131%	46	46
Warsaw II	580	690	-16%	43	43
Leipzig	470	290	62%	56	55
Berlin	400	220	82%	90	86
Prague	140	180	-22%	69	59
Dublin	260	340	-24%	113	113
Rotterdam	200	430	-53%	68	68
Total 22 Markets	15,450	11,650	33%		

Commercial real estate investment market

Country	Commercial real estate investment € million			Industrial & logistics investment € million		
	2021	2020	Variation y-o-y (%)	2021	2020	Variation y-o-y (%)
United Kingdom	66,980	55,240	21%	19,410	12,080	61%
Germany	64,140	59,730	7%	9,890	7,940	25%
France	26,670	29,030	-8%	6,690	4,310	55%
Netherlands	11,460	12,400	-8%	4,710	4,200	12%
Sweden	24,620	11,980	106%	5,570	3,100	80%
Poland	5,720	4,990	15%	2,980	2,350	27%
Italy	8,660	8,340	4%	2,280	1,510	51%
Spain	10,010	7,760	29%	2,920	1,540	90%
Norway	15,810	10,790	47%	3,790	1,490	154%
Belgium	3,090	5,480	-44%	450	640	256%
Finland	4,440	4,600	-3%	920	410	124%
Austria	2,810	1,990	41%	490	270	81%
Ireland	3,240	1,760	84%	980	280	250%
Czech Republic	1,910	1,370	39%	610	190	221%
Portugal	1,880	2,840	-34%	30	110	na
Romania	930	880	6%	290	70	314%
Other European countries	20,190	18,990	6%	3,470	2,830	23%
Total Europe	272,560	238,170	14%	65,480	43,320	51%

Net prime yields - Warehouses over 5,000 sqm

Country	Net prime yield		
	Q4 2021	Q4 2020	Variation Y-o-Y (bps)
Austria	3.50%	4.50%	-100 bps
Belgium	4.15%	4.90%	-75 bps
Czech Republic	4.15%	5.00%	-85 bps
Denmark	4.25%	5.25%	-100 bps
Estonia	6.90%	7.25%	-35 bps
Finland	3.90%	4.25%	-35 bps
France	3.00%	3.90%	-90 bps
Germany	3.00%	3.35%	-35 bps
Greece	7.50%	7.70%	-20 bps
Hungary	6.75%	7.25%	-50 bps
Ireland	3.75%	4.75%	-100 bps
Italy	3.85%	5.00%	-115 bps
Latvia	6.90%	7.25%	-35 bps
Lithuania	6.90%	7.25%	-35 bps
Netherlands	3.00%	3.50%	-50 bps
Norway	4.00%	4.50%	-50 bps
Poland	4.00%	4.20%	-20 bps
Portugal	5.25%	6.25%	-100 bps
Romania	7.75%	8.00%	-25 bps
Spain	3.60%	4.70%	-110 bps
Sweden	3.50%	4.25%	-75 bps
United Kingdom	3.00%	3.50%	-50 bps



DEFINITIONS

LETTING & SALES

Take-up: represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period. It does not include space that is under offer.

- A property is deemed to be “taken up” only when contracts are signed or a binding agreement exists.
- Pre-let refers to take-up that was either in the planning or construction stage.
- All deals (including pre-lets) are recorded in the period in which they are signed.
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation.
- Quoted take-up volumes are not definitive and are consequently subject to change.

New space: premises that have never been occupied in new buildings.

Second hand space: premises that have been previously occupied by an occupier or vacant for more than five years.

Vacant space: all completed buildings actively seeking rental or sale to occupiers.

New supply: all building restructuring that adds to the existing stock. These are analysed according to progress.

- **Completed new supply:** buildings on which construction work is finished.
- **Under construction:** buildings on which construction has effectively begun. Prior demolition work is not taken into account.
- **Planning permission granted:** authorisation to build obtained, generally booked after settlement of third party claims.
- **Planning permission submitted:** planning permission requested, being processed.
- **Projects:** identified intention of a building operation for which no request has been filed.

Speculative / Non speculative developments:

- **Speculative:** construction launched without prior rental or sale to the occupier.
- **Non-speculative:** construction launched after partial or complete sale or rental to an occupier.

Rent: common annual headline rent, expressed per square metre per year, and excluding taxes and charges.

- **Average rent:** weighted average of rented area. The average featured is a moving average over three quarters, to smooth out the changes.
- **Prime rent:** represents the top open-market rent at the survey date for a real estate unit and should be representative at around 3 to 5% of the market volume (sqm):
 - of standard size commensurate with demand in each location.
 - of the highest quality and specification.
 - best location in a market.

INVESTMENT

Initial net prime yield: ratio between net income (excl. operating costs) over the purchase price including all acquisition costs.

Prime Yield: net lowest yield obtained for the acquisition of a unit:

- of standard size commensurate with demand in each location.
- of the highest quality and specification.
- in the best location in each market.

Portfolio: group of several assets located in different places.

ASSET TYPES & LOGISTICS

Warehouses: buildings intended for storage, distribution or packaging.

- **Distribution centres:** national or regional used for storage located in the outskirts of cities with good transport connections.
- **Fulfilment centres:** allow additional activities, often automation driven. Typically larger than standard logistics to allow

other activities than storage.

- **Cross-dock:** Little storage time. Properties used to unload goods and reassemble / move them directly for outbound distribution.
- **Last mile:** for city distribution. Includes a wide range of warehouses and storage units including older space.
- **Cold storage:** Storage for fresh or frozen products, with thermal insulation and specific equipment as part of the warehouse. Involves higher construction costs.

Logistics: the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods, and related information from the point of origin to the point of consumption. Includes inbound, outbound, internal, and external movements.

Supply chain: all the elements in the process of supplying a product to a customer. The chain begins with the sourcing of raw materials and ends with the delivery of finished merchandise to the end-user. It embraces vendors, manufacturing facilities, logistics service providers, distribution centres, distributors, wholesalers, other intermediaries, etc.

Supply chain management: Encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities.

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