

2016

# *European Logistics and Industrial Investment Market Review*



## *Executive summary*

2016 is set to be another interesting and highly active year in the European logistics market after another record-breaking 12 months for the sector. 2015 witnessed €21.5 billion of investment across the region, a figure broadly in line with the 2014 peak, but it was in the occupational markets where previous records were beaten. A total of over 17 million sq m of space was taken up last year, representing an impressive 15% year-on-year increase. This increased activity has been set against a bumpy economic and political backdrop. In this market review, we examine the reasons behind the outperformance of the European logistics sector and explore JLL's views of the future drivers for what we believe will be continued demand in 2016 and beyond.

Our in-depth research and analysis explains what is behind the strong fundamentals that are allowing this further market expansion. In addition to the surge in occupier demand, we explore the continuing falls in the average vacancy rate across Europe and the tightening pressure on supply. We will see an increase in speculative development in certain markets, but overall levels will remain in check relative to total construction activity.

We also focus heavily on the evolution of what JLL sees as the new megatrends in our sector – needle-moving phenomena

such as the so-called 'fourth industrial revolution' (the impact of technology such as automation, 3D printing, drones, etc.), globalisation and city logistics. We have identified the importance of having a deep-rooted understanding of all aspects of the supply chain and have invested significantly in this area.

From a capital markets perspective, we continue to welcome money from around the globe targeting greater exposure to the European logistics market. We comment on the attractive total return profiles relative to other commercial real estate sectors (past performance and future forecasts) and examine the ongoing availability of debt where the arbitrage between cost of borrowing and prime yields remains very favourable.

We go on to offer country-level outlooks, the authors of which are JLL logistics specialists in their respective jurisdictions who can provide real insights into the on-the-ground activities in these markets.

Finally, we would again like to thank all our clients for the opportunity to work on so many exciting projects. Our sole objective continues to be to provide market-leading advice to assist you in exceeding your goals and investment targets.



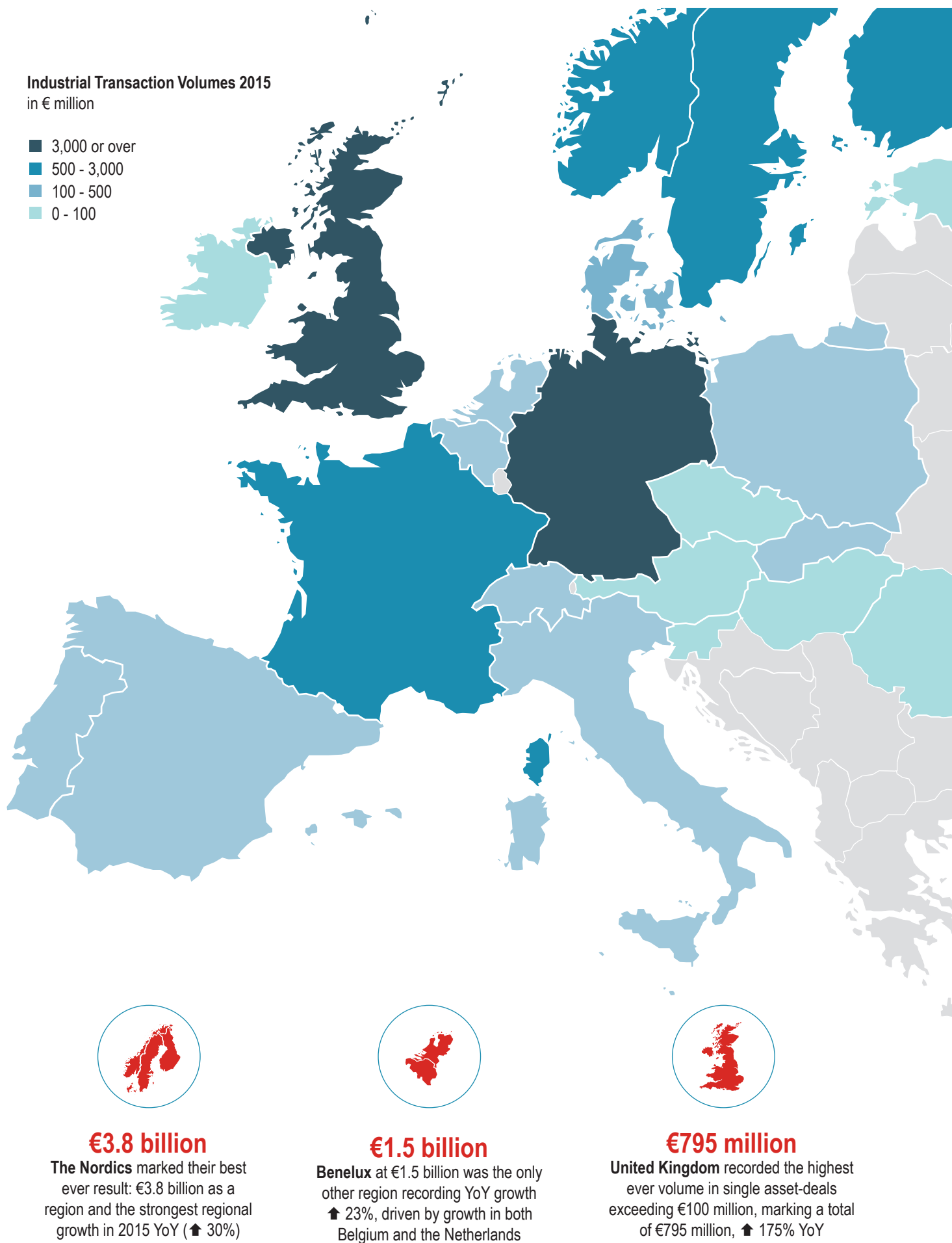
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## Economic overview

Moving into 2016, sentiment on the future of the global economy is shifting. Much has been made recently about the sharp economic slowdown in China (and other emerging markets), the decision by the US Federal Reserve to increase interest rates, falling commodity prices, and increasingly dovish tones from the ECB. Compound all of this with the ongoing migrant crisis, the discussion around the UK's role in Europe and a somewhat uncertain situation in Greece, and the 'cautious optimism' often mentioned is well-deserved. Nonetheless, in our view there remains a number of reasons to remain optimistic for the future of the European economy.

Driven by increased domestic demand and growth, with the overall Eurozone GDP climbing by 1.5% in 2015 and unemployment falling by over 5% (Oxford Economics), the European economy is performing well despite global uncertainty. In addition to this growth, exports have continued to rise year-on-year (+4.7%) and retail spending (+2.5%) has also increased.

Confidence is also higher in the industrial sector. Looking at the Eurozone Manufacturing PMI (currently at 53.2, up from 50.6 last year), there is a sense that the outlook will remain positive. Growth in spending and confidence in the domestic industry sector bode well for the European logistics and industrial property market.

This confidence was demonstrated in 2015 as we saw another robust year in both the investment and occupier markets. The steady growth in the economy is boosting demand for logistics property as businesses continue to both expand and shift their networks. From an investment perspective, the Fed's rate adjustment should not deter US investors and the ECB is nowhere near adjusting its rate, so it is likely Europe will remain a hotbed of investor activity, buoyed by a weak euro. Driven by improving domestic performance, European resilience in the face of global uncertainty continues to show why 'optimism' remains the sentiment - again, albeit 'cautious'.

		GDP Growth	Retail Spending Growth
	Eurozone	1.5%	2.5%
	United Kingdom	2.4%	4.0%
	Germany	1.5%	2.8%
	France	1.2%	3.2%
	Sweden	3.3%	5.0%
	Netherlands	1.9%	1.7%
	Poland	3.5%	6.2%
	Italy	0.7%	2.0%

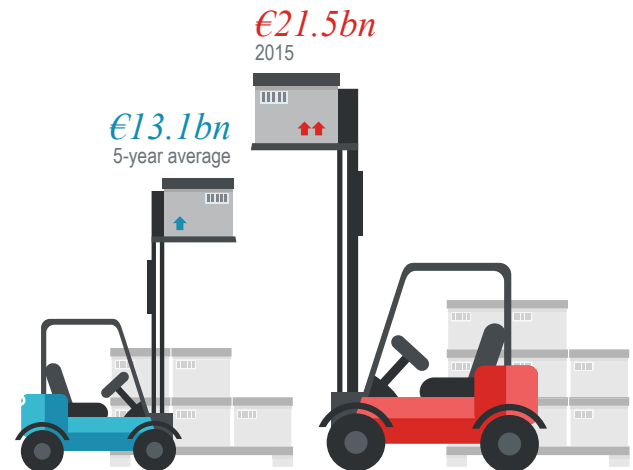
*European  
logistics  
market*



## Another year of superlatives

As an asset class, logistics and industrial property in Europe has increasingly become more favoured by investors over the last three years. High returns, sustained lower vacancies, increasing occupier demand and continued growth in the business sectors are strong reasons to attract continued high investor interest, and 2015 did not disappoint in terms of total investment. Much was written last year about 2014's historic year-end investment volumes into the European logistics market in 2014, which therefore made 2015 impressive in its attempt to match the record-breaking year. Following the €21.7 billion invested in the asset class in 2014, property investors nearly matched that same level in 2015, falling just short at €21.5 billion. No longer just focused on one or two particular markets, capital is beginning to be spread around and its sources continue to stretch around the globe. Some countries saw record years for industrial investment and what's more, there was another record-breaking amount of capital originating from beyond Europe's borders.

