



**RESEARCH**

**AUGUST  
2023**

## EUROPEAN LOGISTICS MARKET

LOW MARKET MOMENTUM

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**-42%**

LOGISTICS TAKE-UP FOR  
WAREHOUSES OVER  
5,000 SQM

(H1 2023 vs H1 2022)

### TAKE-UP

Take-up decreased significantly in H1 2023 in Europe. Despite the economic slowdown, market fundamentals remain healthy as demand is holding up, ready to pick up quickly. Vacancy rates remain low and the scarcity of new products is still putting pressure on rents.

- Take-up softened in H1 2023 to reach just 9 million sqm in the 6 leading European countries. It compares well with the volumes recorded in H1 2019 and 2020.
- GDP growth contracted sharply in the Euro area from +3.5% in 2022 to +0.4 % forecast in 2023.
- Prime rents rose by 6.2% in the last 12 months in a panel of 48 markets in 21 countries.
- Vacancy rates are still low under 4% in most countries. The lack of new developments still contribute to rental growth in prime sectors.



**-65%**

INDUSTRIAL & LOGISTICS  
INVESTMENT IN EUROPE

### INVESTMENT

H1 experienced significant slowdown in investment. It is the result of rapid adjustment in the macro financial environment with bond yield expansion and rising interest rates. Yield decompression is now slowing down in most European countries. This could unlock investment activity in the next quarters.

- The volume of investment contracted sharply from €34bn in H1 2022 to nearly €12bn in H1 2023.
- Prime yields rose by 90 bps in the past 12 months in Europe (+10 bps over the past quarter)
- Stabilisation of logistics prime yields is expected throughout Europe over H2. This will reflect the changes in interest rate policy in 2023 as terminal rates are reached.

Vincent Robion  
Head of Research - Logistics Europe

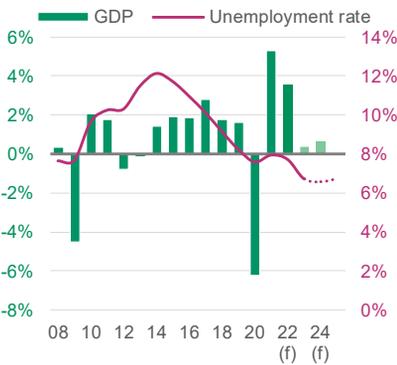
## LOW GROWTH OUTLOOK FOR EUROPE



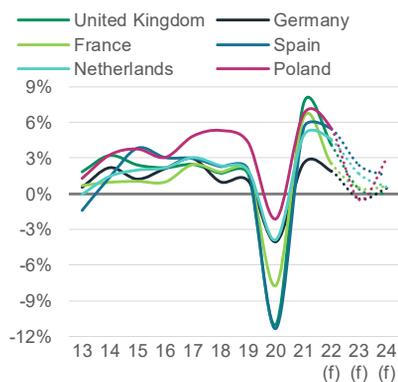
**+0.4%**

**GDP GROWTH EURO AREA - 2023**

### GDP and Employment growth in the Eurozone



### GDP growth (year-on-year change)



Economic activity proved resilient in the first half of 2023, despite an aggressive tightening in monetary policy. China's abrupt re-opening, high saving rates during the pandemic, labour hoarding by employers and supportive fiscal policy all helped to prevent Eurozone economy from contracting in the first quarter and grew by 0.3% in the second quarter.

Looking ahead, the resilience in activity is likely to prove short-lived as the impact of these mitigating forces begins to fade. For example, US consumers have been eroding their excess savings, which will reduce external demand, and fiscal policy is likely to be less supportive than in the previous year. As a result, monetary policy is set to weigh more heavily on the economy in the coming quarters.

We expect the Eurozone economy as a whole will see growth in 2023 (+0.5%) that will be similar to that in 2024 (+0.6%). This masks a disparate performance between the member states. Spain (+2.4%) has performed much better than any country, due to the strong rebound in tourism, France (+0.8%) and Italy (+0.9%) remain resilient, but Germany (-0.2%) is struggling on the back weak industrial output and external demand.

