VANTAGE POINT

EUROPEAN LOGISTICS UPDATE

H1 2025

CUSHMAN & WAKEFIELD

Better never settles

Key Takeaways

European **OCCUPIER TAKE-UP REACHED 25.4 MILLION SQM IN THE FOUR QUARTERS TO THE END OF H1 2025,** as occupiers grapple with heightened global uncertainty.

Developers continued to moderate their activity in the first half of 2025, resulting in further decline in new completions across Europe.

VACANCY RATES REMAIN LOW ACROSS MANY EUROPEAN MARKETS; however, some locations have seen availability exceed levels seen in the immediate pre-pandemic period.

RENTAL GROWTH REMAINS POSITIVE, with the largest increases recorded in Southern Europe, while some locations in the CEE saw slight moderation.

In the four quarters to the end of H1 2025, **INDUSTRIAL INVESTMENT VOLUMES INCREASED BY 28%** compared to the same period last year. Market pricing levels have begun to sharpen in many markets, compressing by 5-25bp year-on-year, as investor activity recovers and more capital is being prepared for deployment.

We anticipate that **OCCUPIER DEMAND WILL REMAIN UNDER PRUSSURE IN 2025**; however, with more clarity around global trade and improving macroeconomics expected in the latter half of the year, take-up is likely to stabilise and begin to recover.

As development pipelines across Europe remain limited, **VACANCY RATES ARE EXPECTED TO REMAIN STABLE**, albeit minor shifts are anticipated in some locations.

POSITIVE RENTAL GROWTH IS PROJECTED FOR THE LATTER HALF OF 2025 AND BEYOND, though the growth pace is expected to further soften.

INVESTMENT VOLUMES ARE EXPECTED TO MAINTAIN THEIR UPWARD MOMENTUM IN H2 2025 as investor appetite for European logistics and industrial real estate remains robust.

Economic Indicators

The first half of the year was marked by significant macroeconomic and geopolitical uncertainty, spurred by escalating global conflicts, concerns over US trade policy, and new trade barriers. High energy prices and seasonal factors also influenced inflation across the continent.

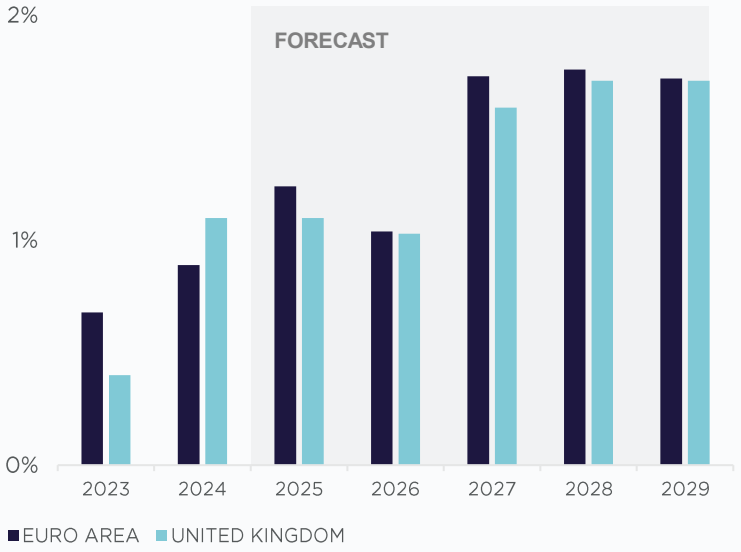
In the first quarter of 2025, **GDP growth across much of Europe recorded a modest uplift**, with year-on-year increases reaching 1.6% for the EU and 1.3% for the UK. Preliminary estimates for the second quarter suggest that economic growth maintained a similar pace.

Ireland reported the strongest GDP growth across Europe, largely driven by its pharmaceuticals and technology sectors, where increased orders boosted exports in anticipation of impending US tariffs. Alongside Ireland, six economies—including Poland and Denmark—recorded GDP growth rates above 3%, while another six countries, such as Norway and Slovenia, experienced slight contractions of less than 1% year-on-year.

