Global Trends in Industrial Parks
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<td>Delta Park, Weihoek 3, 1930 Zavenem, Brussels</td>
<td>13</td>
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<td>15</td>
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</tr>
<tr>
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<td>Ireland</td>
<td>Rosemount Business Park, Dublin</td>
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<td>Poland</td>
<td>Diamond Business Park, Lodz</td>
<td>23</td>
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<tr>
<td>Spain</td>
<td>Coslada Logistics Park, Corredor del Henares, Madrid</td>
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<tr>
<td>UK</td>
<td>Bicester Distribution Park, Oxfordshire Western Approach Distribution Park, Bristol Premier Park, Park Royal, West London Trafford Park, Manchester Newhouse Farm Estate, Chepstow, Wales EuroCentral, Mossend, Lanarkshire, Glasgow</td>
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<td><strong>ASIA-PACIFIC</strong></td>
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<tr>
<td>Australia</td>
<td>108-120 Silverwater Road, Silverwater, Sydney</td>
<td>44</td>
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<tr>
<td>China</td>
<td>Baoshan Urban Industrial Park, Baoshan, Shanghai</td>
<td>46</td>
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<td>Hong Kong</td>
<td>Airport Freight Forwarding Centre, Chek Lap Kok Airport</td>
<td>48</td>
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<tr>
<td>Indonesia</td>
<td>MM2100 Industrial Town, Bekasi, Jakarta, West Java</td>
<td>50</td>
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<tr>
<td>Malaysia</td>
<td>Hicom Glemarie Industrial Park, State of Selangor, Kuala Lumpur</td>
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</tr>
<tr>
<td>Singapore</td>
<td>Singapore Science Park</td>
<td>53</td>
</tr>
</tbody>
</table>

**NORTH AMERICA**

- Parma Commerce Center, Cleveland, Ohio
- Dominguez Technology Park, Los Angeles
- Centerpoint At 8A, South Brunswick & Monroe Township, New Jersey

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Executive Summary

- **The onward march of globalisation will not be reversed** despite the tragic events of 11 September 2001 which have increased the costs, time and risks associated with cross-border trade.

- **World merchandise exports increased by some 7% per annum** between 1990 and 2000 compared with world GDP growth of 2% per annum.

- **World foreign direct investment quadrupled between 1993 and 1999** to reach around US$ 800bn.

- **All the major economic regions of the world are becoming more service-orientated**, as illustrated by the changing pattern of employment. Since 1980 service employment in the USA has increased from 66% to over 73% of total employment. In Central Europe it has risen from 37% to 54%.

- **Developments in logistics and supply-chain management** are having a major impact on industrial property markets. The centralisation of production and inventory has generated increasing requirements for very large facilities, and the use of just-in-time logistics often generates requirements for warehouses to be co-located on manufacturing sites, or situated adjacent to them.

- Logistics accounts for 20% of total product costs. To reduce costs, third party logistics service providers will become a more important source of industrial property demand as outsourcing expands.

- The globalisation of production and marketing has raised the significance of freight transport and fuelled the development of major transport hubs that are important commercial and industrial centres.

- In the USA and much of western Europe, major industrial parks are dominated by warehousing and distribution users. By contrast, in parts of Asia-Pacific, manufacturing has a larger representation on industrial parks.

- Traditionally, companies with specialist property requirements, or a desire to maintain maximum production flexibility, have developed their own facilities and owner-occupied them. Where companies lease property, especially for warehouse and distribution purposes, they are increasingly looking for more flexible tenure structures and terms to maximise the flexibility of their property assets, yet minimise the risk of any liabilities should they need to restructure their property holdings.

- The cost of occupying leasehold property varies significantly around the world. London is the most expensive industrial property location globally, with total occupation costs around seven times those of occupying equivalent property in Shanghai.

- The impact of the Asia crisis in the late 1990s, currency devaluation and slow economic growth has resulted in rents falling. In US Dollar, inflation adjusted terms, industrial rents are more than forty percent lower than in 1995, in all Asia-Pacific markets.

- Lower property costs in Asia-Pacific continue to re-enforce the role of this region as the principal cost-efficient manufacturing zone of the global economy.

- The growth of the service economies of Europe and North America, in an era of low inflation, will encourage the greater consolidation of distribution companies, facilities and locations.

- Occupiers, developers and investors in industrial property need to become more aware of environmental issues as sustainable development moves up the political agenda.

- The short-term economic outlook suggests slower economic growth in the major developed economies, but medium-term forecasts point to more benign economic conditions. Understanding the shifting patterns of economic activities and developments in logistics and supply-chain management, is the key to identifying growth opportunities in industrial property markets worldwide.
Introduction

This is the first report to look at industrial parks at a global level. Using its global office network, King Sturge has compiled 24 case studies of industrial parks from around the world; three studies from the USA, fifteen from Europe and six from Asia-Pacific.

Over recent years, much has been written about “globalisation”. From an economic perspective, globalisation is a process whereby business decisions to produce and market goods and services are taken on a global, rather than purely national basis. As a result, cross-border flows of goods and services, and related flows of capital and information, have increased dramatically. The globalisation of industrial property markets is part of this wider process.

Although the tragic events of 11 September 2001 seem likely to increase the costs, time and risks associated with cross border transactions, the onward march of globalisation (especially of tangible goods) is not likely to be reversed. World trade is projected to grow faster than world GDP and companies will increasingly manage their supply chains on a global scale. Even the globalisation of terrorism will not stop the globalisation of business.

This report takes a global look at industrial parks. It is divided into two parts:

Part One provides an overview of macro trends relevant to industrial property markets worldwide. This part begins by examining global economic trends and developments in logistics and supply-chain management. It then considers trends in international transport, before examining some of the key issues for industrial property markets. It concludes with an assessment of the outlook for industrial property markets.

Part Two provides a series of case studies from around the world. These studies highlight both the similarities and differences in industrial parks in the three main global economic regions; Europe, North America and the Asia-Pacific. For example, while there are similarities in the specification of industrial buildings, there are differences in the profile of companies occupying industrial parks in different parts of the world.

The report is designed to be of interest to occupiers, developers and investors in the industrial property market. Inevitably, it provides only an overview of some key themes and issues. Readers requiring more specific information on the locations reviewed should, in the first instance, contact King Sturge or visit our website at www.kingsturge.com.

January 2002
Part One – Overview

The global economy

Globalisation
Globalisation is a process whereby business decisions to produce and market goods and services are increasingly taken on a global rather than national basis. As a result, cross-border flows of goods and services, and related flows of capital and information, have increased dramatically. Although the tragic events of 11 September seem likely to increase the costs, time and risks associated with cross-border transactions, the onward march of globalisation is not likely to be reversed.

World trade
Between 1990 and 2000, the volume of world merchandise exports increased by an annual rate of 7% compared with a corresponding world GDP growth of 2%. In value terms, the strongest growth in exports was recorded by China, which saw annual growth of around 15%. As a result, its share of world merchandise exports doubled from 1.8% in 1990 to 3.6% in 1999, see Table 1.

Global foreign direct investment
Foreign direct investment (FDI) is another indication of globalisation. According to the OECD, in 1980 the stock of FDI abroad accounted for 5% of world GDP, but by 1999 this contribution had almost tripled to 14%. In the six years, 1993 to 1999, world FDI flows quadrupled from about US $200bn. to around $800bn.

The vast majority of FDI outflows originated from the OECD economies. In 1999 OECD countries accounted for 92% of FDI outflows and 77% of inflows. In 1998, the top five recipients of OECD FDI outflows were Brazil, Argentina, Malaysia, China and Singapore. Although China was placed fourth in terms of OECD outflows, it is the largest recipient of worldwide FDI flows outside the OECD, due to large investments from non-OECD economies, such as Singapore.

Changing global employment
Every major global economic region has seen a sharp increase in employment in services over the past two decades. In the US and EU economies, some 73% and 66% respectively of all jobs are in service industries, see Table 2.

Logistics and supply-chain management

A key source of competitive advantage
Logistics refers to how companies manage the flow of materials, parts and finished goods, through their organisations and marketing channels to provide the right product at the right time at the right place and at the right price. Supply-chain management is a wider concept that embraces the management of these flows along the whole length of the supply chain, i.e: from the “upstream” source to end consumer, “downstream”.

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### TABLE 1: WORLD MERCHANDISE EXPORTS BY REGION

<table>
<thead>
<tr>
<th>Region</th>
<th>Share 1990 (%)</th>
<th>Share 1999 (%)</th>
<th>Value 1999 (US$ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROPE</td>
<td>51.4</td>
<td>46.9</td>
<td>2,567</td>
</tr>
<tr>
<td>Western Europe</td>
<td>48.3</td>
<td>43.0</td>
<td>2,353</td>
</tr>
<tr>
<td>Eastern Europe &amp; CIS</td>
<td>3.1</td>
<td>3.9</td>
<td>214</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>15.4</td>
<td>17.1</td>
<td>934</td>
</tr>
<tr>
<td>United States</td>
<td>11.6</td>
<td>12.7</td>
<td>695</td>
</tr>
<tr>
<td>Canada</td>
<td>3.8</td>
<td>4.4</td>
<td>239</td>
</tr>
<tr>
<td>ASIA</td>
<td>21.8</td>
<td>25.5</td>
<td>1,394</td>
</tr>
<tr>
<td>Japan</td>
<td>8.5</td>
<td>7.7</td>
<td>419</td>
</tr>
<tr>
<td>China</td>
<td>1.8</td>
<td>3.6</td>
<td>195</td>
</tr>
<tr>
<td>Six East Asia traders</td>
<td>7.9</td>
<td>10.0</td>
<td>546</td>
</tr>
<tr>
<td>Other Asia</td>
<td>3.6</td>
<td>4.2</td>
<td>234</td>
</tr>
<tr>
<td>REST OF WORLD</td>
<td>11.4</td>
<td>10.5</td>
<td>579</td>
</tr>
<tr>
<td>Africa</td>
<td>3.1</td>
<td>2.0</td>
<td>112</td>
</tr>
<tr>
<td>Latin America</td>
<td>4.3</td>
<td>5.4</td>
<td>297</td>
</tr>
<tr>
<td>Middle East</td>
<td>4.0</td>
<td>3.1</td>
<td>170</td>
</tr>
</tbody>
</table>

Source: World Trade Organisation
Companies are increasingly seeking to squeeze costs out of their logistical operations and the whole supply chain, while at the same time improving service. This trend has been accelerated by the increase of B2B (business to business) Internet usage. As a result, logistics and supply chain management are increasingly recognised as a source of competitive advantage. Many of the ways in which companies are restructuring their logistical and supply-chain operations have important implications for industrial property markets.

The concentration of production and warehousing facilities
Companies are increasingly concentrating their production facilities into a smaller number of large factories. In some cases, global companies manufacture from only two or three production plants in the world, while many other companies continue to close down factories in order to consolidate their production. In many cases, these production plants are located in relatively low-cost locations in Asia-Pacific, Latin America, or Eastern Europe.

Companies have also centralised their inventory into fewer locations. Around Europe, for example, many companies have shut down nationally-based regional distribution centres and restructured their warehousing on a pan-European basis, with either a single European distribution centre or a handful of regional distribution centres each serving several countries.

Some companies now organise their distribution facilities on a global basis, with a single warehouse, or a handful of facilities, responsible for servicing their customers across a whole global region, such as North America or Europe. Often these distribution centres are combined with a network of satellite “stockless” depots, that may be used to break-bulk or service peripheral markets.

The centralisation of production and inventory has generated increasing requirements for very large industrial properties. Major warehouse facilities in Europe and the USA are now quite often around 46,450 m² (500,000 sq ft) and may extend to 92,900 m² (1m sq ft).

Postponement
Where companies have centralised their production and inventory on a global (or global region) scale, the use of “postponement” enables them to “customise” their production for particular national markets. Postponement is based on the idea of designing products using common platforms, components or modules and undertaking the final assembly, or customisation, at or near the final market destination.

Goods may be “mass produced” in, say, Asia-Pacific but “customised” in an industrial facility or warehouse in Europe. Postponement drives down costs and allows the “mass customisation” of production.

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**TABLE 2: EMPLOYMENT BY ECONOMIC ACTIVITY, PERCENTAGE OF TOTAL EMPLOYMENT**

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agriculture</td>
<td>Industry</td>
</tr>
<tr>
<td>United States of America</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>European Union</td>
<td>9</td>
<td>35</td>
</tr>
<tr>
<td>Czech/Hungary/Poland</td>
<td>19</td>
<td>44</td>
</tr>
<tr>
<td>China*</td>
<td>54</td>
<td>19</td>
</tr>
<tr>
<td>Japan</td>
<td>11</td>
<td>35</td>
</tr>
<tr>
<td>Australia</td>
<td>6</td>
<td>31</td>
</tr>
<tr>
<td>Indonesia/Malaysia/Thailand</td>
<td>54</td>
<td>16</td>
</tr>
</tbody>
</table>

*For China under 1980 the data is for 1990

Source: International Labour Organisation, World Bank
Just-in-time logistics
In many markets, time is an increasing source of competitive advantages. The use of just-in-time production and logistics, which originated from Japan, is now widespread and has been adopted in a range of industries in various modifications. In essence, just-in-time is a “pull” concept in which demand (at the customer end of the supply-chain) pulls production to the market. This contrasts with the traditional “push” system, where products are manufactured in anticipation of forecast demand and then positioned as inventory (within warehouses) in the supply-chain.

The use of just-in-time production and logistics may generate significant demand for warehouses close to a major manufacturing plant or generate requirements by suppliers to be co-located with their customers on the same site.

The growth in outsourcing
As companies have sought to concentrate their resources on their core business, logistical operations, such as transport and warehousing, have increasingly been out-sourced to third party logistic companies. These third party logistics companies may provide dedicated services tailored to a specific client’s needs, or shared user and multi-user services. Increasingly, leading third party logistics companies are providing integrated supply-chain management solutions to companies.

As globalisation proceeds apace, and new markets are opened up, companies are increasingly looking for third party logistics providers that are capable of offering an international, or even global, service. This demand is stimulating consolidation among third party providers, as illustrated by the merger of Exel and the Ocean Group in 2000. This consolidation looks set to continue. At the same time, a number of leading logistics companies are seeking to position themselves as “fourth party logistics providers” by effectively acting as integrators of a range of different logistical services across the whole supply chain.

Global transport

Transport modal choice
Globalisation has greatly increased the significance of freight transport. Materials and finished goods are now transported over much longer distances and the choice of available transport options, and where to break bulk, is more complicated. Good information systems are also required to track and trace the movement of material and goods along the global supply chain.

It is estimated that transport accounts for around a quarter of total logistics costs in OECD countries, and that logistics costs may account for up to 20% of total production costs.

A company’s choice of freight transport mode is determined by the product’s characteristics, cost and service requirements. Sea freight is considerably cheaper than air freight, but air freight may produce savings elsewhere in the supply-chain that more than outweigh the increase in transport costs. This might be the case, for example, where air freight enables inventory to be significantly reduced due to just-in-time supply.

Global sea ports
Total world port traffic reached 6.064bn tons in 1998, reflecting growth of 3% per annum since 1990. In 1998, 45% of world port traffic consisted of liquid bulks, 23% of dry bulks and 32% general cargo. Containerisation of general cargo traffic has increased steadily over the past decade; between 1990 and 1998 world container traffic doubled. The Asia-Pacific region accounts for some 45% of container traffic, Europe for 23% and North America for 16%.