Recently released data on retail sales shows that the volume has fallen again in Europe. In France (-3.0%, y/y in June), which had the strongest rebound in 2021, is now facing one of the steepest declines. Spain (+7%, y/y in June) has maintained growth thanks to swifter fall in inflation than any other European country, and strong

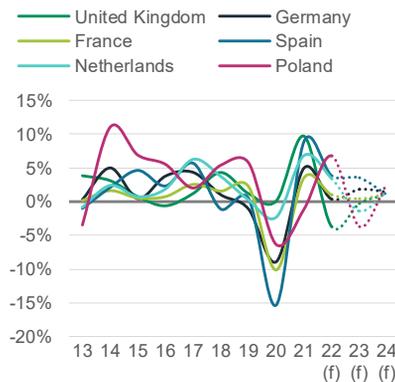
tourism.

The outlook for manufacturing remains challenging, especially as order backlogs and inventory rebuilding are less likely to cushion the impact of declining new orders going forward. This is consistent with the deterioration in the manufacturing output index to 42.9 in July, comfortably below the break-even mark of 50. As a result, we expect weakness in the manufacturing sector to continue to drag on economic growth in the coming quarters.

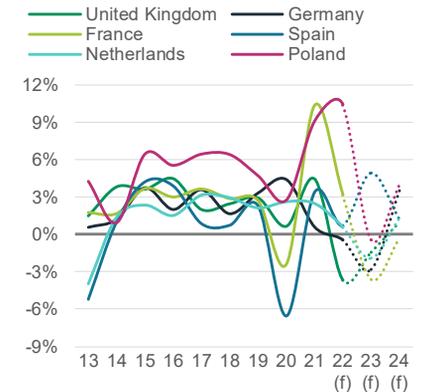
The Labour market remains robust as companies are holding onto existing workers, which is keeping layoffs low. At 6.4% in June, the unemployment rate in the Euro area was at its lowest level in over 20 years and surveys continue to point to employment growth in the short term. These will help to alleviate concerns that European economies are heading for a deep contraction.

That said, there are signs that the labour market is starting to loosen. The July Purchase Managers' Index suggests that employment rose at its slowest pace since February 2021 and job vacancies dropped back. Job gains remain concentrated in the services sector, while manufacturing jobs continue to decline. Our view is that the slowdown in demand will lead to only a modest rise in unemployment, as structural factors such as demographics and a possible sectoral mismatch will prop up the labour market.

### Manufacturing output (year-on-year change)



### Retail sales (year-on-year change)



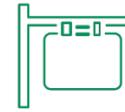
Source: Oxford Economics, BNP Paribas

**BELOW ITS 5-YEAR AVERAGE, THE MARKET IS SLOWING DOWN**



**-42%**

**TAKE-UP**  
(H1 2023 vs H1 2022)



**± 4%**

**VACANCY RATE**  
(Q2 2023)

In H1 2023, the market decreased by 42% in the 6 leading European markets. The total volume of 9 million sqm compares well with the level recorded in 2019 before Covid.

Sufficient economic growth existed in 2022 to ensure good performance in occupier markets. In H1 2023, the manufacturing sector felt the effect of slower demand and new orders weakening.

Structural changes in consumer spending patterns continue to raise e-commerce penetration rates. It means the need for logistics space remains ongoing even though slower economic growth is clearly impacting most European markets.

Supply drying up over the past three years while demand stayed sharp means there is major imbalance in some markets.

Construction times and availability of land dictate the market balance in areas where the vacancy rate is well below the European average of 4%.

New developments are still insufficient to meet demand, yet few speculative developments are launched.

In Germany, after a slow start to the year, the momentum in the logistics letting market increased noticeably in the second quarter, resulting in take-up of 2.6 million sqm at the end of the first half of the year. A massive increase in construction costs in 2022 had led to significant rental growth. After a pause in Q1, rents picked up again in Q2. The scarcity of new products is still putting pressure on rents.

In the UK, like most European countries, take-up decreased significantly after the exceptional volumes recorded last year. In Q2 2023 take-up softened to 1.3 million sqm. Enquiries are holding up particularly strongly leaving the sector well placed to recover quickly. Supply to the market increased mainly due to the release of second hand units. Construction of new units has slowed but it is forecast to increase in 2024-2025.