### Investment volumes 2015 vs 5-year average



Source: JLL, 2015

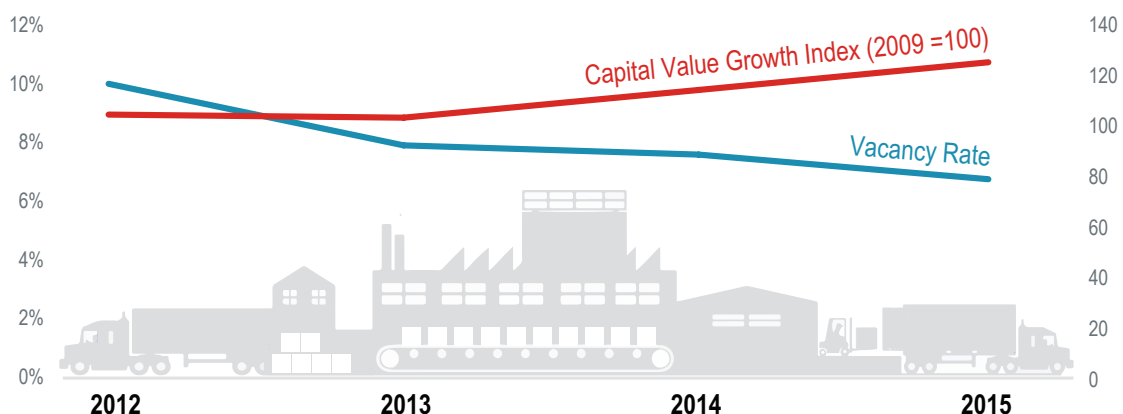
## Why logistics? Why now?

The logistics sector's recent emergence as a favoured asset class, leaves the question: why now? There are several factors worth noting. For the most part, logistics assets have traditionally had higher returns than their counterparts in office and high-street retail. Currently, IPD has the annualised gross return for European logistics assets at 8.9%, while office (6.0%) and retail (6.6%) are significantly lower. Moreover, JLL is predicting annualised returns at 8.6% through 2019 for logistics and 6.7% and 4.9% for office and retail properties respectively.

This new interest has contributed positively to an increase in capital values, with logistics assets growing 10.1% in capital value

in 2015. This can likely be attributed to growing occupier demand and to the weight of capital being deployed. Meanwhile, current vacancy levels of prime logistics assets are the lowest they have been in the current cycle. JLL estimates that across Europe there is an estimated 6% vacancy rate. Supply continues to be outpaced by demand, but there has been a recent uptick in new product. Nevertheless, with growing industries and a cross-sector effort to modernise supply-chain and logistics operations – primarily in expanded warehousing space – the demand-supply imbalance will probably continue as logistics demand looks set to remain robust in the near future.

### Vacancy and capital value, 2012-2015



Source: JLL, 2015

## *Direction of capital is all over Europe and originating from all over the globe*

In 2015, we saw the continued emergence of two trends:

- 1) a desire to spread capital investments beyond the traditional core markets and
- 2) an increasing interest in the European property market from beyond Europe's borders.

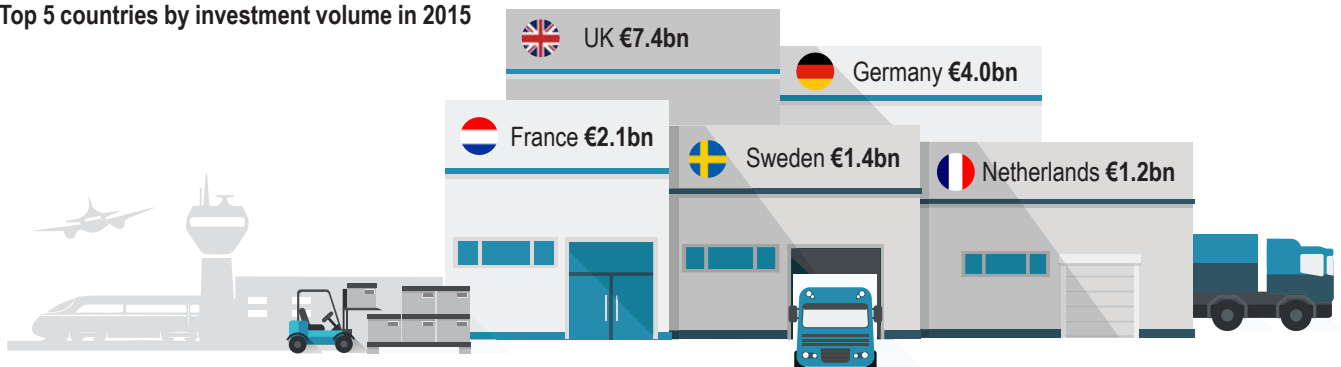
While the majority of investor interest is still focused on the UK (€7.4 billion), Germany (€4.0 billion) and France (€2.1 billion), there continues to be a spread of capital beyond the core markets. That said, Germany and France both witnessed historic levels for capital investment in 2015, while volumes in the UK dropped 15% year-on-year.

Beyond the 'big three', investors favoured Nordic markets and the Benelux countries in 2015. A year after a record €2.8 billion was invested in Northern Europe, investors maintained their healthy

interest in Sweden (€1.4 billion) and Norway (€900 million), but also moved into Finland (€1.2 billion, +240% y-o-y) and Denmark (€320 million, +400% y-o-y). Capital investment into the Benelux countries was up 23%, bringing in €1.5 billion by year-end.

Capital is also increasingly originating from outside Europe. International investment – i.e. non-European capital – accounted for 33% of total investment volumes in the logistics asset class in 2015. The majority originated from the US – €2.9 billion (+13% y-o-y) – but a rise in Asian investment is worth noting. Investors from China, Hong Kong, Malaysia and South Korea invested nearly €650 million in 2015 – double the Asian volume in 2014 – a trend we expect to continue through 2016. Even so, despite all this international interest, investors from the UK were the most active in 2015 with over €7 billion of total investments in logistics properties.

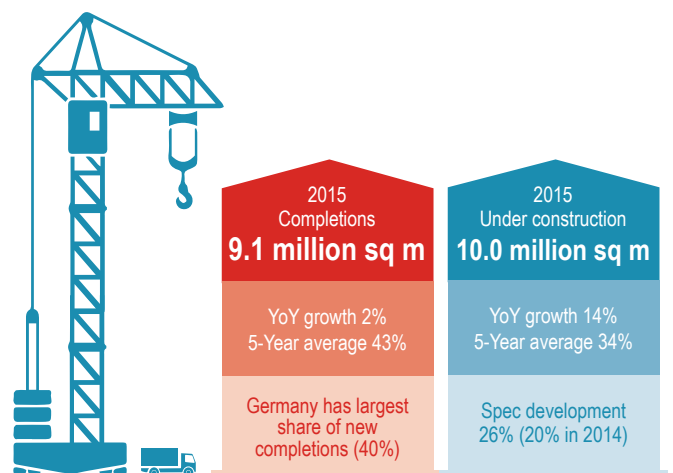
### Top 5 countries by investment volume in 2015



Source: JLL, 2015

## *Can the market fundamentals keep up with increased demand?*

JLL has highlighted in the past that continued limited supply set against rising demand could start to impact take-up levels. In 2015, new supply was at about 52% of total floorspace taken-up; far lower than the levels of the previous cycle where new supply was at about 75% of total take-up. One positive note though is the increase in new construction. The current pipeline for logistics assets sits at a little over 10 million sq m of space under construction. Again though, this is largely on a build-to-suit basis. Is 2016 the year for an increase in speculative development, where circumstances permit? Demand is at a record high, supply is low, and vacancy appears to have bottomed-out and will likely stay low for the immediate future.



