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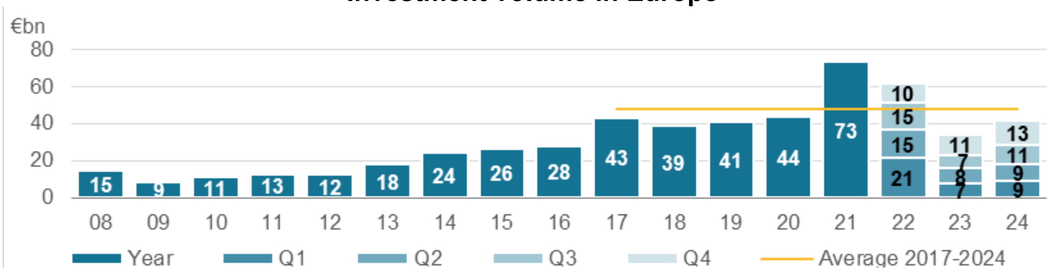
PRESS RELEASE

LOGISTICS CAPITAL MARKETS: STRONG RETURN TO GROWTH WITH +23%

Rapid repricing helped the market to find its way back to moderate growth in some areas. Investment in industrial premises and logistics reached €42bn in 2024, +23% compared to last year. Industrial & logistics investment hit its lowest point in 2023 and returned to growth in 2024. This reflects an improvement in financial conditions. Further adjustments by central banks to key interest rates are expected in 2025 before they stabilise. "Deals may take longer to conclude but demand is starting to pick up in most markets, with the return of large portfolio deals in the UK, France, Spain, Germany and the Netherlands. American and Asian investors are showing a lively interest in the European market, particularly Germany", says **Craig Maguire, Head of European Logistics at BNP Paribas Real Estate.**

Investment volume in Europe



- **In the United Kingdom**, industrial and logistics investment in 2024 reached its 10-year average. The situation began to improve in mid-2024 with clear signs of disinflation. Prime yields are now holding firm at 4.5%.

- **In Germany**, industrial and logistics investment has been increasing steadily since the beginning of the year and confirmed its top position among asset categories, accounting for 27% of overall commercial real estate investment. The pricing adjustment process with the changed interest rate environment is complete and demand from foreign investors is strengthening. Prime yields remained stable at 4.25% in the main logistics locations.

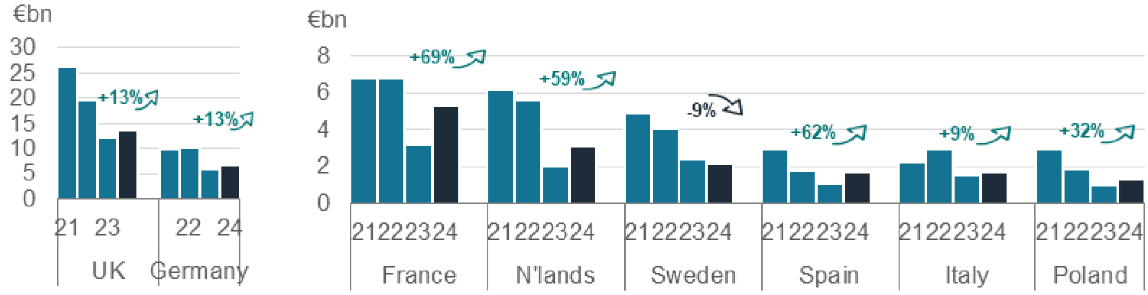
- **In France**, investment in industrial and logistics has been performing well compared to retail and offices. Logistics investment increased significantly in 2024 boosted by the return of large portfolio transfers. The logistics prime yield stabilised at 4.90%.

