

Low occupier costs for some time to come

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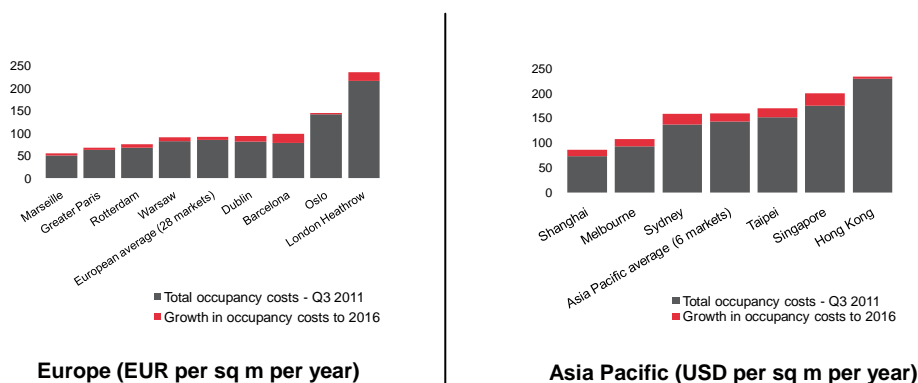
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- In 2011, occupiers saw further cost saving opportunities due to a 1.4% decline in occupancy costs across European markets. Marseille remains the lowest cost location in the region. London Heathrow, as expected, continues to be the most expensive location in Europe. Please see Figure 1. The largest costs savings in 2011 were realised in Dublin, where costs fell nearly 20%. The Antwerp, Madrid, Amsterdam and Rotterdam logistics markets also showed attractive declines in costs during 2011.
- Average occupancy costs in Europe are projected to show only moderate growth of 1.5% through to 2016. This is well below the average inflation forecast. In particular, the Nordic markets, such as Gothenburg, Copenhagen and Oslo will show lower than average increases in costs. This is due to ample availability of land for new development. On the other hand, we project Barcelona, Madrid and Dublin to show stronger cost growth. These are triggered by an anticipated bounce back following considerable declines in previous years.
- The current uncertain economic outlook means occupiers are expected to maintain the upper-hand, as logistics space demand growth falters. This will be partly offset by the halt of speculative developments across several European markets. In turn, this is expected to cause the immediate grade A supply to shrink and encourage rental growth in some markets.
- Of the markets covered in Asia Pacific, Shanghai offers occupiers the lowest occupancy costs. At the other end of the scale, logistics occupiers in Hong Kong currently face the greatest costs.
- We forecast Hong Kong to experience the slowest growth in industrial occupier costs over the next five years, as demand shifts to mainland Chinese markets. Despite this, we expect that it will remain the most expensive major market in the Asia Pacific region up until 2016 (Figure 1).

Figure 1

Total occupancy costs in Q3 2011 and forecast increase to 2016 - selected markets in Europe (logistics) and Asia Pacific (industrial)



Source: DTZ Research

Part I – European Logistics

Occupiers realise savings as costs fall in several markets

Marseille, Brussels and Antwerp are the lowest cost locations for logistics space in Europe

- For the second year running, occupiers in Marseille, Brussels, Antwerp, Lyon, Budapest and Bucharest have benefitted from the lowest occupancy costs in Europe (Figure 2). As a result of high rents and higher than average real estate taxes, London Heathrow remains the most expensive location for logistics occupiers, followed by Oslo and South-East England. It is worth noting, however, that occupiers can benefit from lower costs in the most expensive markets through lease incentives, which are not taken into account in this study.
- Dublin - one of the five most expensive markets in 2010 - saw significant decreases in occupancy costs during the year, as prime rents fell drastically over the last few quarters (Figure 3). Dublin now ranks 15th cheapest compared to 24th cheapest in 2010 (Appendix 1).

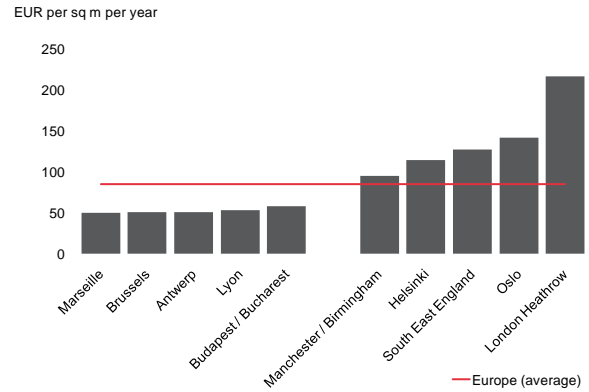
A third of all European markets witnessed a decline in occupancy costs during the year

- Despite an improvement in occupier activity in the first half of the year, on average, the European markets experienced a decline in total occupancy costs during 2011, as the debt crisis and global financial turmoil continued to cause concern for businesses and weakened demand for logistics space. However, the crisis has had a negative impact on the speculative development of logistics space, as property owners are experiencing higher risks in today's markets; this raises concerns for costs in the medium to longer term.
- A third of the markets covered displayed significant decreases in total occupancy costs during the course of the year, due to rents declining. Property outgoings (real estate taxes and service charges) either increased or remained stable in all the markets covered. We believe that the current financial situation in Europe will motivate several local governments to raise real estate taxes in order to compensate for loss of funds from other sources.
- Occupiers in Frankfurt, Lyon and London Heathrow experienced the steepest increases in total occupancy costs in 2011, mainly due to growth in rents (Figure 3). Frankfurt has seen an increase in logistics activity and stronger demand for prime warehouse space due to its status as one of the main transport hubs in the region.

Refer to Figure 4 for a full list of coverage.

Figure 2

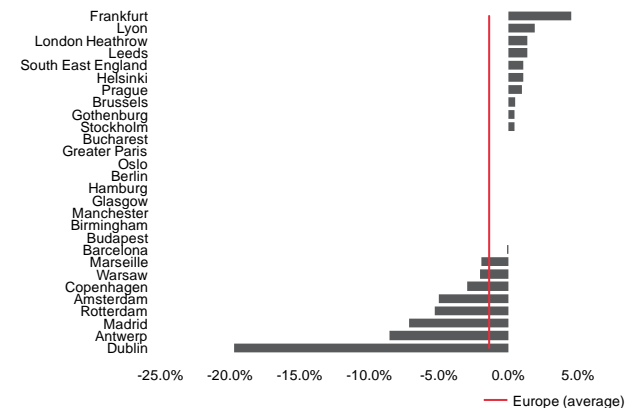
Total occupancy costs, Q3 2011 - five least and most expensive markets



Source: DTZ Research

Figure 3

% change 2010-2011 in total occupancy costs (in local currency)