Inflation rates in Q2 2025 ranged between 2% and 4% across most of Europe, with the EU's inflation rate rising modestly to 2.3% in June 2025. Inflation in Germany, Italy, Spain, Netherlands and Poland ranged between 1.8% and 3.4%, while France recorded one of the lowest rates of inflation at 0.9%. Meanwhile, the UK's inflation rate climbed steadily, reaching 3.9% in June 2025.

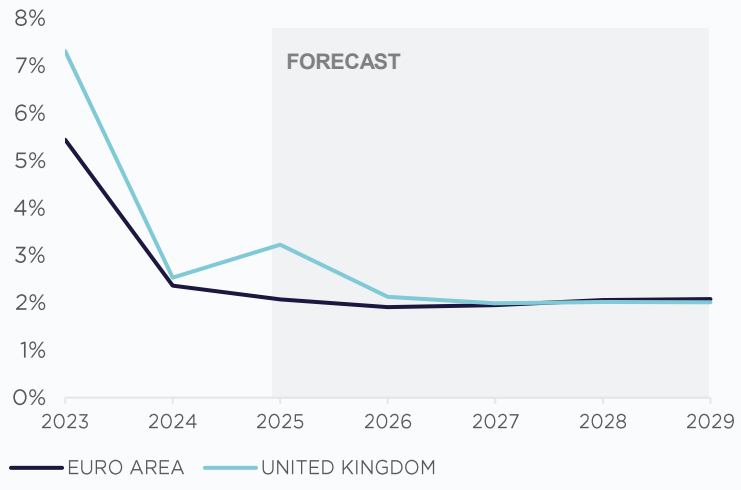
Despite global headwinds—including ongoing trade disruptions and supply chain challenges—**European inflation is expected to remain stable** for the remainder of the year, at around 2% across the EU. At the same time, inflation in the UK is expected to remain slightly above target in 2025, then fall to around 2% in 2026. Meanwhile **GDP growth is projected to sustain its current modestly positive momentum** through the rest of 2025.

GDP GROWTH



Source: Cushman & Wakefield Research , Moody's Analytics
(Forecasts relate to Cushman & Wakefield Baseline Scenario – August 2025)

INFLATION RATES



Source: Cushman & Wakefield Research , Moody's Analytics
(Forecasts relate to Cushman & Wakefield Baseline Scenario – August 2025)

Occupier Activity

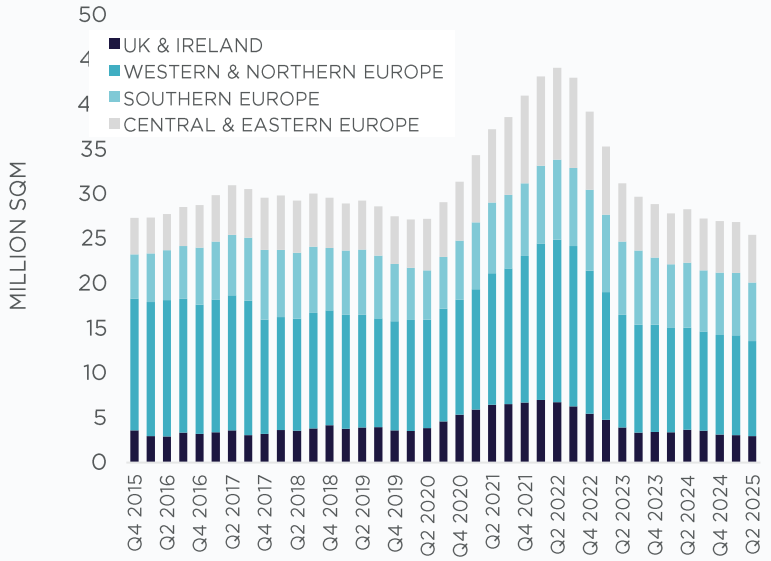
The heightened levels of uncertainty experienced the first half of 2025 led to a further slowdown in occupier demand across many European markets. Ambiguity surrounding US trade policy in particular has caused logistics and industrial occupiers to further slow or delay investment commitments, including decisions relating to real estate, as reported in the **C&W global industrial report Waypoint** published earlier this year.

