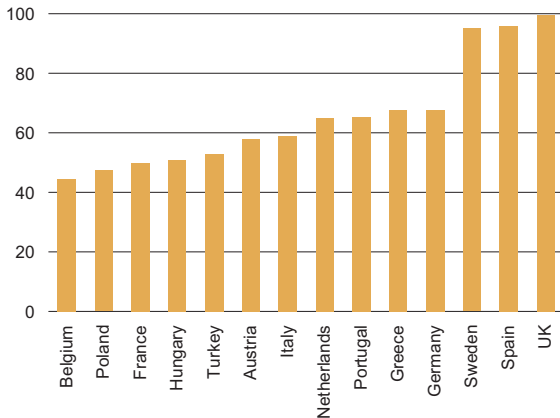


European Warehousing Markets

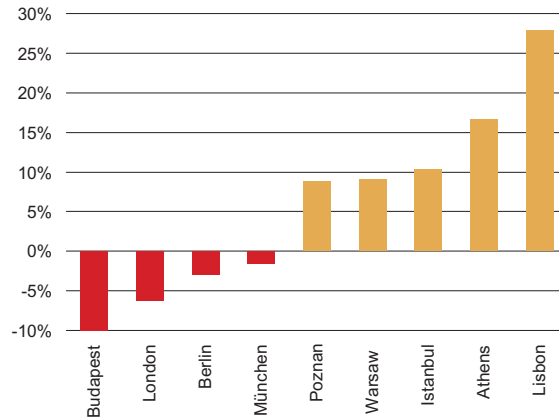
Summer 2008

Average prime warehousing rents by country



Source: Savills

Highest/Lowest annual prime rental growth



Source: Savills

“The logistics sector faces the challenges of environmentalism and rising costs. The developers are bearing the pressure to deliver state of the art accommodation that will meet these challenges and will satisfy occupier and investor expectations.”



Eri Mitsostergiou - European Research

- Consolidation and the growth of outsourcing are the key drivers of demand. Occupiers are becoming more cost cautious and they show their preference to well connected, cheaper locations.
- Development activity is linked to the expansion and improvement of infrastructure. There is limited number of speculative projects in most locations as developers prefer to secure a pre-let before construction.
- The availability of high specification facilities in prime locations is restricted, but rising vacancy in second hand properties is a common theme across the survey area.
- Although overall investment volumes are down compared to last year, the sector’s attractiveness is stable. Owner occupation still restricts investment opportunities in some countries.
- The annual prime yield shift in the second quarter was positive at 12 basis points, with yields softening in most locations. On a quarterly basis prime yields are stabilising. The average prime yield is at 6.7%.
- The average annual prime rental growth for the second quarter was 3.6%. We do not expect major changes until the end of the year, however, prime values may experience some upward pressure in certain pockets of high demand and low supply.

Definitions:

Prime rents: Achievable rents for prime warehouses > 10,000sqm

Prime yields: Achievable yields for prime warehouses > 10,000sqm

Savills
Research

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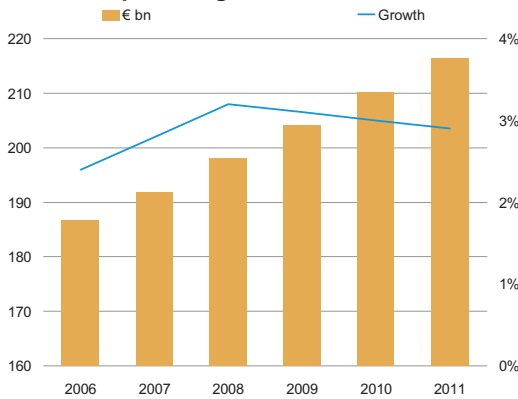


Comparisons

The challenges of growth

Logistics markets in Europe vary a lot in terms of size, supply chain complexity and outsourcing culture, however a common characteristic is growth. Transport companies and logistics service providers are expanding internationally through acquisitions, joint ventures or alliances in order to respond to the globalisation of the transportation and logistics sector.

