



**INDUSTRIAL AND LOGISTICS PROPERTIES
STUTT GART REGION**

JUNE 2010



CONTRACT LOGISTICS READY FOR TAKE-OFF.

Since the beginning of 2010, Germany has seen an economic turnaround. As economic indicators are pointing upwards again, also industrial production has started to grow again. In this economic climate, the logistics sector has good chances of gaining more contracts from industrial companies again. On top of this, the trend for outsourcing in the industrial sector has created new opportunities for logistics service providers to expand their range of services.

To support the trend for outsourcing with empirical data, we have carried out a survey amongst small and mid-sized companies as well as global concerns on the outsourcing potential in the Stuttgart Region. We have surveyed companies from a cross-section of relevant industries: paper and printing, metal and plastics processing, electrical and mechanical engineering as well as the automotive and the automotive supplier industry.

In the past, an outsourcing potential of 30 to 50 per cent has been assumed for these industries. While this forecast could basically be confirmed by our survey, the outsourcing rate for 2010 will only be between 5 to 10 per cent. As production capacities in the Stuttgart Region are still under-utilized, larger outsourcing potentials can be expected within the next two years.

An outsourcing of entire business units by industrial companies has only limited potential for short-term cost savings. And it may take months or even years, before outsourcing will have a positive effect on the logistics sector. Against this backdrop, a sudden jump in new contracts is not to be expected for this year. In the long term, contract logistics can make a valuable contribution to the success of industrial companies, not only in terms of cost savings, but also to quality improvement and process control.

Our survey has shown that the greatest potentials for contract logistics lie in the industrial sector, especially with mid-sized companies, rather than in the market for consumer goods. This includes production supply, spare parts logistics, after sales as well as pre-assembly.

As a rule such service contracts are assigned on the basis of proximity to the production site of the industrial company. To win new contracts, logistics companies will also need some degree of product knowledge and process competence, as well as services customized to the individual requirements of the manufacturer.



THE STUTTART ECONOMIC REGION.



FACTS AND FIGURES.

COUNTIES	STANDARD LAND VALUES		RENTS OF EXISTING PROPERTIES			
	EUR/sq.m Sites	trend	EUR/sq.m Warehouse and logistics premises	trend	EUR/sq.m Industrial and production properties	trend
Böblingen	55,00–350,00	→	3,90–6,00	→	3,50–5,50	→
Esslingen	115,00–600,00	→	3,00–5,20	→	3,00–4,90	↓
Göppingen	50,00–120,00	→	2,80–4,00	↓	2,80–3,80	↓
Ludwigsburg	75,00–255,00	→	3,00–5,20	↗	3,00–5,50	↗
Rems-Murr-Kreis	70,00–200,00	→	3,00–4,20	↓	3,00–4,00	→
Reutlingen	30,00–125,00	→	3,00–4,50	→	3,00–4,30	→
Stuttgart	200,00–260,00	→	3,20–5,00	→	3,00–4,80	→
Tübingen	85,00–115,00	→	2,50–5,00	↓	3,00–4,50	→
Ø The Stuttgart Region	170,00		4,00		3,90	

Source: BANKHAUS ELLWANGER & GEIGER KG ©, June 2010

The ground values in the above table are average values for the industrial- and commercial zones. In some cases ground values may differ from the above figures.

EXISTING SPACE

A survey by the industrial and logistics team at ELLWANGER & GEIGER Privatbankiers has found that approximate 900,000 square metres of modern logistics space are currently in use in the Stuttgart Region, starting at 10,000 square metres per logistics property. With the extension of the Porsche-Logistics-Center in Sachsenheim, a further 72,000 square metres of logistics space have been created and also operated by this automotive company.

SPACE TURNOVER

In the first two quarters of 2010, the space turnover for logistics space has been approximate 75,000 square metres. This corresponds to 80% of the space turnover for the entire year of 2009.

RENTS

As the space turnover indicates, there has been an increasing demand for modern logistics space in the first two quarters of 2010. New peak rents could not be reached, as the rent level has remained stable. Regarding

industrial and manufacturing space, demand is for spaces with 1,000 to 3,000 square metres with sufficient supply and stable rents.

For new developments in logistics as well as industrial production, rents lie between 5.20 to 6.30 euros per square metre. Depending on fit-out and condition, office space in logistics and industrial properties is let for 5 to 7.50 euros per square metre for existing space and 6 to 8.50 euros per square for new developments.