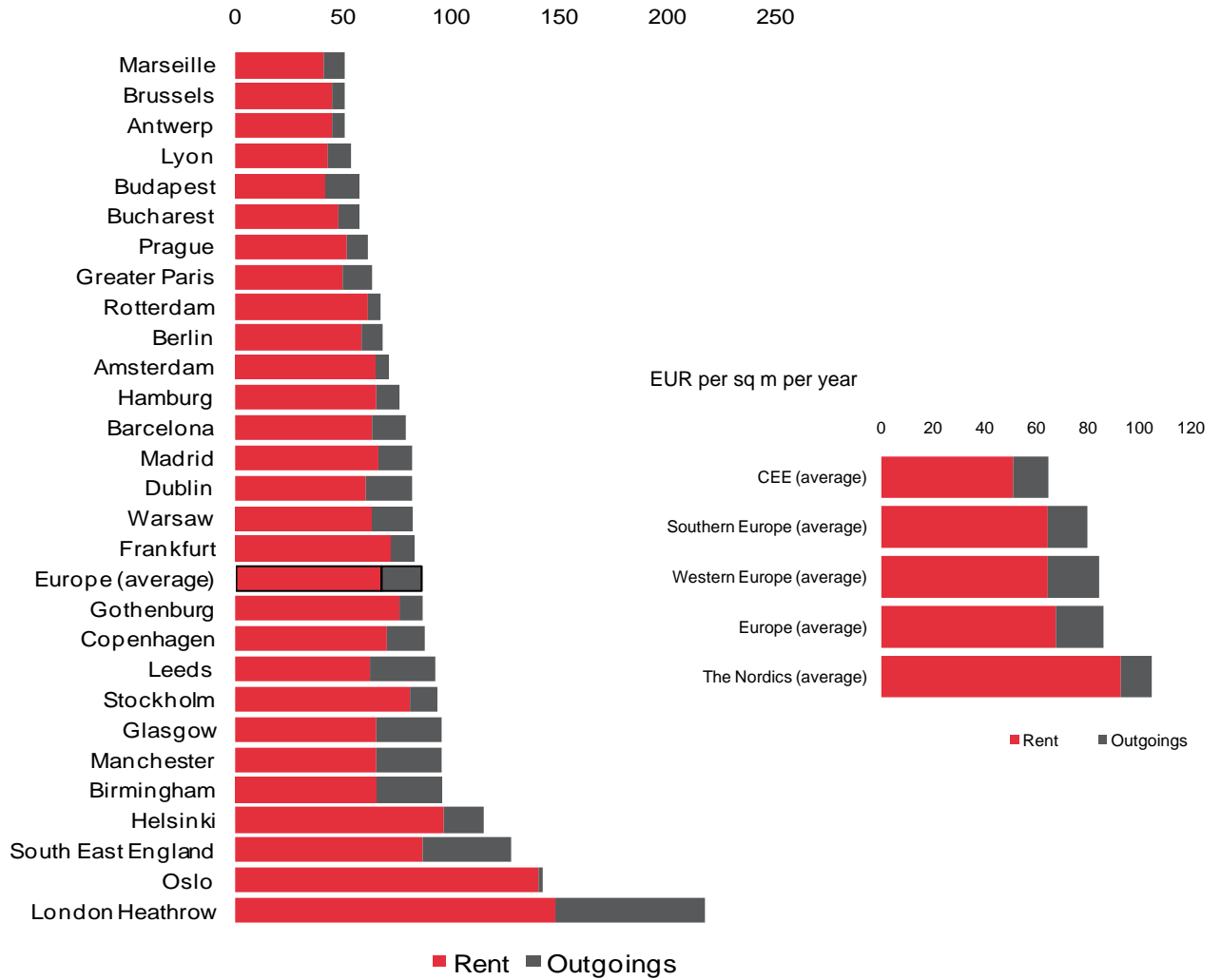
Source: DTZ Research

European ranking

Figure 4

Total occupancy costs in all markets - split between rents and outgoings

EUR per sq m per year



CEE: Bucharest, Budapest, Prague, Warsaw

Southern Europe: Barcelona, Madrid

The Nordics: Copenhagen, Helsinki, Oslo, Gothenburg, Stockholm

Western Europe: Antwerp, Brussels, Lyon, Marseille, Greater Paris, Amsterdam, Rotterdam, Berlin, Frankfurt, Hamburg, Dublin, Birmingham, Glasgow, Leeds, London Heathrow, Manchester, South-East England

Source: DTZ Research

Forecast growth in occupancy costs diverges across Europe

Subdued growth expected due to weak economic outlook

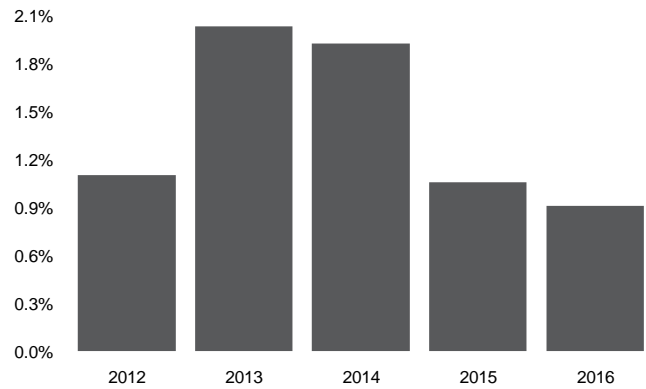
- Differences in supply and demand, as well as dissimilarities in economic structures are causing the European logistics markets to move in different directions. Growth in occupancy costs is expected to be subdued over the forecast period, as the European markets as a whole are forecast to experience average growth of 1.5% per year to 2016, well below the average inflation forecast. We anticipate muted growth in occupancy costs in 2012, picking up in 2013 and 2014 (Figure 5).
- Despite weak average growth across Europe, the strategic logistic hubs of Antwerp, Rotterdam and Warsaw are expected to continue seeing strong demand from occupiers and investors alike, leading to some upward pressure on rents and subsequently occupier costs.

Strongest growth forecast in recovering markets

- Occupiers in most European markets can expect to make cost savings in 2012, reflected by the subdued outlook for the logistics sector. Transport and communications GVA is expected to be broadly flat in 2012, and then to grow more slowly than the rest of the European economy, dampening occupier cost pressures (Figure 6). This reflects a slowing in trade, as the European economy grapples with reduced demand from traditional export markets in the region and also from the US. However, occupiers in Barcelona, Madrid and Dublin will see significant growth in occupancy costs in the short term as they show partial recovery from large falls in rents in recent years (Figure 7).
- Our forecasts show that occupiers in the Nordic markets of Gothenburg, Copenhagen and Oslo can position themselves to benefit from lower forecast growth in costs due to ample availability of land for new development, which is expected to hold back occupancy costs in the coming years. Berlin is forecast to experience the second slowest growth in occupier costs to 2016, as it struggles to fulfil the strategic location requirements of logistics occupiers. Occupier costs in Bucharest will remain low, as a result of prevailing surplus space, weak economic outlook and low demand.
- Manchester is expected to be the fastest growing logistics market in the UK in terms of occupancy costs over the forecast period. In 2016, the most expensive and the least expensive European markets will remain broadly the same as today. The only exceptions are Brussels which will overtake Marseille as the lowest cost location in Europe, and Budapest which will slip down one place to 6th position. See Appendix 5.

Figure 5

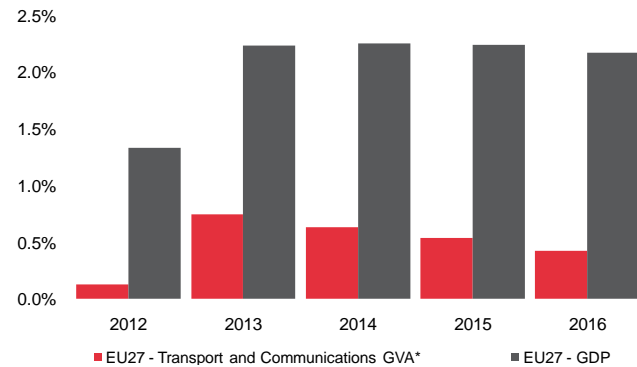
Regional average increase in logistics occupancy costs by year



Source: DTZ Research

Figure 6

Economic outlook, 2012-2016

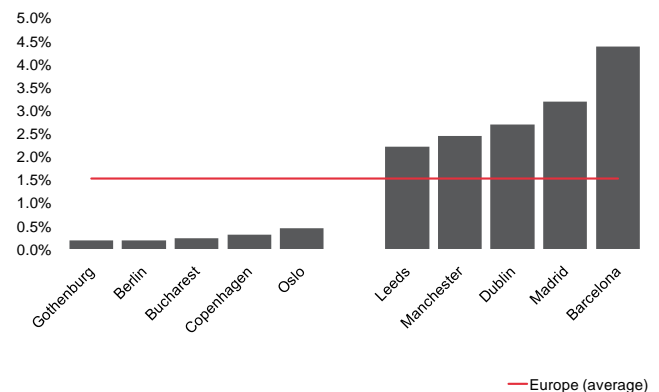


Source: Oxford Economics

*GVA: the total value of output of goods and services produced less the intermediate consumption (goods and services used up in the production process in order to produce the output).

