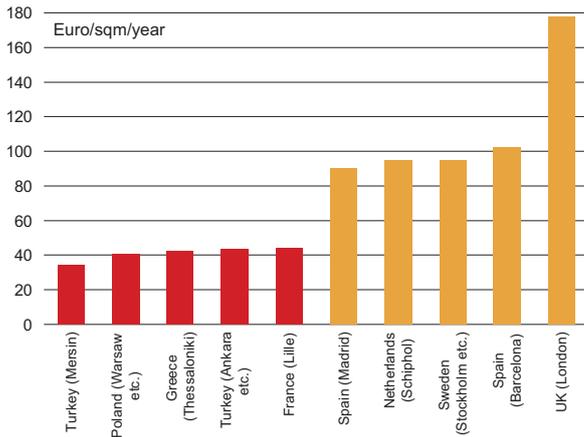


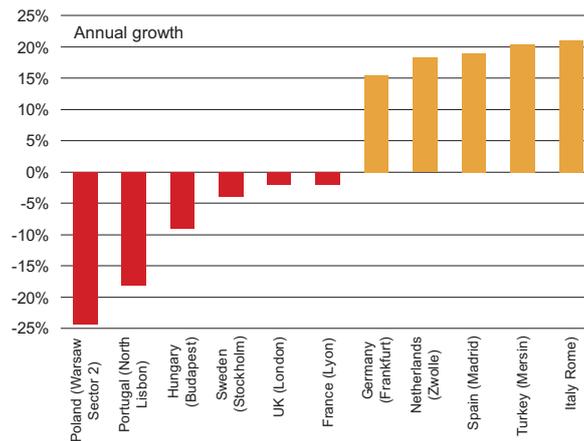
European Warehousing Markets

Winter 2007-2008

Highest/Lowest prime warehousing rents



Highest/Lowest prime annual rental growth



“Projections for strong world trade growth and high demand from emerging markets in 2008 should protect the logistics industry from the uncertainty caused by the US economic slowdown. The prospects for the European warehousing property sector remain positive.”



Eri Mitsostergiou

- 2007 was a strong year for the logistics industry with high volumes and strong expansion of the logistics services. Depending on the impact of the crisis in the global financial markets and the rising oil prices on consumer and manufacturer confidence, the industry growth may face a slowdown in 2008.
- According to the European Commission, world trade growth is expected to remain robust at 7-7.5% in 2008. EU exporters are expected to continue to benefit from the buoyancy of demand from emerging markets.
- Over 2007, higher take-up volumes were reported in the largest markets in Europe. The focus of retailers in the improvement of their supply chain operation has had a large impact on demand. Consolidation activity has created the need for large-scale accommodation.
- Although there is still a high level of owner-occupation and supply is driven by turn-key projects, the development pipeline for speculative schemes is on the rise in the markets with high levels of demand, reflecting positive developer sentiment.
- Limited availability of sites, higher land values and congestion problems close to the major urban centres of Europe has pushed the development of modern distribution centres in alternative locations in neighbouring communities.
- Prime warehousing rents ranged between €35.00/sqm/year and €177.00/sqm/year at the end of 2007 across the markets covered by the report. Average annual prime rental growth for the year was positive at 4.0% and the average prime achievable rent was at €64.55/sqm/year.

Green logistics Investment

The new driver for future innovation

Over the recent years, the logistics industry has achieved growth rates above these of the European economies. Intra- and extra-EU trade has risen by 55.0% in value since 1999 as it is becoming more globalised. There is a large increase in trade from the Far-East, mainly China. Also the shift of production to Eastern Europe has resulted in a major shift in the flow of goods and a large increase of the transport volume.

The importance of logistics services and transport for the economy increases. The share of the logistics industry in Europe is estimated close to 14.0% of GDP. Therefore, if the transport sector stagnates or collapses, it will influence the economy directly. One of the risks of the increase of traffic flows and transport worldwide is the environmental damage caused, such as air emissions, noise impacts, climate change. Also other costs are increasing such as congestion and accidents.

The EU Commission has included 'green' actions in the Freight Logistics Action Plan that launched in 2007 to improve the efficiency and sustainability of freight transport in Europe. It presents a number of short to medium-term actions that will help Europe address its current and future challenges and ensure a competitive and sustainable freight transport system in Europe. The proposed areas of action of this plan are:

- e-Freight and Intelligent Transport Systems (ITS)
- Sustainable quality and efficiency
- Simplification of transport chains
- Vehicle dimensions and loading standards
- "Green" transport corridors for freight
- Urban freight transport logistics

The actions outlined above have been designed to help the freight transport logistics industry towards long-term efficiency and growth by addressing issues such as congestion, pollution and noise, CO2 emissions and dependence on fossil fuels that – if left unchecked – would put at risk its efficiency.

Soon companies may be held responsible for the green audit of their whole product life cycle and this will lead to a substantial modification of the current logistics processes. The new driver for future innovation will be 'Green logistics'. 'Green logistics' will change policymaking, businesses and behavioural patterns; it will be the new driver for CO2 reductions and energy conservation. Additionally, the new EU Marco Polo 'traffic avoidance measures' should encourage the industry to enhance its production processes, decrease weights or volumes, cut distances, raise average loads per vehicle and/or lessen the number of vehicles.

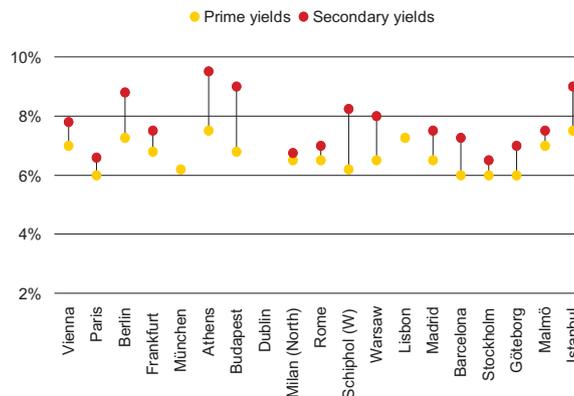
Sources: European Commission, European Intermodal Association, European Intermodal Research Advisory Council

Investment in warehouses on the rise

The share of warehouses in the property investment activity has increased in the countries that offer modern, leased accommodation such as France, Germany and the Netherlands. This suggests that the distribution warehouse sector is a highly credible property investment when compared to other property sectors. Large portfolio transactions and sale and leaseback deals have been the main route for the acquisition of warehousing assets.

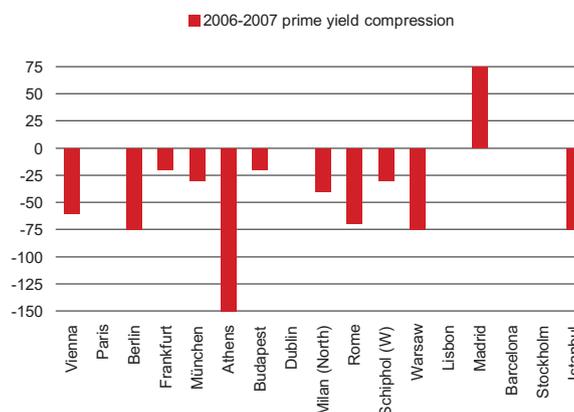
The main driver of the investment performance has been a hardening in yields. Prime yield compression has slowed down during 2007, however prime yields were between 20 and 150 basis points lower in the last quarter of 2007 compared to 12 months before. The average prime yield compression across the study area was 32 basis points and the average prime achievable yield at 6.6%. The lowest prime yield was achieved in London (SE) at 5.3%. The yield gap between prime and secondary yields in Q4 2007 was 118 basis points with the average secondary yield in the study area at 7.75%.