Western European Logistics market size forecasts



Source: Abalytiqa

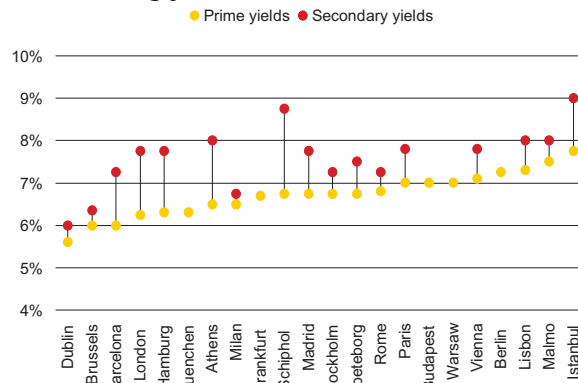
The growth of the sector is not without a cost to the society and one of the major challenges that it faces is the impact on the environment and the reduction of carbon emissions. The European Commission put forward in July 2008 a package of new "Greening Transport" initiatives to steer transport towards sustainability. First, a strategy to ensure that the prices of transport better reflect their real cost to society, so that environmental damage and congestion can gradually be reduced in a way that boosts the efficiency of transport and ultimately the economy as a whole. Second, a proposal to enable Member States to help make this happen through more efficient and greener road tolls for lorries, with the revenue to be used to reduce environmental impacts from transport and cut congestion. Third, a communication to reduce noise from rail freight. The package also includes an inventory of existing EU measures on greening transport and a communication on the additional greening transport initiatives that the Commission will take before the end of 2009.*

However, industry groups representing freight forwarders, shippers and the road transport industry are concerned by the "Greening of Transport" package. They believe that environmental benefits from introducing higher charges will be minimal as freight will need to be moved regardless of additional charges.*

Environmentalism is one of the most important issues facing business in our days. Greening the supply chain is easier said than done and cannot be achieved overnight. The environmental efforts of a company are an ongoing process of continuous improvement.

