

CBRE Switzerland

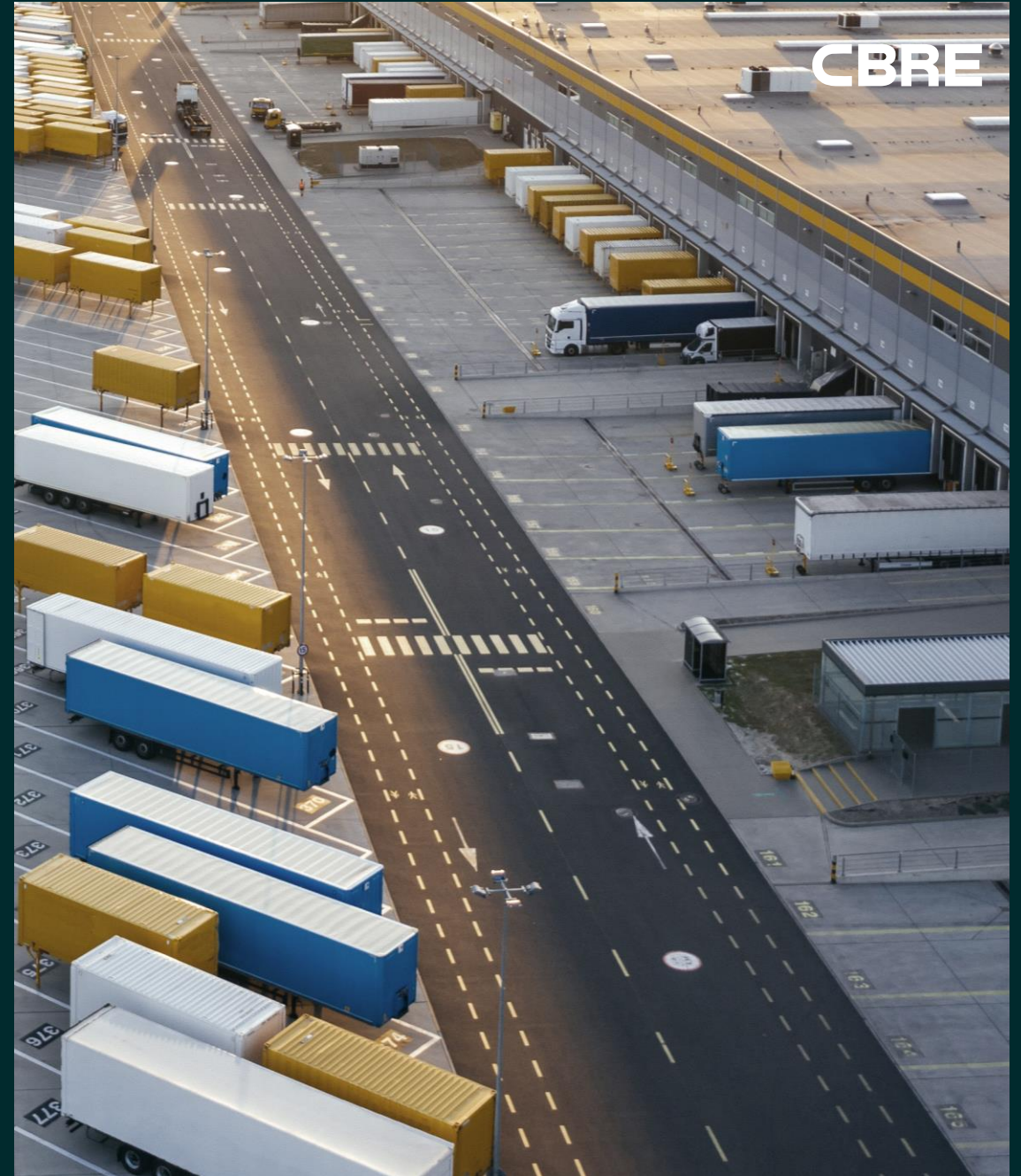
Logistics and Light Industrial Real Estate 2024

REPORT

Growing supply
drives the
occupier market

CBRE RESEARCH

April 2024



Management Summary

ENGLISH

Logistics

- The further increase in supply by 10 bps (YoY) to 2.5% as per Q1 2024 can be explained by a slowing demand (especially for short-term leases by 3PLs).
- Supply largely consists of old and small units not meeting modern logistics standards, whereas the fewer large-scale new builds (often built-to-suit / pre-leased) get very well absorbed by the market.
- Asking rents have risen further (especially in the high-price segment), and the prime (net) yield currently stands at 4.25%, which is 60 bps more than in H1 2022.

Light Industrial

- The supply rate of light industrial space continues to rise and currently stands at 2.1% (+10 bps YoY). The low interest environment seen for more than a decade has encouraged developers to invest into multifunctional light industrial buildings. Several such buildings are now entering the market, following the "Geneva model".
- Second, economic headwinds have slowed down the demand for light industrial space most recently, but the interest rate cut by the SNB in late March 2024 will help to counteract the low capacity utilization in the manufacturing industry.