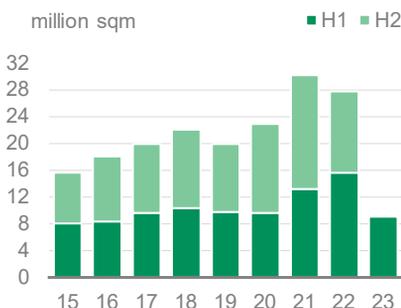
In Poland, the market has been losing momentum since mid-2022, whilst low vacancy rates and rising costs have exerted pressure on rents. In Q2 2023, the vacancy rate stepped up above 6% and prime rents stabilised at around €50/sqm/yr in the main logistics hubs.

In France, the market has been slowing down since the beginning of the year hampered by the absence of XXL deals in Q2. Supply is scarce in most markets leaving the vacancy rate at its lowest ever level of below 3%. Competition for high quality buildings stays sharp, implying further prospects for rental increases in prime locations.

In the Netherlands, following two years of buoyant activity, the market has been adjusting down in H1 2023 reflecting the difficult economic context. Low availability is still putting pressure upward on rents.

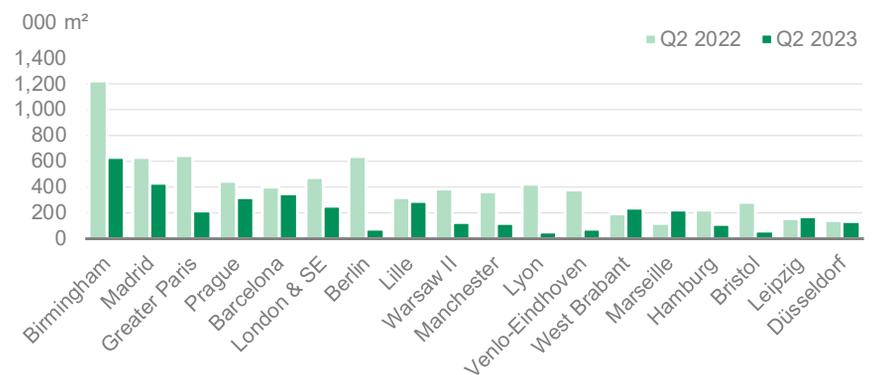
In Spain, the market maintained a good volume of transactions in H1 2023. Activity was stimulated by e-commerce and food retailers. Low vacancy rates, particularly in Barcelona and Valencia, are still creating the conditions for rental growth.