Source: JLL, 2015



## How are occupiers performing in a strong investment market?

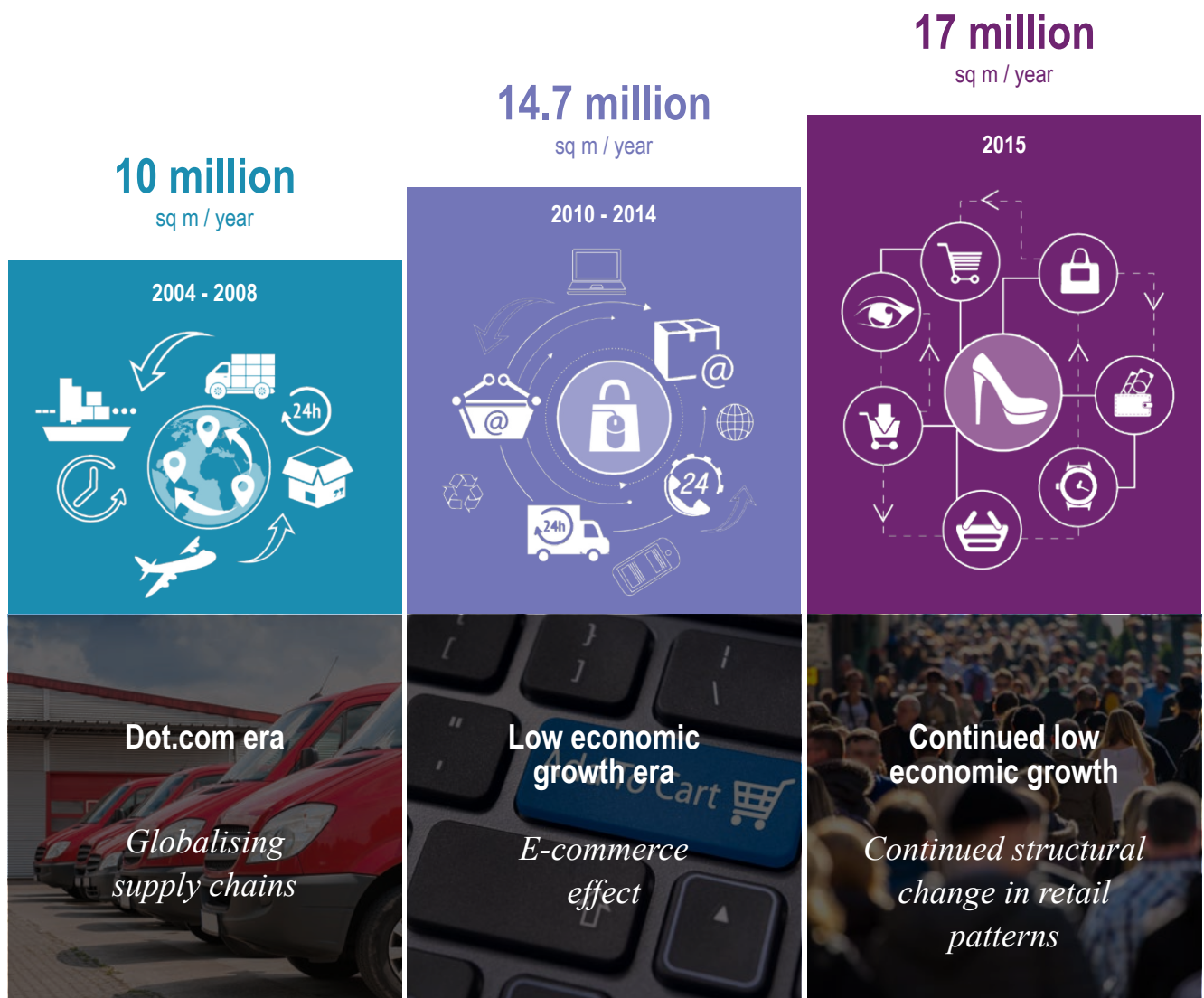
As mentioned earlier, the strong investment market is tied to the robust appetite of logistics properties' occupiers. In terms of floorspace taken-up there has never been a cycle like the current one. Comparatively, in the early 2000s, year-end take-up levels would approach 10 million sq m. Despite the slow economic growth between 2008 and 2014, annual take-up levels approached an average of 14.7 million sq m across Europe – largely a result of the growth of e-commerce. Lately though, European logistics take-up has routinely surpassed 15 million sq m. In fact, 2015 set an all-time high in space taken-up: 17.1 million sq m (+15% y-o-y) as occupiers continued to modernise their warehouse operations across the globe. JLL sees this as an ongoing trend in the near future. Warehouses are becoming important cogs in global supply

chains and overall business operations through this modernisation, and this will continue to drive the high levels of demand.

For 2016, we expect to see great opportunities in the European logistics and industrial sector as it continues to present itself as an attractive asset class. As already stated, returns are likely to stay high over the next three years, and while we expect to see further yield compression in the asset class, it is not likely to be as sharp as in 2015. The logistics sector will continue to be a destination for the surge in global capital flowing into Europe. Occupiers will continue to take up space as demand looks set to remain at an all-time high, while supply, in the immediate term, will continue to be contained.

### Occupier demand to hit a new record in 2016?

Structural change drives growing occupational demand



## *Why bridging the gap between the supply chain and real estate markets means a competitive advantage for developers and investors*

In recent years, European logistics property markets have seen robust occupational demand, despite relatively sluggish economic growth, a trend that points to changes in the wider supply chain, such as the growth of online retail sales, as being the critical drivers of demand. Understanding these drivers is crucial for developers and investors – it bridges what, until recently, has been a long-standing disconnect between supply chain dynamics and logistics property decision-making. The 360° perspective it gives, ultimately enables asset performance to be optimised.

A strong grasp of changes to the supply chain provides real insight into those global megatrends influencing the manufacturing and logistics sectors and the affect they will have on the type of buildings and locations occupiers require in the future. Some trends will have a greater impact on supply chains and less on buildings, whereas others will have more direct and pronounced implications for buildings and locations.

Recently, across the EMEA region and also globally, JLL has strived to bridge the supply chain-property disconnects by acquiring a leading supply chain consultancy, recruiting further supply chain expertise and investing in 'state of the art' technology. We now have a unique, integrated suite of supply chain and property services. In addition, a research programme is being rolled out by JLL's EMEA Logistics & Industrial Research team over the next 24 months intended to remedy what is also a research disconnect, by focusing on how supply chain trends will affect logistics and industrial property markets in Europe. The first high-level report of the programme, *The new industrial (r)evolution: From supply chains to consumer-centric demand chains*, has already been published and offers insights into three major topics that will need the full attention of investors and developers:

- The impact of technology, including e-commerce, big data, the 'Internet of Things' (IoT), 'Uberisation', 3D printing, robotics, augmented reality, autonomous vehicles and drones.
- Globalisation and the right-shoring of industrial and logistics assets.
- City logistics, involving the optimisation of logistics in major urban areas.



These topics are likely to have the most profound impact on future supply chains and will probably drive occupier demand for logistics facilities over the next 5-10 years in Europe. From a property perspective, they will offer significant opportunities but also huge challenges.

- Warehouses will remain pivotal for delivering customer service, but supply chains will be reshaped and reoriented as digitalisation, 'Uberisation' and big data enhance distribution, connectivity and the visibility of demand. In a world of drones, robots and driverless vehicles, 'the rise of the machine' and other technologies will determine warehouse specifications and location.
  - » Improved insight into customer demand, coupled with the need for faster delivery, will result in greater demand for facilities able to handle a rapid throughput, while demand for storage space is likely to decline.
  - » Automation in and around logistics facilities is expected to grow further, including the use of robots to deliver productivity benefits in terms of pick rates and accuracy. This could well lead to increasing demand for taller buildings that minimise the footprint while maximising the full cube of the building. Furthermore, a reduced need for human workers would clearly impact the volume of staff amenity space and car parking required, as well as drive significant changes in location by reducing the reliance on large workforces.
  - » Going forward, warehouses will have to provide secure and ubiquitous wireless access.





- With globalisation undergoing a new cycle, right-shoring could have new location impacts for European manufacturing and distribution facilities.
    - » Europe could benefit from increased demand for industrial and logistics properties, although production being located closer to the customer might mean the holding of less inventory, thus reducing the need for warehouse space and offsetting to some extent the positive impacts from supporting re-shored production.
    - » Potential real estate opportunities might include campus developments for the co-location of manufacturing and R&D, supplier parks for re-shored manufacturing activities, and rail-connected hubs to facilitate growing intra-regional trade.
    - » Increased intra-regional trade could encourage an expansion in European rail freight, raising the importance of multimodal locations. On the other hand, there are likely to be winners and losers in European seaport locations as right-shoring could reduce inter-regional trade
  - In European cities, 'same-day delivery', last-mile fulfilment and the special challenges of urban logistics will fundamentally change the types of distribution properties required.
    - » Demand for facilities supporting last-mile deliveries, including home delivery and delivery to alternative collection points, such as shops, lockers and pick-up stations, is already expanding. The distinctive characteristics of city logistics – traffic congestion, tight regulations and restrictions, the pressure for sustainable logistics, and competing demand for land – will benefit from a range of different types of warehouses that offer viable solutions to reduce its barriers. These include shared-user urban consolidation centres; consolidation centres serving single sites with one landlord; consolidation centres designed to serve a specific town, suburb or city; multimodal logistics platforms in cities; and multi-storey ramped logistics facilities.
- An ongoing understanding of the shifting dynamics of the supply chain is now critical for developers and investors. A clear identification of the opportunities and risks involved and, in turn, successful development, investment and asset management strategies will depend on it. Being best-informed on the 'right building' and the 'right location' will be a fundamental requirement as will a 'future proof' mindset, but those looking to be ahead of the curve will also need to deeply consider more innovative approaches to help customers achieve even greater agility and flexibility in their supply chains.
- Find out more: [www.jll.eu/thenewindustrialrevolution](http://www.jll.eu/thenewindustrialrevolution)

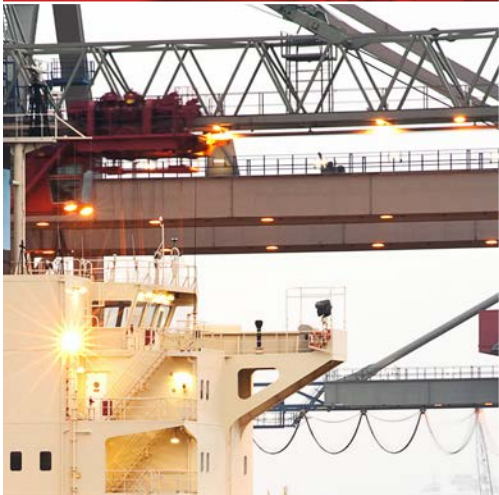






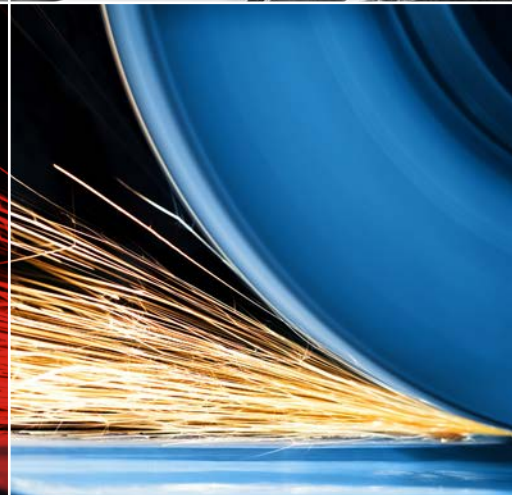
*Over 50*

*Logistics Capital  
Markets professionals  
across Europe*



*26%*

*market share  
in 2015*



*65% share*

*of portfolio transactions  
over €100 million (buy  
and sell-side) from  
2014 to date*



*€5.7 billion*

*of European  
logistics transactions  
in 2015*



*Capital Markets  
team work closely  
with our network of  
over 200 dedicated  
leasing agents across  
Europe, giving  
comprehensive local  
market coverage*





## *Unique expertise for a high-performing asset class – delivering the best investment strategies*

Demand for logistics and industrial networks is at a record-breaking high in both mature and emerging markets. This upward trend, with a new type of demand for logistics real estate, is widely anticipated to continue.