DEUTSCH

Logistik

- Der weitere Anstieg des Angebots um 10 Bp. (YoY) auf 2,5% per Q1 2024 lässt sich durch eine nachlassende Nachfrage (v.a. nach kurzfristigen Mietverträgen durch 3PLs) erklären.
- Das Angebot besteht grösstenteils aus alten und kleinen Einheiten, die nicht modernen Standards entsprechen, während die wenigen grossflächigen Neubauten (oft *built-to-suit* / vorvermietet) sehr gut absorbiert werden.
- Die Angebotsmieten sind weiter gestiegen (vor allem im hochpreisigen Segment), und die Spitzenrendite (netto) liegt derzeit bei 4,25%, das sind 60 Bp. mehr als im H1 2022.

Leichtindustrie

- Die Angebotsrate für Leichtindustrieflächen steigt weiter an und liegt derzeit bei 2,1% (+10 Bp. YoY). Das während mehr als einem Jahrzehnt gesehene Niedrigzinsumfeld hat Entwickler ermutigt, in multifunktionale Leichtindustriegebäude investieren. Mehrere solche Gebäude drängen nun auf den Markt – ganz dem "Genfer Modell" folgend.
- Zweitens haben wirtschaftliche Unsicherheiten zuletzt die Flächennachfrage gebremst. Die Zinssenkung durch die SNB Ende März 2024 trägt aber dazu bei, der geringen Kapazitätsauslastung in der verarbeitenden Industrie entgegenzuwirken.

FRANCAIS

Logistique

- La nouvelle augmentation de l'offre de 10 pb (YoY) à 2,5% au T1 2024 s'explique par un ralentissement de la demande (surtout pour les baux à court terme par les 3PL).
- L'offre se compose en grande partie d'unités anciennes et de petite taille qui ne répondent pas aux normes modernes, tandis que les quelques nouvelles constructions de grande surface (souvent *built-to-suit* / pré-louées) sont très bien absorbées.
- Les loyers demandés ont continué à augmenter (en particulier dans le segment haut de gamme) et le rendement prime (net) est actuellement de 4,25%, soit 60 pb de plus qu'au S1 2022.

Locaux d'Activité

- Le taux d'offre pour les locaux d'activité continue d'augmenter et se situe à 2,1% (+10 pb YoY). L'environnement de taux bas observé pendant plus d'une décennie a encouragé les développeurs à investir dans des bâtiments industriels mixtes multifonctionnels. Plusieurs bâtiments de ce type arrivent actuellement sur le marché, suivant le "modèle genevois".
- Deuxièmement, les incertitudes économiques ont récemment freiné la demande de surfaces. La baisse des taux d'intérêt par la BNS fin mars 2024 contribuera toutefois à contrer la faible utilisation des capacités dans l'industrie manufacturière.

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Logistics

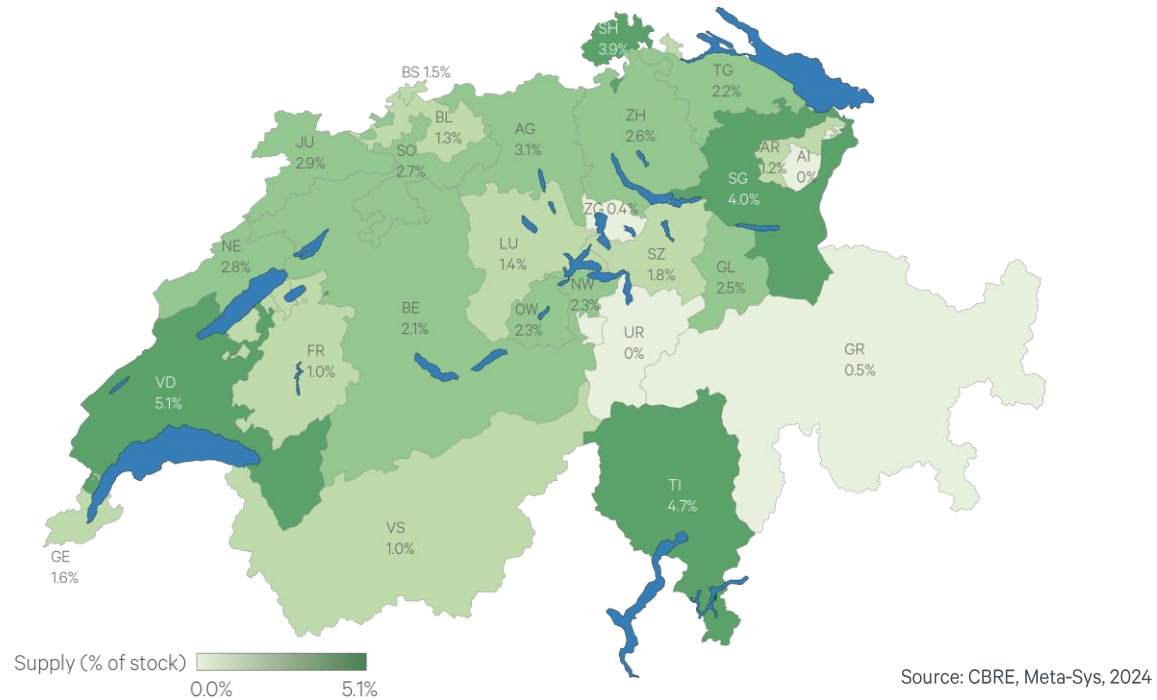
Increasing supply due to slowing market demand



