

CGL IM Financial Management Limited

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## Logistics Market Holds Strong Amid Economic Fluctuations

Germany

Q1 2025

### Market Outlook

Germany's economy grew modestly by 0.1% q-o-q in Q3, narrowly avoiding contraction, driven by sustained growth in private and public consumption, along with a positive contribution from inventory changes. The labor market showed resilience, with the unemployment rate falling to 3.4% in November and wages increasing by 4.9% y-o-y in Q3. Investment remained subdued, reflecting declines in both the construction and machinery sectors. Industrial production and exports were sluggish, hampered by weak external demand. Inflation eased to 1.9% in Q3 but edged up to 2.2% in November 2024, due to base effects and elevated service prices. Looking ahead, GDP is expected to stay stagnant in 2024, with a gradual recovery projected for 2025, growing by 0.3%-0.7%, fueled by ongoing consumption expansion and real wage growth. Net exports is projected to stay slightly negative, while investment is expected to gradually pick up, bolstered by improved financial conditions.

The German logistics market maintained upward trajectory, with both total take-up and investment showing growth in Q3. Demand increased to 1.48 million sqm, rising 4% q-o-q, bringing the total to 3.92 million sqm for Q1-Q3 2024. Leasing activity in the traditional Big Five markets accelerated, rising by 15% q-o-q to 382,000 sqm in Q3, totaling over 1 million sqm for the first three quarters of the year. The vacancy rate remained low at 3.8% in Q3. Wholesale and retail companies were the leading occupiers, accounting for 32% of national demand, or 1.2 million sqm, marking a 14% y-o-y increase. Investment activity also picked up, rising by 15.3% q-o-q to €1.5 billion in Q3, pushing the year-to-date total to €4.4 billion. The market is poised for sustained growth, with rising demand fueled by reduced new construction, ongoing low availability, and tailwinds from e-commerce and nearshoring trends...

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