Take-up - 6 countries\*



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

Take-up - Warehouses over 5,000 sqm



## PRIME HEADLINE RENTS – WAREHOUSES OVER 5,000 M<sup>2</sup>

European average

**+6.2%**

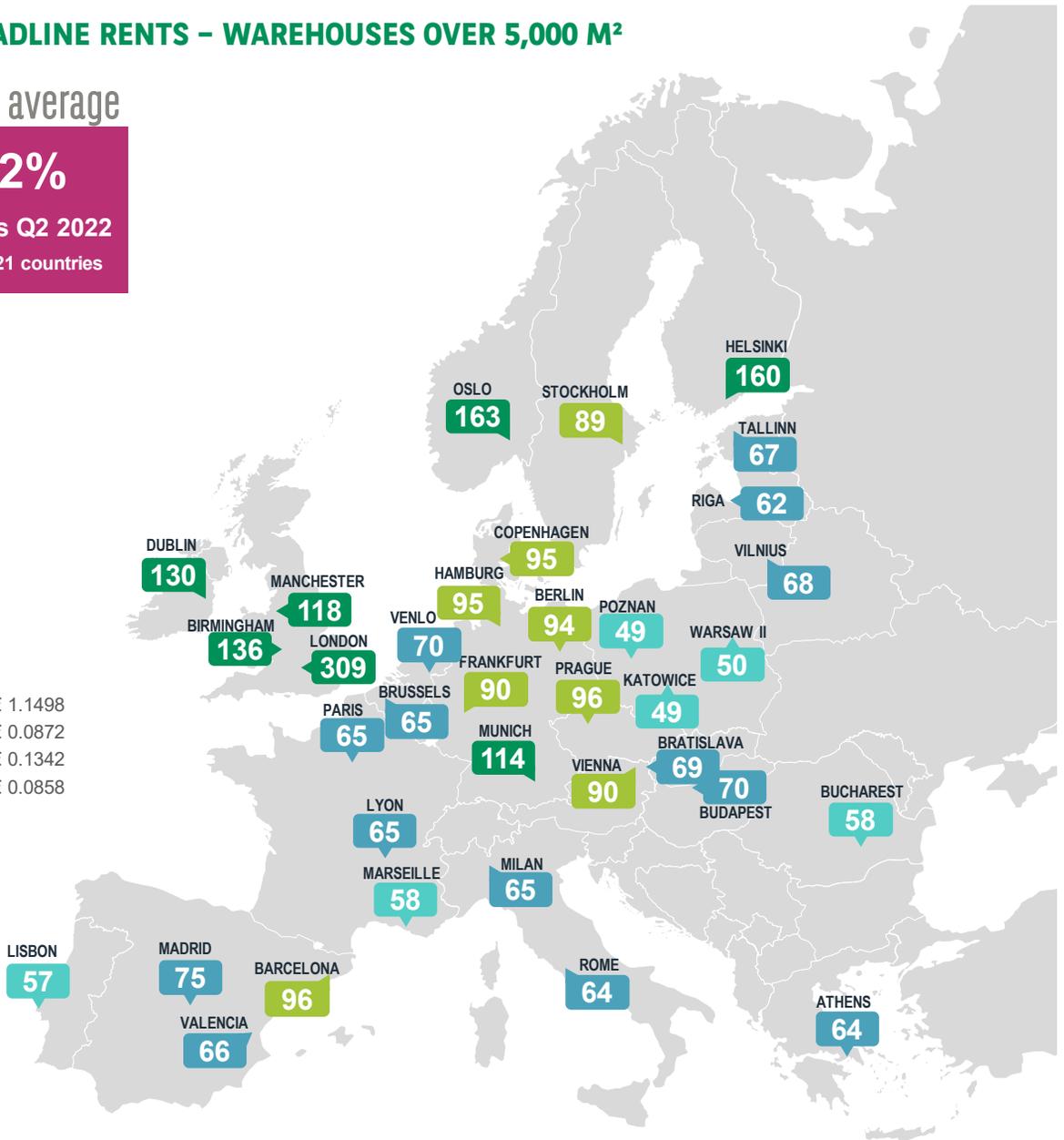
Q2 2023 vs Q2 2022

48 markets, 21 countries

Rents in €/sqm/year

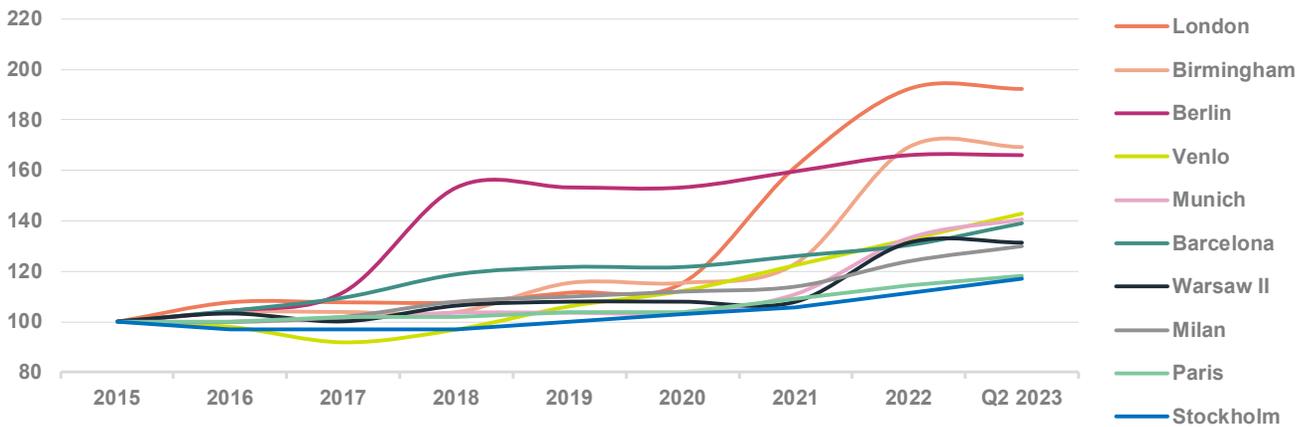
- ≥ €100
- €80-90
- €60-80
- < €60

- 1 GBP € 1.1498
- 1 SEK € 0.0872
- 1 DKK € 0.1342
- 1 NOK € 0.0858



### Prime headline rents

Index 2015=100



## INDUSTRIAL AND LOGISTICS INVESTMENT AT A 5-YEAR LOW



-65%

### Investment volume (H1 2023 vs H1 2022)

Activity is slowing down throughout Europe. After 5 years of outstanding investment volumes, the market continues to attract buyers. However, since September 2022, uncertainties in the financial markets created by rising interest rates have led to tougher negotiations and wait-and-see positions.

Industrial and logistics remains a good performing sector supported by strong fundamentals including low vacancy rates and the prospect of rental growth across Europe.

Global monetary policy normalisation took interest rates back to their pre-GFC level in under six months. The risk premium substantially reduced with steep increases in 10-year bond rates. The rapid reset created pricing mismatches between buyers and sellers with logistics the most exposed of all real estate sectors. The investment freeze led to rapid decompression in logistics yields.

Stabilisation of logistics prime yields is expected throughout Europe over H2. This will reflect the changes in interest rate policy in 2023 as terminal rates are reached. Much of the yield decompression for prime units has already occurred though for more marginal secondary units, pricing is likely to stay subject to extensive negotiation over 2023.

