

## European Distribution Warehousing Property Clock, Q1 2008

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The Jones Lang LaSalle European distribution warehousing rental index grew by 0.5% over the quarter and 2.6% over the last 12 months.

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Rental increases over Q1 2008 were strongest in the still expanding CEE markets and in prime logistics hubs driven by specific infrastructure locations (seaports and airports).

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Overall, rental growth in the distribution warehousing market in Europe is starting to slow down. Rental forecast suggests rental growth to remain limited and no market is expected to see rental increases to exceed 3% annual growth in 2008.



# Overview

Expectations for economic growth in 2008 continue to weaken as a consequence of the financial turmoil and uncertainty in the markets. Global GDP growth slowed to 3.6% in 2007, down from 3.9% in 2006. Most of this slowdown was due to a weaker growth in high-income countries. Global GDP growth in 2008 should further moderate to 2.8%.

According to the latest consensus forecast figures (March), in 2008 growth is at 1.5% for the Euro Zone and 1.9% in the European Union, further revised downwards from latest forecasts in January 2008 (2.1%).

Due to the less positive economic outlook, global trade growth is expected to slow down in 2008 as well. Nevertheless, world trade volumes are expected to be fuelled by continues strong growth in developing markets. Higher imports in the developing economies in combination with an increasingly world wide sourcing of raw materials and products will however sustain a good performance in the European logistics market in 2008, in particular driven by the transport sector and third party logistics providers.

The Jones Lang LaSalle European Rental Warehousing Index, based on the weighted performance of 25 markets<sup>1</sup>, increased by 2.6% over the last 12 months, up from 2.3% annual growth recorded in Q4 2007. This was especially driven by strong rental increases in CEE markets such as Warsaw (+9.5%), Budapest (+8.3%) and Moscow (+7.1%). Strong annual rental increases were also recorded in markets where supply has become more limited. Rents increased by more than 5% in Madrid (+7.1%), Brussels (+6.4%), Antwerp (+6.3%), Stockholm (+5.9%), Manchester (+5.1%) and Rotterdam (+5.0%) since Q1 2007.

The strongest rental increase was recorded in Oslo (not included in the rental index) up 10% on Q1 2007, mainly due to limited supply volumes. However, whilst rents in Oslo increased over the year, they remained stable over Q1 2008, indicating a stabilisation of rents going forward.

Over the last 12 months, rents also increased in tow other markets not included in the index: Kiev (+8.3%) and Utrecht (+4.5%), whilst they remained stable in Q1 2008 in both markets.

Analysing rental changes over the first quarter of 2008, however, a different picture emerges. Quarterly rental change in the index was much more limited, growing by 0.5%, down from 0.8% in Q4 2007, indicating a now confirmed slowdown of rental growth in the European logistics sector.

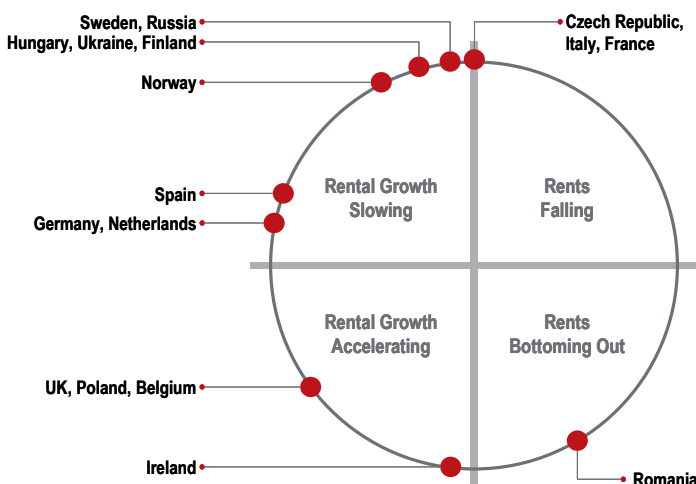
In fact, prime distribution warehousing rents remained stable in the majority of markets over the last three months. Out of a total of 32 markets analysed, only seven recorded increasing prime rents.

Rents increased highest in Budapest (+8.3%), Moscow (+7.1%) and Warsaw (+4.5%) over the quarter, still driven by the strongly expanding CEE economy and the catch-up of these markets.

