

29 March 2012

Content

Economic overview	2
Retailers and logistics	5
Investment market	6
Occupier market	10
<i>United Kingdom</i>	13
<i>Ireland</i>	14
<i>Belgium</i>	15
<i>France</i>	16
<i>Germany</i>	17
<i>The Netherlands</i>	18
<i>Poland</i>	19
<i>Czech Republic</i>	20
<i>Hungary</i>	21
<i>Romania</i>	22
<i>Ukraine & Baltic</i>	23
Definitions	24

Authors

Magali Marton

Head of CEMEA Research
+33 1 49 64 49 54
magali.marton@dtz.com

Matthew Hall

Associate Director
Forecasting & Strategy Research
+44 (0)20 3296 3011
matthew.hall@dtz.com

Contacts

Tony McGough

Global Head of Forecasting & Strategy Research
+44 (0)203 296 2314
tony.mcgough@dtz.com

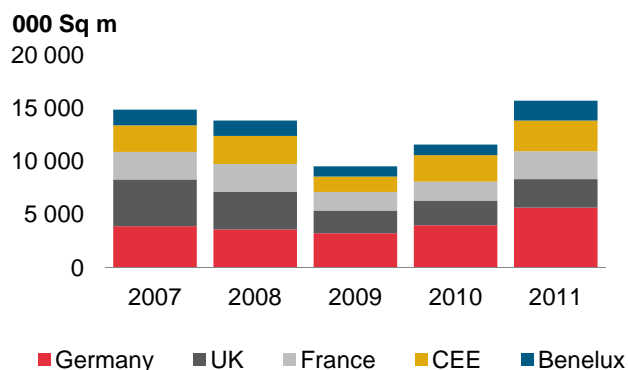
Hans Vrensen

Global Head of Research
+44 (0)203 296 2159
hans.vrensen@dtz.com

- Year 2011 ended on a mixed note as the sovereign debt crisis spread across the region, leading to a negative economic outlook. GDP forecasts, industrial production, exports and consumer spending have been heavily downgraded and 2012 is likely to be a challenging year ahead.
- Despite the negative outlook, take-up in 2011 increased by an average of 36% in five of the leading European markets (UK, Germany, France, CEE and the Benelux), boosted by a number of significant deals from retailers and the distribution sector (Figure 1).
- However, the negative economic outlook is dampening occupier demand. Many companies are placing expansion plans on hold as they wait for the economic situation to unfold. A clear focus remains on cost savings and the efficient use of space as most occupiers focus on the short to medium term.
- Speculative new supply remains at a very low level in Europe as built-to-suit deals remain dominant. Limited construction has helped the contraction of vacancy rates across Europe and retain the stability of prime rents. As a result, prime logistics rents are expected to grow by a modest 0.8% in 2012.
- The recovery of the logistics investment market has continued in H2 2011 with €10.4 billion invested during the year, a 23% increase on 2010 figures. The level of market activity has been high in the UK and in the Nordic countries, boosted by a strong appetite from private property vehicles.

Figure 1

Take-up in selected countries in Europe



Source: DTZ Research

Property Times

European logistics markets 2011

Economic overview

The events of the second half of 2011 have heavily impacted global economic prospects as concerns are growing not only in Europe but also in Asia-Pacific. Europe is entering recession and 2012 already appears likely to be a difficult year.

Despite better signals from the US, global growth prospects remain gloomy for 2012 and are still under threat. If the Eurozone has finally survived the acceleration of the debt crisis during H2 2011, the economic context remains highly challenging and recent GDP forecasts figures are pointing to a 0.4% decline in 2012 (Figure 2). Modest improvement in the financial situation is counterbalanced by a deterioration in credit conditions, driving down investment, consumption and retail sales.

Negative sentiment is emphasised by slower growth clearly anticipated in the Asia Pacific region, and particularly in China. As a result, GDP growth has been slightly downgraded to 4.6% in 2012 from 5.5% six months ago.

In Europe, the five countries most affected by the debt crisis will post negative GDP growth in 2012 while the Nordics and CEE continue to outperform the European average (Figure 3). Germany and the UK are expected to post 0.6% and 0.4% GDP growth as the French economy enters a phase of recession.

Despite a 5.6% increase during 2011, growth in trade was below the record level of 10.4% achieved in 2010. Growth in exports and imports demonstrated a slowdown throughout the course of the year, ending 2011 in negative territory (Figure 4). This provides a clear indication of slowing global trade as the Euro crisis dampens global demand.

Figure 2

GDP growth 2008-2011 and forecasts 2012-2016

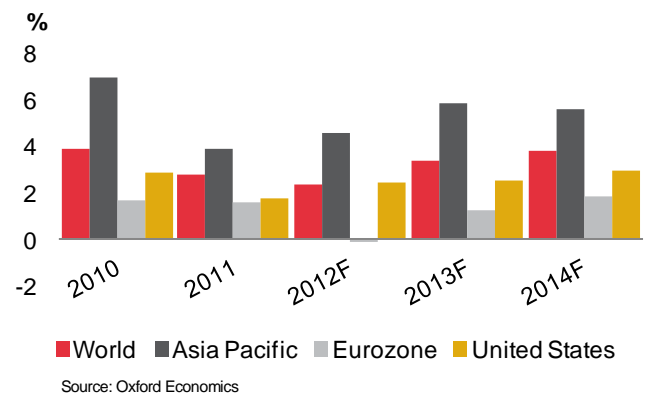


Figure 3

GDP growth and growth forecasts in selected European countries

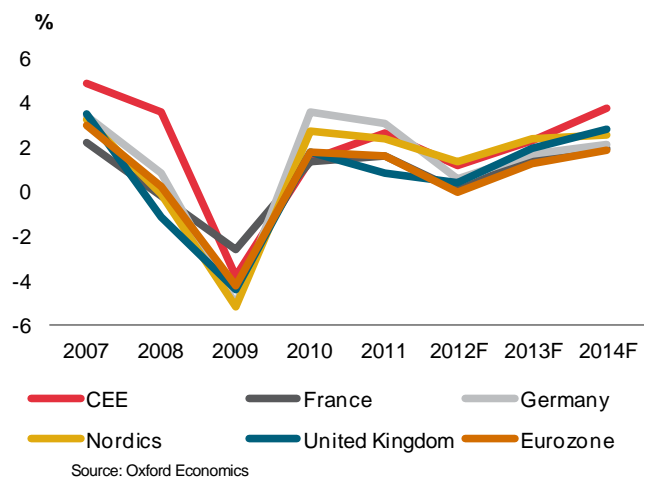
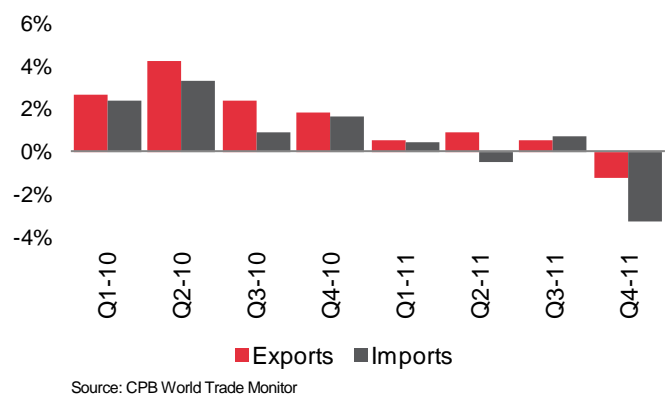


Figure 4

Exports and imports in the Euro area



Property Times

European logistics markets 2011

Industrial production growth in 2011 across Europe (2.8% on average) will be followed by a decline of 0.4% in 2012, in line with the wider economy. The biggest change is expected in Germany, with growth in production moving from 8.1% in 2011 to 0.8% in 2012. Elsewhere, the CEE and Nordic regions continue to display strong growth throughout the forecast period.

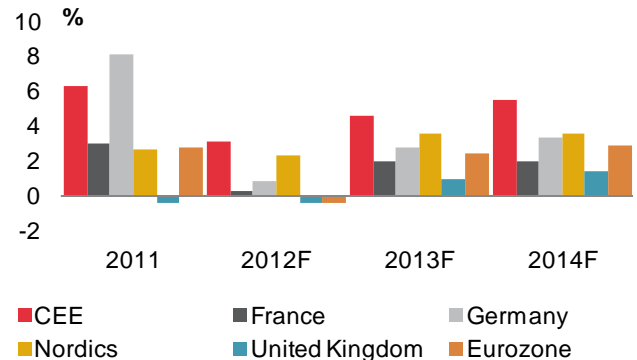
The escalation of the sovereign debt crisis during the summer of 2011 negatively impacted both consumer and business confidence (Figure 6). Consumers and businesses are reducing spending as concerns for the future mount. The consumer confidence index declined to -20% in October 2011 and has remained there since. On the business side, the latest results released in December 2011 suggest a slight improvement, however, sentiment remains pessimistic.

Consumer spending in Europe will remain subdued with a 0.2% decline expected in 2012 (Figure 7). Germany and France are above the regional average whilst CEE and Nordics will outperform with an average of 2% expected between 2012 and 2014. A modest 0.3% growth in consumer spending is expected in the UK, after a decline of 0.2% on average registered between 2007 and 2011. Fortunately, domestic demand will return at a higher level in 2013 and 2014.

Two opposing economic trends will dominate the European logistics market: strong economic growth in the CEE and Nordic regions and a slowdown in activity in the rest of Europe. Logistics and industrial companies in the rest of Europe are likely to continue to reduce costs through portfolio optimisation and relocation to more efficient space when break clauses and lease expiries permit.

