

European Logistics Market Dashboard

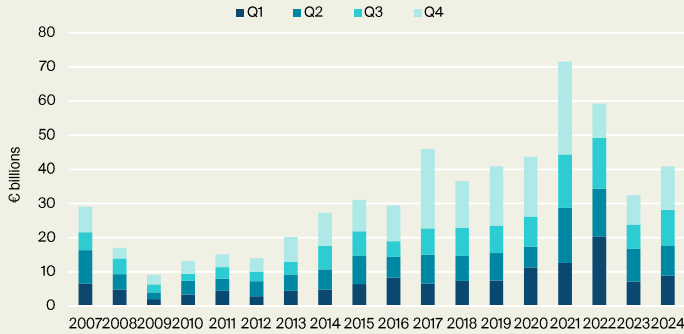


March 2025

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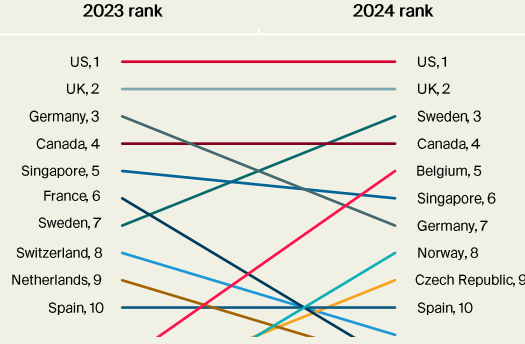
Investment market