The concentration of traffic on large intermodal platforms and shipping alliances, such as the Grand Alliance or New World Alliance, has led to a concentration of traffic at fewer ports. As a result, the top 10 container ports now handle around 40% of world traffic, compared with around 30% in 1980.
As a result of this concentration, the major seaports, such as Hong Kong and Singapore, are now much more than mere sea/land interfaces. As indicated in our case studies, they have developed into major commercial and industrial centres and inter-modal hubs within international supply chains.

**Global cargo airports**

Over the 10 years between 1991 and 2000, worldwide airfreight volumes have grown by around 7% per annum, according to the International Air Transport Association (IATA). The growth in airfreight is being driven by a range of factors including the general growth in world trade, the reduction in airfreight tariffs, the movement to just-in-time logistics, and the centralisation of warehousing on a pan-European and global level. In addition, increasing value densities in various industrial sectors, such as electronics, healthcare and medical products, have also stimulated air freight. Four of the 10 largest cargo airports in the world are in North America, see Table 4.

The significance of Asia-Pacific as a manufacturing base in the global economy is confirmed by Hong Kong, Tokyo and Seoul all being in the top 10 world cargo airports. Long-term growth in this sector of transport is unlikely to be affected by terrorist events such as 11th September 2001.

**TABLE 3: TEN LARGEST CONTAINER PORTS IN THE WORLD**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Port</th>
<th>Country (CONTINENT)</th>
<th>Throughput in TEU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hong Kong</td>
<td>China (ASIA)</td>
<td>16,100,000</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
<td>Singapore (ASIA)</td>
<td>15,900,000</td>
</tr>
<tr>
<td>3</td>
<td>Kaohsiung</td>
<td>Taiwan (ASIA)</td>
<td>6,985,361</td>
</tr>
<tr>
<td>4</td>
<td>Pusan</td>
<td>South Korea (ASIA)</td>
<td>6,439,589</td>
</tr>
<tr>
<td>5</td>
<td>Rotterdam</td>
<td>Holland (EUROPE)</td>
<td>6,400,000</td>
</tr>
<tr>
<td>6</td>
<td>Long Beach</td>
<td>USA (AMERICA)</td>
<td>4,408,480</td>
</tr>
<tr>
<td>7</td>
<td>Shanghai</td>
<td>China (ASIA)</td>
<td>4,210,000</td>
</tr>
<tr>
<td>8</td>
<td>Los Angeles</td>
<td>USA (AMERICA)</td>
<td>3,828,851</td>
</tr>
<tr>
<td>9</td>
<td>Hamburg</td>
<td>Germany (EUROPE)</td>
<td>3,750,000</td>
</tr>
<tr>
<td>10</td>
<td>Antwerp</td>
<td>Belgium (EUROPE)</td>
<td>3,614,264</td>
</tr>
</tbody>
</table>

TEU is twenty-foot-equivalent units
Source: Containerisation International, 1999

**TABLE 4: TEN LARGEST CARGO AIRPORTS IN THE WORLD**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Airport</th>
<th>Country (CONTINENT)</th>
<th>Throughput in TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Memphis</td>
<td>USA (AMERICA)</td>
<td>2,489,070</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong</td>
<td>China (ASIA)</td>
<td>2,267,175</td>
</tr>
<tr>
<td>3</td>
<td>Los Angeles</td>
<td>USA (AMERICA)</td>
<td>2,054,212</td>
</tr>
<tr>
<td>4</td>
<td>Tokyo</td>
<td>Japan (ASIA)</td>
<td>1,932,694</td>
</tr>
<tr>
<td>5</td>
<td>Anchorage</td>
<td>USA (AMERICA)</td>
<td>1,883,825</td>
</tr>
<tr>
<td>6</td>
<td>Seoul South</td>
<td>Korea (ASIA)</td>
<td>1,874,228</td>
</tr>
<tr>
<td>7</td>
<td>New York</td>
<td>USA (AMERICA)</td>
<td>1,825,906</td>
</tr>
<tr>
<td>8</td>
<td>Frankfurt</td>
<td>Germany (EUROPE)</td>
<td>1,710,144</td>
</tr>
<tr>
<td>9</td>
<td>Singapore</td>
<td>Singapore (ASIA)</td>
<td>1,705,410</td>
</tr>
<tr>
<td>10</td>
<td>Miami</td>
<td>USA (AMERICA)</td>
<td>1,642,484</td>
</tr>
</tbody>
</table>

Source: Airports Council International, 2000
Road, rail and inland waterways
Table 5 below sets out overland freight transport by road, rail and inland waterways for four different regions of the world. China now transports more goods overland than the whole of Europe, with China’s railways taking the major share of such freight movement.

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>USA</th>
<th>Japan</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>1,205</td>
<td>1,534</td>
<td>306</td>
<td>527</td>
</tr>
<tr>
<td>Rail</td>
<td>238</td>
<td>2,165</td>
<td>25</td>
<td>1,305</td>
</tr>
<tr>
<td>Inland Waterways</td>
<td>118</td>
<td>520</td>
<td>0</td>
<td>410</td>
</tr>
</tbody>
</table>

Source: European Commission / UN, UNCTAD, Eurostat, UIC, IRF, CIA, 1997

Industrial property markets
Types of industrial facilities
Industrial property is clearly used for a wide variety of purposes, including light-industrial activities and assembly, manufacturing and the storage and distribution of materials, parts and semi-finished and finished goods.

In the USA and Western Europe, the evidence from our case studies suggests that the majority of companies on industrial parks occupy warehousing and distribution facilities, rather than manufacturing plants. This reflects the fact that large-scale manufacturers tend to own occupier facilities on their own sites, and that manufacturing activities continue to migrate to low-cost destinations, particularly in Eastern Europe and Asia-Pacific.

There are clearly exceptions to this trend, such as Chung Wa at Mossend in Glasgow, which is one of the largest manufacturing inward investments into the UK. This investment building in the EuroCentral Park is in an Enterprise Zone and within a Grant Assisted Area, and highlights the significance of public-sector incentives in attracting large-scale manufacturing investment in the developed economies.

In Eastern Europe and Asia-Pacific, by contrast, although warehouse and distribution users are still the main occupiers on the parks we reviewed, there is a more significant representation of manufacturing uses. Major examples of industrial parks where this applies include the case studies at the Boashan Industrial Park, Shanghai, the Hicom Glenmarie Industrial Park, Kuala Lumpur, Malaysia, and the MM2100 Industrial Town, Jakarta, Indonesia.

Strategic warehouse locations
Warehouses are either positioned to serve inward supply chains or outward supply chains. Inward supply chains include warehouses holding materials or parts, or consolidation centres or just-in-time facilities. Warehouses servicing the outward supply chain are concerned with the storage and distribution of finished goods.

In principle, when a company seeks to identify an appropriate location for a new warehouse, it starts by identifying a broad area that minimises its total logistics costs, based on an analysis of its current and projected flow of materials or products from source to customers. This analysis involves a trade-off of different costs, including transport costs, warehouse costs and inventory costs.

Within North America, Europe and Asia-Pacific certain areas have developed as strategic warehouse locations. These locations are typically within major concentrations of industry and population, or have good access to these centres. In Europe, for example, northern Belgium and the Netherlands are the principal location for pan-European facilities because most of the core part of Europe can be serviced from here within 48 hours drivetime. Table 6 shows the 10 largest warehouse regions in North America, Europe and Asia-Pacific, as measured by the stock of warehouse floorspace.

Table 6 highlights the concentration of warehousing in areas of major population and economic activity. In certain countries, such as China, the rapid growth in
urbanisation along the coastal rim is fuelling demand for warehousing.

**Occupation costs**

The costs of occupying industrial property (rent plus annual taxation and service charges) vary widely across the world. Globally, London is the most expensive industrial location for occupiers, with the total cost of prime leasehold property some seven times higher than the corresponding cost in Shanghai. In Table 9 we set out the cost of occupying prime industrial buildings in the location of the Case Study industrial park, but these may not be the same as the actual costs within the park.

The impact of the Asia crisis in the late 1990s, currency devaluation and slow economic growth have resulted in rents falling. In US Dollar, inflation adjusted terms, rents are more than 40% lower than in 1995 in all Asia – Pacific markets.

Lower property costs in Asia – Pacific continue to reinforce the role of this region as the principal cost-efficient manufacturing zone of the global economy. The growth of the service economies of Europe and North America, in an era of low inflation, will encourage the greater consolidation of distribution companies, facilities and locations.

**Tenure**

The way companies occupy their industrial property may have significant implications for the operational and strategic flexibility of their logistics management.

Traditionally, companies with specific operational requirements, or a desire to maintain the maximum flexibility in the way they use their industrial property, have developed their own buildings for owner-occupation.

In some cases, the specialist nature of the property requirement, or the chosen location, may mean that the development cannot be funded on lease terms that are acceptable to the occupier. As a result, large-scale manufacturers typically owner-occupy their industrial property and many large-scale warehouses are also

<p>| TABLE 6: TEN LARGEST WAREHOUSE REGIONS IN NORTH AMERICA, EUROPE AND ASIA (millions m²) |</p>
<table>
<thead>
<tr>
<th>Region</th>
<th>North America</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris/Nord pas de Calais</td>
<td>60 Chicago</td>
<td>115 Tokyo/Yokohama</td>
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<td>London/Southeast England</td>
<td>50 Toronto</td>
<td>70 Hong Kong/Canton</td>
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<td>Dusseldorf/Cologne/Essen</td>
<td>50 Los Angeles</td>
<td>60 Osaka/Kobe</td>
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<td>35 Shanghai</td>
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<td>35 Singapore</td>
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<td>Brussels/Antwerp</td>
<td>15 Dallas</td>
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<td>Berlin/Brandenburg</td>
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</tr>
<tr>
<td>Malmö/Öresund</td>
<td>10 Cincinnati</td>
<td>30 Manila</td>
</tr>
</tbody>
</table>

Source: North America – TCN International Real Estate Survey. Europe and Asia - Various

| TABLE 7: DUSTRIAL RENTS: PERCENTAGE CHANGE BETWEEN 1995 AND 2001 (IN US$, ADJUSTED FOR INFLATION) |
| City | % Change |
| Hong Kong | -40.42 |
| Jakarta | -94.22 |
| Kuala Lumpur | -53.56 |
| Shanghai | -68.20 |
| Singapore | -83.69 |
| Sydney | -55.77 |
owner-occupied, especially where these are built around specialist high-bay automated storage and retrieval systems.

In general however, the majority of companies that do not have specialist requirements prefer to lease property, because this releases finance for investment in their core activities. In addition, by leasing property rather than owning it, companies reduce their fixed assets, which may have significant effects on key financial ratios.

Over recent years, occupiers of industrial property have increasingly sought more flexible lease commitments from property owners, in order to enhance the flexibility of their property assets and minimise the risk of residual property liabilities, should changing business needs promote a rationalisation of their property.

The major logistics service providers have been at the forefront in terms of requiring more flexible lease terms, because their contracts are often only for three to five years. As more logistics expenditure is outsourced, the logistics service providers will become a more important source of industrial property demand and hence the demand for more flexible lease structures will continue. These companies are providing a major source of demand for the warehousing developed for instance by ProLogis and others.
Environmental issues

Environmental issues are becoming a more important consideration for occupiers, developers and investors, as the concept of sustainable development moves up the international political agenda. Issues such as land contamination, waste management and energy conservation have potentially significant implications for the operations of end-users, property values and investment returns.

Outlook

With the USA economy in or almost in recession in H2 2001 and early 2002, the Japanese economy stagnating and European economic growth slowing down, the world economy in 2002 is likely to grow by its slowest rate since the early 1980s.

World economic growth is likely to pick-up in late 2002, according to forecasts in early 2002 from Oxford Economic Forecasting and others. Growth in the subsequent three years, between 2003 and 2005, could average over 3% per annum, as the outlook in each of the major economic “blocks”, the USA, Europe and Japan improves. Certain countries, notably China, are predicted to see growth over 7% per annum over this period.

It is important to distinguish between short-term cyclical economic change and longer-term structural change. Although in the short-term, occupier activity in major industrial markets seems likely to moderate in the USA and much of Western Europe, over the medium-term the overall global economic growth outlook should be relatively supportive of occupier demand for industrial property. This is especially the case in parts of Asia-Pacific, including China where growth will be stimulated by membership of the World Trade Organisation in 2002.

As always with property markets, there is a need for users and investors to be aware of the varying prospects both within and between countries, and of the dynamics, both cyclical and structural, that drive growth. It is hoped that this report will make a modest contribution to this understanding.
## Developers / Investors mentioned in the Case Studies

<table>
<thead>
<tr>
<th>Developers / Investors</th>
<th>Industrial Park</th>
<th>City Country / Continent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(AIG) American International Group</td>
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<td>Lodz, Poland, EUROPE</td>
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<td>(AIG) American International Group</td>
<td>D1 Logistics Park</td>
<td>Prague, Czech, EUROPE</td>
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<td>EuroCentral, Mossend</td>
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Belgium

DELTA PARK,
WEIHOEK 3, 1930
ZAVENTEM, BRUSSELS

Output for the Economy
The Belgium economy in 2001 slowed along with other economies in the European Union. Increasing inflation, due to the conversion to the euro at the beginning of 2002, along with slower economic activity are all factors that may be negative in the short-term for the real estate market.

Changes in the Property Market Structure
Apart from Delta Park, there have been no new industrial park developments of any significance in and around the Brussels region since 1992.

There are two reasons for this. Firstly, demand for industrial property in the Brussels region has been diminishing. Secondly, there is little land available for development and when land is released by the authorities strong public protest makes it difficult to develop schemes.

Reduction of company and registration tax in the near future could be positive for the industrial market. The current rate is one of the highest in Europe.

Transport & Infrastructure
The logistic map of Belgium shows that most of the new sites are in the eastern part and with easy connections with the Port of Antwerp. Zaventem benefits from a good location providing easy access to the Zaventem Airport (next door) and the motorways E19 (Antwerp - Charleroi), E40 (Liège) and E411 (Namur). Brussels Centre is 10-minute drive from the Delta Park.

Description of Delta Park, Weihoek 3
Delta Park, Weihoek 3 consists of 9 units comprising warehouses and offices of different sizes. The first unit of the park was built in 1987.

The warehouse accommodation comprises free heights of 6 metres. This is except for units 6 and 7, where the free heights are 9 metres. Access doors for lorries are 4m x 4.25m. Floors are of polyconcrete with loading capacity of 3,000 kg/m². The roof is metallic with rockwool insulation (6 cm thick). Gas-fired hot air convectors are installed to provide temperatures of between -10 ° and +18 ° C.

The office accommodation is finished to a high standard with the entrance and stairs in granite. There are glass doors, fitted carpets and the windows have double-glazed aluminium frames. The central heating is by hot-water circuit radiators controlled by thermostatic valves. Acoustical and ornamental suspended ceilings with flush lights are incorporated.

There is a large green area and car parking.