Warehousing yields



Source: Savills

Annual prime yield compression



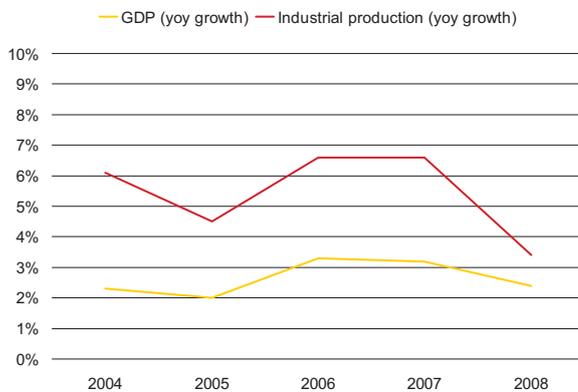
Source: Savills

Austria

Economy

Favourable economic performance continued in 2007. After 3.3% economic growth in 2006, GDP is expected to rise by 3.2% in real terms in 2007. While export growth will decline slightly, investment demand is gathering pace. Private consumption is also showing increased growth. The positive tendency of the labour market is continuing. The number of employed persons is once again showing significant growth, and unemployment is declining further.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

As much of the transport infrastructure in the accession countries is still in need of modernisation and development, there has been a continuing demand for modern logistics real estate in the last three years. The demand for modern logistics sites in strategically important locations is currently at a consistently high level. An east-west route is being built in Eastern Europe to complement the existing main north-south corridor, which will benefit Austria, too. Demand is especially strong for warehouses of between 2,000 to 5,000sqm.

Supply and vacancy rate

The Austrian warehousing market has little international exposure. Logistics parks have so far been developed exclusively by domestic companies specialising in logistics premises and by owner-occupiers.

The majority of the project developments that have entered the market in 2006/2007 were already contractually bound prior to construction (leasing or owner occupation). Construction generally only starts when users have been found for the relevant object.

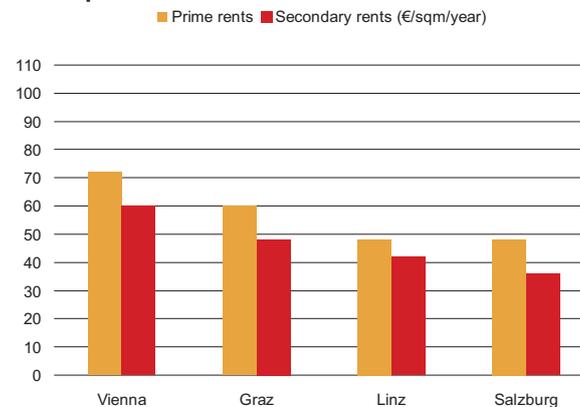
One of the largest project developments is a 660,500sqm site in the port of the city of Linz, where modern logistics premises in 2009 will start being developed for production and service companies. The

usable area of the logistics premises when completed will be 65,000sqm. The already existing logistics sites are also being modernised. This project is scheduled for completion in 2017.

Rental levels

Rents for warehouse and logistics premises are between €3.00 and €6.00/sqm/month. In recent months, rents for premises in important transport locations such as airports and inland harbours have increased.

Rents per submarket



Source: CPB

Investment market

Due to the limited supply of product the logistics market plays currently a minor role in the commercial real estate investment market. Nevertheless a strong development potential could be expected and the demand for investment opportunities in this sector is still increasing. Prime returns on investment for modern logistics properties are in the 7.0% range. It is expected that the returns on investment will fall, as demand from national and international investors will stay on a high level while there are not enough products on the market.

Outlook

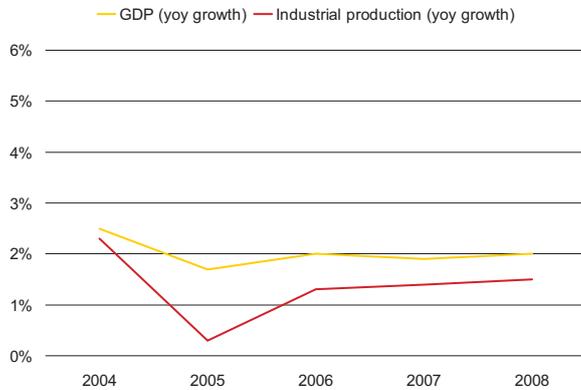
Owing to an increase of consolidation and rationalisation processes as well as the growth of outsourcing of logistics services, an increase in demand for logistics premises of around 20,000sqm or more can be expected over the next few years. Moreover, the market turnover is expected to rise to €15.1bn. Speculative development remains the exception and in the future it will only be possible in the best locations where demand is high and supply is low. Domestic logistics sites whose location and infrastructure are aimed at trading with Eastern Europe are considered forward-looking. Real estate companies that act as full service providers to logistics companies, allowing the latter to focus on their core business, are well prepared for the future.

France

Economy

The slowdown of the economy during this first semester was related to the weakening household consumption. The main part of growth was sustained by strong external demand and productive investment. Foreign trade benefited from the good performance of the Euro-zone. Exports of manufactured goods increased by 2.6% during the first quarter of the year, before slowing down under the influence of the falling demand at world level and the appreciation of the euro. Import growth remained modest. Increase in purchases of manufactured goods made up for the decline of the energy spending.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

Leasing activity during 2007 confirmed the healthy condition of the warehousing market. 2.21m sqm of logistics buildings were transacted during 2006 and the volume of transactions already reached 2.16m sqm at the end of the third quarter of 2007, 16.0% higher than the previous year. Demand remained mainly concentrated around the Lille / Paris / Lyon / Marseille axis, along the A6 and A7 motorways. More than 67% of logistics users chose to be located near this ridge in 2007. Activity in secondary areas, which had declined sharply in 2006, picked-up again this year.

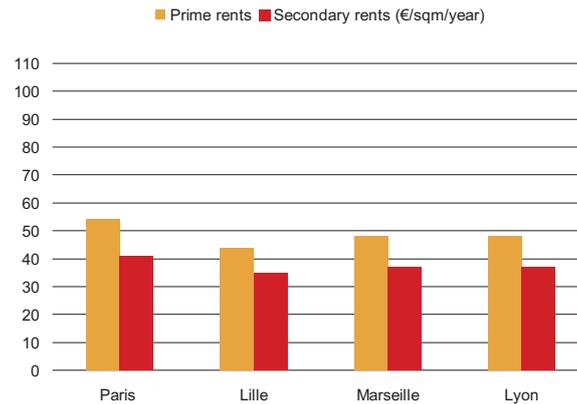
Supply and vacancy rate

Immediate supply increased by more than 7% during 2007 to reach 1.85m sqm in the whole country at the end of the third quarter of 2007. Second hand premises continue to account for the highest part of vacant stock. Vacancy rates remain however overall low, thanks to the steady absorption of new product. 62% of the vacant stock is concentrated in the four main industrial poles, of which, 35% of the stock is located in Ile-de-France region. High demand has led to a slight increase of future supply, notably of speculative schemes. By 2010 more than 2.3m sqm of new logistic developments should commence.

Rental levels

Rental values of industrial warehouses have adjusted further downward to the market. With rents ranging from €35.00/sqm/year to €54.00/sqm/year depending on location, the French industrial market is one of the most competitively priced within the European Union.

Rents per submarket



Source: Savills

Investment market

2007 has been another year of high investment volumes. The market share of the industrial sector has increased. After a drop from 16.5% in 2005 to 8.0% in 2006, mainly due the lack of quality product available on the market, industrial assets represented 12.0% of total 2007 investment volume. Thus, €2.7bn were invested in industrial products, a record level, of which, €2bn were invested in large-scale warehouses only. The new attractive and simplified SIIC regulations and an increasing number of sale and lease-back transactions have provided the market with new investment opportunities. Yields are continuously being compressed. In the Ile-de-France and Rhones-Alpes regions, yields were pulled down under the 7.0% threshold. Prime industrial warehouse yields now stand at 6.0%.

