

THE STATE OF LOGISTICS 2024

LOGISTICS SECTOR
DISPLAYS RESILIENCE
AMID MARKET SLOWDOWN

'GREEN PREMIUM' DRIVES DEMAND
FOR SUSTAINABLE WAREHOUSES

TOP LOGISTICS LOCATIONS IN EUROPE

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LOGISTICS SECTOR DISPLAYS RESILIENCE AMID MARKET SLOWDOWN

Spurred by new trends such as nearshoring, Europe's logistics sector is betting on growth in demand for high-quality facilities

BY **BRANISLAV PEKIC**
PHOTOS **KAREN VELDKAMP**

Europe's logistics sector continues to face numerous challenges, but for the brave and savvy there is plenty of opportunity to be found across different markets and regions. That was the key message of PropertyEU's State of Logistics 2024 event which took place in Amsterdam in early September.

The event gathered together industry experts from CBRE Investment Management, Logikor, Swiss Life Asset Managers, Union Investment Real Estate and LaSalle Investment Management to discuss a range of issues, from investment and development strategies to ESG and the future of logistics.



'We are seeing a shift towards nearshoring, reshoring and more robust supply chain configurations, which will benefit demand for logistics space in Europe'

Ronald van der Waals, Logikor

Importantly, they examined how investors and developers should approach these strategies at a time when global economic uncertainty, geopolitical tensions, labour shortages, rising costs, supply chain disruptions, sustainability requirements, and technological advancements are all bearing down on the sector.

For those who can adapt and leverage their expertise,



L-R: Laurie Lagarde, Ronald van der Waals, Isobel Lee, Neil Campbell, Petra Blazkova, Ingo Steves

there are significant opportunities, the panellists agreed. Ronald van der Waals, managing director Northern Europe, CEE and Nordics for Logikor, pointed out that there is still demand for logistics space with take-up approaching pre-Covid levels, however securing new leases requires more effort than before.

For CBRE IM, logistics is one of the strongest of its four asset classes (the other three being residential, offices and retail), according to Laurie Lagarde, head of the EMEA logistics operator division. 'Logistics and residential are really the two sectors where we want to grow. Although the occupier market has reduced slightly, it is still sustainable when compared to pre-pandemic levels.' Ingo Steves, managing partner logistics at Swiss Life Asset Managers, said his company is actively growing its European logistics portfolio, leveraging its robust financial position. 'We are about to enter additional core regions next to Germany like the Netherlands and France. We are long-term committed investors and, as such, dedicated to the playing field of logistics real estate.'

Their views on robust investor and occupier demand were shared by Neil Campbell, senior investment manager logistics for the UK, Benelux, Italy, Spain at Union Investment Real Estate, who pointed out that the sector's performance varies by region. 'The Barcelona market is particularly strong, while Bremen in Germany has a low demand and high vacancy rate.'

While the current economic environment poses chal-



The panellists

MODERATOR

Isobel Lee, Senior Editor, PropertyEU

PANEL

Laurie Lagarde, Head of EMEA Logistics Operator Division, CBRE Investment Management

Ronald van der Waals, Head of Northern Europe, CEE and Nordics, Logicor

Neil Campbell, Senior Investment Manager Logistics, Union Investment

Petra Blazkova, Europe Head of Core and Core-plus Research and Strategy, LaSalle Investment Management

Ingo Steves, Managing Partner, Logistics, Swiss Life Asset Managers

allenges, there are opportunities for logistics investors and developers who can adapt to changing market conditions and are willing to take on development risk.

Both new development and redevelopment present promising avenues for investment, with the optimal approach determined by factors such as location, land availability, and individual investor objectives.

LOCATION AND TENANT HEALTH

For Petra Blazkova, Europe head of core and core-plus research and strategy at LaSalle IM, investors in logistics should remain cautious due to slowing e-commerce and increased supply, while location and tenant health will become more critical factors. 'I think we will see an improvement over the next 12 months. You probably cannot



'It's the right time to take some development risk, because of the future demand that will be out there'

Laurie Lagarde, CBRE IM

get much more challenging than what we have seen,' she said, noting that redevelopment can be advantageous due to the potential for improved energy efficiency.