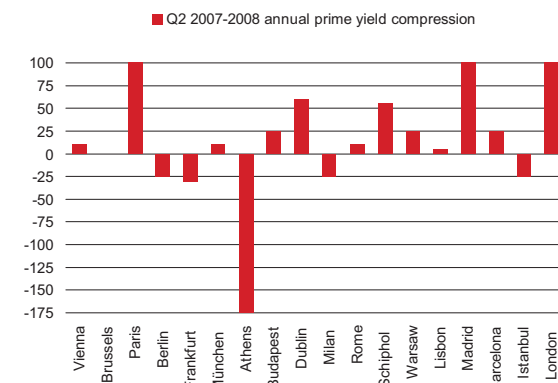
*Sources: European Commission, IRU

Warehousing yields



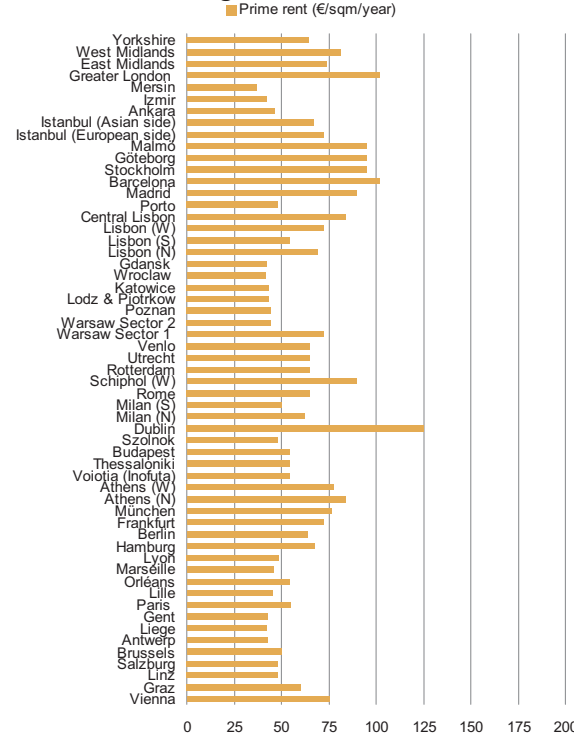
Source: Savills

Annual prime yield shift



Source: Savills

Prime warehousing rents



Source: Savills

Austria, Belgium, France

Austria

Take-up has been stable in the first half of 2008 with the lion share of lettings falling to deals within 2,000 to 3,000sqm. However, demand for larger units between 4,000 and 8,000sqm is also good, but due to a significant lack of supply of state-of-the-art warehouses the number of large-scale deals is limited. Rental levels are widely unchanged with average rents ranging between €4.00 and €6.00/sqm/month. In prime locations close to Vienna International Airport rents go up to €10.00. Although generally competition by CEE countries is stiff, Austria does not suffer heavily as rental levels remain competitive. The vacancy rate actually amounts to 3%. Investment activity in the sector is stable on a comparatively low level, partly due to the fact that a large portion of the properties are owner-occupied. However, demand for logistics properties matching international quality standards is high and considerably higher than supply.

Belgium

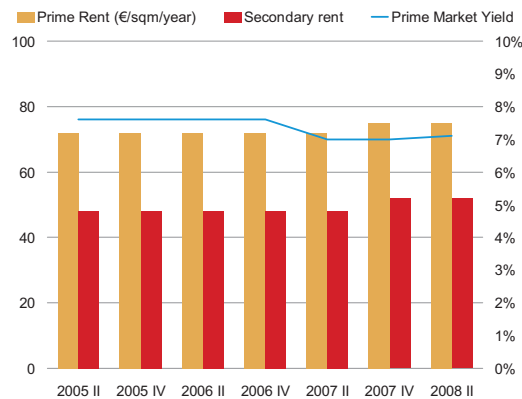
Strong demand for warehousing space should lead to another year of high take-up in 2008. The Belgian warehousing market is characterised by very limited availability in prime locations. The lack of supply and suitable land plots in prime locations as well as increasing land prices has shifted development activity towards secondary locations. However, speculative development is limited and the vacancy rate remains around 6%. Following prime rental growth of 6.3% during 2007, an upward pressure on rents may persist due to the imbalance between demand and supply. Since the beginning of 2008, the investment volume in the warehousing market has totalled to €285 million corresponding to around 17% of the total investment market. The sector should remain a target for investors who are still keen to diversify away from the traditional, more volatile office market. Prime yields should stay static at 6%.

France

Although occupier demand remains significant, take-up is decelerating. The lack of suitable supply is often lengthening the time to conclude deals. Rising transport costs have put pressure on the industrial property market. Demand is driven by logistics companies seeking rationalisation therefore net absorption is limited. Large transactions exceeding 20,000sqm are decreasing. Vacancy for good quality product remains low. Due to the lack of economic situation we expect developers to adopt more cautious attitude towards speculative schemes. Rents remained relatively stable during the first half of the year.

Investment activity has slowed down; at national level invested amounts in industrial warehouses dropped by some 50% pa in the first half of 2008, still way above the past 5-year average. Yields moved out from 6% to 7% over the first semester of the year.

