



Attractive logistics property – an investor's point of view

For some years, logistics property has been increasingly drawing the interest of investors. This phenomenon is largely based upon two facts.

First of all, the pressure to invest and the high profit goals of many real estate investment companies, and on the other hand the fact that the logistics sector is booming within stagnant European economies. Whilst the real estate sector speaks of logistics properties with enthusiasm, investors are seemingly unaware of the fundamental characteristics of this real estate segment, since the interests of investor and user are often poles apart.

The former group is looking for long-term safe profits and the latter seeks the highest degree of flexibility possible. If the specific property is tailored to specific requirements, the possibility of marketing to a new user is massively limited. The only type of locations that may not be excluded here are those that cannot be duplicated or are unique, which are albeit very thinly scattered throughout the world.

One investment-related advantage is that consistently rented logistics property can generally be amortised within 10-12 years. This benefit is, however, relative because of a further aspect, which is the medium-term useful life of these properties. According to a study, logistics property in Central Europe is used on average for 22 years and analysts also work on the assumption that average useful life will in future go down to 15 years. The time between period of amortisation and average (future) useful life will thus be reduced substantially. Taking into account contractual periods which seldom exceed 3 years, then the trap of assumed profitable logistics investments opens. In order to amortise within 12 years, the respective property has to be relet at least three times. In other words "normal" logistics properties have extremely high risks in terms of loss of rent, as their likelihood of subsequent use tends to be worse than in the case of many other types of property. This is also particularly because the manufacture of logistics properties is comparatively low. Or in other words: from the point of view of many in the logistics field it is often economically more purposeful to build properties customised to the respective purpose than to rent.

The security of the investment is fully dependent upon the respective contractual periods, creditworthiness of lessors, and quality of property and location. In terms of location, properties in regions with a good mix of sectors tend to have a high probability of afteruse than elsewhere.

In reference to the properties themselves, it can be established that the following characteristics increase afteruse: high variance in area, single floor, column-free construction, clear heights of 10m, 5,000 kg/m² bearing strength; the availability of large manoeuvring spaces, an optimal relationship between administration and logistics spaces, as well as assured "round the clock" operation. Incidentally, it is no joke: should the facade colours not confirm to the simple preferences of the sector, substantial marketing difficulties can be anticipated.