Industrial & logistics - investment total



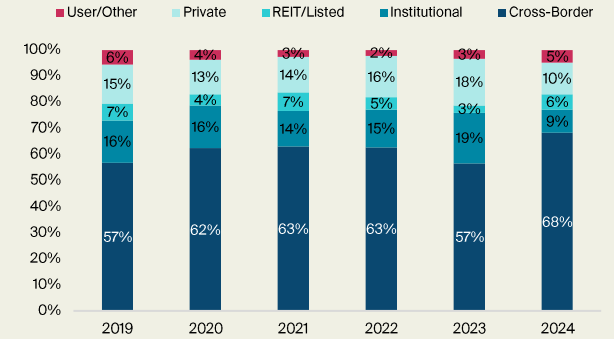
Source: Knight Frank, RCA

Top 10 sources of cross-border capital



Source: Knight Frank, RCA

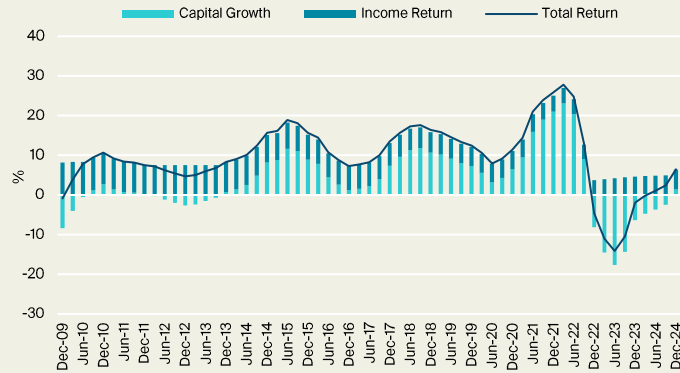
Composition of buyers



Source: Knight Frank, RCA

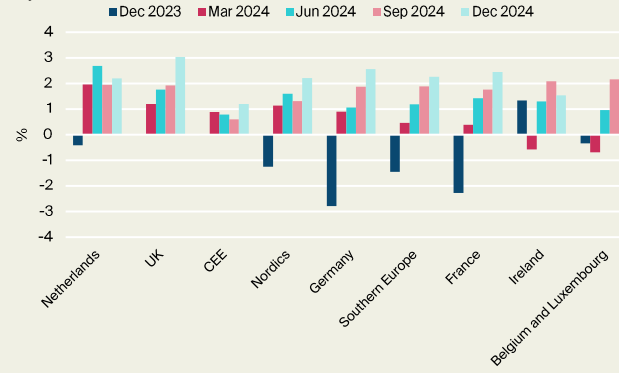
Performance

European industrial total returns - annualized



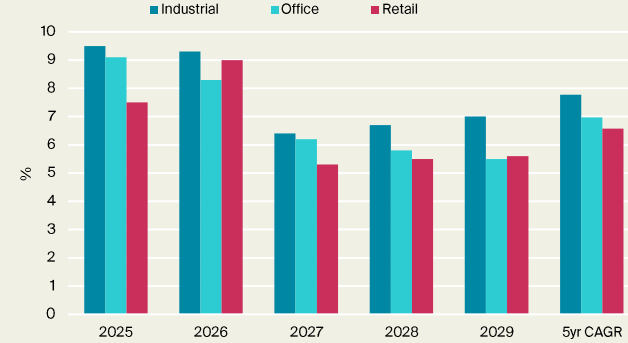
Source: Knight Frank, MSCI

Industrial total returns - quarterly By market



Source: Knight Frank, MSCI

Euro zone total returns forecast by sector (2025-2029)



Source: Knight Frank, Capital Economics

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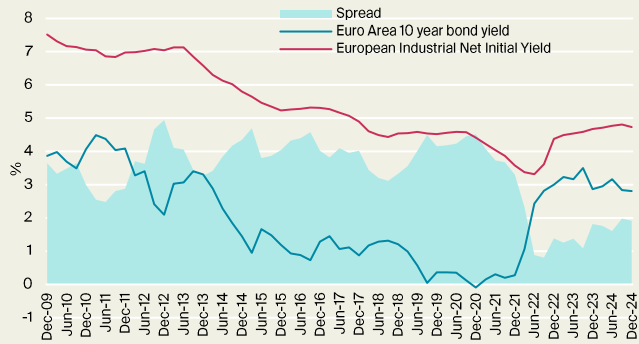


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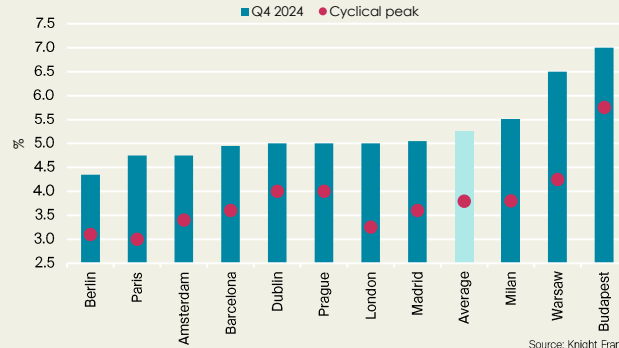
Yields