The UK industrial and logistics investment market witnessed a sharp drop prompted by increasing scarcity of stock and economic slowdown. Prime yields decompressed sharply in 2022 reaching 4.5% in London in Q2 2023.

In Germany, investment dropped to its lowest level in 8 years after reaching a historical high in H1 last year. Prime yields decompressed by 85 bps in 2022 with further decompression of 15 bps in H1 2023 to 4%. This is lowest prime yield in Europe.

In France, investment dropped in H1 but it appears that repricing is almost complete, which could result in stronger activity by the end of year. Logistics prime yields shifted over the past year to reach 4.25% in Q2 2023 and is expected to increase slightly more in Q3.

In the Netherlands, momentum slowed substantially in Q1 and again in Q2 2023. Prime yield correction was amongst the earliest and the highest in Europe, decompressing by 165 bps in one year. Given demand strength yield adjustment may unlock investment in 2023.

In Poland, Industrial and logistics remains the country's strongest performing market sector with its total investment volume amounting to more than €436m in H1 2023. Yield



20%

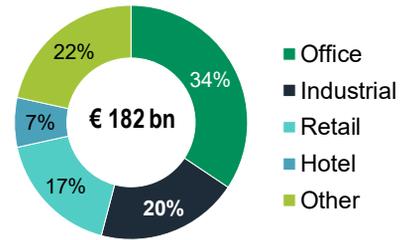
### Share of Logistics in Commercial Real Estate

decompression is softening to reach 5.5% in Q2 2023.

In Spain, the volume of investment in industrial and logistics picked up in H1 2023 whilst prime yields decompressed by 100 bps in one year to reach 4.9% in Q2 2023. Repricing is helping to boost the market again in 2023.

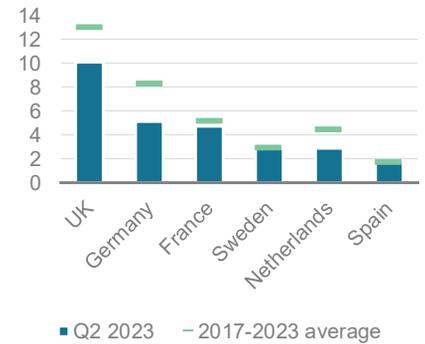
### Investment volume in Europe - Q2 2023

(in rolling year)

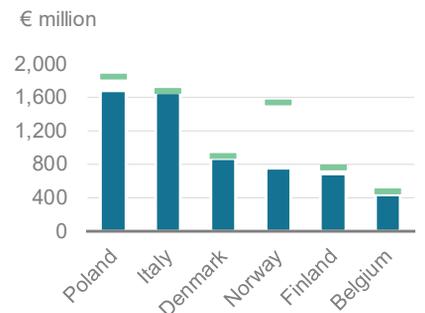


### Industrial & logistics investment - Q2 2023

€ billion (in rolling year)