Figure 7

Average growth in occupancy costs to 2016 - top five and bottom 5, European markets



Source: DTZ Research

CEE offers lowest business running costs in Europe

- This report also considers occupiers' business running costs across different markets. Table 1 below shows the average annual gross salary for a full-time warehouse operative and the average cost of diesel. Significant deviations can be noted in salary levels across the region. Occupiers in the Nordics and Germany pay the highest annual gross salaries for warehouse operatives while countries in the CEE region display the lowest salaries. However, it is worth noting that Budapest, Bucharest and Prague are amongst the markets which have experienced the steepest growth in salary figures over the past year.
- All countries covered in the report have experienced a substantial growth in diesel costs over the past year. Although occupiers in the UK are exposed to the second highest diesel costs in Europe (after Oslo), the UK markets have seen lower than average growth over the past year. At the other end of the scale, occupiers in Bucharest, Madrid, Barcelona and Warsaw benefit from the lowest diesel costs in Europe.

Table 1

Business running costs in Europe by location (EUR)*

Country	Market	Average annual gross salary for a full-time warehouse operative						The average cost of diesel over Q2 2011			
		Local currency	Local currency			EUR			EUR***		
		Local currency	2010	2011	YOY Change	2010**	2011	YOY Change	2010	2011	YOY Change
Hungary	Budapest	HUF	1,481,172	1,813,188	22.4%	5,200	6,219	19.6%	1.1	1.4	21.3%
Romania	Bucharest	RON	32,196	34,356	6.7%	7,600	7,971	4.9%	1.0	1.2	21.9%
Poland	Warsaw	PLN	34,800	36,000	3.4%	8,700	8,118	-6.7%	1.0	1.2	17.4%
Czech Republic	Prague	CZK	215,100	231,036	7.4%	8,755	9,415	7.5%	1.2	1.4	17.7%
United Kingdom	Leeds	GBP	11,958	12,000	0.3%	13,891	13,792	-0.7%	1.4	1.6	16.6%
United Kingdom	Birmingham	GBP	12,160	12,160	0.0%	14,126	13,976	-1.1%	1.4	1.6	16.6%
Spain	Madrid	EUR	14,250	14,250	0.0%	14,250	14,250	0.0%	1.0	1.2	19.5%
Spain	Barcelona	EUR	14,250	14,250	0.0%	14,250	14,250	0.0%	1.0	1.2	19.5%
United Kingdom	Glasgow	GBP	12,675	12,675	0.0%	14,724	14,567	-1.1%	1.4	1.6	16.6%
United Kingdom	Manchester	GBP	12,928	12,928	0.0%	15,018	14,858	-1.1%	1.4	1.6	16.6%
United Kingdom	South East England	GBP	13,700	13,700	0.0%	15,900	15,745	-1.0%	1.4	1.6	16.6%
United Kingdom	London Heathrow	GBP	14,000	14,000	0.0%	16,264	16,090	-1.1%	1.4	1.6	16.6%
France	Marseille	EUR	16,900	17,100	1.2%	16,900	17,100	1.2%	1.1	1.3	19.8%
France	Lyon	EUR	17,100	17,400	1.8%	17,100	17,400	1.8%	1.1	1.3	19.8%
Ireland	Dublin	EUR	18,000	18,000	0.0%	18,000	18,000	0.0%	1.2	1.4	18.6%
France	Greater Paris	EUR	18,200	18,500	1.6%	18,200	18,500	1.6%	1.1	1.3	19.8%
Germany	Berlin	EUR	22,035	21,946	-0.4%	22,035	21,946	-0.4%	1.1	1.3	19.8%
Netherlands	Amsterdam	EUR	20,500	22,500	9.8%	20,500	22,500	9.8%	1.1	1.3	19.4%
Netherlands	Rotterdam	EUR	20,500	22,500	9.8%	20,500	22,500	9.8%	1.1	1.3	19.4%
Belgium	Brussels	EUR	25,000	26,000	4.0%	25,000	26,000	4.0%	1.1	1.4	22.3%
Belgium	Antwerp	EUR	25,000	26,500	6.0%	25,000	26,500	6.0%	1.1	1.4	22.3%
Finland	Helsinki	EUR	26,400	27,000	2.3%	26,400	27,000	2.3%	1.1	1.4	23.4%
Germany	Hamburg	EUR	27,571	27,326	-0.9%	27,571	27,326	-0.9%	1.1	1.3	19.8%
Germany	Frankfurt	EUR	28,758	28,423	-1.2%	28,758	28,423	-1.2%	1.1	1.3	19.8%
Sweden	Gothenburg	SEK	314,407	316,608	0.7%	34,333	34,320	0.0%	1.2	1.5	24.9%
Denmark	Copenhagen	DKK	260,831	265,113	1.6%	35,000	35,623	1.8%	1.2	1.4	19.8%
Sweden	Stockholm	SEK	340,337	342,720	0.7%	37,164	37,151	0.0%	1.2	1.5	24.9%
Norway	Oslo	NOK	280,000	295,000	5.4%	35,196	37,554	6.7%	1.4	1.7	19.4%

*Ranked in order of lowest salary in 2011 (in EUR)

