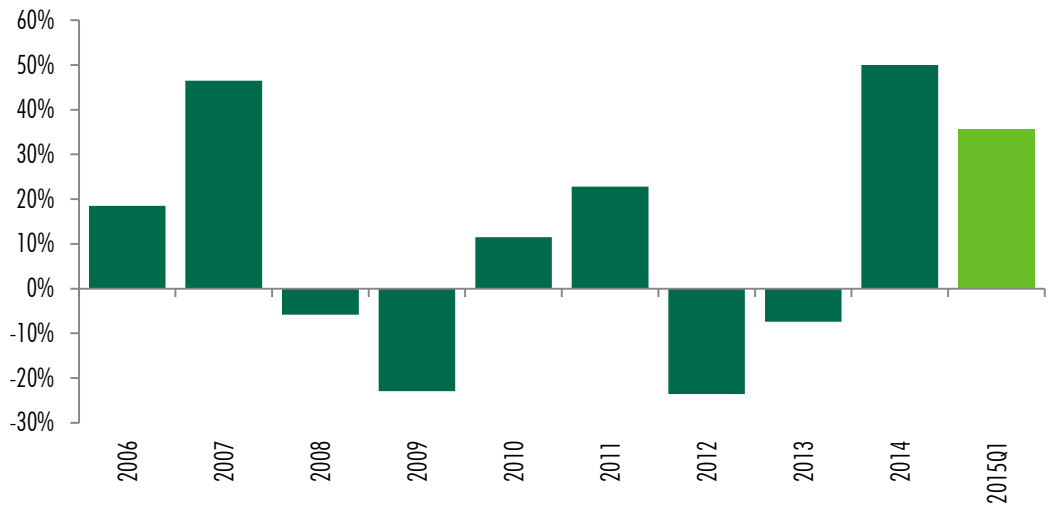


EMEA Industrial & Logistics, Q1 2015

Growing occupier demand and development pipeline

▲ EMEA Warehouse Take-up +35% y-on-y (selected markets)
▲ EMEA Prime Rent +1.58% y-on-y
▼ EMEA Prime Yield -46bps y-on-y
▲ EMEA Capital Values +8.36% y-on-y

Figure 1. Warehouse take-up growth in selected EMEA markets (y-on-y growth rate)



Source: CBRE Research

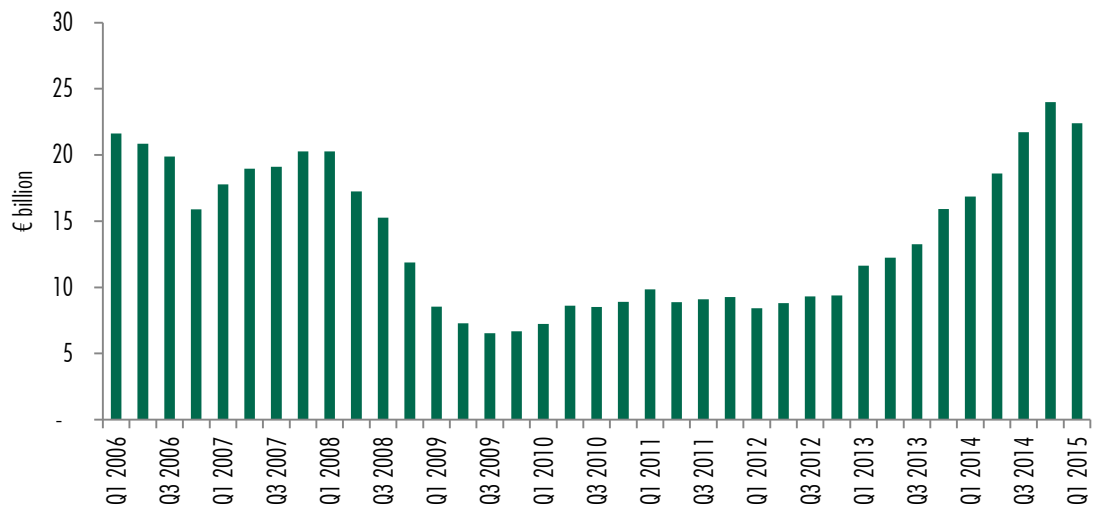
HEADLINES

- Strengthening occupier market with continuing take-up growth across Europe
- Slight decline in key hubs' vacancy
- Rental growth visible in a small but growing number of markets
- Growing development pipeline and increasing scale of development schemes
- Investment activity slowed down due to lack of product, but appetite still strong
- Continuing downward pressure on yields

