

EUROPEAN LOGISTICS MARKET IN H1 2018

The logistics market remains strong but adjusted down following the exceptional volumes achieved in 2017

- ⇒ **Logistics take-up for warehouses over 5,000 sqm: -14% in H1 2018 vs H1 2017**
 There is no surprise to see a slump in take-up compared to the historic volume achieved in 2017. The logistics occupational market is still strong though and above its 5-year average mark. Some countries like Spain, Germany and the Netherlands even managed to at least level their historical volumes of transactions.
- ⇒ **Industrial and logistics investment: €14 billion, -21% in H1 2018 vs H1 2017**
 The investment market adjusted down following the exceptional volumes achieved in 2017. Yet, investor interest is not fading: the market for industrial and logistics premises reached its second highest mid-year volume of investment.

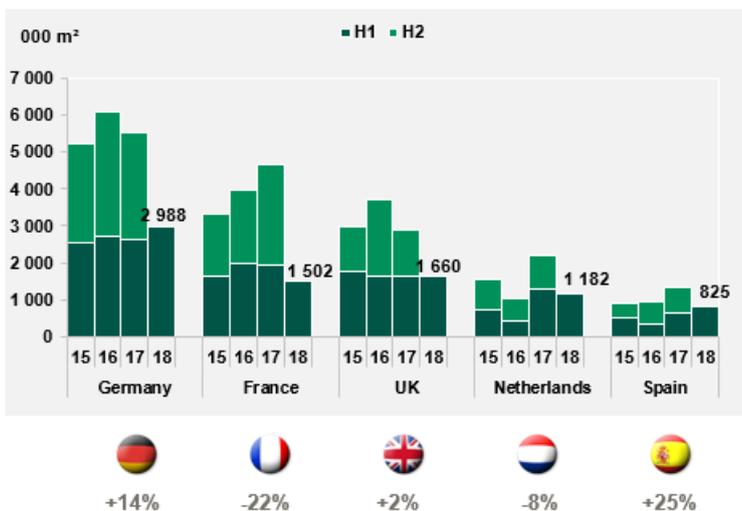
Take-up: good momentum again in the first half of the year

After the record volumes of take-up achieved in Europe over the past three years, it is not surprising to see a market slowdown during the first half of 2018. **In 20 cities monitored by BNP Paribas Real Estate, the volume of take-up dropped by 14% in H1 2018, yet the market is sustaining a high level of activity.**

The main factor contributing to this positive market dynamics is GDP growth in the Eurozone (2.2% this year and 1.7% in 2019 according BNP Paribas' forecasts), supported by domestic demand, manufacturing output and international trade. **E-commerce activities also stimulated market growth in the main European logistics hubs. This sector recorded a 14% increase in Europe in 2017 and is expected to further enjoy a two-digit growth in 2018.**

Warehouses over 5,000 sqm

Take-up in 5 countries : Stability with a high level of demand



*Spain = Madrid+Barcelona+Valencia

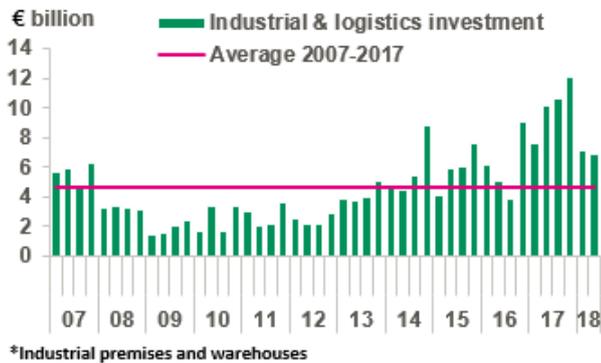
Germany and the Netherlands recorded another good start to the year with strong activity, while in France, following strong growth for 3 years in a row, the market went down during the first half of 2018. The UK market remained dynamic with 1.6 million sqm taken up in H1 2018.