**Note that the 2010 figures for some locations have changed compared to last year as a result of data revisions

***The data on diesel costs are registered solely in EUR and not in local currency

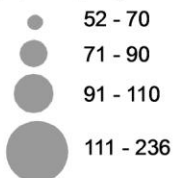
Source: DTZ Research, DECC

Forecast growth in total occupancy costs - Europe

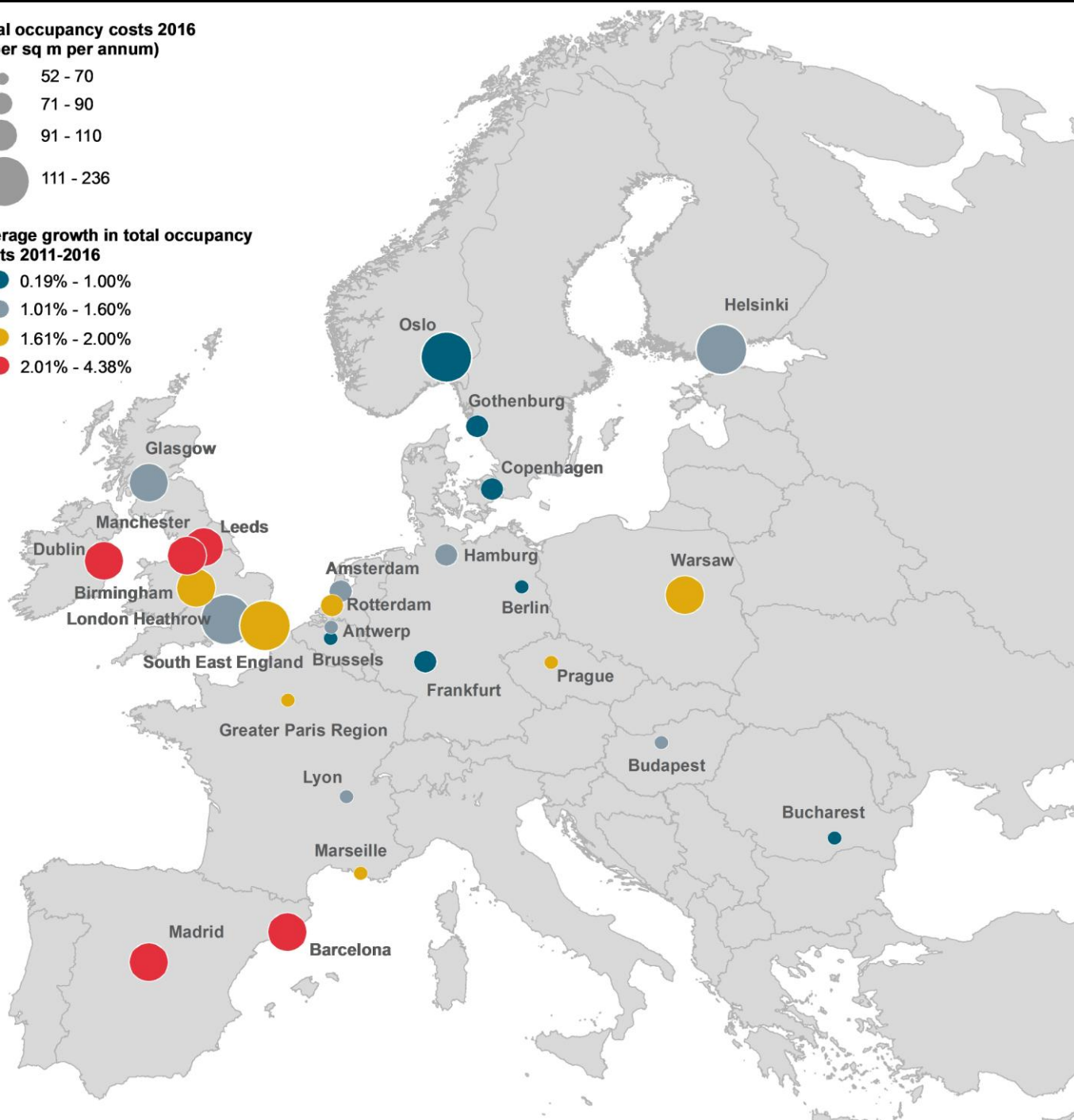
Map 1

Total occupancy costs forecast growth, 2011-2016

Total occupancy costs 2016
(€ per sq m per annum)



Average growth in total occupancy costs 2011-2016



Part II - Asia Pacific Industrial

Occupancy costs remain stable as markets feel the impact of sluggish global economy

Cost of occupying industrial space lowest in Shanghai, Melbourne and Sydney

- Occupancy costs in our selected industrial markets across Asia Pacific range from a low of USD73 per sq m per year in Shanghai to USD229 per sq m per year in Hong Kong. The regional average is USD143 per sq m per year (Figure 8).
- Occupancy costs for industrial space are lowest in Shanghai, Melbourne and Sydney. The Australian markets have recovered somewhat from the significant drops in industrial rents registered during the global financial crisis and 2011 represented a year of stability, with energy the only significant outgoing seeing an increase.
- Similarly, occupiers in Shanghai have also enjoyed stable conditions and relatively low costs in 2011, with prime rents remaining unchanged for over 12 months.
- Occupancy costs are highest in Hong Kong and Singapore. It is worth noting that outgoings account for a relatively low proportion of total costs in both markets. Outgoings besides rent are proportionally higher in the lowest cost Australian locations of Melbourne and Sydney. Meanwhile, at only 9%, outgoings besides rents are lowest in Taipei, where occupiers pay only a small service charge.

Export oriented Asian economies to see muted growth in occupancy costs

- Growth in occupier costs in Asia Pacific is generally subdued, underpinned by limited rental growth on the back of reduced export demand from Europe and the United States. The smaller economies of Singapore, Hong Kong and Taiwan are most exposed to this slowdown in trade. Occupancy costs in Asia Pacific as a whole are projected to show fairly moderate annual growth of 2.3% per year to 2016, peaking at 3% in 2014. The peak will stem mainly from changing conditions in Australia, where we expect an upsurge in business investment during 2012 and 2013 (Figure 9).
- We anticipate that occupiers in Hong Kong will benefit from the lowest increases in occupancy costs over the next five years and thus broadly stable costs over the period (Figure 10). For some time, industrial demand in Hong Kong has been undercut by cheaper locations in China's Pearl River Delta, e.g. Guangdong Province, while scarcity of land for development in Hong Kong is resulting in higher value usage (mainly offices) replacing industrial space and this is pushing up rents.

Figure 8

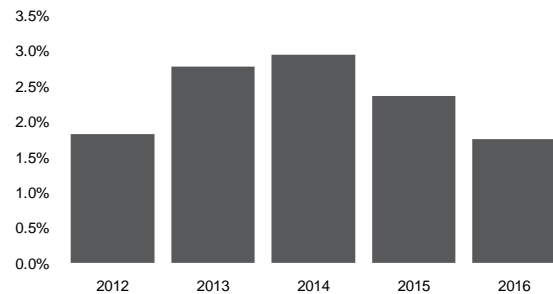
Split between industrial rents and outgoings, Q3 2011 (USD per sq m per year)



Source: DTZ Research

Figure 9

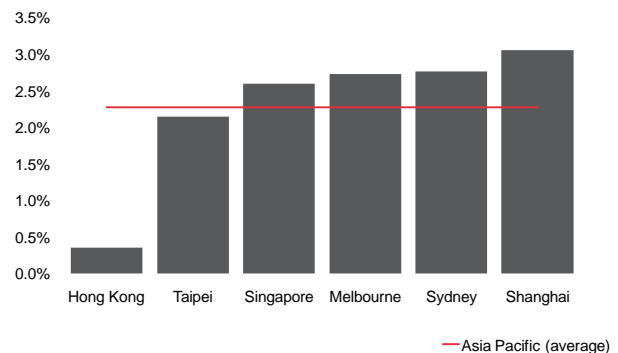
Regional average increase in industrial occupancy costs by year



Source: DTZ Research

Figure 10

Average growth in occupancy costs to 2016 by location



Source: DTZ Research

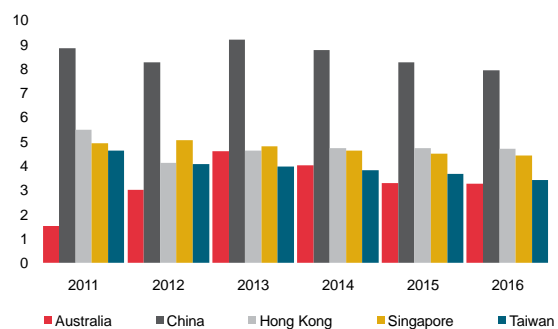
Low occupancy costs in Australia offset by high business running costs

Occupancy costs in Shanghai, Singapore and Australia forecast to grow steadily to 2016

- The current positive economic outlook for China (Figure 11) and the future restructuring of its economy to become more domestic consumption led, combined with the limited amount of good quality manufacturing space in Shanghai's more established areas, rising utility costs and the move towards more value added industrial production, leads us to believe that Shanghai will see the strongest growth in occupancy costs in the region over the forecast period. Whilst the latest Shanghai manufacturing PMI (hovering at around 50) suggests that the industrial sector has been affected by recent developments in the global economy, a lack of supply will support rental growth going forward. New supply in Shanghai tends to be built-to-suit which reduces the chance of any large increases in vacancy. Future supply is also constrained by the amount of land available for development in several of the municipality's more mature industrial zones. We forecast occupancy costs to increase by an average of 2.3% per annum to 2016 (Figure 10).
- The Australian markets of Sydney and Melbourne are expected to see slow but steady growth in occupancy costs through to 2016 (Figure 10). The recovery of Australia's industrial markets is set to be underpinned by a number of factors including new infrastructure initiatives, robust trade linkages with the region and a healthy economic outlook for Australia and its major trading partners (Figures 11).
- Looking forward to 2016, Hong Kong is forecast to remain the most expensive market in the region, despite weak growth in costs. Singapore will maintain its position as the second most expensive market, displaying moderately stronger growth in occupancy costs, at an average of 2.6% per annum. Australia will continue to offer occupiers low costs, and Shanghai will remain the lowest cost location by 2016 (Figure 12). Our forecasts are based on a base case scenario of steady economic growth for these markets. However, an escalation of the euro zone crisis would impact rents and therefore total occupancy costs in these markets.