Rental increases were recorded also in Amsterdam (+2.7%), London (+1.8%), Barcelona (+1.1%) and Rotterdam (+0.8%), all driven by specific primary logistics infrastructure hubs (seaports and airport locations), offering a limited supply.

Further rental growth prospects across Europe's distribution warehousing markets are expected to remain limited, with a total annual growth rate in 2008 (Q1-Q4 2008) which is forecast to remain below 1%. No market is expected to exceed a rental increase of more than 3.0% during 2008.

In general, we expect to see rental increases mainly in the infrastructure driven primary hubs, where high demand meets limited supply. No or very limited rental changes are expected instead in the secondary logistics hubs, offering a good availability of land and thus high potential new supply. Rental levels in these locations are very similar, ranging from € 43-50/m<sup>2</sup>/p.a. in the majority of markets.



**Note:**

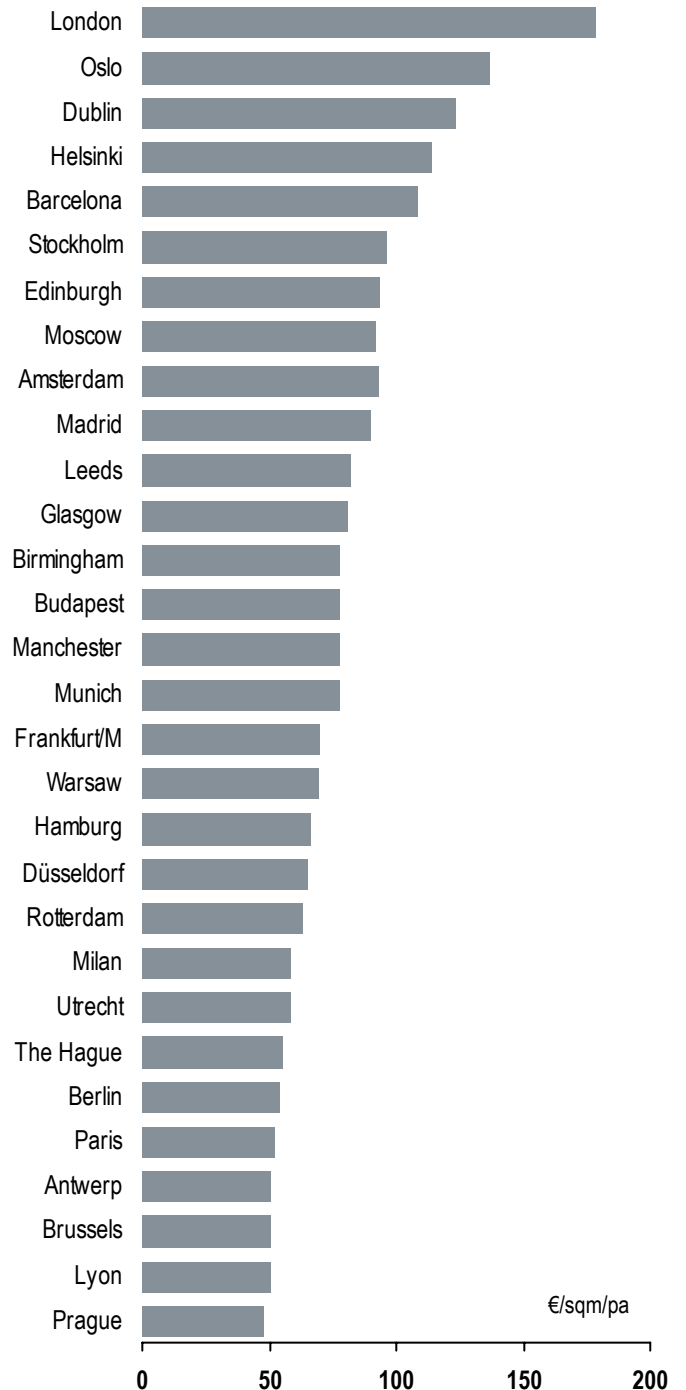
- This diagram illustrates where Jones Lang LaSalle estimates each distribution warehousing market is within its individual rental cycle as at end March 2008.
- Markets can move around the clock at different speeds and directions.
- The diagram is a convenient method of comparing the relative position of markets in their rental cycle.
- Their position is not necessarily representative of investment or development market prospects.
- Their position refers to prime face rental values.

