

P R E S S R E L E A S E

EUROPEAN INDUSTRIAL INVESTMENT ACTIVITY SET TO RISE

- **Industrial sector maintains 10% share of European investment market in H1 2009, with stability in H2 and growth expected thereafter**
- **Rents in core strategic locations of France, Germany and the Netherlands stabilise despite continued downward pressure on rents across Europe generally**
- **Occupiers control costs and maximise efficiency of space ; opportunities emerge in build-to-suit space**

London, 20 October 2009 – Investment turnover in Europe’s industrial and logistics real estate sector totaled nearly €2.5 billion in the first half of 2009, maintaining its 10% share of the wider investment market, and with the potential to increase, according to CB Richard Ellis’ latest *EMEA Industrial & Logistics MarketView* report.

Richard Holberton, Director of EMEA Research, CBRE, said: “The defensive characteristic of a high-income return, and hence less dependence on income growth, is one factor that enhances attraction to investors in weak economic conditions. Assuming that investment levels are maintained in the second half of 2009, there is scope for absolute levels of investment in the industrial sector to rise in 2010.”

As investment turnover picked up towards the end of the second quarter of 2009 in Europe, evidence of stabilising yields emerged across all sectors. Industrial and logistics yields across Europe as a whole continued to trend upwards, rising by 10 basis points in the second quarter of 2009. This change is notably smaller than in the four previous quarters and the resulting increased stability reflects a narrowing gap between vendors’ and purchasers’ pricing aspirations, which should boost liquidity in the sector. Initial data for Q3 shows that industrial and logistics yields are unchanged from their mid-year level.

Rents in core European industrial markets have so far held firm despite general regional downward pressure, with the EU-15 industrial rent index 5.4% lower in the year to mid-2009, a contraction that has eased slightly in Q3 to around 4.5%.

James Markby, Associate Director, EMEA Cross Border Industrial & Logistics, CBRE said: “The core Western European markets of the UK, France, Germany and the Netherlands have emerged as the most resilient in terms of demand and investment appetite, accounting for more than 70% of the industrial investment market collectively. A range of pan-European institutional investors, as well as a number of German Open-ended Funds, are now increasingly attuned to the advantages of investing in the sector. “

In April of this year, CBRE advised AEW Europe on the largest pan-European industrial portfolio transaction so far this year. AEW purchased a €119.7 million portfolio of seven modern logistics assets located in The Netherlands and Germany.

On the occupier side, the need to control costs to protect margins and a desire to maximise the efficiency of occupied space continue to be key concerns for occupiers. Lower levels of leasing activity and some increase in vacancy have consequently occurred, although not as markedly as had been feared, partly because of demand now being supported by weaker rents.

Local markets demonstrated variations in landlord and tenant flexibility during the first half of 2009. In Germany, a tension has been observed between tenant desires for more flexible, shorter leases and landlords requiring income security through extended leases. In markets such as Sweden however, occupiers appear more willing to accept longer leases so long as they are accompanied by reduced rents in the short term. Local leasing activity levels, as well as views on vacancy risk, are also being heavily influenced by a market's sector structure.

According to CBRE's research, demand is currently mainly focused on modern, flexible industrial and logistics space across Europe. The short-term rental outlook remains subdued, but will improve as supply growth slows due to the lack of new development starts.

Guy Frampton, Executive Director, EMEA Cross Border Industrial & Logistics, CBRE, said: “The range of corporate decisions around space utilisation and supply chain reconfiguration will create pockets of stronger demand for modern, flexible space. As a result, where funding is available, build-to-suits are emerging as an area of opportunity, partly because occupiers are often prepared to take longer leases and fewer incentives in these situations.”