

Macro Quarterly

Q1 2025

Published on: April 1, 2025

Q1 2025 macro review

Domestic and international politics are shifting the economic narrative

Both new and familiar faces to center stage



President Trump signs a series of executive orders at the White House.
January 20th, 2025
Credit: Jabin Botsford /The Washington Post via Getty Images

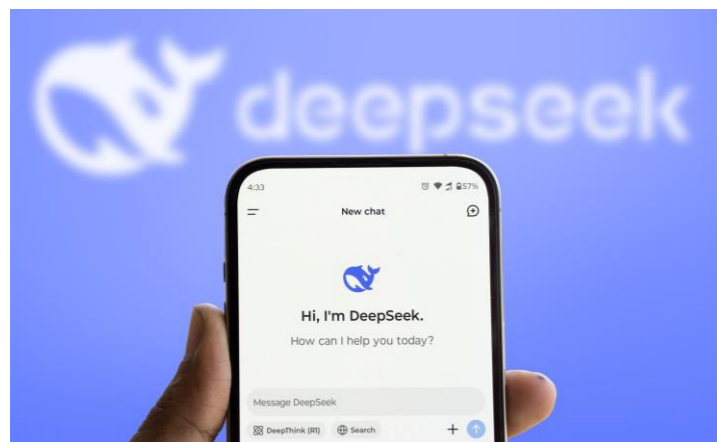


US President Donald Trump and Vice President JD Vance meet with Ukrainian President Volodymyr Zelensky in the Oval Office
February 28th, 2025
Credit: Andrew Harnik / GETTY IMAGES NORTH AMERICA/AFP



Leader of the Christian Democratic Union (CDU) Friedrich Merz, speaks to the Bundestag to support the easing of the debt brake.
March 21st, 2025
Credit: Imago/Alamy Stock Photo

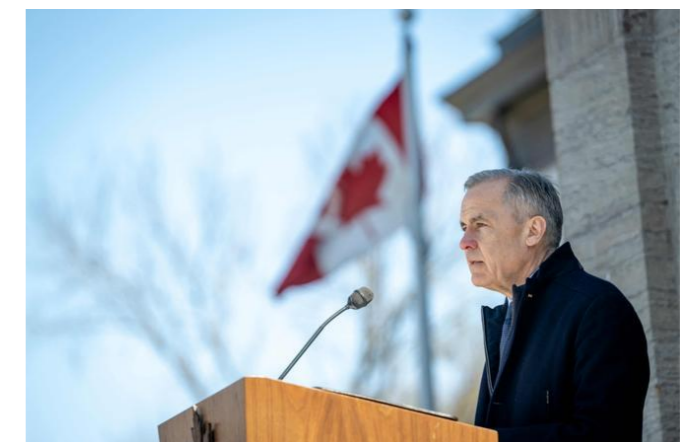
Past and present central bankers making moves



Chinese startup DeepSeek disrupts the AI industry with the launch of its cost effective ChatGPT-like model.
January 27th, 2025
Credit: Mojahid Mottakin/stock.adobe.com



Michele Bullock delivered her first rate cut of her tenure as the Reserve Bank of Australia governor.
February 18th, 2025
Credit: Getty



Canadian Prime Minister Mark Carney calls for a snap election to take place on April 28th.
March 23rd, 2025
Credit: ANDREJ IVANOV / AFP

Q1 2025 quotes

Tariffs and trade policy uncertainty

“There were three changes in 24 hours affecting us as a North American auto supplier, and that’s a little bit disconcerting...We can’t guess what or how or who at the moment. It’s like a whipsaw.”

– Jeff Aznavorian, president of Clips & Clamps Industries, March 7th, 2025

“We will now assess this announcement, together with other measures the US is envisaging in the next days...The EU will continue to seek negotiated solutions, while safeguarding its economic interests”

– Ursula von der Leyen, president of the European Commission reacting to potential auto-sector tariffs, March 26th, 2025

Monetary policy and inflation

RBA: “We cannot declare victory on inflation yet”

– RBA governor Michele Bullock after announcing Australia’s first interest rate cut since 2020, February 18th, 2025

Japan: “[I]t is our judgement at present that Japan has not overcome deflation”

– Japan Finance Minister Katsunobu Kato in an interview with the Financial Times, March 24th, 2025

