

REVIEW

LOGISTICS MARKET

EUROPE Q4 2024

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



Q4 2024

LOGISTICS MARKET EUROPE

Below its 5-year average, the market is sluggish.

Market fundamentals remain good despite rising supply in some countries. The lack of new developments remains supportive of rental growth in prime sectors although weaker demand offsets its momentum.

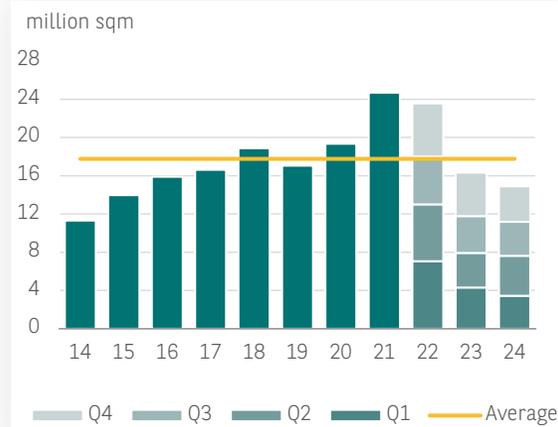
TAKE-UP -9%

2024 vs 2023

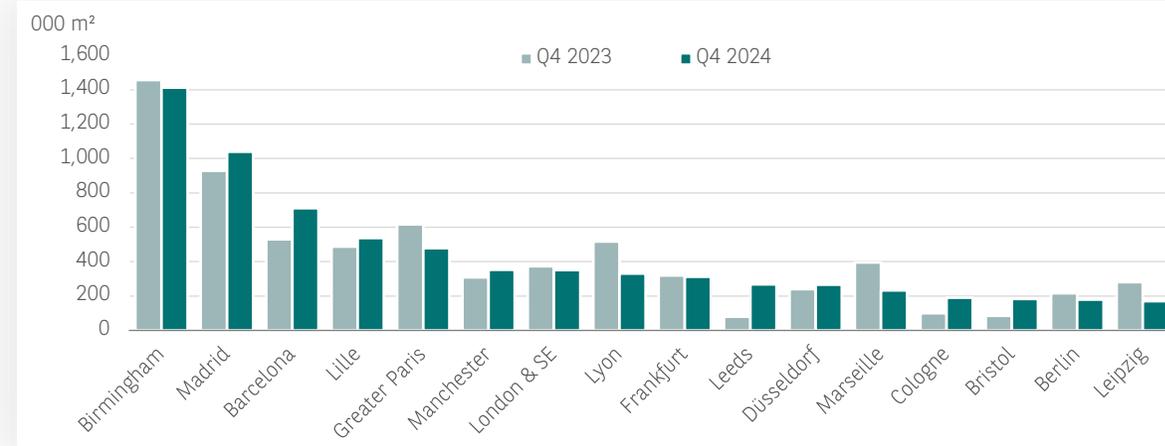


TAKE-UP*

(*France, Germany, Netherlands, Spain, UK)



Warehouses over 5,000 sqm



Germany

After a cautious start to the year, the market gently picked up although take-up in 2024 remained well below the 10-year average. The difficult economic environment and the very moderate GDP forecasts did not provide the necessary impetus for high warehouse take-up as in previous years. The strong rental growth of recent years only continued marginally in 2024.

-17%

France

The logistics market declined in 2024 still hampered by a slow economic backdrop. Demand dropped in Greater Paris, Marseille and Lyon well below average levels of transactions. Lille and Orléans on the other hand maintained good levels of transactions boosted by XXL deals. Despite an increase in overall supply, the vacancy rate in France is contained at 4.8%.

-24%

United Kingdom

Occupiers continue to be attracted to Grade A space, c.75% of units over 10,000 sqm taken up were newly constructed. Big box occupiers continue to look to pre-lets and build-to-suit where speculative developments are unavailable. The Midlands remains the main driver of industrial space.

+11%

The Netherlands

Like most European countries, the Netherlands recorded a slow transaction activity in 2024 reflecting weak economic growth. High land prices and development costs, along with lower exit prices are inhibiting new developments and in turn put upward pressure on rents.