Van der Waals pointed out that negotiations with sellers of brownfield locations have become more complex, as they often overestimate the value of existing buildings. However, recently they have become more realistic about the true value of their properties, he said. 'I think in the last 12 months, it has become easier for us to agree on pricing.' In parallel, Logicor is redeveloping part of its portfolio to more feasible configurations in line with modern requirements.

The decision to invest in logistics depends on an investor's goals and risk tolerance, according to Lagarde. 'CBRE IM believes that it's the right time to take some development risk, because of the future demand that will be out there,' she said.

‘Green premium’ drives demand for sustainable sheds

Logistics veteran Ian Worboys has launched a new venture focused on acquiring older warehouses and redeveloping them into modern, sustainable facilities

The future of logistics will be marked by technological advancements, changing consumer preferences, and the growing importance of sustainability, according to Ian Worboys, CEO of European Green Logistics Space (EGLS).

During a fireside discussion at PropertyEU’s State of Logistics 2024 event in Amsterdam, Worboys, an industry veteran, outlined EGLS’s strategy of acquiring and redeveloping older warehouses to meet the increasing demand for green logistics space across Europe.

‘Many investors are divesting from non-green assets, including warehouses that don’t meet their sustainability standards. This presents an opportunity for us to acquire these properties and retrofit them with green features like solar panels or new cladding. At the same time, we’re also developing new, green warehouses from the ground up,’ he explained.

EGLS has opted for a pan-European approach, with operations in the UK, France, Germany, the Czech Republic, Poland, Slovakia, and plans to expand to Spain, Italy, and the Netherlands by 2025.

Worboys emphasised the increasing importance of sustainability, driven by both investor and occupier preferences. ‘While green buildings were once seen as a niche, there is now a clear preference among tenants for sustainable spaces. This shift has led to a premium being placed on green warehouses in valuations.’

At the same time, automation and robotics are becoming increasingly prevalent in warehousing,



‘I believe that demand for warehouse space is rebounding, and we may soon see a shortage of available properties’

Ian Worboys, European Green Logistics Space

ing, leading to job displacement on the one hand, but also creating new opportunities. Despite a slowdown in growth, Worboys remains optimistic about the future of the logistics market. ‘Based on recent trends and discussions with industry leaders, I believe that demand for warehouse space is rebounding, and we may soon see a shortage of available properties. Although rent growth is likely to be more moderate than

in previous years, at 5% compared to 10-15% before, it is still expected to increase.’

ROAD TO RECOVERY

Worboys believes that the current economic downturn is relatively mild compared to previous recessions. ‘Despite rising interest rates and inflation, the economy has shown resilience, and I believe that we are on the path to recovery. I’ve been speaking with potential investors and they share my optimism about the future. I believe that now is the time to invest, as property yields are expected to increase in the coming months.’

Despite the ongoing conflict in Ukraine, Worboys is confident that Central and Eastern Europe remains a strong economic hub due to its strategic location and the increasing interest from Chinese companies seeking to establish manufacturing operations in Europe. While Europe can’t ignore US interest rate decisions, he is confident that European interest rates are currently trending in the right direction. ‘We are not as dependent on them as we may have been in the past and we’re not following them as we did in the past.’

Worboys highlighted that ESG factors have significantly influenced warehouse design and operations in recent years. Pointing out that warehouses are now cleaner, more efficient, and often showcase state-of-the-art technology, he is particularly impressed by the design and development of modern warehouses in the Netherlands.

Among the challenges faced by the logistics industry, Worboys pointed to the need for improved electric vehicle infrastructure and the uncertainty surrounding the future of electric and hydrogen-powered trucks.

On the subject of e-commerce, Worboys said that Amazon’s temporary pause on warehouse expansion a few years ago highlighted the importance of operational efficiency in the e-commerce industry. ‘After increasing their efficiency, Amazon is back in the market. They’ve taken 100,000 m² in Northern France, a similar amount of space in the UK and are looking elsewhere.’





‘ESG investments are not only ethical but also financially sound’

Ingo Steves, Swiss Life Asset Managers

Campbell shares this optimism, pointing out that the market currently favours landlords. ‘Renewals and short-term leases are beneficial. Additionally, there’s a smaller pool of investors, which can be advantageous.’ Union Investment is willing to take on development risks with existing leases, he added, ‘which sets us apart from many investors’.