To gain an edge in this fast-evolving landscape, you need an experienced partner with the creativity to see and shape unique opportunities.

JLL delivers consistent quality and has exceptional market coverage and expertise to bridge the gap between real estate portfolio strategies and supply chain operations. Trusted to deliver tailored solutions for investors, developers and landlords, we are the leading advisor in EMEA, involved in some of the biggest deals with major investors across the region.

*Logistics and industrial assets now account for over 10% of all property investment.*

With more than 700 logistics and industrial specialists globally, JLL works as one centrally co-ordinated team. Sector investment specialists and regional and global teams serving EMEA, Asia Pacific and the Americas together provide the very best advice to our clients.

JLL's global reach, on-the-ground local knowledge, and in-depth data analysis and market intelligence secures operational objectives, a first-class consumer experience for end customers, and profitable tenant businesses ready for an omni-channel and e-commerce future. Our supply chain expertise means we understand the client's business and can deliver the best investment strategy.

No matter where you are in the investment cycle, we are here to help you sell your story to the board and build your investment strategy. We can:

- 1 Advise on selling and acquiring individual logistics assets or portfolios;
- 2 Establish joint-venture relationships with partners we know and trust;
- 3 Identify and raise debt and equity for logistics investment opportunities;
- 4 Optimise transaction with options including net leasing and a build-to-suit service;
- 5 Advise on tenant profiles with a matchless capacity to find tenants where necessary.

JLL has advised on more than €11.5 billion of transactions across EMEA in the last two years. Our co-ordinated team has over 50 experienced Capital Markets specialists across the region with granular market knowledge, unrivalled access to regional and international capital sources, and the ability to deliver valuable market insights. Our team is fully connected to JLL's Global Logistics platform and International Capital Group, which means we have a truly global view on European logistics.

### *Services*

Our comprehensive and unique end-to-end services include:

- ➔ Single-asset acquisitions and disposals
- ➔ Portfolio acquisitions and disposals
- ➔ Joint venture creation
- ➔ Project funding
- ➔ Equity raising and fund development
- ➔ Sale and leasebacks
- ➔ Debt advisory
- ➔ Corporate finance
- ➔ M&A

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## Debt markets



Lending continues to support the market.  
David Lebus

2015 saw record debt volumes lent by the top 12 lenders active in Europe, estimated at some €80 billion. Several lenders signalled 2015 as a record year for their CRE debt origination, namely PBB, Helaba, ING and MetLife. This is unsurprising given investment transaction activity at large, but it was of course boosted by refinancing transactions absent of any changes in ownership.

Banks demonstrated support for large-scale portfolio trades at levels not seen since 2007, although investor interest in these deals appeared to wane towards year-end. This meant that many lenders had met allocations by October, and activity slowed in the closing months of the year.

Overall, the banking sector continued to cleanse its balance sheets by taking advantage of liquidity to sell loans or REO portfolios, and returning tier 1 capital to profitable new lending at sensible leverage. To manage portfolio exposures, banks carried on with their use of syndication partners, which also helped to deliver enhanced returns via margin and fee skimming. Strong underwriting banks that have developed robust underwriting standards to underpin an originate-to-distribute model have reaped the benefits from finding new offshore banking partners, particularly from the Far East, gaining market access and higher returns than they find domestically. This distribution model allows the banks to recycle their capital efficiently while continuing to front the borrower relationship.

In terms of other distribution channels, the CMBS market remained subdued, with no more than three different note issues coming to market in the first half of 2015. From the middle of the year, contagion swept the debt capital markets as fears around first Greece, then China held sway, and there was no new primary CMBS issuance in H2.

The cost of debt kept stable during 2015 with sterling five-year swaps ranging from 1.40% to 1.70% and euro five-year swaps ranging between 0.20% and 0.60%. Since the start of 2016, these have both reduced materially to 0.85% and -0.06% respectively.

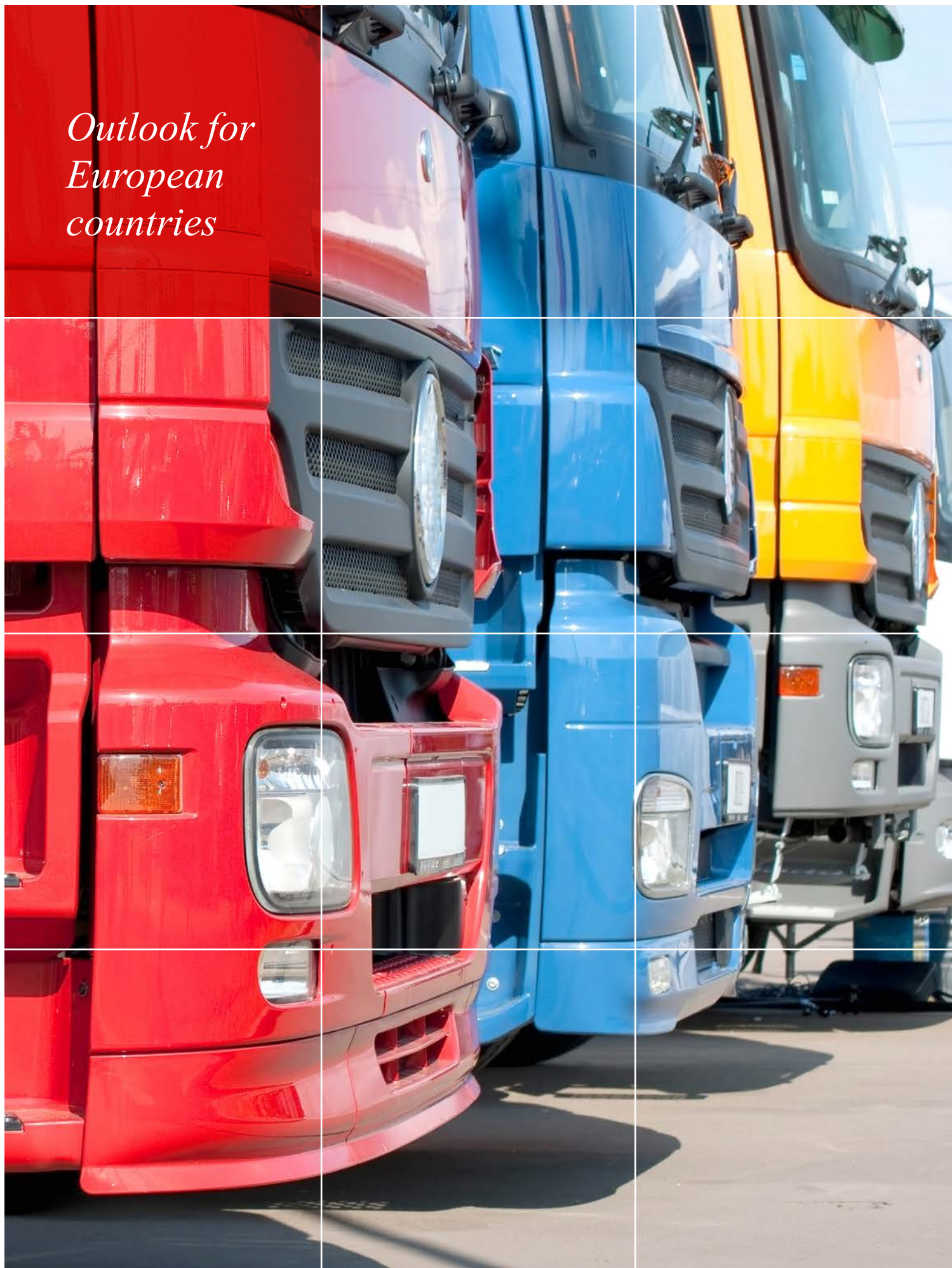
While margins have drifted modestly upwards between 10–25 bps at 60% LTV, the overall cost of debt/interest rates represented by swaps plus bank margins has come down to unprecedented low levels. In Germany, where bank competition to lend is notorious, all-in borrowing rates have dropped to as low as 0.70% for core Pfandbrief eligible assets at LTVs against long-term mortgage values of less than 60%. This has felt like the era of ‘free money’ at these finance rates and the impact on running returns to

equity is significant, converting asset yields of 4.0%–5.0% into 7.0%–8.0% cash on cash returns. In the UK, all-in costs were at best 3.0%–4.0% in 2015 with margins ranging between 1.50%–2.50% above five-year swaps, depending upon sector and whether core through to value-add.

Loans advanced against logistics projects continued to form a major part of the market across Europe, although they played a less important role than in 2014. The most significant deal was the Goldman Sachs led £680 million CMBS refinancing of the Logisor UK portfolio for Blackstone at a margin of around 200 bps for a 70% facility. Other highlights included Brockton Capital and Dunedin's ca. £400 million UK portfolio financing, a 75% facility provided by Barclays, M&G and RBS. On the continent, PBB maintained its interest in the logistics sector, providing a €138 million facility to CBRE Global Investment Partners supporting their acquisition of a Pan European portfolio from TH Real Estate.

