

# Top 3 consolidate dominant position

The top three players in PropertyEU's annual logistics developers ranking all piled on the square metres in the past three years, spurred by e-commerce

BY GORDON DARROCH

**P**anattoni Europe has consolidated its position at the head of PropertyEU's logistics developer ranking for 2018 based on warehouse space delivered between 2015 and 2017. The Warsaw-based company completed 3.8 million m<sup>2</sup> of warehouses over the three-year period, representing a 41% increase on last year's total of 2.7 million m<sup>2</sup>. This figure is dwarfed, however, by the projects scheduled until the end of 2020, which add up to a gargantuan 13.1 million m<sup>2</sup>. 'The deals

are much larger than in the past, so our volumes are much larger too, and e-commerce generates much more need for space than traditional retail,' explains Robert Dobrzycki, CEO of Panattoni Europe. 'Also, because of improvements in infrastructure in the places where we're extremely active, like Central Europe, retailers are consolidating under one roof, creating huge big boxes and opportunities for us to develop these boxes. Tenant requirements are just much bigger now than in the past, and I mean much bigger. The volumes are huge.'

Panattoni's order pipeline bears this perception out: two mega-warehouses in Radzymin and Częstochowa, both in Poland and due to be finished by 2020, will have a total floor space of 300,000 m<sup>2</sup> and 320,000 m<sup>2</sup> respectively. The company has also announced its first UK development since taking over Warwick-based First Industrial last year, with a massive 334,500 m<sup>2</sup> scheme in the West Midlands. Such large-scale developments have been made possible by technological advances such as the use of robotics in warehouses, says Dobrzycki. 'We're delivering a three-storey building in Szczecin in northern Poland and we are under construction with a four-storey building in Sosnowiec in southern Poland. It's a pioneering type of transaction: you need to look at these deals in a different way because they are not like the buildings of the past, which were 100,000-120,000 m<sup>2</sup> ground floor facilities. And in terms of construction it's a completely different story.'

## DEVELOPING FOR AMAZON

Panattoni dethroned Goodman at the top of the ranking last year, largely by taking over as Amazon's developer of choice in the pivotal CEE region. The Sydney-based developer has hardly been idle, however: it completed 3.4

'Deals are much larger than in the past, so our volumes are much larger too, and e-commerce generates more need for space'



PANATTONI'S BTS WAREHOUSE FOR AMAZON IN POZNAN, POLAND

## Top 10 logistics developers

DEVELOPER	TOTAL VOLUME IN M**
Panattoni	3,834,562
Goodman	3,421,967
Prologis	2,625,169
Segro	1,394,900
CTP Invest	771,813
WDP	621,400
Verdion	455,440
Gazeley	417,068
ECE	165,000
LCP	164,161

\*TOTAL LOGISTICS/INDUSTRIAL SPACE DELIVERED IN 2015-2017

NOTE: P3 LOGISTIC PARKS DID NOT PROVIDE FIGURES BUT BASED ON PUBLIC INFORMATION PROPERTYEU PUTS THE TOTAL VOLUME OF SPACE DELIVERED IN 2015-2016 AT 433,000 M<sup>2</sup>

SOURCE: PROPERTYEU RESEARCH



ROBERT DOBRZYCKI, CEO  
OF PANATTONI EUROPE

million m<sup>2</sup> of new facilities in the last three years, up 51% compared to 2014-2016. Like Panattoni, Goodman is prioritising the strategically located markets of Germany and Poland, as well as making inroads into the UK, where there is a squeeze for warehouse space in southern and Midland locations such as Coventry, Andover and the Medway towns.

Goodman has a healthy pipeline of 2.6 million m<sup>2</sup> over the next three years and remains an authentic pan-European player, though the bulk of its activity is concentrated in France, Germany, the UK and Poland. Early in 2018 the company completed its largest-ever logistics facility, a 235,000 m<sup>2</sup> hub comprising a pair of warehouses in Marl, Germany, for the giant wholesale and cash & carry operator Metro Group. The project was a consolidation of seven existing warehouses to create more efficient storage facilities and shorten transport routes.

### LAST-MILE HUBS

Like other developers, Goodman has seen demand grow rapidly in the last few years in terms of both size and complexity. 'Two or three years ago we thought of e-commerce as just big box fulfilment centres, but the terminology has become a lot wider,' says marketing director Cedric Hanon. 'It's also the last-mile delivery hubs – smaller buildings of less than 10,000 m<sup>2</sup> close to city centres – it's customer return centres, and it's fulfilment centres with multi-level mezzanines. It's a wide range of buildings and that's what you see in our pipeline.'