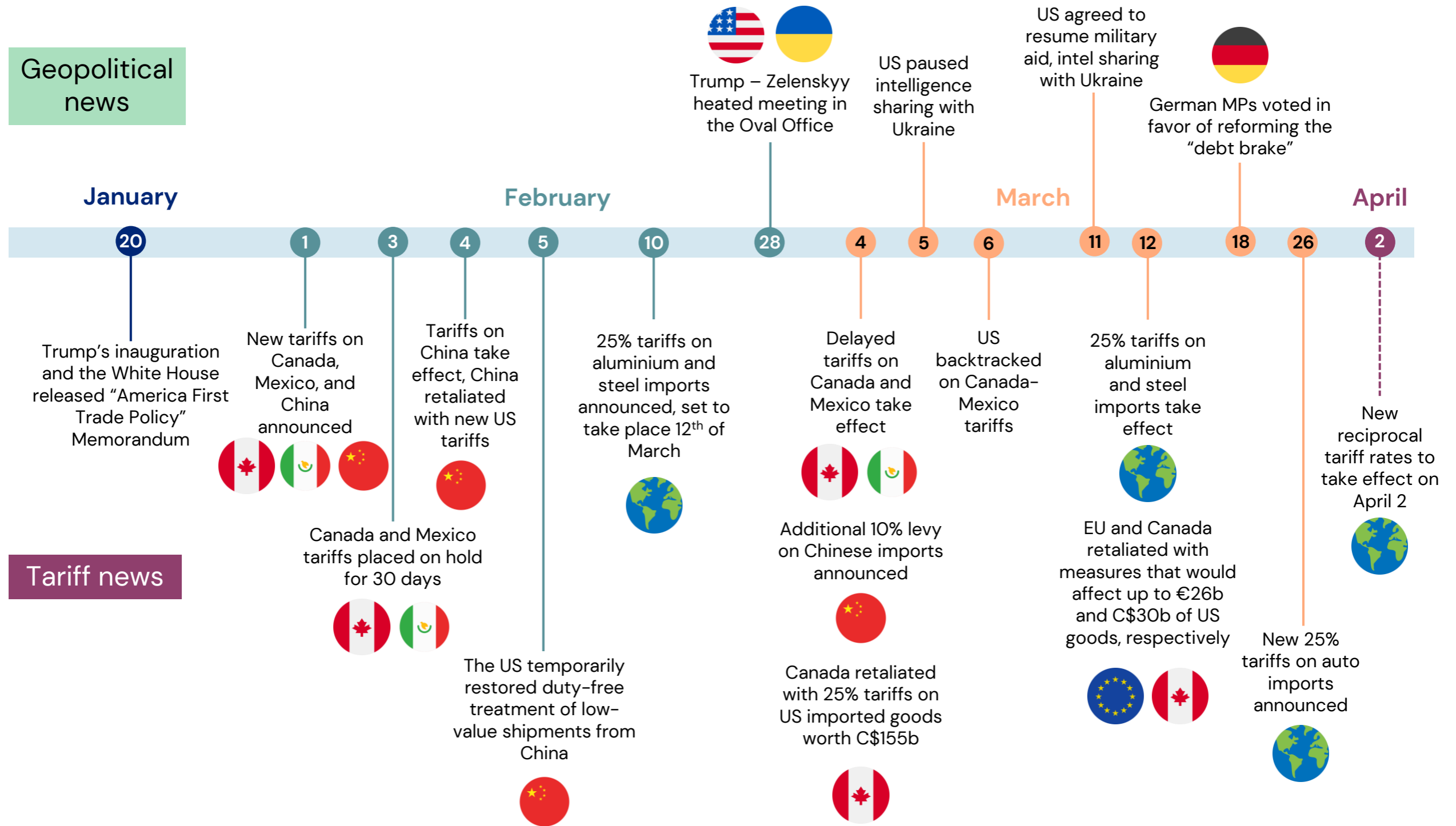
Defence spending

Germany: “In view of the threats to our freedom and peace on our continent, the rule for our defence now has to be ‘whatever it takes’”

– Friedrich Merz, Germany’s likely next chancellor, after announcing a political deal to boost the countries defence and infrastructure spending, March 5th, 2025

US tariff/geopolitics timeline for 2025

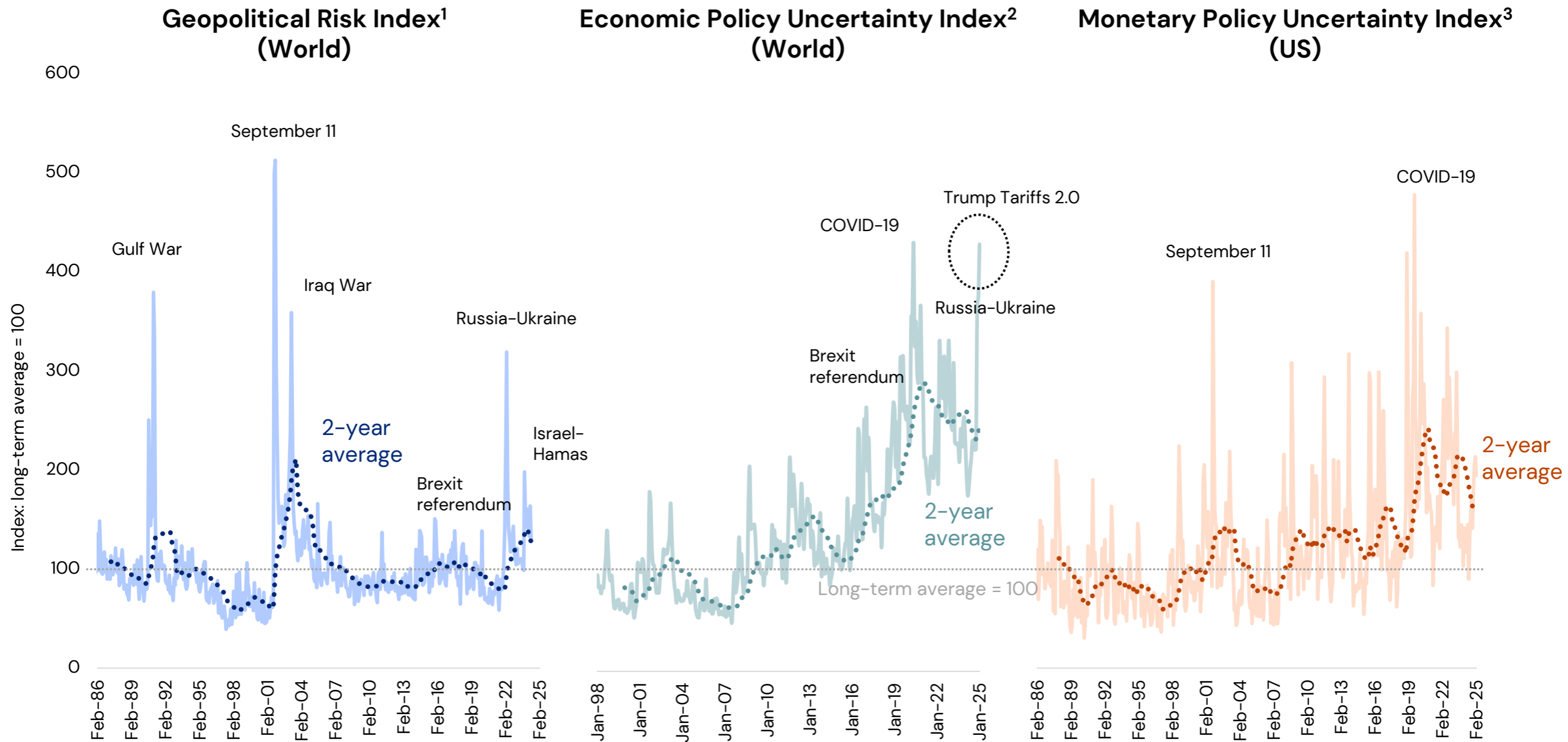
A busy quarter for potentially impactful news



Source: Various news outlets such as FT, as of March 31, 2025.

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Economic policy uncertainty spiked on tariff uncertainty