Figure 5

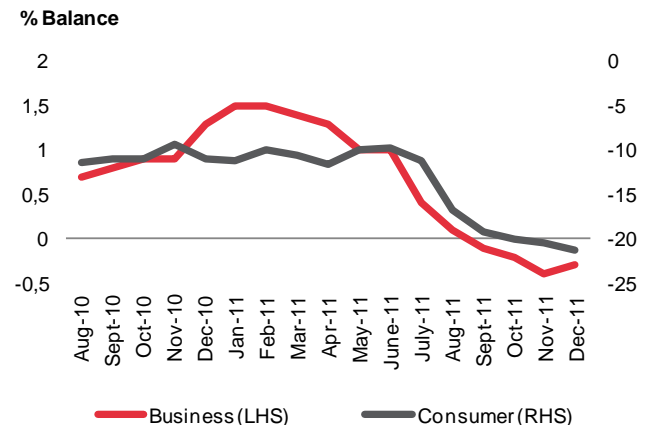
Industrial production in selected European countries



Source: Oxford Economics

Figure 6

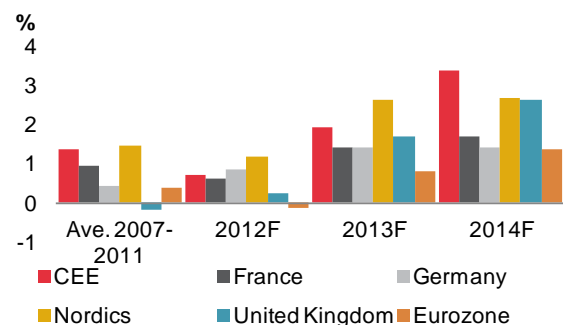
Eurozone business & consumer confidence



Source: Oxford Economics

Figure 7

Consumer spending in selected European countries (2008-2011 versus 2012-2016)



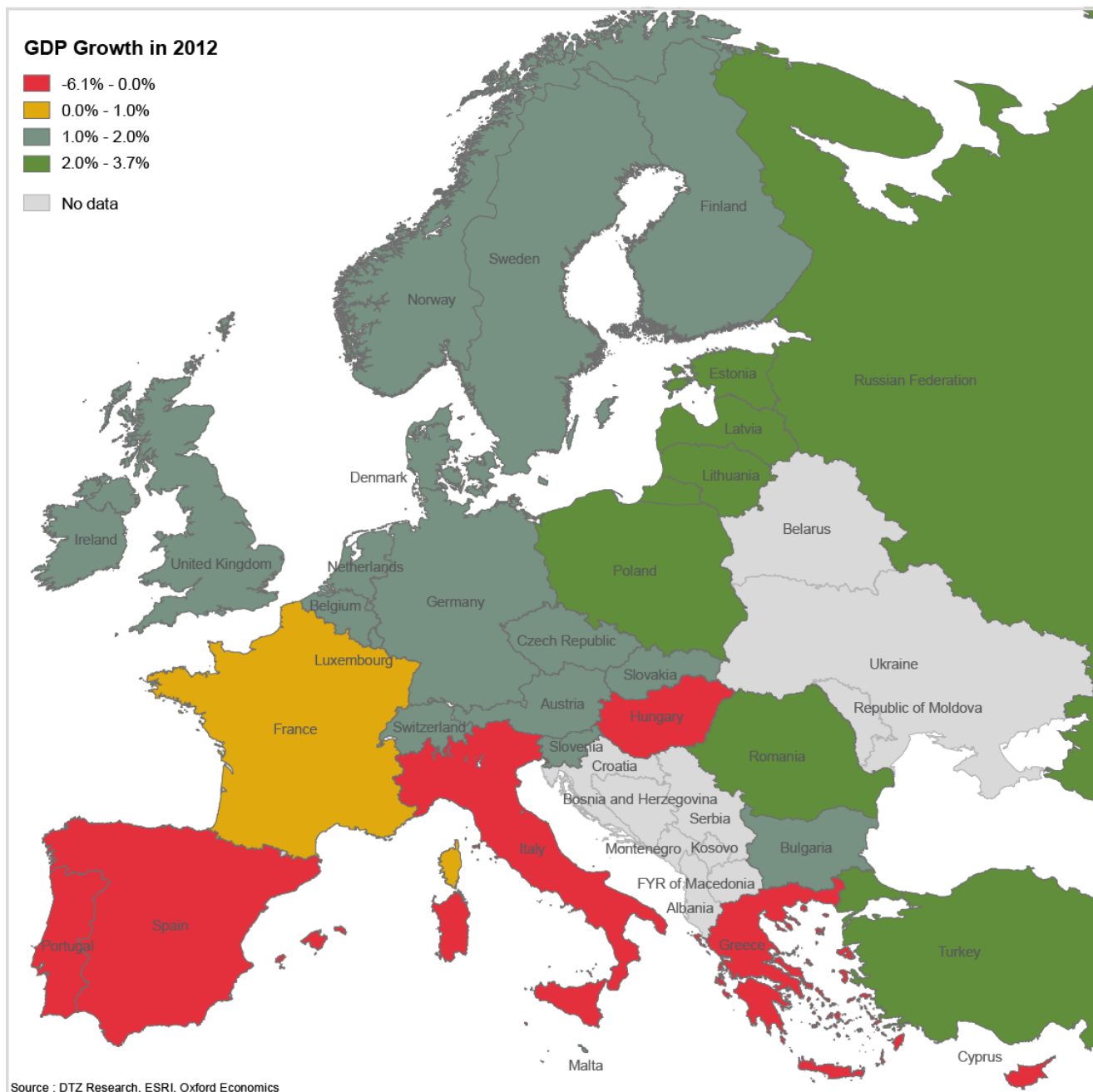
Source: Oxford Economics

Property Times

European logistics markets 2011

Map 1

GDP growth in 2012



Property Times

European logistics markets 2011

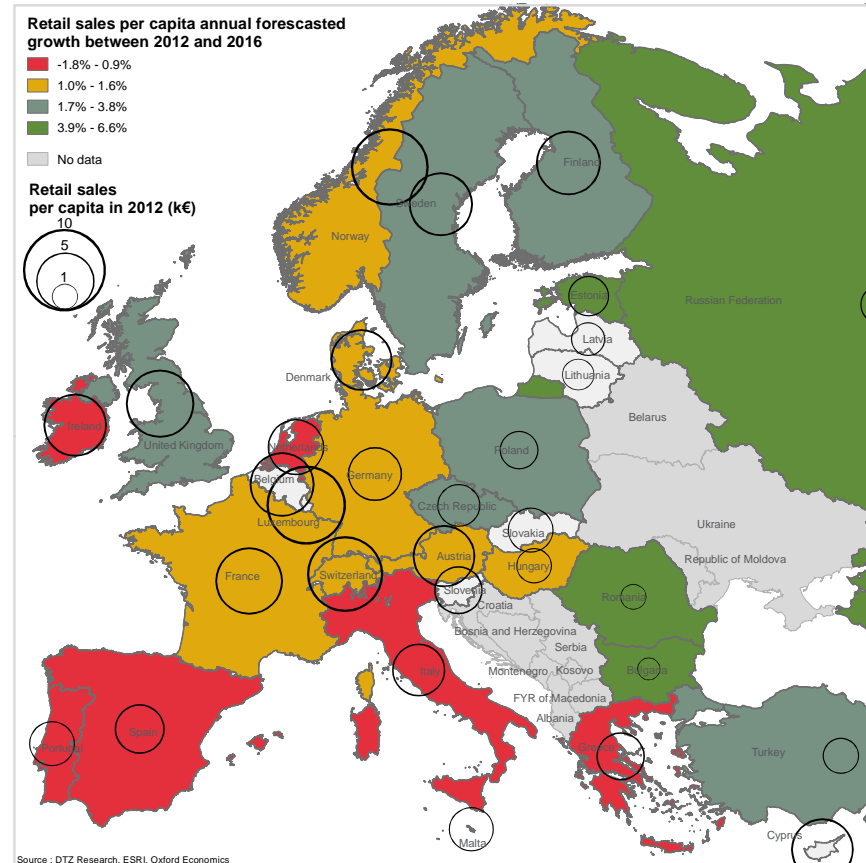
Retailers and logistics

Retail sales growth remained negative during 2011, registering -0.2% across the European Union. Behind this average, the region is polarised between the CEE and Baltic sub region posting growth above 3% and the southern region - including Portugal, Italy, Greece and Spain - where the decline has been more pronounced, from -1.1% to -8.8%.

The economic environment is expected to improve from 2012, with annualised retail sales growth of 1.6% over the next 5 years. Prospects are less negative for southern Europe but will still be challenging. In the more mature markets – UK, Germany and France – retail sales growth per capita will vary in a range between 1.3% and 1.9% whilst the CEE and Baltic markets outperform the European average.

Map 2

Retail sales per capita in 2012 and annual growth forecast 2012-2016



Source: Oxford Economics

As a result, retailers remain extremely selective in their choice of stores and locations. They have clearly focused their relocation projects on larger units in new retail formats located in city centres. Once this first phase is achieved, the next phase of their supply chain review is smaller units located on the edge of large conurbations.

Anticipation of business growth linked to e-retailing has already generated significant take up in the UK, France and more recently Germany, where Amazon signed the four biggest transactions of 2011. Small parcel and package driven E-retailer requirements are focused on large logistics schemes in areas with lower costs of labour, while larger multichannel e-retailers are typically focused more on traditional concerns such as access to markets and the road network.

Property Times

European logistics markets 2011

Investment market

Volumes highest in the UK and at record levels in the Nordics

The logistics investment market remained broadly stable in the second half of 2011 – with €5.2 billion invested, a level similar to that registered in H1 (€5.2 billion). The market has continued to recover with €10.4 billion invested in 2011, up from €8.6 billion in 2010. On a relative basis, the industrial sector over performed during the year with 23% growth during 2011, whilst the property market as a whole has only registered a modest 6% increase over the same period.

Despite this, the proportion of industrial and logistics assets in global investment volumes declined to 9% in H2 2011 down from 10% in H1 2011.

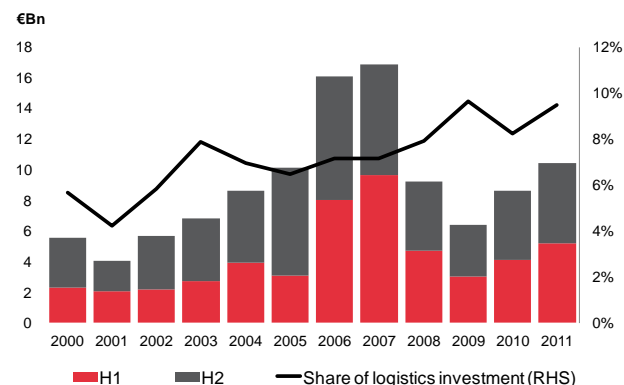
The UK market registered the highest investment volumes in Europe with €4 billion, representing 39% of European deals in 2011 (Figure 9). The strong performance in the UK market is mainly linked to two portfolios purchased by Blackstone and one acquired by a joint-venture between SEGRO and Moorfield Real Estate Fund II LP towards the end of the year.

