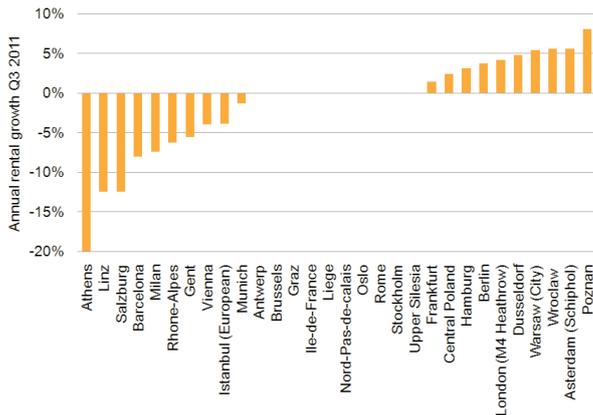


European Warehousing Markets

Autumn 2011

Prime rents have bottomed out in major hubs



Source: Savills Research

Prime yield gap between sectors has widened



Source: Savills Research

“Prime warehousing rents have bottomed out in the major logistics hubs and the leasing market is almost solely driven by owner-occupiers and built-to-suit developments. The sector remains the least preferred choice for investors and the yield gap with prime retail and office properties has widened.”



Eri Mitsostergiou - European Research

- Demand for warehousing space has overall improved in 2010 and the first three quarters of 2011. Take-up is rising in markets with comparatively more stable economic conditions, like Germany, Poland and Sweden. Leasing market trends are also positive in The Netherlands and the UK. Activity in the peripheral markets remains subdued to weaker consumer environment and trading conditions.
- Speculative development has virtually disappeared from the markets due to lack of financing and risk averse developer attitude. As a result availability levels for high quality properties remain stable, or drop in the most active markets. Built-to-suit and pre-letting agreements underpin any new construction in the sector.
- Prime rental growth remains on average in the negative territory (-0.9%), nevertheless more than half of the markets showed positive or zero annual rental growth in Q3 2011, compared to less than 1% in the same period last year.
- According to RCA, the total volume of industrial transactions dropped by 5% pa in the EMEA region during the first half of the year, while all commercial property volume grew by 25% pa in the same period. The share of industrial property transactions was 10% of the total.
- Prime industrial yields have remained stable in most locations in Q3 2011 and the average is at 7.5%, similar to the level recorded at the end of 2005. The gap between prime industrial and prime office or retail properties has widened, standing at 160 and 119 basis points respectively, creating some potential opportunities in markets with good fundamentals.

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Austria, Belgium, France

Austria

There has been little change in the warehouse market in Greater Vienna during the past twelve months. Vacancy rates are below 3% and although this figure is influenced by the high portion of owner-occupied space, it is an encouraging indicator. As there is hardly any speculative development – new projects are realised only for owner-occupiers or upon long-term pre-lease-agreements – vacancies should stay low. Additionally, the relatively strong economic growth in 2010 and 2011 has strengthened demand. Average rents for modern space have slightly risen to €4.00-6.00/sqm/month with widely stable prime rents at up to €10.00/sqm near Vienna International Airport. Logistics properties have regained stronger attraction for investors as the yield gap to office and housing properties has substantially widened and the improved economic situation provides some upside for the market. Yields are in the range of 7.5% to 9.5%.

Vienna



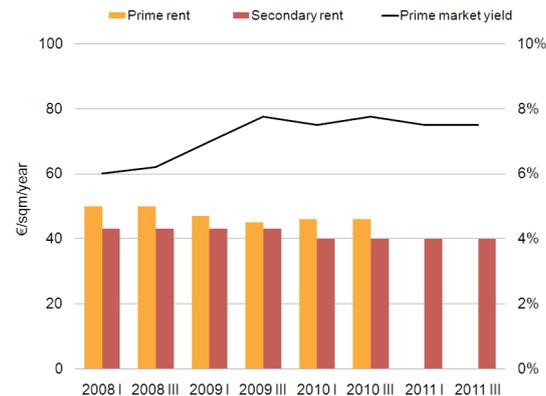
Source: EHL Immobilien GmbH

| | | | |
|-----------------|------------|-------------|------------|
| Vienna | €72.00/sqm | Graz | €60.00/sqm |
| Salzburg | €42.00/sqm | Linz | €42.00/sqm |

Belgium

The leasing activity in the Belgian warehousing market recorded a low performance in the second and third quarters of 2011. Activity mainly concentrated in the small and medium size segment of the market with only one letting deal above 22,000 sqm. The Golden Triangle (Brussel-Gent-Antwerp) captured most of the demand and prime rents remained stable at €46.00/sqm/year for newly built warehouses in the best locations. Wallonia, in spite of its large available supply and competitive rents, is struggling to retain occupier interest as almost no transaction had been recorded this year. Despite the high demand from investors for logistics properties the volume remained low with minor transactions. The largest transactions were performed by owner occupiers notably Duvel Moortgat signed for a turn-key facility of 25,547sqm with Goodman in Puurs. Prime yields are stable at 7.5%.