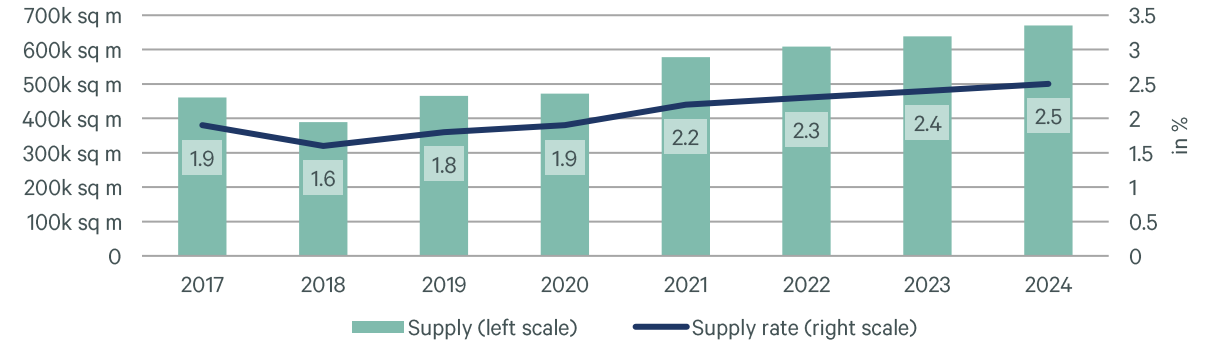
Supply remains limited to certain regions and old stock

Despite the growing (but slowing) economy, the Swiss logistics and storage supply (only rental offers from 300 sq m considered) continued to rise to 2.5% as of Q1 2024. This increase in supply does not concern the whole country equally, it has mainly been observed in the cantons of Vaud, Berne and Aargau. E.g. Vaud, with its large hinterland in the direction of Fribourg and less land constraints, has recently experienced a strong construction activity. Whereas new space has been well absorbed, current supply largely consists of old buildings not meeting modern standards.

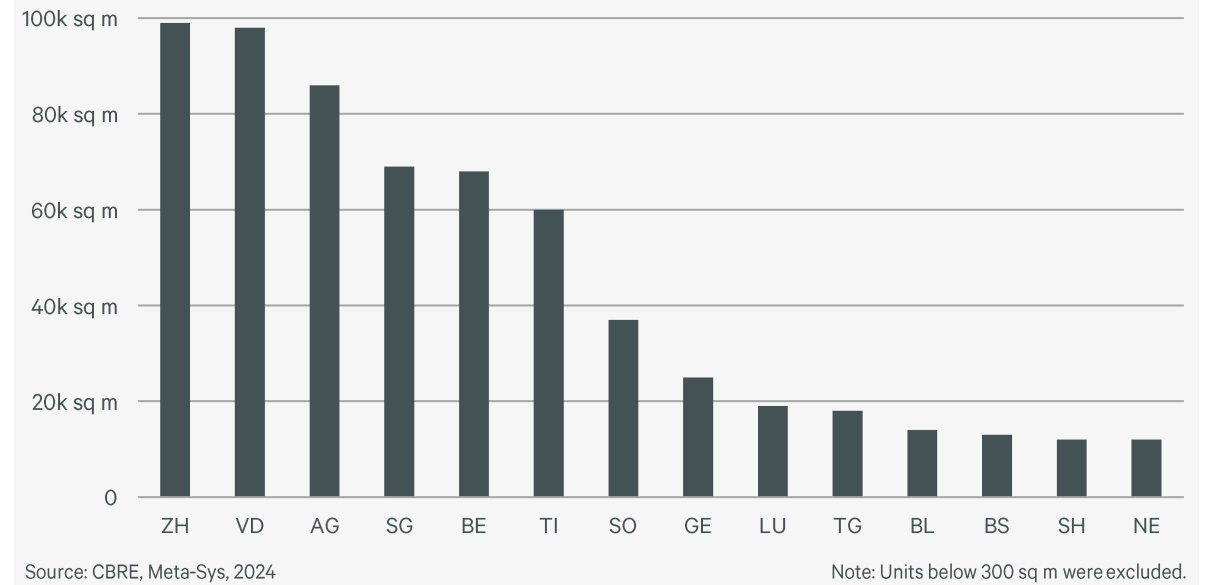
Overall, as the logistics market and its main occupier groups (industrial shippers, wholesalers, retailers and 3PLs) still are dominated by a high owner-occupier share of approx. 65 to 70% on average, the amount of publicly (and speculatively) marketed space remains limited.



