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Euro-Logistics Newsletter, Q1 2005

The Jones Lang LaSalle Euro-Logistics Newsletter provides a synthesis of publicly available material released during Quarter 1, 2005 - the information has been collated from a combination of press and websites searches. The Newsletter aims to provide anecdotal information (as reported) on market activity in the logistics sector, both industry-wide and specifically within the property market.

Logistics operator's sights turn east:

Occupier activity in Europe's peripheral markets is highlighted this quarter with new logistics facilities opening across Hungary, the Czech Republic and Poland. Many of the facilities are focussed on serving an expanded Europe, including the rapidly growing markets in Russia, Romania and Bulgaria, both for manufacturing clients exporting goods to Western Europe and the growing demand for consumer goods from eastern European countries. The increased economic activity in the east of Europe has also driven stronger demand for distribution space at ports, most noticeable in Hamburg but also in Rotterdam.

In core Europe, consumer spending is driving demand for logistics space from retailers, however a large portion of this activity is linked to rationalisation of existing networks. The UK continues to be an exceptional market and developers are increasing the supply of distribution space rapidly to meet demand of retailers and third party operators. Of particular interest is entry of Panattoni into the UK market; the competitor to ProLogis is well established in the US, though the first indications are that any move into Europe by this large developer will be tentative.

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Logistics Sector Re-organisation

US based **BDP International** has taken an equity stake in **Schryver Freight Srl**, an Italian logistics company with offices in Milan, Bologna, Vicenza, Turin and Prato. (*Transport Intelligence March 2005*)

The international logistics service provider **Dachser** has acquired the **Haugsted Group**, a well-known operator in Denmark, Sweden and Norway. As a result, Dachser is set to integrate 11 new Scandinavian locations into its pan-European logistics network. (*Dascher March 2005*)

DFDS Transport Oy has acquired the remaining shares of Finnish domestic freight forwarder **Uudenmaan Pikakuljetus Oy** (UPK). (*Eye for Transport January 2005*)

Exel has acquired two new partners in Slovenia and Croatia. The Slovenian partner **Eurosped 2001**, based in Skofja Loka, has nine sites across Slovenia and a subsidiary, e-LOG, in Zagreb, Croatia. (*Exel January 2005*)

Spanish construction and services company, **Fomento de Construcciones y Contratas** (FCC) has bought **Grupo Logistico Santos** (GLS) for EUR 128 million. GLS is one of Spain's largest operators with a total warehousing capacity of 650,000 sqm in 64 warehouses in Spain and Portugal. (*Eye for Transport March 2005*)

Geodis has completed the acquisition of **Audas Distribution**, a logistics and freight forwarding specialist that operates 63,000 sqm of warehouse space near Orleans, France. (*Geodis March 2005*)

John Nurminen Oy has sold its Fashionet Logistics business operations to **Finland Post**. The acquisition will expand Post Logistics' services into the area of delivering clothes on racks. It will also support Post Logistics' strategy of expansion in the Baltic countries and Russia. Fashionet operates in Lahti, Finland and Tallinn, Estonia. (*Eye for Transport March 2005*)

KarstadtQuelle Group has sold part of its logistics operation to **Deutsche Post World Net**. DPWN's express and logistics subsidiary DHL will take over distribution logistics for Karstadt Warehouse AG. This includes the Unna and Holzwickede, Germany goods distribution centre, and other regional logistics centres comprising over 700,000sqm. (*DHL January 2005*)

Railion Deutschland AG has acquired "**RAG Bahn und Hafen GmbH**", Gladbeck (RBH), a wholly-owned, indirect subsidiary of RAG, and its shareholding in "DAP Barging B.V.", Rotterdam. Railion is a subsidiary of Stinnes AG, the transportation and logistics services provider of Deutsche Bahn AG. (*Stinnes January 2005*)

UPS has announced it has agreed to acquire **Stolica SA** a parcel and express delivery company in Poland. (*UPS February 2005*)

Outsourcing

CPD Logistics has won a two year UK distribution contract with Spanish toy manufacturer Famosa. (*Motor Transport February 2005*)

London based Rensow Patisserie has contracted **Culina Logistics** to provide a complete storage and distribution service throughout the UK. (*Eye for Transport March 2005*)

delacher, a Thiel Logistik AG (Luxembourg) business unit, has renewed the outsourcing contract for the entire inhouse logistics for the Alpha plants in Fussach and Hard, Austria, for a further two years. The Alpha Group's core business consists of developing and manufacturing plastic bottles, closures and packaging system. (*Thiel Logistik January 2005*)

