

CGL IM Financial Management Limited

Integrity, Collaboration and Commitment



Logistics on Steady Course Amid Economic Shifts

Germany

Q4 2024

Market Outlook

Germany's economy contracted slightly by 0.1% in Q2 2024, due to modest private consumption, decreased investment, and subdued foreign trade. However, the labor market remains robust, with the unemployment rate holding steady at a low 3.5% in July. Disposable income showed a healthy increase of 3.9% y-o-y, bolstered by strong wage growth. Inflation is also on the decline, with HICP at 2.6% and CPI at 2.9% in July. The service sector remains the main growth driver and is expected to accelerate in the future, driven by improved purchasing power. Looking ahead, Germany's GDP is projected to contract by 0.2% in 2024 but is expected to rebound with growth of 0.8% to 1.1% in 2025, driven by recovering consumption, investment, and external demand amid lower interest rates and an improving global economic outlook.

The German logistics market is showing signs of recovery, with demand rising to 1.3 million sqm in Q2, bringing the H1 2024 total to 2.45 million sqm. The Big Five markets showed slight recovery, reaching 660K sqm in H1 2024. The market remains tight, with the vacancy rate staying low at 3.1%. Third-party logistics providers dominated, accounting for 35% of total demand. Investment in logistics real estate continued its strong momentum, increasing by 52% y-o-y to €2.9 billion in H1 2024, maintaining its position as the leading asset class among investors. Supported by the persistent supply-demand imbalance, prime rents in the Big Five markets continued their upward trend, rising by 6.3% y-o-y to €8.71/sqm/month in Q2. Looking ahead, the market is expected to maintain growth in 2024, backed by a strong foundation and limited availability. The ongoing monetary easing cycle, improved financial conditions, and the global economic recovery are anticipated to revive investment activity...

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