Outlook

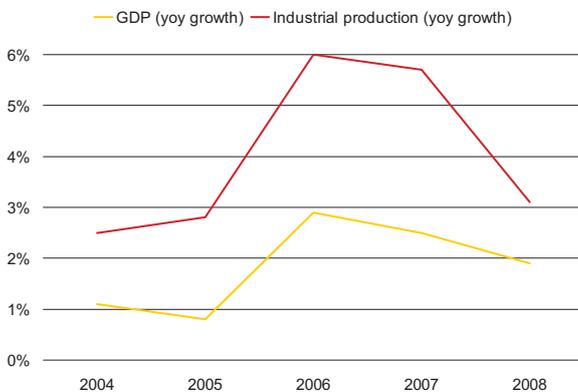
The logistics and distribution sectors are expected to continue to show robust activity, with expanding outsourcing further boosting demand. This overall positive context will allow a new high level of take-up for next year, especially in the Ile-de-France, Nord-Pas-de-Calais and Lyon regions where new projects will magnet demand. In response to demand the number of speculative developments is on the rise, driving up both the available and future supply. However, demand and supply is likely to remain well balanced, with the only consideration being the ageing stock that needs redevelopment in order to become marketable. Rental values should remain stable in 2008 although we expect that most attractive areas such Ile-de-France to show moderate rental growth.

Germany

Economy

In 2006 the economy experienced its strongest upswing since 2000, recording a 2.7% growth. Since the beginning of 2007, the upward trend has slowed down under the effect of a less buoyant world economy and the 3.0% VAT rise impact on spending. However future prospects remain encouraging as foundations of German's revival are structural and robust. The booming industrial sector shows no sign of slowing, business confidence remains intact and retail sales should remain slow but steady underpinned by further good outlook from the labour market.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

The level of demand remains high backed by consolidation deals that generate large size transactions. Additionally the expanding needs of large retailers for major distribution centres have also created the demand for large-scale accommodation. The majority of transactions of large warehouses (>20,000sqm) took place outside the main urban areas due to higher land availability. Demand for owner occupation has decreased sharply last year to the benefit of letting deals. Companies are increasingly absorbing the new speculative developments that are being completed across the country.

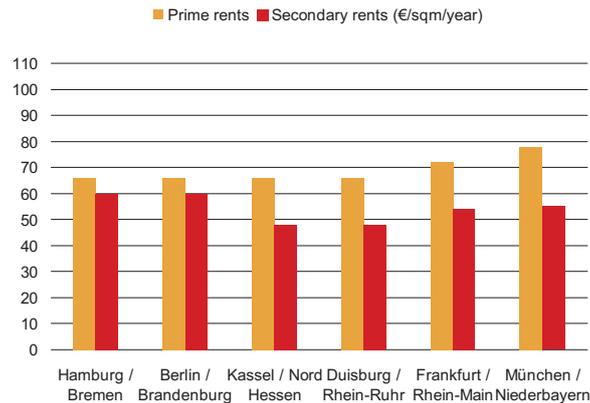
Supply and vacancy rate

For long the market has been characterised by limited supply, especially for prime accommodation around the large industrial areas. Vacancy rate has been relatively low, as the market is predominantly marked out by owner-occupation. However, supply has improved recently. Strong growth of the sector combined with healthy fundamentals have underpinned some speculative development. Construction activity is currently slightly on the rise especially in secondary areas and the timing to obtain a building permit has been reduced significantly. Nevertheless, turn-key developments remain the norm.

Rental levels

Due to significant variation of land prices, rents are competitive compared to other European countries. Overall rental values remained stable over the past year. Prime rents across the country range between €42.00/sqm/year and €72.00/sqm/year depending on the quality of the building and on location.

Rents per submarket



Source: Savills

Investment market

Although, office and retail properties still dominate the investment market as the main investment product, the industrial sector is gaining consideration from investors. Last year industrial investments exceeded for the first time €2bn, of which around one third was dedicated to logistics properties only. Investors seek properties with strong covenant and long lease terms (at least 5 years), but also high specification and flexible layout that ensures their future rentability.

Yields have been under pressure since the beginning of 2006. Transactions during the final quarter of 2007 reflected prime yields of 6.2%, 30 basis points down compared to 12 months before. Lower yields are achieved for portfolios of warehousing properties.

Outlook

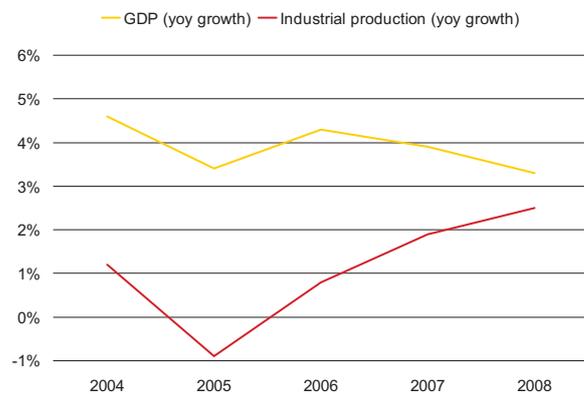
We expect demand for industrial properties to be sustained at healthy levels. Large size transactions will continue to be largely preferred reflecting the changes in the supply chain and the need for economies of scale. This shift towards letting as opposed to owner occupation will have a positive effect on the quality of the stock and the way it is managed. Therefore, we can expect local authorities to have a more positive view on the logistics properties and make more land plots available for developers. Good market prospects and shortage of appropriate product available should lead developers to increase the number of speculative schemes. Investor demand for modern distribution warehouses is set to continue as logistics product is a stable alternative option for investors who want to diversify their portfolios.

Greece

Economy

Economic growth accelerated to above 4.0% pa in the first half of 2007. Domestic demand is expected to decelerate but remain high for the year. While exports will still grow above 6.0%, on account of the rebound taking place in the tourism sector, imports are projected to slow down from the strong increase recorded last year. GDP growth for 2007 is estimated to slow down to 3.9%.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

Demand is driven by mergers and acquisitions, which lead to the creation of strong players with large scale requirements. Currently the market share of the 10 largest logistics companies is around 50%. Outsourcing continues to expand but the penetration rate is still lower than in other European markets. The redevelopment and privatisation initiatives of the major ports of the country have attracted international interest from companies such as MSC, CoSco and Maersk. Large, established retail chains are leading the requirements in the regions of Athens, Thessaloniki but also around Larissa, Patra and Crete. Demand is also growing around ports and airports driven by increasing cargo volumes and improving infrastructure.

Supply and vacancy rate

Due to the lack of modern warehouses and development expertise, as well as due to high asking rents supply is dominated by owner-occupiers and especially large supermarket and hypermarket chains that are expanding across the country. The first major inter-modal distribution centre is in the pipeline in the outskirts of Athens (Thriassio Pedio) and it is expected to be completed by the end of 2009. Similar projects are initiated by the government around Thessaloniki as well as Igoumenitsa and Alexandroupoli ports in order to enhance the inter-modal connections that can serve the distribution of goods between SE Asia/China and SE Europe/Balkan countries.

Major developments in the pipeline

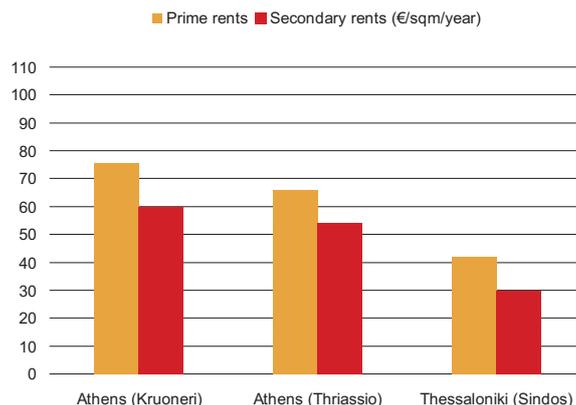
Occupier	Size (sqm)	Region
Lidl	40,000	Attiki (Athens region)
Aldi	200,000 (site)	Sindos (Salonica region)
AB Vassilopoulos	85,000	Attiki (Athens region)
Metro	40,000	Oinofuta (Voiotia)

Source: Savills

Rental levels

The lack of land with planning permission for the development of large sheds has created a demand and supply imbalance, which has pushed land and property prices up. According to most end users prime land and property costs are considered high and put pressure on their margins. Currently rental values in Athens region (Kruoneri) are in the region of €5.50-6.30/sqm/month, 15.0% higher compared to last year.