Consequently, **take-up for the four quarters to the end of Q2 2025 fell to 25.4 million sqm**, representing a 10% decrease over the same period last year. While most markets experienced softer occupier demand, a few stood out by bucking the trend. Spain recorded a near one-third increase in take-up over the twelve months to the end of H1 2025, while Denmark and Romania each saw their take-up volumes increase by more than 10% in the same period. Conversely, Hungary, France, the UK and Ireland experienced substantial declines, with annual take-up volumes dropping by 20% or more at the end of H1 2025.

Manufacturing tenants remain a key source of demand, alongside retailers and wholesalers, as businesses work to strengthen and diversify their supply chains. A key element of this is producing and sourcing products in locations closer to markets of consumption to safeguard their operations from global conflict and disruption.

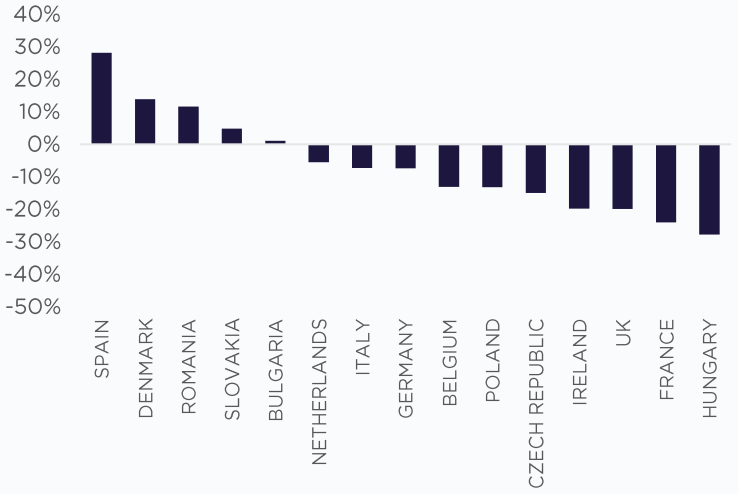
Persistent geopolitical challenges have contributed to an overall sense of uncertainty, yet they also open up new opportunities within the industrial real estate sector in Europe. As both the EU and the UK prepare to invest significantly in **growth sectors**—including defence, food security, energy technology, and critical components—Europe's manufacturing capabilities are poised for revitalisation. Combined with the broader trend of nearshoring, this creates a unique opportunity for both real estate landlords and occupiers, as they stand to benefit from improved infrastructure and increased government investment.

LOGISTICS & INDUSTRIAL OCCUPIER TAKE-UP*



Source: Cushman & Wakefield Research
** four-quarter rolling total*

OCCUPIER TAKE-UP* BY COUNTRY (Q2 2025; YOY GROWTH)



Source: Cushman & Wakefield Research
** four-quarter rolling total*

Availability

Logistics development activity continued to slow throughout the first half of 2025. Developers, responding to the moderating demand, have increasingly shifted their strategies towards built-to-suit rather than speculative projects.

By the end of H1 2025, **the volume of logistics space under construction across Europe had dropped by nearly a third** compared to H1 2024 and had fallen to less than half of the peak levels recorded at the end of H1 2022.

Consequently, **completions also declined**, with approximately 25% less space entering the European logistics market in the twelve months to the end of H1 2025.

compared to the same period in the previous year.

