

European Logistics Capital Markets Dashboard

Summer 2022

Internal and key client use only

SUMMARY

- Eurozone GDP expanded by 0.3% q/q in the first quarter of 2022. The forecast for global economic growth has moderated and Europe is not immune to this softer outlook. However, the IMF forecast euro area GDP growth of 2.8% this year, remaining above the long term average for the region.
- European labour markets remain tight, with historically low levels of unemployment. Despite this, the Eurostat experimental euro area wage tracker forecasts average wage growth to remain moderate, increasing by 3% on average this year and 2.5% in 2023.
- Euro area annual inflation reached 8.1% in May, reflecting global cost-push inflationary pressures. The ECB is expected to lift interest rates by 25bps in July.
- European Industrial investment totalled €16 billion in Q1 2022, the strongest first quarter on record. Half of the total European volume was transacted in the UK alone. Germany and the Netherlands saw the second and third highest investment volumes in Q1 2022. Institutional investors remained the most active in Q1 2022, accounting for 51% of total industrial investment.
- Cross-border transactions totalled €9.8 billion in Q1 2022. US investors remained the largest source of cross-border capital, investing €5.2 billion in Q1 2022 in the European industrial sector. This is 67% above the Q1 2021 level and 88% above the 5-year Q1 average. The UK was the second largest source of cross-border capital, recording a 6.7% rise on Q1 2021 and a 1% rise on the 5-year Q1 average.
- Europe is expected to be the top region for cross-border capital in 2022. Investment managers and private equity funds, particularly from the US and Canada, are driving the demand for industrial assets which captures structural changes.

Source: Knight Frank, RCA, Macrobond, European Commission

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Knight Frank European Logistics Capital Markets- Select Transactions

SEIFERT, HAMBACH

France

Sale on behalf of Dietz AG



SECTOR:	Logistics
AREA (SQ M):	48,000
VENDOR:	Dietz AG
PURCHASER:	Swiss Life / BEOS
LEASE:	5 years
TENANT:	Seifert Logistics

PRIMARK, DUBLIN

Ireland

Forward Funding Acquisition on behalf of Union Investment



SECTOR:	Logistics
AREA (SQ M):	49,056
VENDOR:	Barola Capital DAC
PURCHASER:	Union Investment
LEASE:	20 years
TENANT:	Primark

WAITROSE, MILTON KEYNES

UK

Purchase on behalf of Bentall GreenOak



SECTOR:	Logistics
AREA (SQ M):	36,917
VENDOR:	Duchy of Cornwall
PURCHASER:	Bentall GreenOak
LEASE:	7.5 years
TENANT:	Waitrose Limited

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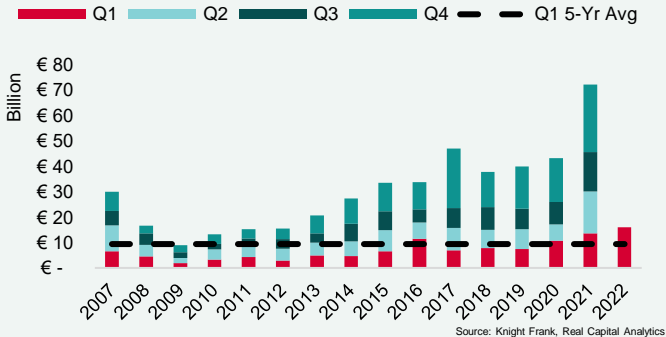
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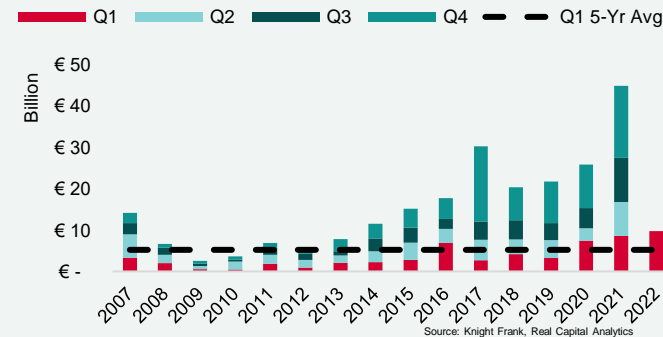
Investment market