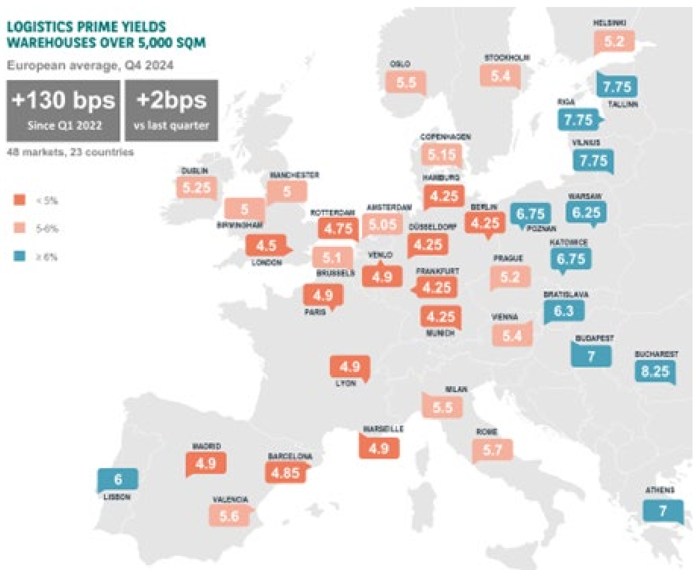
- **In the Netherlands,** investment in industrial and logistics increased steadily in 2024. There was high demand for properties that offered reversion potential through unlocking steep rental increases. The logistics prime yield stood at 4.75% in 2024.

- **In Spain**, investment in industrial and logistics increased significantly in 2024. Development activity remains healthy with investors and developers seeking to acquire land to build new logistics platforms. After expanding by 155 bps over two years, the prime logistics yield contracted by 40bps in 2024 to 4.85%.

- **In Poland**, investment improved over H2, reflecting better market sentiment. Industrial and logistics remains the strongest performing asset category. The prime yield adjusted to 6.25% in Q4 2024.

Investment volume per country





Logistics prime yield expansion over the past two years has ceased, with moderating inflationary pressure and long-term government bond yields hitting a ceiling. Thus, **logistics prime yield rates have stabilised in Europe**. They increased by just 2 bps during Q4 2024 in Europe

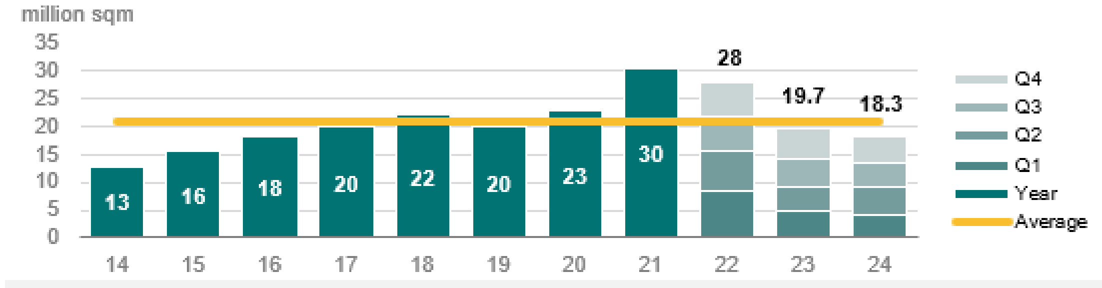
In some countries where there is strong investor demand and for rental growth, they could even fall slightly, providing that the key interest rate is at least stable or even further contracts slightly in 2025.

"The prospects for Logistics investment look bright, at least from 2025 onwards as we enter a new cycle", **notes Craig Maguire.**

LOGISTICS OCCUPIER MARKET BELOW ITS 5-YEAR AVERAGE IN 2024

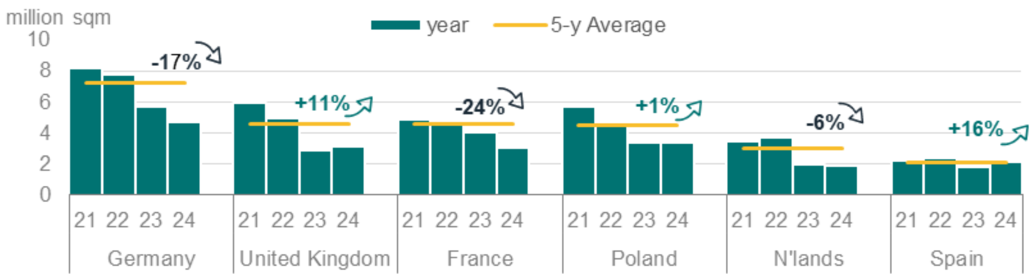
"In 2024 letting decreased by 7% in the leading European markets compared to 2023, reflecting economic uncertainties and slow growth. Apart from Spain, which posted more than 25% above its 10-year average, demand has been lagging in most countries**.** New supply remains constrained by land scarcity, but the lack of new developments remains supportive of rental growth in prime sectors", **summarizes Craig Maguire, Head of European Logistics at BNP Paribas Real Estate.**