Supply of logistics space in Switzerland 2017 – 2024



Supply of logistics space by canton Q1 2024 (cantons > 10,000 sq m only)

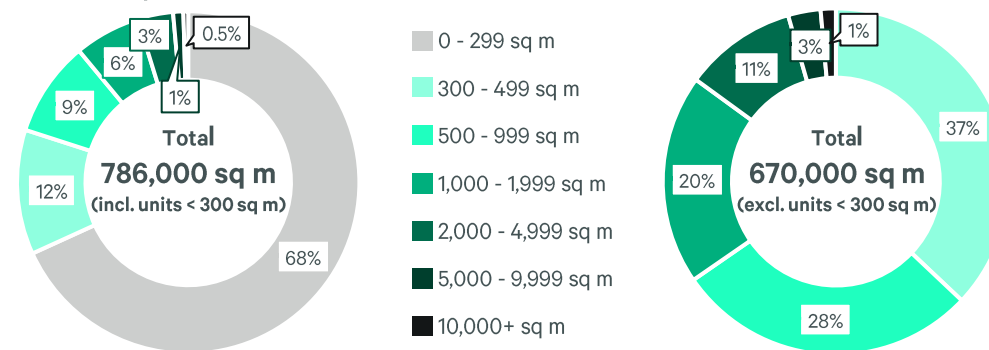


Shortage of large units and declining new construction

The marketed supply continues to consist mainly of small units. Even after excluding all warehouse offers below 300 sq m (totaling 116,000 sq m), which often include workshops, small storage and archive space or even hobby and self-storage rooms, only around one third (34.6%) of the advertisements offer 1,000 sq m or more. This is less than in 2021 with 38.7% and an affirmation of the growing shortage of large and modern units available for rent on an ad-hoc basis. This goes hand in hand with a declining construction activity.

Due to land scarcity, strict zoning regulations and low construction activity, land prices and rents still rise, despite the limited payment capacity of many industries. Since 2021, the asking rents have increased by CHF 10 / sq m p.a. for the median and the 90th percentile. Whereas rents of CHF 180 / sq m p.a. or more are rare for existing properties, such rent levels are often seen for built-to-suits.

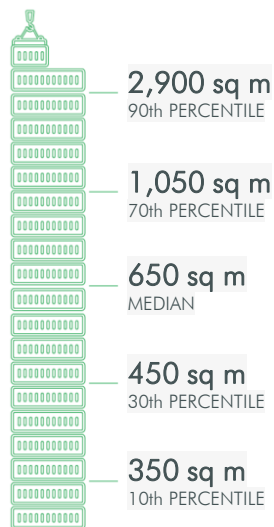
Share of offers by size in Switzerland Q1 2024



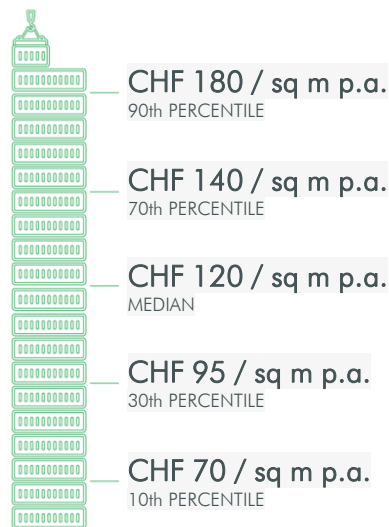
Source: CBRE, Meta-Sys, 2024

Offer sizes and asking rents in Switzerland Q1 2024

Offer sizes



Asking rents

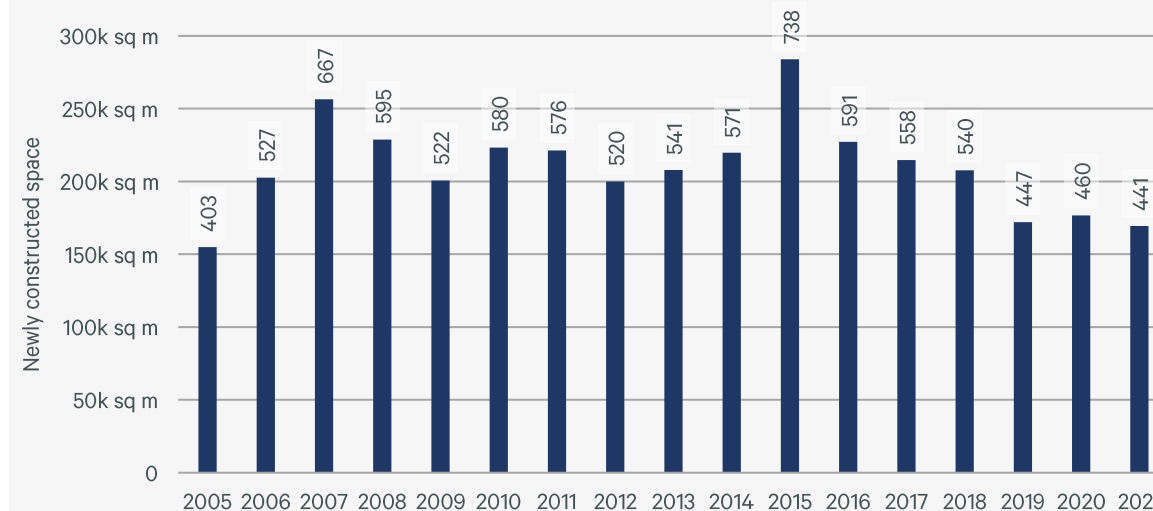


Prime yield

4.25%
NET (+60 bps since 2022)

Source: CBRE, Meta-Sys, 2024

Estimated amount of newly constructed logistics space and investments in new logistics space in MCHF (column label in real prices, base year = 2015) in Switzerland 2005 – 2021