European Industrial Investment Volumes



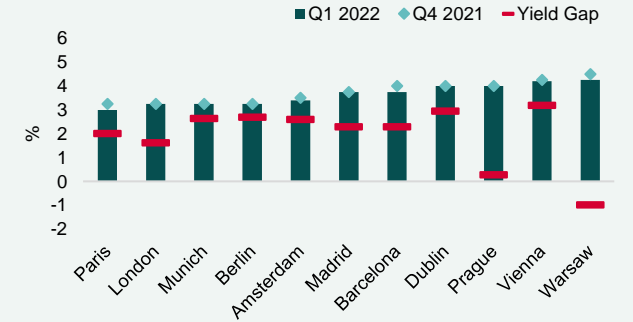
Industrial investment amounted to €16 billion in Q1 2022, the strongest first quarter on record and nearly 18% higher than the same quarter the previous year.

European Industrial Cross Border Investment



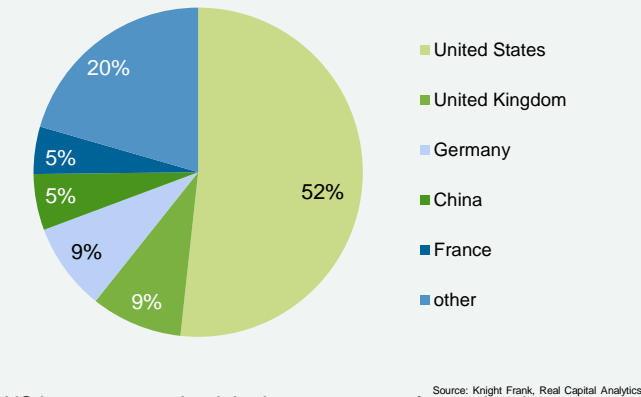
Cross-border investors accounted for €9.8 billion, the highest share of a first quarter on record.

European Industrial Yields (%) - Q1 2022



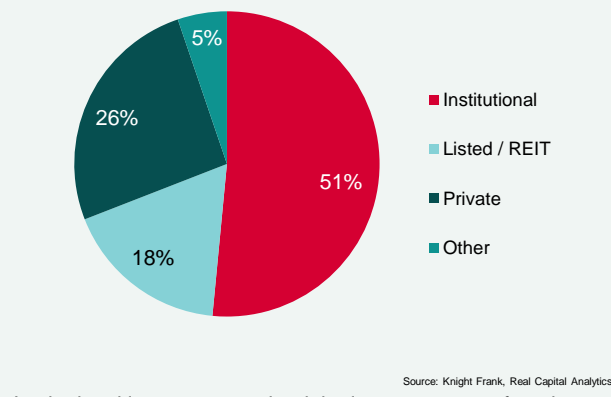
The yield gap, which reflects the difference between prime yield and the risk free rate (a risk free investment such as a 10-year government bond) turned negative in Poland with the 10-year government bond yield reaching around 6.7% at the end of May as the domestic interest rate was raised to 5.25%.

Sources of Investment - Q1 2022



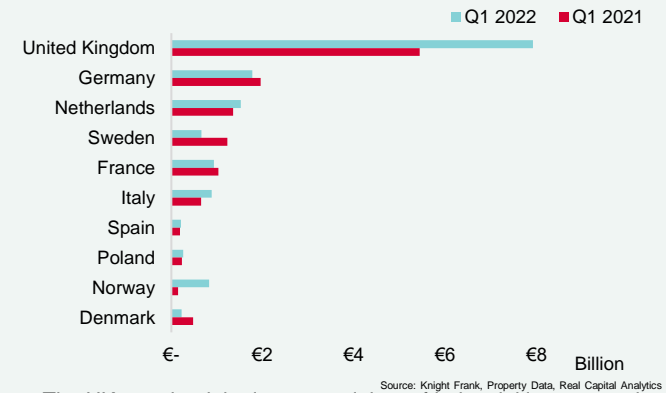
US investors remained the largest source of cross border investment in Q1 2022, accounting for 52% of total investment, up from 36% in the quarter prior.

