

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

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INDUSTRIAL & LOGISTICS PROPERTY SECTOR SEES SUSTAINED INVESTOR INTEREST

Growing investor base targets sector as repricing occurs across Europe

London, 15 July 2009 – Despite generally subdued levels of investment activity in the European real estate market over the past year and a half, there is still evidence of interest in the industrial and logistics sector according to new research from CB Richard Ellis. The logistics sector continues to offer a relatively high and stable income, with overall performance less dependant on the more variable elements of growth assumptions, making the sector increasingly attractive to investors seeking defensive assets.

David Turner, Executive Director, Capital Markets, CBRE, said: “We have seen quite a few funds repositioning themselves to include logistics in recent times; although, like all sectors, investment volumes have been down, relatively the decline has been shallower and there is an ongoing trend towards logistics growing its share of overall European investment market, from 7% to 10% during 2008. We are aware of a number of parties looking to target this sector over the remainder of the year either through new capital-raising or by putting previously unspent funds into the market.”

Alongside its defensive characteristics, the attractiveness of the sector has also been underpinned by a number of broader trends:

- The continued expansion of third party logistics specialists (3PLs) such as DHL and Kuehne & Nagel, linked to globalisation and corporate needs for pan-European networks.
- Growth in the number and size of specialist funds targeting the sector, boosting liquidity and stock of institutional quality building.
- Recent market repricing involving aggregate prime yield shifts of circa 120 basis points, and significantly more in some markets eroding values by around 19% over the past year.

For example, in April this year, CBRE advised AEW on what is the largest industrial real estate transaction so far this year, purchasing a portfolio of assets located in The Netherlands and Germany from ProLogis for €119.7 million.

Logistics Interest from German Funds

The investor base has also changed across the region. Whilst property companies have consistently accounted for 30-40% of industrial and logistics investment activity across Europe in previous years, their contribution fell to 5% of the market last year and collective vehicles now dominate activity, accounting for 38% of acquisitions in 2008. This growth stems in part from the increased activity of German Open-Ended Funds (GOEFs) in industrial property, investing €4.3 billion in the sector in the second half of 2008. For instance, in January 2009, Deka purchased the Sainsbury's distribution warehouse at Enfield, London, from Aviva for €73 million and in February, DEGI acquired the Centos Logistics Park south of Hamburg for €18.3 million in a sale-and-leaseback from Centos Logistics.

Richard Holberton said: "The GOEFs' high level of interest in the industrial and logistics sector so far this year reflects the attractiveness of the sector's typically high-quality income generated by strong covenants, which allows the funds to deliver stable long-term returns to their end-investors."

For a copy of the report, *Industrial & Logistics Investment: A Port in the Storm?*, please visit our website at http://www.cbre.eu/emea_en/research