Europe - industrial yields



Source: Knight Frank, MSCI, Macrobond

Prime European yields – Q4 2024

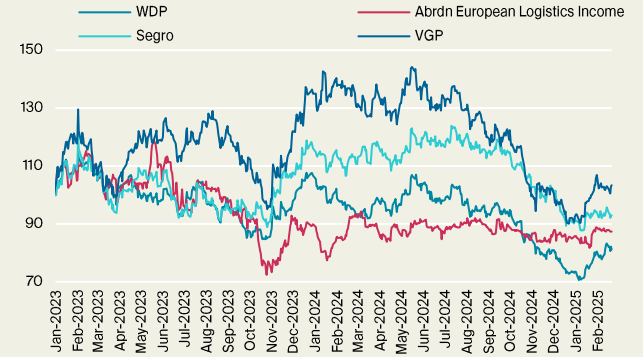


Source: Knight Frank

Listed real estate

Listed real estate – price indices

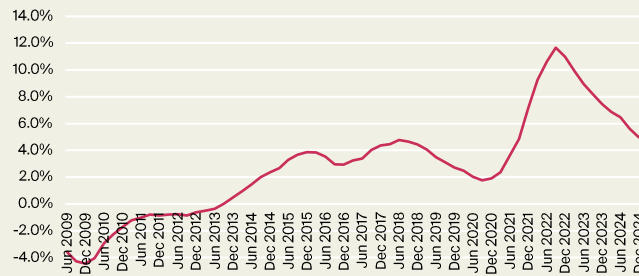
01/01/2023 = 100



Source: Knight Frank, Macrobond

Rents

Europe industrial – Annual average market rental growth



Source: Knight Frank, MSCI

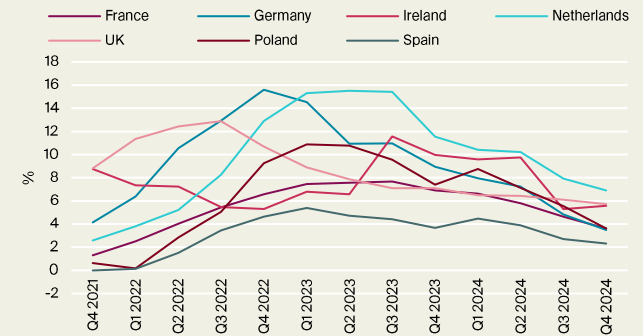
Prime European industrial rents – Q4 2024

€/sq m / annum



Source: Knight Frank

Average annual rental growth by market



Source: Knight Frank, MSCI

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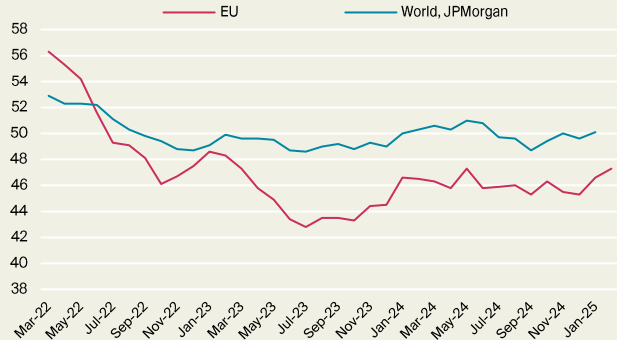


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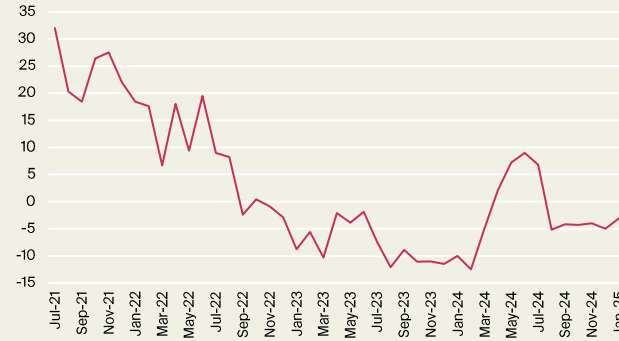
Key indicators: Transport, manufacturing and online retail

Manufacturing PMI index



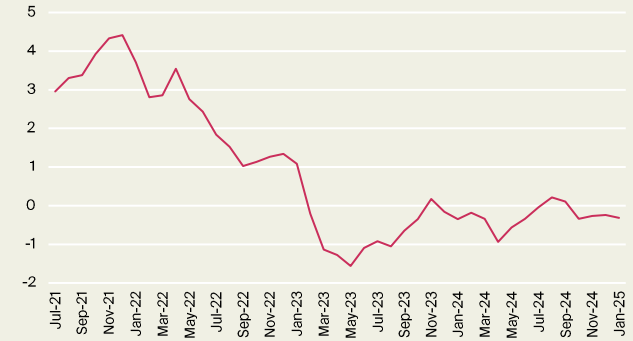
Source: Knight Frank, Macrobond

Warehousing and support activities for transportation – confidence index – EU business survey



Source: Knight Frank, Macrobond

Global supply chain pressure index (GSCPI) Standard deviations from average value