Investor Type - Q1 2022



Institutional investors remained the largest source of total investment in Q1 2022 with a 51% share, which is less than last quarter's share of 69%. Meanwhile, Private investors were more active in Q1 compared to the quarter prior, with a share of 26% compared to 17% in Q4.

Destinations of Investment



The UK remained the largest recipient of industrial investment in Q1 2022, with €7.9bn transacted, far ahead of Germany and the Netherlands which saw the second and third highest investment volumes.

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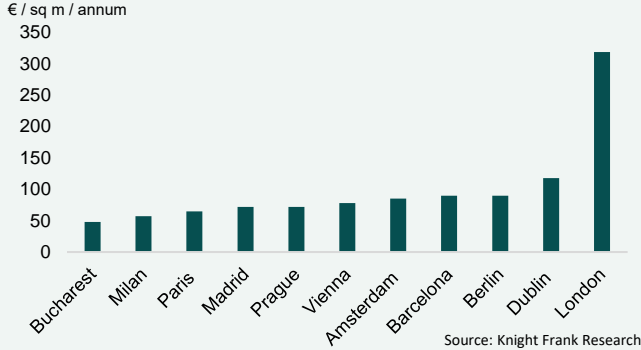
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Rents

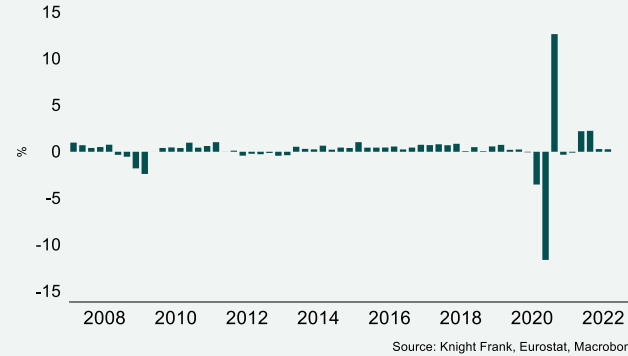
Prime European Industrial Rents – Q1 2022



Prime Industrial rents remained stable across all European markets in Q1 2022 compared to the previous quarter.

Economics

European Quarterly GDP



GDP across the Eurozone increased 0.3% in the first quarter of 2022, slightly higher than estimates and the same growth as in the previous quarter. Spain (0.3%), and Germany (0.2%) recorded quarterly GDP growth, while France's economy marginally contracted by -0.05%.

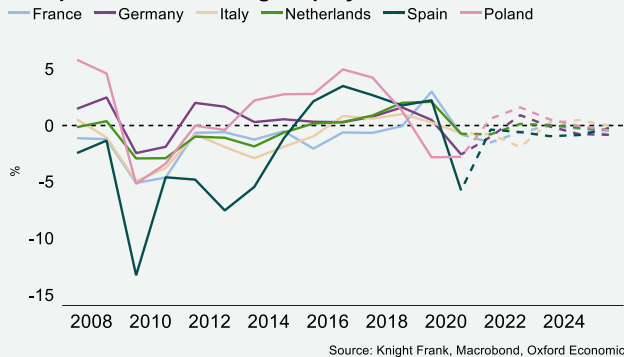
European CPI



Eurozone CPI increased further to 8.1% in May, a record high level. Inflation is mainly driven by higher energy prices. The ECB expects inflation in 2022 to average 5.1% and 2.1% in 2023.