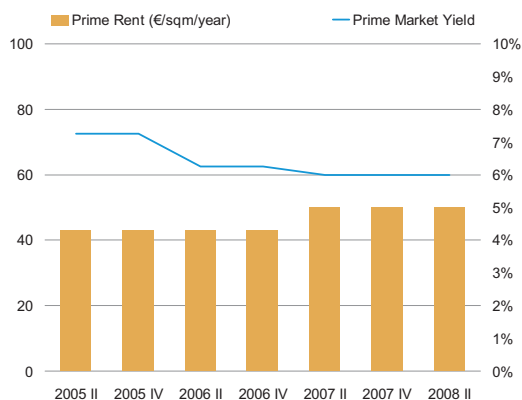
Vienna prime rents and yields



Source: Savills

Vienna	€75.00/sqm	Graz	€60.00/sqm
Salzburg	€48.00/sqm	Linz	€48.00/sqm

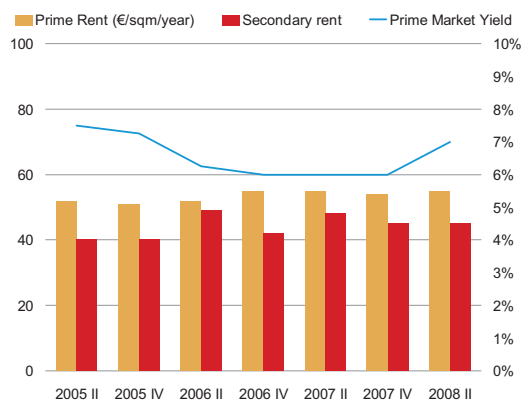
Brussels prime rents and yields



Source: Savills

Brussels	€50.00/sqm	Liège	€42.00/sqm
Antwerp	€43.00/sqm	Gent	€43.00/sqm

Paris prime rents and yields



Source: Savills

Paris	€55.00/sqm	Lille	€45.00/sqm
Lyon	€49.00/sqm	Marseille	€46.00/sqm

Germany, Greece, Hungary

Germany

Demand for warehousing space is high, however in the large logistics centres like Hamburg, available logistics space is scarce. Therefore we expect take-up for logistics space to increase only marginally in 2008.

High land values close to the major conurbations are leading to higher acquisition costs, while rising energy prices and the anticipated increase in road toll fees for German HGV's, also contribute to the rising costs in the sector. As a result occupiers are prepared to locate at greater distances from the main cities in order to achieve some cost savings. Speculative projects are not common, and developers seek to secure a pre-let before commencing construction. In spite of this, average rents remain comparatively stable. The sector remains attractive for investors but good quality logistics assets with long leases are becoming scarce. Large scale logistics properties are proving more attractive for both occupiers and investors.

Greece

Demand for logistics warehouses is strong and it is driven by retailer needs for larger and modern facilities. Requirements are mainly for accommodation above 8,000sqm and the focus is the Athens conurbation, which comprises the key logistics hub of the country (Aspropyrgos, Inofyta). Locations up to 60km out of Athens (Voiotia-Shimatari) are becoming attractive due to lower land and rental values compared to areas closer to the capital. Speculative development is limited therefore the norm is for the end-users to buy the land and build their own premises.

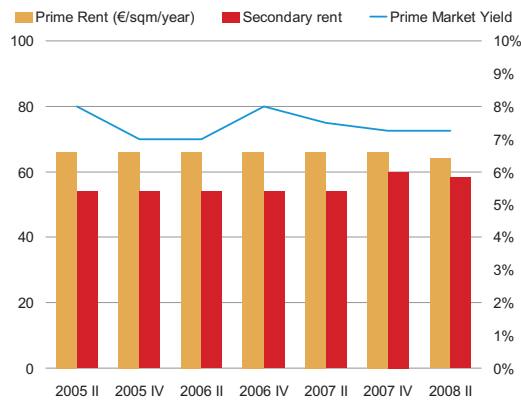
International specialists in the sector are looking for development opportunities, however land availability is tight and owner-occupation remains very high.

As a result investment product is also limited and the number of transactions is very small and local investors have proven more effective so far.

Hungary

The logistics property market is active with strong demand for high quality, large scale warehouses. The average size of letting deal is above 5,000sqm. Although there is adequate supply for basic requests, the availability of high specification product is restricted. This is driving development activity, while older space is more difficult to absorb. Currently the total stock is in the region of 1.1m sqm, with around 180,000sqm in the development pipeline for 2008. One of the largest projects is the 70,000sqm 'Airport City', which reflects the rising importance of Budapest airport as a location for warehouses. Although the major development projects are taking place south, west and east of the capital, following expanding infrastructure, interest is also shifting towards secondary locations across the country. Investor interest remains strong and we expect to increase further. Prime yields are around 7%.