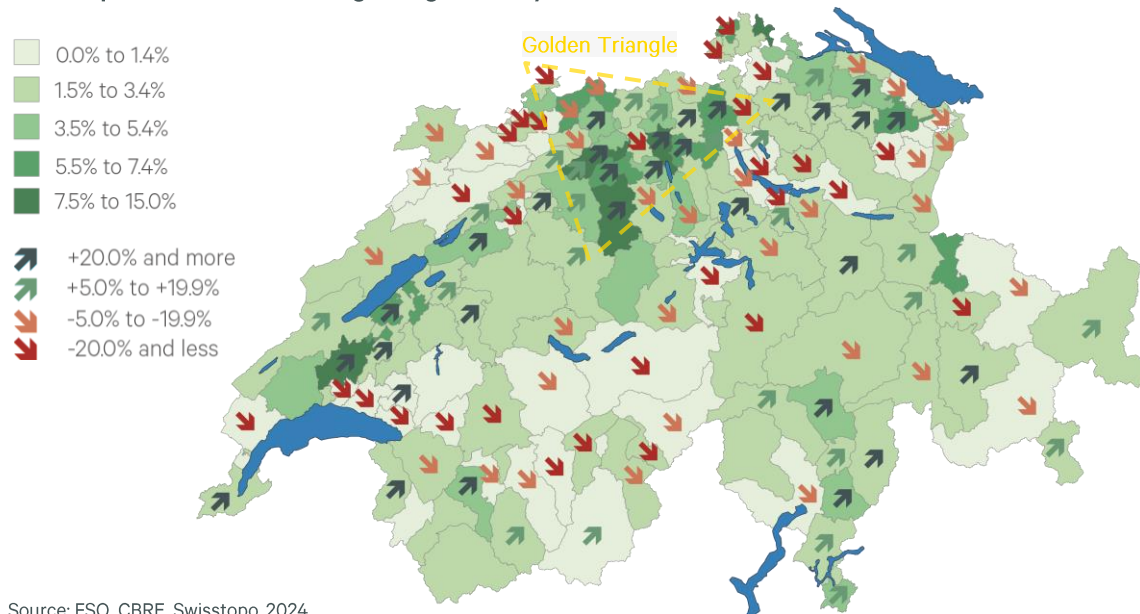
Source: FSO, CBRE, 2024

Demand highly dependent on overall economic situation

The so-called “Golden Triangle” between Basel, Zurich and Oberaargau traditionally concentrates the highest shares of logistics-based full-time equivalents (FTE). Representing 5.0% of all FTE, its average density was significantly higher than the national mean (2.6%) in 2021. The density figures remain the highest along the A1 motorway. This also holds true for the Lausanne hinterland (Gros-de-Vaud, La Broye) that has become an important logistics base for French-speaking Switzerland.

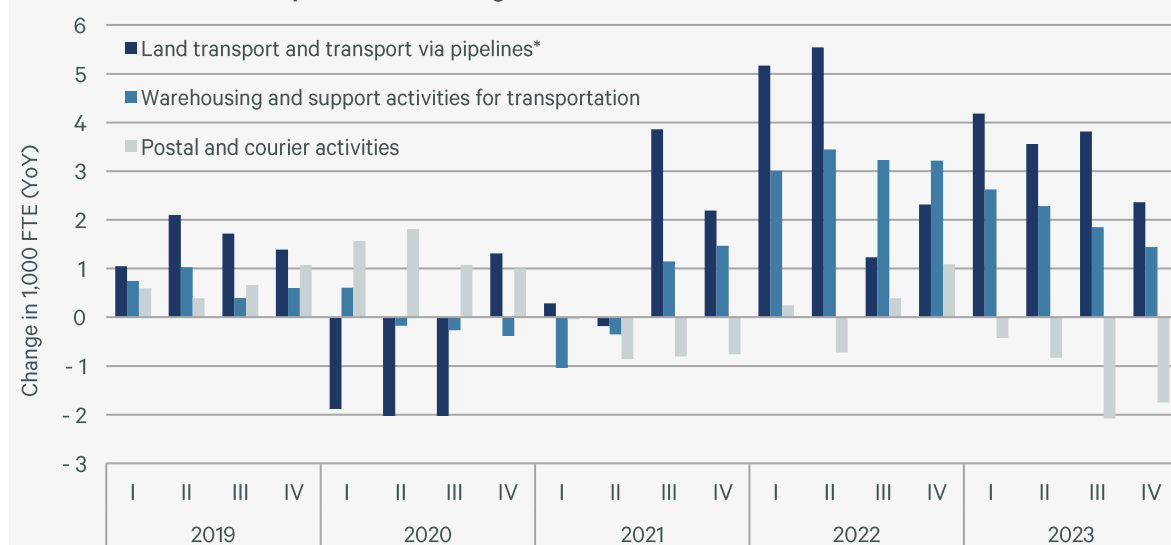
Since the normalization of supply chains and in the context of good economic growth, the job creation in logistics has been strong, except for the postal and courier services that continue to face structural job losses despite a brief flourishing at the beginning of the Corona crisis. But the logistics sector remains vulnerable and the demand for short-term leases has slowed down most recently.