DHL has won a contract with PepsiCo. The Deutsche Post World Net express and logistics subsidiary will handle nearly 80 percent of beverage transports in Germany for the soft drink manufacturer. (*DHL February 2005*)

DHL has been selected by Airbus, a aircraft to provide spare parts logistics services at three facilities in France. DHL has established a centre within Airbus's aircraft wing strut assembly plant at Saint Eloi, Toulouse. More than 3,200 sqm within the DHL Solutions "Eurocentre" warehouse facility at Saint Jory, Toulouse, has been dedicated exclusively to Airbus inventory. (*DHL February 2005*)

DTS Logistics has signed a two year rolling logistics contract with retailer John Lewis, a UK based department store, for pre-retail and distribution capabilities. (*Motor Transport March 2005*)

UK based fashion retailer New Look as awarded a contract to **DTS logistics** to manage its new national distribution centre in Newcastle-under-Lyme, UK. The 37,000sqm site will support a hub-and-spoke based distribution network. (*Commercial Motor February 2005*)

Exel has opened a new healthcare logistics facility in Gothenburg, Sweden dedicated to Smith and Nephew, pharmacists. The new facility will act as a centre for the Nordic Region. (*Exel March 2005*)

Exel has won a contract with SkyePharma, a provider of drug delivery technologies, to manage its clinical trials logistics from Exel's European Clinical Trial Cell in Banbury, UK. (*Exel March 2005*)

Exel has been selected by House of Fraser, a UK based department store, to manage inbound warehousing and distribution to support its new store in Dundrum, Dublin. The new store will be supplied by Milton Keynes national distribution centre. (*Exel March 2005*)

Exel has won a contract to manage the delivery of packaging and transport of completed products to and from the production lines of Heineken's brewery in s'Hertogenbosch, Netherlands and to manage Heineken's nearby 34,000sqm distribution centre. (*Exel March 2004*)

Exel has signed a contract with KN, the Dutch importer of Konica Minolta, for the distribution of facsimile machines, printers and copiers in the Netherlands. (*Exel January 2005*)

Exel has won a new three year contact to manage the consolidated distribution of temperature controlled goods for British Petroleum (BP) Retail Forecourt stores in the UK. Exel is establishing a 15,000 sqm national distribution centre at Magna Park, Lutterworth in the UK Midlands to provide warehousing and distribution management services for BP. (*Exel January 2005*)

The chemical group Rhodia has signed a three year contract with **Geodis BM** for the management of its European liquid bulk flows by rail and road. (*Geodis January 2005*)

Geodis Euromatic has won a contract with French household electrics group, Elcobrandt, to manage its distribution network across Europe. (*Geodis March 2005*)

Gist has won a contract with UK based high street retailer Woolworth's to manage a new distribution centre in the South of England. (*Gist February 2005*)

Schenker has taken over dispatch logistics for the Continental Tyres plant in Puchov, Slovakia. Over 90% of goods produced in the plant are transported to Germany by rail. (*Schenker February 2005*)

TDG has signed a three year agreement with PPG Iberica to manage PPG's warehousing operation at TDG's Barbera del Valles site in Spain, just north of Barcelona. (*Eye for Transport February 2005*)

Thales Geodis Freight and Logistics has signed a contract to manage all of the reverse logistics in EMEA for Brazilian aircraft manufacturer, Embraer, the civilian aircraft manufacturer. Embraer owns a spare part distribution centre in Le Bourget, near Paris. (*Geodis January 2005*)

TNT Logistics have won a three year contract with MAN ERF, a UK based truck manufacturer for collection and delivery services throughout the UK. The contract will be serviced out of MAN ERF's Swindon warehouse facility (*TNT Logistics February 2005*)

TNT Network Logistics has been awarded a three year contract with HiPP covering the storage and UK distribution of the company's organic babyfoods and cereals. (*TNT Logistics March 2005*)

TNT Automotive Logistics as been chosen by Magneti Marelli Aftermarket Poland to deal with international transport from Italy, warehouse management and other logistics servicing throughout Poland. (*Eye for Transport March 2005*)

Mazda Logistics Europe has awarded **Walon UK** a new contract covering the transportation of over 28,000 vehicles from Rotterdam to the UK including Northern Ireland. (*Eye for transport March 2005*)

Wincanton has won a fuels distribution contract with Ireland's Statoil. The five year deal will be run from three Statoil depots in Galway, Cork and Dublin. (*Wincanton February 2005*)