Source: Knight Frank, Macrobond

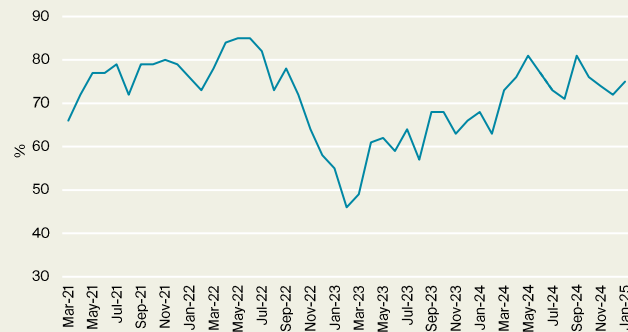
Online retail as a share of retail sales, %



* Estimated penetration rates

Source: Knight Frank

European freight transport barometer Freight to vehicle space ratio



Source: Knight Frank, TIMOCOM

Key comments

- The HCOB Flash Eurozone Manufacturing PMI increased to 47.3 in February 2025 from 46.6 in January, beating forecasts of 47. Production continued to fall although the pace of contraction has reduced. New business continued to fall and manufacturers continued to lower their purchasing activity, in response to weak customer demand.
- Business confidence within the EU's Warehousing and Support activities for the Transportation sector has been negative since August 2024. However, January saw the index climb to its highest reading since July 2024, with a reading of -3.1.
- At present, global supply chains are experiencing a mix of easing pressures and emerging challenges. While the headline figures suggest a continued easing of constraints, recent geopolitical developments have introduced new complexities. The U.S. administration has implemented additional tariffs on imports from China, prompting businesses to reassess and restructure their supply chains. Companies are increasingly adopting an "Anything But China" strategy, relocating production to countries like Vietnam and Thailand. Recent extreme weather events have also affected agricultural supply chains.
- Most European countries have experienced a slight increase in their online retail penetration rates. Spain has seen the largest rise y/y, with an estimated penetration rate of 14% in 2024, up from 11.4% in 2023. Switzerland is the only country recording an annual decline in penetration rates.

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Market commentary

Investment

- €12.7 billion was invested into the European industrial sector in Q4 2024, 47% higher Q4 2023 total and taking the annual total to €40.1 billion, up 26% y/y (Source: RealCapitalAnalytics).
- 68% of capital invested in 2024 has come from cross-border investors, with US-headquartered investors dominating.
- German capital, which ranked 3rd for cross-border activity in 2023 slipped to 7th in 2024 reflecting their broad approach to capital deployment and limited inflows of capital. Conversely, Swedish investors have risen from 7th in 2023 to 3rd in 2024, boosted by AREIM's acquisition of several VGP assets across Europe.
- Institutional investors and listed real estate companies/REITs were net sellers of European Industrial property in 2024.
- The number of properties transacting in 2024 was lower than in 2023. However, larger lot sizes and a strong uptick in portfolio transactions boosted the total. Portfolio volumes in 2024 were 42% higher y/y and in Q4, portfolio transactions were 90% higher than Q4 2023.
- Strong activity in the portfolios market has continued into 2025, with Indurent acquiring a portfolio of 18 last-mile logistics assets in the UK from PGIM for €242 million (£200 m) in January. Also in January, EQT Exeter acquired a portfolio of 12 Italian assets for €230 million and Mapletree acquired a portfolio of Spanish assets from Blackstone for €215 million, including facilities in Barcelona, Valencia and Madrid.

Returns

- Annual capital growth for European Industrial property turned positive in Q4 2024 (according to the MSCI European Quarterly Index), marking the first positive reading since Q3 2022.
- All markets saw positive quarterly returns in Q4 2024 and most markets have recorded positive capital growth for four consecutive quarters. The UK, followed by Germany, Belgium and Luxemburg and France recorded the strongest rates of growth. Growth lagged in the CEE and Irish markets.
- Annual total returns for European industrial reached 6.5% in Q4 2025.
- Total returns for Eurozone industrial are expected to outperform the office and retail sectors over the next five years. Capital Economics forecast 9.5% total returns for industrial in 2025, dropping marginally to 9.3% in 2026. Returns for the European industrial sector are anticipated to exceed those of major property sectors over the next five years (2024-2028), with a CAGR of 7.8% per annum (Capital Economics), compared with 7.0% and 6.6% for the office and retail sectors.