Figure 11

Economic outlook (annual % change in GDP)



Source: DTZ Research, Oxford Economics

Figure 12

Total occupancy costs in Q3 2011 and forecast increase to 2016 (USD per sq m per year)

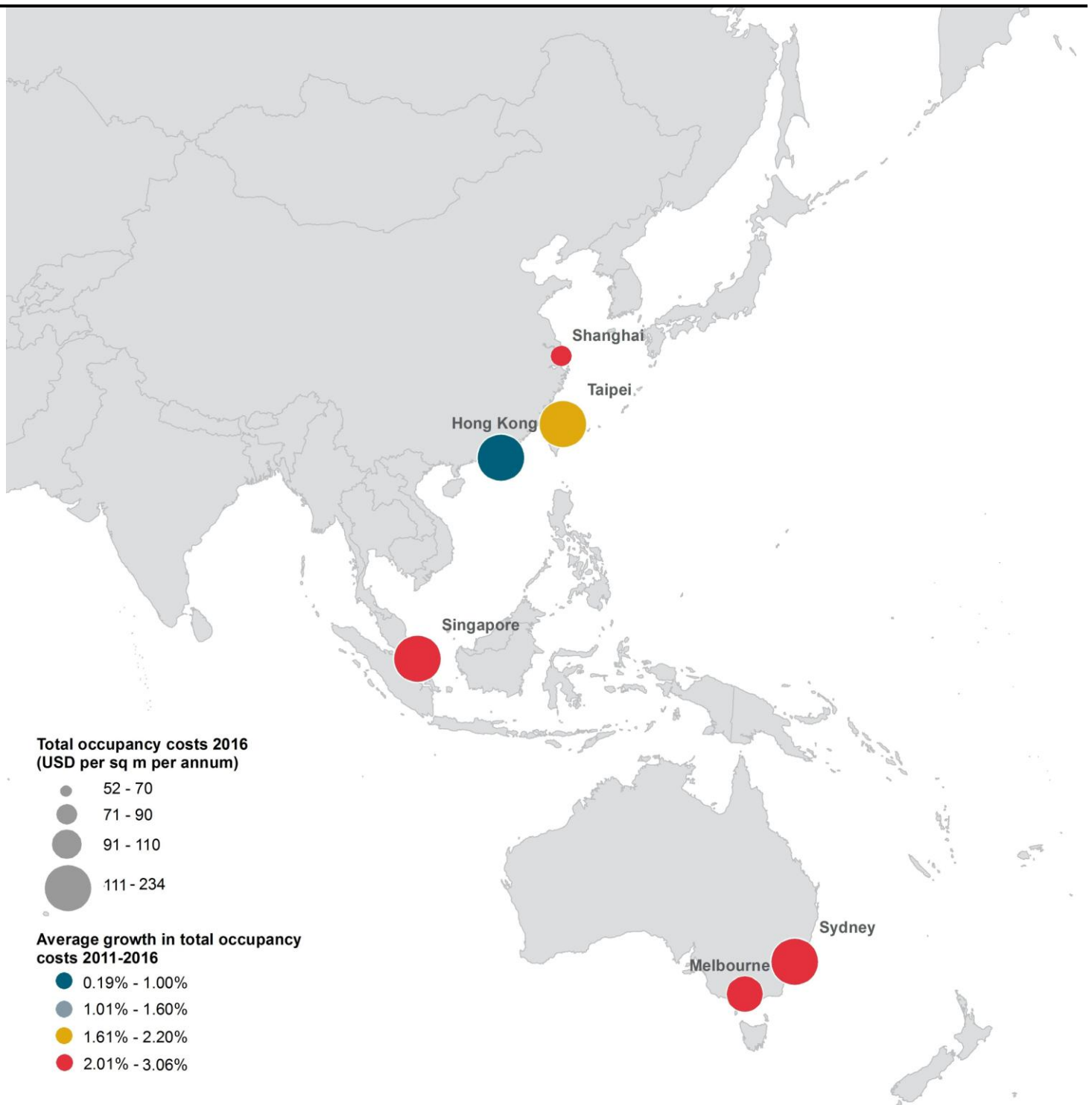


Source: DTZ Research

Forecast growth in total occupancy costs - Asia Pacific

Map 2

Total occupancy costs forecast growth, 2011-2016



Source: DTZ Research, PCA

Appendix 1

Europe

Total occupancy costs ranking for 2010 and 2011*:

Rank 2010	Rank 2011	Country	Market	Total occupancy costs per sqm per year		YOY change	Total occupancy cost per sqm per year			YOY change
				(EUR)			(Locally quoted)			
				2010	2011		Unit	2010	2011	
2	1	France	Marseille	51.2	50.2	-2.0%	EUR	51.2	50.2	-2.0%
1	2	Belgium	Brussels	50.3	50.5	0.5%	EUR	50.3	50.5	0.5%
4	3	Belgium	Antwerp	55.7	50.9	-8.5%	EUR	55.7	50.9	-8.5%
3	4	France	Lyon	52.2	53.2	1.9%	EUR	52.2	53.2	1.9%
6	5	Hungary	Budapest	57.6	57.6	0.0%	EUR	57.6	57.6	0.0%
5	5	Romania	Bucharest	57.6	57.6	0.0%	EUR	57.6	57.6	0.0%
7	7	Czech Republic	Prague	61.1	61.7	1.0%	CZK	1,502.9	1,517.6	1.0%
8	8	France	Greater Paris	62.9	62.9	0.0%	EUR	62.9	62.9	0.0%
10	9	The Netherlands	Rotterdam	71.3	67.6	-5.3%	EUR	71.3	67.6	-5.3%
9	10	Germany	Berlin	68.4	68.4	0.0%	EUR	68.4	68.4	0.0%
11	11	The Netherlands	Amsterdam	74.8	71.1	-5.0%	EUR	74.8	71.1	-5.0%
12	12	Germany	Hamburg	75.6	75.6	0.0%	EUR	75.6	75.6	0.0%
13	13	Spain	Barcelona	78.5	78.4	-0.1%	EUR	78.5	78.4	-0.1%
17	14	Spain	Madrid	87.8	81.5	-7.1%	EUR	87.8	81.5	-7.1%
24	15	Ireland	Dublin	101.5	81.5	-19.7%	EUR	101.5	81.5	-19.7%
15	16	Poland	Warsaw	86.5	81.9	-5.3%	PLN	343.0	336.0	-2.0%
14	17	Germany	Frankfurt	79.2	82.8	4.5%	EUR	79.2	82.8	4.5%
16	18	Sweden	Gothenburg	87.0	87.1	0.1%	SEK	800.0	803.8	0.5%
18	19	Denmark	Copenhagen	90.8	88.0	-3.0%	DKK	675.0	655.0	-3.0%
19	20	United Kingdom	Leeds	91.5	92.3	0.8%	GBP	79.2	80.3	1.4%
20	21	Sweden	Stockholm	93.0	93.1	0.1%	SEK	855.0	858.8	0.4%
21	22	United Kingdom	Glasgow	95.5	95.0	-0.5%	GBP	82.7	82.7	0.0%
22	23	United Kingdom	Birmingham	95.9	95.4	-0.6%	GBP	83.0	83.0	0.0%
22	23	United Kingdom	Manchester	95.9	95.4	-0.6%	GBP	83.0	83.0	0.0%
25	25	Finland	Helsinki	113.4	114.6	1.1%	EUR	113.4	114.6	1.1%
26	26	United Kingdom	South East England	126.7	127.4	0.6%	GBP	109.7	110.9	1.1%
27	27	Norway	Oslo	139.2	141.9	2.0%	NOK	1,115.0	1,115.0	0.0%
28	28	United Kingdom	London Heathrow	215.1	217.1	0.9%	GBP	186.3	188.9	1.4%

*Ranked in order of lowest occupancy costs in 2011 (in EUR)

Source: DTZ Research

Appendix 2

Europe

Breakdown of total occupancy costs, 2011 (in alphabetical order)