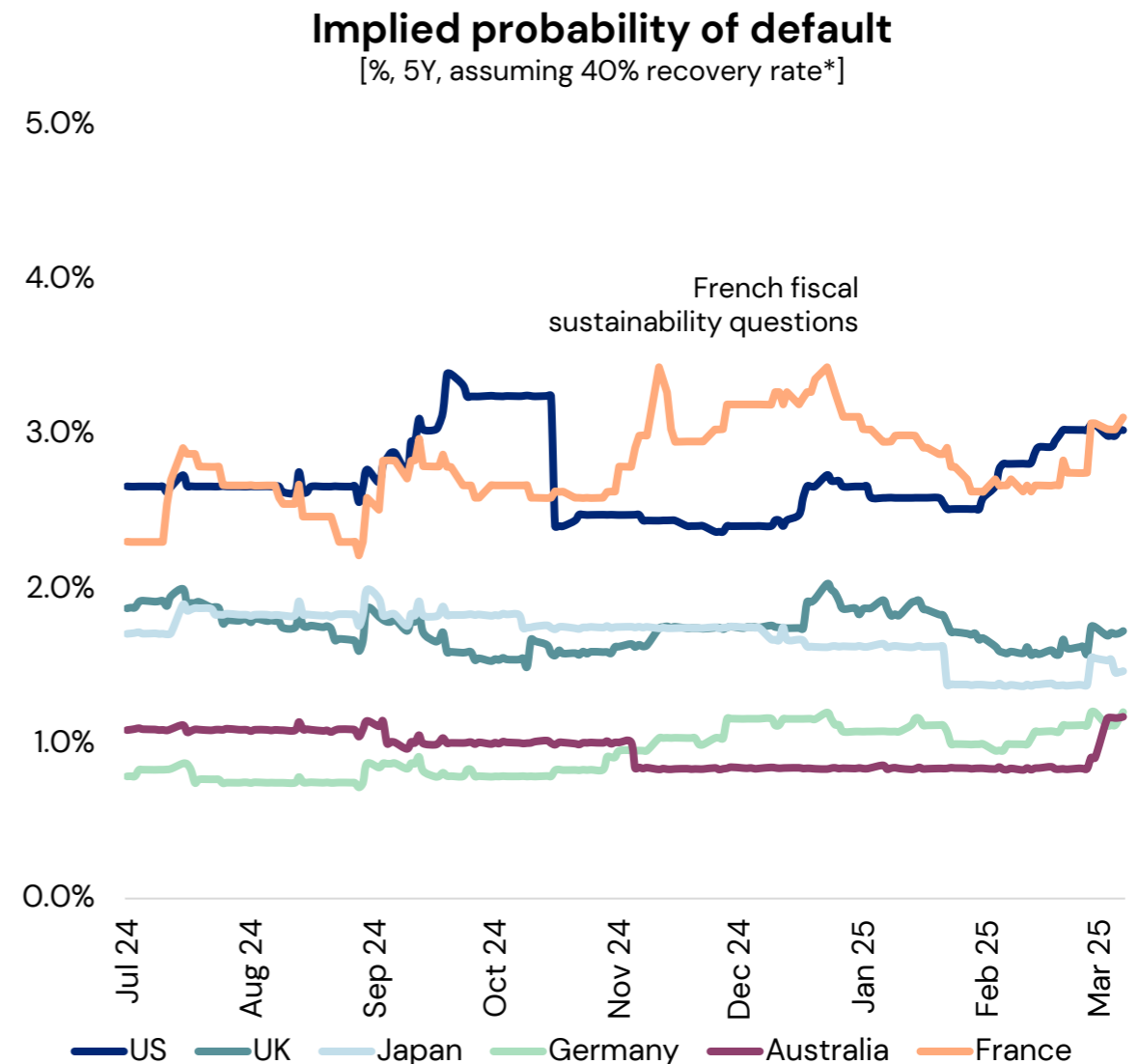
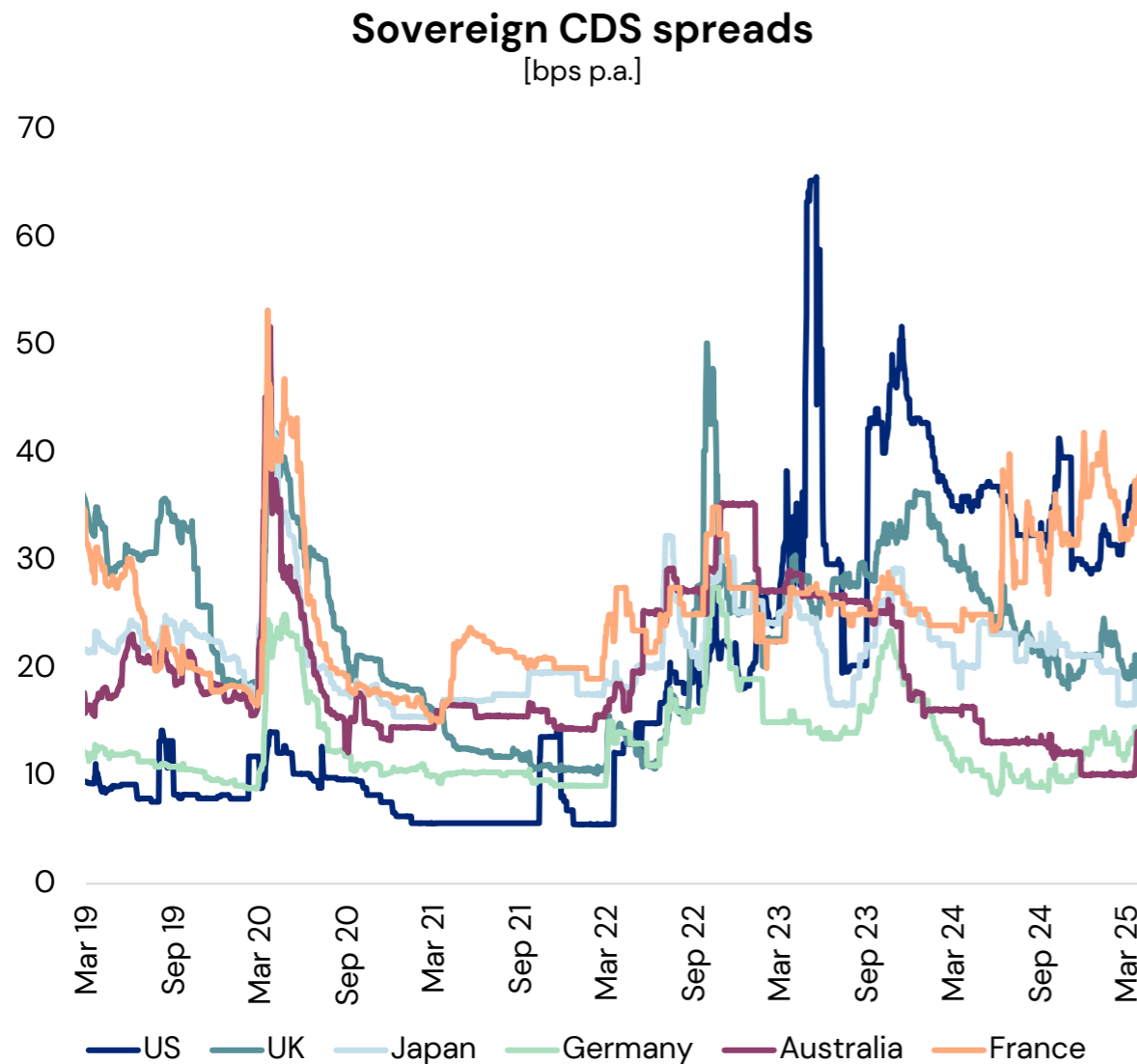
¹Measure of adverse geopolitical events based on a tally of newspaper articles covering geopolitical tensions and examine its evolution and economic effects. The search is organized in eight categories: War Threats (Category 1), Peace Threats (Category 2), Military Buildups (Category 3), Nuclear Threats (Category 4), Terror Threats (Category 5), Beginning of War (Category 6), Escalation of War (Category 7), Terror Acts (Category 8). ²EPU Index is a GDP-weighted average of national EPU indices for 21 countries and reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U). ³Baker-Bloom-Davis US Monetary Policy Uncertainty index is constructed as scaled frequency counts of newspaper articles that discuss monetary policy uncertainty.

