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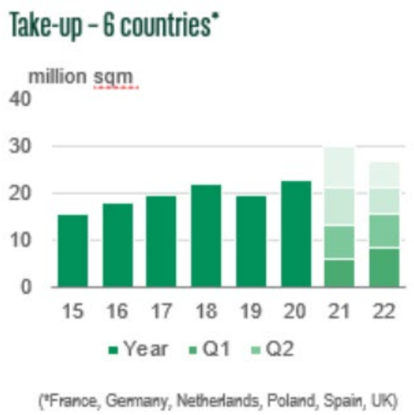
PRESS RELEASE

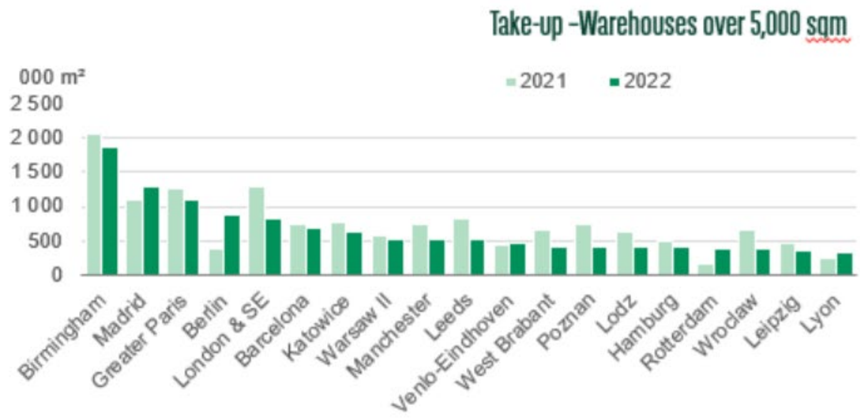
EUROPEAN LOGISTICS MARKET REMAINS RESILIENT: 27 MILLION SQM COMMERCIALISED AND €56BN INVESTED

- The logistics market in Europe proved resilient despite a difficult political and economic environment. Low vacancy rates and limited land availability continue to push rents up and magnified by construction costs.
- Rental growth prospects remain attractive to investors. Consequently, capital markets recorded strong volumes across Europe despite the slowdown at the end of 2022 as prices adjusted.

The logistics market is holding up well despite the economic slowdown

In 2022, the logistics market fell by 10% in the six leading European markets, but still remained above its 5-year average. The **total volume of 27 million sqm** compares well with the exceptional figure recorded in 2021. "There was enough economic growth in 2022 to underpin occupier markets while take-up declined in some countries but not everywhere. Demand for space increased from tenants seeking efficiency gains. Structural changes in consumer spending patterns continue to support e-commerce penetration, perpetuating the need for logistics space. 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 being launched", comments **Craig Maguire, Head of European Logistics at BNP Paribas Real Estate.**





In Germany, the logistics market was particularly dynamic in 2022, just below the 8 million mark and well above the 6 million average achieved between 2017 and 2020. Slowdown in momentum in H2 mainly stemmed from a lack of supply, which is becoming more noticeable in the sub-centres. Increase in construction costs led to significant rental growth in Hamburg, Munich, and Cologne during 2022.

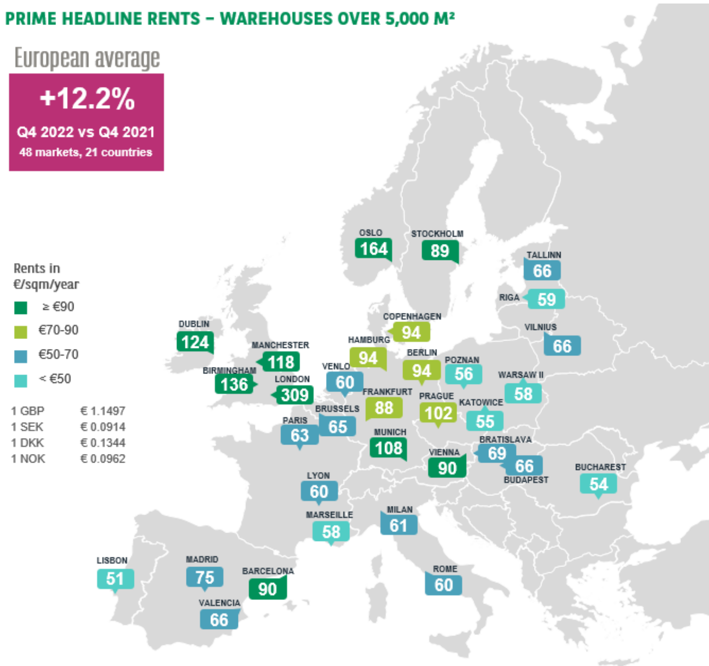
The UK occupier market decreased by 19% in 2022 but maintained a solid dynamics after the exceptional volumes recorded last year. Take-up reached 4.9 million sqm fuelled by the structural growth of e-commerce and supply chains. The acute shortage of new units supports strong rental growth in the UK.

