

# 2022: a transition year for the logistics real estate market

▼ 4,080,400 sq m Take-up    ▼ 1,928,800 sq m Vacant space    ▼ 3.8% Vacancy rate

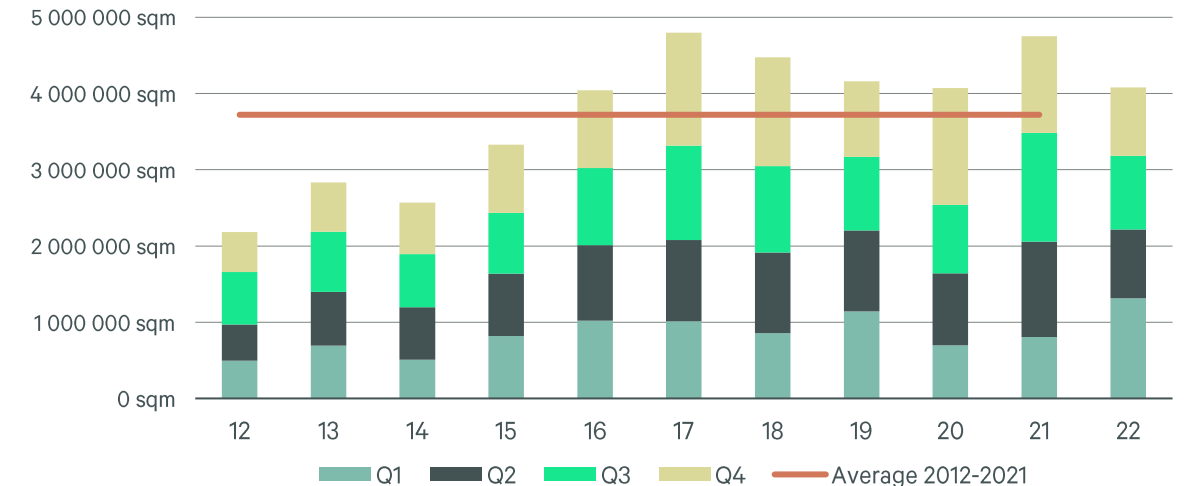
▲ €84 Prime rent    ▲ 4.25% Prime yield

Note: The arrows indicate annual variations

## A mixed performance for 2022

French logistics take-up totalled more than 4 million sq m in 2022 (-14% y-o-y and +10% compared to the ten-year average). After a H1, following a record year in 2021, rising uncertainty due to a faltering economic context and warehouse scarcity dampened the volumes transacted in H2 (-30% compared to H2 2021). The initial signs of a slowdown observed in Q3 were confirmed in Q4. Take-up totalled only 900,600 sq m. While logistics service providers are once again the most active market players in 2022, food retail specialists and industrial loaders have also continued to stake their claims to the market as a result of ongoing supply chain reconfiguration. New space remains the market mainstay, representing 58% of total take-up. However, the share of second-hand warehouse transactions has risen sharply. This is a carry-over effect to existing buildings, as available new supply is lacking in several markets. The Central Axis continues to consolidate its leading position, with nearly two thirds of total annual take-up. The greater Paris region performed well with a take-up of 933,700 sq m, ahead of the Hauts-de-France (785,200 sq m) and AURA (643,400 sq m). Beyond the Central Axis, the Centre-Val de Loire is the 4<sup>th</sup> largest logistics centre in France for the second year in a row.

FIGURE 1: Take-up - France



Source: CBRE Research & Immostat, Q4 2022

## Supply faces multiple constraints

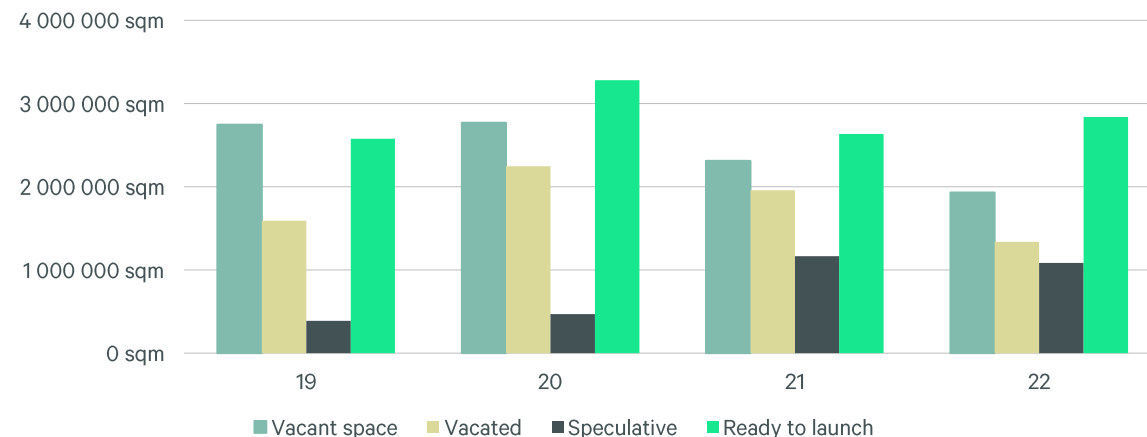
Vacant space totalled approximately 2.3 million sq m at the end of 2021. Since then, vacant space across France has shrunk by more than 16% y-o-y to 1.9 million sq m at the end of Q4 2022. The vacancy rate for France is 3.8%, which indicates that users are facing increased constraints. With the exception of the Hauts-de-France, there is a widespread decline in vacant space which continues to restrict take-up in the deep markets of the Central Axis. While space scarcity in the Lyon region persists (0.9% vacancy), vacant space continues to drop in the PACA and greater Paris regions, which have vacancy rates of 1.2% and 2.7%, respectively. Vacancies are few and far between, and fail to counter the stock drought in the tightest markets.