OCCUPIER DEMAND

Industrial occupier demand in the EMEA region continued to strengthen in the first quarter, with a substantial y-on-y take-up growth for warehouse space across Europe. Most markets reported a substantial growth in occupier demand, with a few exceptions, such as Italy, whereas take-up in Germany remained largely stable. The Netherlands and France recorded particularly strong figures, and the same was valid for the key CEE markets. Notably, the "recovery markets" Ireland and Spain also reported a strong take-up growth.

Figure 2. Industrial investment volume Europe (rolling 4 quarters)



Source: CBRE Research

3PLs were the most active occupiers across the region, driving the major part of take-up growth, but retailers also exercised a strong demand for warehouse space, particularly in France. This growth is driven by an upswing in private consumption, which is also reflected in a growing demand for e-commerce solutions. It should be noted that supermarkets are still largely in a consolidation phase and are therefore less visible in the market. In a number of Polish, Czech and Slovak hubs, the automotive sector was a specific driver for occupier demand.

AVAILABILITY

Availability of warehouse space showed a slight decline during Q1 and vacancy rates remain well below 10% in most established markets, with pockets of true scarcity around a number of key global hubs. The CEE and Benelux recorded an average vacancy rate of just above 6%, while Italy remained stable at around 6.5%. Higher vacancy is especially to be found in Spain and in the CEE hubs Moscow and Budapest, which are recording double-digit rates of just above 10%.

DEVELOPMENT

Feeding both occupier and investor demand, the development pipeline across Europe is growing, both in size and in scale.

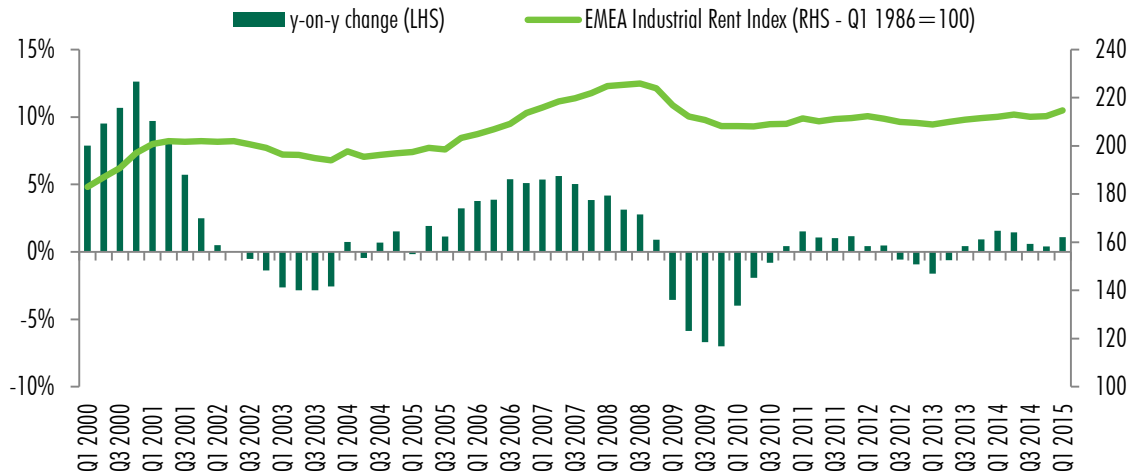
Particularly France is reporting a substantial pipeline, but development is picking up rapidly in the Netherlands too, where a marked increase in scale is visible. The pipeline in CEE markets is still robust, and this includes the Russian hubs, despite signs of overdevelopment and the subsiding of Russian occupier demand.