The banking sector remains well capitalised, despite stock market volatility hitting banking stocks hard. Access to ECB Repo lines and long-term refinancing operations means that funding support for banks is strong and cheap. In addition, a modest increase in the number of lenders to real estate ensures that, in general, the supply of lender capital is plentiful. Within this, capital providers will continue to migrate to the risk/reward profile of the capital stack that suits their funding sources and, as the supply is fragmented, borrowers have a good choice of lending partners. In principle, this is not expected to change in 2016, but established and traditional lenders, in particular, will remain selective about transactions, underwriting only those that display strong downside protection characteristics and fit in to ‘Good’ or ‘Strong’ risk categories for Basle III capital purposes. Higher yield, non-bank capital will provide the more risk-hungry finance as the capital was raised for this purpose, and while there will be some stress in this sector, the nature of these smaller debt funds means that there will be no knock-on systemic risk building up in the financial system of the type witnessed in 2007–2008.

*Outlook for  
European  
countries*







## Belgium

### Investment Market Overview

Investment in logistics properties in Belgium increased 47% year-on-year in 2015, registering a total volume of €339.7 million, of which 87% was logistics and 13% semi-industrial. The semi-industrial sector was underpinned by owner-occupier transactions which represented 34% of the volume traded. The logistics market recorded a buoyant €295 million, up 93% on 2014, which would have been even higher if more product had been available. Buyers were mainly local Belgian REITs (49%), while international pooled funds from the US and UK were active in large portfolio deals accounting respectively for 18% and 7% of transaction volumes. The top three buy-side investors were Belgian REITs WDP, Montea and Logicor (Blackstone Group). Developers (38%), corporates (27%) and institutions (18%) were dominant on the sell-side.

### Investment Predictions

At the end of 2015 the prime yield for logistics properties stood at 6.50% for six/nine-year leases and at 7.25% for semi-industrial properties. Both indicators compressed 50 bps during the year due to the limited offer of product and strong investor appetite. Demand from both international and national investors is expected to remain high in 2016, but investment volumes will be hampered by the lack of product, which will put additional pressure on yields.

### Occupier Market Overview

Take-up in Belgium's industrial market evolved differently in the logistics and semi-industrial sectors in 2015. Logistics take-up dipped with a volume of 483,000 sq m - 13% down on 2014 and 19% down on the five-year average - with build-to-suit (BTS) projects dominating the market. With 40% of the transacted volume, the Antwerp-Brussels axis remains the prime logistics zone in the country. The largest logistics transaction of the year was a BTS project of some 55,000 sq m for Mobis Parts in Beringen being developed by Goodman. In the semi-industrial market, a solid take-up level of 1.031 million sq m was recorded, in line with the level of 2014 and 10% up on the five-year average. In this sector, owner-occupier acquisitions and redevelopments of old industrial sites into smaller semi-industrial units were the main market drivers. Prime rents for semi-industrial properties rose to €60/sq m/annum, while those for logistics properties remained at €55/sq m/annum.

### Occupier Predictions

Demand for logistics space has the potential to improve during 2016 supported by emerging supply chain solutions for upcoming e-commerce activities in Belgium. Vacancy levels are expected to remain low, at less than 1% in the Brussels Capital Region and below 4% nationally. Developers remain cautious, particularly in the logistics sector, where non-speculative development will continue to dominate the market in the near to medium term. The lack of immediately-available new property, particularly in the category above 20,000 sq m, will limit take-up volumes. Acquisitions and the conversion of older industrial sites into new business parks for SMEs will underpin the occupier market.

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## Select JLL Track Record

### GLS Portfolio

Brussels, Ghent, Liège, Hasselt, La Louvière  
Cross-dock portfolio, JLL advised the vendor  
102,500 sq m | Q1 2015

Approx. €22 million



### Vos Logistics Portfolio

Oevel and Meer  
Investment, JLL advised the vendor  
26,231 sq m | Q4 2015

€13 million



## Czech Republic

### Investment Market Overview

The logistics investment market in the Czech Republic continues to attract robust demand from both sector specialists and institutional investors. However, a relative lack of marketed product resulted in a rather low investment level of around €170 million in 2015.

### Investment Predictions

2016 will see a greater volume of high-quality product presented to the market which, together with ongoing sales, will result in significant liquidity and potentially record investment volumes. The amount of capital targeting the CEE, and the Czech Republic in particular, will continue to put pressure on both prime and secondary yields.

### Occupier Market Overview

2015 saw the highest ever gross take-up of 1.394 million sq m and net take-up of 875,600 sq m. New supply finished the year at 565,000 sq m resulting in a total stock of close to 5.7 million sq m and, more importantly, vacancy falling by 341 bps year-on-year to stand at 5.10% by Q4. The most active sectors in terms of net take-up were manufacturing, which accounted for 43% of transaction volumes, followed by 3PL tenants (29%). More than one-fifth of all net take-up was from automotive-related tenants.

### Occupier Predictions

An improving economic situation, political stability and strong GDP growth are expected to lead to continuing demand from tenants. Low vacancy together with low unemployment rates in traditional locations will help open up regional markets for further development and also investment activity. We will also witness, after many years, the first proof of rental growth for both headline and effective rents.

*“A combination of Europe’s fastest-growing GDP, a strategic location, skilled labour force and political stability will continue to attract occupiers as well as national and international capital for industrial and logistics real estate. From many perspectives, we expect 2016 to be another record-breaking year.”*

### Select JLL Track Record

#### Bora Bora Portfolio

13 assets across Czech Republic

Sold on behalf of Tristan Capital Partners

650,000 sq m | Q3 2014

€523 million



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## Finland

### Investment Market Overview

2015 was a record year for Finland's logistics and industrial investment market. Total transaction volume exceeded €1.15 billion, which was mainly driven by two landmark transactions: a sale and leaseback involving Post of Finland and Blackstone's acquisition (advised by JLL) of a majority stake in logistics and industrial property investment company Certeum. Investor demand for prime assets continued to strengthen; however, as a result of the limited supply as well as increasing risk appetite, the best assets in secondary locations and secondary assets in the best locations started to attract a growing number of investors.

### Investment Predictions

Investors will continue to search for sizeable deals in 2016, and although we expect to see both portfolio and single-asset transactions, the main demand will be concentrated on large prime assets. Robust investment sentiment is set to drive further yield compression towards 6.00%, while prime warehouse product with long, triple net leases is likely to trade at sub 6.00%.

### Occupier Market Overview

Despite weak macroeconomic fundamentals, occupier demand was positive in 2015. Old logistics and warehouse stock is slowly being modernised, but as there was an absence of any speculative development the vacancy rate for logistics space stayed low (4%-5%). Rents continued to remain stable in most of the submarkets, while demand for the large 20,000 sq m + facilities was higher outside the Helsinki Metropolitan area.

### Occupier Predictions

GDP growth for 2016 is expected to pick up and we believe that this will have a positive impact on occupier demand. Exports as well as retail sales are forecast to return to their growth track, so there is a possibility of stronger-than-expected occupier activity towards the end of the year. The relatively low vacancy level and limited development pipeline might act as a trigger for emerging rental growth in the more attractive submarkets.

## Select JLL Track Record

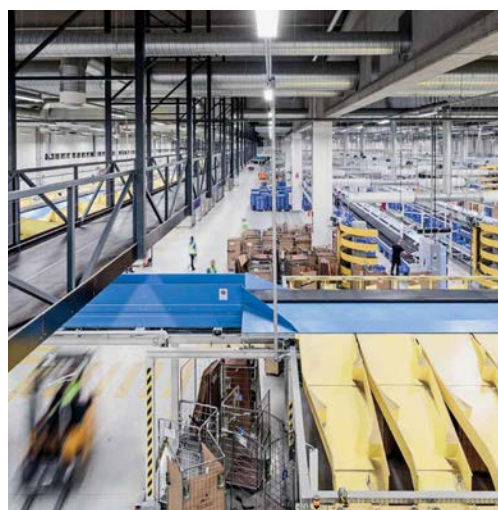
### Titanium Portfolio

Finland

Sale and leaseback

130,000 sq m | Q3 2015

€120 million



*"We are delighted with the excellent outcome of this landmark transaction. JLL executed the transaction in a highly professional manner and within a tight timeline. We are very pleased to have worked in co-operation with JLL, who offered us a client-oriented solution, drawing on the expertise of their local team and leveraging their wide international network. JLL advised us in all aspects of the process, resulting in an ideal solution for Posti Group and a new strategic partnership with NRP."*

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## France

**Investment Market Overview**

The French logistics investment market experienced a dynamic 2015, achieving €1.9 billion in transaction volumes, mainly due to the sale of large portfolios in Q4. Among a sizeable pool of investors, North American and UK funds remained the most prominent, primarily on portfolios. French and international institutional investors were also active, but were more concerned with securing individual assets. A positive financial environment (fuelled by favourable interest rates), a continuing lack of quality single assets and a healthy rental market led to yields compressing to 5.75% for prime logistics assets.

**Investment Predictions**

2016 looks set to follow the trend of last year (accrued interest from investors and a lack of quality products) and, as a result, logistics yields are expected to decrease, in line with the levels reached in other European countries (UK: 4.50%; Germany: 5.25%; Netherlands: 5.60%). With several portfolios currently on the market for sale, investment volumes are likely to hit the €1.5 billion mark in 2016.

**Occupier Market Overview**

The logistics market achieved a strong performance in 2015 with 2.4 million sq m taken-up, a 29% year-on-year increase. In 2014, take-up was well-balanced between the Lille-Paris-Lyon-Marseille Logistics Corridor and other locations in France; in 2015, however, the Corridor accounted for 70% of take-up. Outside the Corridor, turnkey operations for retailers represented more than 50% of deals in 2015 (Carrefour – 190,000 sq m; ITM – 83,400 sq m; Lidl – 54,400 sq m). Within the Corridor, transactions were more diversified with over half of the volume being second-hand assets.