Brussels



Source: Savills Research

| | | | |
|-----------------|------------|--------------|------------|
| Brussels | €46.00/sqm | Liège | €34.00/sqm |
| Antwerp | €42.00/sqm | Gent | €34.00/sqm |

France

Take-up in industrial warehousing remained stable in Q2 2011. More than 335,000 sqm were transacted in France this quarter bringing the half-year result to nearly 656,150 sqm. IDF remains the preferred localisation, accounting for 41% of the national letting volume. In regional markets letting activity is uneven with the northern part of the country performing slightly better than the southern. Demand is predominantly driven by retailers while logisticians are still very quiet. The immediate supply remained unchanged and stood at 3.4 million sqm. Overall prime rental values remained stable, ranging from €52.00/sqm/year in IDF to €44.00/sqm/year in Lille. Investors are still steering away from industrial assets. The industrial investment turnover totalled €409 million in H1 2011, 20% up on last year half-year result but this accounts for only 6% of the total investment volume. Prime yields have been generally stable across the country since the beginning of the year.

Paris



Source: Savills Research

| | |
|---------------------------|------------|
| Ile-de-France | €52.00/sqm |
| Nord-Pas-de-calais | €44.00/sqm |
| Rhone-Alpes | €45.00/sqm |
| PACA | €45.00/sqm |

Germany, Greece, Ireland

Germany

The first half of 2011 has seen a continuing positive economic development that resulted in a record space take-up in the warehousing market. Take-up in the Big Five markets (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) reached almost 1.15 million sqm (lettings and owner-occupiers) in the first six months of 2011. This volume exceeded the previous year's figure by 38% and the five-year average by 58%. Except for Munich all cities showed a double-digit growth. Prime rents for warehouses remained largely stable. The highest rate of €72.00/sqm/year was recorded in the Munich region, followed by Frankfurt with €71.00/sqm/year. Based on the strong demand and low level of speculative building activity, we forecast that prime rents in some regions will increase slightly over the second half of the year. Regarding the total annual take-up in the Big Five, the 2 million sqm mark will most likely be exceeded (2010: 1.8 million sqm).

Greece

After three consecutive years of negative industrial production growth and shrinking consumer spending, demand for warehousing space is at its lowest level since the first signs of the economic crisis in 2008-9. Logistics and retail companies that have been the main drivers of activity have frozen their expansion plans and have adopted a 'wait and see' approach. Rents are under pressure and have dropped on average by 30% since their peak in Q2 2008. However, we believe that prime levels have bottomed out as they have been stable over the past three quarters. The uncertainty around the economy, the stagnation of occupier activity and the lack of available financing have also frozen the investment and development markets. Achievable yields have moved out significantly but due to the lack of evidence it is hard to determine their current levels, which for prime properties should be in the region of 9.0%-10.0%.

Ireland

Take-up of Dublin industrial space was 37,000 sqm in Q3, up 38% on Q2. Total take-up to date in 2011 is 112,400 sqm, down 21% on the same period in 2010. The ICT sector continues to take industrial space, with Google buying 11 acres at Profile Park (Dublin 22) for the establishment of a data management centre. This further highlights the emergence of Ireland as an ideal location for cloud computing. There were six sales completed in quarter three bringing the total number for the year to date to 11. This compares to just four for the same period in 2010. The amount of vacant space available increased by 3.1% by the end of Q3, as banks and receivers are making more space available to the market. Rents have remained stable in Q3, with prime rents in the region of €45.00-65.00/sqm/year. Our forecast for take-up for the year as a whole remains at 150,000 sqm. This will represent a 25% lower level of take-up than in 2010 and reflects the cautious business sentiment in 2011.