Wincanton has taken over elements of the inbound logistics chain for Ford's production site in Cologne. Wincanton collects components from around 40 suppliers across Germany via its own network. These are then consolidated into truckloads at Wincanton's logistics terminals in Eisenach and Chemnitz. (*Wincanton March 2005*)

Landowner, Brixton plc, has awarded the clearance contract to **Wincanton** for the disposal of disused fridges. Wincanton is responsible for clearing the land, transporting the units and recycling all parts without the use of sub-contractors in Manchester's Trafford Park area, UK. Wincanton will be using their fridge recycling plant at Billingham, near Middlesbrough, and its CFC re-packaging capabilities at Widnes. (*Wincanton March 2005*)

UK Supermarket chain the **Co-operative group** has leased a 28,800 sqm warehouse in ProLogis Park Coventry, UK. (*ProLogis January 2005*)

Conforama, household appliance and furniture retailer, plan to base its regional distribution hub in the redevelopment area adjacent to the motorway exit at Onnaing, Northern France. Plans call for delivery at the end of 2005 of a 32,000 sqm warehouse linked to the national rail grid by its own branch line. GSE is general contractor. (*Locate in Northern France March 2005*)

Sporting goods retailer **Decathlon** has announced plans to rent 29,965 sq.m of warehouse space at the Lille Métropole distribution center in Houplines, which will become its logistics centre for Northwestern Europe. The site owner is GE Commercial Finance Real Estate France. Altogether the Lille Métropole hub in Houplines will develop 105,000 sq.m of facilities. A second 22,550 sqm-building is scheduled for delivery in November 2005, and can be split into two separate sections. Two additional buildings of 30,000 sqm and 22,500 sqm will be delivered eight months after agreement. (*Locate in Northern France March 2005*)

Exel has opened a new logistics terminal in the modern industrial zone, CT Park Modrice in the Czech Republic. The new terminal is located close to Brno. (*Exel March 2005*)

U-Freight's Portuguese partner – the **Garland Group** – has started work on the construction of a new freight facility complex on the outskirts of Porto, Portugal. This facility will replace the Garland Group's existing facilities in Maia, which the company has outgrown in 5 years. (*Eye for Transport March 2005*)

Gefco has announced plans to set up a new site at the Delta 3 logistics hub in Dourges, renting 36,000 sqm of warehouse space. (*Locate in Northern France March 2005*)

Kuehne+Nagel has doubled its warehousing capacities in Salzburg-Bergheim, Austria, with a substantially enlarged and modernised logistics centre which now measures 13,000 sqm. (*Kuehne + Nagel January 2005*)

Paris based, cosmetic company, **L'Oreal** (Polska Sp. Z.o.o.) has expanded its lease by 70% to 14,536 sqm at ProLogis Park Blonie, Poland. (*ProLogis March 2005*)

Mahle Sistemas de Filraction S.L. a manufacturer of filter systems for the automotive industry has leased 4,600 sqm at ProLogis Park Alcalá, Madrid, Spain. (*ProLogis January 2005*)

Michelin Group has decided to expand its tyres plant in Olsztyn, as part of its strategy related to operations on developing markets. The value of the investment is estimated at EUR 253 million over the next three years. The investment envisages increasing production capacity of tyres for cars and vans, rubber mix as well as developing warehouse facilities. (*Invest in Poland February 2005*)

NYK Logistics (UK) has opened an additional distribution centre in Milton Keynes, UK. A five year lease has been agreed to the new 9,000 sqm facility which is adjacent to the company's existing headquarters at Tilbrook. (*NYK Logistics March 2005*)

Pallet Network, a third party logistics operator, has taken 21,000 sqm and ProLogis Central Park, Rugby UK. (*ProLogis January 2005*)

Schenker's Hungarian subsidiary, **Schenker Kft**, has moved into a new logistics centre in the Budapest Intermodal Logistic Centre (BILK) further strengthening Schenker's network in Eastern Europe. The new logistics centre includes a 24,000 sqm building complex comprising of 17,000sqm of logistics storage area and a 5,000sqm general cargo terminal. BILK is one of the largest logistics park in Europe and is also on of the largest intermodal terminals in Europe. (*Schenker February 2005*)

Schenker is building a new scheduled distribution network in Russia, establishing connections between the twenty biggest cities covering the European part of Russia and the Ural and West Siberia areas. Schenker opened a new distribution centre in Moscow of 5,000 sqm to operate as a main hub for the distribution network and cross-docking. (*Schenker March 2005*)