The German investment market has been a little less buoyant during H2 2011 with volumes close to €600 million, lower than the €800 million registered in H1. Deals have been taking place, but the average lot size has declined to a modest €10 million. The French market has experienced growth in the second part of the year with the sales of 2 portfolios accounting for half of the total investment volumes for the year, standing at €964 million.

The Nordics have maintained high transaction volumes, by posting one of the highest levels of investment activity in 2011 – close to €1.9 billion with €700 million in H2 2011 alone. Local investors have remained the most active players in these markets whilst Middle East investors remained active.

Figure 8

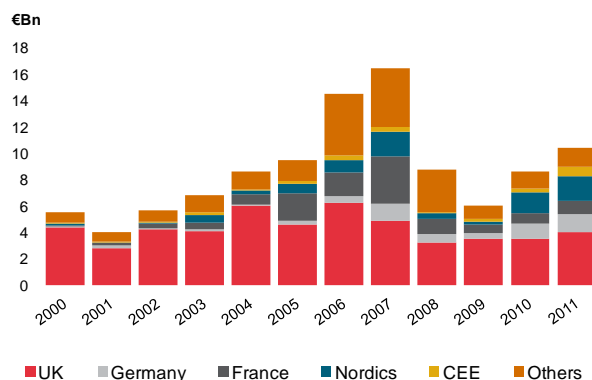
European investment activity in logistics



Source: DTZ Research

Figure 9

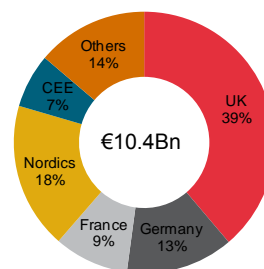
Logistics investment volume in Europe



Source: DTZ Research

Figure 10

Logistics investment volume in Europe, 2011



Source: DTZ Research

Property Times

European logistics markets 2011

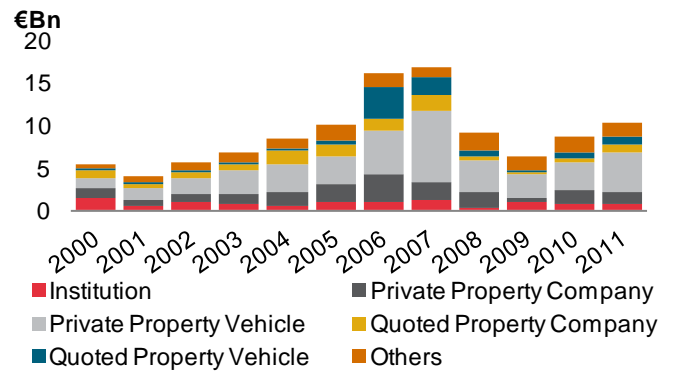
Private property vehicles dominate

Private property vehicles have dominated the logistics investment market in 2011 with a market share of 46%. They have increased their transaction volumes in 2011 to €4.7 billion in 2011 from €3.2 billion in 2010 and have signed the majority of the major deals over the period. The quoted sector has registered a 35% increase in activity during the last year with €1.7 billion of investment in 2011 from €1.2 billion in 2010. Quoted property companies have been active with some acquisitions of major portfolios, including CA Immo who bought the CEE Europolis portfolio for €190 million. Despite higher levels of activity, quoted sector activity remains well below historical levels (Figure 11).

The Top 10 most active investors in the European logistics markets spent €2.5 billion in 2011, representing a 24% market share (Table 1). UK and European or international investors have been the most active in the UK and French markets, whilst CEE and Spanish markets have attracted some inter-regional investors. The amount invested by these funds proves that the logistics sector has maintained its appeal and recent transactions include Blackstone purchasing two portfolios sold by ProLogis and London & Stamford for €250 million and €309 million respectively.

Figure 11

Investment volume in logistics by purchaser type



Source: DTZ Research

Table 1

Top 10 investors in logistics, 2011

Investors	Nat.	Invest. volume	Country targeted
Blackstone	International	559	UK
Goodman	Australia	300	Spain, GE, BE
EPISO - AEW	European	300	CZR
Moorfield	UK	223	UK
Carval	International	214	France
GLL	US	207	Spain, France
CA Immo	Austria	190	CEE
Segro	UK	184	UK
WP Carey	US	146	Netherlands
Great Portland	UK	136	UK

* in € Million

Source: DTZ Research

Property Times

European logistics markets 2011

Prime yields stabilising in mature markets; elsewhere compression slows

No significant changes in prime yields were reported in H2 2011. A contrast remains between the prime European logistics markets of the UK, Sweden and France with stable yields, and a slight compression registered in most other markets (Figure 12).

The range of prime logistics yields across Europe has been reduced in 2011 with most of the markets covered in our analysis now priced between 7% and 8%. However, Bucharest, Budapest, the Baltics and Dublin are still priced above 9%, while average prime yields in Europe are close to 7.4%.

No major changes expected until 2016

Looking forward to 2016, prime yields are not expected to change dramatically (Figure 13). 12 out of 29 markets covered by our forecasts are expected to see yield compression continuing, with an adjustment from 15 to 100 bps. However, in the three major countries – UK, France and Germany – yields are expected to increase by 0-25 bps, 20-60 bps and 20-25 bps respectively between 2012 and 2016 as the forecast upward movements in bond yields are felt.

Figure 12

Logistics prime yields in Europe, 2000-Q4 2011

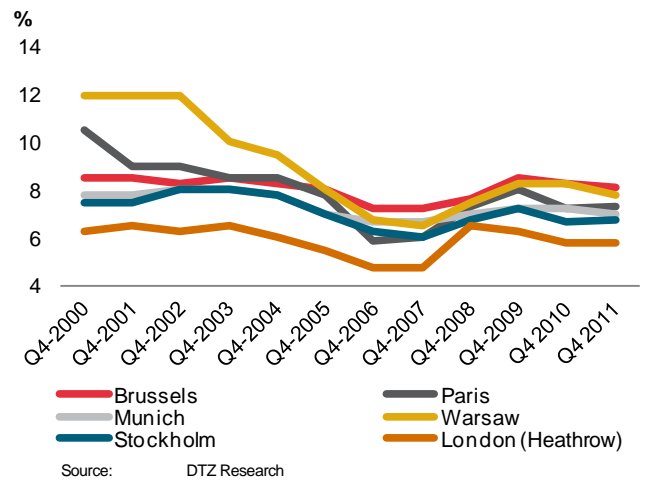
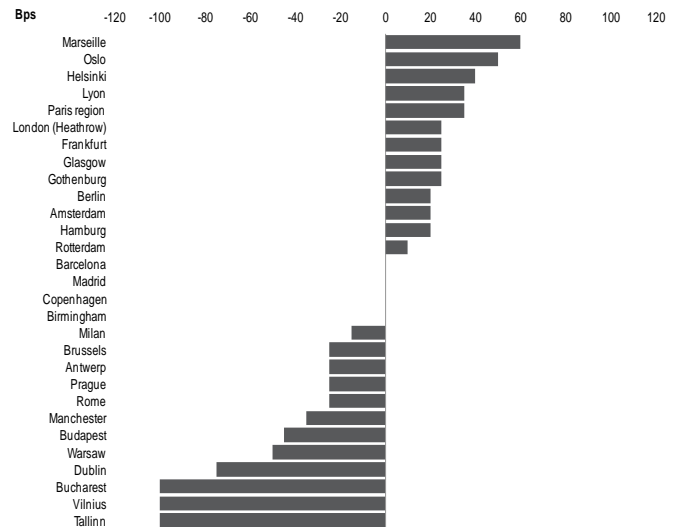


Figure 13

Prime logistics yields shift expected in 2012-2016

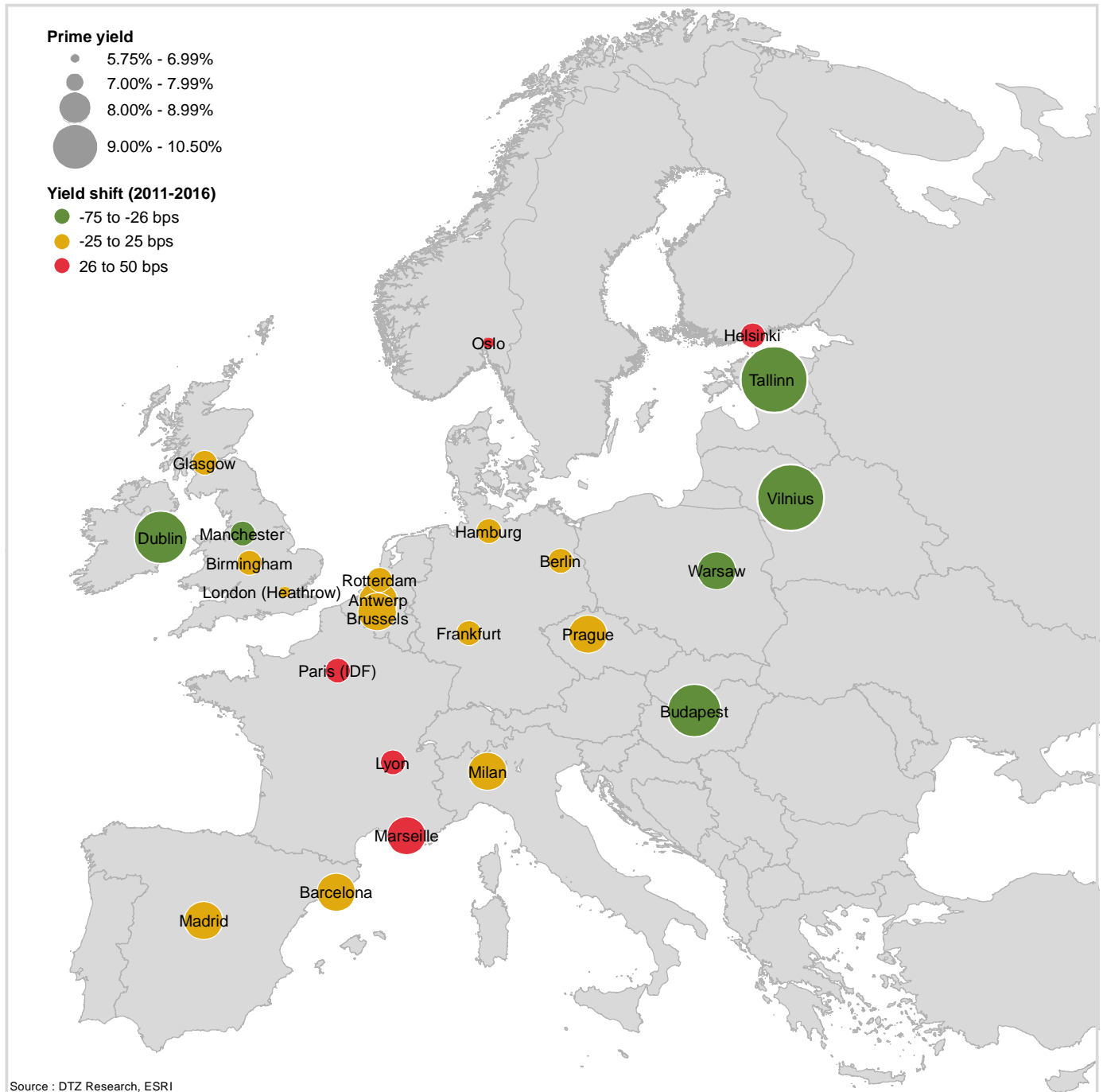


Property Times

European logistics markets 2011

Map 3

Prime logistics yields in Europe (Q4 2011) and yields shift expected in 2012-2016



Source: DTZ Research

Property Times

European logistics markets 2011

Occupier market

Encouraging levels of take-up in 2011 despite uncertainty in the economy

Despite the growing troubles in the economic environment, the second half of 2011 witnessed a strong level of take-up with 8 million sq m registered in five of the leading European markets, up from 7.6 million sq m during the first half of the year. On an annual basis, logistics take-up in these five countries reached 15.6 million sq m in 2011 compared to 11 million sq m of take-up in 2010.