<sup>1</sup> The index comprises Antwerp, Amsterdam, Barcelona, Berlin, Birmingham, Brussels, Budapest, Dublin, Düsseldorf, Frankfurt, Glasgow, Hamburg, Leeds, London, Lyon, Madrid, Manchester, Milan, Moscow, Munich, Paris, Prague, Rotterdam, Stockholm, and Warsaw.

## Prime Distribution Warehousing Rents and Rental Change Q12008

	€/sqm/pa	% Q-o-Q		% Y-o-Y	
<b>Europe</b>		0.5	↔	2.6	↑
Antwerp	50	0.0	↔	6.3	↑
Amsterdam	93	2.7	↑	2.7	↑
Barcelona	109	1.1	↑	4.0	↑
Berlin	54	0.0	↔	0.0	↔
Birmingham	78	0.0	↔	0.0	↔
Brussels	50	0.0	↔	6.4	↑
Budapest	78	8.3	↑	8.3	↑
Dublin	124	0.0	↔	2.3	↑
Dusseldorf	65	0.0	↔	2.8	↑
Edinburgh	94	0.0	↔	0.0	↔
Frankfurt	70	0.0	↔	0.0	↔
Glasgow	81	0.0	↔	4.8	↑
Hamburg	66	0.0	↔	0.0	↔
Helsinki	114	0.0	↔	0.0	↔
Leeds	82	0.0	↔	0.0	↔
London	179	1.8	↑	1.8	↑
Lyon	50	-5.7	↓	0.0	↔
Madrid	90	0.0	↔	7.1	↑
Manchester	78	0.0	↔	5.1	↑
Milan	58	0.0	↔	1.8	↑
Moscow	92	7.1	↑	7.1	↑
Munich	78	0.0	↔	0.0	↔
Oslo	137	0.0	↔	10.0	↑
Paris	53	0.0	↔	1.9	↑
Prague	48	0.0	↔	0.0	↔
Rotterdam	63	0.8	↑	5.0	↑
Stockholm	96	0.0	↔	5.9	↑
The Hague	55	0.0	↔	0.0	↔
Utrecht	58	0.0	↔	4.5	↑
Warsaw	69	4.5	↑	9.5	↑

## Prime Distribution Warehousing Rents Q1 2008



**Note:** 1. Prime Distribution Warehousing Rent represents the top open-market rent that could be expected for a notional distribution warehousing unit of the highest quality and specification in the best location in a market, as at the survey date (normally at the end of each quarter period). The rent quoted normally reflects prime units of over 5,000 m<sup>2</sup> of lettable floorspace, which excludes rents that represent a premium level paid for a small quantity of space  
 2. Q-o-Q and Y-o-Y rental change is based on the local currency

## Market **Contacts**

Belgium	Sheelam Chadah	+32 495 582 624
Czech Republic	Kevin Turpin	+420 227 043 131
Finland	Tero Lehtonen	+358 40 565 5389
France	Tanguy Quero	+33 01 40 55 18 79
Germany	Helge Scheunemann	+49 40 350011 225
Hungary	Andrea Marian	+36 1 489 0202
Ireland	Dr. Clare Eriksson	+353 1 6731656
Italy	Raffaella Pinto	+39 02 36010 585
Netherlands	Ruben Langbroek	+31 20 5407 873
Poland	Anna Bartoszewicz-Wnuk	+48 22 330 6607
Portugal	Alexandra Gomes	+351 21 358 32 22
Romania	Levis Vlad	+402 1 310 9386
Russia	Vladimir Pantyushin	+7 495 737 8000
Sweden	Paul Kivimets	+46 8 453 51 35
Spain	Olga Hornillos	+34 91 789 11 00
United Kingdom	Paul Guest	+44 20 3147 1925

## Report **Contacts**

Alexandra Tornow  
Associate Director  
Hamburg  
+49 (0)40 350011-339  
alexandra.tornow@eu.jll.com

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