INVESTMENT

Although the Q1 investment volume equalled the long-term average for first quarters, it has dropped on an annual basis, which was not entirely unexpected as the second half of 2014 delivered an exceptionally high investment volume for industrial property. As such, virtually all EMEA markets reported y-on-y declines, with the notable exception of the UK.

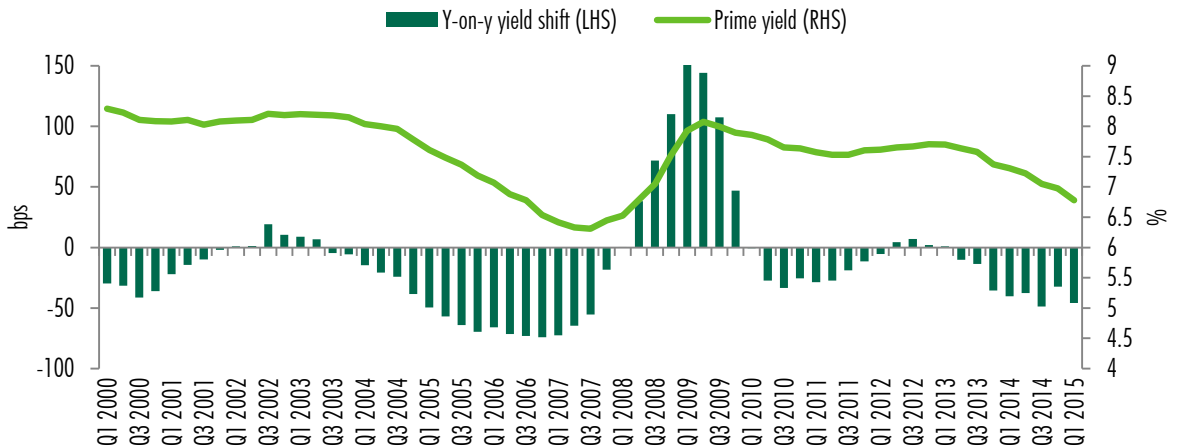
Lack of suitable product appears to be a main cause of the stalling volume, as appetite for the sector and for property in general remains strong. Overall CRE investment turnover was up, in fact recording the strongest Q1 figure since 2007. Furthermore, investment activity appears to be increasingly concentrated on the second half of the year, and a number of large-scale portfolio transactions are known to be in the pipeline.

Figure 3. CBRE EMEA Industrial Prime Rent Index (Q1 1986 = 100)



Source: CBRE Research

Figure 4. EMEA Weighted Average Industrial Prime Yield



Source: CBRE Research

RENTS

Due to strengthening occupier demand, rental growth is becoming more clearly visible in Europe, although it has remained limited to a small number of markets in the first quarter, most notably Dublin and London. Some Central European markets, such as Austria and the Czech Republic, also reported rental growth. Russian hubs faced a marked rental decline on the other hand, as new deliveries are coinciding with worsening economic conditions here.

YIELDS

The combination of unabated investor appetite, scarcity of product and low interest rates continues to put downward pressure on yields. Prime yields went down strongly in Spain and Portugal and also declined in a number of Western European markets, such as the UK, Germany and the Netherlands, as well as in most of the Nordic markets. Yields in CEE markets remained largely stable, on the other hand.

