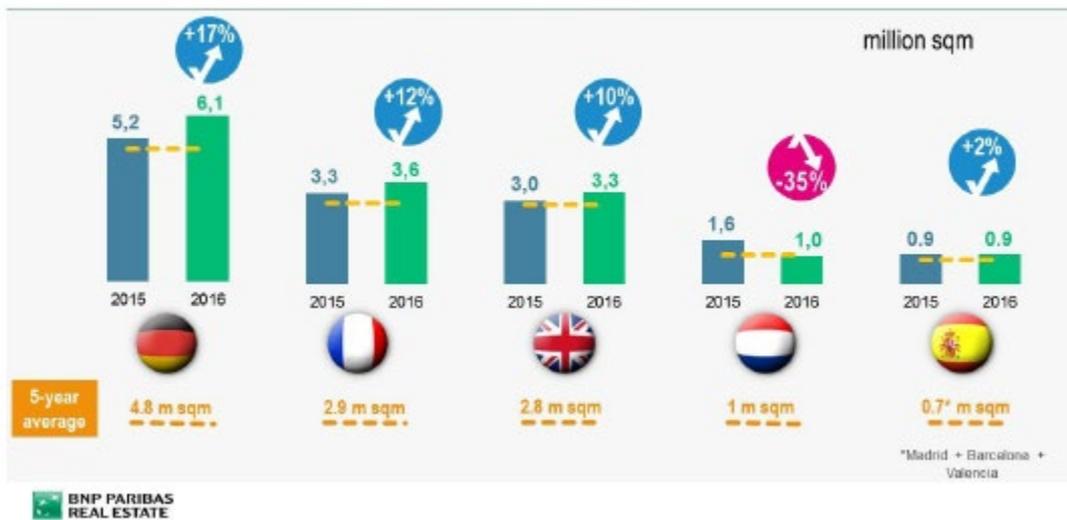


Take-up: double-digit growth in the three leading countries

LOGISTICS TAKE-UP: MAIN EUROPEAN MARKETS



European logistics has been particularly dynamic despite the economic and political uncertainties surrounding the Brexit referendum vote, the election of Donald Trump in the United States and elections to come during 2017 in a number of European countries including France, the Netherlands and Germany.

Take-up for warehouses over 5,000 sqm declined by just 1% during 2016 in the 21 cities regularly followed by BNP Paribas Real Estate. After a slow start to the year, the market finally regained strength to stabilise well above the average levels of transactions recorded since 2010. Strong growth has been evident in the leading countries supported by substantial regional activity outside the principal markets, particularly in France and Germany. Demand for large units has been boosted by distribution and e-commerce activities. Overall, distribution and retail drive the market nearly everywhere in Europe. It represented the largest share of the volume of warehouses taken up in 2016 in France (55%) the UK (55%) and in Germany (42%).

Supply is just barely keeping pace with demand especially for large units and rents remained fairly stable in Europe.

INDUSTRIAL AND LOGISTICS INVESTMENT



Germany is the largest occupier market in Europe boosted by the strong activity in its manufacturing industry and the retail sector.

France recorded strong activity in 2016 with double digit growth to reach 3.6 million sqm. Retailers and e-commerce players were by far the largest users of warehouses in 2016 and the few speculative developments have not been sufficient to meet a growing demand for large units. Owner-occupier deals reached nearly half of the volume of transactions during 2016. Greater Paris accounted for a quarter of the total market but the volume of transactions in this location declined by 25%.

In the UK, the market picked up in 2016. Take-up increased by 10% to reach 3.3 million sqm and the shortage of supply of big boxes has been offset for the first time in years by speculative developments.

In Spain, the market is stabilizing following steady growth in 2015. Nonetheless take-up in Barcelona rose by another 10% during 2016 stimulated by 2 large turnkey projects for retailers each exceeding 100,000 sqm.