Rents per submarket



Source: Savills

Investment market

The investment market is still small due the lack of available product. However asking prices for assets that come onto the market are high, pushing yields down. Prime achievable yields have dropped by at least 150 basis points compared to 12 months ago to 7.5%.

Outlook

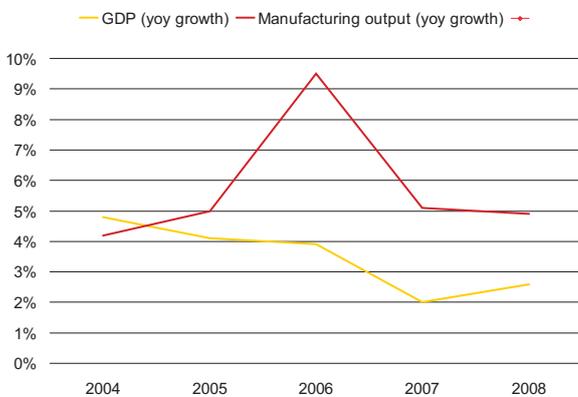
The outlook for the sector is positive with the country strengthening its role as a regional distribution node. Moreover, new logistics solutions have the potential to be used from a broader range of users, including the public sector and hence lead to an increase of the size of the 3PL sector. These trends should create further demand for warehousing space and may attract international property investor and developer interest that are specialising in the sector. The government efforts to designate certain regions across the country for the development of distribution centres should simplify some of the current planning issues and support this trend.

Hungary

Economy

In 2007, economic growth has slowed down considerably. Although GDP growth was weak in the first half of 2007 it is expected to pace up and reach 2.0% for the year. The marked contraction in domestic demand is counterbalanced by a strong export performance. Private consumption further decreased and is expected to be slightly lower compared to 2006. Government consumption has been substantially reduced having a significant negative contribution for the entire year.

National GDP and manufacturing output



Sources: European Commission, Experian

Leasing market

Demand and take-up

Total modern warehousing space in Hungary reached almost 750,000sqm at the end of 2006 and is estimated to have exceeded 1m sqm by the end of 2007. The industrial property market remains focused on Budapest and its surroundings. The majority of modern logistics space is located on the southern and western outskirts of the city.

Supply and vacancy rate

The vacancy rate in Budapest region decreased over the course of 2007, from around 12.0% in 2006 to less than 10.0%. Last year, around 65,000sqm of space was completed in the area, strengthening the capital's status as a major logistics hub. Office Campus Budapest is a one-of-a-kind concept as the first development combining warehouse and office spaces within the city. The 20-hectare site will allow approximately 300,000sqm to be developed in the next few years. Outside Budapest, the areas along the motorways have seen the most development, particularly along the M1 (to the Austrian border) and the M5 leading to Romania.

ProLogis became the number one industrial player on the Hungarian market with the acquisition of Parkridge and now owns 30% of the total supply of speculative logistics property in Hungary.

Rental levels

Due to the rise in supply warehousing rents have dropped by 7.0% to 9.0% compared to 2006 levels and they now range between €3.25/sqm/month and €5.00/sqm/month.

Major logistics letting deals

Tenant	Size (sqm)	Building
Tesco	15,000	Agrogate, Herceghalom
Bertrans	9,000	Prologis, Szigetszentmiklos
Geodis	6,800	Prologis Park, Gyal
DHL	6,800	M1 Business Park
Kuehne & Nagel	6,000	Agrogate, Herceghalom
Herlitz	5,000	Harbor Park
Johnson & Johnson	4,000	West Gate Business Park

Source: CPB

Investment market

The industrial market is very popular for investors and was extremely strong in the second half of 2007. The volume of transactions in 2007 is expected to exceed that of 2006 and the demand for new product remains very high. Budapest is the most important market, but areas close to the Ukrainian border are also attracting significant investments. This trend is expected to continue along Hungary's eastern borders in the next few years. The most important buyers in 2007 have been foreign companies, in particular Eurinpro, Marcol, Teesland iOG and Prologis, which are looking for large-scale deals. Prime yields have dropped further from 7.5% in 2006 to 6.8% at the last quarter of 2007.

Outlook

The Hungarian logistics and industrial market currently faces major challenges. The number of new manufacturing and assembling companies establishing production sites in Hungary has started to decrease due to the tax and wage levels, which are less favourable compared to other CEE countries. The Romanian, Slovakian, Bulgarian and Polish economic environment is considered more attractive. However, the enlargement of the EU is likely to increase Hungary's importance as a logistics base, especially the country's Eastern region. Although supply on the market currently exceeds demand, there are signs that demand is increasing and vacancy rates are expected to fall further, although this will depend on the number of new speculative developments that will be approved next year.

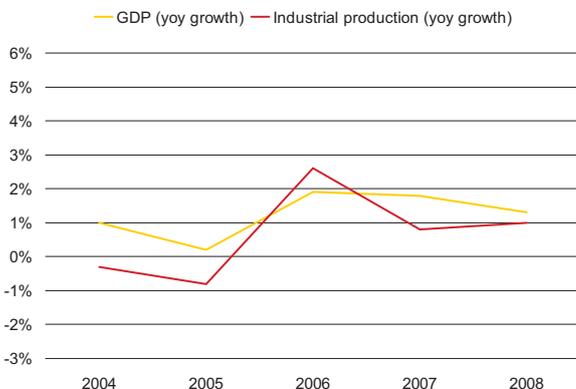
The investment market has started to experience some negative effects from the crisis in the sub-prime markets with leveraged buyers no longer in the market and equity players looking to readjust pricing and terms and conditions. 2008 may well see yields increasing.

Italy

Economy

Economic growth in 2007 is expected to reach 1.8%. Supported by favourable employment developments and fiscal incentives for the purchase of durable goods, private consumption was the main driver of growth. Exports are recording a loss of market share in volume terms, however combined with moderate import growth, they should still provide a positive contribution to GDP. In the context of a more uncertain international environment, economic growth in 2008 is expected to be 1.3%.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

The occupational market for logistics warehouses is fairly strong, especially around the main logistics hubs of the country. The periphery of Milan attracts the highest demand, with express courier companies seeking to locate closer to the city and logistics operators choosing to locate further out. There is a growing interest for Rome, led by the ongoing growth and introduction onto the marketplace of foreign logistics operators requiring modern warehouses.

Supply and vacancy rate

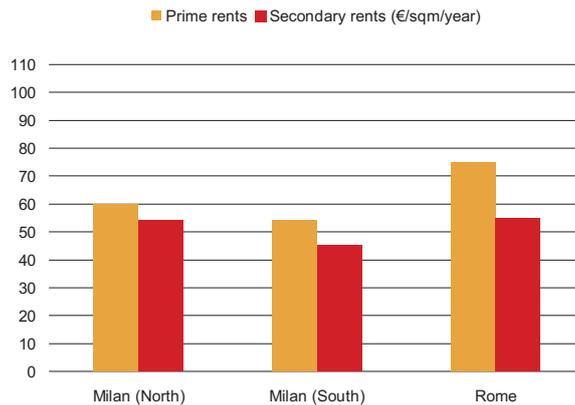
The supply of new space follows the patterns of demand. Northern Italy and the Milan province attract the major international specialist developers who are prepared to build turn-key projects but also speculative ones, with the view to let and create investment products. Speculative development is, however, concentrated on locations of greatest demand.

Southern Italy and the region of Rome is still dominated by owner-occupiers and supply has typically been driven by built-to-suit projects for sale, mainly constructed by local developers. Nevertheless, international developers are growingly present in the area, again reflecting demand. Most new projects are focussed on the Anagni area where land costs are competitive.