In Poland, take-up decreased by 21% but reached 4.5 million sqm in 2022, its second highest volume ever recorded. The market remained dynamic but started to lose momentum in the second half of the year. Low vacancy rates and rising costs started to exert pressure on rents. Prime rents increased sharply stepping up in the main logistics hubs from €41-€44 to €49-€59 during 2022. In Warsaw the prime rent soared to €117.

In France, take-up declined by just 13% to reach 3.9 million sqm in 2022. Strong demand for large warehouses gave an extra boost to the market in early 2022, though activity was more steady in the second half. Supply remains scarce in most markets leaving the vacancy rate at its lowest ever level of below 3%. Competition between occupiers for high quality buildings remains sharp, implying some prospects for rental increases in prime locations.

In the Netherlands, take-up increased by 3% to 3.6 million sqm in 2022. The market is holding up well despite restrictions for new developments. As a result, the market for new warehouses is becoming tighter and tenants turn to good quality second hand properties. Robust demand and low availability are still putting pressure upward on rents.

In Spain, take-up increased by 8% to 2.3 million sqm. The market hit another historic record volume of transactions in 2022 and achieved one of the strongest performance in Europe. Activity was stimulated by e-commerce and food retailers. Low vacancy rates are creating the conditions for rental growth.



Industrial and logistics investment recorded its second highest level ever although the market is clearly slowing

The volume of investment declined by 19% in 2022 although it reached €56 bn, nearly €15bn greater than the annual average between 2017 and 2020.

"After 5 years of outstanding investment volumes, the market continues to attract buyers. However, the investment market is challenged by increasing scarcity of stock, plus big changes in the macroeconomic and financial backdrop over 2022", says **Craig Maguire.**

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 lead to rapid decompression in logistics yields.

There may be still more decompression to come, at least until interest rate rises cease, which most forecast groups think will occur by mid 2023. Much of the yield decompression for prime units may have 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 (€14.4 bn in 2022) market witnessed sharp drop (-32%) in investment volumes of over a third compared to 2021. The decline stems from unsuccessful negotiations and units being pulled from the market. Prime yields decompressed by 175 bps in 2022.

In **Germany**, industrial and logistics reached a historic volume of investment (€10.1 bn) boosted in Q1 by large deals. Prime yields decompressed by 85 bps in 2022 with further decompression expected in 2023.

In **France**, the market's strong dynamics meant only a small decline of 6% occurred to €6.4 bn. Logistics prime yields shifted by 60 bps to 3.80% in 2022 and are likely to further decompress in 2023.

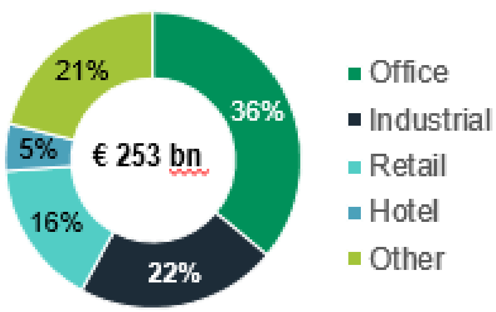
In the **Netherlands**, market activity was good across most of the year until Q4 when it was caught in the backwash affecting the sector. Given demand strength yield adjustment may unlock investment in the first half-year 2023.

Italy also posted a record volume last year increasing by 28%, because of portfolio deals. Yield decompressed by 40 bps to reach 4.4%.

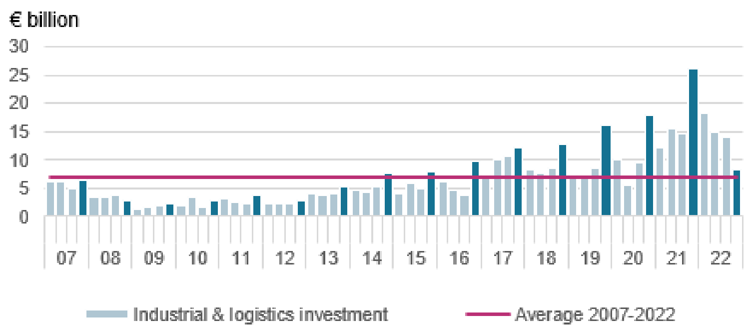
In **Spain**, investment dropped by 40% in 2022, but still was above the 5-year average. The market decline in Q4 led to decompression in the prime yield for big boxes of 95 bps in 2022.

In **Poland**, following a record volume last year, activity slowed down by 16% during 2022. The market settled at €1.8bn, around its annual average recorded since 2017.

Investment volume in Europe -2022



Industrial & logistics investment volume in Europe



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