As both supply and demand have contracted, **vacancy rates across Europe have remained low in many markets.**

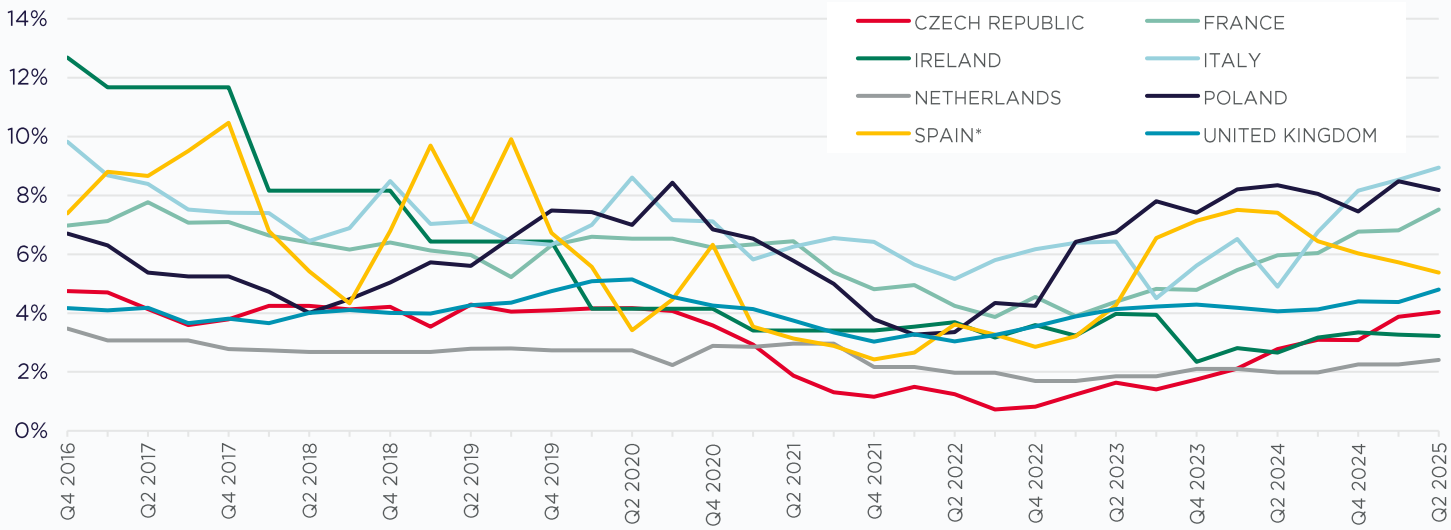
In Spain, Barcelona's vacancy rate continues to decline, driven by persistent occupier demand and fewer new completions, resulting in limited availability.

The Netherlands has consistently reported some of the lowest vacancy rates in Europe, with little fluctuation over the past several years. The Czech Republic has seen a gradual rise in its vacancy rate; nevertheless, it still ranks among the lowest in Europe.

While many countries have maintained low vacancy rates, several have experienced a rise in available space. Notably, Italy, France, and Poland have all recorded vacancy rates at levels exceeding those of the immediate pre-pandemic period; this is largely due to significant volumes of new developments still coming onto the market or previously delivered speculative space taking longer than anticipated to be absorbed.

Looking ahead, **vacancy rates are expected to remain relatively stable or indeed contract in some markets**. The trend towards built-to-suit developments being favoured over speculative projects should help keep supply closely aligned with demand.

LOGISTICS & INDUSTRIAL VACANCY RATES



Source: Cushman & Wakefield Research
**Spain = Barcelona*

Rental Growth

Despite macroeconomic uncertainty influencing occupier demand, **prime headline rents across Europe continue to rise**, with many locations once again achieving record highs. Rental growth is particularly pronounced in prime and **last-mile areas**, supported by limited availability—especially of high-quality, modern properties that meet the needs of modern logistics operations.

Furthermore, strong sustainability credentials remain a priority, as tenants increasingly seek buildings that offer lower operational costs, resilience against climate risks, and support for their **sustainability ambitions.**

While rental growth remains positive, its pace has continued to ease in the first half of 2025, with prime headline rents across European markets rising by an average of 3.0% year-on-year. This growth rate is more aligned with the pre-pandemic five-year annual average of 2.5% compared to the exceptional growth—peaking at 15.4% in Q1 2023—that marked the recent past.

On a country level, **most European markets continued to see steady increases in rents** during the twelve months to the end of H1 2025.

Belgium and France both recorded double digit rental growth in their respective capitals, with many regional locations also experiencing rent increases.