### Industrial & logistics investment volume in Europe



## NET PRIME YIELDS – WAREHOUSES OVER 5,000 M<sup>2</sup>

European average

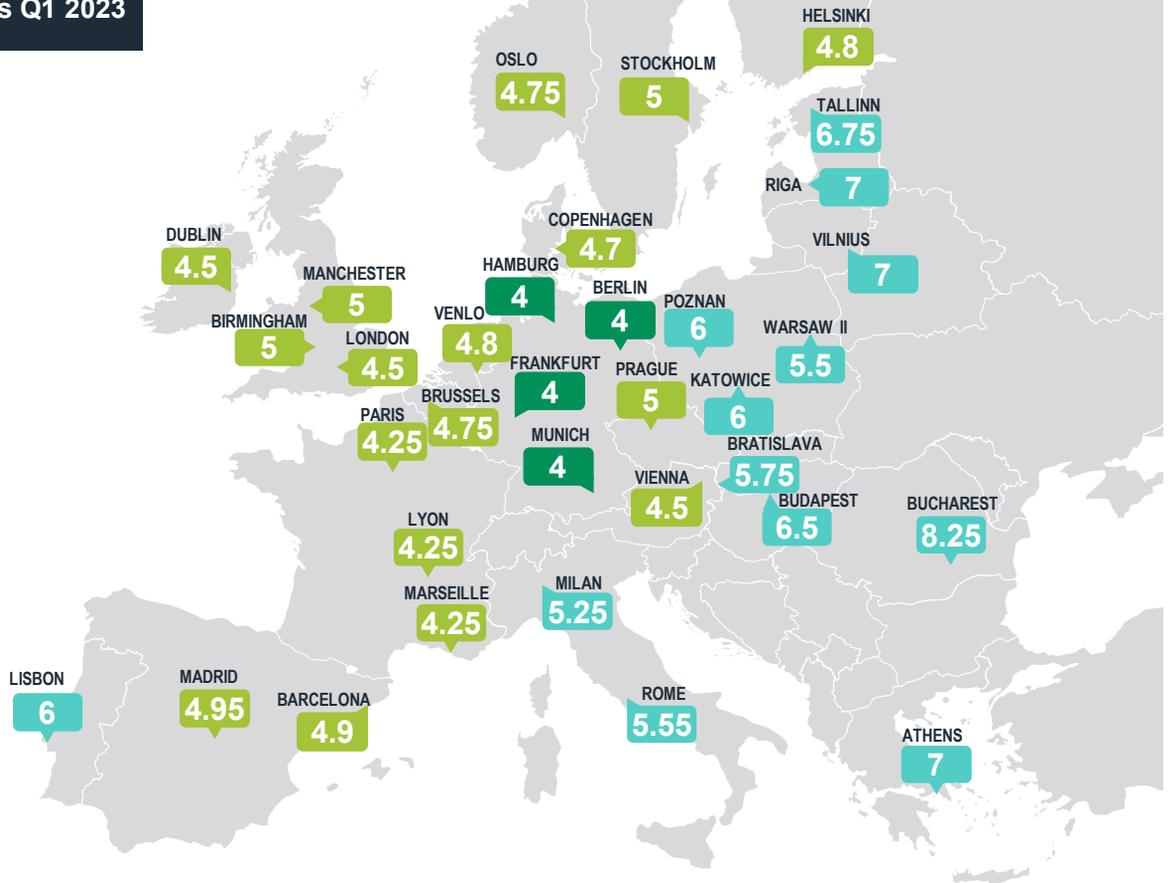
**+90 bps**

Q2 2023 vs Q2 2022

**+10 bps**

Q2 2023 vs Q1 2023

- < 4%
- 4%-5%
- > 5%



### Net prime yields - Grade A warehouses (big boxes) for standard lease terms (5 to 15 years)



## Occupier logistics market - Warehouses over 5,000 sqm

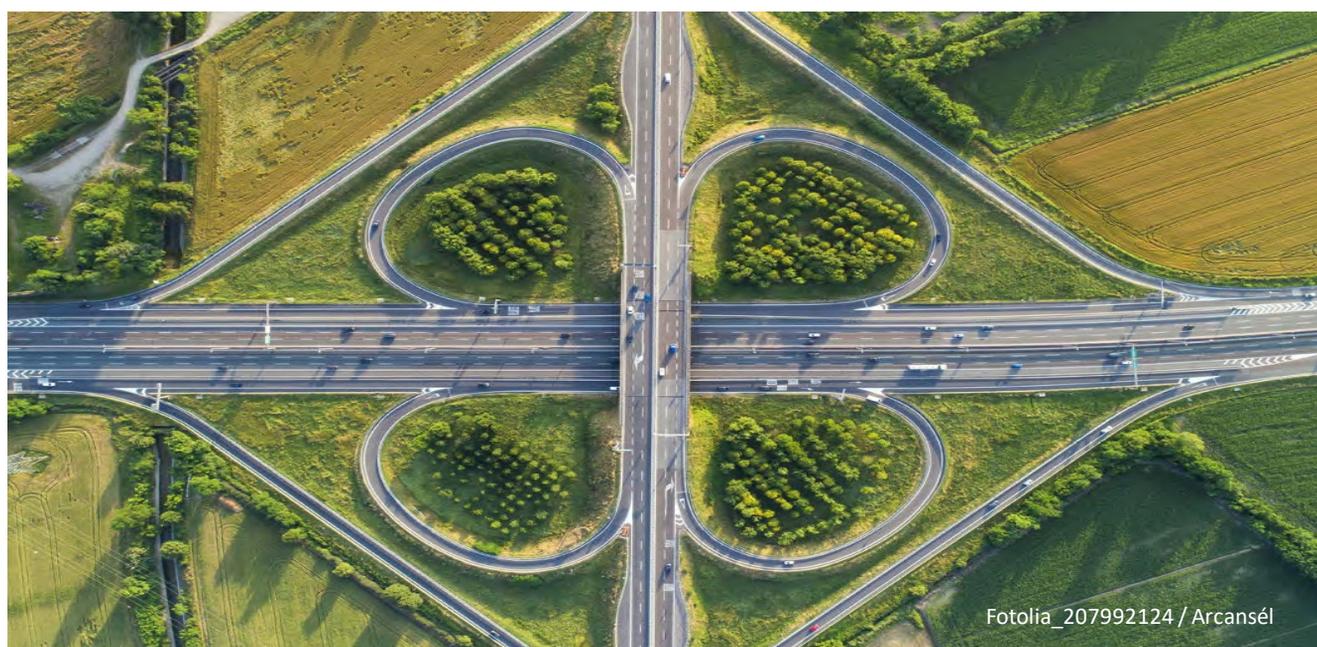
City	Take-up (000 sqm)			Rents (€/sqm/yr)	
	H1 2023	H1 2022	Variation y-o-y (%)	Q2 2023	Q2 2022
Birmingham	630	1,220	-48%	136	124
Madrid	430	630	-32%	75	75
Greater Paris	210	640	-67%	65	61
Berlin	70	640	-89%	94	90
London & South East	250	470	-47%	309	309
Barcelona	340	400	-15%	96	87
Katowice	150	470	-68%	49	41
Manchester	110	360	-69%	118	99
Warsaw II	50	380	-87%	50	47
Leeds	50	180	-72%	105	93
Venlo	70	380	-82%	70	63
West Brabant	240	190	26%	68	63
Poznan	90	320	-72%	49	42
Hamburg	110	220	-50%	95	83
Lodz	80	310	-74%	50	41
Rotterdam	70	220	-68%	80	75
Wroclaw	100	170	-41%	50	46
Leipzig	170	160	6%	67	56
Dublin	80	140	-43%	130	122
Lille	280	310	-10%	52	47
Frankfurt	90	140	-36%	90	88
<b>Total 21 Markets</b>	<b>3,670</b>	<b>7,950</b>	<b>-54%</b>		