Share of FTE in freight logistics of total FTE by district 2021
Development of FTE in freight logistics by district 2013 – 2021



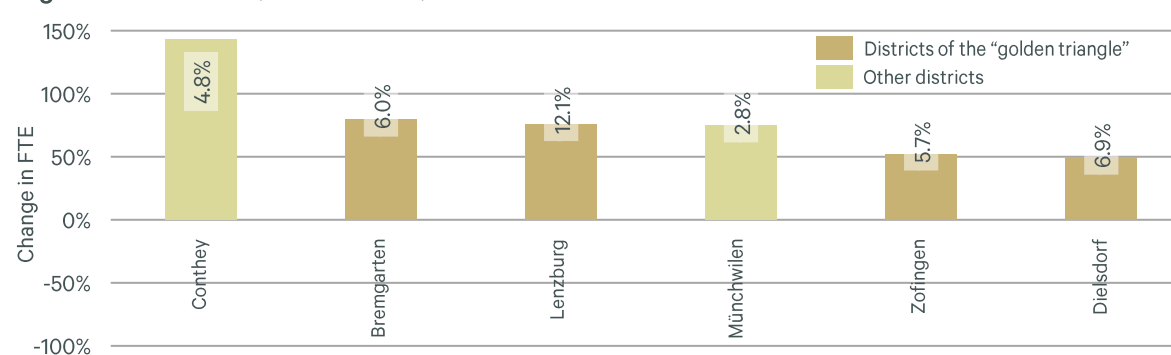
Source: FSO, CBRE, Swisstopo, 2024

Job evolution in transport and stockage divisions (NOGA 2) in Switzerland 2019 – 2023



Source: FSO, CBRE, 2024 *Including passenger transportation

Districts with the strongest developments in logistics FTE 2013 – 2021 and their shares of logistics FTE 2021 (column label)



Source: FSO, CBRE, 2024

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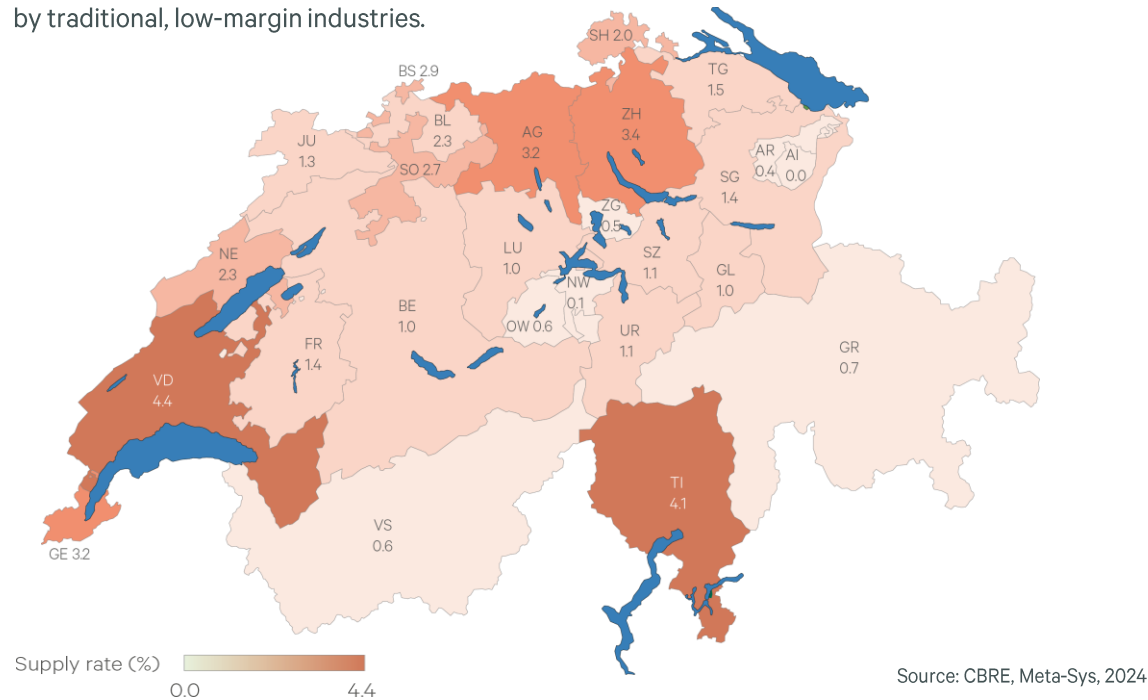
Light Industrial