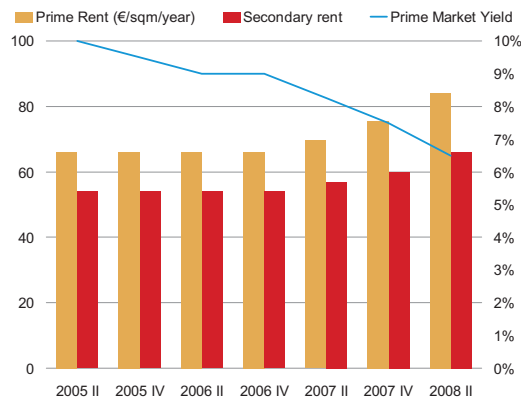
Berlin prime rents and yields



Source: Savills

Berlin	€64.00/sqm	Frankfurt	€72.00/sqm
Hamburg	€67.20/sqm	Munich	€76.80/sqm

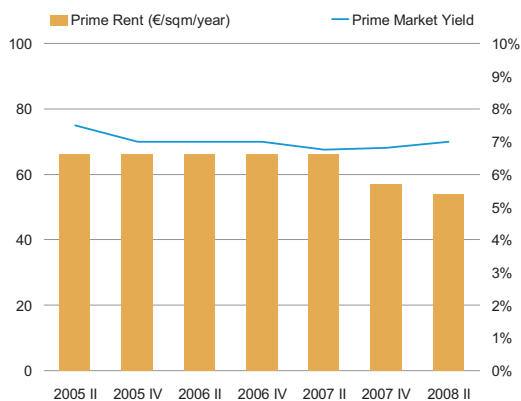
Athens (North) prime rents and yields



Source: Savills

Athens (N)	€84.00/sqm	Thessaloniki	€54.00/sqm
Athens (W)	€78.00/sqm	Voiotia	€54.00/sqm

Budapest prime rents and yields



Source: Savills

Budapest	€54.00/sqm	Szolnok	€48.00/sqm
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Ireland, Italy, Netherlands

Ireland

Despite a strong start to the year, enquiries for the second quarter of 2008 are down slightly on quarter one as occupiers are finding it more and more difficult to secure funding. This has had a more pronounced impact on the smaller enquiries between 200 to 2,000sqm.

Another feature of the market in recent months is that there is a much higher level of letting transactions taking place due in most instances to the tighter credit terms being offered by lending institutions. Some occupiers who are holding off on buying at the moment are opting to rent short term accommodation.

The outlook for the remainder of the year is for values to remain steady with increased activity in letting transactions likely to continue amid a tightening lending environment.

Italy

Rising transport costs have put property costs under pressure, as occupiers require premises at lower rents. In order to meet these criteria developers focus on reducing the two main cost variables; land price and construction costs. Although securing a pre-let is an important prerequisite for a new project, some speculative schemes with optimum characteristics also go ahead, as demand for high quality space still outstrips supply. Demand for industrial units is falling due to the relocation of production plants in lower cost countries. This is leading to a rising vacancy in less functional second-hand production stock.

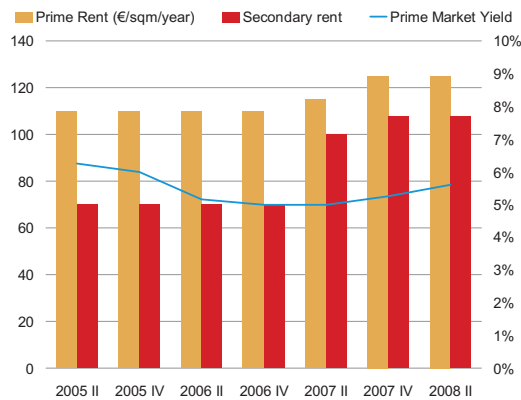
Rental levels have remained constant and/or fallen, with very limited growth in only one of the prime areas that we monitor. Despite strong investor interest, there is a limited number of transactions completed, due to limited available product. Prime yields remain stable.