Source: Baker, Bloom and Davis (www.policyuncertainty.com) (02/25)

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US CDS spreads imply higher default probability

French default probability has eased since snap election



Credit default swap (CDS) spreads reflect the cost of insurance against sovereign default. The US has had a few government shutdown scares, driving the CDS spreads higher.

The analysis above calculates the implied sovereign probability of default using similar assumptions across markets. Questions around the French fiscal sustainability had subsided but most recently are renewed, alongside the US.

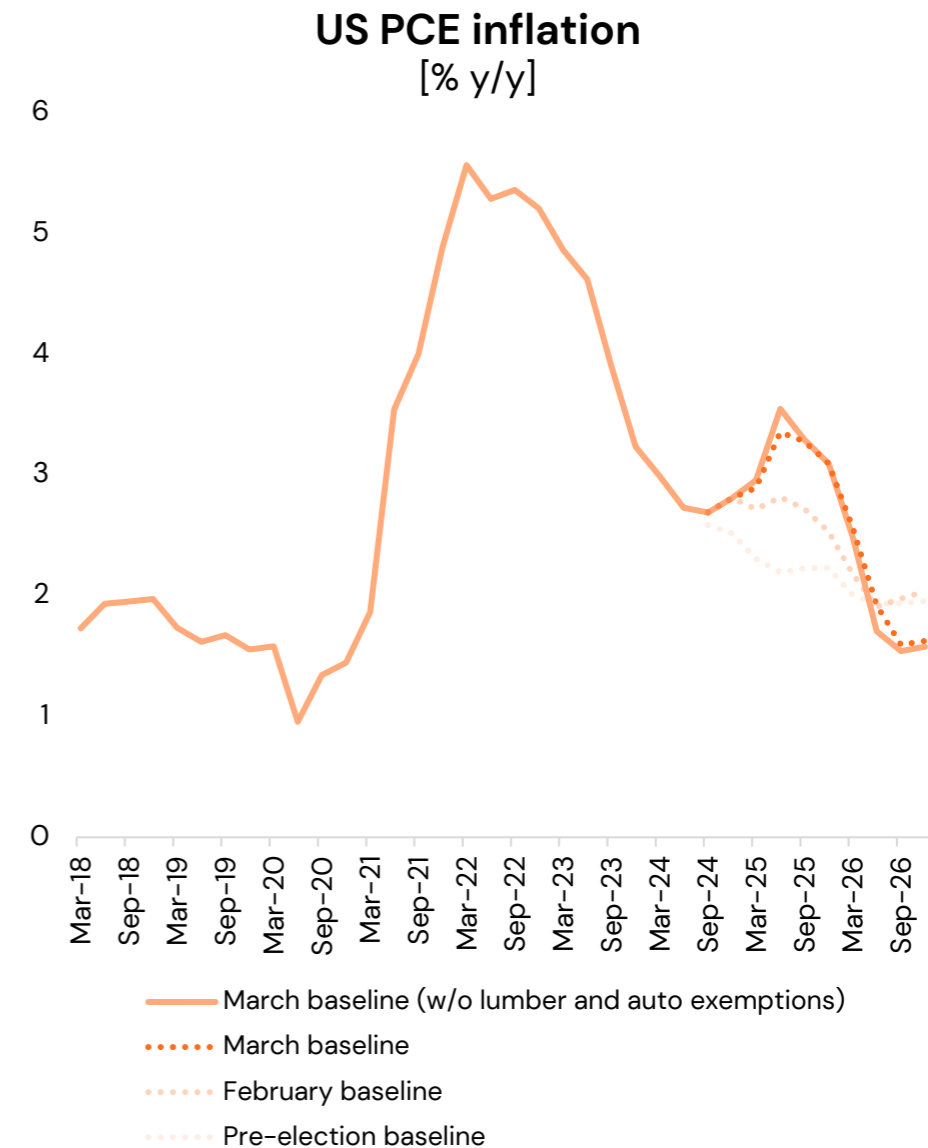
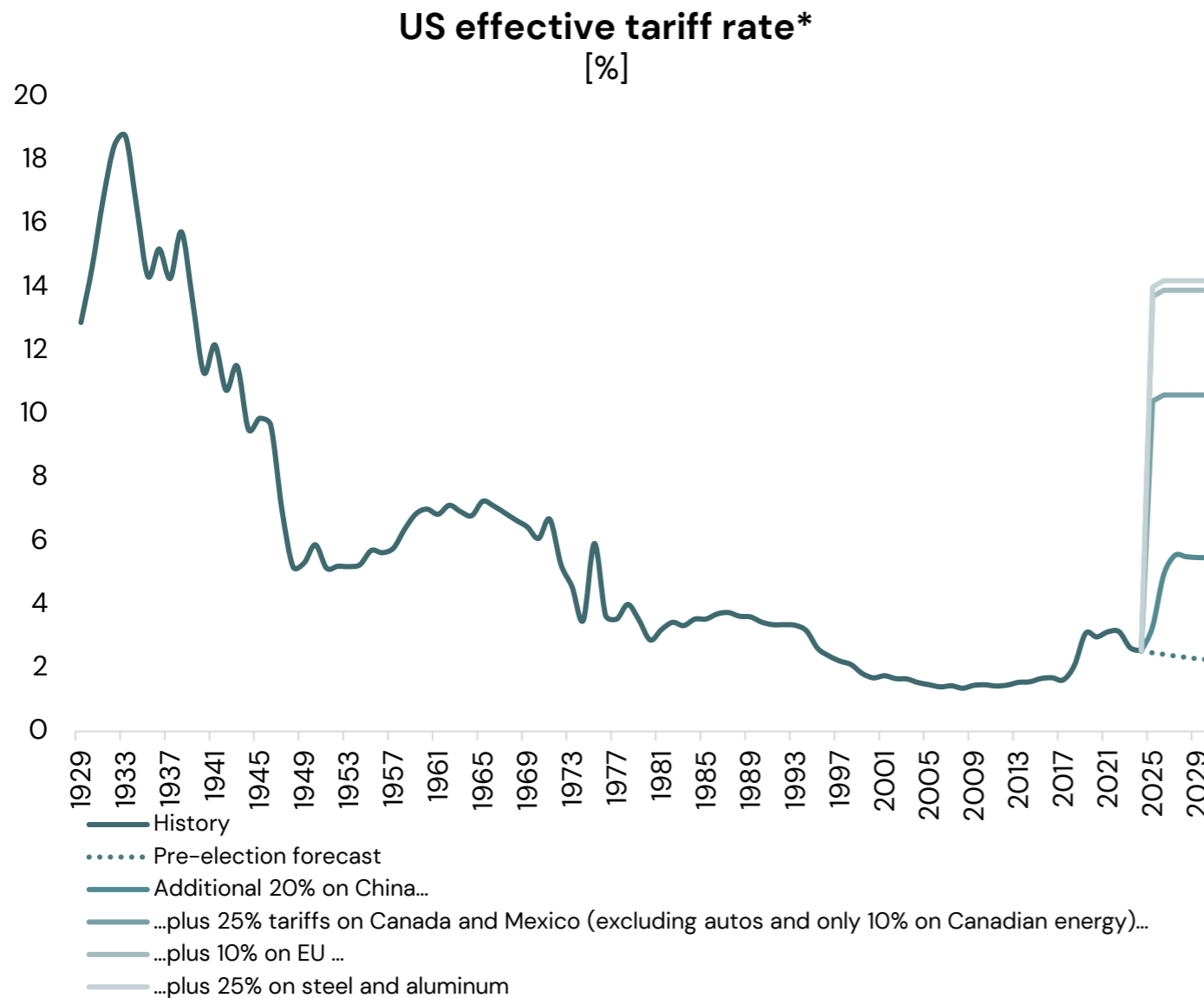
*40% is the market convention assumption for this type of analysis. A higher recovery ratio would lead to higher implied probabilities of default.