The Developer/Investors
A Scandinavian group of private investors have held this property since the development stage. They also own a logistical building next door, currently occupied by Black & Decker.
The Occupiers
Prime rents currently stand at 2,500 BEF/m²/year for warehouse accommodation and 4,300 BEF/m²/year for office accommodation. Smaller units normally obtain higher rents. Rents have remained stable over the last few years.

<table>
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<tr>
<th>Units and Size</th>
<th>Occupier</th>
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<tbody>
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<td>Units 1 and 2, 1475 m²</td>
<td>Gemplus N.V.</td>
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<td>Grundig Belux N.V.</td>
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<td>Unit 4, 911 m²</td>
<td>Henran N.V.</td>
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<tr>
<td>Unit 5, 876 m²</td>
<td>Controlware Northern Europe</td>
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<td>Unit 6, 1,956 m²</td>
<td>Nipro Europe N.V.</td>
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<td>Unit 7, 1,842 m²</td>
<td>Black &amp; Decker Belgium</td>
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<tr>
<td>Unit 8Bl, 275 m²</td>
<td>Sixt Rent A Car</td>
</tr>
<tr>
<td>Unit 9, 876 m²</td>
<td>Cirsa Belgium N.V.</td>
</tr>
</tbody>
</table>

Outlook
Demand for office space in the city is at such a high level, that companies are looking outside Brussels for office space. As a consequence, the developer of the Delta Park has created extra offices in 1992 in order to raise its yield.

The new economy is having less impact on the warehouse market than was first anticipated but the market may be contracting; for example, E-toys occupied space but have since moved out.

<table>
<thead>
<tr>
<th>Units</th>
<th>Availability</th>
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<tbody>
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<td>Unit 4</td>
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<td>Unit 8</td>
<td>Brink’s – Ziegler N.V.</td>
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</table>
Czech Republic

D1 LOGISTICS PARK, PRAGUE

Output for the Economy
The real GDP of the Czech Republic grew by 3.1% in 2000 and slightly slower in 2001.

Foreign Direct Investment has been relatively high in recent years at US$4.8bn in 1999 and US$4.6bn in 2000. Recent foreign investors include Phillips, Volkswagen and Baumax Vetriebs. Sectors benefiting from foreign investment include motor vehicle manufacture.

Changes in the Property Market Structure
In the Czech Republic most modern office, retail and warehouse commercial property is located in the Prague region.

Modern manufacturing facilities have been built across the country since the “Velvet Revolution” of 1989.

Transport & Infrastructure
The “D1 Logistics Park” is located on the D1 highway, 11km to the southeast of the centre of Prague. The park is situated in the Říčany – Jesenice area.

The D1 Logistics Park is well located to serve the whole of the Czech Republic. The D1 highway provides access to the main cities and towns of the country. The centre of Prague is a ten-minute drive from the park, while the second city of the country, Brno, is approximately a ninety-minute drive. The D1 road goes to Bratislava and provides a route to Vienna and Budapest.

D1 Logistics Park will in time also link up with the new Prague outer ring road. There is to be a junction adjacent to the site, which via the ring road will provide direct access to the D5 and Ruzyňe Airport.

Description of D1 Logistics Park
The D1 Logistics Park is considered, along with Rudná Logistic Park, to offer the best warehousing product in the Czech Republic.

The D1 Logistics Park has been developed in two main phases. The first phase, D1 Logistics Park West, is to the west, and the second phase, D1 Logistics Park East, is to the east of the D1 highway.

D1 Logistics Park West comprises a total of 40,000 m² of warehouse/distribution space split between three buildings. It was completed in early 2000 and is now 100% leased.

D1 Logistics Park East once completed will comprise 35,000 m² of warehouse/distribution space, also split between three buildings. The first tenants entered the scheme in early 2001 and the second building was completed in the second quarter 2001. Construction is due to begin on the third building in the second quarter 2002.
The Developer/Investors
AIG Lincoln financed the development of D1 Logistics Park. AIG Lincoln is active across Central Europe having financed office and warehouse projects in Prague, Warsaw and Budapest.

The German bank, HypoVereinsbank, provided debt funding.

The Occupiers
Phase 1 – D1 Logistics Park West
The first phase of the development consists of buildings A and C, which have been occupied by Danzas a.s. since September 1999. Building A is 20,803 m² in size and building C is 6,927 m² in size. The lease on these buildings is for an indefinite term, with mutual breaks at year ten and thereafter every five years. The rental uplift over the period is based upon the German CPI Index.

Building B has been occupied by Bruhn Transport CR s.r.o. since October 1999. The building is leased for an indefinite period, although the tenant has the right to break, although with penalties, at year 5, 6, 7, 8 and 9 and thereafter each year without penalties. Rental uplift will not happen until 2002, from when it will be subject to a minimum 1.75% per annum increase.

Phase 2 – D1 Logistics Park East
Building 100, 5,571 m² in size, has been partly occupied by Rossmann s.r.o. and R&R Oost Europa B.V. since December 2000. The leases are for an indefinite period, while there is an option to break after every five years. Rental uplift is due to take place on 1st February each year from 2002 and is based on German CPI, subject to a 1.75% pa minimum.

Building 101, sized 5,393 m², is partly let to L’Oreal Česká Republiká s.r.o. The lease is for an indefinite period from February 2001. Rental uplift is annual from October 2002 and subject to a minimum of 1.75% pa.

Building 102, sized 6,458m², is partially occupied by Schniedersohnen Papier Praha s.r.o. The lease is from July 2001 and is for an indefinite period. Rental uplift is due to take place every February and is linked to German RPI, subject to a minimum increase of 1.5% pa.
France

Output for the Economy
Economic growth in France slowed to less than 2.0% in 2001, following strong growth of 3.1% in 2000. Slower economic growth is in large part due to the global slowdown in economic activity.

Changes in the Property Market Structure
Demand has been strong for modern logistic warehouses due to the strength of the economy and a growing trend towards the outsourcing of logistic activities.

The transformation in the logistics industry has increased the requirement for modern warehouse space that meets the needs of logistics companies.

CLESUD PLATFORM PARK, GRANS MIRAMAR, BOUCHES DU RHONE, MARSEILLE REGION

Transport & Infrastructure
Clésud is at the economic heart of southern France; a region with a population of over 2 million.

Road access to Clésud is good. It is located 3km from the Salon-Ouest exit of the A54 highway that runs between Spain and Italy. From 2004, road communications will be further improved with the completion of the A56 highway.

Rail access is provided through the Miramas terminal, a SNCF hub for goods traffic for the Provence-Alpes-Côte d’Azur region. The railway network is linked to the road network at Clésud.

The rail-road transport infrastructure at Clésud may handle in time 210,000 goods trucks per year. Initially, it will be equipped to handle 60,000 goods trucks per year (some 800,000 tons of freight).

The Marseille-Provence International Airport is France’s leading airport for freight traffic after those airports located in Paris Ile-de-France.

Sea access is provided by the Distriport maritime logistics platform at the Port of Marseille. Clésud is directly linked with the container port by rail.

The river ports of Arles and Port-Saint-Louis-du-Rhône are located 20 minutes from Clésud. The inland waterway network is linked to the road and railway networks.

Description of Clésud Distribution Park
The Clésud project was agreed in April 1997 as part of France’s national multi-modal development scheme.

Clésud covers an area of 278 hectares, of which 219 hectares is dedicated to warehousing and the facilities centre. The other 59 hectares are dedicated to mixed-technology use, for catering purposes and for the combined road-rail transport infrastructure.

Proposed development includes 600,000 m² of warehousing.
The Developer/Investors
The Eparêb public organisation is responsible for issues relating to planning, marketing and development. To date, 52 hectares have been marketed for warehouse development.

Prologis has acquired a 15-hectare site on which it recently built a 22,000 m² distribution facility.

The company owns a further 100 hectares. The second phase of the Prologis development will include the construction of two further buildings of approximately 20,000 m² each.

The Developer, Percier Réalisation et Développement, with the investors Caisse des Dépôts et Consignations / Caisse Nationale de Prévoyance / Prédica are developing the Distripôle Clésud scheme.

The Distripôle Clésud scheme is on a 26 hectare site. The first phase consists of 22,700 m² of warehousing built speculatively and launched in July 2001. The second phase consists of 22,000 m² of warehousing and is due to be delivered in November 2001. Over five years the plan for the scheme is a development comprising 120,000 m² of warehousing accommodation divided into 4 units.

The Occupiers
Nortene Jardin, a garden furniture company, occupies 11,700 m² of warehousing. The scheme was completed in January 2001 and a 22,000 m² extension is scheduled.

Rexel GEI, an electronics materials distributor, occupies 17,000 m² of warehousing. The warehouse was completed in May 2001 and a 21,000 m² extension is scheduled.

Giraud Logistique is due to occupy a 22,000 m² unit.

Rents are circa FFr270 m² per year (exclusive of tax) for the warehouse accommodation and FFr450 m² per year for the office accommodation.

PARISUD SENART BUSINESS PARK, SENART NEW TOWN, SEINE ET MARNE

Transport & Infrastructure
Sénart is a new town located 30kms southeast of Paris.

Sénart is well served with road communications. It has good connections with in the Ile de France by way of the Francilienne (N 104) ring road and the A5 motorway. It also has good motorway connections to the rest of France via the A1, A4, A6 and A10 motorways.

Parisud Sénart Business Park is located close to the Francilienne ring road at the intersection with the A5 motorway. It is served by two-traffic interchanges (exits 24 and 25).

The airports of Paris Orly and Roissy Charles de Gaulle handle 1,360,000 metric tons of cargo per annum. Orly airport is a 20-minute drive from Sénart via the A6 or RN7, and Roissy Charles de Gaulle airport is a 40-minute drive via the Francilienne ring road.

The SNCF rail freight network has a terminal at Sénart. This terminal is on the Paris-Lyon-Marseille line.

Description of Parisud Sénart Business Park
Parisud Sénart Business Park is located in the districts of Combs-la-Ville, Tigery and Lieusaint.
It covers 180 hectares; of which 127 hectares have been developed or are under development.

There have been six phases to Parisud Sénart Business Park.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Hectares available for development</th>
<th>Date authorised for development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parisud 1</td>
<td>64 ha</td>
<td>April 1997</td>
</tr>
<tr>
<td>Parisud 2</td>
<td>4.7 ha</td>
<td>June 1990</td>
</tr>
<tr>
<td>Parisud 3</td>
<td>19.5 ha</td>
<td>October 1997</td>
</tr>
<tr>
<td>Parisud 4</td>
<td>51.4 ha</td>
<td>October 1996</td>
</tr>
<tr>
<td>Parisud 5</td>
<td>5.2 ha</td>
<td>October 1996</td>
</tr>
<tr>
<td>Parisud 6</td>
<td>31.5 ha</td>
<td>December 1999</td>
</tr>
</tbody>
</table>

There are a number of legal and tax advantages for companies locating to Sénart. These include: dispensation from planning approval; exemption from a number of taxes such as those on office buildings, water/sanitation infrastructure and TLE (Local Facility Tax); a local business tax rate of less than 24%.

**The Developer/Investors**

Etablissement Public d’Aménagement (EPA Sénart) is responsible for planning and marketing issues at Parisud Sénart Business Park. EPA Sénart is a public institution.

Developers behind schemes include Slough Estates, G.A, Distripole Development and Percier Réalisation et Développement. There is currently some development on a speculative basis.

Investors backing schemes include: Cargill, ALS, UIS/General Electric, Caisse des Dépôts et Consignations, Caisse Nationale de Prévoyance, Prédica and Bail Investissement.

**The Occupiers**

Most of the occupiers at Parisud Sénart Business Park are logistic companies. Examples of occupiers are as follows.

NMPP, a paper distribution company, occupies 40,000 m² of warehousing in Parisud 4.

TAT Express occupies 20,000 m² of warehousing in Parisud 1.

Giraud occupies 16,000 m² of warehousing in Parisud 4. The rent is circa FFr330 m² per year (exclusive of tax) on a 6-year lease.

Geodis occupies 20,000 m² of warehousing in Parisud 2. The rent is circa FFr330 m² per year (exclusive of tax) for the warehouse accommodation and FFr550 m² per year for the office accommodation on a 6-year lease.

Mercedes, the auto company, occupies 21,826 m² of warehouse space and 600 m² of office space in Parisud 4. The rent is FFr330 m² per year (exclusive of tax) on a 9-year lease.

Barlatier and UTL occupy 20,000 m² of warehousing. The rent is FFr320 m² per year (exclusive of tax).

CHS Metrologie occupies 40,000 m² of warehousing. The rent is FFr325 m² per year (exclusive of tax) on a 6-year lease.

A speculative warehouse development of 47,200 m² was completed at the end of 2001.

**Outlook**

Over the last four years, Sénart has become an important location for modern logistic companies.

Further development opportunities exist in Sénart.
Germany

PROLOGIS PARK, COLOGNE

Output for the Economy
Germany is the largest economy in Europe and the second largest exporting nation in the world (with a dominance in the automotive, machinery and chemical industries). The country is the most populated nation in Europe with 80 million inhabitants.

Changes in the Property Market Structure
Germany has a geo-strategic location in the centre of Europe. Germany borders nine European countries: France, Belgium, Netherlands, Luxembourg, Denmark, Poland, Czech Republic, Austria and Switzerland.

The importance of Germany’s location at the centre of Europe will increase, as countries to the east such as Poland, Czech Republic and Hungary, are admitted to the European Union.

The logistics market in Germany is highly decentralised.

Transport & Infrastructure
ProLogis Park Cologne is located approximately 7km south of Cologne City Centre with in easy access to all metropolitan areas via the nearby ring road.

The site itself offers excellent access to the A4/E40 Highway. There is excellent access to Cologne-Bonn Airport.

Other cities close to Cologne in the Ruhr include Düsseldorf, Essen, Duisburg and Dortmund. Frankfurt is to the southeast and Aachen is to the southwest.

Germany has a very highly developed traffic and communications infrastructure.

ProLogis Park Cologne is a new logistics warehouse development. The scheme comprises a 25 hectare site consisting of two phases providing units from 2,310 m² up to 18,849 m² for industrial / warehouse use.

Description ProLogis Park, Cologne
Phase 1 is complete and consists of two 18,849 m² warehouses. Work has not begun on Phase 2. This phase, once built, will consist of four warehouses sized: 9,394 m², 12,672 m², 14,872 m² and 18,700 m².
The warehousing has a building depth of 61 m or 85 m, clear height of 10 m or 12 m and floor loading of 5 tons / m². The buildings have gas-fired heating systems, skylights and smoke vents, ESFR sprinkler systems, lighting consisting of 200 lux illumination level and drive-in doors / dock high doors / dock levellers with dock seals.

The offices have mezzanine capability, ESFR sprinkler systems, lighting consisting of 400 lux illumination level and ISDN telecommunications systems.

The buildings provide ample parking spaces and spacious truck court areas.

**The Developer/Investors**
ProLogis is a US publicly quoted company, of which Security Capital is the largest shareholder. ProLogis provides prime distribution space in logistic parks and has more than 1,650 distribution facilities throughout North America and Europe.

**The Occupiers**
ProLogis Park Cologne Phase 1 currently has no tenants. Units of 2,310 m² up to 18,849 m² are presently available.

Phase 2 is without pre-lets.

