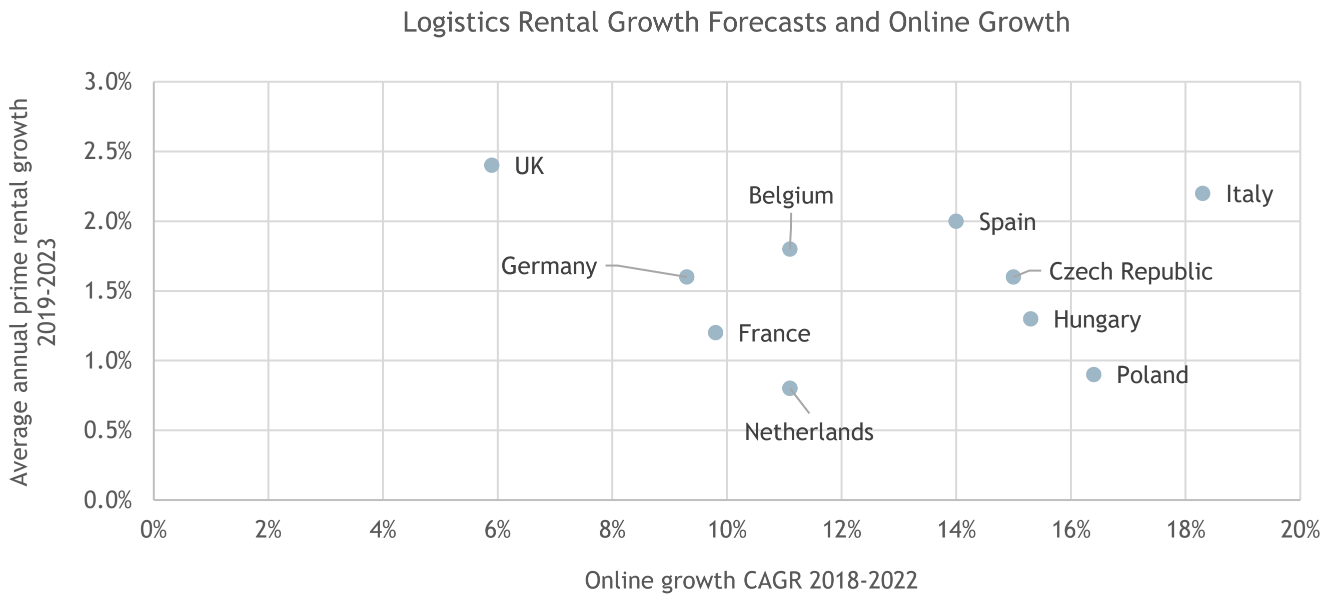
EUROPEAN RESEARCH MONTHLY UPDATE

APRIL 2019

SURFING THE ON-LINE WAVE IS NOT THE ONLY THING FOR LOGISTICS

- On-line retail penetration rate in Europe averaged 6.4% in 2018 and is expected to increase to 8.8% by 2022. With the shift towards online retailing still showing potential growth, demand for logistics is set to remain solid across Europe.
- On-line sales has driven demand for both XXL and big box warehouses as well as the increased need for mid-size units. This is due to the greater need for parcel delivery has shifted part of the demand closer to urban areas.
- Our forecasts show no evident correlation so far between on-line sales growth and logistics rental growth. But with vacancy rates at their lowest across Europe, owners have more leverage to negotiate more favourable rents.
- Logistics rental growth is clearly not just driven by the wave in on-line retail sales. Other factors such as the continued focus on cost optimization of the retail supply chain and the availability and cost of logistics space also play a role.
- With occupier demand remaining solid, European industrial and logistics investment volume tripled in the last five years (2014-2018), compared to the previous five-year period (2009-2013).
- With increased competition for existing assets, investors also view development as a value-add alternative.