-6%

Spain

After a slow start to the year, the Spanish market bounced back in Q2 and reached a strong volume of transactions above 2 million sqm in 2024. Unlike most European countries, the Spanish economy has expanded, and GDP growth is forecast to increase by 2.5% in 2025. Whilst the vacancy rate eased in Madrid, it remained low in Barcelona and Valencia.

+16%

Over 2024, letting markets decreased by 9% in the leading European markets compared to 2023, reflecting economic uncertainties and slow growth in the main European economies. Apart from Spain that posted more than 25% above its 10-year average, demand has been lagging in most countries.

New Supply remains constrained by land scarcity. The latter is occurring because the allocation of land is increasingly regulated in most European countries.

Vacancy rates have risen over the past 12 months to a European average around 6% as a result of moderate demand. Vacancy rates range between 2% and 11% depending on the market.

Rents continue to increase in Europe but at a slower rate, by 2% over the past 12 months. The sharp increase in recent years reflects growth acceleration in the logistics industry, in addition to increased construction costs and rising price of land. The drop in demand has been easing the tension created by structurally low supply.

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Source : BNP Paribas Real Estate Research



Q4 2024

LOGISTICS MARKET EUROPE

Prime rents rose by 2% (y-o-y) in 2024 in a panel of 49 markets covering 22 countries. Some cities continue to see rents expand but overall, the market slowdown in 2024 resulted in limited rental growth.

The vacancy rate remained low in most markets but supply has been increasing whilst demand slowed down. This contributed to push rents upwards but at a slower rate.

KEY FIGURES

LOGISTICS PRIME RENTS

+2%

vs 2023

+0.4%

vs LAST QUARTER

Warehouses over 5,000 sqm
European average
49 markets, 22 countries

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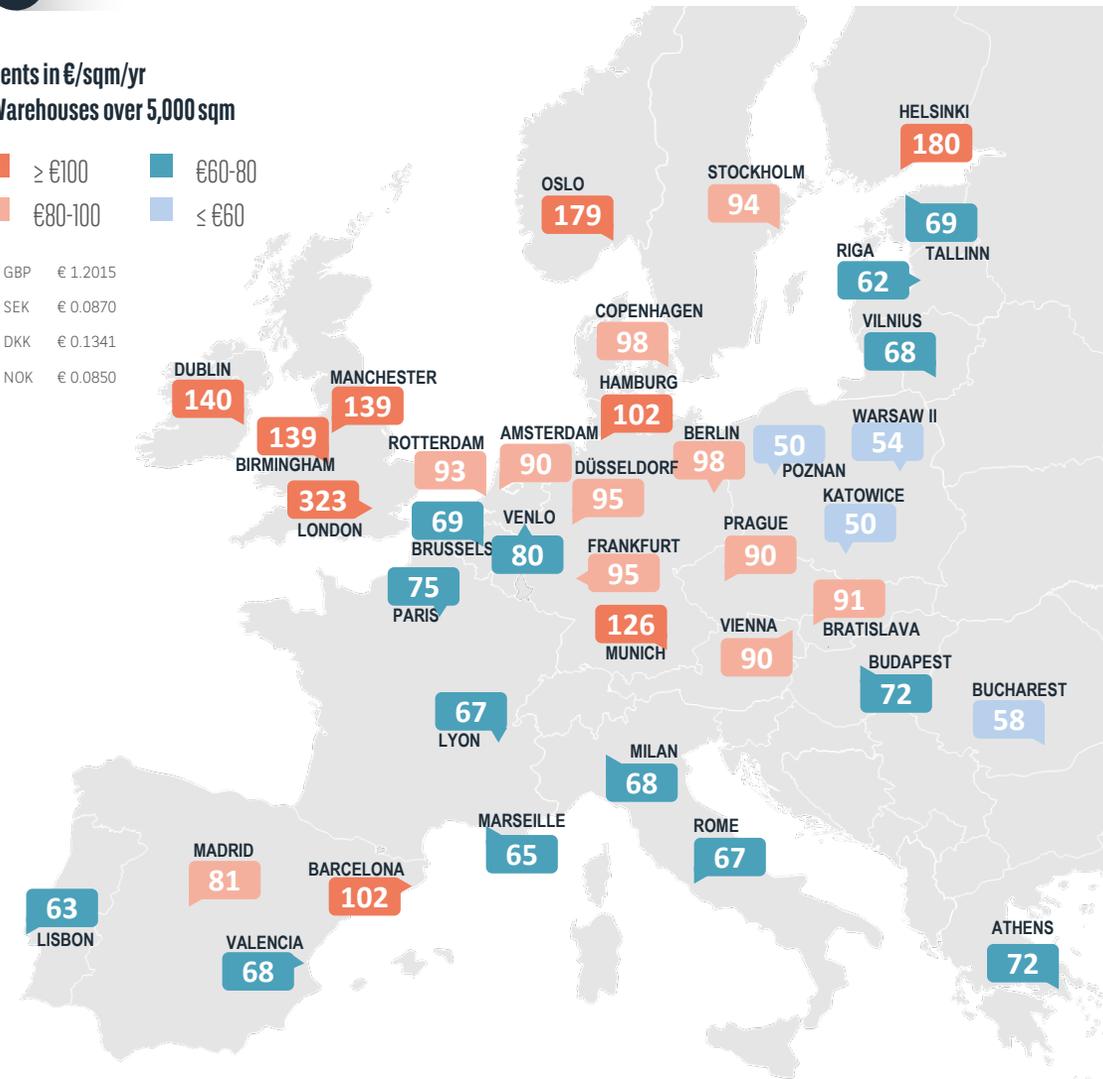