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**Ireland**

**ROSEMOUNT BUSINESS PARK, DUBLIN**

**Output for the Economy**
Growth in Ireland in 2000 is estimated to have been 10.5% in real GDP, and a record 9.8% in real GNP. Economic growth was slower in 2001 due to uncertainties emerging from the US slowdown and the foot and mouth outbreak. Real GDP growth is currently forecast to be below 7% in 2002.

**Changes in the Property Market Structure**
The Dublin industrial market continues to reap the rewards of a buoyant economy with good levels of activity during the first six months of this year.

Modern prime industrial properties of up to 465 m² in size are continuing to achieve rents in the range of £73 to £94 per m². The pace of rental inflation is largely a function of supply with limited growth at the smaller end of the market where the strength of investor appetite for commercial property has resulted in a marked increase in availability of accommodation to let.
Prime industrial buildings, which are in excess of 1,900 m² in size, are currently achieving rental levels in the range of £65 to £83 per m². Capital values in the range of £861 to £1,184 per m² are being achieved depending on the location and specification of the individual properties.

Infrastructure issues, labour shortages and wage inflation have traditionally had more of an effect on the industrial market than other property sectors. A positive budget and government strategy to ensure economic growth should sustain further growth in the industrial property market.

**Transport & Infrastructure**
Rosemount Business Park is located close to Mulhuddart and 7 km from Dublin city centre. It is close to the N3 motorway and approximately 2km from the M50 motorway.

The infrastructure in the area surrounding Rosemount Business Park has improved significantly in recent years. The completion of the slip roads on to the N3 motorway has improved accessibility to nearby arterial routes.

The airport is located approximately 5 km to the north.

**Description of Rosemount Business Park**
Rosemount Business Park comprises a modern industrial development located in a newly developed commercial area on the outskirts of greater Dublin.

**Description of Building**
The buildings comprise modern high bay facilities suitable for a variety of uses including warehousing / transport and storage. All buildings are finished with double skin metal deck roofs, eaves in excess of 6 metres and concrete floors. Most of the units incorporate approximately twenty per cent office content, but this can vary – depending on individual requirements.

**The Occupiers**
Irish Express Cargo, House of Denmark, Canon and Variety Foods are just some of the forty current occupiers.

Units sizes range from 400 m² and there are units available for immediate occupation.

**Outlook**
Despite high, but falling, economic growth and stricter lending criteria, the industrial sector of the property market is expected to grow in the foreseeable future. However, the current market preference to purchase may change and there may be a desire from occupiers to lease if interest rates rise.
Poland

**Output for the Economy**
Poland’s annualised GDP growth has been 5.4% pa over the last seven years. Despite the global economic slowdown, GDP growth in Poland is forecast to grow at over 2.5% pa for the next few years. This economic performance is creating increased demand for goods and in turn greater demand for modern warehousing for distribution purposes.

**Changes in the Property Market Structure**
Most warehousing in Poland is of reinforced concrete and dates back to the 1960s and 1970s.

The first modern warehouse was constructed in 1994, but it was not until 1998 that there was significant construction activity. For this reason the volume of modern warehouse space is less than the amount one might expect on a GDP per capita basis.

Most modern warehouses in Poland are in the Warsaw Region and serve the requirements of the city and the national economy. They also serve the requirements of international logistics operators as the Warsaw region has becomes a distribution centre for “east-west” traffic between Germany and Russia and the countries of the former Soviet Union.

Modern warehouse rents are stabilising, after falling for the last few years, and are now at similar levels to the average prevailing in Western Europe.

**Transport & Infrastructure**
Most distribution in Poland is by road, although the country’s road and motorway infrastructure is poor. The railway infrastructure is extensive, but little used.

**DIAMOND BUSINESS PARK LÓDŹ**
Łódź is located at the geographic centre of Poland about 100km from Warsaw. The city, which has a population of 1 million, is at the crossroads of the main north-south, east-west highway transit routes.

The Polish government has plans to build a number of new highways. The A-1, A-2 and A-8 are due to run through the city.

Łódź is also an important railway centre. There is a proposal to build a super-express train to Warsaw.
Description of Diamond Business Park Łódź
Diamond Business Park Łódź has zoning for light industrial and storage purposes. It is situated approximately 6km east of the city centre and is connected by Puszkina Street. The park is conveniently situated for access to public transportation.

When completed Diamond Business Park Łódź will amount to 51,000 m² of modern warehousing. The first two phases comprise 20,000 m² of space. Construction of the next phase is due to start in 2002.

The warehouse units have minimum clear height of 8m. Floors are built to withstand 6 ton/m² and have dust resistant finish. Bay depth is 96m and internal column grid is 12m x 24m. The units can be configured depending on the requirement of tenants. For example, the number of loading docks can be chosen by the tenant, as can the size and layout of offices and cloakrooms. Some offices are located at the mezzanine level.

Warehouses and office accommodation is heated with gas fired boilers. Temperatures can be a minimum of 6°C in the warehouse accommodation and 18°C in the office accommodation. Air conditioning in offices is optional.

The Developer/Investors
American International Group (AIG) and Lincoln Property Company (Lincoln) have partnered to develop and invest in the real estate markets of Central and Eastern Europe. AIG is a large US insurance company and Lincoln is a leading international real estate company.

AIG/Lincoln purchased 117,630 m² of land. The land was acquired on a 99-year lease from the local authorities at open public tender in 1998.

The Occupiers
Phase 1 – was completed in 1999 and is a high bay building with total ground area of 9,368 m². The logistic company Cargoline occupies 5,088 m² of warehouse and 393 m² of office space. Pillsbury occupies 4,516 m² of warehouse/light industrial and 361 m² of office space. Both companies have signed ten year lease agreements from 1999.

Phase 2 – was completed in 2000 and is a high bay building with 9,216 m² of ground area. 6,900 m² has been let to Polifarb Becker Debica.

Phase 3 – will comprise 10,000 m² of space and is scheduled to be completed during 2002.

Ozarów Business Centre, Warsaw
Ozarów Business Centre (OBC) is a warehouse park designed to the highest international standards. It is situated 16 km to the west of Warsaw close to the main E30 highway to Poznan and Berlin and twenty minutes to Warsaw International Airport.

The recently completed development comprises a total of 36,220 m² in four buildings. The clear height ranges from 8m to 10m allowing for storage with modern racking systems and fork lift trucks. Column spacing is...
12m x 18m with base bay units of 650 m². Other features include dust resistant floor finishes, loading docks with levelers and water protectors, and an automatic water sprinkler system throughout.

Ożarów Business Centre was specifically designed to offer customised class A offices adjacent to the warehouse operation.

The Developer/Investors
This a development by CEIDCO a joint venture between leading Silicon Valley industrial developer TKG International and Heitman Financial Ltd. OBC is CEIDCO's second warehouse park development in the Warsaw region. The company is regarded as a peioneer in the warehouse development market in Poland having earlier completed the highly successful Warsaw Distribution Centre, close to Warsaw International Airport.

The Occupiers
Over one third of OBC has already been let to companies including Pharmag, Bemis/MACtac, Cryovac, Lognet. The remaining space is expected to be fully leased by the end of 2002.

Spain

COSLADA LOGISTIC PARK,
CORREDOR DEL HENARES,
MADRID

Output for the Economy
Between 1995 and 2000, economic growth was on average 4.2% pa in Spain and 4.3% pa in Madrid, compared with 3.5% pa in the EU.

The economy of the Madrid region has been growing at a faster rate than most city regions in the EU.

Changes in the Property Market Structure
Industrial Property in the Madrid Region is located around the city. The south has historically been the location for heavy industry. The north and west have some light industry, but have traditionally been non-industrial areas. The east has grown to become the main location for transport, storage, distribution and logistic companies.

Around 70% of industrial property in the Madrid Region is located to the south and east of the city.
**Transport & Infrastructure**

Madrid has the best road communications of any city in Spain. This is because Madrid is located at the geographic centre of the country. Highways radiate from the city in six directions. The N-I is the route to Burgos and Irún, while the N-II is the highway to Barcelona and La Junquera. The N-III is the road to Valencia and the N-IV the way to Sevilla and Cádiz. The N-V is the direction to Badajoz and Lisboa and the N-VI goes to La Coruña. The city of Madrid has two ring roads. The M-30 circles the urban area and the M-40 runs around the limits of the municipal area.

Two further peripheral highways once completed will enable traffic to avoid going into Madrid. The M-45 ring road will link the industrial areas of the Madrid Region and link the N-II with the N-V. The M-50, in a horseshoe shape, will link these highways some 20km to 30km from Madrid. Both highways will avoid the protected area of El Monte del Pardo.

New toll-paying motorways, the R-2, R-3, R-4 and R-5 are to be built. These toll-roads will run parallel to the N-II, N-III, N-IV and N-V highways.

Barajas International Airport is the fifth largest airport in Europe by passenger volume and the airport is the gateway to Europe from South America.

Madrid has a modern underground network, which has been expanded over the last five years. It is to be further expanded in order to reach many municipal areas to the south. Madrid has an extensive suburban train network.

There is a high-speed train from Madrid to Seville that has been in operation since 1992. The distance between the cities of 550km is covered in two hours fifteen minutes and the trains are punctual. The high-speed train network is to be extended with a line under-construction between Madrid and Barcelona. The lines from Madrid to Valencia and to Alicante are at the design phase. Lines to Lisboa, Bilbao and Galicia are under study.

**Description of Coslada Logistic Park**

The Coslada Logistic Park is located in El Corredor del Henares close to the N-II highway to Barcelona. It is highly regarded due to its transportation links, its closeness to Barajas international airport and the location of TIR customs in the area.

Coslada Logistic Park covers 1,000,000 m² and has excellent infrastructure and services. The park is equipped for all activities relating to the transportation and distribution of goods.

The Park provides a number of services. There are two repair shops for vehicles. Heavy vehicle parking covers an area of 34,000 m² and petrol stations forecourts cover 12,000 m². Retail buildings provide 47,000 m² for shopping, other miscellaneous buildings provide 250,000 m² of space and there is a green area covering 180,000 m².

**The Developer/Investors**

Coslada Logistic Park was created as a result of a commercial union between the regional government of the Madrid Region, the Coslada Council and the Caja de Ahorros de Madrid (CajaMadrid).

Land was expropriated and the logistic park designed in the 1990’s.

The 1990’s economic crisis delayed the development of the Coslada Logistic Park and it was not until 1998 and 1999 that much of the development got under-way.
The Coslada Logistic Park is divided into two areas: Parque de Actividades Logísticas (PAL) and Centro de Transportes de Coslada. The first area arose from land sales and the second area grew from the granting of land rights over a 49-year period.

The main developers at the Coslada Logistic Park are Grupo Riofica, JC 47 and Constructora Barral.

**The Occupiers**
The most important companies located at Coslada Logistic Park are distribution and transportation companies. Occupiers include Danzas, Decoexa, Hamann, Azkar, Boyaca, ABX, Logiscic, UPS, Caterpillar and Geodis.

Coslada Logistic Park has full occupation at present.

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**United Kingdom**

**Output for the Economy**
Following 3% economic growth in 2000, the UK economy continued to grow at 2-2.5% p.a. in 2001 but is dominated by the service sector, especially financial and business services which are growing faster than the national average.

**Changes in the Property Market Structure**
The manufacturing economy now represents only 22% of the UK economy, while the service sector (66%) is primarily creating demand for industrial space. The consolidation of logistics and locations is creating strong demand in South East England, the fastest growing area of the UK.

**Bicester Distribution Park, Bicester, Oxfordshire, UK**

**Transport & Infrastructure**
Bicester is an expanding Oxfordshire town almost equidistant between London (50 miles) and
King Sturge: Global Trends in Industrial Parks

Birmingham (60 miles) in the M40 motorway corridor, completed around 1990. The motorway is accessible via junctions 9 and 10; the A34 at J.9 links with Oxford and beyond to the M4 at J.13, and the A43 at J.10 links to the M1 at J.16 to Northampton.

The Eastern Perimeter Road provides access to Bicester Distribution Park connecting with the A41 to J.9 of the M40 (3 miles).

The town has two rail links. The London (Marylebone) to Birmingham (Snow Hill) railway line was run-down in British Rail days before privatisation in the mid-1990s. However, Chiltern Trains, which has recently been awarded a government longer-term franchise, has transformed the quality and frequency of services from Bicester North station.

The second is the Oxford to Bletchley line, which is currently little used. There is an irregular Thames Trains’ passenger services to Oxford from Bicester Town station. However, the route is being revitalised as a cross-country passenger and freight route between East Anglia, Cambridge, Milton Keynes, Oxford and Didcot, including the “high-technology crescent” from Oxford to Cambridge.

This ambitious scheme by the East West Rail consortium includes Local Governments, Railtrack, Regional Development Agencies and the relevant Government Offices.

Skanska Construction is the preferred bidder to develop the £200 million, 15-mile “missing link” between Bedford and Cambridge. Between Bedford and Oxford, the existing track will need up-grading.

The scheme aims to provide a quality, rapid direct inter-urban passenger link, avoiding changing stations and trains in London, from 2006.

Freight services, especially from the East Coast ports and Southampton on the South Coast, will also be promoted to avoid wasted mileage via the existing congested routes through London. Bicester Distribution Park is adjacent to this line and has planning consent for a rail freight connection.

**Description of Bicester Distribution Park**

Previously farmland free of contamination, it was purchased for around £750,000 per hectare in 1989 with outline planning consent for about 65,000 m$^2$ of Class B1/2 (industrial) and B8 (storage/warehouse) planning uses.

**The Developer/Investors**

The scheme was initially developed by The Bicester Park Development Company Ltd. The shareholders were London & Metropolitan plc and Bank of Scotland.

Individual phases were subsequently sold freehold, subject to lettings of Phase 1, to Argent (now Hermes) and Phase 3 to the BICC Pension Fund. The balance of the Park was then sold to Laing Property who recently introduced speculative construction.

**The Occupiers**

**Phase 1** – is occupied by Tibbett & Britten for Mars UK. It is a High Bay Distribution Centre – 220,000 ft$^2$ (20,440 m$^2$). The site of 4.45 hectares was bought for a purpose-built centre in 1994 for completion in 1995.

Argent then bought a sale-and-leaseback at a figure close to £14 million. The current rent is about £52 per m$^2$ on a 25 year lease with 5 year reviews, but no break clauses. Argent then sold the development to British Telecom Pension Scheme (Hermes) in 1997.
Phase 2 – is occupied by Bibby Distribution for Budweiser as a Chilled High Bay Distribution Centre of 92,000 ft² (8,547 m²), prelet in 1997 and forward-funded at about £7 million by London & Metropolitan plc.

Phase 3 – is occupied by Aura Books as a High Bay Distribution Centre of 67,800 ft² (6,299 m²) on 4.6 acres (1.9 hectares). It was pre-leased at £60 per m² for 15 years with 5 year rent reviews. Prudential Assurance Co. Ltd. forward-funded the development at the end of 1998 at a price of £4.4 million with a yield of 9.5%.

Phase 4 – In early 2002 there was available for design and build occupier with planning uses Class B1, B2 and B8 from 10,000 ft² (929 m²) to 160,000 ft² (14,864 m²). Leasehold or freehold packages will be considered.

Phase 5 – is the only speculative development. Units range from 12,500 ft² (1,161 m²) to 37,775 ft² (3,509 m²), offer immediate occupation. Atlas Hydraulic Loaders Ltd pre-leased the adjacent 15,000 ft² (1,394 m²) at a base rent of £71 per m², with completion November 2000.