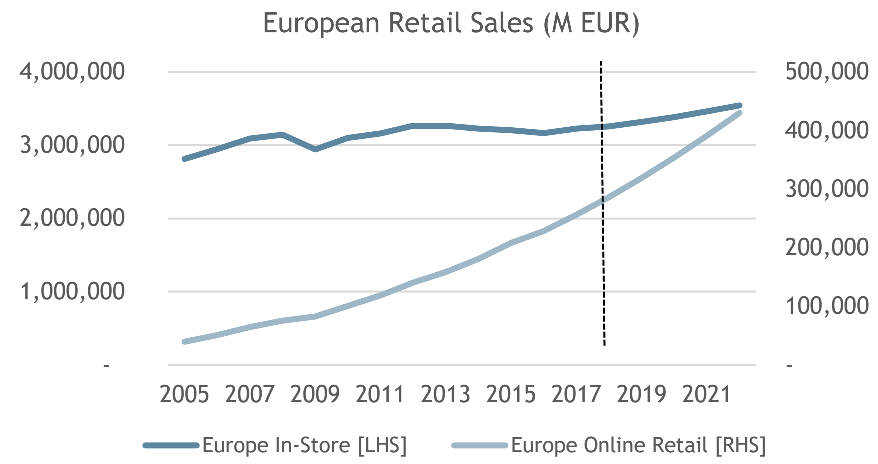
LOGISTICS RENTAL GROWTH DRIVEN BY MORE FACTORS THAN JUST ONLINE SALES GROWTH



Sources: Global Data, AEW

LOGISTICS SPACE DEMAND DRIVEN BY ONLINE SALES GROWTH AND SUPPLY-CHAIN REORGANIZATION

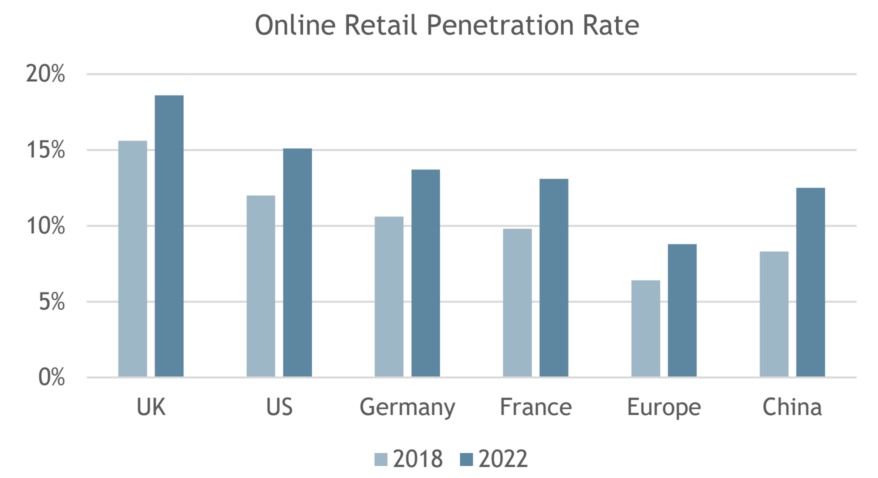
- As is clear from the chart, on-line retail sales are growing faster than in-store sales. This trend is expected to continue.
- Given that on-line retail sales require more logistics space than traditional in-store retail sales, the demand for logistics space will benefit from this supply-chain adjustment.
- Online sales has driven XXL, big box warehouses demand (more than 50,000 sqm in size). But also need for mid-size units has also increased due the greater need for parcel delivery. This has shifted part of the demand closer to urban areas.



Sources: Global Data, AEW

ON-LINE SALES GAINING SHARE AT VARIOUS PACES GLOBALLY

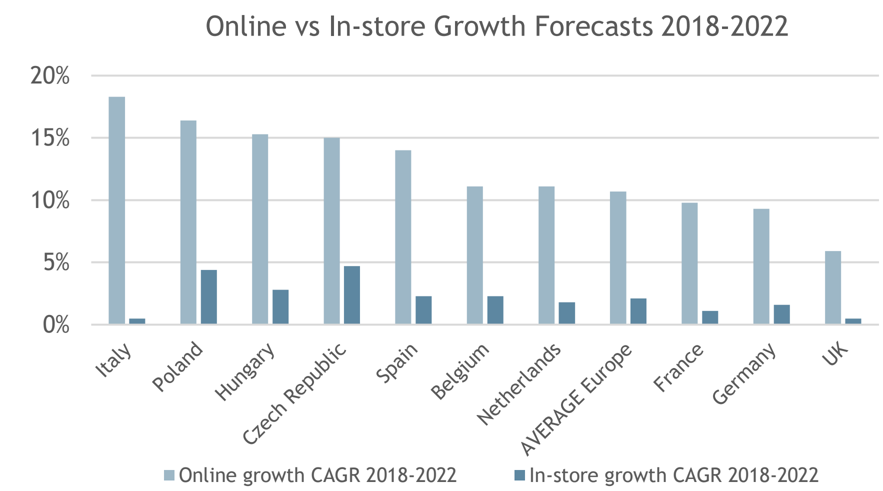
- On-line retail penetration rate in Europe averaged 6.4% in 2018 and is expected to increase to 8.8% by 2022.
- We include other non-store retail sales, like vending machines, in our total.
- The UK has the highest penetration rate in Europe, and despite this high penetration level, further growth is expected.
- With the shift towards on-line retailing still forecasted to have significant further growth, demand for logistic space is set to remain solid across Europe.