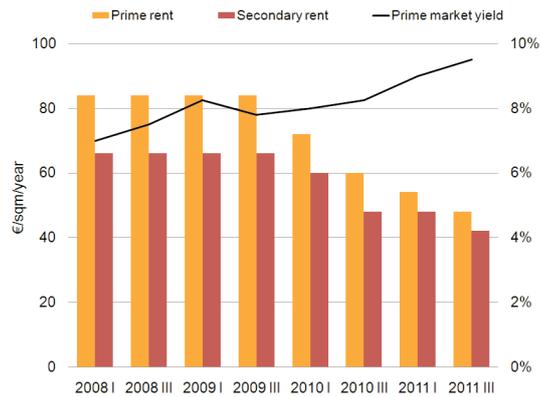
Hamburg



Source: Savills Research

| | | | |
|----------------|------------|------------------|------------|
| Berlin | €56.00/sqm | Frankfurt | €71.00/sqm |
| Hamburg | €66.00/sqm | Munich | €75.00/sqm |

Athens (North)



Source: Savills Research

| | | | |
|-------------------|------------|---------------------|------------|
| Athens (N) | €48.00/sqm | Thessaloniki | €30.00/sqm |
| Athens (W) | €48.00/sqm | Voiotia | €36.00/sqm |

Dublin



Source: Savills Research

| | |
|---------------|------------|
| Dublin | €55.00/sqm |
|---------------|------------|

Italy, Netherlands, Norway

Italy

Prime rental indicators for the national logistics market give a picture of stability, although in some secondary marketplaces rents have fallen. Even in those markets most under demand, no rental growth has been recorded in 2011. Unsurprisingly, demand continues to be driven by corporate consolidation strategy and/or an overall cost-saving drive. New developments have been very limited throughout Italy and those which are undertaken are primarily build-to-suit, with very little speculative development. This approach has been successful to a certain extent in keeping down vacancy rates, by encouraging the take-up of existing premises. However the majority of demand is for new, quality premises, in line with international standards and ideally with 'green' characteristics. Investment in the logistics sector has suffered from investors' exclusive focus on high quality assets and locations.

Milan (North)



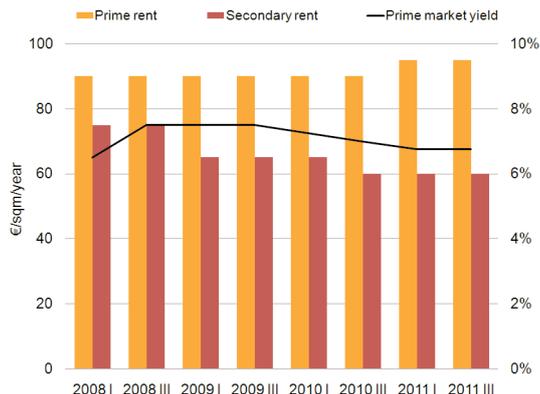
Source: Savills Research

Milan (N) €50.00/sqm **Milan (S)** €40.00/sqm
Rome €55.00/sqm

The Netherlands

Demand for industrial property in Q1-Q3 2011 reached a total volume of 1.8 million sqm, being 34% higher than demand in the same period of 2010. Compared to last year the amount and total volume of large-scaled transactions is much higher. In Q1-Q3 2011 49 transactions over 7,500 sqm were recorded, compared to just 21, totaling 450,000 sqm, in Q1-Q3 2010. Over the year rent levels for industrial and logistic sites remained stable. Investments in the industrial market were boosted by the €155 million portfolio transaction by W.P. Carey and reached € 575 million by the end of Q3 2011, which is already higher than the full year 2010 result, indicating interest in this specific investment class. Gross yields for prime long leased warehouse space remained stable at 7.5% and for smaller-scaled industrial property at 8.25%..

Amsterdam (Schiphol)



Source: Savills Research

Schiphol (W) €95.00/sqm

Norway

Demand for industrial and logistics accommodation in Norway and particularly in Oslo region has been stable this year. Areas along the highways south of Oslo (Vestby) and north of Oslo (towards the airport) have experienced significant interest from large logistic users, with several buildings under construction to suit their needs. Overall the development activity of logistics properties in the Oslo area has increased strongly over the past years and the projects in the pipeline for 2011 amount to about 250,000 sqm. Certain attractive areas around Groruddalen have experienced rising rental levels and prime values now stand at around NOK1,100/sqm. Investor interest for logistics properties has remained healthy during the first half of 2011 and this segment accounted for approx 15% of the total transaction market. The total volume for logistic property so far this year amounts to NOK 2.9 bn. Prime yield for logistics properties is sustained at 6.5%, with a lease duration at 15 years.

Oslo



Source: Heilo Eiendom / Savills Research

Oslo €129.40/sqm

Poland, Spain, Sweden

Poland

Following a 30% rise in take-up in 2010, the first half of 2011 showed further recovery in demand and it is expected that the annual take-up will be higher than in 2010. Demand is driven mainly by logistics operators, expanding retail chains and light production. The highest level of demand is currently observed in Upper Silesia, Warsaw suburban areas and in Central Poland. New supply is still limited, mainly to built-to-suit projects, since the availability is still high with the average vacancy rate at about 14%. Prime headline rents are stable at €3.00-5.50/sqm/month depending on location. The highest rents are achieved in inner-city locations, in particular within Warsaw. The lowest rents are recorded in those suburban areas of Warsaw where the availability is particularly high. Effective rents are 10% – 20% lower. The outlook for the market is positive, as demand remains strong and new supply is limited to built-to-suit projects.