Rental levels

Prime rental levels depend on location and the demand and supply situation. In Milan prime rents range between €54/sqm/year and €60/sqm/year. Due to tighter land availability prime rents in the Rome markets have climbed up at €75/sqm/year.

Rents per submarket



Source: Savills

Investment market

Despite investor appetite for the warehousing sector, there are limited opportunities onto the market as the majority of property owners choose to hold on to their assets. An example of an active player in the market is Schroder, who agreed with Interporto Fiumicino the forward purchase of a 65,000sqm logistics centre, let to TNT (now CEVA Logistica). The investment, which totals circa €50m, is Schroder's fourth logistics acquisition in Italy in the last two years. Another major recent investment deal was the acquisition of the logistics platform in Paulo in the outskirts of Milan, by Sireo Immobilienfonds No.4 SICAV, which includes around 42,600sqm of warehouses and 1,800sqm of office space. In 2007, the Fondo Borgosesia purchased land from AIG Lincoln for the development of ca 36,000sqm of logistics space near Rome, at Fiano Romano, where a local operator (Gruppo Di Mario) has also purchased an area for development of ca 60,000sqm of logistics space.

Outlook

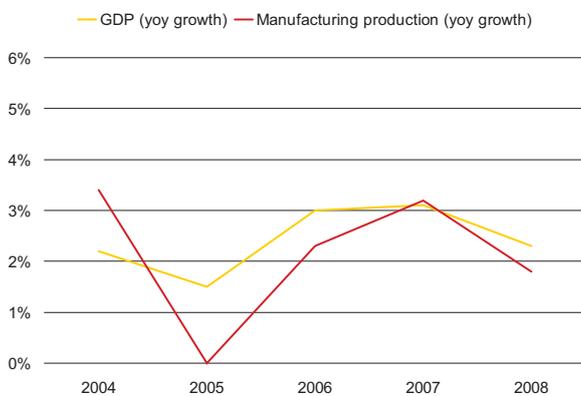
Private consumption is expected to remain the main driver of GDP growth over the next two years, even though it will decelerate in 2008, on the back of an expected rise in the saving rate. Given still favourable external demand and the ongoing restructuring in the manufacturing sector, export growth is expected to remain broadly stable in 2008 and to accelerate in 2009. These factors should maintain the current levels of activity in the distribution sector and the respective demand for warehouses. We believe that the modernisation of the retail sector will continue to support the growth of the logistics sector.

The Netherlands

Economy

The Dutch economy recovered from the economic recession during 2006, leading to an annual GDP growth of 3% both in 2006 and 2007. Growth was sustained by an increase in consumption. Domestic expenditure and exports both counted for 50% of GDP growth. Private consumption will increase by 2.0% in 2007 and employment by approx. 2.0% - the highest growth since 1999. This should cause a steady decrease of unemployment, to an average of 4.0% in 2008.

National GDP and Industrial production



Sources: Consensus Economics, CPB

Leasing market

Demand and take-up

Annual take-up levels almost doubled over the last decade, increasing from around 1.0m sqm in 1990 to the highest record level of 2.5m sqm in 2004. Although the letting activity slightly decelerated in 2005 the warehousing market remains very active. Take-up amounted to 2.3m sqm in 2006 and is expected to reach 3m sqm in 2007. Demand is fuelled by consolidation activity in the logistics sector and of LSP's which lead to growing demand for large and facilities of at least 40,000sqm. Since there are not so many large logistic warehouses currently available on the market, service providers depend mainly on new developments.

Supply and vacancy rate

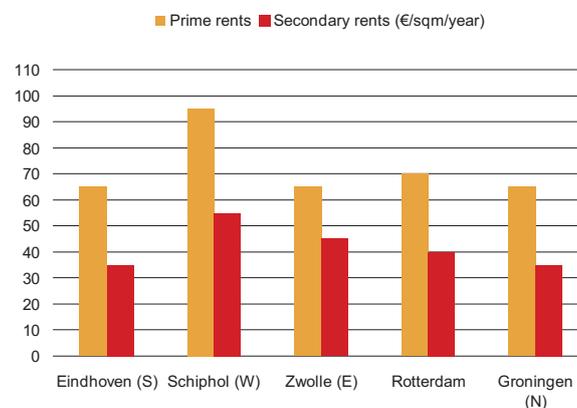
Supply has shown the first signs of decline after a 7-year period of rising trend, especially between 2002 and 2003 (more than 50%). Supply remains concentrated in the main industrial areas of the country with however, a higher vacancy recorded in Amsterdam and the southern regions (Eindhoven, Breda, Tilburg and Venlo). Despite accelerating demand during the last two years, supply remained high, due to negative net absorption. With modernisation being the main driving force of demand, users shift from obsolete buildings to new highly specified ones, leading to the ageing of the stock.

Consequently, the share of new supply with modern amenities fell significantly. Development activity is underpinned by the growing number of turn-key schemes. However, as land availability is rarefying around existing industrial areas, especially in the Rotterdam region, new future developments might become rare in these areas.

Rental levels

Average rents amount to €60.00/sqm/year. Compared to 2006, rents showed a considerable growth of 5.0%. At the same time incentives steadily diminished, especially in the prime segment. Rents are determined by the general market development.

Rents per submarket



Source: Savills

Investment market

The five-year annual average investment volume is in the region of €500-650m. The yield shift has been significant, with prime yields decreasing from 9.5% in 1995 to below 6.5% in 2007. The increasing investor demand leads to higher prices and thus lower yields. But also, with the expanding warehousing rental market, market transparency has increased pushing yield premiums down.

Outlook

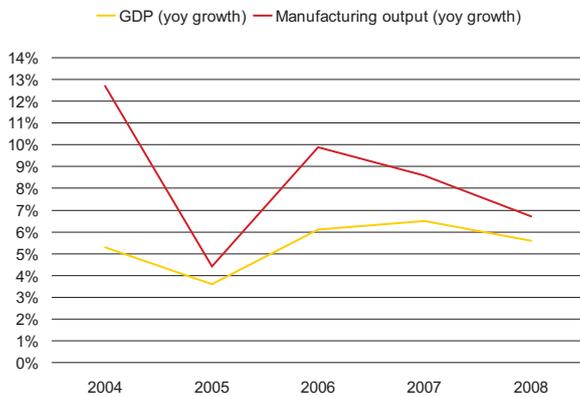
The main warehouse occupiers come from the wholesale and transport sectors, and employment growth in these sectors is expected to remain limited. The industrial sector is confronted with a structural decline in employment, as in most Western countries. Besides, the marketability of current supply is low. So vacancy will probably remain relatively high. There will be sustained demand for prime warehouses, but prime product is scarce and new locations should be developed. The government is stimulating the redevelopment of aged locations, and the decline in vacancy is partly determined by the success of this policy. Increasing demand, together with scarcity in adequate supply, will put an upward pressure on rents.

Poland

Economy

Economic activity continued to be robust in the first half of 2007. Driven by domestic demand, real GDP growth reached 7.1% on an annual basis. Growth was driven by private consumption (6.0%) and investment. Strong investment activity was backed up by healthy corporate profits and was reflected in increased construction activity in the first half of 2007. Export and import growth in the first half of 2007 increased to about 10.0% and 14.0% pa respectively in real terms. Net exports contributed negatively to GDP growth increasingly on account of continuing investment activity and overall strong private consumption. According to European Commission forecasts GDP is projected to grow at 6.5% for the whole of 2007.

National GDP and Manufacturing output



Sources: European Commission, Experian

Leasing market

Demand and take-up

Demand for warehousing space in Poland has spread from the capital to the other regions, as many foreign operators locate their warehouses along the main transit routes and outside the congested capital city. Large logistic operators and international industrial distributors prefer the central, south or western regions (Lodz, Piotrkow, Katowice, Wroclaw, Poznan), whilst Warsaw attracts specific tenants, whose operations concentrate on servicing the capital markets. In the regions we monitor, take-up of warehousing facilities in 2007 was in the region of 1.3m sqm, almost 45% higher compared to the year before.