Netherlands

Demand for distribution space translated into a record level of take-up in 2007, which was twice the average annual turnover of the previous three years. Demand remains robust also in 2008, despite the global economic turbulence. The current supply of warehouses includes at least 40% of unmarketable space. High demand and shortage of high quality distribution space and increasing land and construction costs are expected to have an upward impact on rental price development. This offers opportunities to investors and developers that are interested in the sector.

However potential investors are becoming more cautious due to the uncertainty around the extent of the economic crisis. Prime yields have experienced a slight upward pressure, moving out from 6.5% to 6.75% in Schiphol area, but we expect them to stabilise over the next semester.

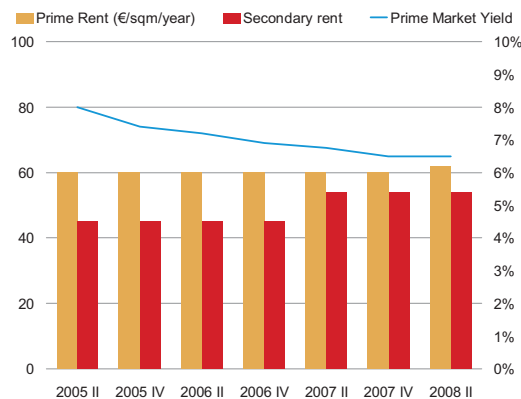
Dublin prime rents and yields



Source: Savills

Dublin €125.00/sqm

Milan (N) prime rents and yields

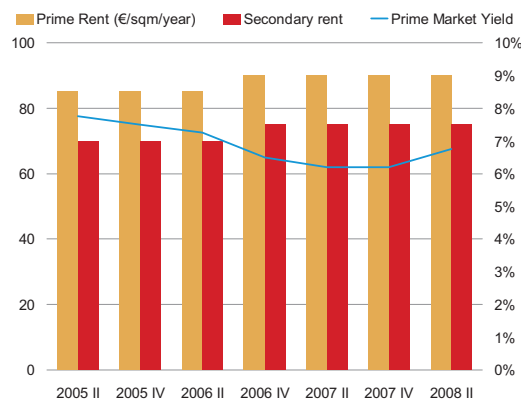


Source: Savills

Milan (N) €62.00/sqm Milan (S) €50.00/sqm

Rome €65.00/sqm

Amsterdam (Schiphol) prime rents and yields



Source: Savills

Schiphol (W) €90.00/sqm Rotterdam €65.00/sqm

Utrecht €65.00/sqm Venlo €65.00/sqm

Poland, Portugal, Spain

Poland

Demand remains strong in Warsaw and its surroundings as well as in other regional cities. At the end of the first quarter 2008 the total stock of warehousing space in Poland reached approx. 4m sqm. The region of Warsaw is still the leading market, but the development activity is on the rise in Central Poland and Upper Silesia. Altogether currently there is approx. 1.3 m sqm of new logistics space under construction. In line with the development of the network of motorways and express roads, the logistics and distribution sector is expected to expand in the southern and eastern direction.

Investment activity on the Polish logistics market remains moderate with prime yields at 7.0 – 7.5%. Acquisitions of warehousing / logistics properties are considered to be a good way of diversification of investment portfolios.

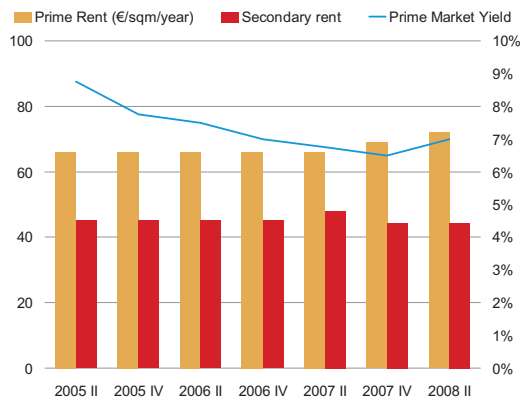
Portugal

The growth of outsourcing in the logistics sector is driving the increasing demand for logistics warehouses, while demand for industrial warehouses is decreasing. Enquiries for modern facilities come from both international and national companies, with smaller operators accounting for a large part of last year's turnover. High vacancy rates led to a decrease of rental values, however we expect prices to recover gradually as there is less speculative development coming onto the market. Developers are now trying to ensure a pre-let before the commencement of the construction of a new scheme. The investment market has been largely dominated by local investment funds although international funds have made a number of acquisitions. Prime yields are now at 7.3% for the best schemes on long leases, although the market norm is for flexible leases of 3-4 years, which cannot command such yields.