**Occupier Predictions**

The logistics market should perform robustly in 2016, with more than 2 million sq m of take-up forecast. The main logistics hubs in the Corridor will suffer from the lack of supply (especially in Lyon and Marseille), and the shortage of quality supply combined with the scarcity of developable land plots could lead to increasing rents.

*“2016 should certainly be a memorable year for the French logistics market. We already have nearly €200 million of transactions under due diligence or sale agreement, which confirms the robust appetite of international investors for the logistics sector.”*

*Select JLL Track Record***Corridor Portfolio**

Le Havre, Châtres, Tigery, Dourges, Wattrelos, Genay Portfolio  
280,000 sq m | Q1 2016

Approx. €200 million

**Viking Portfolio**

Villabé, Bruyères sur Oise, Lagny le Sec, Amiens Portfolio

440,000 sq m | Q4 2015

Approx. €245 million

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## Germany

### Investment Market Overview

The industrial and logistics investment market in Germany achieved a new record level in 2015, with a total of €4.1 billion being traded, an increase of some 14% on 2014's €3.6 billion. Notably, transaction volumes for Q4 2015 outshone any previous performance, representing the highest quarterly volume ever transacted in the country. Foreign investors accounted for the greatest share (62%) of market activity in 2015. Yields remained under pressure and decreased by almost 100 bps over the year to 5.27%.

### Investment Predictions

With strong economic fundamentals, attractive financial terms, robust occupier demand, and potential rental growth due to low vacancy levels, the German market will remain very attractive to most investors in 2016. The high capital inflow from European and non-European investors is expected to continue, as is the rising transaction activity in Core+ and Value-Add products.

### Occupier Market Overview

Take-up hit a new record-high in 2015. A total of around 6.18 million sq m was taken-up in the warehousing and logistics space market (owner-occupier deals and lettings), which is 5% more than the previous record in 2011 and equates to increases of 21% and 47% compared to the five and ten-year averages. Four large-scale lettings, each over 100,000 sq m (e.g., BMW, Zalando), contributed significantly to the above-average result. Prime rents for warehousing space in the 5,000 sq m + size category remained stable in most regions. Only Munich registered a rise of €0.25/sq m/month in prime rents to €6.75/sq m/month due to the continued scarcity of supply.

### Occupier Predictions

In view of the unwavering vigorous demand from occupiers (including that for larger premises) and the stable economic situation, we anticipate another robust take-up result in 2016. It is even possible that the 5 million sq m mark could be exceeded once more. Prime rents are expected to remain stable in 2016.

*“Due to the major jump in yields in 2015, exits with above-average profits, especially for portfolios, will be possible in 2016, and we therefore expect a number of large-volume portfolio transactions. The major players on the buy/sell-side will continue to be asset and fund managers.”*

## Select JLL Track Record

### MGB III

Mönchengladbach  
63,031 sq m | Q3 2015

€56.2 million



### Logistics Center Hermes Löhne

Löhne  
105,000 sq m | Q1 2016

€104.4 million

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## Hungary

### Investment Market Overview

The increasing weight of capital targeting Hungarian real estate assets that was apparent at the beginning of 2015 was reinforced throughout the year. Promising expectations were met as the total investment transaction volume reached around €790 million for the year, the highest level since the peak of the market in 2007. The volume of industrial transactions totalled roughly €84 million. The sale of portfolio platforms as well as high-profile single assets was witnessed for the first time in many years, with new market entrants appearing to try to gain market share by acquiring portfolios. The prime industrial yield stands at 8.75%.

### Investment Predictions

Interest for Hungarian assets will increase further in 2016. Domestic buyers and overseas investors will drive most of the activity, and liquidity will remain high in every asset class. Although several property portfolios were traded in 2015, we expect further large platforms to be sold in 2016 as well as 'big ticket' landmark buildings. Industrial assets will remain on the scope of investors and we expect sizeable transactions to close, potentially boosting annual volumes to a record high. Further yield compression is forecast in this asset class in 2016.

### Occupier Market Overview

The performance of the occupational market was healthy over the course of 2015. Annual leasing activity reached 353,000 sq m with the vacancy rate declining by an impressive 500 bps year-on-year to 10.6%, a level not seen in the Greater Budapest area since 2008. The most active occupiers in the market remained the international 3PLs (such as Nagel, EuroGate) and manufacturers (Flextronics, Sauflon), while the importance of retailers, and particularly e-commerce, started to gain momentum alongside the strong recovery of retail sales.

### Occupier Predictions

Occupational markets will continue to be robust while supply remains limited. The scarcity of available high-quality space will drive up rents and enhance the bargaining position of landlords, and we anticipate that speculative construction activity will return by year-end. Until then, corporate expansion strategies might be hindered by the supply deficit.

## Select JLL Track Record

### Prologis M1 Business Park Greater Budapest - Páty

69,100 sq m | Q3 2015

Confidential



*“The industrial and logistics market experienced a very strong performance in 2015 and the drivers of the improvement will remain in place in 2016.”*

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## Ireland

### Investment Market Overview

Ireland's total investment market turnover in 2015 was €3.5 billion which, although down on 2014, was still a record year in terms of some very notable transactions. The industrial/logistics sector accounted for 2% of the overall turnover, with the majority of purchases coming from domestic institutions. A distinct feature of the market was the recurrence of developers buying dated second-hand stock below capital values for future refurbishment and a targeting of the growing rental sector.

### Investment Predictions

Rental values are projected to grow to up to €8/sq ft/annum in 2016 and this will encourage new development. There will continue to be a shortage of suitable stock, both for investors and occupiers.

### Occupier Market Overview

Take-up for the entire industrial/logistics market (warehousing and light industrial) has continued its steady, positive path in Dublin. The 10-year average is 2.3 million sq ft per annum, and this has been exceeded in the last four years. Total take-up for 2015, at close to 4 million sq ft, was higher than any previous year in the last decade. Occupier demand remains focused on prime units in core locations, but the tightening of availability of prime space has resulted in secondary deals increasingly dominating take-up figures.

### Occupier Predictions

A synopsis of enquiries for the past 12 months concludes that 56% have been for the leasing of units up to 15,000 sq ft, while enquiries for units below 5,000 sq ft show a similar steady balance of purchase and leasing enquiries. Current prime industrial rents are €7.00/sq ft/annum, which have increased year-on-year by 12.0% from €6.25/sq ft/annum. Rents, however, vary significantly across the Dublin market and are determined on a unit-by-unit basis. Rental growth has been driven by limited supply across the market for prime, well-located stock, particularly for units in certain size categories. Secondary rents are €4.50/sq ft/annum, with no rental increases evident in the last 12 months.

*“2016 will see stable yields and continued rental growth with sustained institutional demand.”*

### Select JLL Track Record

#### 36 Industrial Units, Orion Business Centre, Ballycoolin

Dublin

9,372 sq m | Q4 2015

€ 2.325 million



#### Unit 17, Fonthill Industrial Park

Dublin

Acquisition

2,945 sq m | Q1 2015

€4.805 million

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### Investment Market Overview

The Italian industrial and logistics investment market remains lively thanks to strong interest from international investors. Newcomers are also actively assessing the market, attracted by potentially attractive yields. As a result, transaction volumes reached some €400 million in 2015, their highest peak in the last five years. The closing of two large portfolios sales (€77 and €61.4 million) accounted for more one-third of the annual volume. The other important deals in the year were completed in H1 in Bologna's logistics district, 'Interporto'. The prime net yield in Rome is now at the same level as Milan, both 6.90%, which further confirms the spread of interest towards the market (85 bps of compression in 12 months).

### Investment Predictions

The lack of quality product suitable for institutional investors will affect the market in 2016, partially squeezing the total trading volume. The combination of compressed yields and steady rental growth will trigger new built-to-suit (BTS) projects which will draw investor demand towards this type of product. Secondary locations are likely to become more and more appealing, heating up demand and compressing the yields in these markets too. However, investors will continue to be focused on core product, with location remaining the most important attribute. The macroeconomic environment is exhibiting positive signals, reflected in moderate but steady GDP growth. Furthermore, the expansive measures taken by the ECB are supporting economic activity and a credit recovery.

### Occupier Market Overview

The occupier market in 2015 was characterised by a continuing absorption of available vacant space. Total annual take-up (approximately 950,000 sq m) increased year-on-year by around 30%. 3PLs are still the main logistics occupiers for logistics space, which has also benefited from the impact of e-commerce and manufacturer outsourcing. The Milan Macro Area continues to be the most sought-after and dynamic market, accounting for almost 70% of total absorption (around 650,000 sq m). Demand in other markets has been faced with a shortage of product as new developments remain very scarce.

### Occupier Predictions

The combination of supply shortages and growing demand from occupiers is likely to stimulate new developments in 2016. Given the lack of product, new BTS projects are expected, especially in the Milan Macro area, Bologna and Rome, where a restart of development activity is most likely. On the other hand, new speculative development projects will still be very limited during the forthcoming months.

## Select JLL Track Record

### Polo Logistico di Piacenza (Phase 2)

Piacenza – Le Mose

Development appraisal & advisory for the last phase  
250,000 sq m | Q4 2015

Confidential



*“Across the last 12-24 months, the Italian market has become more and more attractive to international investors. We believe this interest will intensify in the next few months and, hopefully, this could fuel the restart of new development projects. The stability of the market and positive forecasts should ensure another profitable year.”*

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## Netherlands

### Investment Market Overview

The industrial and logistics investment market in the Netherlands amounted to approximately €1.4 billion in 2015, which represents an increase of 26% compared to 2014. Logistics real estate attracted particularly strong interest, with around 63%, or €883 million, attributable to the sector.