Low-interest environment boosted light industrial market

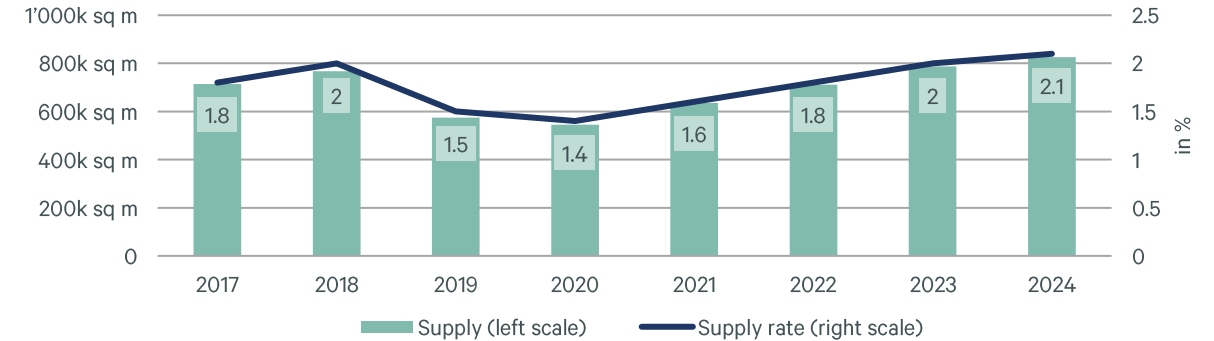


Number of new builds entering the market

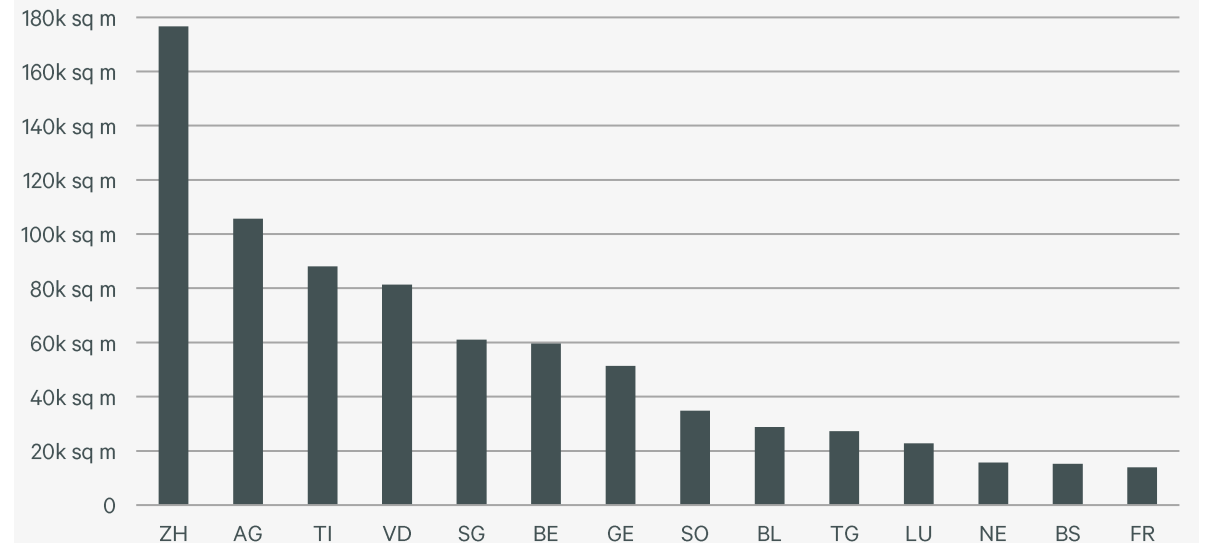
The supply rate of light industrial space continues to rise and currently stands at 2.1%. Whereas the increase in supply in 2021 / 2022 could be explained by a weaker demand due to disrupted global supply chains, we currently observe a different phenomenon. The very low and negative interest rates seen for more than a decade, the lack of higher-yielding asset classes, the good space demand, the establishing of industrial zones in urban areas and the generally higher availability of industrial land (vs. logistics land or more central office zones) have encouraged developers to invest into multifunctional light industrial buildings. In the canton of Zurich, the recent construction of several such buildings (e.g. in Zurich, Winterthur and Wädenswil) has led to an increase in supply, following the “Geneva model”, where similar buildings have been present in the market for some time already. These buildings provide good quality space at rents that, however, are often not affordable any more by traditional, low-margin industries.



Supply of light industrial space in Switzerland 2017 – 2024



Supply of light industrial space by canton Q1 2024 (cantons > 10,000 sq m only)



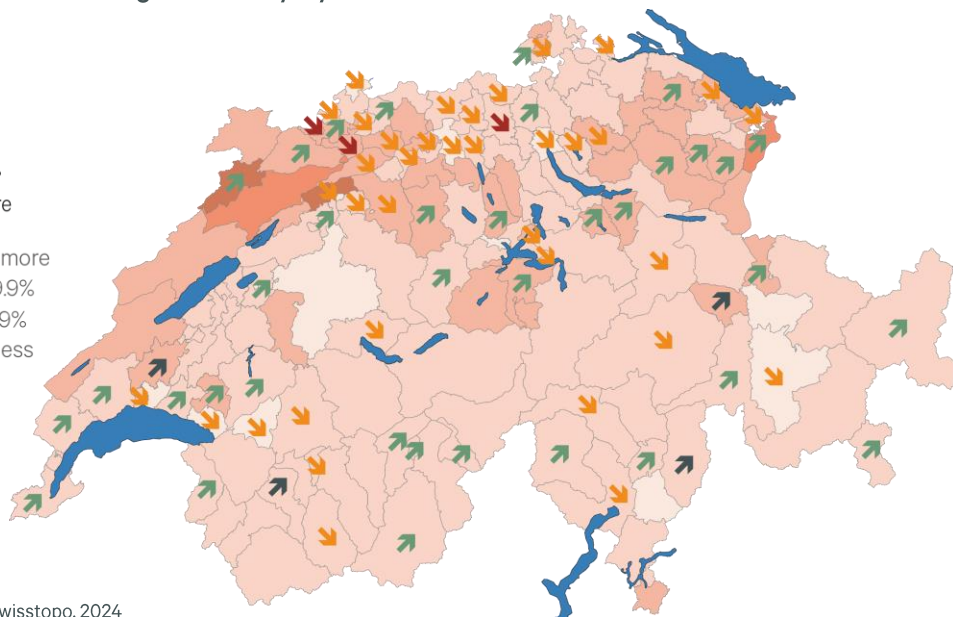
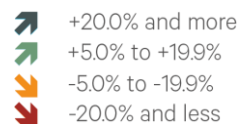
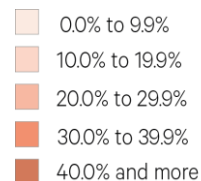
Interest rate cut by the SNB providing new impetus