Sources: Global Data, AEW

ON-LINE RETAIL SALES GROWTH SET TO BE STRONGEST IN SOUTHERN EUROPE AND CEE

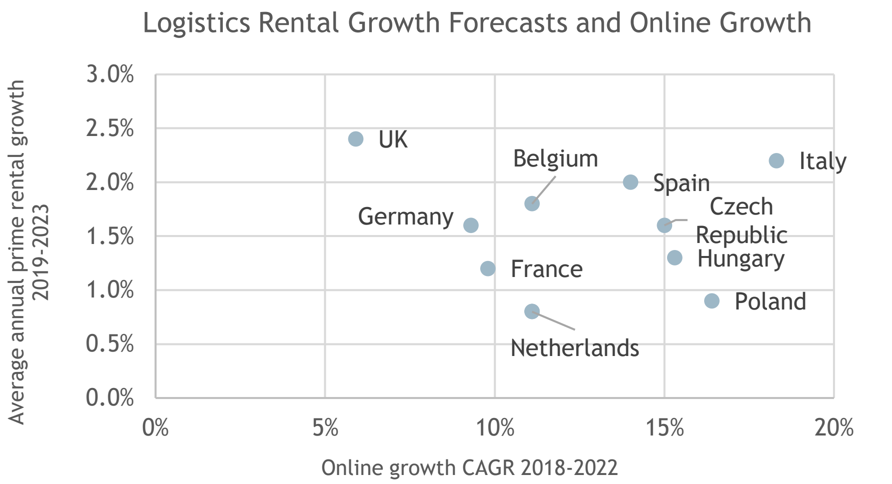
- While in-store sales still expected to grow by an average CAGR 2.1% from 2018 to 2022, online sales growth is five times stronger with a forecasted growth of 10.7% on average in Europe.
- Italy and Spain lead future online growth in southern Europe.
- The CEE region forecasts for online sales growth is stronger on average as domestic markets are growing in terms of consumer demand.



Sources: Global Data, AEW

LOGISTICS RENTAL GROWTH DRIVEN BY MORE FACTORS THAN JUST ON-LINE SALES GROWTH

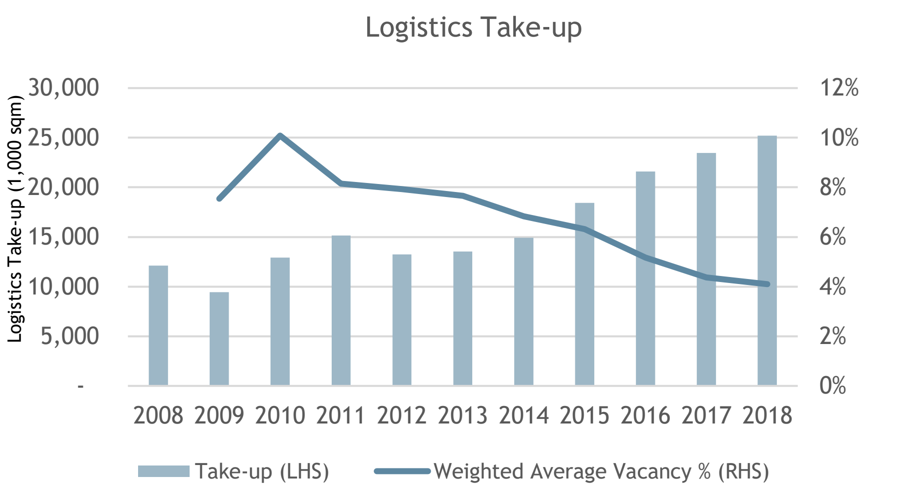
- Our forecasts show no evident correlation between online sales growth and logistics rental growth.
- Good rental growth forecasts can be found in fast growing on-line markets such as Italy but also in markets where the penetration rate is already high, such as in the UK.
- Clearly there are other factors driving logistics rental growth. Apart from cost optimization of the retail supply chain the availability and cost of logistics space is key.



