

# PRESS RELEASE

## GLOBAL INVESTOR DEMAND AND RENTS RECOVERING FOR INDUSTRIAL PROPERTY

### London world’s second most expensive market according to new CB Richard Ellis report

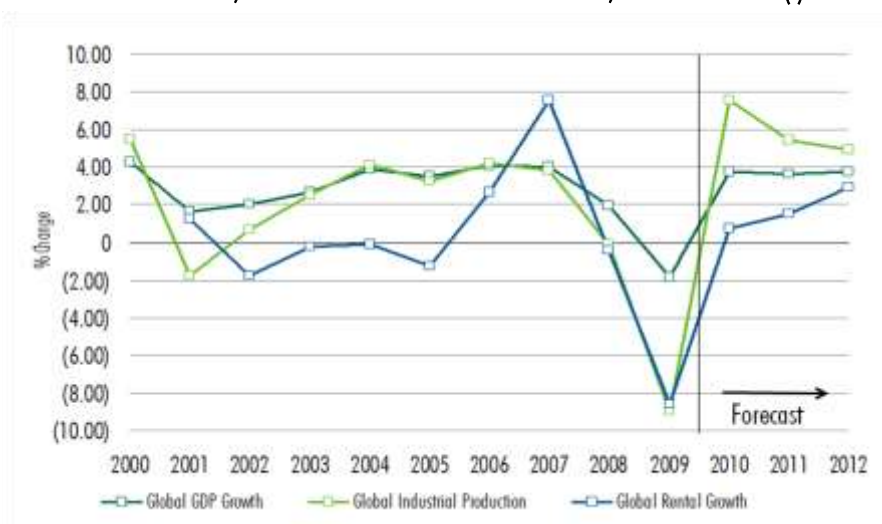
Industrial markets across the globe are now in recovery mode, albeit at very different stages, with Asia leading the rental recovery according to a new MarketView report from CB Richard Ellis Group, Inc. (CBRE). All regions witnessed increases in investment spend in the first half of 2010, with appetite strongest across Europe, the Middle East and Africa (EMEA), where industrial sales increased by 90% on 2009 levels, with this pace set to continue into 2011.

CBRE’s first global analysis of both the occupational and investor aspects of the industrial logistics sector, shows that Tokyo has emerged as the most expensive location in the world for distribution/logistics centres, followed by London and Sao Paulo in Brazil.

Richard Holberton, Director of EMEA Research, CBRE, said: “Once the path to recovery becomes more robust across EMEA, demand for prime industrial and logistics properties will increase throughout Europe. Overall rents across the region are expected to fall by -2.2% in 2010, albeit easing to 0.6% in 2011. In line with the anticipated constraint on prime flexible accommodation for modern industrial and logistics companies in the medium term, rents could increase up by 2% moving into 2012.”

“The contraction in demand for industrial and logistics properties in 2008 and 2009 led to a more than 10% decline in our Global Rent Index, bringing rents back to 2003-2005 levels,” said Raymond Torto, CBRE’s Global Chief Economist. “The US and EMEA had the most significant reduction in rents during the period, with declines of 14% and 12%, respectively, while the Pacific Region and Asia weathered the storm better with rental declines of 5% in both regions.”

Global GDP, Trade and Industrial Rent Trends, 2000 – 2013 (f)



Source: IHS Global Insight, CB Richard Ellis Research

The decline in industrial rents eased throughout EMEA, the Americas and the Pacific region in 2Q 2010. Rent growth is now well underway across Asia, with rents having increased by over 6% since the end of 2009.

Torto added: "Given the strengthening demand and production levels in the world's emerging markets we anticipate that global industrial rents for prime logistics properties will stabilise and gradually begin to increase before year-end."

CBRE's Global Industrial MarketView presents an econometrically based forecast of modest annual rental growth of 0.8% in Q4 2010, and expects the bottoming out of rents in EMEA and the Americas will lead to stronger global rental growth of 1.5% in 2011. Contraction in the availability of suitable properties in prime locations along with a global strengthening in consumer spending should lead to rental growth of 2.9% in 2012, according to CBRE report's projections.