Source: Bloomberg, Refinitiv, LaSalle Global Solutions Portwatch, LaSalle calculations as of March 31, 2025.

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US tariffs may reach levels unseen since the 70s

Inflation forecasts point to higher inflation in the short term but a “one-time” hit



US trade policy liberalised consistently since the 1930s with a falling tariff burden on imports. Helped by the WTO accession of China, US effective tariff rates hovered below 2% since the turn of the millennium. That said, the first Trump presidency marked a turning point in direction. President Trump’s second term has marked another upward shift in the likely path for tariffs. The exact form and level that these tariffs may take remains unclear. Their impact is expected to be inflationary over the short-term, and more inflationary under more stringent tariff scenarios. That said, even in the more severe scenarios, inflation rate is expected to ease back in the medium term.

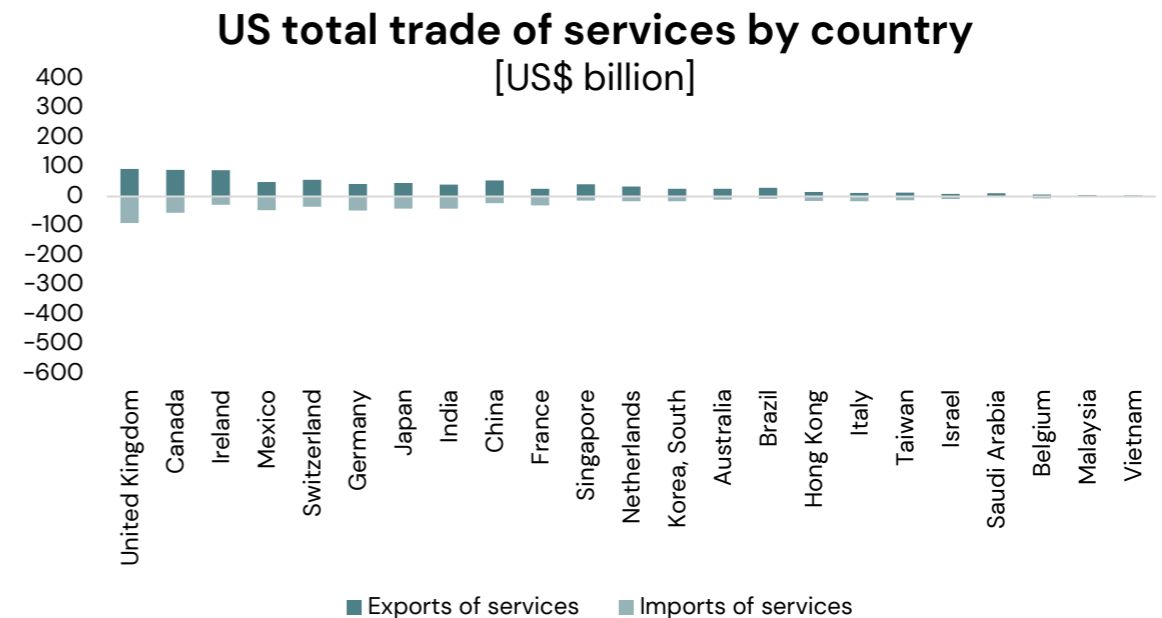
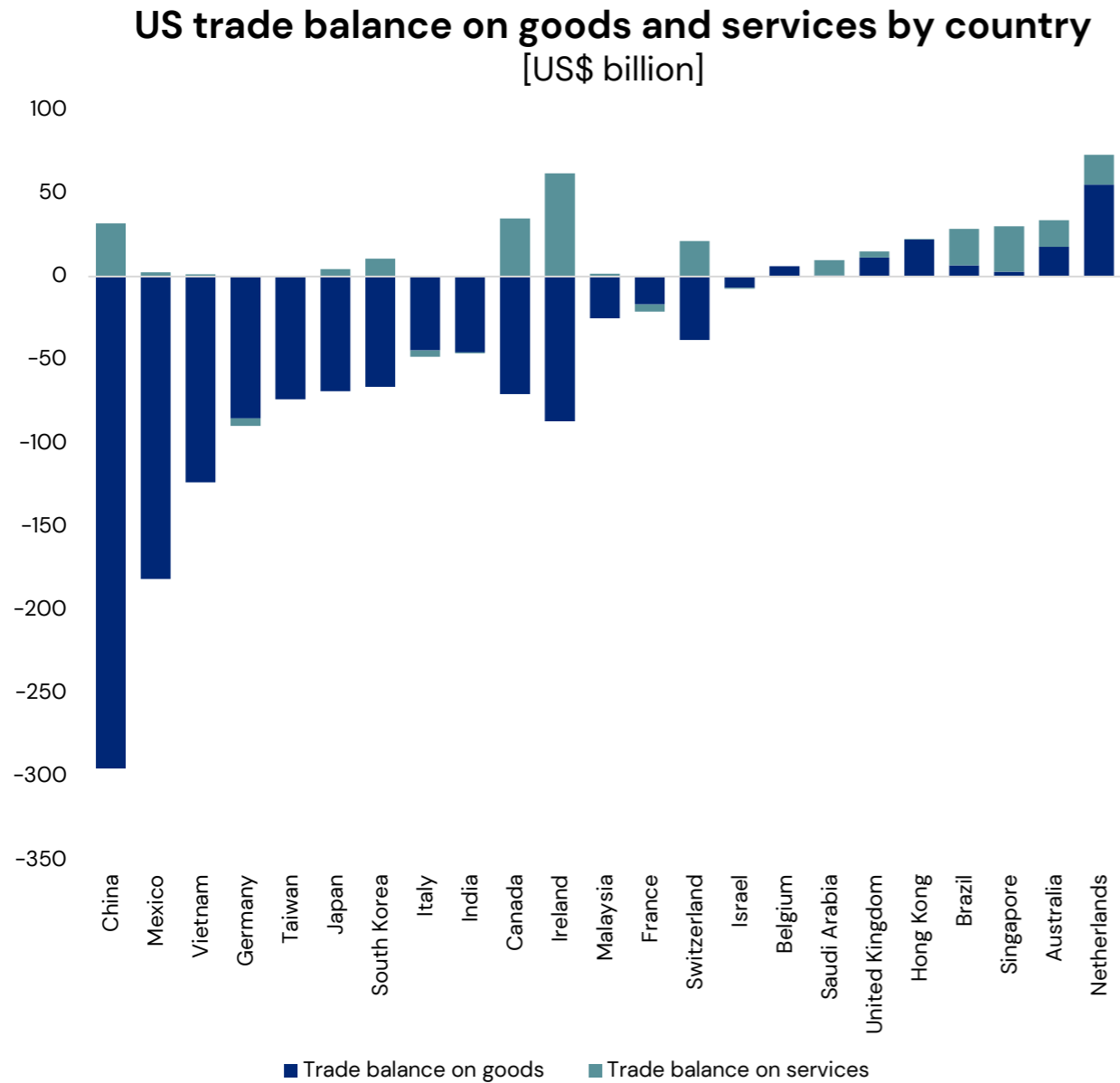
*Effective tariff rate = (Sum of (Individual product tariff rate * Import value of that product)) / (Sum of import values of all products)