Schenker is expanding its logistics capacity in the greater Paris region, with the construction of a new logistics terminal in Gennevilliers, north of Paris. The official opening was in April 2005. The new terminal offers a total of 45,000 sqm of space including 11,000sqm of transshipment area and 6,000 sqm of logistics space. (*Schenker March 2005*)

Schneider Logistics has opened a new office in Olomouc, Czech Republic, as it further develops its European business. The office is the new Shared Service Centre for European logistics services. (*Schneider Logistics March 2005*)

TNT Express has announced a EUR 14.3 million investment plan to expand capacity and upgrade facilities at its Europe road hub in Duiven, the Netherlands. The investment plan also includes the purchase of 25,000sqm of land adjacent to the site to accommodate potential future expansion. (*TNT Logistics March 2005*)

Whistlestop Discount stores has taken a lease on a 14,000 sqm warehouse at Apex Park, Daventry, UK. The warehouse is owned by ProLogis. (*EGi February 2005*)

Wolseley UK, distributor of building and plumbing products and materials, has announced a EUR 140m investment to increase the capacity of its distribution network. Initial plans include building a 31,000 sqm distribution centre in Leamington Spa, The company also plans to open another regional distribution centre in the north west of England in 2006. The new national distribution centre will serve all of Wolseley UK's brands working alongside the company's regional distribution centres in Melmerby (North Yorkshire), Worcester and Marston Gate (near Milton Keynes) plus local bulk distribution sites across the UK. (*Wolseley January 2005*)

Investor Activity

Heitman International has purchased two logistics building in the Delta Forum Business and Logistics Park to the west of Frankfurt. Heitman was advised by Jones Lang LaSalle. (*Jones Lang LaSalle February 2005*)

PTS Plumbing Trade Supplies is relocating to a new 11,000 sqm distribution facility at Junction six Industrial Park, Birmingham, UK. The building developed by **IM Properties** has recently been sold on as a fully let investment realising a net initial yield of 7%. (*EGi February 2005*)

Insight Investment Managers has paid EUR 3.1 million for Sherbert Point, a distribution centre in South Manchester, UK. The 3,000sqm unit is let to Unique Logistics. Jones Lang LaSalle advised Insight. (*Jones Lang LaSalle February 2005*)

UK fund manager **Morley Fund Management** has created at EUR 1,181 million airport property fund with UK airport operator BAA. BAA has transferred property into the 50/50 joint venture. The portfolio is 60% warehouse space. (*EGi March 2005*)

Prudential has acquired at 27,000sqm warehouse in the North-West of Paris. The warehouse was developed by Etoile Developpement and has been leased by Darty on a 9 year lease. Prudential was advised by Jones Lang LaSalle. (*Jones Lang LaSalle February 2005*)

Spazio Industriale, the joint venture between Pirelli RE and Soros Real Estate investors has acquired seven industrial properties from the RADA Group for EUR 77 million. (*Pirelli January 2005*)

Development Activity

Astral and **Merrill Lynch** has signed Hertfordshire council, UK to take a 15 year lease on a 11,600 sqm warehouse in Welwyn Garden City. *(EGi March 2005)*

Boulbee Land, in a joint venture with **Schroder Exempt Property Unit Trust**, has bought a 5.3 ha site at Witton, UK from Linpac Mouldings and secured a prelet to Innovate logistics for 14,000sqm. Jones Lang LaSalle advised Boulbee Land. *(Jones Lang LaSalle February 2005)*

Koninklijke Vopak N.V. (Royal Vopak) is to develop a site of initially 17.4 hectare at the Verrebroek Dock on the river Schelde in the port of Antwerp, Belgium. Vopak plans to build a new chemical terminal in Antwerp with a capacity of some 100,000 m³, is expected to start in one year's time and involves an investment of around EUR 70 million. Ultimately, the total capacity of the terminal will be some 300,000 m³ divided over 180 tanks, which will require further expansion of the site in southern direction. The terminal will have two berths for ocean-going vessels and two for barges and coasters. *(Vopak February 2005)*

Gazeley is planning two distribution parks on its sites in Skelmersdale and Newark, UK. The 18 ha Skelmersdale site will take two buildings of 46,000sqm and 23,000 sqm. The 15.8 ha site in Newark was bought from British Gypsum and could accommodate 74,000sqm of distribution space. *(EGi January 2005)*