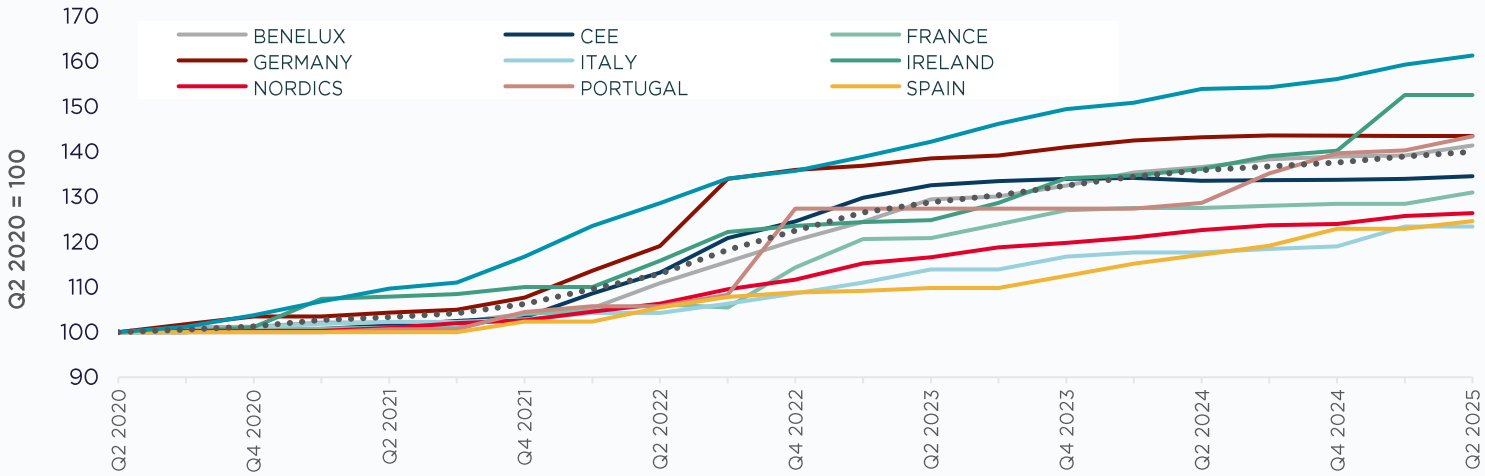
Portugal and Spain have also posted notable rental growth, particularly in Porto and Barcelona.

Further north, both the UK and Ireland maintained their strong growth in prime rents during the first half of 2025, while several locations in Sweden also experienced upward momentum.

Rental growth was also strong in Bulgaria, Romania and a number of locations across the Balkans.

