

Global News

PointPark Properties: Lease deals surge 70 %

PointPark Properties (P3) saw the volume of leasing deals soar by 70% in the first half of 2012, compared with the same period of 2011, as a lack of new development supply and converging lease terminations, meant that tenant options for prime facilities in top locations are becoming increasingly constrained across Europe.

Ian Worboys, P3 CEO said: "The extremely strong demand we have seen for our properties in the first half of the year, whether for lease renegotiations or new deals, is a reflection of the lack of development supply in the pipeline. This is supporting the appetite for the limited number of high quality assets in top locations that form the majority of P3's portfolio, despite the extremely challenging background market and economic conditions."

Worboys added that deal volume had also been boosted by the trend of tenants switching from short-term (up to 12 months) to long-term contracts. Tenants are investing more in the renovation of their existing buildings, for example in cutting costs through sustainability improvements, in the face of limited alternative options to move. A further factor was the convergence in lease termination dates coming roughly five years after the end of the European commercial real estate market boom in 2007.

France is P3's largest European market and was also the most active for leasing deals in the first half. The French market was previously managed from Germany, but since opening a Paris office in October 2010, P3 has completed 21 transactions with a total area of 211,000 m².

Spain was the company's third most active leasing market between January and June. Despite the country's difficult economic circumstances and extremely competitive pricing environment, P3 successfully reduced the vacancy rate in its warehouses in Spain to around 20% from near to 80% previously.

Slovakia has been another active market in the last six months where there is a tight supply of available warehouse space and the country's large car industry is producing at high levels to meet strong demand, notably from China.

Ian Worboys concluded: "Although European logistics yields have, on average, risen slightly in the past six months, it is clear that a scarcity of new development supply ? an area in which P3 is one of the few companies still active ? is now helping to stabilize rental levels and support the market. We have been successful in driving down vacancy levels across our portfolio and are optimistic we can continue to attract new tenants, subject to the economic uncertainties generated by the eurozone crisis, due to the high quality of P3's warehouse assets."

Datum: 08.08.2012

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