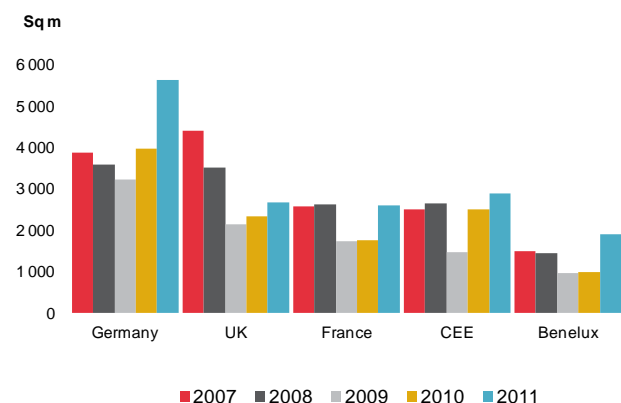
The biggest increase has been registered in the Benelux with a 90% increase of take-up, boosted by large transactions and built-to-suit projects. The French market is back to record levels at 2.6 million sq m (+48% y-o-y). There, the recovery in the market is mainly linked to a strong performance in core markets, lead by the Greater Paris Region. Germany has posted the second highest increase (42% y-o-y) to reach a record level of 5.6 million sq m in 2011, compared to 3.9 million sq m in 2010. E-retailers such as Amazon and more traditional retailers such as Zalando, Netto and Decathlon, have pre-let some large built-to-suit schemes. Take-up in the UK and CEE region has seen an increase of 15% and 16% respectively. Retailers continued to expand their supply chain in the CEE whilst UK manufacturers have become prominent in the market.

Occupier focus is on prime buildings in the best locations, and the number of built-to-suit transactions has increased in H2 2011. Despite this, developers remain reluctant to build on a speculative basis as high finance costs and void risks persist. However a few speculative starts of construction have been reported in the UK, Germany and France but these projects remain the exception.

The second half of the year has not seen any significant changes to rental levels (Figure 15). 19 European markets out of the 20 covered by our analysis have seen rents remain stable over the year.

Figure 14

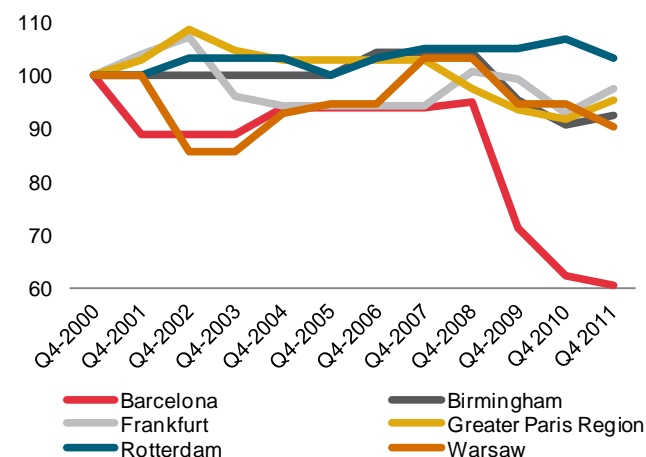
Take-up in selected* countries in Europe in 000 sq m



Source: DTZ Research

Figure 15

European prime rents, 2000-2011 Base 100 = Q4 2007



Source: DTZ Research

Property Times

European logistics markets 2011

Rent forecasts

Marginal growth expected in 2012, but more significant recovery expected by 2013

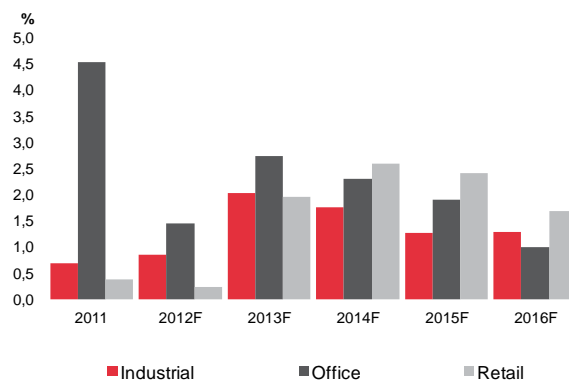
Prime rents in logistics reported a modest 0.7% growth in 2011, but growth is forecast to pick up pace throughout the forecast period. Additionally, the spread between rental growth for the three major sectors is expected to converge throughout the forecast period as demand drivers slow office and retail property (Figure 16). It is hoped that the growth in rents will help to stimulate the speculative development that has been missing from the market. The halt of new construction, excluding the built-to-suit market, has helped the market to return to a more stable situation with the contraction of the availability of Grade A space.

In the context of great uncertainty, all of our sector rental forecasts have been downgraded - except for the industrial sector - where stronger fundamentals have lead to an upward revision to 1.4% from 1.2% pa between 2012 and 2016.

There are no European markets forecast to see rental falls over the next five years. The Baltic cities, Dublin, Barcelona and Prague are expected to register the highest average rental growth between 2012 and 2016 (Figure 18). Dublin and Barcelona are forecast to deliver 4.9% and 3.5% pa respectively - However, this follows three years of significant decline. Even though these rates are extremely high for distribution property, it does not take rents back to pre-crash levels.

Figure 16

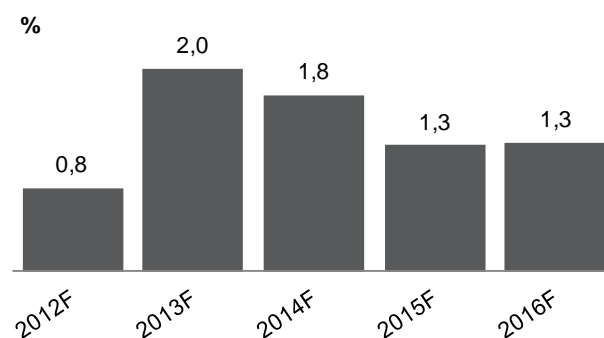
European rental growth by sector



Source: DTZ Research

Figure 17

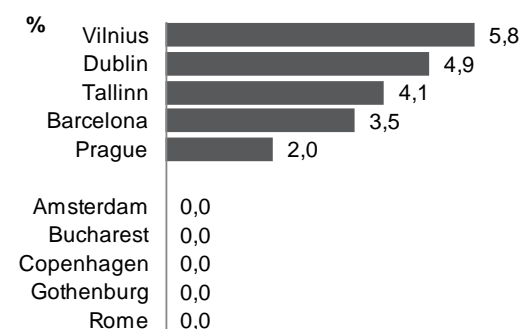
Industrial rental growth (2012-2016)



Source: DTZ Research

Figure 18

Highest and lowest forecast average rental growth (2012-2016)