LOGISTICS PRIME RENTS

Rents in €/sqm/yr
Warehouses over 5,000 sqm

- ≥ €100
- €80-100
- €60-80
- ≤ €60

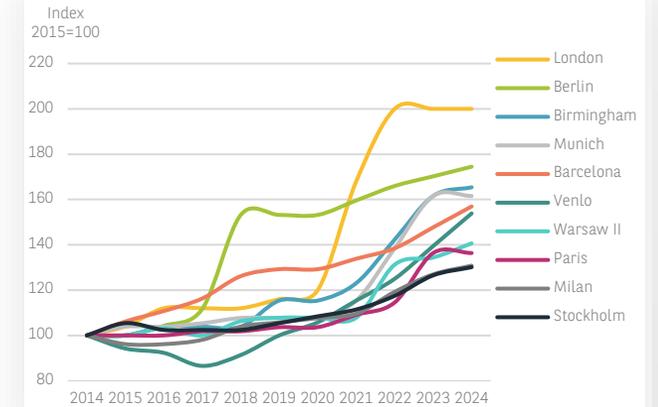
- 1 GBP € 1.2015
- 1 SEK € 0.0870
- 1 DKK € 0.1341
- 1 NOK € 0.0850



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Prime rents

Grade A warehouses (big boxes) for standard lease terms (5 to 15 years)



Source : BNP Paribas Real Estate Research



Q4 2024

LOGISTICS MARKET EUROPE

The market is returning to growth

Rapid repricing helped the market to find its way back to moderate growth in some markets.

Investment in industrial and logistics reached €42bn in 2024, +23% compared to last year.