Spain

Growing demand for logistics warehouses has led to the construction of more than 3.4m sqm of new accommodation last year. However, the market continues to show a general shortage of availability, which is the main reason why many operators commit to turn-key projects. The lack of supply close to the main logistics hubs (Madrid, Barcelona, Valencia and Zaragoza) has pushed occupiers to seek alternatives in more remote areas, which are becoming attractive due to the improvement of infrastructure and lower costs. We expect 2008 to be a strong year in terms of lettings, which should also lead to the creation of new investment opportunities. Although the industrial sector is considered a safer and more stable property segment, the current market conditions have caused a slowdown in market activity and deals are taking longer to complete. Yields have moved out by 25 basis points to 6.75% and they are expected to soften further in the second half of the year.

Warsaw (Sector 1) prime rents and yields

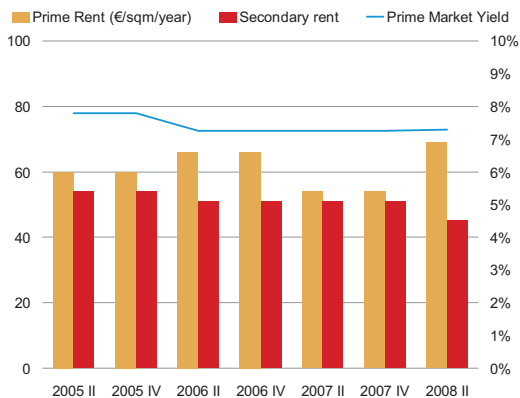


Source: Savills

Warsaw (Sector 1) €72.00/sqm Poznan €44.40/sqm

Warsaw (Sector 2) €44.40/sqm Lodz €43.20/sqm

Lisbon prime rents and yields

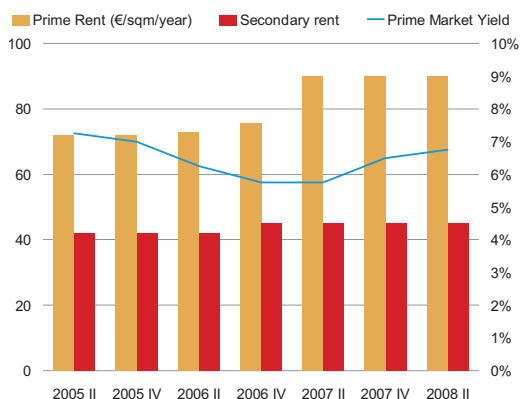


Source: Savills

Lisbon (N) €69.00/sqm Lisbon (S) €54.00/sqm

Lisbon (W) €72.00/sqm Porto €48.00/sqm

Madrid prime rents and yields



Source: Savills

Madrid €90.00/sqm Barcelona €102.00/sqm

Sweden, Turkey, UK

Sweden

Letting activity is boosted by the requirements for large, modern warehouses, between 20,000 and 40,000sqm, as logistics operators are consolidating and expanding their operations in the whole Nordic region. This has created new distribution hubs in the central locations in Sweden.

High demand has also underpinned development activity, with some projects commencing at less than 50% pre-let. Although we do not see any risk of oversupply for prime products, vacancy rates for second-hand, smaller warehouses are rising and landlords may need to drop the asking prices to make them more attractive. Prime rental values are expected to remain stable.

Investment turnover has dropped by almost 20% over the first half of the year compared to 2007, however demand for quality properties remains high.