### Investment Predictions

Market fundamentals, notably low vacancy and strong occupier demand, are set to remain positive, and while the current low interest rate environment is maintained, national and international investors will continue to target real estate as an investment class, especially logistics, which will carry on offering positive risk/returns. Moreover, the logistics sector is expected to attract attention from new international investors. As a result, yields will stay under pressure in 2016.

### Occupier Market Overview

Over 2015 the occupier market recorded historic high take-up volumes. Take-up of logistics space amounted to almost 1.8 million sq m, an increase of 70% year-on-year. As a result, available supply saw its downward trend continue, and currently the Dutch logistics market is faced with a vacancy rate of 5.3%. With a scarcity of available supply, take-up has been primarily driven by built-to-suit (BTS) developments.

### Occupier Predictions

Demand for logistics space in 2016 will be mainly fuelled by changes in the supply chain and in the e-commerce sector. This, in turn, will increase demand for distribution centres. As available modern supply is limited, occupiers will, for now, remain focused on BTS developments, although strategic investors/developers are already exploring opportunities for potential new developments. Available supply could therefore slightly increase during the course of 2016, giving occupiers a greater choice of accommodation.

*“Pressure on yields will remain in 2016, and low yields will potentially have a negative impact on rental levels for existing properties as they have to compete with the low rents of new developments which can be offered because of historic low yields and stabilised construction and land costs.”*

## Select JLL Track Record

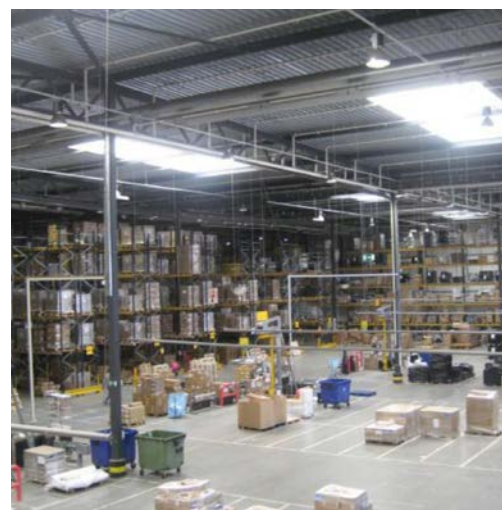
### DC Sony

Dongenseweg 200, Tilburg

Acquisition

Approx. 81,500 sq m | Q2 2015

€54.2 million



### DC Schneider Electric IT Logistics Europe

Gerstdijk 19, Helmond

Sale

Approx. 50,000 sq m | 2015

€38.572 million

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### Investment Market Overview

The Polish logistics investment market saw €473 million transacted across 14 deals in 2015, of which five were portfolio sales; 70% of trading volume occurred in H2. The largest transactions included: P3's acquisition of the CA Immo Portfolio in Błonie and Piotrków Trybunalski; GLL's acquisition of the Amazon Fulfilment Center in Wrocław; Deko's purchase of MLP Tychy and Bieruń; Gramercy's purchase of two logistics facilities from Raben; and Raiffeisen's disposal of two Warsaw logistics centres to Savills Investment Management. Prime warehouse yields stand below 7.00%, with exceptional long-leased assets trading at sub 5.5%.

### Investment Predictions

Investors will continue to search for large-scale portfolio transactions in 2016. While 2015 did not witness any significantly sized portfolio transactions, 2016 is expected to see a number of such deals. Strong investment sentiment is set to drive further yield compression towards 6.50% for prime warehouse product, and any exceptional assets (leased to strong covenants for a period in excess of 10 years) could trade at sub 5.5%.

### Occupier Market Overview

In 2015, occupier activity was again at an historic high, even after 2014's outstanding performance, with new take-up reaching nearly 1.5 million sq m (including deals below 5,000 sq m). The vacancy rate continued to fall and stood at 6.2% on a national basis in Q4, the lowest rate ever for Poland's industrial market. Headline rents were under slight pressure in Upper Silesia and Poznań while remaining stable in the Warsaw, Central Poland and Wrocław regions. Developers continued their gradual expansion into secondary markets, with new warehouse hubs being delivered in locations such as Szczecin, Rzeszów, Lublin and Bydgoszcz.

### Occupier Predictions

In 2016, substantial new supply will enter the market. Even so, the record high take-up seen in 2015 will most likely be sustained in 2016 as the country's macroeconomic fundamentals are still robust. This suggests that the market will absorb the delivered space, with vacancy rates continuing to be stable. We also anticipate that rents will keep steady, although the aggressive policies of a few developers may lead to slight decreases in some regional markets.

*"We believe that 2016 volumes can exceed the solid 2015 result and potentially produce another record level. With a strong occupational market, we remain very positive about the further evolution of the investment market and yield compression."*

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### Select JLL Track Record

#### Amazon Fulfilment Center Wrocław

Wrocław

Core/Sale and Leaseback (15 years)

123,400 sq m | Q4 2015

Confidential



#### CA Immo Logistics Portfolio

Błonie, Piotrków Trybunalski (Poland) and Bucharest (Romania)

Cross-border portfolio/transaction | Q1 2015

Polish assets: 251,400 sq m

Romanian asset: 215,000 sq m

Polish assets: €75 million

Romanian asset: €120 million

## Romania

### Investment Market Overview

Property investment volumes in Romania totalled €675 million in 2015, coming off the back of a very strong 2014, when ca. €1.17 billion was transacted, including a number of unique, very large deals. However, it is notable that 2015 witnessed an equally large number of transactions, proving that the market was still liquid and maintaining its momentum. Market volumes were dominated by industrial/logistics transactions (41%), making 2015 an all-time record year for this sector, followed by offices (38%). The most active buyer in the year was Czech investor CTP, who acquired six industrial properties across Romania for a combined total value of over €130 million. Prime industrial yields now stand at 9%.

### Investment Predictions

Prospects for 2016 are positive given that the economic growth of the country is forecast to be one of the highest in Europe; the good availability of quality product; and the still significant yield spread between Romania and Poland or the Czech Republic. With the improving conditions offered by the banking sector, we expect yields to continue their compression in 2016. Investors looking for distressed property in Romania will struggle to find any that can be worked out, whatever the asset class.

### Occupier Market Overview

Demand for logistics and industrial space maintained its growth path in 2015, one which started in 2013 following the very poor post-crisis years. Close to 310,000 sq m was leased last year, a similar volume to that registered in 2014. Out of the total leased area, approximately 265,000 sq m was net take-up (27% higher year-on-year). Most activity was concentrated in Bucharest (38% of total take-up), Timisoara (18%) and Ploiesti (9%). The vacancy rate now stands at 5% in Bucharest and 10% nationally, and there has been no evidence of speculative development. Demand in 2015 was generated mainly by logistics companies in Bucharest and by automotive companies outside the capital.

### Occupier Predictions

Net take-up in 2016 is expected to stay in the same range as 2015 as the economy continues to perform strongly, and although it will push vacancy rates even lower, it should also generate new developments. Established developers, but also new entrants such as P3 or CTP, will be competing to secure pre-leases. We anticipate a slight increase in new demand from e-commerce and logistics companies. At the same time, manufacturers are projected to continue their expansion, so the demand for build-to-suit facilities will remain robust.

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## Select JLL Track Record

### Europolis Logistic Park

Bucharest West, Km. 13, A1 Highway

Buy-side advice

215,000 sq m | Q1 2015

€120 million



### Prologis Park

Bucharest West, Km. 23, A1 Highway

Investment / Sell-side advice for Prologis  
in selling their logistic park to CTP /  
further development potential  
107,000 sq m | Q3 2015

€39 million



## Russia

### Investment Market Overview

In 2015 the Russian logistics sector continued to be interesting to established investors and, in addition, attracted the attention of new Chinese and Middle Eastern players looking to enter the market. The warehouse sector's share of total real estate investment volumes constituted 13% in 2015, which is in line with previous years. Yields remained flat through the year at 12%, but a substantial drop in rental rates due to currency devaluation resulted in a significant correction in capital values in dollar terms. This drew not only investor interest but also substantial interest from owner-occupiers. Moscow and the Moscow region accounted for almost 85% of all investment into the logistics sector in Russia in 2015.

### Investment Predictions

The major correction in capital values is making the logistics sector appealing to investors. The cost of capital remains high though, and is the foremost constraint to investment market growth. Investment into warehouses is expected to exceed 15% of total real estate investment volumes in 2016 due to several deals being under discussion, some of which are at an advanced negotiation stage, as well as elevated demand from new market players. Capitalisation rates are expected to remain stable in 2016.

### Occupier Market Overview

Total modern warehouse stock in Moscow and the Moscow Region (95% of Russia's total stock) reached 12 million sq m in 2015. New completions comprised 839,000 sq m, which is almost two times lower than in 2014. Transactions for warehouse space in 2015 totalled 1.3 million sq m, a 37% increase on 2014 and only slightly less than the market peak of 2013. Nearly half of all transactions for new warehouse space in the year were carried out by the retail sector. Distribution and logistics companies accounted for 19% and 13% of all transactions respectively. Despite the increased demand, vacancy levels remained relatively high at 10.5% in 2015, explained by the high volume of completions over the last couple of years as well as increased availability of secondary stock. Over the course of 2015, average rents for new deals remained unchanged compared to 2014 in ruble terms, at RUB 4000/sq m/annum (ca. €50), but have decreased by almost half in dollar terms due to currency devaluation. A substantial differential in rents exists between new deals, renewals and rents under signed contracts for stock completed in 2014 and earlier.