In this favourable context, investors and developers' confidence stimulated new construction including speculative developments. **Yet, supply is still barely keeping pace with demand especially for large units, with vacancy rates below 5% in Spain, the Netherlands, Poland, the Czech Republic.**

Considering the chronic lack of supply, the effect on rents has been fairly modest, increasing by just 8% over the past five years. **In the first 6 months of 2018, rents rose by 2% in the main European markets Europe with some significant growth in Milan, in Berlin and in UK regional cities.**

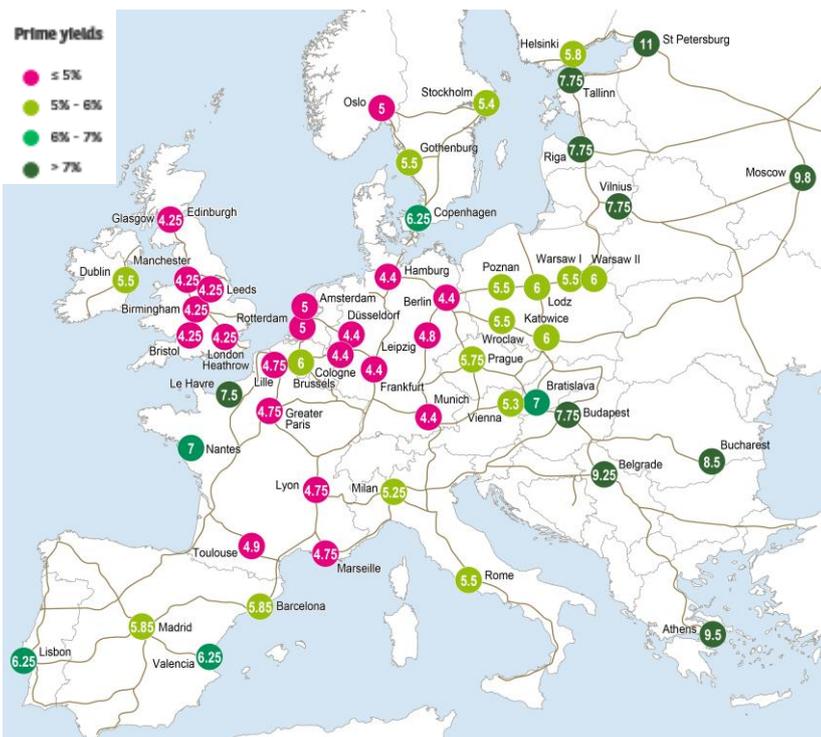
European industrial and logistics investment activity is still thriving in H1 2018

Industrial & logistics* investment volume in Europe



The European investment for industrial premises and warehouses naturally adjusted down after the exceptional volumes achieved in 2017, boosted by the sale of major portfolios and large corporate deals such as Logisor. This impacted most European countries though the adjustment down did not undermine strong activity in H1 2018. **Indeed, the market for industrial and logistics premises reached its second highest mid-year volume of investment with €14bn recorded during the first half of 2018.**

Anita Simaza, Director for European Logistics Investment said "Financial liquidity remains abundant and, besides pure players, **the logistics market is more than ever attracting international investors who consider logistics assets as a way to extend their portfolio holdings.** Logistics prime yields reached their lowest level in most countries but are still well above the 10-year government bonds which bottomed out to historic lows in 2016. Then, logistics prime yields remain attractive compared to other assets."



About BNP Paribas Real Estate

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With 5,100 employees, BNP Paribas Real Estate supports owners, leaseholders, investors and communities in their projects thanks to its local expertise across 36 countries (15 through its facilities and 21 through its Alliance network) in Europe, the Middle-East and Asia. BNP Paribas Real Estate generated € 811 m revenues in 2017. In 2017 BNP Paribas Real Estate continued its growth through the acquisition of Strutt & Parker, one of the UK's largest independent property partnerships.

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