A bespoke warehouse has been let to Fresh Direct UK of 31,657 ft² (2,914 m²) on 0.8 of a hectare, with completion in May 2001. The rent equals £80 per m². The remaining site available can provide a bespoke unit of 30,000 ft² (2,787 m²) approximately.

The outlook suggests that economic growth in S.E England will cause rental values to increase further.

WESTERN APPROACH DISTRIBUTION PARK, BRISTOL, UK

Transport & Infrastructure
Western Approach is situated in a prime Severnside location offering land and sea links. The area benefits from the substantial investment in the transport infrastructure in recent years.

Prominently situated alongside the M49, the short spur motorway linking the M4 (east/west route) and M5 (north/south route). Access is provided via A403 to junctions on the M5 and M48. A junction on the M49 is proposed at a later date.

The opening of the M49 and the Second Severn Crossing to Wales (M4) in 1996 has vastly improved the road accessibility between the South West and Wales.

The overall complex has a rail connection off the Severn Beach branch line. Further south, the existing freight railway line between Avonmouth and the main line at Bristol Parkway has already been upgraded in anticipation of traffic growth.

This improved link serves the developing Cabot Park International Rail Freight Terminal, which is a short distance away, adjoining Avonmouth Docks.
The Terminal is a joint venture between the developers of the adjoining Cabot Park, another major development scheme, and the Bristol Port Company. The multi-modal, open access facility offers both national and international destinations.

The Severn Beach line provides a local passenger rail service to Avonmouth and the City Centre.

Plans for a light transit system in the Bristol area have caused much discussion. A comprehensive scheme included the conversion of this local line, though a less ambitious provision to Bradley Stoke and Almondsbury is being progressed.

The Avonmouth and adjoining Royal Portbury Docks offer a range of marine operations from traditional loading to roll-on/roll-off facilities. The latter docks have seen much development in recent years.

Bristol International Airport is south of the city centre.

Description of Western Approach
Previously part of the ICI complex at Severnside totalling 1,500 acres (610 ha), originally earmarked for a manufacturing facility.

The Distribution Park on 216 acres (87.4 ha) was granted outline planning consent for class B8 distribution floorspace of 2.35 million ft² (218,315 m²).

The Developer/Investors
The Estates Company of ICI undertook the initial development including planning and infrastructure work in the mid/late 1990’s. Construction of a number of substantial bespoke distribution centres then took place as described in Phases 1 to 4.

Subsequently, the site was sold to the Welsh-based residential and commercial property developers, Redrow. The next phase offers a number of serviced plots aimed at users of large buildings.

The current owners are contemplating construction of speculative units, which will be a first for this scheme. To date, all units have been on a design and build basis providing over 850,000 ft² (about 79,000 m²) of high-bay accommodation.

The Occupiers
Phase 1 - Great Mills – (now Focus)
246,696 ft² (22,919 m²) - national Distribution Centre for the DIY specialist. First building on site, completed in summer 1997, leased to RMC Retail & Merchanting Ltd., for 25 years with 5 year rent reviews at £4.96 per ft² (£53.39 per m²).

General Accident bought the investment for over £16 million representing a yield of 7.5%.

Phase 2 - Matthew Clark Plc – national distribution centre of 312,000 ft² (28,985 m²) on 17.5 acres (7.08 ha) for this drinks manufacturer. Completed in 1998 and let at £4.96 per ft² (£53.39 m²) on a 25 year lease with 5 year reviews and a 20 year break provision.

Sale and leaseback deal with Great Portland Estates for over £20 million representing a yield of 7.5%. Investment subsequently sold on to Reif.

Phase 3 – MFI – regional delivery centre of 64,000 ft² (5,945 m²) on 4.15 acres (1.6 ha) completed in 1999.

Topland Group then completed a sale and leaseback at a figure close to £5 million representing a yield of 7.5%. A 25 year lease with 5 year rent reviews was granted at a rent of £5.85 per ft² (£62.97 per m²).
Phase 4 - Royal Mail Streamline – purchased a site of 11.2 acres (4.53 ha) for a bespoke distribution centre of 160,000 ft² (14.864 m²), which was completed in 1999.

Phase 5 – the latest phase is with high street clothing retailer, Next Plc. The regional distribution centre will provide 70,000 ft² (6,503 m²) on 5 acres (2.02 ha) with completion in 2002.

Forward-funded on a 25 year lease with 5 year rent reviews at an undisclosed rent.

PREMIER PARK, PARK ROYAL, GREATER LONDON, UK

Transport & Infrastructure
Premier Park is strategically located just inside the North Circular Road (A406) off Abbey Road in North West London. Dual-carriageway access is available to Central London (7 miles) via the A40 Western Avenue.

Prior to the opening of the short extension of Abbey Road to the North Circular Road, the site suffered from restricted access.

The new section has radically improved road accessibility and transformed the desirability of this Park.

The A406 also links with the start of the M1 at Staples Corner. The A40 Western Avenue becomes the M40 near its junction with the M25 orbital motorway on the western fringe of Greater London.

The site is bounded by the Grand Union Canal on its southern flank with Railtrack’s West Coast main line to the north. Neither mode of transport is directly used by the occupiers on the Park.

For intermodal traffic, the nearby Euroterminal at Willesden offers direct rail freight services via the Channel Tunnel to the mainland.

Rail passenger services, principally London Underground tube services (Central, Piccadilly and Bakerloo lines), are available at a number of stations, mainly just outside the Park Royal area.

A network of local bus routes however links Park Royal with these stations and neighbouring commercial and residential areas.

Description of Premier Park
Created by the phased redevelopment of the production facility of H J Heinz, one of the first major companies to establish themselves in the Park Royal area in the 1920’s.

Park Royal is one of the largest industrial areas in Europe. The name derives from earlier abortive attempts to use the area as a permanent site for the Royal Agricultural Show.

The Developer/Investors
Kingspark Developments were the initial developers, subsequently joined by AMP Asset Management. They provided Heinz with a bespoke warehouse, pre-let units to Exel and Cearns & Brown and built high-bay speculative warehouses.
King Sturge: Global Trends in Industrial Parks

The Park is now owned by a partnership between Brixton plc and Henderson Global Investors on behalf of Pearl Assurance.

The Occupiers

Phase One

Heinz warehouse – the first and largest building to date amounts to 170,000 ft² (15,793 m²) providing high-bay warehousing. When constructed, these premises were alongside the remaining section of the company’s production plant.

UNIT A – 40,000 ft² (3,716 m²) - Let to Exel Ltd. and occupied by Exel Logistics and Pickfords.

UNIT B – 55,000 ft² (5,110 m²) – Let to Deluxe Video Services.

UNIT C – 60,000 ft² (5,574 m²) – Let to Surridge Dawson (magazine and newspaper wholesalers).

UNIT D – 110,000 ft² (10,219 m²) – the second largest building, let to Cearns & Brown (part of Brake Bros. – catering suppliers).

UNIT E – 45,000 ft² (4,181 m²) – Let to Ted Baker (fashion retailers and wholesalers).

Note: All floor areas are rounded and approximate.

Terms – All Phase One leases date from the late 1990’s for between 15 years and 25 years with five year rent reviews. Rents range from just under £5.50 per ft² (£59.20 per m²) to just over £8.00 per sq.ft (86.11 per m²).

Phase Two - The redevelopment of the last section of the Heinz production complex, now a cleared site, offers design and build opportunities on 16.9 acres (6.64 hectares).

Either a single ultra-large building of 380,000 ft² (35,310 m²) can be provided (an unusual opportunity so close to the heart of the Capital) or two buildings totalling 395,000 ft² (36,696 m²) capable of subdivision into a maximum of five units ranging in size from 75,000 ft² (6,968 m²) to 230,000 ft² (21,367 m²).

TRAFFORD PARK, MANCHESTER, UK

Transport & Infrastructure

Almost 50 miles inland, the catalyst for this development was the construction of the Manchester Ship Canal. Opened in 1895 to accommodate ocean-going ships to/from the River Mersey estuary, it avoided use of Liverpool Docks with its high charges.

Within the Park is the principal intermodal European Railfreight terminal for the North West region offering direct services, via the Channel Tunnel, to mainland Europe. There are also private sidings.
The M60 orbital motorway offers two interchanges (junctions 9 and 10) adjacent to the Park, with junction 12 (M62), via the spur M602, a short distance to the north.

Rail services from the city centre are available at Trafford Park Station (for Irlam) to the south and Eccles Station (for Liverpool) to the north.

A new line is envisaged on Manchester’s successful light rail Metrolink system through the centre of the estate terminating at the Trafford (shopping)Centre.

The M60 and M56 link with Manchester Airport for domestic and international flights.

**Description of Trafford Park**

The world’s first planned industrial estate is over one hundred years old. The de Trafford family sold their estate to speculators in 1896 during a period of rapid industrial expansion.

In the early years, two major American companies invested in the Park; Westinghouse Electric and Manufacturing Company and the Ford Motor Company - with first Model T production outside North America. During sustained growth between the wars other substantial companies appeared including Kelloggs and the forerunner of Procter & Gamble.

However, following a long period of gradual decline exacerbated by faltering traditional industries, urgent action was needed by the mid-1980’s.

Central government granted Assisted Area status in 1984. Three years later, the Trafford Park Development Corp. was created to secure the economic and physical regeneration of the Park.

On dissolution in 1998, substantial private/public investment had ensured the necessary revitalisation. Many premises were refurbished and over 7 million ft² (about 700,000 m²) of new floorspace built and occupied. Today there are 1,500 international and national occupiers.

**Two schemes have been selected :-**

**Centrepoin** – fully-developed

The former ICI chemical works, which closed down in the early 1990’s, was sold to Cheshire-based Monde Developments. The 20 acre (8.1 ha) site attracted a substantial grant from the Development Corp. for remediation/reclamation works.

An immediate deal was a leasehold design and build HQ and distribution hub of 180,000 ft² (16,722 m²) for Lewis’s Stores Group. Part of the warehousing featured a height of almost 66 feet (20 metres). However, the company went into Receivership and never occupied the premises.

Immediate marketing efforts resulted in short-term warehouse lettings on parts of the property to Procter & Gamble and Kelloggs.

Speculative construction followed with units from 10,000 ft² (929 m²) to 17,000 ft² (1,579 m²). Let for 10 years minimum, rents range from £4.00 to £4.50 per ft² (£43 to £48.45 m²).

Design and build transactions then accounted for the balance of the site.

**Interdean** – 27,000 ft² (2,508 m²) freehold sale at between £40 and £45 per ft² (£430-£484.50 per m²)

**Teko General Electric Company** – 30,000 ft² (2,787 m²) - let with 7 year break clause, at a headline rent in the
range noted above. The first Taiwanese company to locate on Trafford Park, the ability to expand by 100% was an immediate stipulation and typical of inward investors.

Belamy’s Bakers – 40,000 ft² (3,716 m²) - let at about £4.50 per ft² (£48.45 m²).

The last unit, reflecting the typical size range on the scheme, of 25,000 ft² (2,323 m²) was another leasehold design and build property constructed in 1997 for Bridisco.

**Electric Park – new development**

**Westinghouse Road**

Situated alongside the World Freight Centre (the largest road/rail freight terminal outside London), the 46 acre (18.6 ha) site, with the semi-derelict GEC factory, was bought by Gazeley Properties and Trafford Park Estates in 1997.

In late 1998, Green Property acquired Trafford Park Estates and bought out Gazeley’s interest in the site.

The following year investment in site remediation and infrastructure created a masterplan able to accommodate both purpose-built and speculative premises.

With outline planning consent, bespoke industrial and distribution units are offered from 75,000 ft² (6,968 m²) in the overall total of 875,000 ft² (81,288 m²).

In 2000, construction works got underway on Unit E, a speculative high-bay building of 93,911 ft² (8,724 m²), including offices of 5,776 ft² (537 m²). Immediate occupation is available on a 15-year lease at £4.75 per ft² (£51.13 m²).

Four other large buildings are planned as the developer seeks to accommodate users with substantial floorspace requirements. A major occupier is currently seriously looking at a high-bay distribution depot in excess of 300,000 ft² (27,870 m²).

As evidenced by these and other schemes, Trafford Park has re-established itself as a prime industrial/warehouse location. Headline rents for medium-sized units are now about £5.25 per ft² (£56.51 per m²).

**NEWHOUSE FARM ESTATE, CHEPSTOW, WALES, UK**

**Transport & Infrastructure**

This prominent development is located a short distance from the bridge over the River Severn, accessed by the motorway junction for Chepstow. Originally junction 22 of the M4, with the opening of the privately funded Second Severn Crossing in 1996, it became junction 2 of the M48.

The major interchange between the M4 (east/west axis) and M5 (north/south axis) is 6 miles to the east (via the M48/M4) on the English side of the crossing.

Though the estate can no longer claim to be alongside the principal traffic flow in and out of South Wales, the additional crossing of the Severn estuary has relieved congestion on the original bridge.

The estate remains the only sizeable scheme by the West Bank of the river, with other estates being further into South Wales.

The Severn Crossings are two of the few that are subject to toll charges in Great Britain. Payment is made by westbound traffic only entering Wales. For most goods vehicles, the charge is currently £13.30.
There are no existing rail freight facilities on the estate. However, the cross-country South Wales to West Midlands railway line is alongside the southern boundary offering a possible rail link for some occupiers of adjacent buildings.

Two railfreight terminals are within easy reach. Across the Severn, Cabot Park Rail International Freight Terminal in Avonmouth and Wentloog, east of Cardiff. The latter adjoins Railtrack’s London-South Wales main line and is now the principal Welsh road/rail intermodal facility.

An irregular passenger service between Cardiff and Gloucester/Birmingham is available at Chepstow Rail Station about 2.5 miles to the north.

Sea links are available at Newport, Cardiff and Bristol Docks.

At Cardiff, Associated British Ports opened a new £2.5 million Distribution Terminal in 2001. A similar sum is dedicated to expanding the cold store facilities. Newport Docks is set to receive £2 million of investment.

The nearest commercial airports are Cardiff International, to the west of the Welsh Capital, and Bristol International to the south of the City.

**Description of Newhouse Farm Estate**

This well-established estate, which is a familiar landmark by the Severn Bridge, has been developed over the last two decades. Over 1,000,000 ft² (92,900 m² plus) having been built, excluding the Phase 2 floorspace.

The estate includes multi-unit speculative schemes, Severn Link Distribution Centre and Severn Cross Distribution Park, and major bespoke distribution centres.

Apart from the latest Asda transaction, most of the recent activity centres on transactions in the second-hand market, principally due to the demands in the fast-moving world of distribution logistics.

**The Developer/Investors**

East Mon Industrial Holdings Ltd was the principal owner with various plots of land sold off for development. Today the developed area is in various ownerships, including financial and other institutions.

The company has invested substantial expenditure in providing the infrastructure for the Phase 2 land, called Newhouse Park, including a new section of road creating a circular route around the estate.
Three freehold serviced plots are available for the construction of bespoke buildings:

Plot 1 - 7.49 acres (3.03 ha)
Plot 2 - 8.75 acres (3.54 ha)
Plot 3 - 9.04 acres (3.66 ha)

**Occupiers**

Retailers and third-party logistic operators feature strongly in the larger buildings.