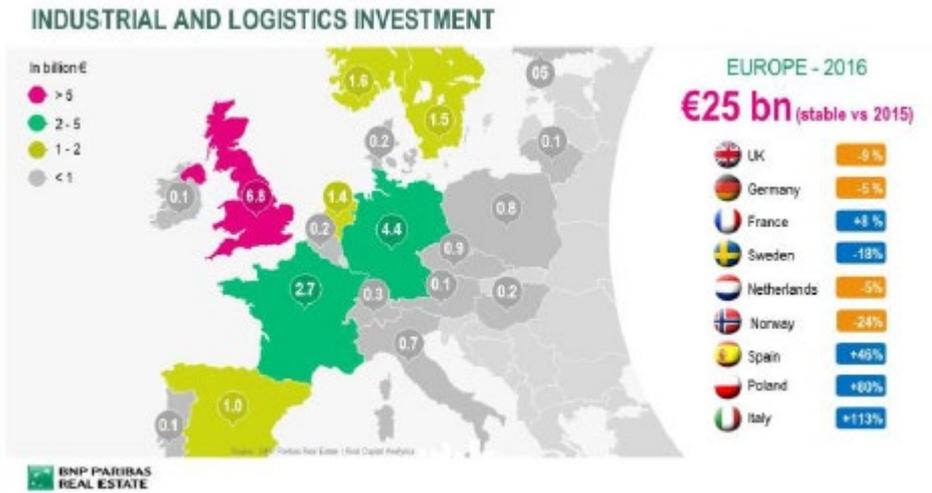
In the Czech Republic and Poland, e-commerce and distribution for retailers is the main demand driver contributing to market growth in 2016. Low vacancy rates in Poland (6%) and the Czech Republic (4.6%) have been a motivator for new development schemes.

Yet another strong year for industrial and logistics investment

The investment market for industrial and logistics premises stabilised at €25 bn in 2016 despite a climate of political uncertainties.

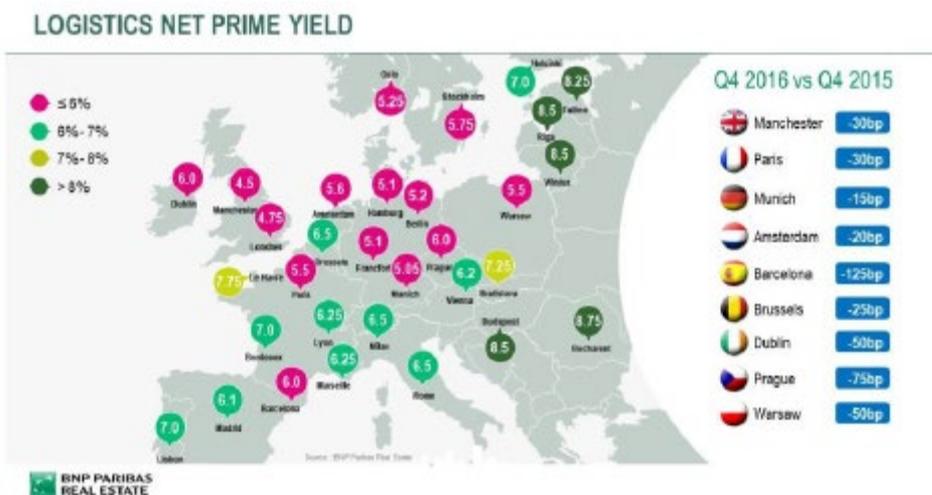
"Financial liquidities remain abundant and, besides pure players, the logistics market is attracting investors who continue to consider logistics assets to extend their portfolio offer. Logistics prime yields reached their lowest level in most countries but are still well above the 10-year government

bonds which bottomed out to historical lows in 2016. Logistics prime yields remain attractive compared to other assets. Indeed, the gap between offices and logistics yields exceeds 150 bp in a number of countries including Spain, France, Sweden and Germany and there is still some room for compression for large warehousing units located near large consumption areas", comments Logan Smith, Head of Logistics Investment for Europe at BNP Paribas Real Estate.



The UK was the largest industrial and logistics investment market in 2016 with €6.8 bn invested, declining by 9% compared to 2015.

In Germany, industrial and logistics investment declined slightly by 5% in 2016 to €4.4 bn, yet achieving the second highest volume ever recorded.



In France, the return of speculative investment and the affluence of liquidity stimulated the market and enabled a prime yield at 5.50% in Greater Paris. The volume of industrial and logistics investment set another record to reach €2.7 bn, (+8% compared to 2015).

In the Netherlands, the industrial and logistics market reached €1.4 bn. In Spain, the market continued to be thriving following the massive rebound in 2015. The volume of industrial and logistics investment grew even further by 49% to a record of €993 million. In Poland and the Czech Republic, strong demand for logistics and industrial investment pushed yields down to 6% in Prague and 5.5% in Warsaw.