

## **Stabile transaction market for logistics properties**

**Despite the recent financial turmoil and slowdown in the real estate market, the interest in logistic properties is still stabile and during the first five months the transaction volume for logistics properties amounted to just over SEK 2 billion. New construction of logistics facilities has been strong, with almost 350,000 sq. m. in 2011 and almost 400,000 sq. m. which is to be completed during 2012, which may indicate that more significant transactions may take place during the remainder of this year.**

During 2011, the transaction volume for pure logistics facilities amounted to approximately SEK 4.8 billion, compared to SEK 2.8 billion in 2010 and SEK 1.4 billion in 2009. Currently, the active investors on the acquisition side have a low leverage and are primarily looking for safe investments with stable cash flows. The logistic segment's development towards larger facilities with longer lease terms fits well with the preferences of these investors. Furthermore, the strong volume of new construction of logistics facilities in 2011 (350,000 sq m) and 2012 (over 400,000 sq m) is contributing to increase the supply of quality investment opportunities in the segment. The vast majority of the new construction in 2011-2012 was fully let before production began.

The locational trend is clear - in the big cities larger facilities are built further out from the city centre and other popular locations are primarily the regional cities along the highways E4/E20/E18 and Road 40. In line with the direction of the general property market, more newly-built logistics facilities tend to be environmentally certified, and we probably will see older logistics facilities upgraded to meet these requirements as well.

The general problems for real estate investors to obtain bank financing are however apparent also for logistics properties where it shows primarily as an increased spread in price expectations for prime and secondary properties. So far, no significant yield shift for secondary logistics properties can however be established, since the transaction volume for these facilities has been very low. It is clear that the transaction closures of these types of facilities have been significantly reduced and that sales are increasingly withdrawn from the market due to financing problems amongst investors.

The market for logistics properties are described in more detail in Savills' latest report, "Spotlight Logistics Property Market".