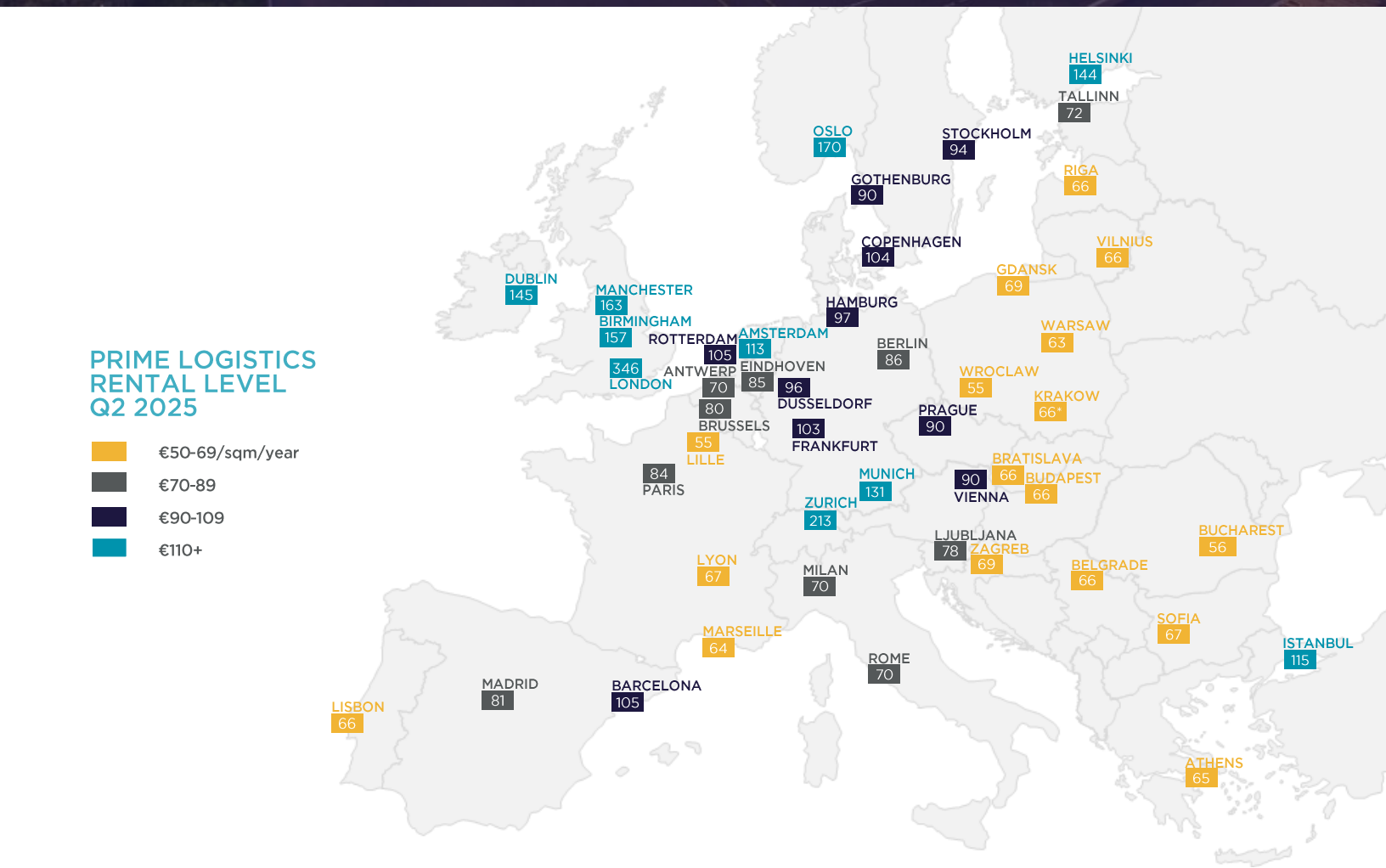
Meanwhile, the CEE, as well as Germany and the Netherlands, generally saw rents remain stable, with rents in some locations experiencing slight moderation.

PRIME LOGISTICS HEADLINE RENT INDICES BY MARKET (Q2 2020=100)



Source: Cushman & Wakefield Research

Rental Growth



*Source: Cushman & Wakefield Research; *Time series for Krakow has been revised, the new rental value corresponds to rent growth of 0% QoQ*
Exchange rates (average for Q42 2025): EUR-GBP = 0.86; EUR-DKK = 7.46; EUR-SEK = 11.13; EUR-NOK = 11.64; EUR-CHF = 0.94; EUR-USD = 1.15

The end of H1 2025 saw annual logistics rental growth maintain its positive momentum across many European locations. Of the 123 locations tracked by Cushman & Wakefield, around a quarter experienced growth of over 5%, with one in twelve markets seeing rents grow by more than 10%.

Rents in Spanish and Portuguese locations saw strong growth in the past twelve months, with rental growth in Madrid, Barcelona, Lisbon and Porto exceeding 5%.

Belgium experienced rental growth across all tracked locations, with rents increasing by more than 15% in Brussels. In the Netherlands, rents rose in a number of locations, albeit Amsterdam's rents moderated slightly.

Logistics rents in Paris increased by over 10%, with regional locations across France also seeing rental growth. Conversely, across much of Germany, rental growth remained below 5%, with some moderation in smaller regional markets.

Across the UK and Ireland, many markets saw rental increases, with Nottingham, Belfast and Galway and Limerick experiencing rental growth of more than 10%.