Source: Oxford Economics, data as of March 6th 2025

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US trade balance skewed towards goods

Total trade in goods deeply linked to major tariff targets like Mexico, Canada and China



Tariffs have so far been President Trump's main tool in seeking to address the US trade deficit. Exports in goods are much more susceptible to the imposition of tariffs, whereas services are less exposed (and make up an important fraction of total trade). In addition, the US administration has been very focused on bilateral trade deficits meaning that countries like China and Mexico may be the most at risk.

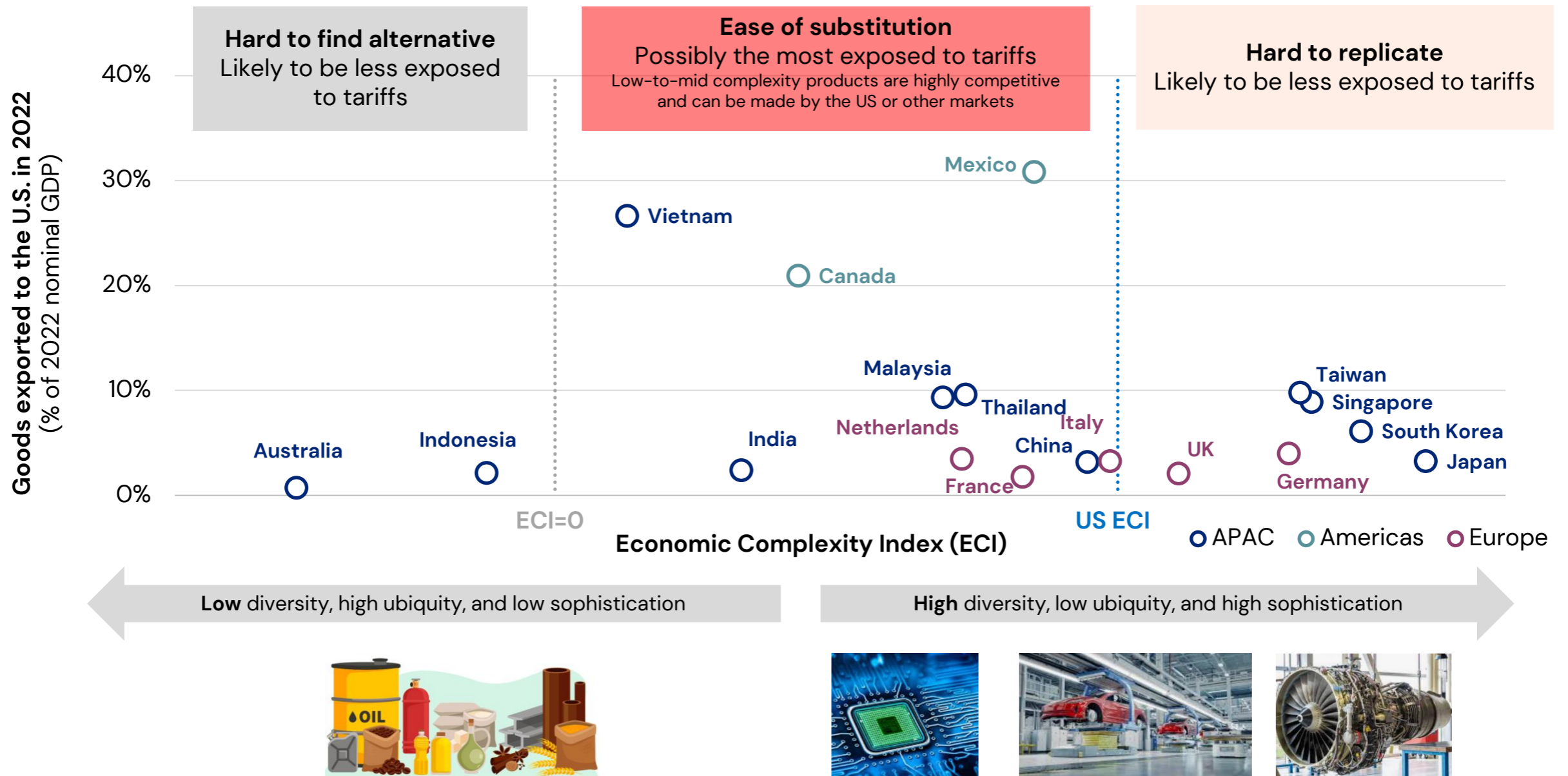
Source: U.S. Bureau of Economic Analysis. Data through 4Q 2024. Latest available as of March 31, 2025

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Not all countries are heavily exposed to tariffs

The ease or difficulty of substitution of exports varies across countries

U.S. tariffs affect exporters differently based on ease of substitution and reliance on U.S. demand



Note: The Harvard Growth Lab's Atlas of Economic Complexity index (ECI) measures how advanced a country's economy is by scoring its ability to produce a wide variety of complex goods for export. Using global trade data, it ranks countries based on how diverse (i.e., how many products a country can make?) and sophisticated (i.e., how difficult is it to make these products?) their products are. This reflects their economic knowledge and potential for future growth.