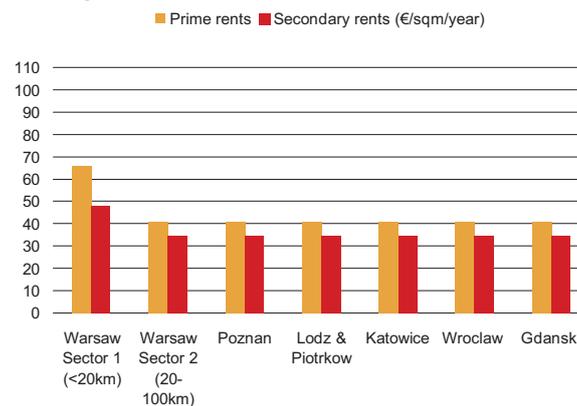
Supply and vacancy rate

After three years of expansion the total stock of modern warehousing floorspace at the end of 2007 exceeded 3.3m sqm, which means that around 670,000sqm was added onto the market during the year. Although a large proportion of transactions are pre-let agreements, developers have started to build more on a speculative basis. At the end of 2007 the average vacancy rate stood at 6.8%, slightly lower compared to 2006 level.

Rental levels

Generally there has been no significant movement in prime rental levels, however it should be noted that effective rents, especially in major pre-leases, were much lower due to the incentives offered by landlords. Top rents in Warsaw were at €66.00/sqm/year, while in the regional markets reached €40.80/sqm/year at the end of 2007.

Rents per submarket



Source: Savills

Investment market

Investment transactions of warehousing and logistics properties became a very attractive form of portfolio diversification. Many international investors, who are present in the Polish market, are looking for possibilities to acquire good investment projects. At the end of 2007 prime yields dropped to 6.5%, which is 75 basis points lower compared to twelve months before.

Outlook

The logistics and distribution sector is expected to continue to expand as companies will increasingly focus on their core activities and will prefer to outsource logistics activities to Third Party Logistics providers.

Upgrade to modern high-quality distribution centres usually newly built will be more popular in the near future. More supply will enable occupiers to relocate, not only near Warsaw but also around the regional cities, that offer competitive rental values compared to other European regions. We can observe the strengthening of five strategic logistic centres in the country: Wroclaw and Katowice, Central Poland, Poznan and Gdansk.

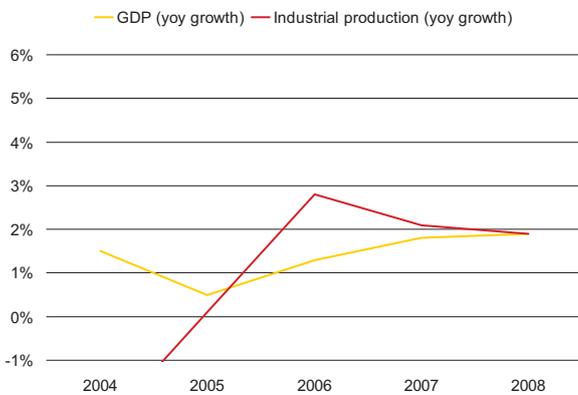
These developments should also sustain investment interest in the sector, although we expect prime yields to experience some outward pressure due to the uncertainty in the global financial markets.

Portugal

Economy

Over the first half of 2007, economic activity continued to improve supported mainly by domestic demand. For 2007 as a whole, GDP is estimated to grow by 1.8%, up from 1.3% in 2006. Overall, domestic demand has shown somewhat more strength than before with less pronounced reduction in construction investment and increasing equipment investment. The external sector has continued to profit from the solid momentum in world trade as exports have grown at a healthy pace, even if less than before, with services exports especially evolving at healthy rates.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

Due to the stagnation of manufacturing activity the industrial property market has been driven mainly by the growth of the logistics and distribution sectors. There are more than 80 logistics operators active in the market, most of them based in Greater Lisbon area. Since 2004 there has been a significant increase in demand for logistics platforms across the country and according to the latest estimates the logistics, distribution and transport sectors occupy around 1.8m sqm across the country.

Supply and vacancy rate

The current stock of quality warehouses, in greater Lisbon, is estimated to be in the region of 2.9m sqm. The prime logistics area of Lisbon is North Lisbon, which comprises around 37% of the total stock. Following the completion of the Vasco da Gama Bridge in 1998, the south bank of the Tagus river became an alternative location and the Passil logistics park in Alcochete/Montijo is now a very well established location. The ING-funded Logis Park further south in Montijo and the nearby VIP Montijo park have further consolidated the area as a viable and attractive alternative to the north of the Tagus.

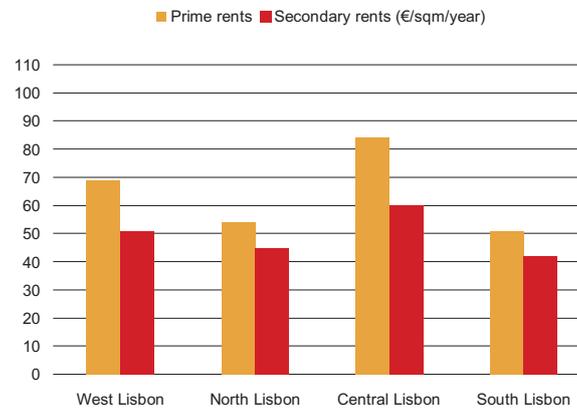
We estimate that at the end of 2007 there were around 500,000sqm of new and second hand warehousing

space available, of which around 178,000sqm is high quality accommodation. Most of this space is located in South Lisbon.

Rental levels

Industrial property has been traditionally owner-occupied and the rental market has therefore been small. Nevertheless in the last decade the importance of the rental market has steadily increased. Prime rents for quality warehouses in greater Lisbon vary between €3.50-4.75/sqm/month. The level of the rent varies on the basis of the size of the rented area, location and negotiations between owner and tenant as landlords tend to offer further incentives to tenants such as rent free periods.

Rents per submarket



Source: Savills

Investment market

The investment market has been largely dominated by local investment funds such as Norfin and BPN, with the lack of investment grade product pushing investors into riskier speculative projects. Prime yields were as low as 7.3% at the end of last year for the best schemes on long leases, and the lack of product has pushed secondary yields below 8.0%. The sale-and-leaseback market has been active, and it is likely to increase as interest rates and investment yields converge and the current bank credit squeeze remains in force.

Outlook

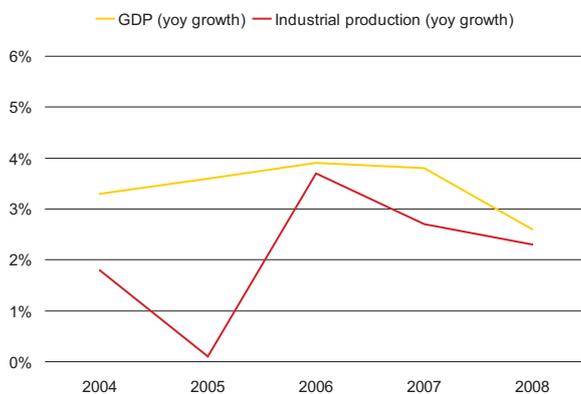
The next two years are expected to comprise a transition period with major reforms underway enabling the Portuguese economy to pursue a new cycle of positive performance from 2008/2009 onwards. Transport and Communications and Retail and Distribution sectors are expected to expand by 4.6% pa and 1.6% pa (output) on average until 2010. This should be translated in more business activity that can attract new companies in the market and support the expansion of the existing ones.