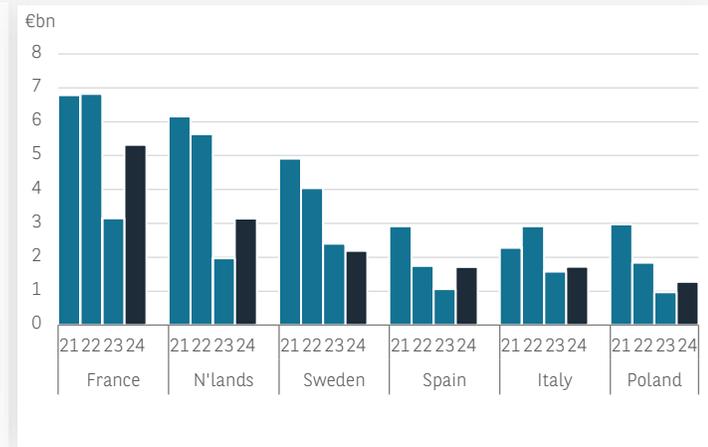
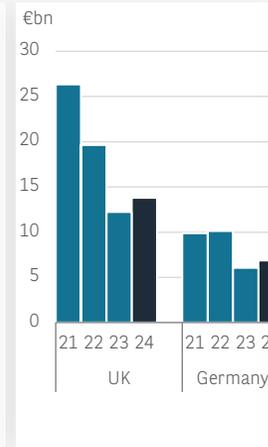
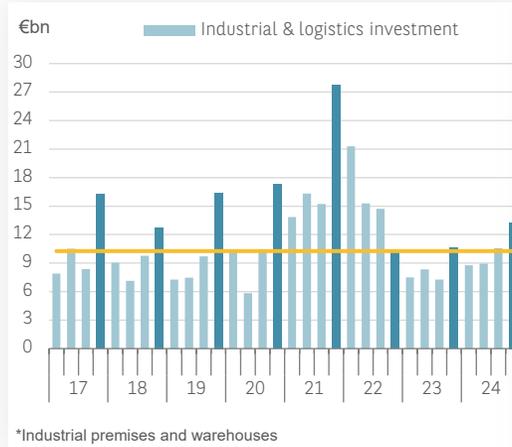
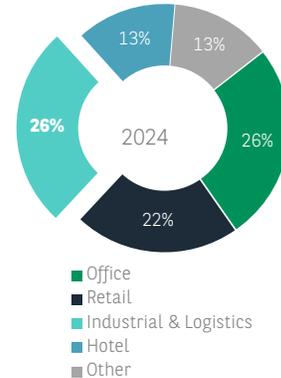
INDUSTRIAL & LOGISTICS INVESTMENT +23%

2024 vs 2023



INVESTMENT

Industrial & Logistics Europe



United Kingdom

UK industrial investment volume for 2024 reached the 10-year average. The difficulty that the UK has experienced in controlling inflation continued to weigh in on investment market sentiment. The situation began to improve mid 2024 with clear signs of inflation retreat.

+13%

Germany

Industrial and logistics investment has been increasing steadily since the beginning of the year and confirmed its top position among asset classes and sales share of 27% in total investment. The pricing adjustment process with the changed interest rate environment is complete in Germany and demand from foreign investors is strengthening.

+13%

France

Industrial and logistics has been performing well compared to retail and offices. The volume of logistics investment increased significantly in 2024 boosted by the return of large portfolios transfers. Recent ECB rate cuts and reduced inflation have provided a more stable financial environment.

+69%

The Netherlands

The investment market in industrial and logistics increased steadily in 2024. There had been high demand for properties that offered reversion potential through unlocking the strongly increased rents. The Netherlands was one of the first European countries where the logistics prime yield reached 4.75% in 2024.

+59%

Spain

The volume of investment in industrial and logistics increased significantly in 2024. Development activity continues to be healthy with investors and developers seeking to acquire land to build new logistics platforms. After escalating by 155 bps for two years the prime logistics yield compressed by 40bps in 2024 to 4.85%.

+62%

Poland

Investment volumes improved over H2 reflecting better sentiment in the market. Industrial and logistics remains the strongest performing market sector in Poland. The prime yield adjusted at 6.25% in Q4 2024.

+32%

Industrial & logistics investment hit its lowest point in 2023

and has been picking up in 2024. This reflects an improvement in financial conditions. More adjustments by central bank key rates are expected in 2025 before stabilizing.

Deals may take longer to conclude but demand is starting to knock on the door of most markets: France, Spain, Germany and the Netherlands.

American investors showed a strong interest in the European market particularly in Germany.

Logistics yield rates have stabilized in Europe, on average by 2 bps during the last quarter (+130 bps in the last 2 years). To date, the high point seems to have been reached almost everywhere. Stabilization is anticipated for 2025.