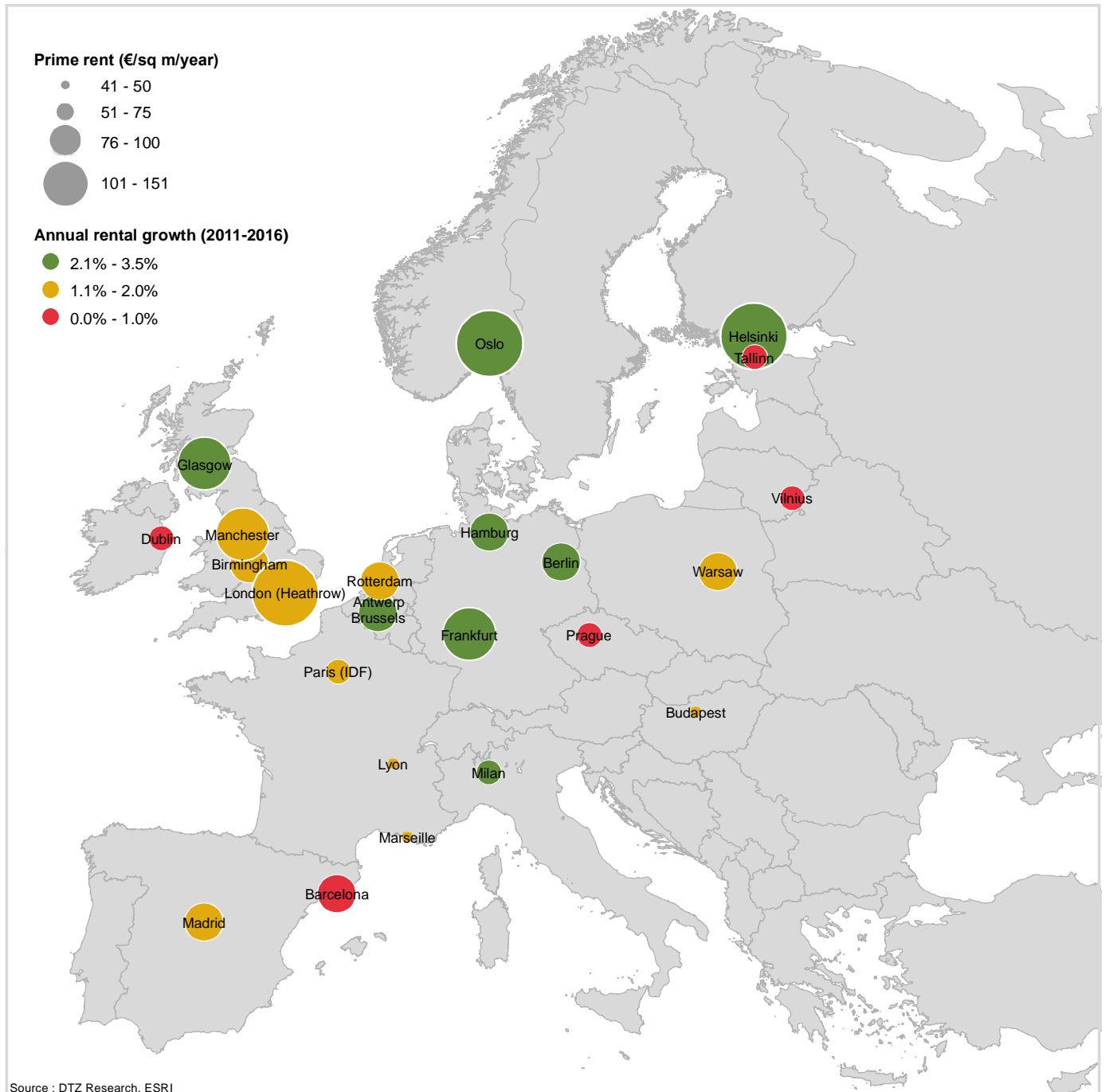
Source: DTZ Research

Property Times

European logistics markets 2011

Map 4

Prime industrial rents in Europe (Q4 2011) and annual growth expected between 2012 and 2016



Property Times

European logistics markets 2011

United-Kingdom

Manufacturers take the lead; availability falls and limited growth is expected for 2012

Take-up bounced back to 1.4 m sq m in H2 2011. This is a 6% increase on the 1.3 m sq m recorded in the first half of the year. This takes the 2011 total to 2.7 m sq m, a decline of over 9% on the nearly 3m sq m recorded in 2010 (Figure 19). Take-up of prime space has continued to fall for the fourth successive half year, restricted by limited availability.

An increase in the number of transactions accounted for this rise in activity. 82 transactions were recorded in H1 compared with 112 in H2. This is the highest number of deals since H2 2008 and this coincided with a fall in the average deal size to 12,300 sq m from 15,800 sq m in H1 2011.

The change in deal composition is a result of a shift in the profile of occupiers. Manufacturers, who tend to take smaller units than logistics users, increased their share of industrial demand from 20% in 2010 to 33% in 2011. Supply chain providers declined from 23% to 10% while retailers remained constant.

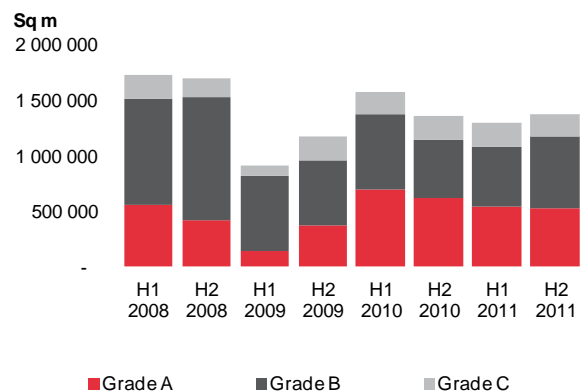
Continually strong take-up throughout 2011 has led to a fall in availability for the fourth successive half year (Figure 20). Prime stock remains low and some regions are reporting a severe shortage. New space is only coming to the market in the form of build-to-suit deals as speculative development remains unfeasible in the current climate.

Rental levels remained flat during H2 2011. Although incentives are expected to harden on prime stock, actual observation of this in the market is limited. This is attributed to a limited number of prime transactions and caution by occupiers in the currently rather depressed economic environment.

Rental growth forecasts were revised in Q4 2011 (Figure 21). In light of a choppy economic recovery with considerable downside risks the growth peak in 2013 has been revised down to 2.2% from 2.5%. Some of this growth has been pushed into the following years, making the post 2013 slowdown a smoother movement towards 0.3% growth in 2016.

Figure 19

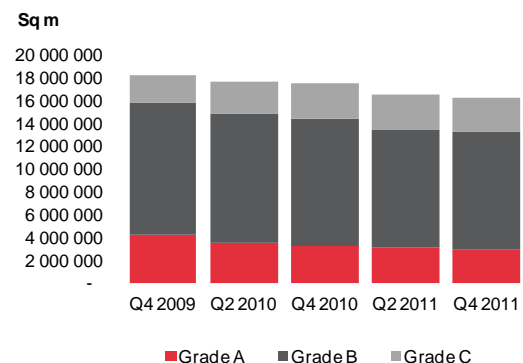
Aggregate regional take-up in UK



Source: DTZ Research

Figure 20

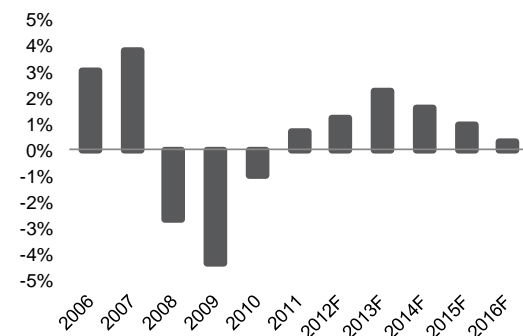
National availability by grade



Source: DTZ Research

Figure 21

DTZ Prime industrial annual growth



Source: DTZ Research

Property Times

European logistics markets 2011

Ireland

Slight improvement in take up but a high level of availability remains

The industrial market has endured three extremely challenging years which have been characterized by weak demand and elevated levels of supply. 2011 has seen a continuation of this trend; the market remains fragile and increasingly subject to volatility. However, unlike 2010, there has been visible evidence in the strengthening of key demand indicators. The result has been a tentative improvement in performance in both the level of transactions recorded and a healthy number of enquiries/requirements active in the market.

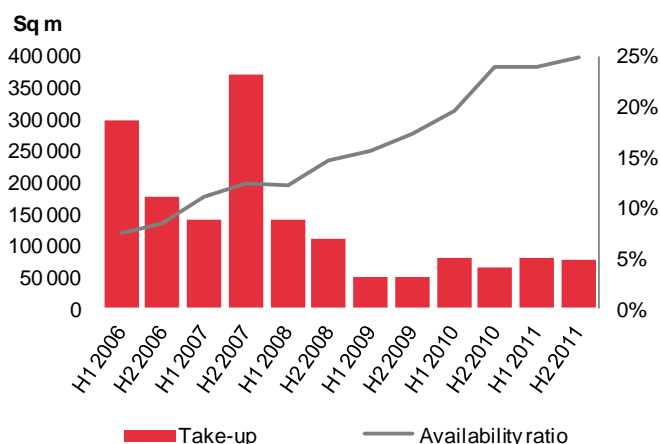
2011 saw the industrial market exhibit increasing signs of stability in relation to supply levels. However, availability in the final quarter resumed its upward trend following a reduction in supply recorded during the previous two quarters. Standing at 1,005,300 sq m, the quantum of space available on the market remains a concern. The associated vacancy rate rose marginally to 24.8%, and remains significantly greater than the market equilibrium. While new supply is set to remain limited, upward pressure on supply levels stemming from uncertainty surrounding the risk of further facility closures, consolidations and downsizing by firms is expected to continue in 2012.

Despite ongoing turbulence in the domestic economy, 2011 saw a modest level of interest in large scale transactions emerge. 2011 witnessed a number of significant deals in both sales and lettings. The most significant industrial sale of the year was the occupation by Amazon of a deal signed in Q4 of 2010 measuring approximately 22,500 sq m at the Greenhills Industrial Estate. This deal boosted take up significantly in the year. On the lettings side, transactions for 2011 were further enhanced by the letting of approximately 10,000 sq m to the German retailer LIDL at the former Jacobs facility at Belgard Road in Tallaght.

Prime quoting rents came under pressure during the final quarter of 2011 falling to €55 per sq m. The outlook for 2012 remains one of cautious optimism as underlying occupier demand remains vulnerable to shocks both domestic and global. While the outlook is expected to be more stable in 2012, the balance of negotiating power remains with the tenant (Figure 23).

Figure 22

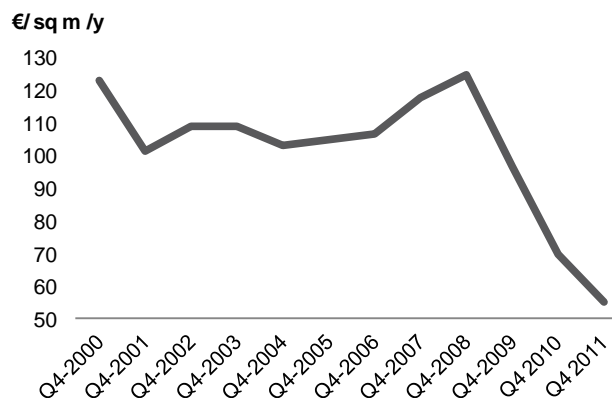
Take-up and availability ratio in Ireland



Source: DTZ Sherry FitzGerald Research

Figure 23

Prime industrial rents in Dublin



Source: DTZ Research

Property Times

European logistics markets 2011

Belgium

Despite the record level of take-up recorded in Flanders, prospects on rental growth remain modest

The overriding sentiment regarding logistics take-up in 2011 is positive, with staggering growth of 118% and a total of 991,000 sq m in the year (Figure 24).

This performance is mainly due to Flanders progressing by 246% against take-up in 2010, to reach a total of 764,000 sq m, i.e. more than the whole Belgian logistics sector in 2010.