The developers, **Idelux**, **Houyoux**, **Thomas&Piron** and **Socogetra**, responsible for the development of the Parc Logistique Centre Ardenne (250.000 m²), will start a first phase on speculative basis (20.000 m²), which will be completed by spring 2006. The Parc Logistique Centre Ardenne is located in the province of Luxembourg, in the Southeastern part of Belgium. *(Jones Lang LaSalle March 2005)*

KatoenNatie is developing the Automotive Park in Forest (65.000 m²), on the Brussels' production site of Volkswagen. This logistic site is being developed to accomodate suppliers for VW's manufacturing plant and will be completed over the course of next year. *(Jones Lang LaSalle March 2005)*

Land Securites in joint venture partnership with Gazeley have gained outline planning permission for the Nova MK distribution scheme in Milton Keynes, UK. The 316,000 sqm scheme will provide units ranging in size from 9,000 – 93,000sqm. *(Land Securites January 2005)*

Maro Developments has won outline planning consent for a EUR 44 million manufacturing and distribution hub at Carrington First hub, Manchester, UK. Maro will develop the 17.8 ha site in a joint venture with Merlin International Properties. *(EGi February 2005)*

Mazda has decided to ship Austria-bound cars through Rotterdam rather than Antwerp, increasing the total annual volume of Mazda cars handled in Rotterdam to 80,000. A fourth car storage facility is to open with a capacity for 5,800 vehicles. *(Transport Intelligence January 2005)*

ProLogis are starting construction on the second phase of ProLogis Park Alcala, Madrid, Spain. It will comprise of three additional distribution facilities for a total of 57,000sqm. *(ProLogis January 2005)*

Opus Land and **Arlington Securities** have teamed up to develop a EUR 66 million, 42,000 sqm industrial and distribution park in Wednesbury, Sandwell, UK *(EGi March 2005)*

Panattoni, the second largest distribution developer in the US after ProLogis has attempted to enter the UK market for the first time. The company was to fund Equity Estates' purchase of a 3.9ha former sweet factory site in Beddington, UK. However the deal subsequently failed. *(EGi February 2005, PropertyWeek March 2004)*

ProLogis is negotiating to buy a 17.8 ha site at Greenham common, UK with could accommodate over 60,000 sqm of warehousing space from Sainsbury's a UK based supermarket chain. Sainsbury's is also disposing of a 14ha site in Dunstable, UK. (EGi January 2005)

Rosemound and **British Land** have signed UK supermarket, Tesco, for a 70,000 sqm prelet warehouse at Daventry International Rail Freight Terminal. Tesco took a 15 year lease for the warehouse which will be constructed on a 17.8ha site that was purchased from Severn Trent Property last year for EUR 37 million. (EGi March 2005)

Rosemound will be building 93,000 sqm of distribution space in Cheshire and Northamptonshire, UK. THE specialist distribution development specialist, 50% owned by HboS, will speculatively build a 57,600 sqm warehouse on a 12 ha site at Pioneer Business Park in Ellesmere Port UK. (EGi January 2005)

Rosemound has won consent for a second phase of its 20.2 ha Max Park distribution scheme. It will build two more distribution facilities totalling 39,000 sqm. (EGi January 2005)

SA Trilogis Parc, a joint venture between **Sari, Immobilière Fédérale de Construction** and **Meuse Invest**, has taken over the logistic project of Mercator in Liège, near the airport. They will be built a first phase (12.000 m²) on speculative basis, on a total site with a potential of 48.000 m². (Jones Lang LaSalle March 2005)

Emerging Trends & Other News

Eagle Global Logistics warehouse on the Dolphin industrial estate in Purfleet, UK has burnt down. The warehouse contained a variety of goods from perfume to game consoles. The blaze took two hours to come under control and the building was completely collapsed. (Transport Intelligence January 2005)

Post News: Deutsche Post is facing growing pressure from regulators to cede its monopoly on the collection and sorting of mail under 100 grams. At the same time French competition authorities have reduced a EUR 6 million fine to France's La Poste for abuse of its monopoly.

The Bremen enterprise **EH Harms Automobile – Logistics** is to establish a new intermodal automobile terminal at the log port site in Duisburg-Rheinhausen. The Duisburg Auto Terminal has started operations on 100,000 sqm and can be expanded to a total area of 200,000 sqm. (Eye for Transport January 2005)

This document was produced by European Research at Jones Lang LaSalle. European Research numbers 60 professionals across Europe co-ordinated by a specialist London based team, whose activities include maintaining specialised property databases, analysing the factors that drive real estate performance, forecasting, and providing research-led strategy and advice to investors, developers and occupiers.

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