

Real Assets Snapshot

The resilience of light industrial amid economic structural change



Structural change poses challenges for Germany as an industrial location

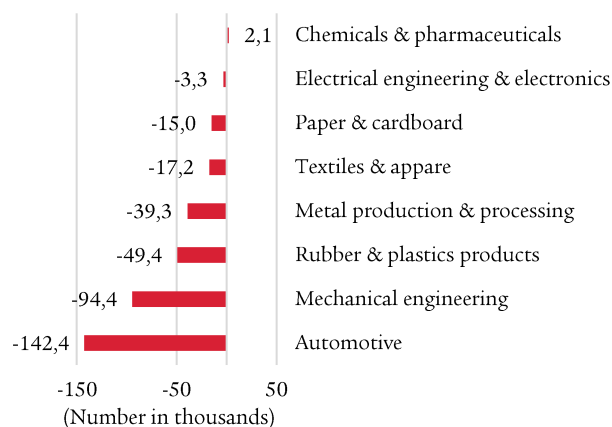
The German economy is undergoing profound change. Manufacturing faces considerable pressure to adapt high energy and labour costs, geopolitical uncertainty, intensifying international competition and technological disruption. The statistics confirm the negative trend. According to EY, around 360,000 industrial jobs have been lost over the past six years. Among the sectors, only chemicals/pharmaceuticals recorded slight growth, while the automotive industry saw the sharpest decline in employment. By contrast, since 2019 the number of people in employment in Germany has risen by around 500,000, mainly through services such as healthcare, education and IT, although this growth has recently stalled owing to cyclical and demographic factors.

However, the overarching trend across the major industrial sectors masks diverging developments in individual branches of the economy, producing the pattern of winners and losers typical of structural change. While traditional industries such as parts of the automotive sector, mechanical engineering and energy-intensive manufacturing have come under pressure, other sectors are benefiting from technological innovation, demographic change and political priorities. Growth areas include pharmaceuticals/medical technology/life sciences,

robotics and automation, energy and environmental technology, as well as aerospace and defence technologies.

The regional effects of structural change should not be underestimated. Studies by the Thünen Institute show that declines in manufacturing employment are concentrated in rural areas. Economically strong metropolitan regions not only tend to lose less of their industrial base, but are also able to achieve growth in manufacturing activities alongside the expansion of knowledge-intensive industries and business-related services.

Employment trend in German industry, net change Q2 2019–Q2 2026



Source: EY Industry Barometer Q2 2026

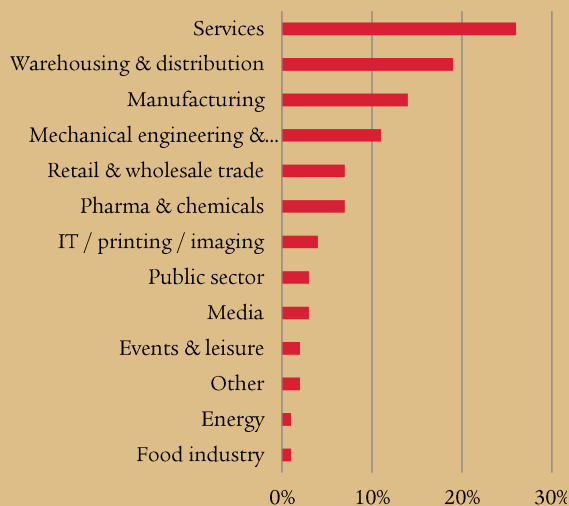
Light industrial at the interface with more than just industry

Within real estate, the light industrial sector is most closely linked to manufacturing—but not exclusively. Its occupiers span a broad range of industries and vary in size, with a focus on SMEs. This diversity is reflected in the properties themselves: light industrial extends well beyond traditional production sites and typically combines different uses within a single building or location. These include production, research and development, laboratory and testing facilities, storage, service, assembly, training, wholesale and office space.

Diversification through tenant mix – practical example: BEOS AG

The diversity of tenants and industries in light industrial properties is well illustrated by the real estate portfolio managed by BEOS AG. As of the end of 2025, a total of 1,837 tenants were located across 174 properties. Long-term experience has also shown that approximately 80% of tenants renew their leases.

BEOS portfolio by tenant industry



Source: BEOS AG (as of 2025)

Moreover, most light industrial properties are located in major economic centers, where universities, research institutions, skilled professionals and innovative companies are concentrated. They are therefore often situated precisely in the regions benefiting from the positive effects of structural change.

