

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



Industrial Market Fortitude in the Face of Economic Downturns

Germany

Q1 2024

Market Outlook

In Q3 2023, Germany's economy saw a slight contraction of 0.1% q-o-q and 0.3% y-o-y, due to weak industrial output, reduced private consumption, and lower foreign trade. Investment and public spending helped support the GDP. Inflation decreased to 3.8% y-o-y in October, with a further reduction anticipated in 2024. The labor market remained tight with a low unemployment rate of 3.5%. The GDP is forecasted to shrink by 0.3% in 2023, due to soft demand, declining industrial production, and stringent financial conditions. However, a gradual rebound is expected in 2024, driven by easing inflation and rising household consumption.

Germany's logistics market remains resilient despite economic slowdowns. While total leasing activity and investment volume have slowed down after two booming years, a trend seen across Europe, Germany's logistics sector achieved a total take-up of 4.3 million square meters in Q1-Q3 2023. In Q3, Germany attracted a total investment of €2 billion, leading the European markets with a 31% market share. The prime rent shows a remarkable 12% y-o-y surge to €8.1/sqm/month. This upward trajectory is expected to persist, fueled by robust demand, lack of availability and a dearth of new developments. Sustainability and energy efficiency have garnered increasing attention from both tenants and investors. Looking ahead, we expect a gradual resurgence in leasing demand and investment throughout 2024...

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