Country	Market	Unit	Prime rent	Occupier taxes	Service charge (including VAT)	Total occupancy costs	Prime rent	Occupier taxes	Service charge (including VAT)	Total occupancy costs
			Locally quoted				EUR per sqm per year			
Belgium	Antwerp	EUR sq m Year	45.0	4.2	1.8	50.9	45.0	4.2	1.8	50.9
	Brussels	EUR sq m Year	45.0	3.8	1.8	50.5	45.0	3.8	1.8	50.5
Czech Republic	Prague	CZK sq m Month	105.7	4.2	16.6	126.5	51.6	2.0	8.1	61.7
Denmark	Copenhagen	DKK sq m Year	525.0	n/a ^a	130.0	655.0	70.6	0.0	17.5	88.0
Finland	Helsinki	EUR sq m Month	8.0	0.5	1.1	9.6	96.0	5.4	13.2	114.6
France	Lyon	EUR sq m Year	43.0	6.0	4.2	53.2	43.0	6.0	4.2	53.2
	Marseille	EUR sq m Year	41.0	5.0	4.2	50.2	41.0	5.0	4.2	50.2
	Greater Paris	EUR sq m Year	50.0	8.0	4.9	62.9	50.0	8.0	4.9	62.9
Germany	Berlin	EUR sq m Month	4.9	n/a ^b	0.8	5.7	58.8	n/a ^b	9.6	68.4
	Frankfurt	EUR sq m Month	6.0	n/a ^b	0.9	6.9	72.0	n/a ^b	10.8	82.8
	Hamburg	EUR sq m Month	5.4	n/a ^b	0.9	6.3	64.8	n/a ^b	10.8	75.6
Hungary ^c	Budapest	EUR sq m Month	3.5	n/a ^c	1.3	4.8	42.0	n/a ^c	15.6	57.6
Ireland	Dublin	EUR sq m Year	60.0	16.0 ^d	5.5	81.5	60.0	16.0 ^d	5.5	81.5
Netherlands	Amsterdam	EUR sq m Year	65.0	4.0	2.2	71.1	65.0	4.0	2.2	71.1
	Rotterdam	EUR sq m Year	61.0	4.4	2.2	67.6	61.0	4.4	2.2	67.6
Norway	Oslo	NOK sq m Year	1100.0	n/a	15.0	1115.0	140.0	n/a	1.9	141.9
Poland	Warsaw	PLN sq m Month	21.0	1.8	5.3	28.0	63.0	4.7	14.2	81.9
Romania ^e	Bucharest	EUR sq m Month	4.0	0.4	0.4	4.8	48.0	4.8	4.8	57.6
Spain	Barcelona	EUR sq m Year	63.0	6.9	8.5	78.4	63.0	6.9	8.5	78.4
	Madrid	EUR sq m Year	66.0	7.0	8.5	81.5	66.0	7.0	8.5	81.5
Sweden	Gothenburg	SEK sq m Year	700.0	25.0	78.8	803.8	75.9	2.7	8.5	87.1
	Stockholm	SEK sq m Year	750.0	30.0	78.8	858.8	81.3	3.3	8.5	93.1
United Kingdom	Birmingham	GBP sq ft Year	5.3	2.2	0.3	7.7	64.9	26.8	3.6	95.4
	Glasgow	GBP sq ft Year	5.3	2.1	0.3	7.7	64.9	26.5	3.6	95.0
	Leeds	GBP sq ft Year	5.0	2.2	0.3	7.5	61.9	26.8	3.6	92.3
	London Heathrow	GBP sq ft Year	12.0	5.3	0.3	17.6	148.5	64.9	3.7	217.1
	Manchester	GBP sq ft Year	5.3	2.2	0.3	7.7	64.9	26.8	3.6	95.4
	South East England	GBP sq ft Year	7.0	3.0	0.3	10.3	86.6	37.1	3.7	127.4

^aIn Denmark, real estate taxes are included in the service charge

^bIn Germany, real estate taxes are included in the service charge. Occupiers may also be liable to pay trade tax which on average is 14-16% of the company's income. However, whether the company is liable for this tax depends on their profits

^cAll data in Hungary is quoted in EUR and not in the local currency HUF. In Hungary, real estate taxes are included in the service charge. In addition to the real estate tax, companies are also liable to pay local government tax which is 2% of the company's annual turnover

^dIn Ireland, occupiers are also liable to 1% stamp duty of the first year's rent when signing a new lease

^eAll data in Romania is quoted in EUR and not the local currency RON

Source: DTZ Research

Appendix 3

Europe

Breakdown of total occupancy costs in Europe, 2010-2011 comparison (in alphabetical order)