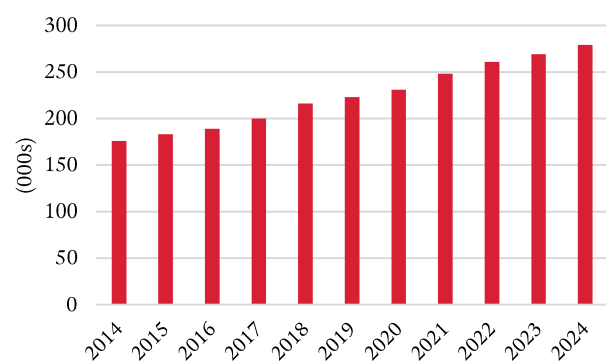
Growth sectors strengthen demand for space

The transformation of the economy is evident in today's rental market for light industrial properties. Companies from traditional industries continue to seek leased space, albeit with shifts in requirements, for example, automotive divisions focused on software or autonomous driving lease R&D and office space rather than industrial halls. At the same time, rising demand from growth sectors is clearly noticeable, with the mix of R&D, office, production and storage space varying according to the maturity of the respective segment or company.

Robotics and automation

Germany is Europe's largest robotics market, owing to its strong industrial base. Recent growth of around 4% per year is no longer driven solely by the automotive industry. Metalworking, electrical engineering, and the chemicals and plastics industries have shown particularly dynamic development.

Number of industrial robots in Germany



Source: IFR (International Federation of Robotics)

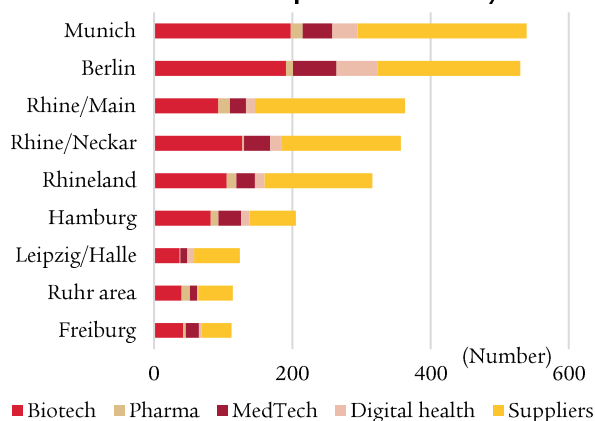
The growing use of robots and the broader automation of production processes enhance the competitiveness of German locations in the face of high labour, energy and site costs, thereby indirectly supporting demand for light industrial properties. At the same time, despite the dominance of Asian suppliers, domestic manufacturers and service providers also benefit: a large share of value creation comes not only from the robot itself, but from control technology, sensors, automation software and special-purpose machinery. German companies are strongly positioned in these fields and share in the growth, while start-ups are also active and successful in developing humanoid and AI-powered robots.

Life Sciences

The life sciences sector is another beneficiary of long-term structural trends. Ageing societies, rising healthcare expenditure and the increasing use of technology in medicine are driving demand for innovative healthcare and diagnostic solutions. Although the end of the pandemic-related exceptional boom led to a normalization of revenues from 2023 onwards, key growth indicators—such as research investment, business formation, clinical trials and capital inflows—continue to point to positive long-term development.

Despite the sector's nationwide presence, a large share of value creation is concentrated in a small number of clusters. Munich, Berlin, Heidelberg/Mannheim and the Rhine-Main region have become leading life sciences locations. They benefit from a high density of pharmaceutical and biotech companies and research institutions, alongside above-average demand for specialized research, laboratories and production space.

Clusters of life sciences companies in Germany



Source: *germanbiotech.com*

Life sciences occupiers often invest substantial sums in their leased space, creating an interest in long-term leases. The same applies to another sector: defence.

Defence

Another growth area is emerging from Europe's security-policy realignment. Rising defence spending is increasing production, storage and R&D not only among major defence contractors, but also among suppliers throughout the value chain. In addition, the number of technology companies and defence-tech start-ups is growing rapidly. From a real estate investor's perspective, one advantage is that these companies usually lease space so they can remain flexible as they grow. They also favour metropolitan regions with universities and research centers, skilled workers and access to venture capital. In Germany, this applies especially to Munich and its surrounding area. Compared with occupiers from other sectors, the

defence sector is particularly sensitive to security requirements, such as controllable access, perimeter protection, separation of sensitive areas and a resilient energy supply. Not every property is therefore immediately suitable for this sector.

Adaptability of light industrial is crucial amid structural change

Economic structural change in Germany presents major challenges for parts of the manufacturing sector. However, the trend is neither uniform across industries nor across regions. As capacity is reduced in parts of traditional industry, new growth centers are emerging in technology- and innovation-driven sectors. For light industrial properties, this primarily means a changing occupier mix. Demand is not disappearing; it is shifting, while occupiers' requirements for properties may evolve.

The ability to adapt to changing technological trends and sector-specific developments—whether to retain existing tenants or accommodate new occupier groups—is a defining feature of the light industrial sector. This ranges from ongoing adjustments to leased areas or building structures to repositioning and project development. With professional asset management, the sector is therefore well positioned for the continuing structural transformation.

The sector also remains well positioned from a capital market perspective. Based on current market observations, average prime net yields across the warehouse and production property and business park segments stand at around 5.5%, still well above the yield on ten-year German government bonds of approximately 3.5%. Despite a challenging economic environment, the sector therefore continues to offer an attractive yield premium for long-term investors.



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