INVESTMENT.

LOGISTICS SPACE

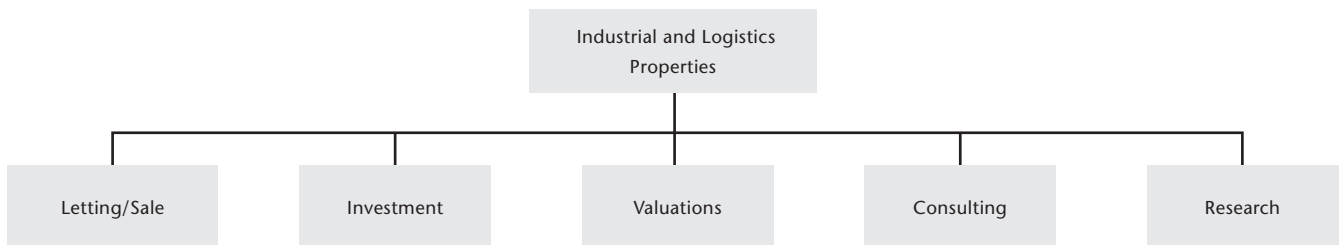
The economic crisis has stopped the trend for speculative new developments in logistics. At the time, mainly private investors with own capital were able to secure undeveloped and developed plots for such investments. While institutional investors put new developments on the market, private investors rather keep them in their portfolios. As it cannot be expected that extensive plots are designated for logistics purposes in the future, e.g. in industrial estates (GI) or special zones (SO), existing brown field sites come into focus. For marketable products in this asset class, ELLWANGER & GEIGER Privatbankiers project initial gross yields between 7.5 and 9.5 per cent.

INDUSTRIAL SPACE

The Stuttgart Region is characterized by high-performance industrial companies, which operate worldwide and are sustainable tenants for investments in industrial space. Against the backdrop of partly outdated production facilities, an ongoing trend for specialisation, new technologies and process optimisation, new industrial and manufacturing space will continue to be in demand. With its various economic clusters, the Stuttgart Region provides a good basis for high yield investments in the industrial sector. For this asset class, ELLWANGER & GEIGER Privatbankiers project initial gross yields between 7.8 and 10 per cent.

YOUR CONTACT PARTNERS.

The industrial and logistics sector has its own characteristics. In this field, you should rely on specialists who know the requirements for buildings, infrastructure and property down to the last detail: ELLWANGER & GEIGER Privatbankiers. You will benefit from our expertise, our long-standing experience and our comprehensive services in:



Please feel free to contact us for further information on

- ELLWANGER & GEIGER's survey of outsourcing potentials in the Stuttgart Region
- ELLWANGER & GEIGER's map of ground values for industrial- and commercial

Our team in Stuttgart looks forward to your call or visit. You can reach us at: Phone +49 (0)711/2148-286 or Fax +49 (0)711/2148-290.

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ELLWANGER & GEIGER Real Estate provides a comprehensive range of one-stop services for institutional properties. We guarantee maximum discretion and reliability, offering you the security of our competent guidance in rapidly changing markets. Our success is based on an excellent knowledge of the market and decades of experience in the property business.

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Extensive research forms the basis of our market-specific location, portfolio and profitability analysis surveys. This enables us to develop strategies to activate the yield and profitability potential.

In addition to extensive rental services, our core competence includes project consulting and transaction services. We have an all-round approach to property investments: we are your reliable partner for services such as developing marketing strategies, processing and presenting property information, and implementing marketing processes.

OUR SERVICES

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- Commercial facility management
- Life-cycle management

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- Acquisition
- Valuations according to the Red Book, Section 194 of the German Building Code and loan value appraisals according to Section 12 of the German Commercial Code
- Due diligence audits
- Portfolio management

OUR OTHER PUBLICATIONS

- Retail Market Report
- Office Market Report
- Investment Market Report

can be obtained free of charge from:
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DISCLOSURE

The data for this market report has been sourced directly from city and community authorities, as well as from realtors and owners. Our contact partners received standardised questions concerning quantitative factors like rental price,

standard ground value, plot size and space turn-over, as well as the prospects for the future. The quality of the answers to our enquiry varied significantly. Some values were estimated, some data was incomplete. However, this survey

offers an overview of the current trends and developments in the industrial and logistic sector of the Stuttgart Region.

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