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European Real Estate Logistics Census shows healthy occupier demand for industrial and logistics real estate despite tough macro-environment

- *39% of occupiers expect their take-up to increase this year despite challenges of rising costs and economic uncertainty.*
- *Germany and Spain are the top markets for expansion over the next three years.*
- *Automation and reshoring continue to be priorities, but reduced focus on stock-building as pandemic risks have receded.*
- *Electric vehicles are expected to be the most game-changing technology to impact the supply chain over the next three years, with investment already well underway.*
- *ESG has moved from ambition to action with a focus on the 'E', but there's more to do on the 'S'.*

Now in its third year, the *European Real Estate Logistics Census* was conducted over the summer of 2023 by supply chain market analysts Analytiqa on behalf of Tritax EuroBox plc, an investor in European logistics real estate, and international real estate advisor Savills. 256 occupiers, investors, developers, landowners, asset managers, consultants and agents across the pan-European market responded.

Phil Redding, CEO of Tritax EuroBox plc, comments: *"Results from our third European Real Estate Logistics Census reflect the challenging macro-environment that we're operating in today, with occupiers identifying rising costs, economic uncertainty and labour supply as significant challenges for their businesses. Despite this, 39% expected their industrial and logistics real estate take-up to increase this year – reflecting its mission-critical role in their supply chain and overall operations.*

"We're seeing technology advancements continue to drive supply chain evolution with occupiers investing across a diverse range of technologies, including electric vehicles and automation, as they seek efficiency and productivity gains alongside improved carbon performance. Looking ahead, the social element of ESG is likely to rise up the agenda for occupiers, as they seek to attract and retain the best people in a competitive European labour market."

Marcus de Minckwitz, Head of EMEA Industrial and Logistics for Savills, adds: *"Despite ongoing macro-economic headwinds, the logistics sector has remained resilient, and it is positive to see that there is light at the end of the tunnel when it comes to overall sentiment. This will encourage activity in both the occupational and investment markets, particularly in key locations such as Germany and Spain, which are set to see expansion over the next three years."*

Key highlights:

The macro-environment is seen to be stabilising but remains tough. Some occupiers are delaying business expansion plans in the short term, but only 3% are 'on hold' indefinitely.

- 42% of occupiers view the macro-environment as more favourable than six months ago, compared with 35% a year ago.
- Rising costs (42%) and economic uncertainty (28%) are the top two factors affecting occupiers this year, followed by labour availability (21%).

- A challenging macro environment is stalling expansion plans for some: 39% are scaling back or delaying by one to two years. Pressures appear to be viewed as short-term, however, as only 12% are scaling back or delaying by two to five years and only 3% are on-hold indefinitely.

Occupier demand for industrial and logistics real estate is healthy, reflecting its mission-critical role in the supply chain.

- Take-up reached 13.2 million sqm in H1 2023 – a decline on the record 21 million sqm take-up in the pandemic era, but ahead of the 11.7 million sqm of 2018 and 2019. Vacancy rates rose to 4.7% across Europe in H1 but, despite this increase, supply remains relatively constrained, driving an average rental growth of 10% over the last year.
- Over the next twelve months, 39% of occupiers expect their take-up to increase compared to 25% a year ago. Only 11% expect it to fall compared to 30% in 2022.
- Germany remains the top market for expansion over the next three years (45% in 2023 versus 43% in 2022). Logistics companies are particularly bullish on the prospects for growth in Spain over the next three years.
- 83% of those looking for new warehouse space are considering mega- (>40,000 sqm) or mid-boxes (10,000-39,999 sqm) compared to 78% in 2022.
- Within the subsectors, retailers want space today: 46% expect to expand within the next twelve months, driven by the growth of e-commerce and continued adoption of the omni-channel model. By contrast, manufacturers have a longer-term horizon, likely driven by short-term pressures including high inflation: 43% plan to expand in 3+ years.

Occupiers have evolved their supply chains post-pandemic: automation and re-shoring continue, with less focus on stock-building.

- Automation and supply chain shortening have continued post-pandemic and are now established trends in supply chain evolution: 33% of occupiers are utilising more automation; 33% have improved IT systems; 22% have shortened supply chains and 19% are holding more stock.
- Over the next three years, technology remains a focus, along with ESG: 33% intend to invest in building-level automation; 25% to shorten their supply chain; 25% to improve supply chain visibility and 28% to reduce CO2-intensive transportation.
- Only 18% are planning to increase stock holding over the next three years (down from 38% a year ago), suggesting that the stock building cycle has peaked as pandemic risks have receded and supply chain disruption has eased.

Technology advancements will continue to be a major factor in supply chain evolution. ‘Game-changing’ EV technology investment is underway.

- Occupiers continue to invest in diverse supply chain technologies. Over the past twelve months, 49% have invested in electric vehicles (EVs); 41% in warehouse robotics/automation; 24% in wearable technology and 16% in autonomous vehicles (AVs).
- EVs are expected to be the most ‘game-changing technology’ to impact the supply chain over the next three years, as in 2022.

- Many are waiting for technologies to develop further before investing in their ‘wish-list’ tech: 34% say that the technology is not developed enough to invest in; only 20% cited cost as a barrier.
- AVs were the single most popular ‘wish list item’ across occupiers, with 22% not investing in them, but wishing they were.

ESG has moved from ambition to action, with a focus on the ‘E’ (environment) and, specifically, clean and green energy: reflecting the multi-year energy transition that’s underway.

- Over the past twelve months, 45% of occupiers have implemented energy efficiency/demand reduction measures; 39% EV charging points and 36% renewable energy generation and storage.
- Top three ESG requirements from a building are: (1) Carbon performance, (2) Renewable energy, and (3) Energy efficiency.
- 70% of occupiers rated ‘renewable energy generation and storage’ as the top #1 or #2 ESG measure that will have greatest impact on their business over the next two years.

But there’s a reality gap on the ‘S’ (social aspects) of ESG.

- Occupiers value good, basic amenities that can make a big difference to people: 72% of respondents rate indoor amenities as the #1 or #2 initiative for staff wellbeing. However, only 44% say they offer amenities like canteen facilities, showers and lockers.
- Closing the gap is likely to be a future priority – as competition for labour is high (and a top-three business challenge for occupiers).

The full 2023 European Real Estate Logistics Census report can be found [here](#).

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About the 2023 European Real Estate Logistics Census

Commissioned by Tritax EuroBox and Savills, global supply chain consultancy Analytiqa undertook the third edition of the European Real Estate Logistics Census survey during the summer of 2023. 256 key players in the sector took part in the survey, comprising occupiers (43%), investors (23%), developers (16%), advisors and consultants (7%), agents (5%), asset managers (4%) and landowners (2%). Occupiers were further split into retailers (37%), logistics (34%) and manufacturers (29%).

About Tritax EuroBox

Tritax EuroBox plc invests in and manages a diversified portfolio of logistics real estate assets that fulfil key roles in the logistics and distribution supply-chain, focused on the most established logistics markets and on the major population centres across core Continental European countries.

www.tritaxeurobox.co.uk

About Savills

Savills is a global real estate services provider listed on the London Stock Exchange. Savills operates from over 700 owned and associate offices, employing more than 40,000 people in over 70 countries throughout the Americas, the UK, Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

www.savills.co.uk