Spain

Economy

Strong economic activity continued during the first half of 2007, underpinned by dynamic domestic demand. GDP growth is projected to reach 3.8% over the whole of the year. However, private consumption is expected to lose momentum on the back of tighter credit conditions. Exports would grow by about 4.5%, in line with world trade growth. Imports are projected to increase by 6.5%, thus following a decelerating path in line with a slowing down private consumption.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

Demand is strong for buildings between 10,000 and 35,000 sqm, however, take-up for larger units of over 50,000 sqm is also high. This is driven by occupiers that consolidate their operations and the rising needs of large retailers for major distribution centres. Madrid and Barcelona are the largest and most important markets in the country, followed by Valencia, Sevilla, Malaga and Zaragoza that also account for significant part of demand. Lack of available premises and high land and rental values in the primary logistics hubs as well as the improvement of communications and infrastructure have strengthened the position of these secondary markets.

Supply and vacancy rate

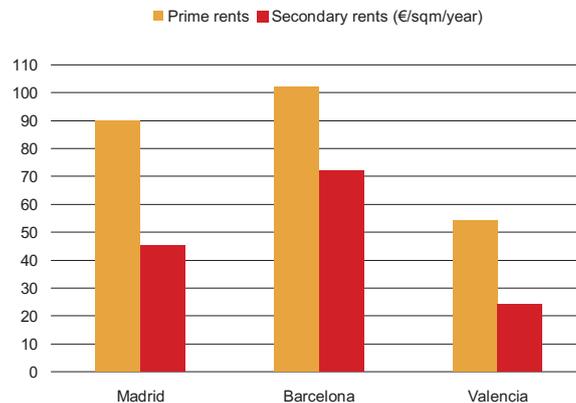
In the beginning of 2007 there were at least 50 projects of new logistics parks or expansion of existing ones. Over the period 2007-2008 we expect around 20 to have been completed, corresponding to more than 1m sqm of warehousing space. Due to strong demand some of the projects in the pipeline are at their largest part pre-let, while significant part of it comprises turn-key projects.

Rental levels

Industrial and distribution warehousing rents have demonstrated a rising trend over the past five years. Rents for logistics properties, and rents in locations

with limited supply of land have demonstrated the highest increases. Rents are higher in the areas in close proximity to the main conurbations while they drop in locations that are further out.

Rents per submarket



Source: Savills

Investment market

The product mostly in demand by investors is logistics properties with good rental potential. The lack of available product in large markets such as Madrid and Barcelona has shifted investor interest to the alternative areas in the outskirts of the major cities where developers are delivering new, high specification product. Moreover, some of the investment appetite is satisfied through sale and leaseback deals. Some investors have been involved in forward funding projects, in which cases often require rental guarantees. Prime industrial yields have dropped significantly over the past five years for the best assets across the country. However, over the past three months we have noticed a slight outward shift of prime yields from 5.75% to 6.0%. This is the result of the recent uncertainty caused by the tightening of lending policies internationally.

Outlook

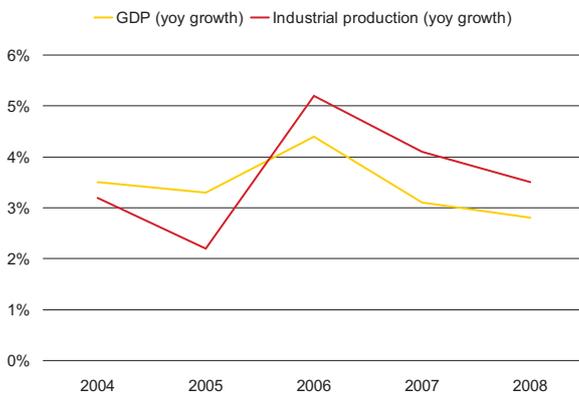
Based on positive prospects for the Transport and Distribution sectors we expect demand for distribution warehouses to be sustained at healthy levels. This should ensure that the numerous logistics parks that are being developed across the country should be absorbed by retailers, logistics operators, and transport companies. Tight supply of land around the major conurbations is shifting developer activity further away from the cities in regions with good communications, higher site selection and lower land values. This trend can lead to the creation of new industrial and logistics hubs. The lack of supply has driven rental values up, however we believe that these may be close to the top levels that occupiers are prepared to pay. Good quality properties, should maintain their attractiveness as stable investments that offer portfolio diversification.

Sweden

Economy

In 2007 the economy has continued to grow at a good pace, albeit slower than the historically high rate of 2006. GDP growth has been supported by increase in disposable income, following from lower taxes, higher wages and employment creation. External demand has softened with declining export growth due to weakening international investment cycle. GDP growth is estimated to have moderated to 3.1% in 2007.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

Demand and take-up

Letting activity remains quite healthy. Due to recent consolidation and outsourcing activity logistics operators tend to move from smaller and older warehouses to larger units with modern amenities. Units of 20,000sqm and even up to 40,000sqm are in demand in order to cover wider geographical area including the whole Nordic region. Consequently new logistics sites in central locations of Sweden such as Jonkoping, Orebro, Norrkoping or Helsingborg have been developed. Demand in distribution centres located just outside the big cities Stockholm, Malmö and Gothenburg remains stable.

Supply and vacancy rate

New supply comes mainly on a non-speculative basis, however the market recently reported a few new projects that have started with less than 50% pre-let, which is supported by positive developer sentiment. The development pipeline is significant reflecting a high level of demand. However, older warehousing units, which do not fulfil user requirements are difficult to absorb. Thus, vacancy rates for prime logistic properties are extremely low whereas vacancy rates for secondary and second hand logistic properties are between 5.0% and 10.0%, depending on specification, age and location of the property.

Rental levels

The rent for prime warehousing space has increased by approximately 10.0% in 2007 and is expected to increase slightly further due to higher demand for prime space. Rents for secondary space are expected to remain stable as a result of vacancies and new supply.

Rents per submarket



Source: Savills

Investment market

The turnover on the property market during 2007 has remained high and is likely to end up close to last year's record turnover of approximately SEK 150bn. The turnover in the industrial and warehouse segment amounts to approximately SEK 20bn up until mid-December 2007. A few large portfolio transactions have taken place during the year. In November the Swedish listed company Kungsleden purchased a portfolio of 20 properties from Northern European Properties for SEK 3bn at a reported yield of just above 7.0%. In August Northern Logistics Properties purchased a modern warehouse fully let to the freight train operator Green Cargo on a 6,5 year lease. The estimated yield on that transaction was just under 6.0%. Shortage on quality product and competition between investors has led to a downward pressure on yields. Prime yield is estimated to be around 6.0% for logistics properties with secured long leases and tenant with a strong covenant.

Outlook

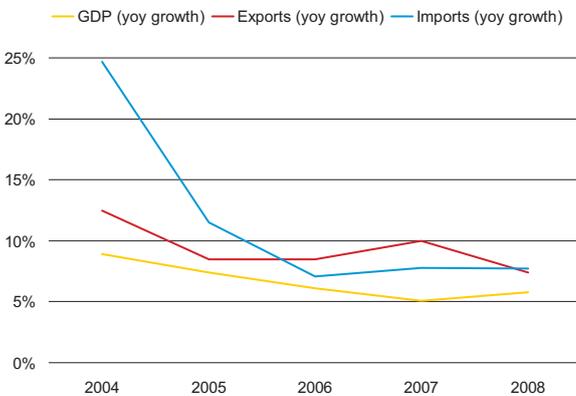
GDP growth is projected to decelerate gradually to about 3.0% in 2008 and 2.5% in 2009, partly due to the financial market turbulence of 2007. Despite higher lending costs most transactions have been completed and there is still high demand for all property types. We may see more speculative developments but with no risk of oversupply of prime products in the short and medium term. Prime rental growth is set to be positive in the short term. Owners of second hand warehouses may have to drop their rents to make their properties more attractive. Investment activity should remain strong due to the high level of liquidity on the market.