Third place in our rankings is once again taken by US logistics specialist Prologis, which grew its construction

volume by 24.5% to 2.6 million m<sup>2</sup> over the three-year period. The high demand for warehouse space across Europe is reflected in the fact that the company last year reported unprecedented occupancy rates of 96.5% across the 12 countries where it operates. Prologis has been reshaping its portfolio in the first quarter of 2018, selling

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**'Two or three years ago we thought of e-commerce as just big box fulfilment centres, but the terminology has widened'**

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a batch of 21 warehouses in five countries to Ares Management, while it is also concentrating on build-to-suit facilities such as a 53,500 m<sup>2</sup> scheme in Barcelona for Logiters and an extra 37,000 m<sup>2</sup> for Dutch online retailer Coolblue at Prologis Park Tilburg in the Netherlands.

Further down the table the demand for more sophisticated warehouses has created opportunities for companies such as Verdion and Logistics Capital Partners (see article on page 16), which can level the playing field by offering high-spec, technologically advanced facilities. Last-mile developments are another growth area, though these tend to be more legally complex because of the more stringent planning process in urban areas and so favour the big developers. Panattoni recently announced



## LCP challenges the 'big boys' in Europe

One ambitious developer that has successfully challenged the major players in the last few years is London-based Logistics Capital Partners. Established in 2015 by James Markby, former head of CBRE's European industrial and logistics investment team, and ex-Goodman commercial director Kristof Verstraeten, the company completed a 100,000 m<sup>2</sup> warehouse in Vercelli, Italy, last year for Amazon, and has a similar project in development at Torrazza, along the prime A4 logistics corridor near Turin.

PropertyEU's top developers survey shows that LCP has completed 164,000 m<sup>2</sup> of developments since its foundation, but that figure is set to increase substantially as it works through its pipeline: in 2019 alone it is due to sign off on more than 400,000 m<sup>2</sup> of warehouse space. The company has established itself in a short time as a developer of high-spec buildings to meet the increasingly sophisticated demands of modern distribution firms.

'We're a commercial privately owned team, so we can be quite flexible in how



**'Demand for more sophisticated buildings will continue'**

JAMES MARKBY

we structure our deals,' says Markby.

'We're not a generalist fund management team in that it is predominantly made up of engineers, so we can not only source land but work through a whole project on the feasibility side. That's much harder and riskier for fund management groups – they don't typically have those types of skills in house.'

The Torrazza project, a multi-storey fulfilment centre with 147,000 m<sup>2</sup> of floor space which is due to be completed later this year and has been pre-let to Amazon, is a case in point. 'We're one of a very small group that has been awarded a building of that kind of size and complex-

ity and next-generation fulfilment,' says Markby. He also cites Campus A58, a speculative redevelopment of the former Philips Lighting site in Roosendaal, Netherlands, close to the 56,000 m<sup>2</sup> Primark warehouse that was LCP's maiden project. 'It's a brownfield site on a spec land play that we made in 2016 when the market hadn't woken up to the same degree. We spent a year working with the old manufacturer, monitoring and helping them clear and demolish and prepare the site. It'll be one of the largest pre-lets in the Netherlands at 130,000 m<sup>2</sup>.'

Markby says the rapid growth of the e-commerce sector will continue to fuel demand for years to come, and his company is well placed to look beyond the 'low-hanging fruit' to capture more technically demanding projects. 'Whatever your view is of where we are in the capital market cycle, there is a continuing growing occupier need and demand for newer, larger, taller, more sophisticated buildings that require more people to work in them, and that will drive the demand for new supply.'

plans to invest €1.2 bn in its City Logistics projects in its four main markets, starting with four parks in Poland with a total value of €65 mln. 'It takes a bit more time, it's much more intensive management-wise, but the volumes are there, although they don't contribute as much in square metres as the big distribution centres,' says Dobrzycki.

The only cloud on the horizon is the challenge of sourcing

enough skilled labour to keep up with demand. The next generation of distribution centres will be increasingly dependent on robotics and wireless technology, but this means they will need a new fleet of technicians to build, operate and maintain them. As Dobrzycki notes: 'E-commerce consumes much more labour than regular warehousing, so we need to adjust how we look at locations and try to analyse where the labour is when planning our next projects.'