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Source : BNP Paribas Real Estate Research



Q4 2024

LOGISTICS MARKET EUROPE

Logistics prime yields have stabilised in Europe

Throughout the year, prime yields in all European countries have adjusted gradually towards stabilisation. They increased by just 2 bps during Q4 2024 in Europe (versus the last quarter).

Logistics prime yield expansion over the past two years has ceased with moderating inflationary pressure and long-term government bond yields hitting a ceiling.

KEY FIGURES

LOGISTICS PRIME YIELDS

+130 bps

SINCE Q1 2022

+2 bps

vs LAST QUARTER

Warehouses over 5,000 sqm
European average
48 markets, 23 countries

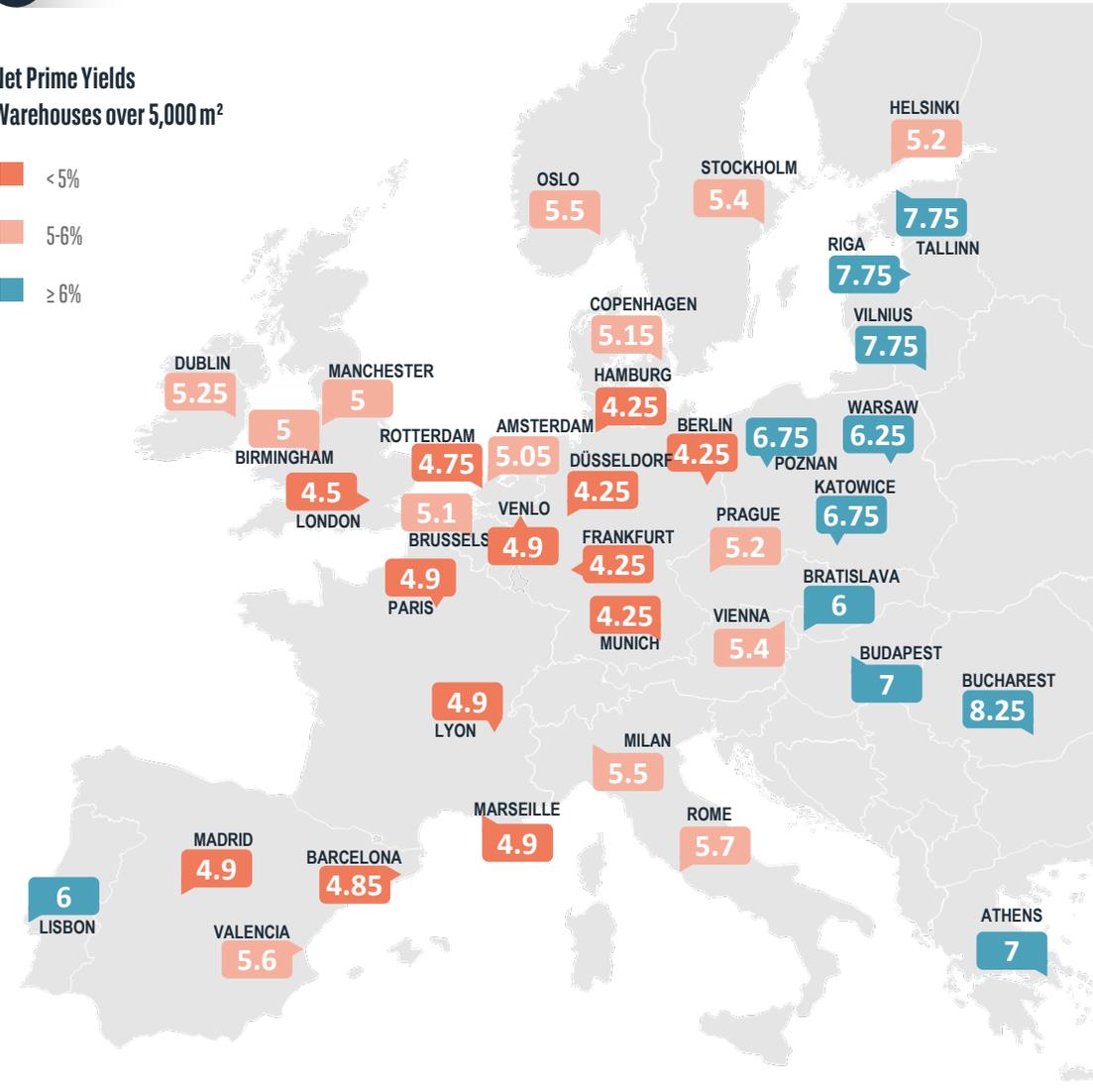
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LOGISTICS PRIME YIELDS