In 1998, supermarket chain, **Asda**, leased “Western Links” Nestle’s former depot of 205,183 ft² (19,062 m²) at the entrance to the estate. A new ten-year term from PDFM, with break clauses, was taken at a rent of £3.75 per ft² (£40.41 m²).

In the same year, **Sheddick Transport**, a subsidiary of the French group, Norbert Dentressangle, took four units totalling 95,000 ft² (8,825 m²) on the Severn Cross Distribution Park. The facility was needed for a distribution contract with Newport-based manufacturer, AES. This substantial transaction concluded the letting of this scheme totalling 140,000 ft² (13,006 m²).

Due to reorganisation of their distribution network, retailers, **Littlewoods** relocated from the estate to a larger purpose-built central hub at Burton-on-Trent in the West Midlands. **Sheddick Transport** subsequently leased this building of 151,500 ft² (14,074 m²).

**Asda** significantly expanded its presence on the estate in 1999 by purchasing land on Phase 2, opposite its existing facility, and constructing a distribution centre of 308,000 ft² (28,613 m²).

**Asda** is represented by over half million ft² (46,450 m² plus), while **Tesco** also has a substantial involvement. Their Chepstow Distribution Centre of 290,000 ft² (26,941 m²) is complemented by a separate facility of **Christian Salvesen**.

Their 73,000 ft² (6,782 m²) bespoke unit, which is leased from Shell Pensions Trust, provides the UK’s leading retailer with recycling and traywash services.

The largest available second-hand unit is the 151,500 ft² (14,074 m²) building at the entrance to the estate. **Sheddick Transport** has vacated the premises.

**EUROCENTRAL, MOSENDEL, LANARKSHIRE, SCOTLAND, UK**

**Transport & Infrastructure**

EuroCentral at Mossend is situated east of Glasgow, adjacent to the A8/M8 with a dedicated interchange. This is Scotland’s principal east/west artery serving the Central Belt between Glasgow (15 miles) and Edinburgh (30 miles).

It is about three miles east of junction 8 of the M8 link with the M73, which connects with the north/south M74. This motorway forms part of the principal Anglo-Scottish route joining the English motorway system at Carlisle (M6).

Bellshill Rail Station is about 2.5 miles offering regular local cross-Glasgow services and stopping trains to Edinburgh.

Both Glasgow and Edinburgh Airports are within 30 minutes drive. The principal air freight terminal at Prestwick is within a hour’s drive.

The Park features Scotland’s only European intermodal rail freight terminal with domestic and direct services.
via the Channel Tunnel, provided by the largest rail freight operator, English Welsh & Scottish Railway.

Safeway Supermarkets uses EWS intermodal services to distribute products to stores in the North of Scotland. Its regional distribution centre of 535,000 ft² (49,702 m²) is situated at adjoining Bellshill.

Providing efficiency and environmental benefits, the operation avoids trucks using the A9 road, with its summer tourist traffic and poor winter weather conditions.

**Description of EuroCentral**

One of Scotland’s largest developments, this scheme totals 650 acres (263 hectares) offering fast track design and build facilities. Serviced sites from 10 acres (4.05 ha) are also offered. In addition, substantial speculative development has been undertaken recently widening the appeal of the Park.

To date, about 1,600,000 ft² (148,640 m²) has been accommodated comprising warehousing/distribution, manufacturing and call centre uses.

**The Developer/Investors**

Originally a joint venture between Amec Developments and Lanarkshire Development Agency, the Royal Bank of Scotland subsequently also became involved. It is now known as Eurocentral Partnership Limited.

Much of the Park is within the Lanarkshire Enterprise Zone offering various benefits including exemption from local authority business rates for up to ten years, 100% capital tax allowances and simplified planning procedures.

This central government initiative has a lifespan of ten years which, in this case, will expire in early 2003.

**The Occupiers**

**Auto Trax** – a joint venture between Railfeight Distribution and logistics specialists, Tibbet & Britten - 22 acres (8.9 ha) – for a rail-connected terminal for transporting new cars to the mainland via the Channel Tunnel.

**TDG Logistics** – 300,000 ft² (27,870 m²) – rail-connected warehouse.

**Securior Omega Express** – 81,500 ft² (7,571 m²) high security warehouse for airfreight forwarding taken on a 25 year lease in 1996. In addition, workshop facilities are provided for Securior Group vehicles.

In 1997, **Headlam plc**, floorcovering distributors took a high-bay warehouse of 40,000 ft² (3,716 m²) to replace their fire-damaged Scottish HQ.

**Scottish Power** has a distribution depot of 138,000 ft² (12,820 m²) at a rent of about £4.50 per ft² (£48.44 per m²). Relocated from Moodiesburn to be nearer to Glasgow, it supplies their retail network throughout Scotland and home deliveries within the Central Belt. A call centre provides support for the servicing and repair operation.

**Chungwa Picture Tubes (UK) Ltd** – 625,000 ft² (58,063 m²) facility is a major overseas investment which became operational in August 1997.

**Lite-On Technology’s** production facility of 130,702 ft² (12,143 m²) was completed in 1998, though closed two years later, due to the downturn in the Far East economy, when production reverted to Taiwan. The building was then let to **National Cash Registers** for ten years at a rent of £5.50 per ft² (£59.20 m²).

In the same year, **APC - Allied Precision Co.** took a larger facility of 204,000 ft² (18,952 m²).

**TDG** expanded its operation in 2000 with an additional 70,000 ft² of warehousing.

The first speculative building was also constructed in 2000. “Colossus”, a 94,000 ft² (8,733 m²) facility was let, prior to completion, for 15 years at about £5 per ft² (£46.45 per m²).
The tenant, **P & O Trans European**, are third party logistics operators for the supermarket chain, Sainsbury’s.

Further speculative construction will provide 165,000 ft² (15,329 m²) in high-bay buildings of 94,000 ft² (8,733 m²) “Colossus II” and 71,000 ft² (6,596 m²) “Artemis”. The latter will have scope for 50% expansion.

To let or for sale, the scheme has EZ benefits, and the larger building has been completed. Artemis will be completed in 2002.

A range of sites is available for bespoke developments from 30,000 ft² (2,787 m²) to 500,000 ft² (46,450 m²).

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**PARMA COMMERCE CENTER, CLEVELAND, OHIO**

**Output for the Economy**

Economic growth, as measured by growth in real GDP for 1999 and 2000 was 4.2% and 5.0%, respectfully. Although the GDP accelerated to 2% in the first quarter of 2001, it then experienced a rapid deceleration of the economy. This is a direct result of financial markets declining, deteriorating corporate profits and a severe fall-out in the technology sector. Although a rebound is expected, growth in 2001 was not as high as in the last two previous years, especially after September 11th.

**Changes in the Property Market Structure**

The Greater Cleveland Industrial Market has historically been known as a diversified and durable goods manufacturing area. At this time, following the national trend, this market has restructured from heavy manufacturing towards distribution and services. Distribution and service enterprises now play a substantial role in the absorption of new space, although the manufacturing sector continues to be important.

Greater Cleveland employs nearly one million people. The service sector represents circa 47% of the total,
which is an increase of approximately 12% over the past ten years. This trend is likely to continue as more than half of all new jobs created are within the service sector.

**Transport & Infrastructure**
Cleveland is located along the south shores of Lake Erie and accessibility has been one of its greatest strengths. Nearly half of the nation’s households, business establishments, and manufacturing plants are within 500 miles from Cleveland.

Cleveland is the northern hub of an extensive system of interstate highways and freeways. This system makes overland trucking both efficient and affordable. Parma Commerce Center is located within one mile of I-480, a major East – West artery, allowing easy access to four other major interstates (I-71, I-77, I-80 & I-90).

The nation’s two leading railroads, Norfolk and Southern, as well as CSX Corporation, link the region and move both raw materials and finished goods throughout the country’s largest concentration of industrial and consumer markets. Parma Commerce Center is adjacent to and serviced by a CSX railroad spur.

Cleveland Hopkins International Airport is the focal point of air traffic in this region. This airport is serviced by Continental Airlines (primary hub) as well as Southwest, American, United and Delta. Plans have been announced to extend the airport’s runways to an international – service length. This expansion will significantly impact Cleveland’s ability to service global markets. Parma Commerce Center is located within five miles of Cleveland Hopkins International Airport.

The Port of Cleveland, continues to play an important role in Cleveland’s economic growth. The Port’s primary mission is sending and receiving cargo, mostly steel and heavy machinery. The Port of Cleveland is utilised by more than 50 nations worldwide and its annual tonnage has recently surpassed the one million mark. Recent development has been focused towards tourism and entertainment. These developments include the creation of North Coast Harbor, Rock-n-Roll Hall of Fame, Science Center and the new Cleveland Browns football stadium.

**Description of Parma Commerce Center**
In February of 1997, the community of Parma initiated the development of Parma Commerce Center, in an effort to grow as well as diversify its tax base. The entire 88 acres site was a wood. In August of 1999, the Geis Companies purchased the land for US$1,694,000. The zoning is industrial, primarily light manufacturing and distribution. The subject property is bordered by General Motors Corporation, Shiloh Industries, Triad Metal Products and Ucar, formerly Union Carbide.

**The Developer/Investors**
The Geis Companies are the sole owner / developer of Parma Commerce Center. They are a premier developer and builder of industrial product throughout Northern Ohio. They successfully completed a 2½ year due diligence process in order to obtain the appropriate approvals and permits to break ground. This process included resolving EPA issues relating to Wetlands, Indiana Bat and Salamander studies / preservation as well as archaeological concerns relating to Indian burial grounds and artefacts. In late 1999, permits were granted and the creation of new road and utilities
commenced. Their master plan included both speculative and build-to-suit construction.

The Occupiers
Phase 1 – in late 1999, the Geis Companies erected two speculative multi-tenant industrial buildings of 130,000 and 120,000 ft². Standard amenities include all standard masonry construction, ESFR sprinkler system, 28 ft clear ceilings plus above standard truck docks and access. At this time, both buildings are 100% leased, achieving an average lease rate of US$5 ft² for warehouse and $10 ft² for office build-out, on a net basis. Tenants are as follows:

Building I – 130,000 ft²
- Grabel Corporation – 54,000 ft²
- Cort Furniture – 42,000 ft²
- Universal Group – 14,000 ft²
- RHI Refactories – 20,000 ft²

Building II – 120,000 ft²
- Tyco – 25,000 ft²
- Cutler Hammer Division of Eaton Corporation – 25,000 ft²
- Melon Tool – 25,000 ft²
- BF Goodrich – 45,000 ft²

Phase 2 – is occupied by FDC Machine. It is a 32,500 ft² “built-to-suit” industrial complex. The building features 40 ft ceiling clearance and a 100-ton overhead crane. FDC Machine repairs heavy equipment and distributes large production presses. Phase 3 – is an approximately 7,000 ft² Daycare center and Montessori school presently under construction. It is located at the entrance of the park and will be ready for occupancy by fall of 2001.

Phase 4 – is a planned approximately 75,000 ft² distribution center on 7.5 acres, which is a built-to-suit for Albums, Inc. The physical structure shall be ready for occupancy on or before March 1, 2002. Albums, Inc. committed to a fifteen-year initial lease term at a commencing lease rate of $6.75 per ft², on a net basis.

Phase 5 – is a planned 70,000 ft² speculative distribution complex by Geis Construction. The physical structure shall be divisible to units of 20,000 ft² and will be ready for occupancy by March of 2002.

Phase 6 – there are approximately 37 acres currently available for development. This available land ranges from 2 acre to 20 acre sites. These sites are fully improved and have an asking price of $125,000 per acre, including assessments. The Geis Companies would structure a transaction on either a leasehold or freehold basis.

Current market conditions suggest that Parma Commerce Center should be fully developed within the next 12/18 months.

DOMINGUEZ TECHNOLOGY PARK,
LOS ANGELES

Output for the Economy
The economy of the greater Los Angeles area is growing slowly after seven years of astonishing expansion. Although at the Federal level there are discussions of tax reduction, they will have little impact on the industrial property market. State revenue surpluses will be greatly reduced this year as the high tech sector slows and the cost of energy increases. Energy shortages are the crisis de jour, although in the long term, the impact should be minimal. The slowing economy in California is being caused by problems in the high tech sector.
Changes in the Property Market Structure
The estate companies continue to be the largest developers of new speculative industrial space.

Boeing and other major corporate manufacturers’ disposition of excess space have been the greatest source of new industrial land available for purchase by occupiers.

The prime source of leasing and sales has been logistics and warehouse activities generated through both Los Angeles International Airport’s expansive airfreight activities and the combined ports of Los Angeles and Long Beach ocean freight activities. As these freight service companies consolidate their ocean and air service units, larger, strategically located facilities are required.

Transport & Infrastructure
The transport infrastructure includes the combined Los Angeles/Long Beach Port Complex and Los Angeles International Airport’s huge airfreight hub. There is a significant major highway / freeway system for access to all of Southern California.

There are numerous fibre optic providers and this complex has Foreign Trade Zone status.

Description of Dominguez Technology Center
Dominguez Technology Center is a new 438-acre development in a market area that has 200 million ft² of existing industrial space.

The Developer/Investors
The two owners in this project are Watson Land Company and The Carson Companies. They are historically dated to the original Spanish land grant family Dominguez. This is the last major land development site in the market area. The land has been owned for approximately 225-years.

The Occupiers
Major occupiers include the following companies.

Nakamichi USA Corporation occupies 93,850 ft². The unit is Nakamichi’s USA/Western Regional Office Service and Distribution Headquarters. Triple net rent is US$0.47 ft² per month.

New Age Electronics occupies 185,629 ft². The warehouse and distribution facility utilises the Port facility proximity. Triple net rent is US$0.60 ft² per month.

Hellman Worldwide Logistics occupies 110,567 ft². The company is a third party logistics provider. This facility is dedicated primarily to the warehouse and distribution of Red Bull Energy Drink. Triple net rent is US$0.65 ft² per month.
USF Seiko Worldwide occupies 109,040 ft². The company is a third party logistics provider. Triple net rent is US$0.44 ft² per month.

Circle International occupies 160,742 ft². The company is a third party logistics provider. Triple net rent is US$0.51 ft² per month.

Current new speculative inventory of major industrial / distribution facilities available in the broad marketplace include the following sizes:

<table>
<thead>
<tr>
<th>Size</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>670,292 ft²</td>
<td>ProLogis</td>
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<tr>
<td>254,560 ft²</td>
<td>Watson Land Company</td>
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<tr>
<td>182,196 ft²</td>
<td>Watson Land Company</td>
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<tr>
<td>177,372 ft²</td>
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<td>157,070 ft²</td>
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<tr>
<td>145,000 ft²</td>
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<td>101,076 ft²</td>
<td>ProLogis</td>
</tr>
<tr>
<td>100,079 ft²</td>
<td>The Carson Companies</td>
</tr>
</tbody>
</table>

Output for the Economy
After nine years of economic expansion the US economy began to slow in 2000. While GDP growth was 4.4% in 1998 and 4.2% in 1999, it was 2.2% in 2000.

Unemployment in the US has begun to rise with an increase in the rate in every month since January 2001 which accelerated after September 11th 2001.