Country	Market	Unit	Locally quoted										EUR per sqm per year															
			Prime rent		YOY Change	Occupier taxes		YOY Change	Service charge (including VAT)		YOY Change	Total occupancy costs		YOY Change	Prime rent		YOY change	Occupier taxes		YOY change	Service charge (including VAT)		YOY change	Total occupancy costs		YOY Change		
			Year		from 2010 to 2011	Year		from 2010 to 2011	Year		from 2010 to 2011	Year		from 2010 to 2011	Year		from 2010 to 2011	Year		from 2010 to 2011	Year		from 2010 to 2011	Year		from 2010 to 2011		
			2010	2011		2010	2011		2010	2011		2010	2011		2010	2011		2010	2011		2010	2011		2010	2011			
Belgium	Antwerp	EUR	sq m	Year	50.0	45.0	-10.0%	4.2	4.2	0.0%	1.5	1.8	16.7%	55.7	50.9	-8.5%	50.0	45.0	-10.0%	4.2	4.2	0.0%	1.5	1.8	16.7%	55.7	50.9	-8.5%
	Brussels	EUR	sq m	Year	45.0	45.0	0.0%	3.8	3.8	0.0%	1.5	1.8	16.7%	50.3	50.5	0.5%	45.0	45.0	0.0%	3.8	3.8	0.0%	1.5	1.8	16.7%	50.3	50.5	0.5%
Czech Republic	Prague	CZK	sq m	Month	105.7	105.7	0.0%	4.2	4.2	0.0%	15.4	16.6	7.9%	125.2	126.5	1.0%	51.6	51.6	0.0%	2.0	2.0	0.1%	7.5	8.1	8.0%	61.1	61.7	1.0%
Denmark	Copenhagen	DKK	sq m	Year	550.0	525.0	-4.5%	n/a ^a	n/a ^a	-	125.0	130.0	4.0%	675.0	655.0	-3.0%	74.0	70.6	-4.6%	n/a ^a	n/a ^a	-	16.8	17.5	4.2%	90.8	88.0	-3.0%
Finland	Helsinki	EUR	sq m	Month	8.0	8.0	0.0%	0.5	0.5	0.0%	1.0	1.1	10.0%	9.5	9.6	1.1%	96.0	96.0	0.0%	5.4	5.4	0.0%	12.0	13.2	10.0%	113.4	114.6	1.1%
France	Lyon	EUR	sq m	Year	42.0	43.0	2.4%	6.0	6.0	0.0%	4.2	4.2	0.0%	52.2	53.2	1.9%	42.0	43.0	2.4%	6.0	6.0	0.0%	4.2	4.2	0.0%	52.2	53.2	1.9%
	Marseille	EUR	sq m	Year	42.0	41.0	-2.4%	5.0	5.0	0.0%	4.2	4.2	0.0%	51.2	50.2	-2.0%	42.0	41.0	-2.4%	5.0	5.0	0.0%	4.2	4.2	0.0%	51.2	50.2	-2.0%
	Greater Paris	EUR	sq m	Year	50.0	50.0	0.0%	8.0	8.0	0.0%	4.9	4.9	0.0%	62.9	62.9	0.0%	50.0	50.0	0.0%	8.0	8.0	0.0%	4.9	4.9	0.0%	62.9	62.9	0.0%
Germany	Berlin	EUR	sq m	Month	4.9	4.9	0.0%	n/a ^b	n/a ^b	-	0.8	0.8	0.0%	5.7	5.7	0.0%	58.8	58.8	0.0%	n/a ^b	n/a ^b	-	9.6	9.6	0.0%	68.4	68.4	0.0%
	Frankfurt	EUR	sq m	Month	5.7	6.0	5.3%	n/a ^b	n/a ^b	-	0.9	0.9	0.0%	6.6	6.9	4.5%	68.4	72.0	5.3%	n/a ^b	n/a ^b	-	10.8	10.8	0.0%	79.2	82.8	4.5%
	Hamburg	EUR	sq m	Month	5.4	5.4	0.0%	n/a ^b	n/a ^b	-	0.9	0.9	0.0%	6.3	6.3	0.0%	64.8	64.8	0.0%	n/a ^b	n/a ^b	-	10.8	10.8	0.0%	75.6	75.6	0.0%
Hungary ^c	Budapest	EUR	sq m	Month	3.5	3.5	0.0%	n/a ^c	n/a ^c	-	1.3	1.3	0.0%	4.8	4.8	0.0%	42.0	42.0	0.0%	n/a ^c	n/a ^c	-	15.6	15.6	0.0%	57.6	57.6	0.0%
Ireland	Dublin	EUR	sq m	Year	80.0	60.0	-25.0%	16.0 ^d	16.0 ^d	0.0%	5.5	5.5	0.0%	101.5	81.5	-19.7%	80.0	60.0	-25.0%	16.0 ^d	16.0 ^d	0.0%	5.5	5.5	0.0%	101.5	81.5	-19.7%
	Rotterdam	EUR	sq m	Year	65.0	61.0	-6.2%	4.2	4.4	5.4%	2.2	2.2	0.0%	71.3	67.6	-5.3%	65.0	61.0	-6.2%	4.2	4.4	5.4%	2.2	2.2	0.0%	71.3	67.6	-5.3%
Norway	Oslo	NOK	sq m	Year	1100.0	1100.0	0.0%	n/a	n/a	-	15.0	15.0	0.0%	1115.0	1115.0	0.0%	137.3	140.0	2.0%	n/a	n/a	-	1.9	1.9	2.0%	139.2	141.9	2.0%
Poland	Warsaw	PLN	sq m	Month	21.8	21.0	-3.7%	1.6	1.8	7.4%	5.2	5.3	1.9%	28.6	28.0	-2.0%	66.0	63.0	-4.5%	4.9	4.7	-3.8%	15.6	14.2	-8.9%	86.5	81.9	-5.3%
Romania ^e	Bucharest	EUR	sq m	Month	4.0	4.0	0.0%	0.4	0.4	0.0%	0.4	0.4	0.0%	4.8	4.8	0.0%	48.0	48.0	0.0%	4.8	4.8	0.0%	4.8	4.8	0.0%	57.6	57.6	0.0%
Spain	Barcelona	EUR	sq m	Year	63.0	63.0	0.0%	7.0	6.9	-0.9%	8.5	8.5	0.0%	78.5	78.4	-0.1%	63.0	63.0	0.0%	7.0	6.9	-0.9%	8.5	8.5	0.0%	78.5	78.4	-0.1%
	Madrid	EUR	sq m	Year	72.0	66.0	-8.3%	7.3	7.0	-3.7%	8.5	8.5	0.0%	87.8	81.5	-7.1%	72.0	66.0	-8.3%	7.3	7.0	-3.7%	8.5	8.5	0.0%	87.8	81.5	-7.1%
Sweden	Gothenburg	SEK	sq m	Year	700.0	700.0	0.0%	25.0	25.0	0.0%	75.0	78.8	5.0%	800.0	803.8	0.5%	76.1	75.9	-0.4%	2.7	2.7	-0.4%	8.2	8.5	4.6%	87.0	87.1	0.1%
	Stockholm	SEK	sq m	Year	750.0	750.0	0.0%	30.0	30.0	0.0%	75.0	78.8	5.0%	855.0	858.8	0.4%	81.6	81.3	-0.4%	3.3	3.3	-0.4%	8.2	8.5	4.6%	93.0	93.1	0.1%
United Kingdom	Birmingham	GBP	sq ft	Year	5.3	5.3	0.0%	2.2	2.2	0.0%	0.3	0.3	0.0%	7.7	7.7	0.0%	65.2	64.9	-0.5%	27.0	26.8	-0.6%	3.7	3.6	-2.3%	95.9	95.4	-0.6%
	Glasgow	GBP	sq ft	Year	5.3	5.3	0.0%	2.1	2.1	0.0%	0.3	0.3	0.0%	7.7	7.7	0.0%	65.2	64.9	-0.5%	26.6	26.5	-0.3%	3.7	3.6	-2.3%	95.5	95.0	-0.5%
	Leeds	GBP	sq ft	Year	5.0	5.0	0.0%	2.1	2.2	4.8%	0.3	0.3	0.0%	7.4	7.5	1.4%	62.1	61.9	-0.5%	25.7	26.8	4.4%	3.7	3.6	-2.3%	91.5	92.3	0.8%
	London Heathrow	GBP	sq ft	Year	12.0	12.0	0.0%	5.0	5.3	4.6%	0.3	0.3	3.4%	17.3	17.6	1.4%	149.1	148.5	-0.5%	62.3	64.9	4.2%	3.7	3.7	1.1%	215.1	217.1	0.9%
	Manchester	GBP	sq ft	Year	5.3	5.3	0.0%	2.2	2.2	0.0%	0.3	0.3	0.0%	7.7	7.7	0.0%	65.2	64.9	-0.5%	27.0	26.8	-0.6%	3.7	3.6	-2.3%	95.9	95.4	-0.6%
	South East England	GBP	sq ft	Year	7.0	7.0	0.0%	2.9	3.0	3.4%	0.3	0.3	3.4%	10.2	10.3	1.1%	87.0	86.6	-0.4%	36.0	37.1	3.0%	3.7	3.7	1.1%	126.7	127.4	0.6%

^aIn Denmark, real estate taxes are included in the service charge

^bIn Germany, real estate taxes are included in the service charge. Occupiers may also be liable to pay trade tax which on average is 14-16% of the company's income. However, whether the company is liable for this tax depends on their profits

^cAll data in Hungary is quoted in EUR and not in the local currency HUF. In Hungary, real estate taxes are included in the service charge. In addition to the real estate tax, companies are also liable to pay local government tax which is 2% of the company's annual turnover

^dIn Ireland, occupiers are also liable to a 1% stamp duty of the first year's rent when signing a new lease

^eAll data in Romania is quoted in EUR and not in the local currency RON

Appendix 4

Europe

Forecast total occupancy costs per sq m per year (EUR) (2011-2016)

Forecast total occupancy costs per sq m per year (EUR)							
	2011	2012	2013	2014	2015	2016	Average growth Q3 2011-16 (%)
Marseille	50.2	52.2	53.4	54.6	54.8	54.9	1.7
Brussels	50.5	50.5	50.5	51.4	52.2	52.3	0.7
Antwerp	50.9	52.3	52.5	53.9	55.0	55.2	1.5
Lyon	53.2	53.2	54.3	55.5	55.7	56.8	1.3
Budapest	57.6	60.6	61.1	61.6	62.0	62.4	1.5
Bucharest	57.6	57.6	57.8	58.0	58.1	58.3	0.2
Prague	61.7	64.1	66.2	67.7	68.0	68.2	1.9
Greater Paris	62.9	65.4	66.2	67.4	68.6	68.9	1.7
Rotterdam	67.6	71.2	72.4	73.5	74.6	74.8	2.0
Berlin	68.4	68.4	68.6	68.7	68.9	69.1	0.2
Amsterdam	71.1	74.8	74.9	75.9	76.0	76.0	1.3
Hamburg	75.6	76.8	78.2	78.4	78.6	80.0	1.1
Barcelona	78.4	88.4	93.5	97.4	98.0	98.2	4.4
Madrid	81.5	86.5	88.6	91.1	93.6	96.1	3.2
Dublin	81.5	81.5	86.6	88.9	90.7	93.7	2.7
Warsaw	81.9	81.9	85.5	89.3	89.9	90.3	1.9
Frankfurt	82.8	82.8	83.0	84.4	84.6	86.0	0.7
Gothenburg	87.1	87.1	87.3	87.6	87.8	88.0	0.2
Copenhagen	88.0	84.7	87.1	87.4	89.1	89.5	0.3
Leeds	92.3	93.5	96.3	97.2	101.3	103.6	2.2
Glasgow	95.0	95.0	97.5	99.5	100.5	101.8	1.3
Manchester	95.4	101.3	102.2	106.1	107.1	108.4	2.5
Birmingham	95.4	95.4	99.4	101.5	104.4	105.7	2.0
Helsinki	114.6	114.6	117.3	120.2	120.6	120.8	1.0
South East England	127.4	132.8	136.8	138.0	139.4	141.1	2.0
Oslo	141.9	141.9	142.0	145.2	145.3	145.3	0.4
London Heathrow	217.1	220.2	225.4	230.6	232.9	235.9	1.6