For its part, Swiss Life Asset Managers is focused on big box development, as the current market conditions indicate that demand for refurbished properties is expected to increase, according to Steves.

GEOPOLITICAL PROS AND CONS

While geopolitical events like the ongoing war in Ukraine, the upcoming US elections and rising tensions in trade relations with China have created uncertainties, there are also lessons to be learned. Among them is that Central and Eastern Europe has become one of the beneficiaries of nearshoring, as European companies bring production closer to home.

For Van der Waals, geopolitical tensions and the Covid-19 pandemic have highlighted the importance of supply chain resilience. ‘We are seeing a shift towards nearshoring, re-shoring and more robust supply chain configurations, which will benefit demand for logistics space in Europe.’ While Union Investment has paused its investments in CEE, this is not due to geopolitical concerns, but rather



because of labour shortages, explained Campbell, adding that the region is set to benefit as companies diversify their supply chains.

Although the Polish market has experienced some short-term challenges, CBRE IM remains optimistic about its long-term prospects. ‘We believe that Poland will benefit from a rent increase over the next 2-3 years, a lower cost of operations and the trend toward nearshoring,’ said Lagarde.

Geopolitical events, while creating uncertainty, often have a limited impact on real estate values, according to Blazkova. The real concern, she noted, is change in government policy which can significantly affect real estate markets, especially in terms of regulation.

ESG’S LONG-TERM BENEFITS

The panellists agreed that ESG has become an integral part of the real estate industry and tenants are increasingly valuing ESG features. While there may be challenges associated with implementing ESG strategies, the benefits outweigh the costs.

Van der Waals highlighted the growing integration between building design and operations as the most interesting aspect of ESG. ‘Our customers invest more in their fit-out with automation becoming a more important as-



‘We will see an improvement over the next 12 months; things can’t get much more challenging than what we have seen’

Petra Blazkova, LaSalle IM



Video interviews



▶ Ronald van der Waals

Ronald discusses Logicor's development pipeline, including land positioning and redevelopment.

▶ Laurie Lagarde

Laurie examines occupier requirements and the current investment market.

▶ Ian Worboys

Ian introduces his new company, what it stands for and where it is heading.

▶ Neil Campbell

Neil explains that the transaction market has picked up, indicating there are more buyers in the market.

▶ Ingo Steves

Ingo gives his views on repricing and expected yield compression in the coming months.

▶ Petra Blazkova

Petra discusses her company's 'Paths of Distribution' research into micro locations across Europe.



'We're willing to take on development risks with existing leases, which sets us apart from many investors'

Neil Campbell, Union Investment

pect, creating greater efficiencies,' he said. Van der Waals believes that ESG improvements can lead to lower operating costs and increased customer satisfaction, resulting in greater customer retention and stickiness, which positively affects the overall return on the investment.

Lagarde believes that ESG is a crucial factor for both investors and occupiers in Europe, which has more regulatory requirements compared to other regions of the world.

Blazkova expressed conviction that ESG is not just a trend but essential for future-proofing assets in line with investor and occupier demand. 'Energy efficiency measures, such as installing PV panels, are relatively low-hanging fruit for ESG improvements,' she said.

Swiss Life Asset Managers is also committed to ESG and 'believes that ESG investments are not only ethical but also financially sound', remarked Steves.

These views were echoed by Campbell, who added that ESG is becoming increasingly important for both inves-

tors and tenants, although the issue is driven by landlords and, in some cases, by banks. Commenting on the issue of future power choices for the logistics sector, he said he expected a combination of electric and hydrogen power sources to emerge, although the choice will depend on the occupier.

US VERSUS EUROPE

The panellists also examined differences between the European and US logistics markets, concluding that Europe is not experiencing the same level of demand softening as across the Atlantic – demonstrating its relative stability.

For Steves, the European logistics market is quite distinct from the US market, with different supply dynamics, so 'you need to compare apple to apple and pear to pear', he stressed.

While rental growth has slowed in Europe, Lagarde pointed out that demand for logistics space remains strong and that some rental growth continues, albeit at lower levels compared to the previous two to three years.

In Blazkova's opinion, rental growth in Europe continues to outpace inflation, while there is less excess supply compared to the US. 'So, we are a long way away from facing the same challenges as the US. Logistics is outperforming for us,' she said.