The Nordics also experienced rental growth, particularly in Sweden, where growth exceeded 5% in Stockholm, Gothenburg and Malmo.

Across the CEE, locations in Bulgaria, Romania and Slovakia saw rental growth, while many locations in Hungary saw rents moderate.

Investment Market

In the first half of 2025, investor appetite for logistics and industrial real estate remains strong. **Logistics and industrial investment volume exceeded €43 billion in the twelve months to the end of H1 2025,** which represents a 28% increase over the same period last year. The investment volume has now exceeded the pre-pandemic average.

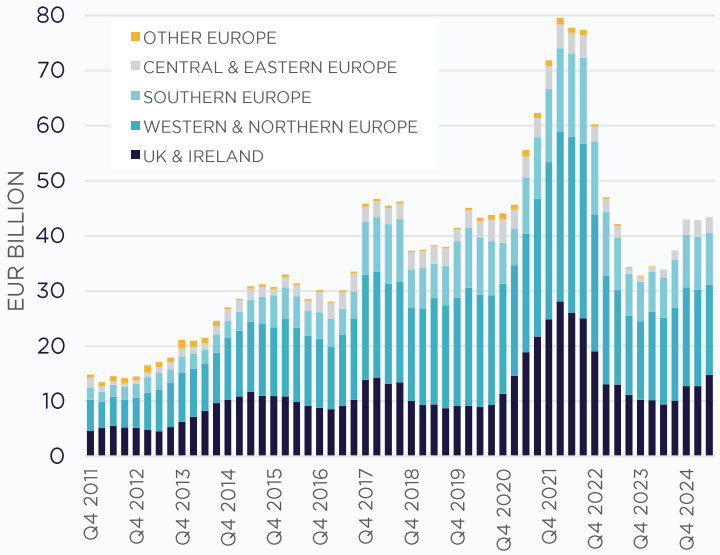
Investment momentum is building across all regions of Europe. The CEE region has experienced the most significant growth, with volumes rising by 89% year-on-year. The UK and Ireland followed with a 57% increase, while Southern Europe also recorded solid growth of 27%. Western and Northern Europe saw more moderate growth, with a 4% year-on-year increase.

Pricing is becoming more competitive across many European markets, particularly in the CEE, where yields compressed by 15-25bp (year-on-year) in all countries except Poland and Romania. Other markets, including locations across the Nordics, Spain, Belgium, and the UK, also recorded yield compression, reflecting the sustained attractiveness of prime logistics locations and a narrowing gap between seller and buyer price expectations.

Appetite remains strongest for single assets or smaller portfolios of single jurisdiction, reflecting investors' ongoing focus on location-driven opportunities. Properties with asset management opportunities, especially to capture rent reversion, remain attractive, but core investors' interest continues to grow, albeit from a low base.

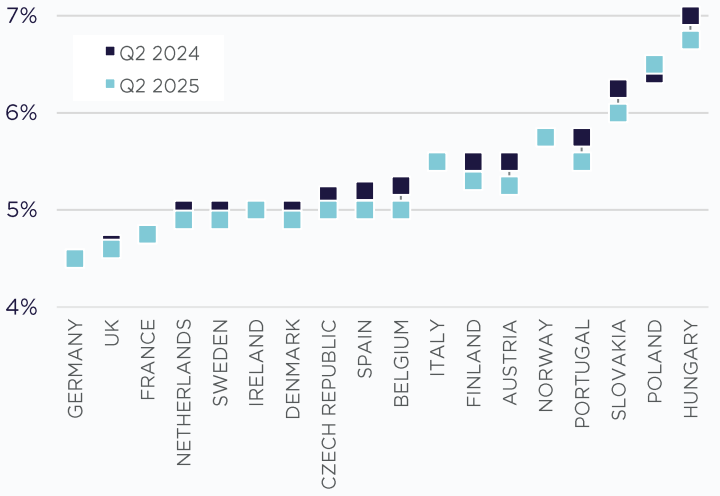
Looking ahead, the strong momentum is expected to persist throughout 2025, with investment volumes likely to rise further as investor confidence and increasing capital allocations continue to drive the sector.