Yields

- The MSCI pan-European net initial yield hardened in Q4 2024, 8bps lower than in Q3 2024, reaching 4.73%. This marks a change in direction, following nine consecutive quarters of softening yields. However, the NIY remains significantly softer than the cyclical peak of 3.32% (Q2 2022).
- The ECB Eurozone 10-year bond hardened -2bps in Q4. With yields having compressed more sharply, the spread between Eurozone 10-year government bond yields and the pan-European NIY has reduced.
- The latest reading for the ECB 10-year bond is 3.28% (24th March), +47bps compared with end of December, while the German 10-year bund has also softened significantly since the start of 2025, from less than 2% at year end, to reach 2.80% (25th March).
- Based on the latest MSCI data for the pan-European NIY (Q4 2024), and the most recent Eurozone 10-year government bond yields, the spread would be c.134bps, this compares with 192bps at the end of Q4 last year and a ten-year average of 329bps.
- Across the 11 core prime markets, yields have softened an average of 146bps from the cyclical market peak to Q4 2024. Some markets have recorded a hardening of yields in recent quarters, while other markets have remained stable, none of the prime markets we track recorded a softening in yields in the second half of 2024.

Occupier Market Activity

- Take-up levels remain suppressed by a combination of weakened occupier demand and reduced development activity, with significantly less high-quality space available compared with pre-pandemic years. Most markets reported y/y declines in take up volumes in 2024.
- While vacancy rates have continued to rise modestly overall, they remain very low and a lack of supply in core markets, particularly in the Netherlands and Germany, has constrained take-up and driven continued rental growth.
- While much of the newly available space coming back to the market comprises older, lower quality assets, consolidation in the 3PL market has led to a rise in supply of higher quality, second hand assets, offering tenants a cost-effective, fully fitted alternative to new build. With continued economic uncertainty and greater choice in the market, firms are taking longer to commit, slowing activity levels in the occupier market.
- Higher financing and build costs mean that development activity has significantly reduced over the past 18-months. This will mean that occupiers wanting new space will face increasingly limited options in the coming months and this will mean continued upward pressure on prime rents.
- A number of occupiers have recently sold facilities or development projects through sale-and-leaseback transactions. Logistics firm DSV has recently off several of their assets, including assets in Denmark, Sweden, Slovakia and is looking to conduct a sale and leaseback of its 252,900 sq m warehouse development at the Port of Moerdijk in the Netherlands. Rhenus Logistics have done a sale and leaseback of a couple of assets in Germany and there are further examples across the continent.

Rental Growth

- Average rents for European Industrial continue to grow, though the rate of growth has moderated over the last two years, with 5.0% growth over the past year (to Q4 2024) compared with 5.6% growth in the year to Q3 2024 and 7.4% in the year to Q4 2023 (Source: MSCI). Quarter-on-quarter growth of 1.1% was recorded in Q4 2024, a slight uptick from 1.0% recorded in Q3 2024.
- The Netherlands, UK and Ireland all saw strong uplift in average rents over the past year, with rental growth of 6.9%, 5.7% and 5.6% respectively (to Q4 2024). In Q4 2024, annual rental growth slowed across all core country markets, with the exception of Ireland.
- Some city markets recording strong rental growth include the Dutch city of Rotterdam with 8.5%, Manchester, UK also recorded 8.5%, while Copenhagen, Denmark recorded annual growth of 8.3%. The best performing German markets were Stuttgart and Dusseldorf with 5.9% and 4.4% growth respectively (MSCI).

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