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European Real Estate Logistics Census shows potential for increased take up in fast-evolving market

- *Challenging operating conditions but sentiment improving, and occupiers suggest demand for logistics real estate will build through 2025 and beyond*
- *Occupiers face a diverse mix of critical business issues led by more stringent ESG regulation and power resilience*
- *Reshoring is likely to be a multi-year driver for the market: 45% see this as on the horizon and potentially game-changing for their logistics real estate*

The fourth *European Real Estate Logistics Census* was conducted over the summer of 2024 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. 642 occupiers, investors, developers, landowners, asset managers, consultants and agents across the pan-European market responded.

Phil Redding, CEO of Tritax EuroBox plc, comments: "*The results of our research show that despite challenging operating conditions, occupier sentiment is improving across the market and demand for logistics real estate is likely to build through 2025 and beyond. Occupiers face a range of potentially game-changing business priorities, from meeting more stringent ESG regulations, to ensuring power resilience, to considerations around re/near-shoring. Modern, well-located, high-quality real estate will play a critical role in meeting these operational objectives in a fast-evolving market.*"

Kevin Mofid, Head of EMEA Logistics Research, Commercial Research for Savills, adds: *"Over the last four years, the European Logistics Census has become a bellwether indicator for the warehouse property market across Europe. With a record level of respondents this year, it's pleasing to see that 53% of occupiers expect to take more space within the next three years. With take-up rising by 20% in the second quarter of 2024 it could be argued that this trend is already under way. It's clear from our latest survey, however, that there remains a wide range of occupier priorities across Europe, which are a challenge to developers and investors, although it's evident that the availability of power, automation, and meeting sustainability requirements, will be driving forces in the market throughout 2025 and beyond"*

Key highlights:

Challenging operating conditions, but occupier demand for logistics real estate is likely to build

- While 51% of occupiers believe business conditions are more favourable than a year ago (compared to 42% in 2023 and 35% in 2022), 69% have scaled back or delayed general business expansion plans due to current economic conditions. Crucially, however, of the 69% only 6% have put their plans on hold indefinitely – while 32% have delayed by 1-2 years; 24% by 2-5 years.

- Reflecting its mission-critical role in the supply chain, our survey suggests new logistics requirements are likely to build through H2 2024 and into 2025 and beyond. 29% of our sampled occupiers expect to take more space in the next 12 months, while 70% plan to retain their current footprint. 53% of occupiers expect to take more space over the next 1-3 years (+15 ppts).

Expansion plans are concentrated in core Western European markets; Germany and France continue to lead the way

- For occupiers looking to expand over the next 1-3 years, plans are concentrated in core Western European markets. Germany remains the most favoured target market this year cited by 26% of occupiers with expansion plans, followed by France with 24%.
- Possibly indicative of re/nearshoring interest, the Czech Republic was cited as a target market by 10% of occupiers with expansion plans, nearly twice that of Poland (5%).
- For those looking for new warehouse space over the next three years, 58% expect to take buildings with a floor space of between 10,000-39,999 sqm. Retailers are more likely than manufacturers or 3PLs to generate demand for very large (40,000 sqm+) boxes or smaller urban units (less than 5,000 sqm), which reflects the continued evolution of the omnichannel model.

Fast-changing, uncertain market is creating a diverse mix of business priorities – ESG and energy efficiency in focus

- When asked what could be 'game-changing' for their logistics real estate, categories relating to ESG targets /regulations; power requirements; robotics, automation and AI/technology; and the transportation revolution were rated as important or very important by more than half of respondents.
- The most cited, "More stringent ESG targets/regulations" (by 69% of occupiers), may suggest ongoing uncertainty around the scope of future EU regulation. This rises to 82% for 3PLs who, when bidding for contracts, are facing increased pressure from clients to ensure their operations are meeting higher ESG standards.
- The most common ESG/sustainability measures implemented by occupiers over the past twelve months include tangible and measurable initiatives such as energy efficiency/demand reduction measures (44%), waste reduction/recycling (36%) and renewable energy (28%). Renewable energy has moved from being the top priority in 2023 to third this year, which is likely to be a function of receding energy costs.

Advancing technology is powering energy resilience concerns

- 68% of occupiers identify increasing power requirements as important or very important for their future operations. Occupiers are increasingly conscious of the need to obtain adequate power supply in the context of recent geopolitical events, existing infrastructure, and the advent of power-intensive technologies like automation and AI.
- Over the past 12 months, 37% of occupiers invested in warehouse robotics/automation, 33% in predictive/optimisation analytics and 28% in EVs – all of which will drive higher power consumption. Warehouse robotics/automation is a trend that will continue to run, with 43% expecting to invest over the next two years.

- From a real estate perspective, this is likely to continue to support the rotation to higher quality, modern space with the specifications needed to facilitate tech-enabled operations, provided these buildings have adequate power availability.

Electrification of fleets remains of interest, but practicalities need to be worked through

- 29% of occupiers plan to reduce their use of carbon intensive transportation over the next three years (the #1 cited priority when it comes to supply chain evolution over the next three years) but seem uncertain where to place investment: 23% made progress in installing EV charging points for private use over the past 12 months, but only 13% fitted EV charging points for HGV/LGV electric vehicles in that timeframe.
- This likely reflects uncertainty over the many variables at play when it comes to transportation. These include fuel solutions, future capacity of power grids, local availability of power, and even the question of whether private charging is ultimately the best solution for logistics fleets.

Re/nearshoring on the horizon

- 25% of occupiers said that they had shortened (reshored) their supply chain to mitigate risk from disruption in the past three years.
- Diversifying the supplier base and diversifying/flexing routing remain on the agenda, with 27% and 17%, respectively, saying they will do this over the next three years.
- Reshoring is likely to be a multi-year driver for the market: 45% see this as on this horizon and potentially 'game-changing' for their logistics real estate buildings.

Employee wellbeing in focus and provision continues to evolve

- 74% of occupiers said that employee wellbeing plays a role in their logistics real estate strategy.
- Of these, 20-30% rated availability of public transport, public space and daylighting as their #1 or #2 staff wellbeing initiative. However, unsurprisingly, canteens (60%), showers and lockers (43%) were still the most popular.

The full 2024 European Real Estate Logistics Census report can be found here.

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About the 2024 European Real Estate Logistics Census

Commissioned by Tritax EuroBox and Savills, global supply chain consultancy Analytiqa undertook the fourth edition of the European Real Estate Logistics Census survey during the summer of 2024. 642 key players in the sector took part, comprising occupiers (78%), investors (9%), developers (5%) and a further 8% comprising landowners, asset managers, agents, and consultants. Occupiers were further split into manufacturers (61%), logistics (22%) and retailers (18%).

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. Occupier demand for Continental European logistics assets is undergoing major long-term structural change principally driven by the growth of e-commerce. This is evidenced by technological advancements, increased automation, and supply-chain optimisation. 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