Take-up in 6 countries (France, Germany, Netherlands, Poland, Spain, UK)

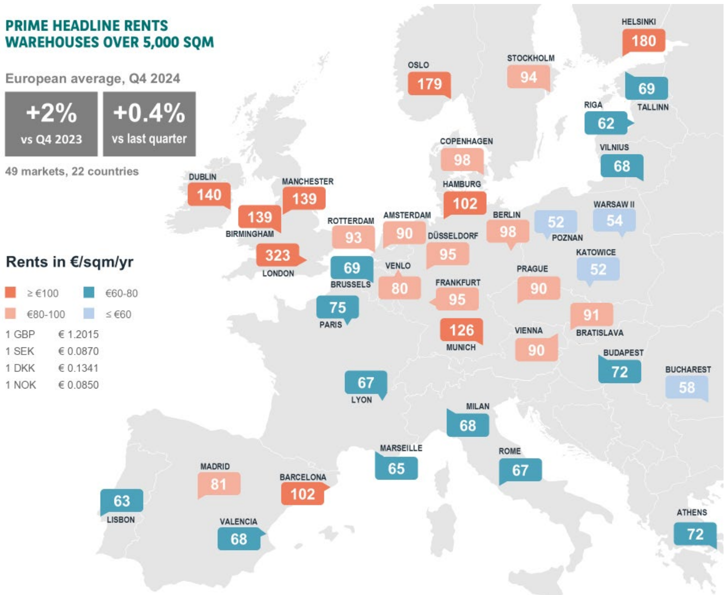


- **In Germany**, after a cautious start to the year, the market gradually picked up, although take-up in 2024 remained well below the 10-year average. The difficult economic environment and very moderate GDP forecasts did not provide the necessary impetus for high warehouse take-up as in previous years. The strong rental growth of recent years was less pronounced in 2024.
- **In the UK**, occupiers are still attracted to Grade A space; c.75% of units over 10,000 sqm taken up were newly built. Big box occupiers continue to look to pre-lets and build-to-suit when speculative developments are unavailable. The Midlands remains the main driver of industrial space. Take-up in the UK picked up in 2024 increasing by 11% year-on-year.
- **In France**, the logistics market declined in 2024, still hampered by a slow economic backdrop. Demand in Greater Paris, Marseille and Lyon dropped well below average. Lille and Orléans on the other hand maintained good take-up boosted by XXL deals. Despite an increase in overall supply, the vacancy rate in France is contained at 4.8%.
- **The Netherlands**, like most European countries, saw slow take-up in 2024, reflecting weak economic growth. High land prices and development costs, along with lower exit prices are inhibiting new developments and in turn putting upward pressure on rents.
- **In Spain**, after a slow start to the year, the market bounced back in Q2, such that take-up came in above 2 million sqm in 2024. Unlike most European countries, the Spanish economy has expanded, and GDP growth is forecast at 2.7% in 2025. Whilst the vacancy rate rose slightly in Madrid, it remained low in Barcelona and Valencia.
- **In Poland**, the occupier market was affected by weak economic growth in 2023 and gradually recovered in 2024. The economic environment is expected to improve significantly in 2025. The vacancy rate decreased slightly to 7.5%. There has been a steep fall in the proportion of speculative building starts.

Take-up per country



Vacancy rates have risen over the past 12 months to a European average of 6% due to moderate demand. However, **as land is increasingly regulated in Europe, the lack of new developments may continue to underpin rental growth in prime sectors**. The overall rate still supports a balanced supply.



Prime rents rose by 2% (y/y) in Q4 2024 across a panel of 49 markets covering 22 countries. Rents are still rising in some cities, but overall the market slowdown resulted in limited rental growth of only 0.4% during the last quarter. Logistics occupiers are still willing to accept higher rents on existing buildings to switch to green sources of energy. In the future, this could not only mean further potential for increasing rents, but also spur the owners of existing buildings to carry out renovations for greater energy efficiency.

"Despite the slowdown in overall take up we are still seeing rental growth on a case-by-case basis. The 3PL (third-party logistics) market is still actively looking for efficiency in the supply chain and prime location is key to this ", **concludes Craig Maguire.**

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