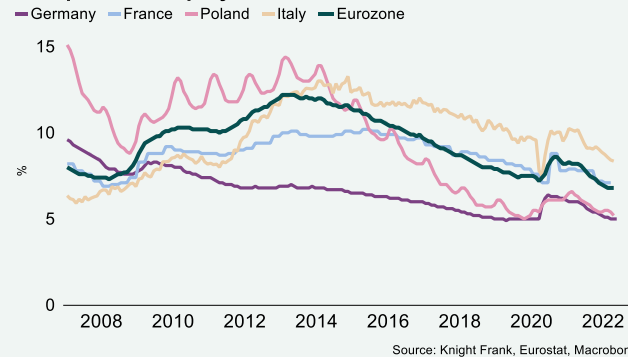
Labour Economics

European Manufacturing Employment



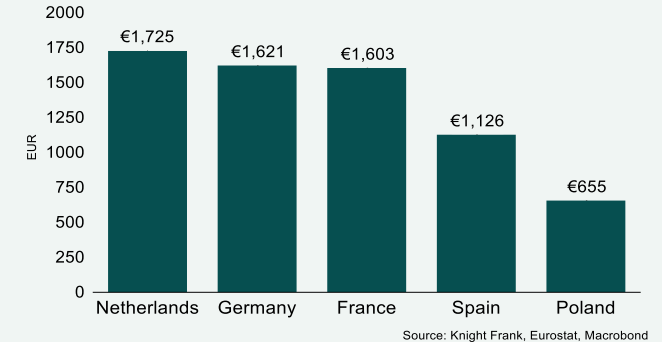
Total Eurozone employment increased 0.5% in Q1 2022, up from a downwardly revised growth of 0.4% in the previous quarter and in line with market expectations.

European Unemployment



Eurozone unemployment fell to a record low 6.8% in March 2022, as demand for labour continues to improve. Some countries, such as the Netherlands and Germany have tight labour markets with very low unemployment rates.

European Monthly Minimum Wage



The national minimum wage in the Netherlands rose to €1,725 per month in January 2022 while Poland raised its minimum wage by 7.5% to PLN3,010. Germany increased the hourly rate to €9.82 on 1 January. The new government pledged to increase it to €12 per hour from October 2022.

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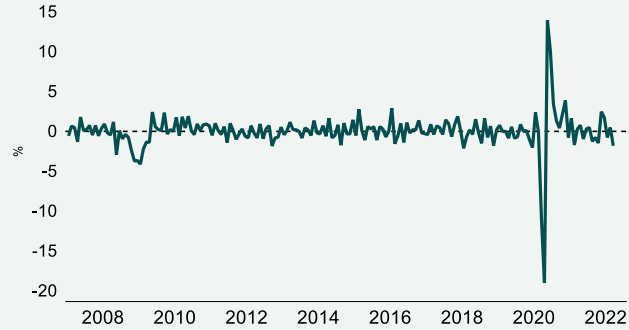
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Industry, Trade and Transport

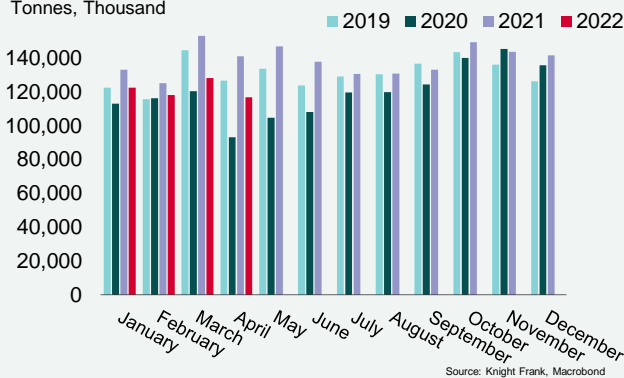
European Industrial Production



Source: Knight Frank, Eurostat, Macrobond

Eurozone industrial production declined by 1.8% m/m in March 2022, the biggest drop in nearly two years but showing a more positive position than the market. Among the Euro area's major economies, production in Germany dropped 5%, 1.8% in Spain, and 0.5% in France.