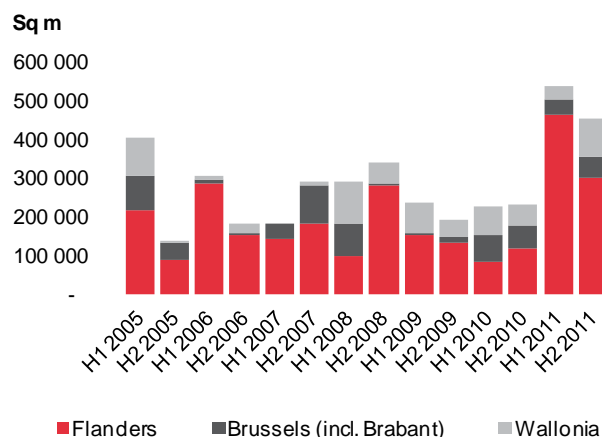
A large number of owner-occupier deals and demand for larger buildings in general have been noticed in 2011. Indeed, in the current financial climate, family run businesses in particular, view logistics buildings as a good investment. In Brussels and the Brabants, activity fell 29% to 92,000 sq m due to a lack of deals in Flemish Brabant, although activity did improve somewhat in the Brussels submarket compared to 2010.

Take-up progressed by 29% in Wallonia with Liège and Hainaut performing at a similar rate to 2010. Logistics take-up in the last quarter was 273,000 sq m.

Belgian logistics prime rents have remained flat throughout the year at €45/sq m/year in Antwerp and Brussels (Figure 25) and are not likely to grow to a great extent due to stiff competition among 3PL suppliers. Therefore, we do not expect rents to increase a great deal due to the competitive nature of the market.

Figure 24

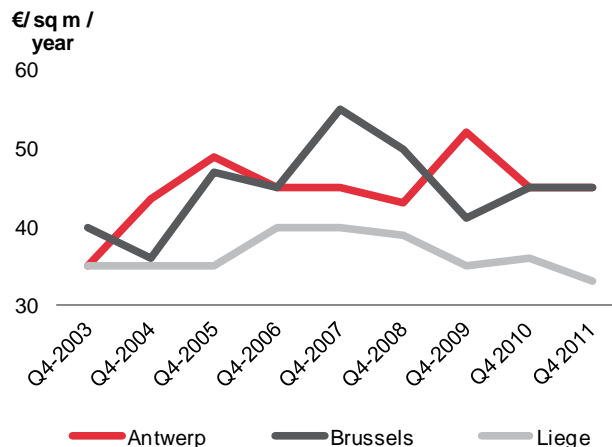
Aggregate regional take-up in Belgium



Source: DTZ Sherry FitzGerald Research

Figure 25

Prime rents in Belgium



Source: DTZ Research

Property Times

European logistics markets 2011

France

Healthy reboundawaiting 2012

With 2.6 million sq m transacted on a national scale, the logistics market (larger than 10,000 sq m) saw a very sharp rebound in its activity in 2011 (+51% compared with 2010). The four markets of the North-South axis were the main drivers of logistics activity in 2011 and represented more than 2 million sq m transacted, and a market share of 80%. The Greater Paris Region market set a new record with nearly 1.2 million sq m of take-up, up 49% in one year (Figure 26). The three other major markets saw their sales volumes grow sharply: +42% in Lyon (320,500 sq m), +63% in Lille (321,000 sq m), and +278% in Marseilles (233,000 sq m).

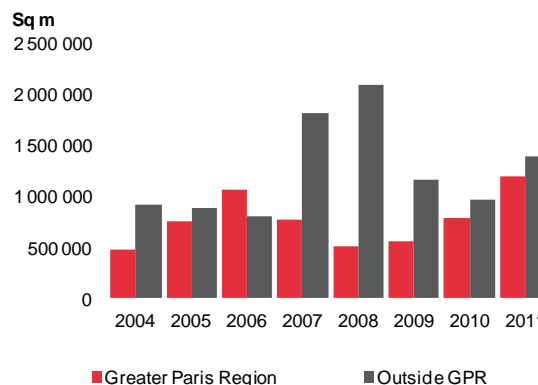
Turnkey and owner-occupier operations were the pillars of this revival. Tenders, and especially retailing companies, were particularly active across the country. Franprix, Maisons du Monde, Conforama, and Boulanger signed the year's largest transactions, committing to new operations larger than 40,000 sq m. Intermarche signed the year's largest transaction, moving into a 69,000 sq m turnkey building in the South-West.

The immediately available supply of logistics space reached 3.1 million sq m at the end of 2011, up 4% over the year, mainly under the impact of a growing availability of second-hand space whilst new construction remained frozen. Many second-hand buildings were vacated in 2011 in the Greater Paris Region market, which alone had nearly 1.5 million sq m available at the end of 2011 and a vacancy rate of 12%.

Logistics rents have remained broadly unchanged in 2011 in the French market. New warehouses were rented within a range from €38 per sq m per year on the peripheral markets to €51 per sq m per year in the Greater Paris Region (Figure 28). Although headline values have remained stable, incentives have tended to become widespread and rise again with, on average, 1.5 to 2 months of rent free period per year of commitment.

Figure 26

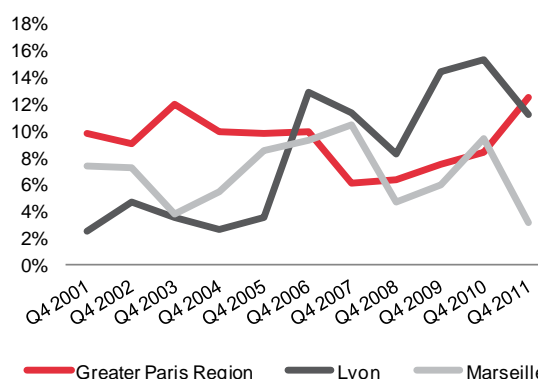
Take-up in France



Source: DTZ Sherry FitzGerald Research

Figure 27

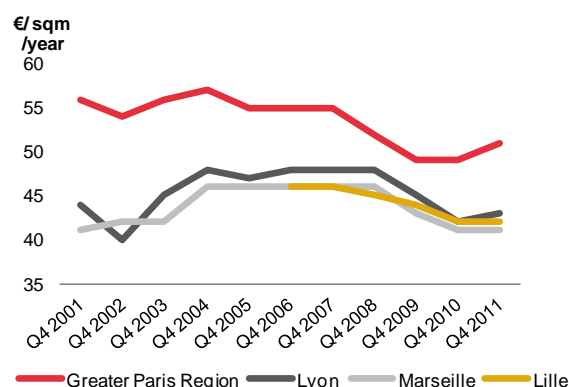
Vacancy rates in France



Source: DTZ Research

Figure 28

Prime rents in France



Source: DTZ Research

Property Times

European logistics markets 2011

Germany

Record levels of take-up and rental growth moving forward

The positive economic outlook for the German economy has continued to support the logistics market in H2 2011 to 2.9 million sq m from 2.8 million sq m in H1. In year 2011 as a whole, the market posted a 42% increase, thus ranking it one of the most active occupational markets in Europe with a volume of take-up close to 5.6 million sq m (Figure 29). 2011 has seen a record level of take-up since our records began in 2004. Attraction from retailers (as Amazon, Zalando) for new developments has continued to drive the market trend and built to suits operations are still very popular in Germany.

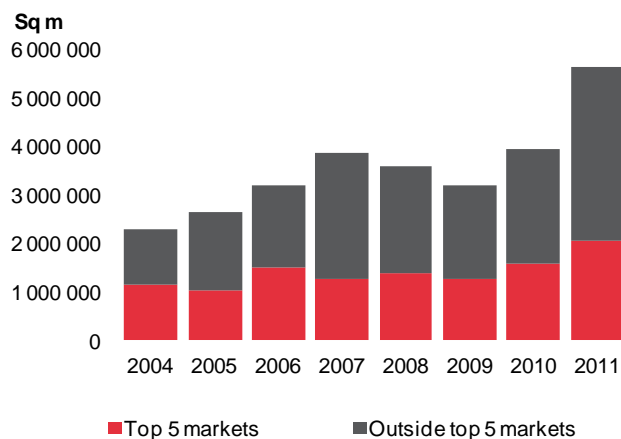
This positive trend has largely benefitted to the markets outside Top 5 which posted a 50% increase to reach 3.6 million sq m of take-up in 2011, compared to a 30% rise registered for the top 5 markets.

Construction activity is slowly gaining more momentum in the German market, and 1.6 million sq m of logistics space was in buildings above 10,000 sq m was delivered last year. However, most of these new developments have been secured by pre-letting. The strong performance of the German economy has resulted in new construction and 1.6 million sq m of logistics space are currently under construction at the end of 2011 with a few projects launched on a speculative basis in Hamburg (ProLogis) and Munich.

There was no significant change in terms of rental values during the first half of 2011 with headline rents in the five major markets of Germany standing at €72 per sq m in Munich and in Frankfurt, making these two regions the most expensive in Germany (Figure 30). Strong performance in the Frankfurt logistics market (503,000 sq m transacted in 2011) has positively impacted the prime rents with a 5.3% increase during the course of the year. Going forward, the highest increases in rents are expected in Berlin (+4%) and in Hamburg (+2%) in 2012 whilst rents will stabilize at their current level in Frankfurt.

Figure 29

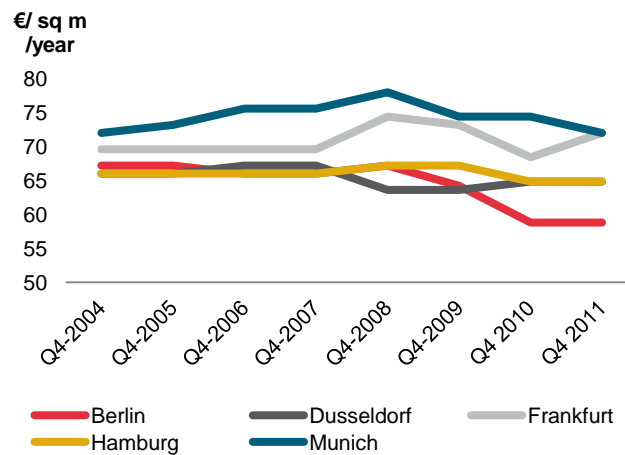
Take-up in Germany



Source: DTZ Research

Figure 30

Prime rents in Germany



Source: DTZ Research

Property Times

European logistics markets 2011

The Netherlands

Built-to-suit projects and large deals boosted the take-up in 2011

The performance of the Dutch logistics market showed a remarkable recovery in 2011, despite weak economic growth throughout the year. This has resulted in a sharp decrease in vacancy levels in comparison with 2010 and 2009. Almost all the prime logistics speculative developments completed in the past three years have been taken by logistics service providers.