Changes in the Property Market Structure
The New Jersey economy no longer relies on industrial manufacturing and construction. Only 10% of the state’s employment is in these two sectors. The majority of employment, two-thirds in total is in the service industry. Core industries within this sector are technology, healthcare and financial services.

New Jersey benefits from a concentration of corporate
headquarters, extensive transportation network, strong business and labour demographics.

The New Jersey Industrial Market is one of the largest in the country with over one billion square feet of space.

The product type located within this area ranges from 1,000,000 ft² manufacturing and distribution facilities to small high-technology facilities with high ratios of office finish.

Although there is a variation in product type in this market, much of the space is utilised for the warehousing and distribution of goods throughout the New York Metropolitan area as well as the Eastern Seaboard. Recently, growth in the services sector has resulted in greater requirement for light assembly, high-tech and flex space.

The Exit 8A industrial market began to flourish in the mid-1980s, and by the end of 2000 possessed approximately 37 million ft² of industrial space. The growth in this market can be attributed primarily to two factors: the rise in land prices in Northern New Jersey, and the United States’ increasing dependence on the importation of goods.

Exit 8A of the New Jersey Turnpike arose as an ideal location for warehouse, distribution and light manufacturing operations due to its accessibility and flat, dry plots of land.

There is overnight highway access to one-third of the nation’s population and tenants benefit from the tremendous pool of labour residing within commuting distance of exit 8A.

Transport & Infrastructure
Much of the industrial development in Northern and Central New Jersey has occurred along the State’s major transportation arteries, namely Interstate 80 and the New Jersey Turnpike.

Exit 8A, primarily comprises of South Brunswick and Monroe Township, geographically resides in between Philadelphia and New York City, as well as Washington D.C. and Boston. This market is also ideal because of its close proximity to the international seaports of Port Newark and Port Elizabeth. These seaports are just thirty minutes away and the Philadelphia and South Jersey docks are less than one hour away.

Newark International Airport is thirty minutes away.

Description of CenterPoint at 8A
CenterPoint at 8A is a 500-acre master planned business park.

It is located within 5 miles of Exit 8A of the New Jersey Turnpike. Routes 1 and 130, I-195, I-295 and I-287 are nearby.

CenterPoint at 8A consists of nineteen properties totalling 3,519,855 ft². The properties range in size from 65,277 ft² to 323,282 ft².

The buildings are mostly for warehousing, although some are also for light industrial activities. The first building was constructed in 1978 and building has continued to the present day.
The Developer/Investors
Matrix Development Group owns most of the property. This company built many of the buildings speculatively.

Matrix has sold a few buildings and some buildings have been built by other investors/developers. Other owners include Schenkman & Kushner, Bachrock Associates, W.W. Grainger, Corporate Office Properties Trust, Cabot Industrial Reit, HOB Realty, GE Capital. Owner occupiers include W.W. Grainger and Volkswagen.

The Occupiers
The nineteen properties are occupied as follows:

<table>
<thead>
<tr>
<th>Size</th>
<th>Occupier</th>
</tr>
</thead>
<tbody>
<tr>
<td>98,630 ft²</td>
<td>Single tenant</td>
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<tr>
<td>198,400 ft²</td>
<td>Papel Giftware, We’re Entertainment</td>
</tr>
<tr>
<td>65,277 ft²</td>
<td>Associated Press</td>
</tr>
<tr>
<td>151,440 ft²</td>
<td>Avery Dension</td>
</tr>
<tr>
<td>125,369 ft²</td>
<td>Lenox Warehouse / Showroom</td>
</tr>
<tr>
<td>144,850 ft²</td>
<td>Multiple tenants</td>
</tr>
<tr>
<td>203,652 ft²</td>
<td>Transcare Supply Chain Management</td>
</tr>
<tr>
<td>204,369 ft²</td>
<td>Not available</td>
</tr>
<tr>
<td>169,663 ft²</td>
<td>Ashland, Vileroy &amp; Bach</td>
</tr>
<tr>
<td>163,648 ft²</td>
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</tr>
<tr>
<td>162,000 ft²</td>
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</tr>
<tr>
<td>146,000 ft²</td>
<td>Siemens Medical Systems</td>
</tr>
<tr>
<td>205,188 ft²</td>
<td>W.W. Grainger</td>
</tr>
<tr>
<td>40,686 ft²</td>
<td>Somfy Systems</td>
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<tr>
<td>250,035 ft²</td>
<td>W.W. Grainger</td>
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<tr>
<td>81,355 ft²</td>
<td>Single tenant</td>
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<td>259,369 ft²</td>
<td>Mitsubishi Electronics Sales Support Services</td>
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<table>
<thead>
<tr>
<th>Size</th>
<th>Owner Occupier</th>
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<tr>
<td>323,282 ft²</td>
<td>Volkswagen</td>
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<table>
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<tr>
<th>Size</th>
<th>Vacant</th>
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<tr>
<td>528,500 ft²</td>
<td>0% leased</td>
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Australia

108-120 SILVERWATER ROAD, SILVERWATER, SYDNEY

Output for the Economy
The Australian economy contracted in the second half of 2000 but showed good growth in 2001.

The magnitude of the downturn was distorted due to a new tax on dwelling investment. This new tax moved housing construction activity to the first half of the year, resulting in a significant decline in activity in the second half. Removing this factor from the figures, there was a small decline in economic activity.

The downturn in the economy flowed through to the labour market with the first sustained increase in the unemployment rate since 1996.

On a positive note, there has been an improvement in the external sector. Exports have increased significantly assisted by the low Australian dollar and depressed domestic demand has resulted in a reduction in imports.

Changes in the Property Market Structure
Three sectors are the main users of industrial space in Australia: manufacturing, wholesale trade and transport and storage.
Manufacturing, while posting an improved performance during the 1990’s, has lagged behind the general economy. There has been considerable restructuring over the last 20 years following a reduction of tariff barriers that have opened Australia’s markets to greater competition. Those manufacturing companies that contain a high proportion of value added activities or have sourced new export markets have fared best in the new environment.

In contrast, the wholesale trade and the transport and storage sectors have achieved growth rates greater than the average. These sectors are more closely correlated to the general economy and have benefited from a consumer boom throughout the second half of the 1990’s. Also, manufacturing companies are increasingly outsourcing distribution and storage activities.

Transport & Infrastructure
Good access to the major transport routes both within and out of the city are important factors for the location of warehouses.

The introduction in Sydney of regulations regarding B-double articulated trucks (a prime mover towing two semi-trailers) whereby these vehicles may only operate on routes gazetted for their use has advantaged some industrial locations. These vehicles can be up to 25 metres in length and can carry 50% more than conventional semi-trailers with only a slight increase in fuel costs.

Description of 108-120 Silverwater Road
108-120 Silverwater Road is serviced by Silverwater Road, a six-lane highway and the M4 Western Motorway, a four-lane freeway.

The warehouses have nine metre wall heights that generate sufficient internal space to allow multi-level palleting and stacking systems, plus internal fire sprinkler systems. There is access and on site manoeuvring room for double articulated vehicles.

The Developer/Investors
108-120 Silverwater Road was originally developed in 1983. In March 2000, it was purchased for A$22m by the current owner, Tyndall Meridian Trust.

Tyndall Meridian Trust is listed on the stock exchange. Major investors in the trust include: Royal & Sun Alliance Equities Ltd, Centurian Investments P/L, Tyndall Life Insurance Company and Oceanic Life Ltd.

The Occupiers
Unit 1 & 2 totalling 2,026 m² of lettable area is let to the plastics distributor Cadillac Plastics Pacific Group P/L.

Unit 3 totalling 1,011 m² is let to an importer / distributor of disabled equipment.

Unit 4, 1,010 m², is vacant.

Unit 5 totalling 761 m² is let to Sterling Diagnostic Imaging with a sublease to the engineering company, Transfield.

Unit 6 & 7 totalling 3,210 m² is let to the food and beverage company, Liquorland (Australia) P/L.

Unit 7A totalling 1,304 m² is let to the furniture wholesaler, Myers Warehouse Sales P/L.

Units 8 & 9, totalling 3,595 m², is let to Chubb Fire Services.
Units 10 & 11, 3,905 m², is let to the engineer, Transfield P/L.

Unit 12, 1,289 m², is let to the importer/distributor of medical equipment, Edward Keller.

**Outlook**

There has been a rise in demand from the communications sector. This sector comprises postal, courier and telecommunication services.

Deregulation of Government utilities, such as Telstra, and the increased usage of computing and telecommunications technology has increased demand for buildings located out of the high-rent CBD for telco hotels and co-location facilities.

New technologies are also changing the way existing businesses undertake their activities.

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**China**

**BAOSHAN URBAN INDUSTRIAL PARK, BAOSHAN, SHANGHAI**

**Output for the Economy**

China, the seventh largest economy in the world, saw GDP grow by 8.1% in the first quarter of 2001, but slowed later in the year. Important contributors to the performance are production of PCs, mobile communication equipment, chemicals, coal, construction materials and automobiles.

**Changes in the Property Market Structure**

China's real estate market is growing rapidly. In the first four months of 2001 investment in commercial property was US$12.7 billion, of which US$10 billion was in China’s richer eastern regions.

**Transport & Infrastructure**

Baoshan District is located at the northern end of Shanghai and is the largest district adjoining the city, covering an area of 415 km².

North of Baoshan District lies the Yangtze River and north-east the Huang Pu River (that joins the Yangtze River). West is Jiading District, east is Yangpu District, north-east Pudong District and south Putuo, Zhabei and Hongkou Districts.
Baoshan has traditionally been an area dedicated to the shipping industry, warehousing and distribution, and heavy industry including steel and chemicals production.

Baoshan Urban Industrial Park lies to the south-west of Baoshan District close to downtown Shanghai. The industrial park is close to the intersection of the Outer Ring Road and the Hu Jia Expressway. The industrial park is near to Hu-Ning, Hu-Jia, Hu-Hand expressways and 318, 312 national ways, which connect the main roads of Shanghai and the neighbouring provinces.

Shanghai Hong Qiao International Airport is 9-minutes drive away and Pu Dong International Airport is 30-minutes away. The area is becoming increasingly popular for foreign investors.

Baoshan Urban Industrial Park is 10 km from Shanghai Railway Station, 6 km from Shanghai West Railway Station, 3 km from Taopu Freight Railway Station, and 6 km from Shanghai North-Suburb Freight Railway Station. Shanghai Wu Song Port is 15 km, and Shanghai Express Passenger Transport Center Terminal (under-construction) is 14 km from the industrial park.

Completion of the Outer Ring Road, at the end of 2001, will greatly enhance the location, improving access to Shanghai Port facilities, Pudong and to the west Nanjing and Suzhou.

Description of Baoshan Urban Industrial Park
Baoshan Urban Industrial Park has a planned area of 4.35 km$^2$ and was approved by Shanghai Municipal Government in November 1995 as the only municipal level industrial park in Baoshan District.

The Park became operational in October 1998 with Phase 1 occupying 1.5 km$^2$ and providing full infrastructure including optical cabling. Land Use Rights are held on a 50-year term and are available for immediate purchase at US$35 per m$^2$.

The Developer/Investors
The Park is developed and administered by Shanghai Baoshan District Government whose planning policy objective is to push heavier industry beyond the Outer Ring Road.

Government policy is to promote foreign investment and concentrate it in certain industrial real estate markets in China. The government offers fast-track business registration and licensing procedures as well as preferential tax policies in a number of development zones to make it easier and more beneficial for foreign companies to invest in China.

Most facilities within development zones are a “build to suit” or a “design / build”. These facilities are built specifically to meet the requirements of the occupiers and are sold or rented to the occupier for a longer term. Most development zones offer acceptable quality “build to suit” programmes, but occupiers do have the option of having a third party project management or construction team develop their facilities for them. Occupiers with high quality or hi-tech specifications often take this option.

Zones do not hold a large stock of buildings. Those they do hold are usually for smaller requirements. They generally build one or two speculative buildings at a time for smaller occupiers or as temporary facilities for companies who are having a factory built in the zone. These buildings are often multiple-storey and have various sized floorplates. Once a building is close to full occupancy, a new one is erected to meet future demand.

The Occupiers
Occupiers within the Park are manufacturing companies from Europe, East Asia, and mainland China.

**Shanghai Welding Alloy Co., Ltd.** – a UK manufacturer invested US$6.06m in 2000 purchasing a 6,600 m$^2$ site and building a single-storey light steel structure.
Shanghai Jinting Automobile Harness Co., Ltd. – a Japanese and Hong Kong JV invested US$12.5m in 1999 purchasing 35,333 m² of land and a developer built a 20,000 m² 2-storey steel structure to the occupier’s requirements.

Shanghai Utac Material Co., Ltd. – A Singapore construction materials manufacturer invested US$600,000 in 2001 in a 4,000 m² site, building a 1,000 m² single-storey factory.

Shanghai Tanazawa Hakkosha Casting Co., Ltd. – A Japanese company used a “built to suit” package early in 2001 to build a 600 m² single storey factory. The factory is let to the occupier for 5-years at US$39.13 per m² pa.

Shanghai Roco Magnetics Co., Ltd. – A domestic manufacturer invested US$8m in 2001 in a 40,000 m² single-storey manufacturing facility on a 250,000 m² site.

Standard Factory – The one speculative unit available is two-storey brick/concrete frame structure with a floor area of 4,700 m², which has a steel roof covered by heat insulated profiled metal sheet coverings.

Changes in the Property Market Structure
Demand for industrial parks is increasing as the volume of container and air-cargo freight traffic grows. Government restrictions on foreign investment will be phased out over three to four years. Foreign freight forwarding companies after this time will be able to establish wholly owned subsidiaries.

Transport & Infrastructure
The Airport Freight Forwarding Centre (AFFC) performs the role of cargo village for the use of agents for air cargo consolidation and warehousing.

The AFFC is strategically located in Hong Kong’s international airport, close to the two air cargo terminals – Hong Kong Air Cargo Terminals (HACTL) and Asia Air Freight Terminal (AAT). Chek Lap Kok marine cargo terminal enables the transportation of goods from Pearl River Delta. Highways connect mainland factories with Chek Lap Kok.

Output for the Economy
Hong Kong is the ninth largest merchandise trading region and one of the most trade-oriented economies in the world. The economy is benefitting from increased economic globalisation and China’s entry to the WTO. Freight forwarding is important to its success.
Description of Airport Freight Forwarding Centre (AFFC)

AFFC opened in April 1998 and comprises 1.3m ft² (125,000 m²) of cargo handling space and 175,000 ft² (17,000 m²) of office space, and can satisfy all kinds of air cargo consolidation and warehousing needs.

AFFC comprises a 3-storey warehouse, with 53 independent freight stations on each floor, ranging from 5,725 ft² (550 m²) to 12,489 ft² (1,200 m²). Warehouse ceilings are 8m and units provide spacious loading bays equipped with sufficient lighting, power points, coated floors and built-in washrooms. At the top there are nine storeys of grade “A” office space.

All floors are served by 3-lane ramps with ramp-side emergency bays. The lanes are extra-wide, enabling 45-foot container trucks to directly access the various floors. The top floor provides adequate parking, including 273 spaces for cars, 25 spaces for container trucks and 181 spaces for lorries.

The Centre is well supported by a range of services including a bank, a convenience store and canteens for the essential needs of tenants.

