

Market Environment

Germany's logistics sector can look back at a very successful year in 2013. Strong demand from home and abroad led to a steady increase in capacity utilisation in the manufacturing sector over the course of the year and therefore to strong demand for storage and distribution services.

Export performance increased by 0.4% year-on-year, with a strong final quarter in particular showing evidence of the clear upward trend. The stable labour market (unemployment rate of 6.9% on average over the course of the year) once again provided considerable stimulus to internal trade, leading to a 0.9% increase in consumer spending. Measured by reference to the gross domestic product (GDP) in real terms, the economy grew by 0.4%. Although this performance is slightly poorer than in 2012 (+0.7%), it is offset by a noticeable increase in confidence in the future.

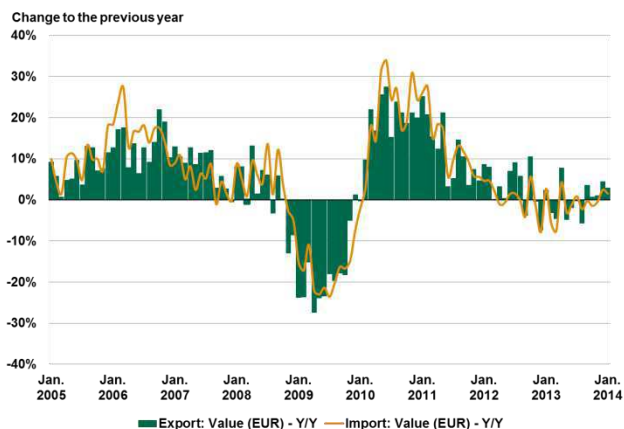
This new optimism in Germany as an export country is linked strongly to the recent economic improvements recorded by important German trading partners. For example, there are the first signs of optimism in the Eurozone after the longest recession in its history. GDP growth of 0.4% in the fourth quarter would suggest that this trend will continue in 2014. Although the forecast growth of 1.2% will not be enough to achieve a massive reduction in the high level of unemployment, it can be regarded as an economic turning point.

As a result of Germany's close trading relationships with countries such as the UK and the USA, the strong economic trends which are expected in those countries in particular are regarded with optimism here. Although recovery is forecast for France and the Netherlands, economic impetus is expected to come mainly from outside Europe.

Table 1: Macroeconomic data and forecasts	2013	2014F	2015F
German GDP (real), %	0.4	1.9	2.0
Eurozone	-0.4	1.2	1.5
UK	1.8	2.8	2.4
USA (annualised)	1.9	2.7	3.0
Private consumption, %	0.9	1.3	1.6
Investment in plant & machinery, %	-2.4	5.1	6.0
Industrial production, %	0.0	3.4	3.1
Unemployment rate (BA), %	6.9	6.7	6.6
CPI, %	1.5	1.4	1.8
Production costs, %	-0.1	0.4	1.9

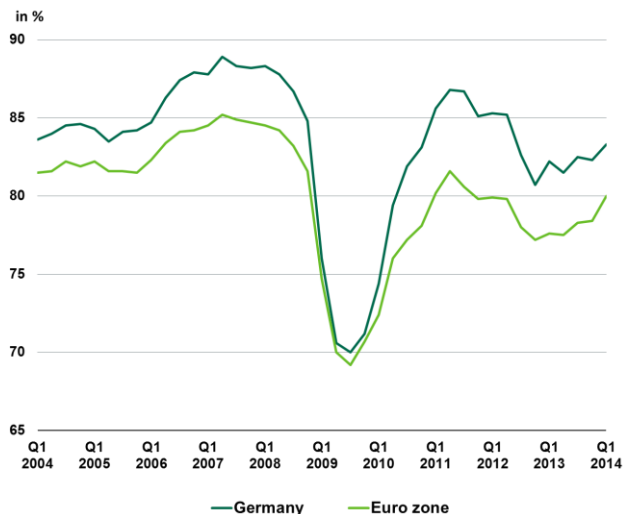
Source: Federal Labour Office, Consensus Forecast, Federal Statistical Office