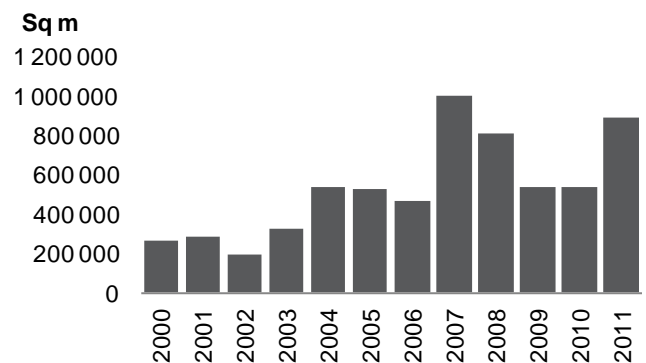
Thanks to large deals, logistics take-up totaled 894,000 sq m in 2011, reflecting a 67% rise on 2010. More than half of the take-up took place in the southern provinces of the Netherlands. A significant share of the logistics transactions involved built-to-suit buildings. Food, e-commerce and fashion are the sectors responsible for most of the growth.

The large number of build-to-suit projects was the unmistakable trend of 2011. With speculative development at a standstill and the pool of available space drying up, developers began targeting potential occupiers directly with new possibilities to construct tailor made distribution centres which in turn are being leased back on a long-term basis.

While rental levels in the market for logistics space came under pressure in 2011, in part causing the higher take-up, there is some evidence that this pressure will ease throughout 2012 (Figure 32). Rents are expected to rise in 2012 in the core markets along the Amsterdam-Rotterdam-Venlo axis. Rents in the peripheral markets will remain under pressure and significant incentives will continue to be used to attract potential occupiers.

Figure 31

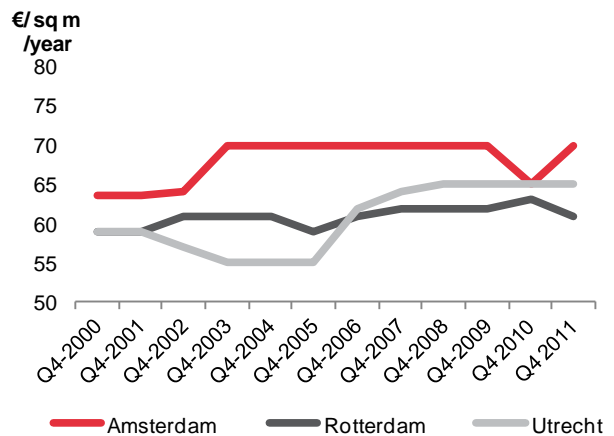
Take-up in the Netherlands



Source: DTZ Research

Figure 32

Prime rents in Netherlands



Source: DTZ Research

Property Times

European logistics markets 2011

Poland

Record level of take-up combined with a low level of new supply has accelerated the reduction in vacancy

Strong demand for modern space resulted in a record level of take-up reaching almost 1.8 million sq m (including new transactions as well as renegotiations), up by 20% increase from 2010. After a slow beginning of the year, the following quarters showed a significant revival in transactional activity, increasing from 450,000 to 560,000 sq m (Figure 33).

40% of the total take-up registered for the whole of 2011 was concentrated in the Greater Warsaw, while the remaining 60% took place in the regional markets, among which the most popular were Upper Silesia (20%), Central Poland (12%) and Lower Silesia (11%). Unilever in Central Poland and Proctor & Gamble and DSV both in the Warsaw market have signed the major transactions of the year.

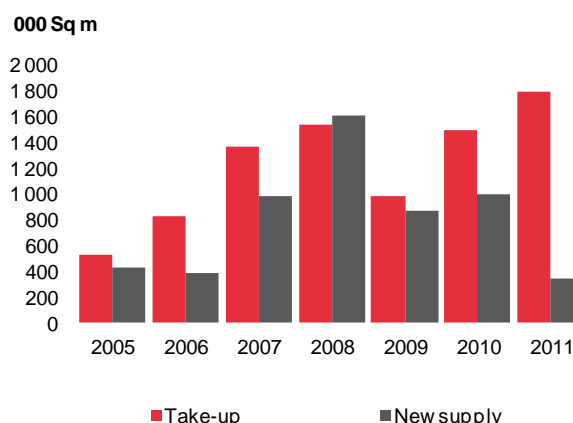
A significantly high level of take-up together with reluctance from developers to speculative projects resulted in a continuous decrease of the vacancy rates. The vacancy rate for Poland fell from 18% at the end of 2009 to 12% at the end of 2011.

The lowest ratio of available space at the end of Q4 2011, similar to the situation at the end of the first half of the year, was recorded in the Poznań Region (4.5%) while Warsaw Zone 3 with almost 240,000 sq m of available space remained the region with the highest vacancy rate at 22.5% (Figure 34).

The headline rents in Warsaw Zone 1 remained relatively stable over the course of 2011, around €62 / sq m / year, while a slight increase in rental values was recorded on the regional markets during the first half of the year. Despite decreasing vacancy levels, we don't expect any significant changes on the rental values during the course of 2012.

Figure 33

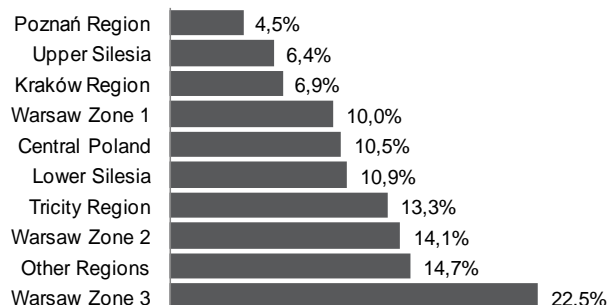
Take-up and new supply in Poland



Source: DTZ Research

Figure 34

Vacancy rates in Poland



Source: DTZ Research

Property Times

European logistics markets 2011

Czech Republic

Relatively strong leasing activity as the available supply for immediate occupation reduces

The Czech Republic logistics market ended the year on a level of 757,200 sq m taken-up, which represents a 13% decrease compared to 2010. New leases were signed on 418,700 sq m, a 41% decrease from 2010 (Figure 35). Most new leases were signed in South Moravia (26%) and in the Greater Prague area (25%). These two submarkets were also most sought after during 2011 (Figure 36).

3PL companies were the most active in leasing and renegotiating space in 2011 (55% on gross and 50% on net take-up), followed by manufacturing companies.

A slowdown in leasing activity is expecting for the course of 2012, as a result of the Eurozone debt crisis and subsequent economic slowdown projected for this year. It is already impacting the manufacturing companies, that are scaling down production and has subsequently also negatively influenced the logistics sector.

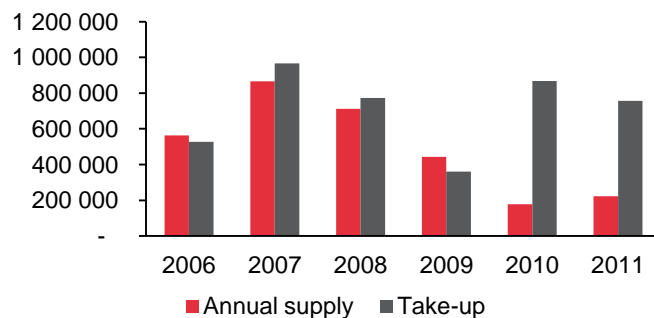
The vacancy rate decreased significantly to 6.7% at the end of 2011, down from 10.4% one year ago. A total of 261,000 sq m of modern warehouse space is vacant.

The highest vacancy rate is currently registered in the Central Bohemia and D1 corridor submarket, followed by Greater Prague. We anticipate a slight increase in vacancy in certain submarkets this year.

Headline rents for modern logistics space have remained stable at €43-52 per sq m per year. Reflecting the worsened macroeconomic situation, prime logistics rents are now predicted to remain stable in 2012 before an increase close to 2% per year from 2013 to 2016 based on the back of better economic prospects.

Figure 35

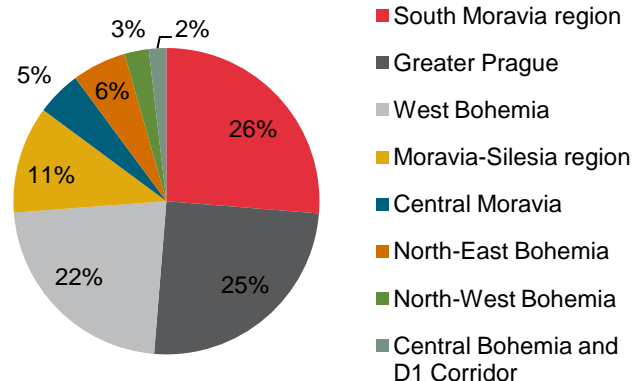
Take-up and new supply in Czech Republic



Source: DTZ Research

Figure 36

Net take-up by region in 2011



Source: DTZ Research

Property Times

European logistics markets 2011

Hungary

Low levels of completion in a market driven by renewals

Leasing activity totalled 150,700 sq m in H2 2011, posting a 16% decline compared to the first half of the year. The annual take-up level amounting to 329,100 sq m surpassed the 2010 figure by 55%. The largest deals of 2011 were the renewal on 37,500 sq m by Auchan, the renewal of Geodis in Prologis Budaörs on 29,100 sq m, the UTi renewal in Prologis Park Budapest-Sziget on 20,600 sq m, and HOPI (food retailing) signing a new lease agreement for 19,000 sq m in Prologis Harbor Park.

On an annual level, renewals were the main driver of the take-up, accounting for 54%, an increasing level, up from 35% of market share registered in 2010. Net take-up was 10% higher than in 2010, amounting to 152,500 sq m in 2011, but is far behind the record level at 300,000 sq m registered in 2008

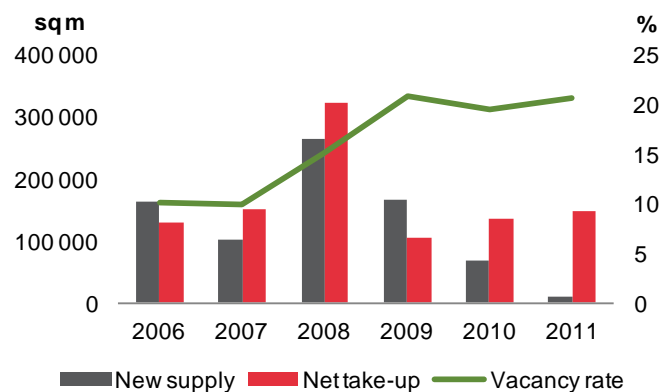
Increased trading activity is reflected by some significant changes in terms of the sector of activity. Companies from the light industry/assembly sector took the highest share of take-up in 2010 whilst the logistics sector was the most active in 2011, accounting for 41% of the total take-up. It was followed by the retail sector with 16%, and light industry/assembly with only 15%.