The AFFC provides an upgraded IT infrastructure and logistics services to its tenants, in order to improve their e-business capability. Tenants are provided with value-added integrated supply-chain solutions to support their supply chain management requirements. This supplements other value-added services available, such as cargo logistics services and consulting services.

The Developer/Investors

AFFC was built for the Airport Authority at a cost of HK$1.9 billion.

A consortium of companies owns AFFC, of which Sun Hung Kai Properties Ltd (SHK) owns 65%. SHK financed, designed, built and now operates the centre. The management company is Kai Shing Management Services Ltd.

The price of prime industrial properties range from HK$750 to HK$1,700 per ft². The price of ordinary industrial buildings is HK$500 per ft² and for industrial/office properties HK$1,250 per ft². Prime industrial yields range from 7% to 11%, while yields for secondary properties are over 10%.

The Occupiers

Lease terms are flexible and rents are on a daily or weekly basis. Average prime industrial rents are HK$7.20 per ft² per month, whilst rents for top tier industrial/offices range from HK$14 to HK$17 per ft² per month. Occupiers are:

- A Class CFS Centre Ltd
- AGI Logistics (HK) Ltd
- Air Sea Worldwide Logistics Ltd
- Supreme Airfreight Co. Ltd
- Fondair Express (HK) Ltd
- BAX Global Ltd
- Charter Victory Logistics Ltd
- Combined Logistics (Hong Kong) Ltd
- UTi (HK) Ltd
- Danzas AEI (HK) Limited
- Emery Air Freight Corporation
- Exel Hong Kong Limited
- Expeditors (HK) Ltd
- Fairate Express Ltd
- Fritz Air Freight (HK) Limited
- GeoLogistics Ltd
- Hong Kong Aircraft Engineering Co. Ltd
- IEC Express (HK) Ltd
- Jet Air (HK) Ltd
- Jupiter Air (HK) Ltd
- “K” Line Air Service (HK) Ltd
- Kintetsu World Express (HK) Ltd
- Morrison Express Co., Ltd
- Multi-gold Air & Sea Express Ltd
- Newport Express (HK) Ltd
- Nippon Express (HK) Co Ltd
- Nissin Transportation & Warehousing (HK)
- NNR Aircargo Service (HK) Ltd
- Republic Cargo Systems Ltd
- Rical Warehouse
- Sankyu Air (HK) Ltd
- Scanwell Freight Express (HK) Ltd
- Seino Air Goal Transportation Co. Ltd
- Soonest Express (HK) Co. Ltd
- Speedmark Transportation Ltd
- Straight Air Service Ltd
- TNT Express Worldwide (HK) Ltd
- Trans-Am Air Freight (HK) Ltd
- United Air Service (HK) Ltd
- Yamato Transport (HK) Ltd
- Yusen Air & Sea Service (HK) Ltd
Trends
Global trends are affecting the freight forwarding industry. These trends include globalisation of the supply-chain, mass customisation, shortening of product lifecycles, low inventory, and quick response requirements.

With these challenges, the trend for manufacturers is to use third-party logistic operations (3PLs) that provide transport, warehouse management, order fulfilment and inventory management services.

In February 2001, the Airport Authority of Hong Kong commissioned the international consortium Tradeport Hong Kong Ltd to build and operate a logistic centre at the airport next to AFFC. Tradeport HK is expected to be completed in early 2003 and will be a purpose-built, dedicated, self-operated 3PL (third party logistics) Centre.

Indonesia

MM 2100 INDUSTRIAL TOWN, BEKASI, JAKARTA, WEST JAVA

Output for the Economy
The Government of Indonesia agreed an economic restructuring with the IMF in the summer of 2001. Economic growth for the year was over 2% sustained by growth in exports and the stimulus from the privatisation of state owned companies. Inflation is circa 10%.

Indonesia’s main competitor for trade and inward foreign investment is China.

Changes in the Property Market Structure
The supply of industrial property is expected to grow less quickly over the next few years. The National Land Officer (NLO) has issued fewer location permits, following the removal of national land right grants, subsequent to the abolishment of NLO regulation no. 3/1999. The issuance of location permits by the NLO fell by 67% between 1997 and 1999.

Transport & Infrastructure
MM 2100 Industrial Town is located in the province of West Java.

MM 2100 Industrial Town is approximately 32km from
Jakarta CBD. Tanjung Priok seaport is approximately 30km and Soekarno-Hatta International Airport is approximately 50km. The industrial town is easily accessed from the Jakarta-Cikampek toll road at Cibitung gate.

The Jakarta Metropolitan Area includes the counties of Bekasi, DKI Jakarta, Tangerang, Karawang and Bogor, and the county neighbouring Bekasi is Purwakarta. Total available land with planning for industrial use in these counties is 14,000 hectares. Of this, 7,222 hectares have been developed.

In Bekasi county there is 3,631 hectares of available land with planning for industrial use. Of this 2,479 hectares have been developed. Bekasi is the second most industrialised county in the Jakarta Metropolitan Area after Karawang.

MM 2100 Industrial Town is located in the districts of Gandasari and Kecamatan Cibitung. These districts have a high density of manufacturing industry and middle to low class housing.

**Description of MM 2100 Industrial Town**

MM 2100 Industrial Town is situated on what was previously farmland and is therefore free of contamination.

Phase I of the industrial town comprises the development of 805 hectares. Of this area, 60% has been allocated for industrial use and the balance for infrastructure and facilities.

Work on Phase II began in early 2001 and this phase will comprise a 200-hectare development.

Infrastructure consists of roads, electricity with total capacity of 350 MW, telephones with 8,000 lines, clean water with daily capacity of 72,000 m³, waste water treatment with daily capacity of 64,800 m³ and a supply of natural gas.

**The Developer/Investors**

MM 2100 Industrial Town was originally developed by PT Bekasi Fajar Industrial Estate. The main shareholders in this enterprise are Argo Manunggal Group and Marubeni Corporation. Argo Manunggal Group is one of the largest companies in Indonesia, with interests in manufacturing, agriculture and real estate. Marubeni Corporation is a large Japanese investment company, which has operated in Indonesia for many years.

PT Bekasi Fajar Industrial Estate acquired land for the industrial town between 1990 and 1994 at prices ranging from Rp5,000 per m² to Rp30,000 per m². The company developed the infrastructure and plots of land have since been sold for between Rp550,000 per m² and Rp800,000 per m² (exclusive of transaction costs and maintenance charges).

The plots of land sold range in size from 10,000 m² to 100,000 m². The plots have been acquired by industrial users for owner occupation on 30-year terms (extendable for a further 40-years) with NLO permission to build industrial property.

Occupiers pay maintenance fees of around US$0.06 per m² per month of total land area. Wastewater treatment fees are around US$0.55 per m³ and clean water fees are around US$0.4 per m³.

Phase II will involve the selling of land for the construction of industrial property for owner occupation and rental.

**The Occupiers**

The largest occupier is LG Electronics. Other occupiers are AT&T, Asahi, Denso, Lucent Technology, Yamaha, Sony, Tancho and Marubeni Steel.
Output for the Economy
With the global economy slowing, the main impetus for growth in Malaysia is domestic demand. Demand has been slowing for the export-oriented sectors of the economy, such as electronics.

Real output in the domestic economy grew by less than 1% in 2001, compared with 8.5% in 2000. Despite this slowdown, a high level of foreign investment demonstrates confidence in the political stability of the country.

Changes in the Property Market Structure
There are no legal restrictions on foreign investment in industrial property and recently the government lifted restrictions on foreign ownership of residential and commercial property.

The government has reduced capital gains taxation on disposal of property by foreigners. The maximum rate is 30%, declining to 20% after two years, to 15% after three years, to 10% after four years and falling to 5% if the property is sold after five years.

Transport & Infrastructure
Hicom Glenmarie Industrial Park is located in the State of Selangor, which is the most industrialised state of Malaysia.

The industrial park is situated between the North-South Highway and the Federal Highway. The park is 6 kilometres from Subang Airport and within easy access of KL International Airport, North and West Seaports and Kuala Lumpur City centre.

The industrial park is serviced with good public transport, telecommunications and utilities (electricity and water). Recreational facilities in close proximity include Hicom Glenmarie Golf and Country Resort and the Saujana Golf and Country Resort.

Description of Hicom Glenmarie Industrial Park
Hicom Glenmarie Industrial Park is for non-polluting manufacturing, distribution and warehouse companies.

The industrial park covers 96 Hectares (237 acres) and is in a well-landscaped setting, where there is ample parking, amenities and security.

The industrial park dates from 1995. Much of the park comprises built-to-suit units that are owner-occupied. The park has semi-detached and terraced factories.

The Developer/Investors
The developer is Horsedale Development Berhad, which is part of DRB Hicom Berhad.

DRB Hicom Berhad owns the company that manufactures the Proton car, the national auto manufacturer. DRB Hicom Berhad also owns EON Bank Berhad, the lead bank in the consortium of local
King Sturge: Global Trends in Industrial Parks

commercial banks that provided funding for the industrial park.

The developer originally marketed land at prices ranging from RM330 per m² to RM370 per m². Average land lots sold ranged in size from 8,000 m² to 24,000 m².

All land has now been sold. However, there have been secondhand transactions at prices of between RM600 per m² and RM800 per m².

The Occupiers
Techni-Tone, a manufacturer of toners, occupies 8,000 m², at a rent of RM180 m² year.

HSL occupies 16,000 m² for warehousing, at a rent of RM150 m² year.

Proton, an auto manufacturer, occupies 80,000 m².

JVC, an electronics company, occupies 20,000 m².

Lease terms are generally for two to three years.

Rents are typically between RM155 per m² and RM180 per m² per annum. This compares with prime rents of between RM130 per m² and RM155 per m² in Johore Bahru and Penang. Rents have changed little in the past few years.

Singapore

THE SINGAPORE SCIENCE PARK

Output for the Economy
The economy enjoyed growth rates of between 5% and 10% for most of the 1990s. Even during the 1997 Asian crisis, when regional economies suffered a severe downturn, the economy did not go into recession (+0.1% for 1998, the worst year during the crisis).

Before September 11th 2001 terrorist incident, the economy had begun to trend down due to structural and other reasons. 2001 was a year of negative growth – the economy’s worst figure in 30 years. A stimulus package of S$11B was put in place to ameliorate the worst effects of the recession. Positive growth rates are not expected until 2003.

The USA is Singapore’s largest trading partner, with IT products being the largest trade item. With the USA’s current difficulties in both the IT sector and the larger economy, the hoped-for recovery, so evident during the 1997 Asian crisis from the USA, is going to be absent for sometime. At the same time, the strong growth of China’s economy, relatively unaffected by the Asian crisis, is posing a challenge to Singapore in the form of lower production costs. Even when the US economy
recovers, particularly in the IT sector, the Singapore economy may well be very different structurally because of the “China factor”.

**Changes in the Property Market Structure**
The property market has been in slow recovery since the worst days of the 1997 Asian crisis, but has been influenced by oversupply even as late as 2000. With the local economy in its worst recession in 30 years, demand across all sectors is at a low point, even in the residential market as home-owners face threats to their job security.

Because Singapore is basically a city-state, functioning as a business hub, it is convenient to use an overview to present its industrial and warehousing activities, and to track how sub-markets have evolved over time.

**Industrial & Warehouse Sub-Markets**
The industrial and warehouse sub-markets were equally affected during 2001 by the poor global economy, as well as by the structural factors arising from the “China factor”. Rents and values fell steadily, with landlords taking up to 25% rent drops, voluntarily in many cases. As the recession, begun in 2001, begins to bite into industrial firms’ profits, the likelihood of more falls during 2002 increase. We do not expect to see any turnaround in these sub-markets until 2004.

Traditional industrial and warehousing space continues to lose favour, as modern business park and science park type space comes on stream, particularly over the last two to three years. This is a trend that will continue as Singapore becomes less of a manufacturing centre and morphs into a design, marketing and distribution centre, conceding the low-end manufacturing to China. Current vacancy levels average 10% in each of the two sub-markets, with more vacancy up to 15% during 2002.

**The Main Players**
The largest single supplier of industrial and warehousing space in Singapore is the Government – through the JTC (Jurong Town Corporation) and the PSA (Port of Singapore Authority), as well as other government bodies. The Government supplies and manages 6.2 million m$^2$ of industrial and 0.3 million m$^2$ of warehousing space. The private-sector developers and investors together supply and manage another 18.4 million m$^2$ of industrial and 5.0 million m$^2$ of warehousing space, bringing the total island-wide to 24.6 million m$^2$ of industrial and 5.3 million m$^2$ of warehousing space.

Because of the scarcity of land, it is common for industrial and warehousing space to be “high-rise”, ie, built up to eight storeys high. The bulk of this space was built over the last three decades, with current new space taking the form of business and science park designs.

**Main Occupiers**
Most Fortune 500 companies are represented in Singapore, as are many European and other world-class firms. Manufacturers and distributors find Singapore convenient and cost-effective.

This is despite high nominal salary and rent levels, as they can cover the South East Asian and Asia-Pacific regions stretching from China, Taiwan, Korea, and Japan in the north, down to New Zealand in the south; and from the Middle East in the west to the Pacific islands in the east. By way of example, Australian ice cream is shipped to Japan via Singapore because it is seen as the most efficient route.
Current Rent Levels
Modern, well-located, prime industrial space on 5,000 m² floor plates are letting for S$1.60 per ft² in total occupational costs (nett rent, service charges and 3% goods and services tax) on typical 3-year leases. The projected rent level for most of 2002 and 2003 will be lower by some 15% to 20%, to reflect expected slowdown in the global and local economies.

The Singapore Science Park
This is an industrial park targeted at the electronics, engineering, IT, R&D and technology sectors. It is set in 50 hectares of lushly landscaped grounds and features high-quality facilities and services. Acknowledged as the most successful in Asia for attracting multinational corporations, the Park’s campus-like setting provides an ideal work environment for an exclusive community of over 8,000 staff working for more than 300 multi-national companies, local companies and research organisations.

Tenants include: AT&T, Lucent, Citibank, Motorola, Schering Plough, Sony, Segate, Exxon Mobil, Shell, Pacific Internet, Johns Hopkins, NSTB, PSB, the Institute of High Performance Computing, and the Centre for Wireless Communications.

Typical floor areas of tenant-units are between 100 and 1,600 m². All space is tenanted, with occupancy hitting 95%. Facilities and amenities include a 245-seat auditorium, fitness centre, with conference and function rooms.

Offering a “work-play” concept, the Singapore Science Park is spread over two locations; the 30-hectare Science Park I is along Ayer Rajah Expressway and the 20-hectare Science Park II is along Pasir Panjang Road. Development of a new 15-hectare Science Park III along Pasir Panjang Road is in Progress.

The location at Buona Vista, in the West of Singapore Island, means that it enjoys quick and easy access to the CBD, seaport, airport, industrial areas, tourist/shopping belt, universities, polytechnics and other city amenities/facilities. All these locations can be reached in under half an hour by road.

The prime location within Singapore Island is matched by its equally significant location on Singapore Island, the economic and business hub serving much of Asia-Pacific.
LOCATIONS

UK
London • Bath • Belfast • Birmingham • Bristol • Cardiff • Edinburgh
Exeter • Glasgow • Leeds • Liverpool • Manchester • Newcastle
Southampton • Swindon

WORLDWIDE
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