Thanks to the growth from e-commerce, all but one of the top eight developers in our survey reported an increase of 25% or more in the total surface area of projects completed over the last three years, when compared to the previous survey. And the pipeline figures indicate that this trend is set to accelerate over the next few years. As in previous years, Poland was the most active market, with 3.8 billion m<sup>2</sup> of projects completed since 2015 by respondents to our survey. Germany took second place with 2.5 billion m<sup>2</sup>, followed by the UK on 1.7 billion m<sup>2</sup>. The top three line-up is the same for pipeline projects, but the 9.6 billion m<sup>2</sup> earmarked for developments in Poland puts it streets ahead of Germany (2.8 billion m<sup>2</sup>) and the UK (1.6 billion m<sup>2</sup>). ■



GOODMAN'S LARGEST WAREHOUSE TO DATE IN MARL, GERMANY

## Panattoni in the lead for second year running

Panattoni Europe has cemented its position at the top of PropertyEU's annual ranking of logistics developers with another busy year. The European arm of California-based Panattoni Development Company is heavily active in Poland, Germany and the Czech Republic, three countries at the crossroads of Europe that together put it in a strong position for both eastern and western markets. Like its rivals, Panattoni has seen the pace of development pick up considerably in recent years; the volume of completed projects increased by 41% in the last 12 months when measured on a three-year basis. But what really stands out is the pipeline for the coming period: in 2019 alone Panattoni has a colossal 6.5 million m<sup>2</sup> scheduled for completion, half of the total planned for the next three years, including six mega-warehouses of 250,000 m<sup>2</sup> or larger.

COMPLETED	LOCATION	VOLUME	COMPLETED (M <sup>2</sup> )
1  BTS Amazon	Szczecin	161,500	2017
2  BTS Amazon	Sosnowiec	135,000	2017
3  BTS Amazon	Prague	133,000	2015
4  Panattoni Park Rhein-Erfurt	Hückelhoven	122,500	2016
5  BTS Hamburg West (Noerpel)	Elsdorf	98,000	2017

PIPELINE	LOCATION	VOLUME	COMPLETED (M <sup>2</sup> )
1  West Midlands	West Midlands	334,450	2019
2  speculative development	Częstochowa	320,000	2019/2020
3  speculative development	Radzymin	300,000	2019/2020
4  Park Dortmund	Dortmund	255,485	2019/2020
5  BTS Opole	Opole	250,000	2018

## Zalando spurs Goodman in Germany and Poland

Sydney-based Goodman Group has had to settle for runner-up spot in PropertyEU's rankings for the second year in a row, but it has seen substantial growth in its development volume, completing 3.42 million m<sup>2</sup> in the three years to end-2017 compared to 2.26 million m<sup>2</sup> in the previous three-year period, a 51% increase. German e-tailer Zalando has established itself as Goodman's biggest European customer in the last few years, commissioning warehouses of over 100,000 m<sup>2</sup> in Lahr, Germany and Szczecin, Poland, with another in Gluchow, near Lodz, due to be completed in 2018. The company has also just completed its biggest-ever project, a 235,000 m<sup>2</sup> dual warehouse facility for Metro Group in Muhl, western Germany. Other pipeline projects in the UK include speculative developments Lyons Park in Coventry, Kingsnorth Commercial Park in Kent and Bedford Commercial Park.

COMPLETED	LOCATION	VOLUME	COMPLETED (M <sup>2</sup> )
1  Lahr - Zalando	Lahr	130,435	2016
2  Szczecin - Zalando	Szczecin	124,649	2017
3  Amiens - Amazon	Amiens	107,096	2017
4  Bedburg - Hammer	Bedburg	103,664	2015
5  Andover Business Park	Andover	102,657	2016

PIPELINE	LOCATION	VOLUME	COMPLETED (M <sup>2</sup> )
1  Marl - Building B Metro	Marl	151,305	2018
2  Lyons Park	Coventry	141,461	2018
3  Gluchow - Zalando	Gluchow	125,496	2018
4  Bedford Commercial Park	Bedford	123,444	2019
5  Kingsnorth Commercial Park	Medway	111,575	2018

## Prologis streamlines European portfolio

US giant Prologis consolidated its third place in PropertyEU's rankings, completing a total of 2.6 million m<sup>2</sup> of warehouse development over the three-year period. The total volume increased by a robust 24.5% over the last 12 months and the company remains an authentic pan-European player, with 104 major developments (5,000 m<sup>2</sup>-plus) spanning 12 countries from Sweden to Slovakia. Prologis has been clearing its books in the first half of 2018, selling a portfolio of 21 assets across five European countries to alternative asset manager Ares and is close to completing a €100 mln-plus deal for the Sapphire portfolio comprising five German warehouses. In a further act

COMPLETED	LOCATION	VOLUME	COMPLETED (M <sup>2</sup> )
1  Munich East DC1	Munich	143,289	2016
2  DIRFT II DC3 Zone 3 Plot A	Daventry	90,297	2015
3  Savigny-Sur-Clairis	Paris	61,782	2016
4  Venlo DC7	Venlo	61,167	2017
5  Galanta DC3	Bratislava	55,972	2017

of streamlining, it combined its two European investment vehicles in December 2017 into a single open-ended fund worth €8.2 bn, which received an A- credit rating from S&P.