A comparison between Europe and the US is 'not fully justified', according to Campbell. While some European markets may be experiencing localised oversupply, overall demand remains strong and the long-term outlook remains optimistic, he concluded. ■

LaSalle identifies top logistics locations in Europe

The Paths of Distribution study enables logistics locations to be compared at a micro, country and pan-European level, based on a range of different factors

Paris and the surrounding Île-de-France region are the top micro-locations for efficient logistics distribution in Europe, according to new research from LaSalle Investment Management.

The Paths of Distribution study considered over 150,000 micro-locations across the UK and EU, scoring them on factors like manufacturing output, consumer spending, infrastructure, and labour costs. It also took into account the location of Amazon warehouses and analysed data from REITs and other real estate databases.

Presenting the findings at PropertyEU's logistics event, Petra Blazkova, Europe head of core and core-plus research and strategy at LaSalle Investment Management, pointed out that the data provides valuable insights for investors seeking the most efficient and attractive logistics locations with the greatest potential for long-term rental growth.

One of the unique aspects of the analysis, she said, is the focus on micro-locations, pinpointing specific areas within cities that offer the greatest potential for growth and investment. For example in Paris, areas around Charles de Gaulle airport and the eastern part of the city were identified as particularly strong.

The strong Northern European ports and airport hubs, key gateways for global trade, feature in the top 20 list of regional markets. Unsurprisingly, the Netherlands is the strongest-performing country overall, thanks to its strategic location and access to major European markets. Rotterdam places second in the ranking of regional markets, while Amsterdam, especially the area around Schiphol Airport and the southern ring, and the North Brabant region (including Breda and Tilburg) also make it into the top 20.

Despite recent repricing, Germany takes second place with five high-scoring logistics markets in the top 20, all in the west, led by trade hub Frankfurt-Mainz (second only to Paris) and the Rhine-Ruhr region. The country's robust performance was due to its strong manufacturing base and transportation network in the northwest.



'While location and demand drivers are essential, choosing a location involves many factors. Asset type, size, parking share, and office space share vary depending on the city'

Petra Blazkova, LaSalle IM

The UK is the third-best performing country, with Greater London a top five-ranked market, while other top 20 regions such as the West and East Midlands, North-West and Kent also offer attractive opportunities.

The study also highlights the growing importance of the Veneto-Verona corridor in Italy, and certain areas of Poland, such as the Katowice-Krakow corridor and Lodz, all seen as strong logistics hubs. These locations have benefited from investments in infrastructure and labour availability, leading to increased demand for logistics services.

According to Blazkova, Milan and the Veneto-Verona corridor performed surprisingly well, outstripping some Spanish cities. 'While location and demand drivers are essential, choosing a location involves many factors. Asset type, size, parking share, and office space share vary depending on the city. Urban logistics centres like Paris and Lon-

Top 20 logistics markets

- 1  Paris / Île-de-France
- 2  Rotterdam
- 3  Frankfurt-Mainz
- 4  Milan
- 5  Greater London
- 6  Rhine-Ruhr
- 7  Antwerp
- 8  West Midlands
- 9  Madrid
- 10  Dortmund
- 11  Amsterdam
- 12  East Midlands
- 13  Stuttgart
- 14  North West (Manchester)
- 15  North Brabant (Breda-Tilburg)
- 16  Karlsruhe-Mannheim corridor
- 17  Brussels
- 18  Veneto-Verona corridor
- 19  Kent
- 20  Barcelona

don have different requirements to transportation hubs like Rotterdam or Frankfurt. Emerging locations, such as certain Polish cities, are growing in importance due to their proximity to Germany and other European markets,' she added.

Blazkova singled out Venlo in the Netherlands for its limited growth potential due to factors like population and labour availability. 'It's been so established and so developed that you cannot really grow it anymore.' Barcelona is facing similar challenges. 'The city cannot really grow that much as the population is centralising and you need that efficient network for it to work,' she explained. Blazkova concluded that the analysis is crucial for understanding the current state of the logistics sector, especially in terms of resilience and cost efficiency. 'This granular data helps us make informed decisions about location and future rental growth. With rising energy prices and supply chain disruptions, understanding location-related cost efficiency is more important than ever.'