Turkey

Economy

Real GDP growth fell from 6.1% in 2006 to 5.3% in the first half of 2007, mainly due to weaker private consumption, which was partly driven by the tighter monetary policy, higher interest rates and lower lending. The contributions of the external sector changed substantially. Imports grew at 7.0% in 2006 and by 6.0% in the first half of 2007. Export growth rose from 8.5% in 2006 to 13.5% in the first six months of 2007. Consumer price inflation fell from around 11.0% in 2006 to 7.0% in the third quarter of 2007, still far above the year-end target of 4.0%. Unemployment remained stable at just below 10.0%.

National GDP and Exports-Imports



Sources: European Commission

Leasing market

Demand and take-up

The logistics market in Turkey has expanded over the past decade driven by rising exports. Low operating costs have attracted international logistics companies, however the market is still fragmented with numerous local operators competing for a market share. Demand is higher from retailers and manufacturing companies that look for warehouses between 5,000sqm and 20,000sqm.

Logistics activities are concentrated mainly in the regions of Istanbul, Izmir, Ankara and Mersin. The largest logistics area is in the Marmara region in Istanbul. The TEM and E-5 highways connecting Istanbul to Europe and the other cities of Turkey are the key reason for that. Demand for modern distribution warehouses is rising, and the local authority of Istanbul is encouraging the decentralisation of the facilities.

Supply and vacancy rate

Most of the storage space currently available is of low specification standards. According to Istanbul Planning Authority the need of relocation of distribution warehouses to the periphery of the city will create the need of at least 1m sqm of new accommodation. This policy in combination with the modernisation of the

port, rail and highway infrastructure attracts the investment in new warehousing facilities in key locations around Istanbul.

Major developments in the pipeline

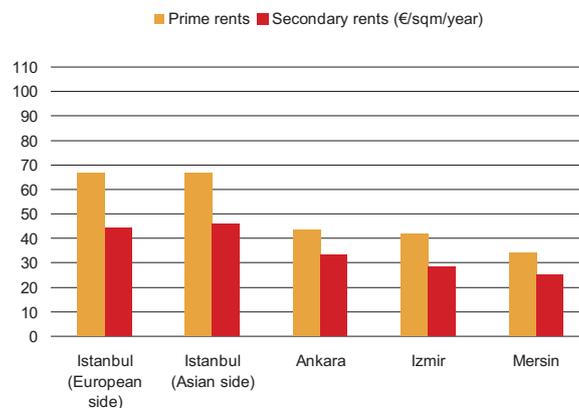
Developer	Size (sqm)	Region
Goodman	140,000	Izmit (Uzuniftlik)
Logiturc	126,000	Istanbul (Tuzla)
Kiler Group	100,000	Istanbul (Haramidere)
Erlüks	70,000	Izmit (Sekerpinar)
Meltem Kerestecilik	40,000	Istanbul (Haramidere)

Source: Kuzeybati - Savills

Rental levels

Prime rents vary and at the end of 2007 they ranged from €34.25/sqm/year to €66.80/sqm/year. Istanbul is the most expensive location in the country. Large sites are becoming more scarce in the main logistics areas around Istanbul and this has pushed values up by around 9.0% in the prime locations over the past year. Asking prices continue to increase.

Rents per submarket



Source: Kuzeybati - Savills

Investment market

The investment market for warehousing properties is very small, therefore there is no evidence on achieved yield levels. Nevertheless we believe that achievable yields for prime logistics space are in the region of 7.5%.

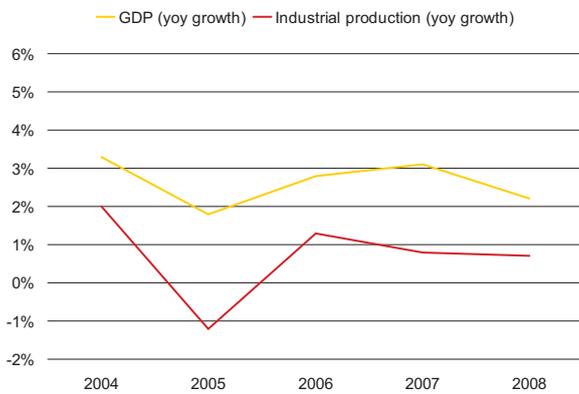
Outlook

Turkey has a large consumer market and a strategic position between Europe and Asia. The market is expected to consolidate over the coming years and to attract more international operators as outsourcing of logistics activities to 3PL operators is increasing. This should drive the supply of modern warehouses and should attract major specialists in the sector. Given the international appetite for logistics investments we expect the new product to attract investor interest as well.

Economy

Economic activity continued its strong expansion over the first half of the year driven by private consumption growth. However, the recent turbulence in the world financial market could cause a slowdown of GDP growth in the final quarter. On a yearly basis the economy is expected to expand by 3.1%. Private consumption is also expected to weaken, as house price growth moderates and consumer borrowing slows.

National GDP and Industrial production



Sources: European Commission, Consensus Economics

Leasing market

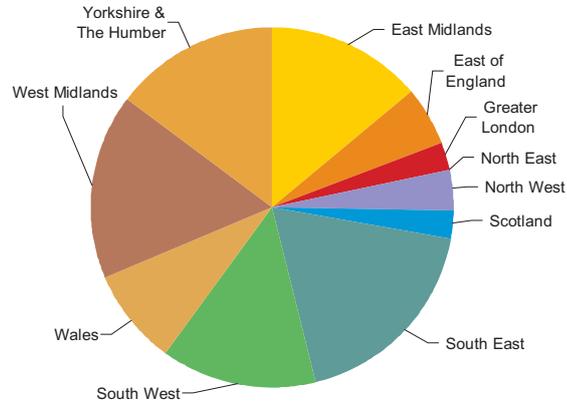
Demand and take-up

In the UK, units covering 25,000sqm and above are considered as the threshold into what would be considered as the minimum size for reaching the 'large unit' category. Our evidence suggests that for the largest units, there has been a continued resilience in take-up, at around the 5-year annual average level, despite the general fall in demand for all other sizes. Take-up for large warehouses recently peaked at 2.1m sqm in 2005 before slowing to 1.4m last year. So far, 2007 has seen a healthy level of demand, with almost 1m sqm taken during the first ten months of this year. Unsurprisingly, the retail market has had the biggest impact on the evolution of the distribution warehousing market during the last five years.

Supply and vacancy rate

Given the economic uncertainty of the last couple of years, our research shows a severe slowdown in the level of completions this year and next across the distribution warehouse market. Over the last couple of years, developers have become increasingly cautious about speculatively developing more space and this lack of development has been the constraining factor on new completions in 2004. However, there are schemes awaiting pre-lets and some of the bigger distribution-related property companies are becoming confident again about developing speculatively.

Take-up per region



Source: Savills

Rental levels

Rental analysis shows no surprises in terms of the more expensive locations. London and the South East, as with offices and retail property, have the higher rents, which is also a reflection of land values. The most expensive location, for distribution warehouses, is around Heathrow. This is driven by demand from airport-related businesses, including many freight operators. The supply of land around Heathrow is limited as it is adjacent to the Green Belt, where development is heavily constrained. Achievable prime rents in Heathrow, for larger prime units, are currently around the £12.50/sqft (£203.50/sqm/year) level.

Investment market

There remains an intense weight of money from institutional investors looking to secure income within the industrial sector. The main driver of the investment performance has been a hardening in yields. This has been driven by a continued inflow of cash being allocated into the sector that began in 2004. This suggests that the distribution warehouse sector is a highly credible property investment when compared to other property sectors. Also, distribution warehouses have lower levels of obsolescence and depreciation due to the basic fabric of the building. Prime initial yields are in the region of 5.3%.

Outlook

Overall, due to the changes in methods of retailing and the resulting consequences for the distribution warehouse market, it is likely that demand for large units will remain in line with the average rate of growth seen during the last 5 to 10 years. Storage of finished products will account for the majority of space. Retail, leisure and distribution related occupiers will continue to be the most important players. The next 12 months will see a continued level of activity by the institutional investors with the specialist developers and private property companies taking full advantage of the fund's deep pockets.

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