Source: The Harvard Growth Lab (ECI), World Integrated Trade Solution (goods exported to the U.S.), Oxford Economics (nominal GDP), as of 2022.

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An empirical study on the impact of the past trade war on China's logistics market

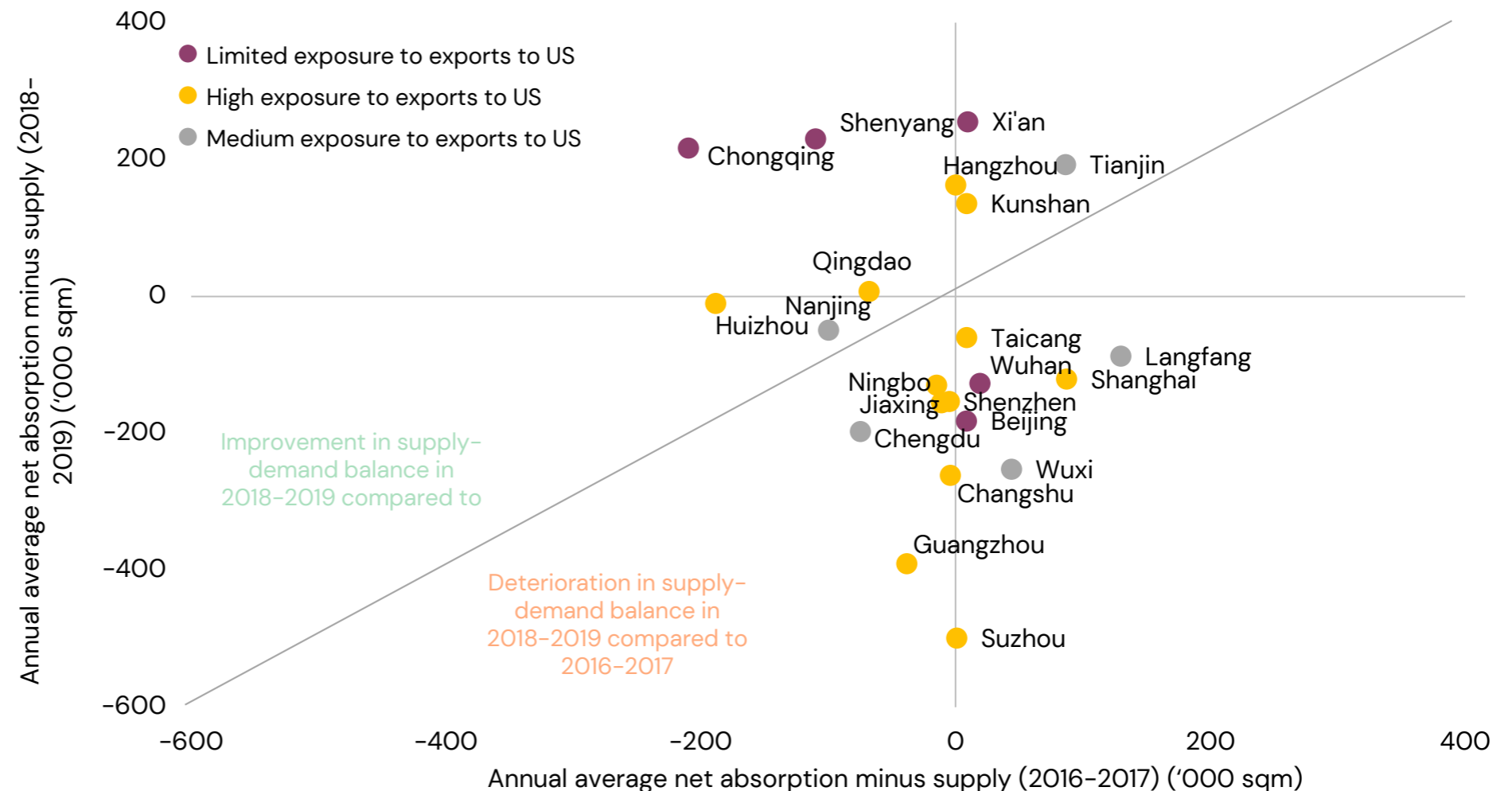
Methodology:

Step 1: Identify sectors most vulnerable to higher tariffs (vulnerable sectors)

Step 2: Label logistics markets based on their exposure to vulnerable sectors

Step 3: Compare the demand supply dynamics of logistics markets before and during the trade war

Logistics supply and demand balance in Chinese cities before and after introduction of US tariffs during first Trump presidency



Although the final timing, quantum and focus of US tariffs on China is unknown today, the past can be instructive in thinking about their potential impact. There was some evidence of the negative impact of the past trade war on logistics demand in China. 11 out of 17 markets with high or medium exposure to vulnerable sectors experienced a deterioration in the supply-demand balance in 2018-2019 compared to 2016-2017.

Note: The annual average net absorption (2016-2017) for Taicang and Huizhou is the net absorption in 2016 only. Historical data is not available for Dongguan and Foshan prior to 2019, Jinhua prior to 2020 and Jiangmen prior to 2021.