CBRE's analysis covers 55 of the leading industrial and logistics markets across the world. It shows that, as of 2Q 2010, Tokyo was the most expensive industrial market with an average rental of US\$22/sq ft, followed by London (US\$19.51/sq ft), Sao Paulo (US\$13.01/sq ft) and Singapore (US\$11.37/sq ft).

Five of the top 10 most expensive markets are in the Asia Pacific region, with four in the EMEA. Only one country in the Americas, Sao Paulo, features in the top 10, with Los Angeles ranking as the most expensive US market at 18<sup>th</sup> position with a rental of \$6.81/sq ft.

#### Most Expensive Global Industrial & Logistics Rental Locations 2Q 2010

RANKING	MARKET	COUNTRY	LOCAL	LOCAL	US \$ PSF
1	Tokyo	Japan	162.73	JPY psf	22.09
2	London	UK	15.25	EUR psf	19.51
3	Sao Paulo / Campinas	Brazil	13.01	\$ psf	13.01
4	Singapore	Singapore	1.33	S \$ psf	11.37
5	Amsterdam (Shipol)	Netherlands	8.10	EUR psf	10.37
6	Paris	France	7.50	EUR psf	10.00
7	Sydney	Australia	112.90	AUD per sqm	9.72
8	Madrid	Spain	7.25	EUR psf	9.28
9	Perth	Australia	105.75*	AUD per sqm	9.14
10	Brisbane	Australia	103.13	AUD per sqm	8.91

CBRE Executive Director, Global Research and Consulting, Kevin Stanley noted that a two-tier industrial and logistics market had now developed, with emerging economies expected to strengthen at rates well above those of developed markets.

"Underpinned by their large consumer markets, countries such as India and Brazil are expected to record economic growth in 2011 almost twice that of the world's developed economies – redefining the importance of these countries in the future global industrial and logistics sector," said Stanley.

"The strengthening of trade between countries such as India, China and Brazil has protected the industrial and logistics markets in these areas from the downturn that has affected EMEA and the US."

Additional factors that could influence the logistics market and the demand for industrial real estate in the future include consumer sentiment, increased saving patterns, tighter credit restrictions and the curbing of speculative development. Mr. Stanley added: "While the demand for property may remain weak in some regions such as the US and EMEA, stable and growing demand levels and limited supply in Asia, Pacific, Latin America and Canada will underpin rental growth in prime locations."

The CBRE MarketView report also highlights that the expectation of future rental growth coupled with a contraction in the supply of high specification industrial and logistics properties is being reflected in capital values and prime yields.

Guy Frampton, Head of European Industrial Agency, CBRE, commented: "Investor sentiment improved notably at a global level throughout the first six months of 2010, with over US\$16 billion invested in the industrial sector – a strong 49% increase from the same period in 2009. It appears capital markets are moving ahead of the fundamentals in some regions of the world.

"Investor appetite was particularly strong in EMEA, with industrial sales increasing by 90% over this period, while the investment in US industrial properties increased by 40%. This stronger buyer appetite underpinned a 37 basis points tightening in CBRE's Global Industrial Yields index in 2Q 2010."

While uncertainty in global financial markets has had a particularly significant impact on land values in developed markets, CBRE's analysis shows that values in emerging economies have increased by between 2% and 29% for prime, serviced industrial sites between 1H 2009 and 1H 2010.

In Latin America, values have increased by as much 60% in Panama City in advance of the completion of the Panama Canal widening.

"The potential lack of suitable development opportunities in the advanced economies could become a serious issue in some key markets. The modern logistics operator has unique requirements that are failing to be accommodated in secondary properties in these areas," said Frampton. "We are beginning to see that there is now an increasing differential between new modern facilities and the abundance of vacant, poor quality accommodation that, despite low rental levels, are not of interest to modern occupiers."