EUROPEAN INDUSTRIAL INVESTMENT VOLUMES*



Source: MSCI Real Capital Analytics, Cushman & Wakefield Research
**four-quarter rolling total*

PRIME LOGISTICS INVESTMENT YIELDS



Source: Cushman & Wakefield Research

Outlook

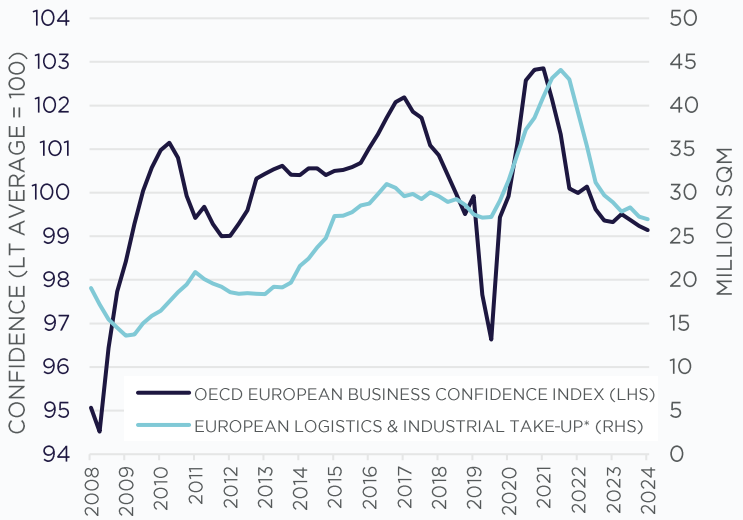
Business confidence remains somewhat subdued amidst ongoing geopolitical challenges. While the gradual improvement in macroeconomic conditions has yet to significantly bolster business sentiment, the recent trade agreements between the EU and the US, as well as the UK and the US, are expected to provide greater clarity around trade for the latter half of the year. Alongside anticipated government investment in growth sectors and improving macroeconomic outlook, sentiment is likely to turn more positive in the coming months. As business confidence improves, **we anticipate that occupier take-up will stabilise in the second half of 2025**.

As developer activity remains closely tied to occupier demand, space **availability is set to remain constrained**, though modest **increases in vacancy rates may occur in some locations**. Limited availability, combined with ongoing demand for prime-quality facilities and last-mile locations—which remain in particularly short supply—should **support continued rental growth across most markets**, albeit at a slower pace.

We anticipate **that investment activity will keep rising throughout the remainder of 2025** as new product becomes available and more competitive pricing helps narrow the gap between buyers' and sellers' expectations. Investor confidence in the logistics and industrial sectors remains robust, with many either ready to deploy capital or actively fundraising, as **timing appear increasingly favourable for acquisitions.**

Lending conditions for logistics and industrial real estate acquisition is also amongst the most favourable of all asset classes, further extending the opportunities for more capital to be deployed into the sector in the near term.

EUROPEAN BUSINESS CONFIDENCE & OCCUPIER TAKE-UP



Source: Cushman & Wakefield Research, OECD
** four-quarter rolling total*

PRIME LOGISTICS RENTAL GROWTH FORECASTS

	2023 (Y/Y % chg)	2024 (Y/Y % chg)	2025F-2026F Avg	2027F-2028F Avg
FRANCE	8.6	1.1	1.7	1.4
GERMANY	4.7	2.7	1.9	1.4
BENELUX	13.2	2.8	1.6	1.3
NORDICS	8.3	3.6	2.8	1.6
CEE	8.1	0.1	1.6	1.6
ITALY	6.6	3.1	3.7	1.4
SPAIN	3.5	9.3	2.1	1.5
UK	9.8	4.8	3.8	2.8
EUROPE AVERAGE	8.4	3.6	2.6	1.9

Source: Cushman & Wakefield Research (Q1 2025 forecasts)

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ABOUT CUSHMAN & WAKEFIELD

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