Sources: Global Data, CBRE, AEW

LOGISTICS TAKE-UP GROWTH PUSH VACANCIES TO RECORD LOW

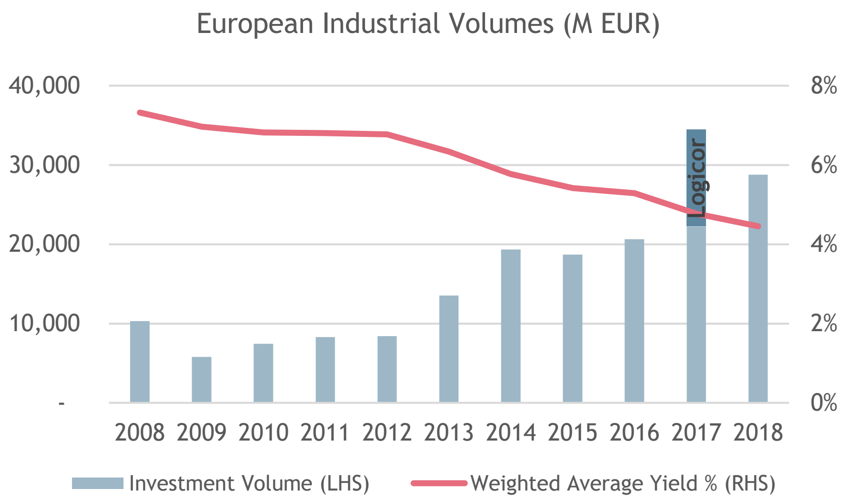
- Logistics take-up has been increasing since 2012.
- Despite new developments, supply for logistics space remains limited to meet the need of occupiers such as the like of online and other major retailers.
- This has resulted in low vacancy of around 4% as a European average.
- With vacancy rates at their lowest across Europe, owners have more leverage to negotiate rents.
- Investors should be able to benefit from higher market rents for both new lettings and lease renewals, especially in the most supply constrained markets.



Sources: AEW, CBRE

EUROPEAN INDUSTRIAL INVESTMENT VOLUMES ON THE RISE

- With vacancy at record low and occupier demand remaining solid, European industrial and logistics investment volume tripled in the last five years (2014-2018), compared to the previous five-year period (2009-2013).
- This highlights two outstanding trends: more investors gaining exposure to the logistics asset class, including via large portfolio transactions (including the Logicor deal in 2017) and growing investments outside of the big three countries (Germany, UK and France).
- With increased competition for existing assets, investors also increasingly turn to development as a value-add alternative.



Sources: CBRE, AEW

ABOUT AEW

AEW is one of the world's largest real estate asset managers, with €65.4bn of assets under management as at 31 December 2018. AEW has over 700 employees, with its main offices located in Boston, London, Paris and Hong Kong and offers a wide range of real estate investment products including comingled funds, separate accounts and securities mandates across the full spectrum of investment strategies. AEW represents the real estate asset management platform of Natixis Investment Managers, one of the largest asset managers in the world.

As at 31 December 2018, AEW managed €31.4bn of real estate assets in Europe on behalf of a number of funds and separate accounts. AEW has close to 400 employees based in 9 offices across Europe and has a long track record of successfully implementing core, value-add and opportunistic investment strategies on behalf of its clients. In the last five years, AEW has invested and divested a total volume of over €20bn of real estate across European markets.

RESEARCH & STRATEGY CONTACTS

Hans Vrensen MRE, CFA
HEAD OF RESEARCH & STRATEGY
Tel +44 (0)20 7016 4753
hans.vrensen@eu.aew.com

Ken Baccam MSc
DIRECTOR
Tel +33 (0)1 78 40 92 66
ken.baccam@eu.aew.com

Irène Fossé MSc
ASSOCIATE DIRECTOR
Tel +33 (0)1 78 40 95 07
irene.fosse@eu.aew.com

Dennis Schoenmaker PhD
ASSOCIATE DIRECTOR
Tel +44 (0)20 70 16 48 60
dennis.schoenmaker@eu.aew.com

Guillaume Oliveira MSc
ASSOCIATE
Tel +33 (0)1 78 40 92 60
guillaume.oliveira@eu.aew.com

INVESTOR RELATIONS CONTACT

Mina Kojuri MSc
ASSOCIATE DIRECTOR
Tel +44 (0)20 7016 4750
mina.kojuri@eu.aew.com

LONDON

AEW | 33 Jermyn Street | London, SW1Y 6DN | UK

PARIS

AEW | 22 rue du Docteur Lancereaux | 75008 Paris | FRANCE

DÜSSELDORF

AEW | Steinstraße. 1-3 | D-40212 Düsseldorf | GERMANY