Table 1. EMEA Industrial Rents & Yields

Country	City	Local Rent Currency Measurement	Industrial Rents					Industrial Yields			
			Prime Rent (Local Currency Measurement)	Prime Rent (€/Sq/Annun)	Change on Quarter (%)	Change on Year (%)	Change from Trough (%)**	Prime Yields (%)	Change on Quarter (bps)	Change on Year (bps)	Change from Trough (bps)**
EMEA Industrial Index					1.16	1.58	3.50	7.18	-18.43	-45.78	-138.31
Austria	Vienna	€ per sq m pm	4.85	58.20	1.04	1.04	1.04	6.90	-10.00	-35.00	-70.00
Belgium	Brussels	€ per sq m pa	46.00	46.00	0.00	0.00	4.55	6.25	-50.00	-75.00	-135.00
Croatia	Zagreb	€ per sq m pm	5.00	60.00	-5.66	-5.66	0.00	9.25	-25.00	-25.00	-50.00
Czech Republic	Prague	€ per sq m pm	4.25	51.00	1.19	0.00	1.19	7.00	0.00	-75.00	-175.00
Denmark	Copenhagen	DK per sq m pa	425.00	56.90	0.00	0.00	0.00	6.75	-25.00	-125.00	-125.00
Estonia	Tallinn	DK per sq m pa	4.80	57.60	1.05	6.67	12.94	8.00	-25.00	-25.00	-25.00
Finland	Helsinki	€ per sq m pm	138.00	138.00	0.00	0.00	22.12	6.50	0.00	-70.00	-90.00
France	Lille	€ per sq m pa	44.00	44.00	0.00	0.00	0.00	6.75	0.00	-25.00	-150.00
France	Lyon	€ per sq m pa	45.00	45.00	0.00	0.00	2.27	6.75	0.00	-25.00	-150.00
France	Marseille	€ per sq m pa	43.50	43.50	0.00	0.00	6.10	6.75	0.00	-25.00	-150.00
France	Paris	€ per sq m pa	60.00	60.00	0.00	0.00	20.00	6.75	0.00	-25.00	-150.00
Germany	Berlin	€ per sq m pa	4.60	55.20	0.00	0.00	2.22	5.80	-20.00	-45.00	-170.00
Germany	Dusseldorf	€ per sq m pa	5.40	64.80	0.00	3.85	3.85	5.80	-20.00	-45.00	-145.00
Germany	Frankfurt	€ per sq m pm	6.20	74.40	0.00	0.00	5.08	5.80	-20.00	-45.00	-145.00
Germany	Hamburg	€ per sq m pm	5.70	68.40	0.00	0.00	1.79	5.80	-20.00	-45.00	-145.00
Germany	Munich	€ per sq m pm	6.50	78.00	0.00	0.00	4.84	5.80	-20.00	-45.00	-145.00
Greece	Athens	€ per sq m pm	3.25	39.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
Hungary	Budapest	€ per sq m pm	4.50	54.00	0.00	0.00	0.00	9.00	0.00	-50.00	-50.00
Ireland	Dublin	€ per sq m pm	70.00	70.00	7.69	16.67	16.67	6.50	-25.00	-150.00	-300.00
Italy	Milan	€ per sq m pm	48.00	48.00	0.00	-4.00	0.00	7.75	-25.00	-50.00	-75.00
Italy	Rome	€ per sq m pm	52.00	52.00	0.00	-5.45	0.00	8.00	0.00	-25.00	-50.00
Latvia	Riga	€ per sq m pa	4.50	54.00	0.00	0.00	20.00	8.75	0.00	-25.00	-75.00
Lithuania	Vilnius	ILS per sq m pm	4.50	54.00	0.00	4.65	8.43	9.00	0.00	0.00	-25.00
Netherlands	Amsterdam	€ per sq m pa	75.00	75.00	0.00	0.00	11.94	6.00	-15.00	-70.00	-190.00
Netherlands	Rotterdam	€ per sq m pa	75.00	75.00	0.00	4.17	11.94	6.00	-15.00	-70.00	-135.00
Netherlands	The Hague	€ per sq m pm	70.00	70.00	0.00	0.00	7.69	9.00	0.00	0.00	0.00
Netherlands	Utrecht	€ per sq m pm	70.00	70.00	0.00	0.00	7.69	6.00	-15.00	-70.00	-190.00
Norway	Oslo	€ per sq m pa	1200.00	138.66	0.00	0.00	20.00	5.75	-25.00	-55.00	-200.00
Poland	Warsaw	€ per sq m pa	4.00	48.00	0.00	0.00	0.00	7.00	0.00	-25.00	-175.00
Portugal	Lisbon	€ per sq m pa	3.25	39.00	0.00	0.00	0.00	7.50	-50.00	-175.00	-200.00
Romania	Bucharest	€ per sq m pa	3.80	45.60	0.00	0.00	0.00	9.25	-25.00	-75.00	-125.00
Russian Federation	Moscow	€ per sq m pa	100.00	93.10	-16.67	-25.93	0.00	12.75	0.00	175.00	-125.00