The vacancy rate decreased by one percentage point in the second half of the year, and stands currently at 20.8%. Looking at the figures registered before the economic crisis, vacancy has gone through a significant increase of 5.6 percentage points from 2008 up to the present. With only one building of 10,000 sq m delivered in 2011, the level of completion is the lowest ever registered in its history (Figure 38). As developers have become more risk-averse, mainly built-to-suit or pre-leased projects are expected to be completed in the next few years.

After a period of increased pressure on rental levels, rents have stabilized in 2010 and remained roughly at the same level in 2011 with no expectation regarding an increase of value in the near term. Due to the changing market climate and the level of renewals, incentives, rent free periods, and occasionally shorter lease terms have become more widespread.

Figure 37

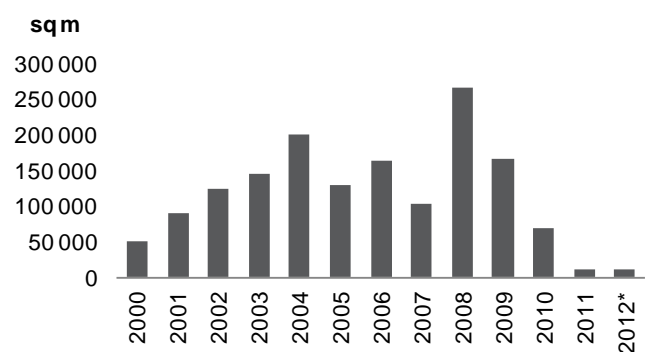
Take-up and vacancy rate in Hungary



Source: DTZ Research

Figure 38

Logistics building completion



Source: DTZ Research

Property Times

European logistics markets 2011

Romania

Still challenging but improving...

Mainly characterised by medium-sized requirements (from 3,000 to 5,000 sq m), the Romanian logistics market was strong during the first half of the year with an estimated 150,000 sq m taken up (for both class A and B facilities), of which 100,000 sq m was transacted in Bucharest. The largest deals done over the period were by a local IT distribution company Ase Soft in Bucharest on approx. 9,000 sq m of storage logistics space and a 13,000 sq m built to suit deal signed in Ploiesti, by the American irrigation company Toro.

However, the second part of the year followed a similar trend with industrial companies searching for premises between 5,000 and 10,000 sq m in Bucharest and other secondary cities.

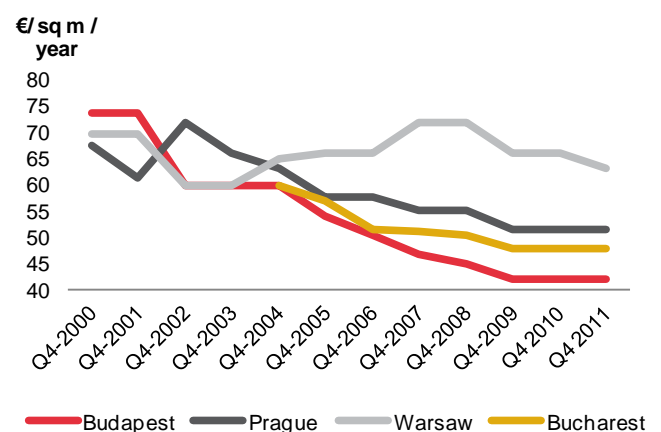
Amongst developers and investors active in Romania, cautiousness is still required and a return of speculative projects is not anticipated until 2012-2013 at the earliest.

CEE

A favourable economic context had a positive impact on prime rents which have now been stable during the last 6 months (Figure 39). Prime rental values stand between €42 per sq m in Budapest, €48 per sq m in Bucharest, €52 per sq m in Prague and €66 per sq m in Warsaw. These rents are expected to increase by 2% in Prague in 2011 and then the growth will spread in 2012 to Poland and Hungary.

Figure 39

Prime rents in CEE



Source: DTZ Research

Property Times

European logistics markets 2011

Ukraine

Space optimization and expansion have boosted the take-up

Total logistics take-up in 2011 exceeded 214,000 sq m, 47% and 30% higher than the annual take-up figures registered in 2009 and 2010 respectively (Figure 40). This good performance is mainly linked to a process of occupied logistics space improvement and/or taking the opportunity to secure future expansion. It is not yet indicative of strong logistics property market recovery in the Greater Kyiv area.

Demand for modern logistics space in the Greater Kyiv area was dominated by logistics and transportation companies, companies operating in the FMCG and food retail sectors, as well as pharmaceutical companies. Deals of logistics space ranged between 1,000 and 3,000 sq m in the logistics property market in the Greater Kyiv area in 2011.

In 2011, headline rents for prime warehouse space in the Greater Kyiv area varied from USD 4.5 to USD 7 per sq m per month. Rents for prime warehouse space are expected to remain broadly stable in 2012.

Baltics

No new supply completions will ease the vacancy ratio - rents to stabilize

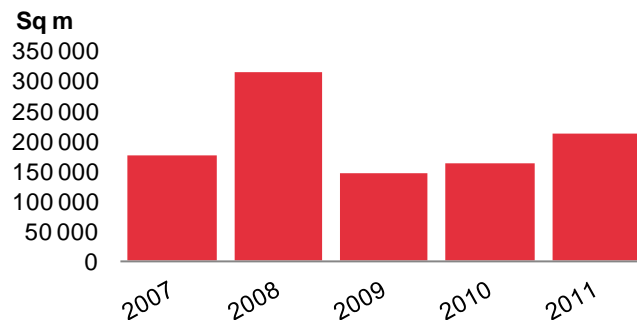
Recession in the Baltic countries is over and although the recovery has been uneven across different economic sectors a turnaround is evident. In 2010-2011, the biggest contributor to growth was the recovering export sector.

The industrial market is the slowest sector to recover. No obvious changes have been experienced in 2011 in the Baltic. However Lithuania is on a strong position due to their FEZ (Free Economic Zone) areas and the strong lobby work made by government. In this area, Estonia and Latvia still have improvements to make. The development activity will remain low for a while in all three Baltic countries and is mainly focused on built-to-suit projects.

Nevertheless the rents have remained stable in 2011 after a strong decline in 2009 and 2010. Vacancy rates have started to decrease (Figure 41).

Figure 40

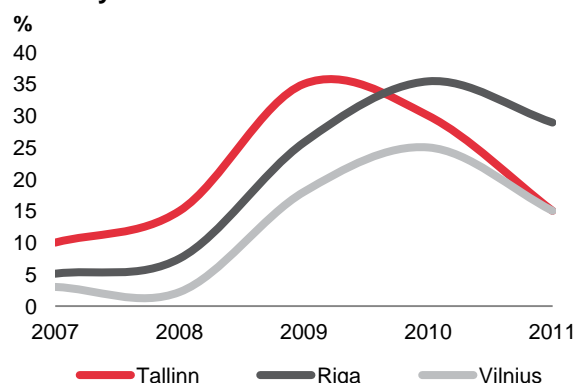
Take-up in the Greater Kyiv area



Source: DTZ Research

Figure 41

Vacancy rates in Baltic States Q3 2011



Source: DTZ Research

Property Times

European logistics markets 2011

Definitions

Availability:	Marketed space (usually available to move into within 6 months) that may or may not be vacant.
Availability ratio:	Industrial space currently available as a percentage of stock.
Newly available:	Floor space placed on the open market including both developments within six months of completion and units of second-hand space.
Stock:	The latest commercial industrial floor space statistics (warehouses).
Building grade:	Grade A: newly developed or comprehensively refurbished to new standard, including sublet space in new/refurbished buildings not previously occupied Grade B: buildings of good specification, floor plate efficiency and image usually but not exclusively ten years old or less Grade C: remaining poorer quality stock
Speculative development:	A newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant.
Development start:	A development in which work has started on the main contract. This usually excludes demolition and site clearance contracts.
Development completion:	A development in which the main contract has been completed, whether this be to shell and core or developer's finish.
Take-up:	Occupational transactions, including the following: (i) industrial buildings let/sold to an eventual occupier that had not been previously recorded as under offer to that occupier (ii) developments pre-let/sold to an occupier (iii) owner occupier purchase of a freehold or long leasehold
Prime rent:	The rent reported being paid, which may not take account of concessions such as rent-free periods, in which case it is known as the effective rent.

Property Times

European logistics markets 2011

Property Times

European logistics markets 2011

Contacts

<p>Robert Hall Head of CEMEA logistics +44(0)20 3296 2076 robert.a.hall@dtz.com</p>	<p>Czech Republic Martin Sumera +42 0234 262 222 martin.sumera@dtz.com</p>
<p>Belgium Dirk Van Bulck +32 3303 1020 dirk.vanbulck@dtz.com</p>	<p>France Lionel Garde +33 (4)72 74 08 89 lionel.garde@dtz.com</p>
<p>Denmark Tom Nedergaard +45 3314 5070 tom.nedergaard@dtz.com</p>	<p>Hungary Éva Tamás +36 1 472 7276 eva.tamas@dtz.com</p>
<p>Germany Willi Weis +49 69 92 100 253 willi.weis@dtz.com</p>	<p>Ireland Brendan Smyth +35 3163 99380 brendan.smyth@dtz.ie</p>
<p>Italy Manuela Miller +39 02 77 22 99 22 manuela.miller@dtz.it</p>	<p>Middle East Nick Witty 974 4 483 7395 nick.witty@dtz.com</p>
<p>Netherlands Gerwin Vos +31 10 4 333 555 gvos@dtz.nl</p>	<p>Russia Andrey Zhernokleev +7 (495) 748 1111 andrey.zhernokleev@dtzims.ru</p>
<p>Poland Erik Drukker +48 22 222 3000 erik.drukker@dtz.com</p>	<p>Sweden Maria Krumlinde +46 8671 3493 maria.krumlinde@dtz.com</p>
<p>Spain Manuel Hurtado de Amézaga +34 91 770 9601 manuel.hurtado@dtz.com</p>	<p>Ukraine Fedir Arbuzov +38 0503 865 274 fedor.arbuzov@dtz.kiev.ua</p>
<p>United Kingdom Simon Lloyd +44 (0)121 697 7392 simon.f.lloyd@dtz.com</p>	<p>Disclaimer This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.</p>