Turkey

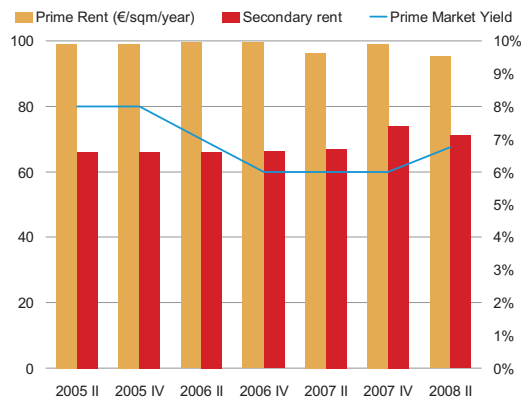
Demand for logistics warehouses is driven by the growth of outsourcing, which at the moment stands at around 20%. One of the most important criteria of logistics companies for site selection is the accessibility to different modes of transport and main transportation hubs. Istanbul, Izmir and Mersin are the main logistics hubs in the country as they combine seaway transportation with railway and road transportation. Although, office and especially retail properties still dominate the investment market as the main investment products the industrial sector is gaining consideration from investors. Investors demand warehouses which have high specifications and long term leasing contracts. However, these types of assets are very limited and therefore transactions in the sector are rare. Prime yields in Istanbul have dropped from 9% in 2005 to 7.5% in 2007. However, yields have slightly increased in first quarter of 2008 and reached 7.75%.

UK

Availability in the UK has increased steadily in the last year, reaching its current level of 5.8m sqm. This is mainly due to the number of speculative developments coming onto the market. Occupier demand has remained fairly solid, with take-up in the first seven months reaching 940,000sqm. This is just over 60% of total take-up in the previous year. Looking ahead, the slowdown in the economy will inevitably affect the level of demand for large sheds. However, there are still some large occupier requirements in the market place, which should help the market to reach our predicted take-up of 1.4m sqm for 2008.

The prime market has shown signs of yields moving higher by 50 to 75 basis points since end of 2007. For secondary product, this move outwards has been larger at 75 to 150 basis points. Currently prime yields are in the region of 6.25%.

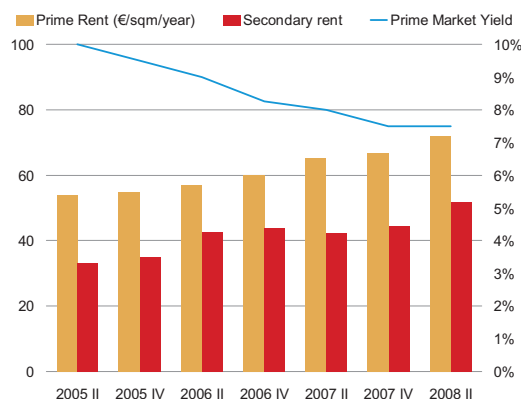
Stockholm prime rents and yields



Source: Savills

Stockholm €95.14/sqm **Göteborg** €95.14/sqm
Malmö €95.14/sqm

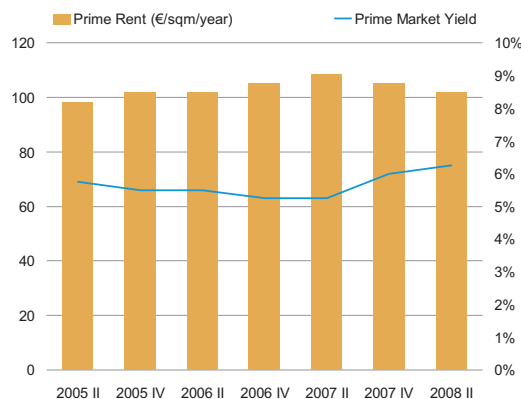
Istanbul prime rents and yields



Source: Savills

Istanbul €72.00/sqm **Ankara** €46.45/sqm
Izmir €42.10/sqm **Mersin** €37.00/sqm

Greater London average prime rents and yields



Source: Savills

London €101.68/sqm **E Midlands** €73.89/sqm
Yorkshire €64.40/sqm **W Midlands** €81.35/sqm

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