Net Prime Yields
Warehouses over 5,000 m²

- < 5%
- 5-6%
- ≥ 6%



AdobeStock © 18042011

Prime yields

Grade A warehouses (big boxes) for standard lease terms (5 to 15 years)



Source : BNP Paribas Real Estate Research



Q4 2024

LOGISTICS MARKET
Europe



GLOSSARY & DEFINITIONS

BNP Paribas Real Estate continually works to produce indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Our goal is to actively contribute to market transparency. Consequently, we present those definitions and indicators which are strictly comparable, so that our readers can understand BNP Paribas Real Estate market data.

Exchange Rates into € are the average value observed over the quarter.

LETTINGS & SALES

Take-Up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period.

It does not include space that is under offer

- A property is deemed to be "taken-up" only when contracts are signed, or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construction stage
- All deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is compatible with the European NACE code.

Vacant space represents the total floor space in existing properties, that is physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date. Vacancy includes sublet space (except in Germany), and where possible, vacant sub-let space is recorded separately.

Vacancy Rate represents the total vacant floor space divided by the total stock at the survey date.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes including major refurbishments (see definition below) that have the potential to be built in the future. Proposed schemes must have secured planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use.

Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Under Construction represents the total amount of floor space in properties where construction has commenced on a new development or a major refurbishment at the survey date. It does not include sites being cleared for possible development in the future. Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

Rent: common annual headline rent, expressed per square metre per year, and excluding taxes and charges.

Average rent: weighted average of rented area. The average featured is a moving average over three quarters, to smooth out the changes.

Prime rent: represents the top open-market rent at the survey date for a real estate unit and should be representative at around 3 to 5% of the market volume (sqm):

- of standard size commensurate with demand in each location.
- of the highest quality and specification.
- best location in a market.

Actual transactions are used to support the headline prime rental quoted, but one-off deals, which do not represent the market, are disregarded. If there are no prime transactions during the survey period a hypothetical rent is quoted, based on expert opinion of market conditions;

INVESTMENT

Commercial Real Estate investment volume covers all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period. It includes **office buildings, retail, industrial and logistic warehousing, hotels and others** (healthcare, senior housing, data centres, life science, leisure, car parks, parts of portfolio which can not be split up by product and development sites). This classification is applicable to Pan-European studies; however local market practices may vary across countries. Quoted investment volumes are not definitive and are consequently subject to change.

Initial Net Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

Prime Yield represents the low open-market yield at the survey date for an office unit. Its calculation follows the same rule as the prime rent.

ASSET TYPES & LOGISTICS

Warehouses: buildings intended for storage, distribution or packaging.

- **Distribution centres:** national or regional used for storage located in the outskirts of cities with good transport connections.
- **Fulfilment centres:** allow additional activities, often automation driven. Typically, larger than standard logistics to allow other activities than storage.
- **Cross-dock:** Little storage time. Properties used to unload goods and reassemble / move them directly for outbound distribution.
- **Last mile:** for city distribution. Includes a wide range of warehouses and storage units including older space.
- **Cold storage:** Storage for fresh or frozen products, with thermal insulation and specific equipment as part of the warehouse. Involves higher construction costs.

Logistics: the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods, and related information from the point of origin to the point of consumption. Includes inbound, outbound, internal, and external movements.

Supply chain: all the elements in the process of supplying a product to a customer. The chain begins with the sourcing of raw materials and ends with the delivery of finished merchandise to the end-user. It embraces vendors, manufacturing facilities, logistics service providers, distribution centres, distributors, wholesalers, other intermediaries, etc.

Supply chain management: Encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities.



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Q4 2024

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