

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



## Economic and Logistics Revival

Germany

Q3 2024

### Market Outlook

Germany's economy saw a positive turn in Q1 2024, registering a 0.2% q-o-q growth, fueled by robust investment and a favorable trade balance, despite subdued household and public consumption. The labor market remained tight, with the unemployment rate holding at 3.2% in April. Disposable income increased by 4.8% y-o-y, supported by strong wage growth. Inflation met the EU targets, with the HICP at 2.8% and CPI at 2.4% as of May. The government is prioritizing fiscal consolidation while continuing to support climate and sustainability initiatives. With the economy rounding a corner, it is poised for a modest 0.2% growth in 2024, driven by net exports, investment, and rising service sector demand. A projected acceleration to 1.0% in 2025 is expected, fueled by increased consumption and external demand in the context of a global economic recovery.

In Q1 2024, leasing activity in the German logistics market moderated to 1.12 million sqm, returning to pre-pandemic levels amidst economic fluctuations. Despite this, the market maintained tight supply-demand dynamics with the vacancy rate steady at a historical low of 2.7%. Investment in logistics real estate surged to €1.6 billion, doubling from Q1 2023, propelled by significant portfolio transactions. Prime rents continued to rise, maintaining the upward trend due to the limited availability of modern assets, with rates in the top five markets climbing 9.8% y-o-y to €8.51/sqm/month in Q1. Manufacturers and third-party logistics providers led the demand in Q1. Looking ahead, the market is poised for sustained growth throughout 2024, with recovery expected in both demand and investment activity, supported by favorable financial conditions, nearshoring trends, and e-commerce expansion. ...

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