The difficult economic situation in some important export markets (e.g. Germany), the low capacity utilization in many Swiss manufacturing segments and a weak construction sector have slowed down the demand for light industrial space. However, despite this we do not see any downturn for the light industrial real estate market. The interest rate cut by the Swiss National Bank (SNB) in late March 2024 gives new impetus to the Swiss industry and make it more competitive again.

Whereas the logistics sector has created many job is in the "golden triangle" between Basel, Zurich and Oberaargau, this is not the case for the light industrial sector. The Lake Geneva region, as well as central and eastern Switzerland have profited from the highest growth rates. These regions offer good government support (e.g. through the FTI in Geneva) or more and cheaper land (rural areas).

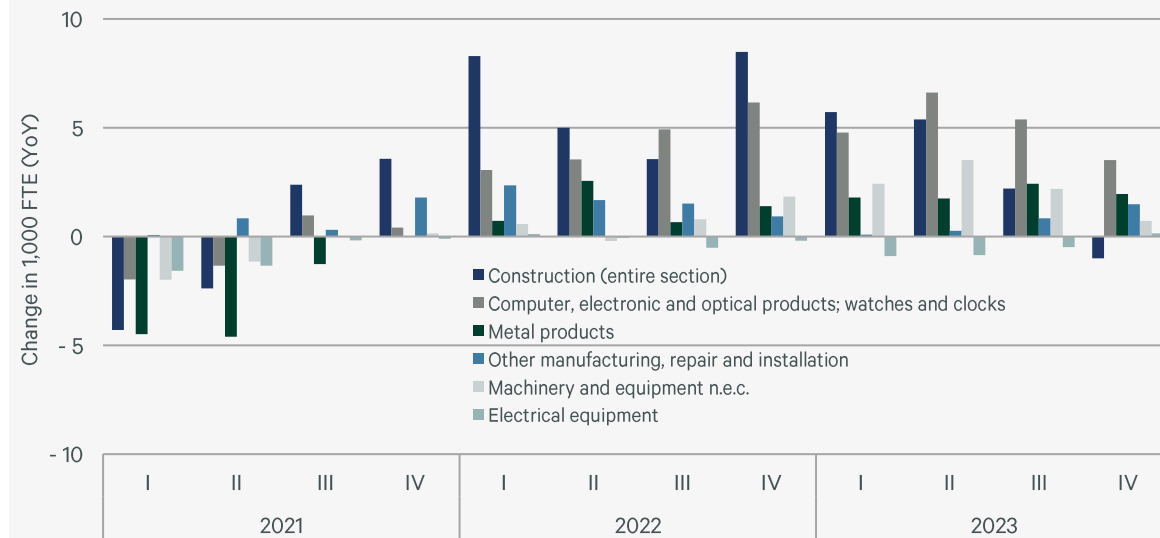
Share of FTE in light industry of total FTE by district 2021

Development of FTE in light industry by district 2013 – 2021



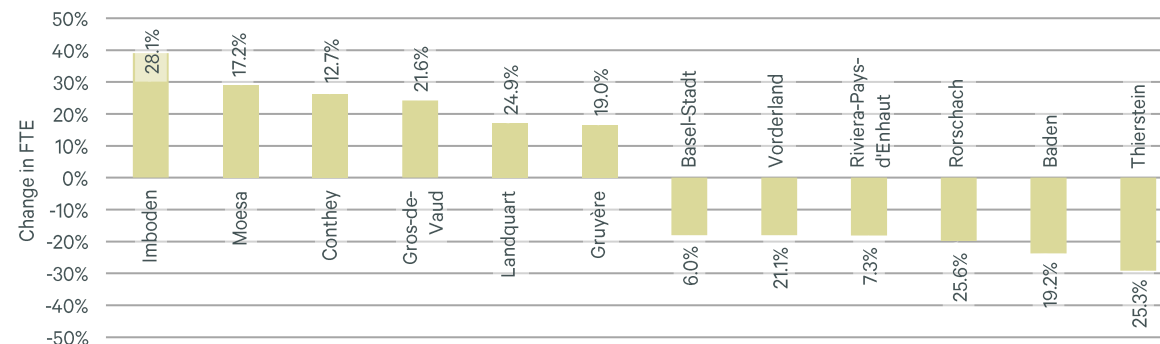
Source: FSO, CBRE, Swisstopo, 2024

Job evolution in selected light industry divisions (NOGA 2) in Switzerland 2021 – 2023



Source: FSO, CBRE, 2024

Districts with the strongest and weakest developments in light industrial FTE 2013 – 2021 and their shares of light industrial FTE 2021 (column label)



Source: FSO, CBRE, 2024

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