Spain

The stagnation of consumer growth has had a negative effect on market activity. Cost cutting, downsizing and consolidation are driving demand. High vacancy rates are putting downward pressure on asking rents. This situation coupled with difficulties to access financing, is delaying the construction of speculative projects, and pipeline is mainly focused on turn key projects. Investment activity growth has been flat since 2009. The slowdown is due to credit restrictions, lack of quality product on sale and the shortage of users with long term lease contracts. The investment volume registered between January and October 2011 stood at €91 million. The share is roughly equally split between national investors, who focus on smaller deals (up to €10 million) and international ones who focus on larger lot sizes (>€20 million). Gross yields are expected to remain stable for the next 12 to 18 months at around 8.0%.

Sweden

New lettings decreased as Sweden entered the recession in 2009, which also led to a low level of new developments over 100,000 sqm. The rapid recovery in 2010 and the first half of 2011 has led to a sharp increase in new lettings and we expect that just under 400,000 sqm of new developments will be completed throughout 2011 - all of which is pre-let. The vacancy rate for modern logistics is still very low and there is a trend of moving from older premises to new ones in good logistics locations. The majority of the schemes scheduled for completion in 2011 are occupied by logistics companies and retailers. Investment volumes have picked up following the economic downturn and the turnover of logistic properties was double as high as in 2009. The positive trend has continued into 2011 and the transaction volume for the first half of 2011 (SEK 3,1 bn) already exceeds the total figure for 2010. This renewed interest has led to yields hardening.

Warsaw (City)



Source: Savills Research

Warsaw (City) €69.60/sqm **Poznan** €48.00/sqm

Warsaw (Suburbs) €44.40/sqm **Lodz** €42.00/sqm

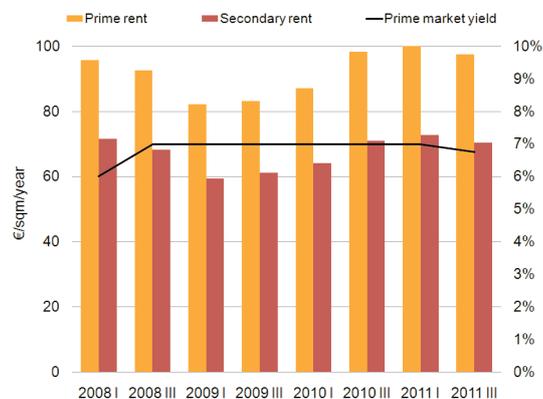
Barcelona



Source: Savills Research

Barcelona €69.00/sqm

Stockholm



Source: Savills Research

Stockholm €97.50/sqm

Turkey, UK

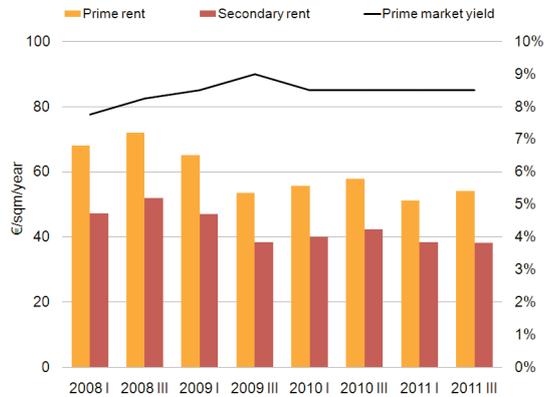
Turkey

Letting activity in the logistics sector has increased in line with the economic recovery and the expansion of the industrial sector. In Istanbul around 50,000 sqm of warehousing space was leased within the first ten months of 2011. Letting demand is focused on modern high quality warehouses between 10,000 and 40,000 sqm and mainly coming from 3PL service providers. Vacancy rate in Istanbul is around 10% in the European Side and 5% in the Asian Side. Until the end of the year 277,000 sqm new stock will enter the market. Prime rents in Istanbul are around at 70 USD/sqm/year. While comparing to last year, Mersin has recovered, Ankara has partially recovered and Izmir is stable. Recently, built-to-suit developments attract the attention in the market and we expect much more foreign investment. Yields are stable compared to last year.