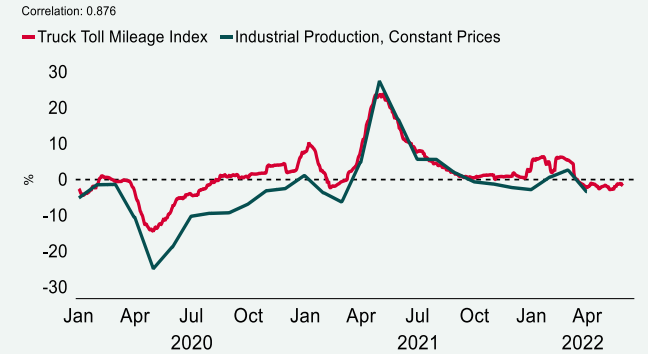
Netherlands Total Monthly Air Cargo



Source: Knight Frank, Macrobond

Air freight remained below 2021 levels in the first four months of the year but are at a similar level to pre-pandemic levels of 2019.

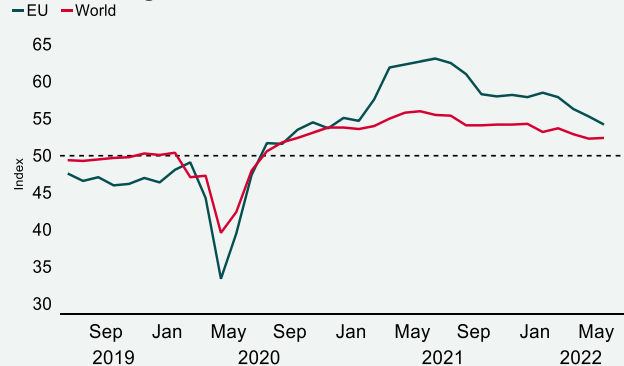
German Truck Toll Mileage



Source: Knight Frank, Macrobond

German truck toll mileage, a leading indicator of industrial production measured relative to usual levels for the period, has slowed since the onset of the conflict in Ukraine.

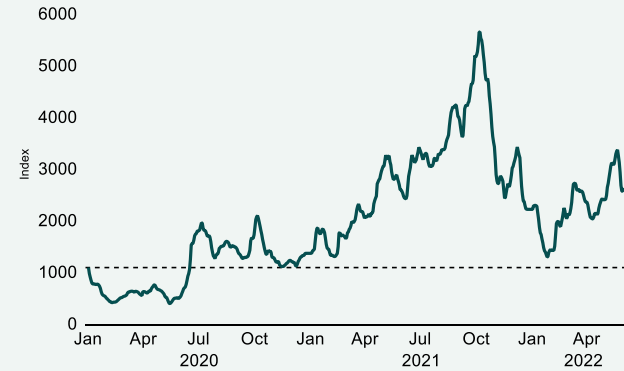
Manufacturing PMI Index



Source: Knight Frank, Macrobond

The Eurozone manufacturing PMI was 55.5 in April 2022, a third consecutive decline. Some companies suffered further production curbs due to ongoing supply constraints. Nevertheless, the index has remained in expansionary territory (above 50) since July 2020.

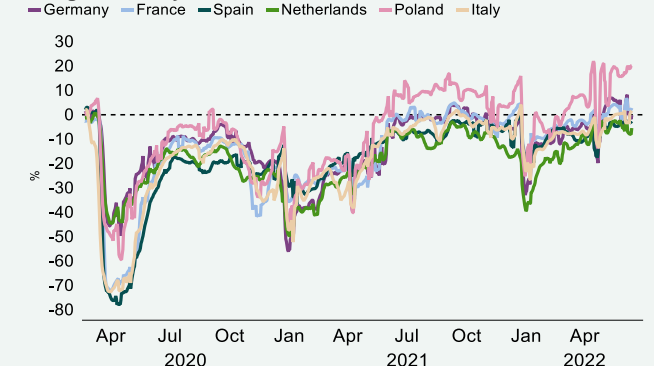
Baltic Dry Index (BDI)



Source: Knight Frank, Macrobond

The Baltic Dry, a measure of what it costs to ship raw materials, has picked up again. The geopolitical situation and constrained activity out of China due to Covid-19 lockdowns have caused renewed supply chain issues.