## Commercial real estate investment market

Country	Commercial real estate investment € million			Industrial & logistics investment € million		
	H1 2023	H1 2022	Variation y-o-y (%)	H1 2023	H1 2022	Variation y-o-y (%)
United Kingdom	21,260	44,280	-52%	3,560	9,620	-63%
Germany	9,780	30,140	-68%	1,550	6,570	-76%
France	7,780	13,390	-42%	1,110	3,130	-65%
Sweden	4,970	8,020	-38%	1,320	2,420	-45%
Spain	3,840	6,550	-41%	700	540	30%
Netherlands	1,970	6,310	-69%	930	3,580	-74%
Italy	2,050	5,450	-62%	520	1,790	-71%
Norway	1,820	5,390	-66%	350	1,250	-72%
Belgium	1,020	3,460	-71%	190	750	-75%
Finland	800	2,950	-73%	270	470	256%
Poland	800	2,770	-71%	440	590	-25%
Ireland	530	2,270	-77%	160	350	-54%
Portugal	690	600	15%	20	210	-90%
Austria	970	1,460	-34%	60	60	0%
Czech Republic	660	1,200	-45%	130	220	na
Romania	210	570	-63%	80	50	60%
Other European countries	3,220	9,210	-65%	430	2,070	-79%
<b>Total Europe</b>	<b>62,370</b>	<b>144,020</b>	<b>-57%</b>	<b>11,820</b>	<b>33,670</b>	<b>-65%</b>

## Net prime yields - Warehouses over 5,000 sqm

Country	Net prime yield				
	Q2 2023	Q2 2022	Variation Y-o-Y (bps)	Q1 2023	Variation Q-o-Q (bps)
Austria	4.50%	4.00%	50 bps	4.50%	0 bps
Belgium	4.75%	4.00%	75 bps	4.75%	0 bps
Czech Republic	5.00%	4.00%	100 bps	5.00%	0 bps
Denmark	4.70%	4.20%	50 bps	4.50%	20 bps
Estonia	6.75%	6.75%	0 bps	6.75%	0 bps
Finland	4.80%	3.90%	90 bps	4.50%	30 bps
France	4.25%	3.30%	95 bps	4.25%	0 bps
Germany	4.00%	3.10%	90 bps	3.95%	5 bps
Greece	7.00%	7.25%	-25 bps	7.00%	0 bps
Hungary	6.50%	5.75%	75 bps	5.75%	75 bps
Ireland	4.50%	3.75%	75 bps	4.50%	0 bps
Italy	5.25%	3.90%	135 bps	4.80%	45 bps
Latvia	7.00%	6.75%	25 bps	7.00%	0 bps
Lithuania	7.00%	6.75%	25 bps	7.00%	0 bps
Netherlands	4.80%	3.15%	165 bps	4.70%	10 bps
Norway	4.75%	4.00%	75 bps	4.50%	25 bps
Poland	5.50%	4.50%	100 bps	5.25%	25 bps
Portugal	6.00%	5.25%	75 bps	6.00%	0 bps
Romania	8.25%	7.75%	50 bps	8.25%	0 bps
Spain	4.90%	3.90%	100 bps	4.85%	5 bps
Sweden	5.00%	3.75%	125 bps	4.80%	20 bps
United Kingdom	4.50%	3.25%	125 bps	4.50%	0 bps



## DEFINITIONS

### LETTING & 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.

**New space:** premises that have never been occupied in new buildings.

**Second hand space:** premises that have been previously occupied by an occupier or vacant for more than five years.

**Vacant space:** all completed buildings actively seeking rental or sale to occupiers.

**New supply:** all building restructuring that adds to the existing stock. These are analysed according to progress.

- **Completed new supply:** buildings on which construction work is finished.
- **Under construction:** buildings on which construction has effectively begun. Prior demolition work is not taken into account.
- **Planning permission granted:** authorisation to build obtained, generally booked after settlement of third party claims.
- **Planning permission submitted:** planning permission requested, being processed.
- **Projects:** identified intention of a building operation for which no request has been filed.

**Speculative / Non speculative developments:**

- **Speculative:** construction launched without prior rental or sale to the occupier.
- **Non-speculative:** construction launched after partial or complete sale or rental to an occupier.

**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.

### INVESTMENT

**Initial net prime yield:** ratio between net income (excl. operating costs) over the purchase price including all acquisition costs.

**Prime Yield:** net lowest yield obtained for the acquisition of a unit:

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

**Portfolio:** group of several assets located in different places.

### 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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# LOCATIONS

(JANUARY 2023)

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