UK

Take-up in 2010 improved significantly with a 46% annual increase to 1.9 million sqm. However, 2009 was a poor year with GDP growth at -4.9%. In 2011, average rents continue to be under pressure, 5.0% lower so far, as occupiers are looking for better deals and landlords want to secure income. Top rents, however, remain stable. Retailers are still improving their supply chains and retailers have accounted for 63% of take-up this year. Take-up will reach the 2 million sqm level by the end of this year with the Midlands and North West regions accounting for a significant proportion. New or refurbished space accounts for a third of current availability, but the largest warehouses show limited supply. Prime yields started 2011 at 6.25%, and moved out by 25 basis points in June. They are back at 6.25% and will be stable for the remainder of this year.

Istanbul



Source: Kuzey Bati

| | | | |
|-----------------|------------|---------------|------------|
| Istanbul | €54.00/sqm | Ankara | €45.00/sqm |
| Izmir | €43.8/sqm | Mersin | €39.00/sqm |

Greater London



Source: Savills Research

| | |
|--------------------------|-------------|
| London (Heathrow) | €153.10/sqm |
| Yorkshire | €67.40/sqm |
| E Midlands | €64.30/sqm |
| W Midlands | €67.40/sqm |

Key prime warehousing data

National economic forecasts¹, prime rents, prime yields² and yield change³ in Q3 2011

| Cities | GDP growth | Private Consumption growth | Industrial production growth | Exports growth | Prime Warehousing rent | Prime Warehousing yield ⁴ | Rental growth (pa) | Yield change (pa) |
|---------------------|------------|----------------------------|------------------------------|----------------|------------------------|--------------------------------------|--------------------|-------------------|
| Amsterdam | 1.8% | 0.2% | 2.1% | 5.6% | 95.00 | 6.75% | 5.6% | -50 |
| Athens | -5.1% | -6.1% | -7.6% | -2.1% | 48.00 | 9.50% | -25.0% | 100 |
| Barcelona | 0.7% | 0.4% | -4.3% | 13.0% | 69.00 | 8.00% | -8.0% | -25 |
| Berlin | 3.0% | 1.3% | 7.7% | 11.1% | 56.00 | NA | 3.7% | NA |
| Brussels | 2.4% | 1.6% | 7.0% | 10.0% | 46.00 | 7.50% | 0.0% | 0 |
| Dublin | 0.6% | -2.6% | 2.1% | 5.1% | 55.00 | 9.50% | -21.4% | 50 |
| Dusseldorf | 3.0% | 1.3% | 7.7% | 11.1% | 65.00 | 6.50% | 4.8% | 0 |
| Frankfurt | 3.0% | 1.3% | 7.7% | 11.1% | 71.00 | 6.50% | 1.4% | 40 |
| Hamburg | 3.0% | 1.3% | 7.7% | 11.1% | 66.00 | 6.90% | 3.1% | -20 |
| Istanbul | 6.5% | 6.6% | N/A | 9.1% | 54.00 | 8.50% | -3.8% | -25 |
| London ⁶ | 1.7% | 0.6% | N/A | 7.0% | 153.10 | 6.25% | 4.2% | 0 |
| Nord-Pas-de-calais | 1.7% | 1.0% | 3.1% | 6.5% | 44.00 | 7.50% | 0.0% | NA |
| Milan | 0.7% | 0.8% | 2.6% | 7.7% | 50.00 | 8.00% | -7.4% | NA |
| Munich | 3.0% | 1.3% | 7.7% | 11.1% | 75.00 | 7.80% | -1.3% | NA |
| Oslo | 2.5% | 3.9% | N/A | 0.7% | 129.40 | 6.50% | 0.0% | -90 |
| Paris | 1.7% | 1.0% | 3.1% | 6.5% | 52.00 | 7.00% | 0.0% | -50 |
| Rome | 0.7% | 0.8% | 2.6% | 7.7% | 55.00 | 8.00% | 0.0% | NA |
| Stockholm | 4.5% | 3.4% | N/A | 7.9% | 97.50 | 6.75% | 0.0% | 0 |
| Vienna | 3.0% | 0.9% | 7.9% | 6.8% | 72.00 | 7.50% | -4.0% | -50 |
| Warsaw | 3.9% | 3.0% | N/A | 5.4% | 69.60 | 8.00% | 5.5% | -75 |

Source: Savills Research, Focus Economics Consensus Forecast, European Commission Economic Forecasts, OECD

Note 1: Rental growth is annual and calculated in local currencies

Note 2: Annual growth rates, end 2011 forecasts

Note 3: Prime yield change is annual - in basis points

Note 4: Yields are all quoted Gross, except for the UK, Ireland and Sweden, which are quoted Net.

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