### Occupier Predictions

The pipeline of high-quality warehouse space for 2016 is estimated at 700,000 sq m, half of which has already either been leased or sold at an early stage of construction. Taking into account the reduced levels of supply expected in 2016, the vacancy rate is forecast to decrease towards the end of the year. The differentiation of rents due to project location will continue, with the more expensive schemes located in high-demand locations, i.e. close to the Moscow Small Ring Highway. The growing e-commerce market may be one of the key drivers of demand for warehouse space in 2016. Despite the recent macro headwinds, e-commerce continues to expand rapidly, showing circa 30% year-on-year growth. Rents will likely remain flat over first two to three quarters of 2016 with a further gradual recovery starting from late 2016, which takes into account the limited amount of supply as well as an expected continued high level of occupier activity.

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## Slovakia

### Investment Market Overview

The improving economy and strong market confidence was reflected in the performance of Slovakia's real estate investment market in 2015, with the industrial/logistics sector the most active. Total investment volumes reached some €412 million, of which €120 million were logistics/light industrial transactions, and the number of deals exceeded 2014's level. International players now play a dominant role in the investment market, having significantly increased their appetite for portfolio product, even in smaller regional cities. The gap in pricing expectations between vendors and bidders is narrowing, as bidders are now willing to employ more financial resources than before.

### Investment Predictions

Overall market sentiment is very positive across all property sectors. We expect a smooth continuation of deals already in progress and the start of several new single asset and portfolio deals in 2016. As industrial yields are higher than in neighbouring countries, investors will also be motivated to explore attractive opportunities. We anticipate new market entrants as well as pressure on existing players to expand their presence over the coming year.

### Occupier Market Overview

At the end of Q4 2015, total modern industrial stock in Slovakia stood at 1.532 million sq m. Greater Bratislava is the largest of the industrial regions with over 60% of the country's supply. In 2015 the industrial and logistics market absorbed around 35,000 sq m of newly-built industrial space, which is almost 57% down on 2014. The market continues to follow the trend of built-to-suit projects, while a degree of speculative development is responding to the increased demand for space. Leasing activity in 2015 was characterised in particular by new demand, but renegotiations remain an important feature of the market. The total volume of completed transactions exceeded 300,000 sq m. Net take-up was around 216,000 sq m, which is close to an 85% year-on-year increase. Towards the end of 2015 we recorded a significant decline in vacancy, with Q3 registering a level of 3.47% (compared to an average 7% over the last few years).

### Occupier Predictions

The current economic situation generally supports business expansion and, in turn, this will fuel greater demand from existing tenants. The increase in interest can also be seen from companies who would like to enter the Slovak market to establish production facilities. With this positive outlook, we expect another record year in terms of leasing activity and new development.

*“Slovakia has become an established investment destination, offering attractive pricing when compared to other core CEE markets. We feel very positive about the investment climate again in 2016.”*

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## Select JLL Track Record

### DNV Industrial Park

Bratislava

Investment Sale

84,000 sq m | Q3 2015

Confidential



### Trnava & Nitra Industrial Parks

Trnava / Nitra

Investment Sale

76,000 sq m | Q4 2015

Confidential



## Spain

### Investment Market Overview

Spain's logistics investment market continues to attract international capital with new funds arriving every quarter. The volume of direct transactions in 2015 increased by 165% year-on-year, although the proportion of portfolio deals fell from 41% in 2014 to 11% in 2015. The significant rise in volume can be attributed to the recovery of macro fundamentals, a strengthening occupational market and exceptional liquidity. Notably, 2015 saw a number of share deals and stock buy-ins, such as Merlin Properties in the Port of Barcelona. Geographical investment horizons have broadened significantly beyond the core markets (Madrid and Barcelona) with interest growing and deals taking place in cities such as Vitoria, Valencia and Zaragoza.

### Investment Predictions

Provided there is a stable political framework, investment volumes look set to grow further as there is significant demand for logistics assets, mainly based on excessive liquidity and rental growth expectations. This has been reflected in the prime yield, which has dropped to 6.75% in Madrid and Barcelona and could potentially reach 6.5% in Q1 2016. For the opportunistic investor the targeting of developments or secondary assets will be key if they are to achieve expected returns. On the other hand, core investors will continue to allocate capital to the Spanish market, while also starting to analyse forward-funding transactions due to the lack of prime assets.

### Occupier Market Overview

Occupier demand in 2015 was more active than the previous year and, on the whole, the industrial and logistics market returned to a reasonable degree of normality, although not at expected levels in Madrid. However, it is important to note that rents have dropped dramatically over the last five years, and that demand has most likely taken advantage of this situation. There was a slight improvement in consumption, and this has resulted in the growing number of transactions. In general, the food industry and retailers have been the main drivers of demand.

### Occupier Predictions

A positive improvement in the outlook is anticipated for 2016, due to consumption maintaining its 'growth mode' and the market becoming more dynamic. Once again, e-commerce and retailers will be the principal drivers and, overall, Spain is likely to be considered a good market with excellent opportunities. Prices in Madrid will probably remain relatively stable while in Barcelona there will be the possibility of higher figures, but still quite reasonable for any positioning/repositioning before vacancy ratios go down sharply.

## Select JLL Track Record

### Prologis Iberian Portfolio

Zaragoza and Valencia

Sale / Sold on behalf of Prologis

144,321 sq m | Q4 2015

€72.6 million



*“There is still room for yield compression and for rents to increase in the next three years. With very limited opportunities, off-market activity will expand and investors will need to specialise in complex deals such as redevelopment or built-to-suit projects to enter the market.”*

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## Sweden

### Investment Market Overview

Investment activity in 2015 reached an historic high for the Swedish logistics sector, the market being characterised by very strong demand from both national and international investors. The total transaction volume was around €1 billion, which represents 6% of Sweden's total investment market (€16 billion) for the year. Prime assets in the main logistics hubs continued to be the most sought-after product, while prime yields compressed to an all-time low of 6% in the year.

### Investment Predictions

The high levels of investor interest and active demand for the sector are expected to be maintained for the foreseeable future. As a result, we anticipate that yields will remain under pressure.

### Occupier Market Overview

Occupier demand has been concentrated on modern premises, with short lease terms and quick access within six-nine months wanted in the larger hub locations in Stockholm, Gothenburg, Helsingborg/Malmö, Örebro and Jönköping. During 2015 we saw a higher-than-average number of developments being built for owner-occupation. The vacancy rate is still low in the larger hub locations, but we have witnessed several developers building on a speculative basis in Gothenburg and Stockholm, geared to providing occupiers with modern buildings and quick access.

### Occupier Predictions

The vacancy rate is highly likely to remain low in larger hub locations with demand levels still very much stronger than supply. In general, rents will probably remain stable although there is the potential for slowly-increasing levels through the year.

*“Strong occupier demand and a liquid investment market are currently characterising the Swedish logistics sector.”*

## Select JLL Track Record

### Hälsobrunnen

Stockholm

Sale, JLL represented NCC

10,400 sq m | Q3 2015

€13 million



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## United Kingdom

### Investment Market Overview

The UK logistics and industrial investment market continues to be robust, however figures suggest that there was a softening in investment demand in 2015 compared with 2014, which remains the strongest year on record when £8.7 billion was transacted. Yields over the course of 2015 kept stable due to the continuing theme of a lack of stock and healthy demand for UK industrial space - with aggressive bidding evident for both prime and secondary stock as investors saw the attraction of strong capital growth and the return of a healthy occupational market, which is now causing significant growth in prime headline rents. Prime South East yields stood at 4.75% and prime regional distribution yields at 5.00% in 2015. Sharper yields have been achieved on exceptional opportunities.

### Investment Predictions

With strong economic fundamentals, attractive financial terms, robust occupier demand, and potential rental growth due to low vacancy levels, the UK market will remain very attractive to most investors in 2016. The high capital inflow from European and non-European investors is expected to continue, as is the rising transaction activity in Core+ and Value-Add products.

### Occupier Market Overview

Total occupier demand in 2015 was 12% down on 2014. In total, 17.2 million sq ft was taken up in the logistics market last year with retailers accounting for a 46% share. Despite the fall in demand, take-up in 2015 was still 8% up on the annual average level over the past five years. Grade A supply increased by 50% in 2015 following a number of years of falling supply. This was prompted by ca. 9.2 million sq ft in new speculatively-developed space. Prime headline rents in 2015 grew by 8.5% across the UK with incentives continuing to decrease.

### Occupier Predictions

We expect overall occupier activity across the big box sector in 2016 to be broadly the same as last year. The growth of online retail will continue to be a key driver of demand across a range of facilities, sizes and locations. Given the low vacancy rate and development pipeline, we anticipate a further increase in speculative development activity this year. Prime rents are projected to rise nationally by ca. 3.7% pa over the next four years (2016-2019). Certain locations will, however, witness significantly stronger uplifts.

### Select JLL Track Record

#### B&M, The Vault, Liverpool International Business Park

Liverpool

637,392 sq ft | Q1 2016

£48.144 million



*"The UK logistics market remains robust despite global economic headwinds. This is being driven by the ever-improving occupational market which is causing a sustained period of rental growth. The major players have been UK institutions, but we have also seen a growing number of foreign investors entering the market."*

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## EMEA case studies



### Project Strauss

Multi-country portfolio disposal

117,00 sq m | Q4 2015

#### 5 assets across 3 countries

JLL represented Raiffeisen Capital Management on the disposal of a core logistics portfolio spread equally across Germany, France and Poland.

Seller:  
Raiffeisen Capital Management

Purchaser:  
Savills Investment Management & EPF

€101 million



### Project Viking

Acquisition advisory

600,000 sq m | Q4 2015

#### 7 assets across 4 countries

JLL acted for CBRE Global Investors in the acquisition of 7 assets logistics assets across 4 countries from TH Real Estate.

Seller:  
TH Real Estate (managing 3 vendors)

Purchaser:  
CBRE Global Investment Partners

€350 million



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