Chart 1: Exports and imports 2005 - 2014



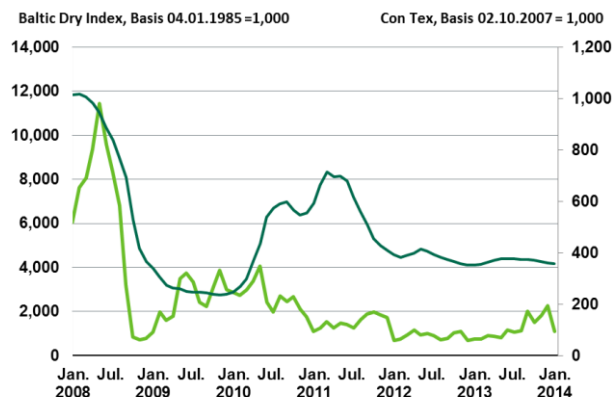
Source: Federal Statistical Office

Chart 2: Industrial capacity: Germany



Source: Federal Bank of Germany

Chart 3: Sea freight indices: Baltic Dry Index & ConTex

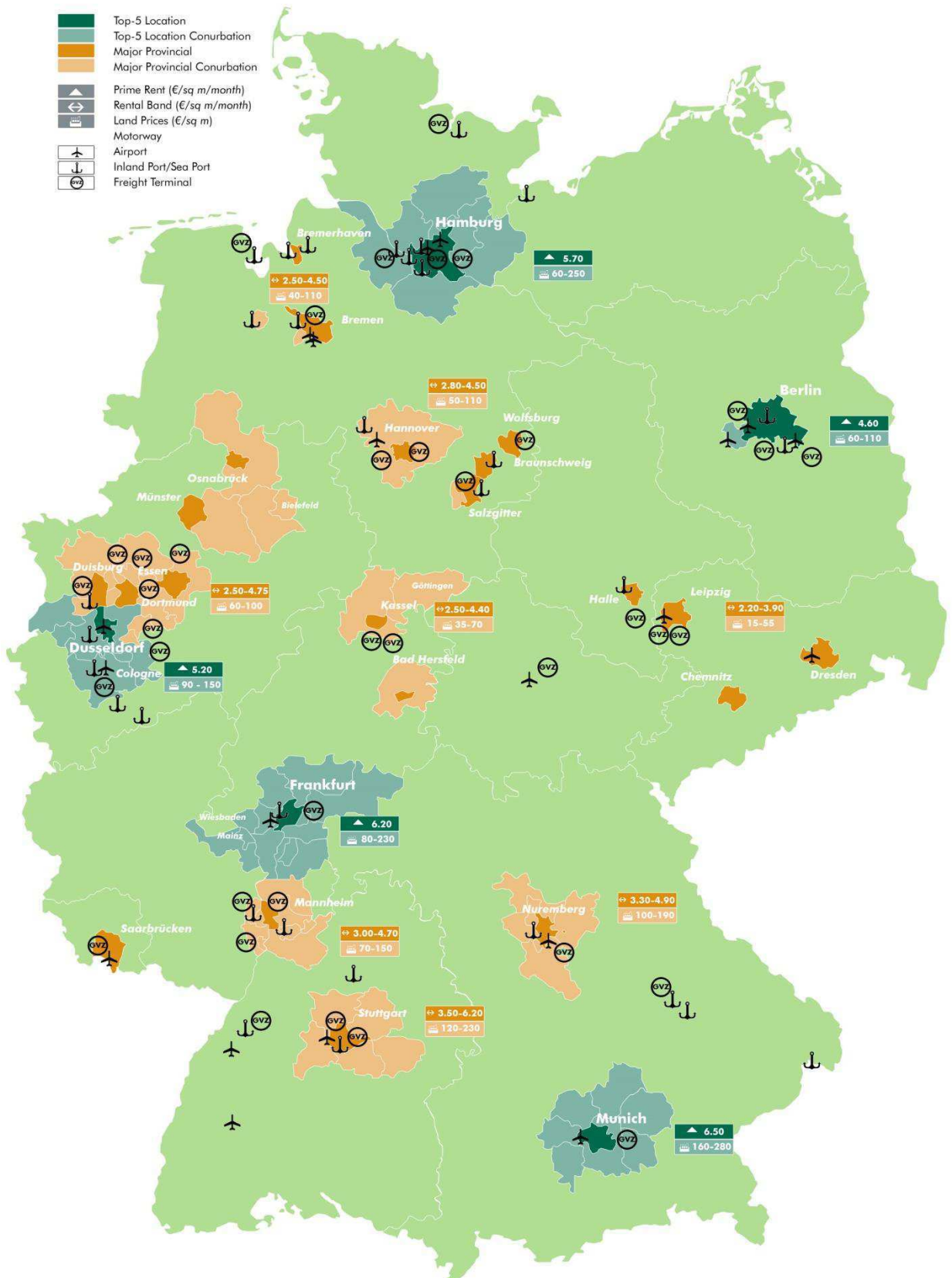


Source: Bloomberg

CBRE Logistics Hubs Germany

Rents and Land Prices (as of Q1 2014)

- Top-5 Location
- Top-5 Location Conurbation
- Major Provincial
- Major Provincial Conurbation
- Prime Rent (€/sq m/month)
- Rental Band (€/sq m/month)
- Land Prices (€/sq m)
- Motorway
- Airport
- Inland Port/Sea Port
- Freight Terminal



Source: CBRE Research