Source: DTZ Research

Appendix 5

Europe

Forecast total occupancy costs per sq m per year (EUR): change in rank (2011-2016)

Forecast total occupancy costs per sq m per year (EUR)					
	2011	RANK 2011	2016	RANK 2016	Change in rank
Marseille	50.2	1	54.9	2	▼
Brussels	50.5	2	52.3	1	▲
Antwerp	50.9	3	55.2	3	-
Lyon	53.2	4	56.8	4	-
Budapest	57.6	5	62.4	6	▼
Bucharest	57.6	5	58.3	5	-
Prague	61.7	7	68.2	7	-
Greater Paris	62.9	8	68.9	8	-
Rotterdam	67.6	9	74.8	10	▼
Berlin	68.4	10	69.1	9	▲
Amsterdam	71.1	11	76.0	11	-
Hamburg	75.6	12	80.0	12	-
Barcelona	78.4	13	98.2	19	▼
Madrid	81.5	14	96.1	18	▼
Dublin	81.5	15	93.7	17	▼
Warsaw	81.9	16	90.3	16	-
Frankfurt	82.8	17	86.0	13	▲
Gothenburg	87.1	18	88.0	14	▲
Copenhagen	88.0	19	89.5	15	▲
Leeds	92.3	20	103.6	21	▼
Glasgow	95.0	21	101.8	20	▲
Birmingham	95.4	22	105.7	22	-
Manchester	95.4	22	108.4	23	▼
Helsinki	114.6	24	120.8	24	-
South East England	127.4	25	141.1	25	-
Oslo	141.9	26	145.3	26	-
London Heathrow	217.1	27	235.9	27	-

Source: DTZ Research

Appendix 6

Asia Pacific

Ranking of Asia Pacific markets: Total occupancy costs per sq m per year (USD)

Rank 2011	Country/Territory	Market	Prime rent	Occupier taxes	Service charge (including VAT)	Total occupancy costs
1	Mainland China	Shanghai	64.5	0.0	8.5	73.0
2	Australia	Melbourne	68.6	4.9	19.6	93.0
3	Australia	Sydney	107.7	4.9	24.5	137.1
4	Taiwan	Taipei	138.3	0.0	13.1	151.4
5	Singapore	Singapore	154.6	0.0	19.9	174.5
6	Hong Kong SAR	Hong Kong	187.8	9.4	31.5	228.7

Source: DTZ Research

Breakdown of total occupancy costs per sq m per year (USD), 2011 (in alphabetical order)

Country/Territory	Market	Unit	Prime rent	Occupier taxes	Service charge (including VAT)	Total occupancy costs	Prime rent	Occupier taxes	Service charge (including VAT)	Total occupancy costs	
			Local currency and measurements				USD per sq m per year				
Australia	Melbourne	AUD sqm Year	70.0	5.0	20.0	95.0	68.6	4.9	19.6	93.0	
	Sydney	AUD sq m Year	110.0	5.0	25.0	140.0	107.7	4.9	24.5	137.1	
Hong Kong SAR	Hong Kong	HKD sq ft Year	136.0	6.8	22.8 ^a	165.6	187.8	9.4	31.5	228.7	
Mainland China	Shanghai	RMB sq m Year	412.5	0.0 ^b	54.0	466.5	64.5	0.0 ^b	8.5	73.0	
Singapore	Singapore	SGD sq ft Month	1.6	0.0 ^c	0.2	1.8 ^d	154.6	0.0 ^c	19.9	174.5 ^d	
Taiwan	Taipei	TWD sq m Year	4,210.8	0.0 ^e	399.3	4,610.1	138.3	0.0 ^e	13.1	151.4	

^aThe service charge in Hong Kong is an average figure of a range

^bProperty tax in Shanghai is based on sale of land and not accounted for by the occupier

^cProperty tax in Singapore is payable by landlord but recovered by the occupier

^dExcludes goods and services tax (GST) as the occupier can claim back GST if it is a GST-registered company

^eProperty tax in Taiwan is payable by the landlord, as opposed to the occupier, and is therefore not included in total occupancy costs

Source: DTZ Research

Appendix 7

Asia Pacific

Forecast total occupancy costs per sq m per year (USD) (2011-2016)

Forecast total occupancy costs per sq m per year (EUR)							
	2011	2012	2013	2014	2015	2016	Average growth Q3 2011-16 (%)
Shanghai	73.0	74.4	78.0	81.0	83.6	85.5	3.06
Melbourne	93.0	96.5	99.2	101.9	104.5	107.2	2.73
Sydney	137.1	140.1	143.4	149.2	155.0	158.2	2.77
Taipei	151.4	152.2	156.6	162.8	166.6	169.2	2.15
Singapore	174.5	174.5	178.1	185.3	192.5	199.7	2.60
Hong Kong	228.7	239.3	243.4	241.0	237.0	233.0	0.35

Forecast total occupancy costs per sq m per year (USD): change in rank (2011-2016)

Forecast total occupancy costs per sq m per year (USD)					
	2011	RANK 2011	2016	RANK 2016	Change in rank
Shanghai	73.0	1	85.5	1	-
Melbourne	93.0	2	107.2	2	-
Sydney	137.1	3	158.2	3	-
Taipei	151.4	4	169.2	4	-
Singapore	174.5	5	199.7	5	-
Hong Kong	228.7	6	233.0	6	-

Source: DTZ Research

Definitions & methodology

Definitions

- **Total occupancy cost**

Total occupancy cost is defined as the total cost of leasing prime usable space on a gross internal basis.

It includes rents, service charges and taxes, such as property tax, the tenant is liable to pay for occupying premises in that particular market. Variations in the service charge amount reflect differences in what is included in the service charge across the markets. Service charges may typically include security, site maintenance and landscaping, and can vary depending on the size of the estate and from site to site.

Total occupancy costs exclude leasing incentives, such as rent-free periods and fitting-out costs.

- **Prime rent**

The highest rent that could be achieved for a typical building/unit of the highest quality and specification in the best location to a tenant with a good (i.e. secure) covenant.

(NB. This is a net rent, excluding service charge or tax, and is based on a standard lease, excluding exceptional deals for that particular market.)

- **Gross Internal Area (GIA)**

Defined as the total floor area within the building measured to the internal face of the external walls.

Methodology

- This second edition of Occupancy Costs – Logistics presents logistics occupancy costs per sq m per annum across 28 markets in 15 European countries. This year, we also consider occupancy costs in selected Asia Pacific markets.
- Using data collected from our network of local offices around Europe and Asia Pacific, this survey looks at the main components of occupancy costs across the regions and provides a ranking based on annual costs per sq m.
- This report refers to Q3 2011 data and uses the exchange rate as at 30 September 2011.

Forecasts

- Occupancy cost forecasts draw on DTZ Research's extensive property market forecasting service which includes broad coverage of European and Asia Pacific industrial markets. The forecasts are constructed by adding together forecasts for rents – which represent the largest proportion of occupancy costs – occupier taxes and service charges.
- Forecasts of rental levels in different markets are developed using tailored econometric modelling which takes advantage of city and sector specific data and expertise, with the forecasts typically driven by output and employment in the industrial sector. The underlying economic forecasts are supplied by Oxford Economics, a leading forecasting house. Local market presence and expertise is a critical input to the process in providing accurate and timely data on which to base the forecasts, as well as insight into recent trends in the different markets.
- Occupier taxes are generally forecast to grow in line with rents, although we take account of country level differences in the setting of occupier taxes, with occupier taxes in the UK forecast to grow in line with the retail price index.
- Service charges are forecast to grow in line with CPI inflation.

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