Google Mobility Index



Source: Knight Frank, Macrobond, Google

This index measures activity (excl parks & recreation), relative to a benchmark period in January / February 2020. Mobility is improving as restrictions were lifted which should be supportive of service sector activity.

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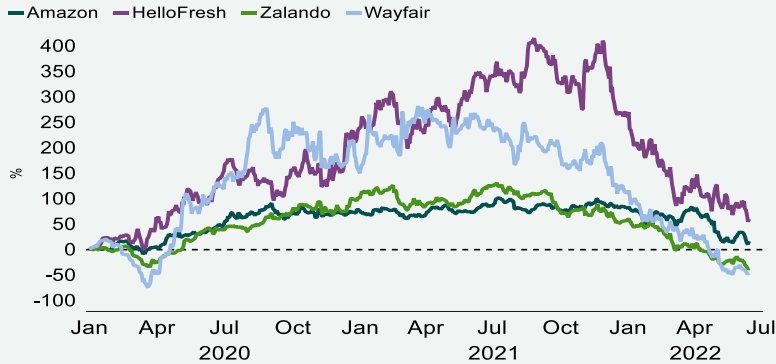
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Online Retailing

Leading Online Retailer Share Price Growth, %



Source: Knight Frank, Macrobond

Leading online retailers have seen slowing or declining share price growth. This reflects the re-opening of economies, the challenges of inflation, but also more broadly bearish stock markets.

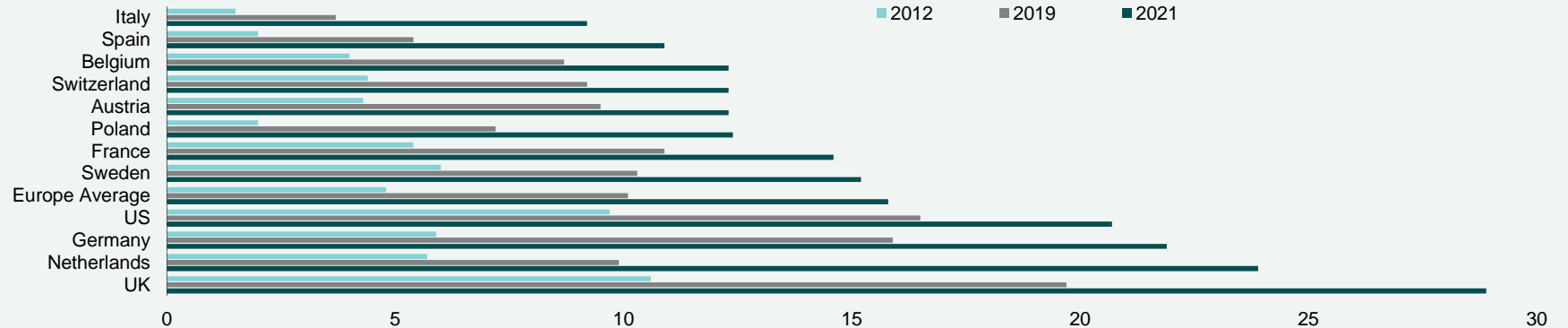
YOY Growth in European Internet & Mail Order Sales, %



Source: Knight Frank, Eurostat

Internet & mail order sales saw negative growth for the first time at the start of 2022. This follows the lifting of Covid restrictions. However, the rate of decline is moderating as sales growth stabilises.

Online retail as a share of total retail sales, %



Source: Knight Frank, Centre for Retail Research

All European countries have seen a sharp acceleration in online retail over the pandemic, creating additional demand for logistics space. Estimated ecommerce penetration across Western Europe has increased from 10.1% in 2019 to 15.8% in 2021. According to the Centre for Retail Research, while levels of online shopping have declined from their lockdown peaks, the pandemic has led to a permanent change in shopping habits, with consumers becoming more familiar with ordering goods online.

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