Russian Federation	St Petersburg	€ per sq m pa	90.00	83.79	-25.00	-30.77	0.00	13.75	0.00	125.00	-325.00
Serbia	Belgrade	€ per sq m pm	4.50	54.00	0.00	0.00	0.00	12.00	0.00	0.00	-100.00
Slovak Republic	Bratislava	€ per sq m pm	4.00	48.00	9.59	-5.88	9.59	7.90	0.00	-60.00	-85.00
South Africa	Johannesburg	€ per sq m pm	62.00	57.18	0.00	0.00	3.33	8.75	25.00	25.00	0.00
Spain	Barcelona	€ per sq m pm	6.00	72.00	0.00	0.00	0.00	7.25	-25.00	-75.00	-125.00
Spain	Madrid	€ per sq m pm	5.00	60.00	0.00	0.00	0.00	7.00	-75.00	-100.00	-175.00
Sweden	Gothenburg	SEK per sq m pa	750.00	80.98	0.00	0.00	15.38	5.75	-25.00	-50.00	-185.00
Sweden	Stockholm	SEK per sq m pa	900.00	97.17	0.00	0.00	0.00	5.75	-25.00	-75.00	-200.00
Switzerland	Geneva	CHF per sq m pa	200.00	191.76	0.00	0.00	11.11	5.50	0.00	0.00	-100.00
Switzerland	Zurich	CHF per sq m pa	160.00	153.41	0.00	0.00	14.29	6.50	0.00	-10.00	-50.00
Turkey	Istanbul	€ per sq m pm	7.75	86.58	0.00	14.81	40.91	7.50	-25.00	-50.00	-175.00
Ukraine	Kyiv	€ per sq m pm	4.75	53.07	-5.00	-24.00	0.00	16.00	0.00	50.00	-100.00
United Arab Emirates	Abu Dhabi	AED per sq m pa	900.00	228.14	0.00	0.00	0.00	11.00	0.00	0.00	-150.00
United Arab Emirates	Dubai	AED per sq ft pa	50.00	136.42	0.00	19.05	100.00	10.50	0.00	0.00	-250.00
United Kingdom	Edinburgh	£ per sq ft pa	6.00	89.28	0.00	0.00	0.00	6.50	-50.00	-50.00	-150.00
United Kingdom	Glasgow	£ per sq ft pa	6.50	96.71	0.00	0.00	8.33	7.00	-25.00	-25.00	-150.00
United Kingdom	London	£ per sq ft pa	13.00	193.43	1.96	4.00	4.00	4.60	0.00	-45.00	-315.00
United Kingdom	Manchester	£ per sq ft pa	5.95	88.53	0.00	0.00	8.18	6.00	-25.00	-100.00	-235.00

Source: CBRE Research

OUTLOOK

Occupier demand is expected to remain strong throughout 2015 as the economic recovery in Europe is gaining ground. This in turn is expected to lead to upward pressure on rents in more markets, especially those where new development is still relatively limited, such as in Spain. In markets with a more robust pipeline, new schemes are a competitor for rental growth, as the declining yields allow developers to be competitive in their offerings to tenants. This is the case in the Netherlands and in a number of CEE hubs, for example. In any case, warehouse development is picking up across the region. Schemes are becoming larger in scale and more speculative projects are being announced.

The improving business climate is strengthening covenants for logistics property and this is expected to fuel investor demand further. Despite the recent uptick in interest rates, yields will continue to be under downward pressure, as the gap with other asset classes and bond rates is still substantial. This is especially the case for markets with a relatively higher yield level, such as France. An increasing number of markets will actually see the previous low point in their yield cycle being overtaken. New construction can partially replenish the scarcity of investment product, but a shift to shorter income and other types of industrial assets is also to be expected.

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