In terms of future supply, speculative schemes remain relatively stable compared to the end of 2021, totalling just under 1.1 million sq m. However, this historically high volume is unevenly distributed across France and well below the needs of undersupplied markets. The Hauts-de-France region alone accounts for almost 50% of all speculative projects. Also, ready to launch space (2.8 million sq m) is up 8% compared to the end of 2021. It represents a significant volume in greater Paris area (762,000 sq m), the Centre-Val de Loire (760,000 sq m) and the Hauts-de-France (751,000 sq m). Replenishing the market with new supply is essential to meet user demand. However, cautious land use policy and the current macroeconomic situation are limiting development. The pressure on existing supply and land, the rise in construction and financing costs, and yield decompression are likely to restrict the renewal of supply.

## A two-tiered rent trend

Continued demand, combined with a cautious land use policy, is driving rents upwards to varying degrees depending on the market. In the tightest sectors, structurally weak supply compared with occupier demand is contributing to sustained rent rises. In deep markets of the Central Axis, such as the greater Paris region and the Rhône-Alpes, average rent for class A logistics warehouses increased by 3% and 4%, respectively, y-o-y. In contrast, the relative fluidity of the Hauts-de-France market following the completion of a number of speculative schemes means that prime rent remains at €49/sq m. Outside the Central Axis, rents are rising significantly in under-supplied markets such as Bordeaux and Toulouse. In less constrained markets, rents are rising but growth remains moderate.

FIGURE 2: Evolution of supply



Source: CBRE Research, Q4 2022

FIGURE 3: Class A logistics - Headline rents

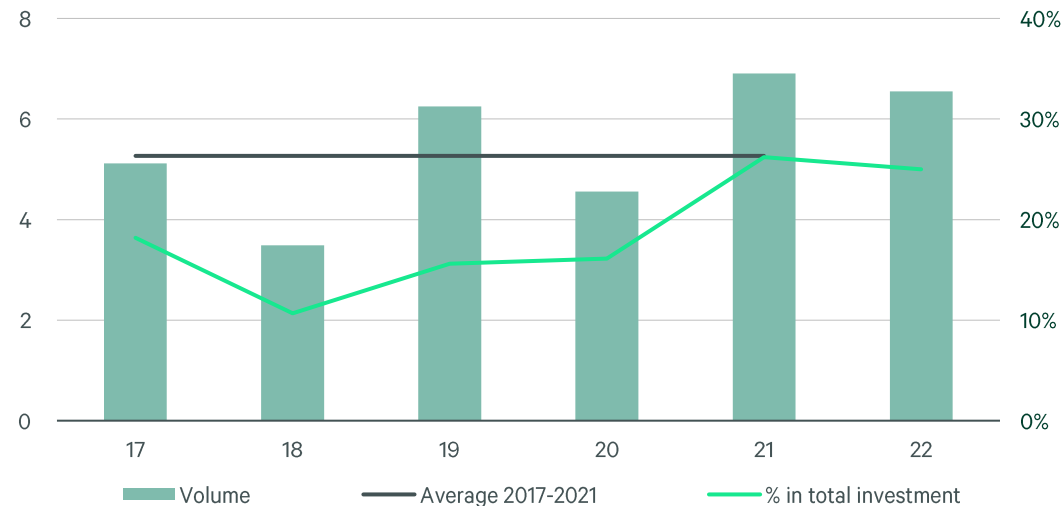
Central axis	Min	Max	Excl. Central Axis	Min	Max
PARIS REGION*+OISE	43	84	Bordeaux	45	55
AURA/Lyon and surrounding area	48	60	Le Havre/Rouen	42	51
HAUTS-DE-FRANCE/Lille	42	49	Orleans	41	50
PACA/Marseille	49	56	Strasbourg	40	58
			Toulouse	48	57

€ pa/sq m excl. taxes and charges

\*excl. within A86

Source: CBRE Research, Q4 2022

FIGURE 4: Industrial and logistics investment



Source: CBRE Research & Immostat, Q4 2022

## I&L investment: a misleading 2022

Despite challenging financial and geopolitical circumstances, industrial and logistics real estate investment totalled more than €6.5 billion in 2022, a 24% increase compared to the five-year average. This represents a 25% share of total commercial property investment, which confirms the now well-established status of this asset class in the French real estate landscape. The market was driven by a number of large, high-quality transactions. These included national and pan-European portfolios and large single unit transactions. Examples include the sale of the MATRIX portfolio of fifteen parcel hubs in France, acquired by Realterm in Q4, and Argan’s acquisition of 153,000 sq m of logistics warehouses from Renault in a sale and leaseback transaction.

However, the year 2022 ends in a blur. Historic investment in the first nine months masks a significant slowdown in Q4, with less than €1.3bn invested. Given rising geopolitical tensions, high inflation and the general tightening of monetary policy, investors have acknowledged the changing nature of the market and continue to reassess real estate risk. Prime yield is 4.25% for class A logistics assets and 5.75% for industrial assets, a respective increase of 50bps compared with the previous quarter. In this highly volatile context, investors are more selective about location, potential for rent reversion and ESG compliance.

The current lack of visibility means that yields will continue to decompress in the months ahead. Whereas some investors will wait for revaluation to occur, others will pursue their divestment and/or acquisition strategy, with yields adjusted to match expectations of return on risk and borrowing cost. In addition to rising rents, value creation opportunities will persist in this market, which is known for its strong structural fundamentals and counter-cyclical dimension.

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