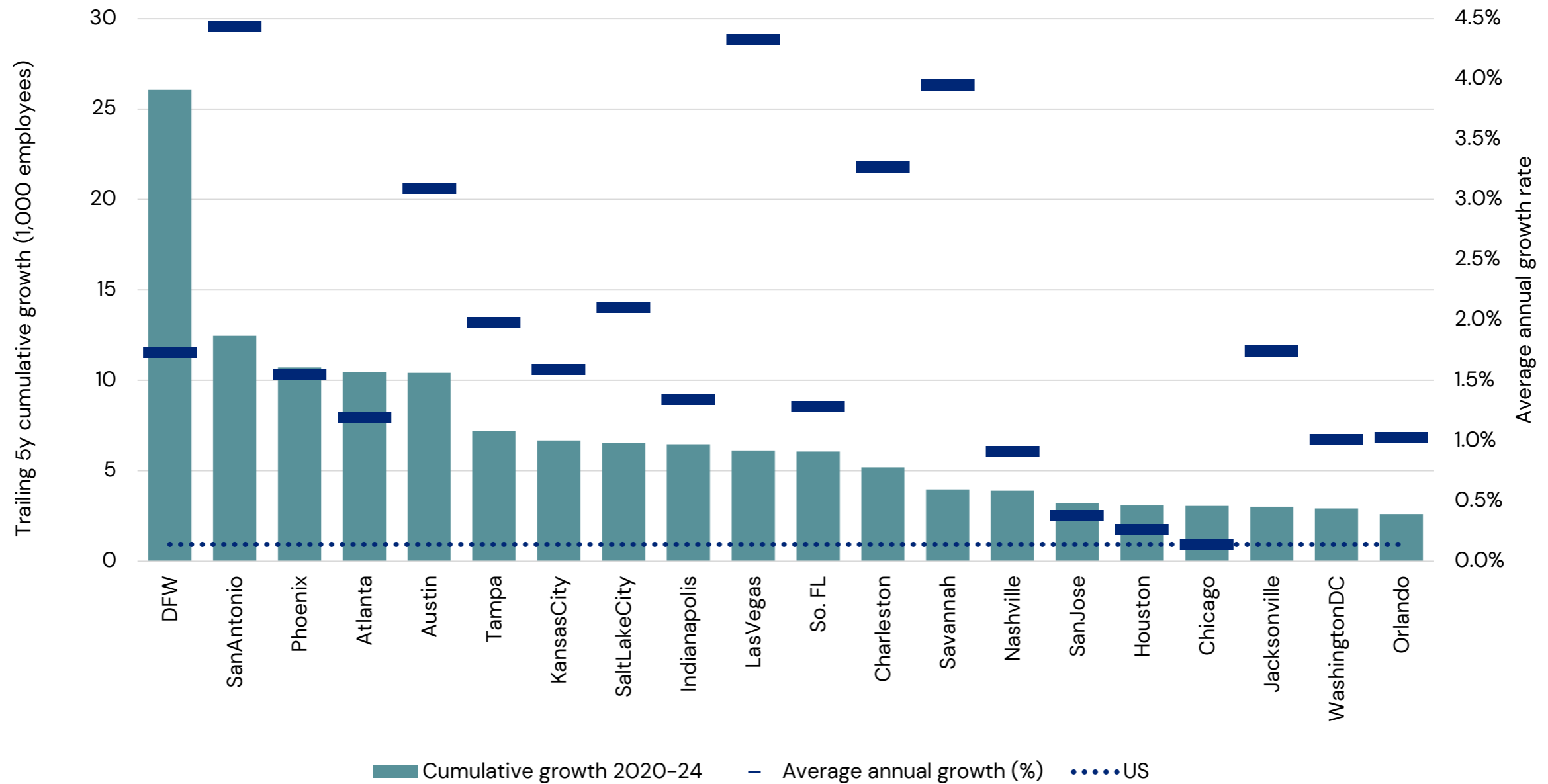
Source: JLL REIS, as of Q4 2024.

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US Sunbelt markets are key beneficiaries of manufacturing sector growth

Manufacturing is an important added driver of industrial space demand

US top manufacturing employment growth markets¹ (2020–24)



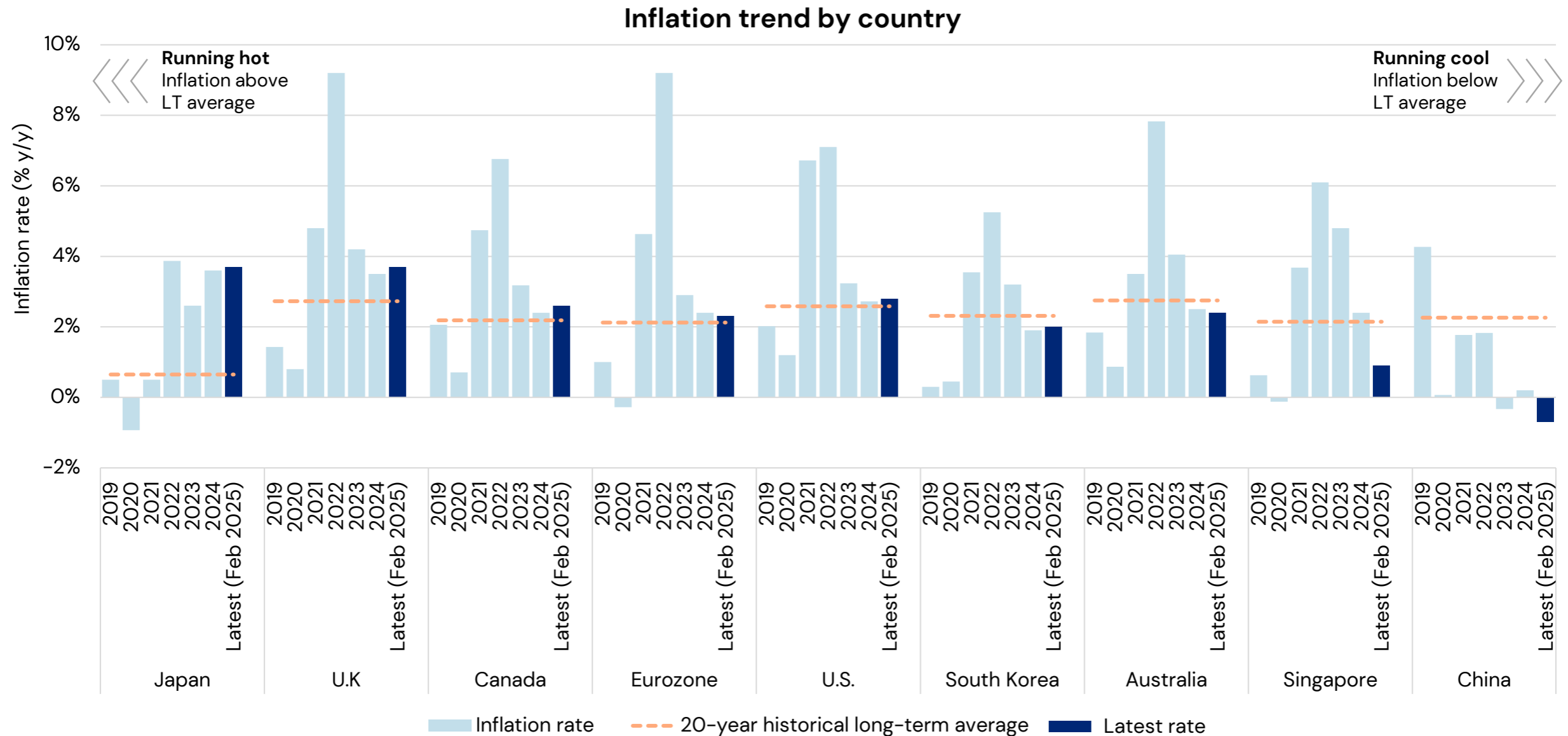
¹ Top 20 US metro markets with the most cumulative manufacturing employment growth by employee count in 2020–2024 (5yr).

Source: Oxford Economics. As of February 2025.

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Inflation data continues to cool, with stickiness

Inflation still above long-term average for majority of countries, Japan and China big exceptions



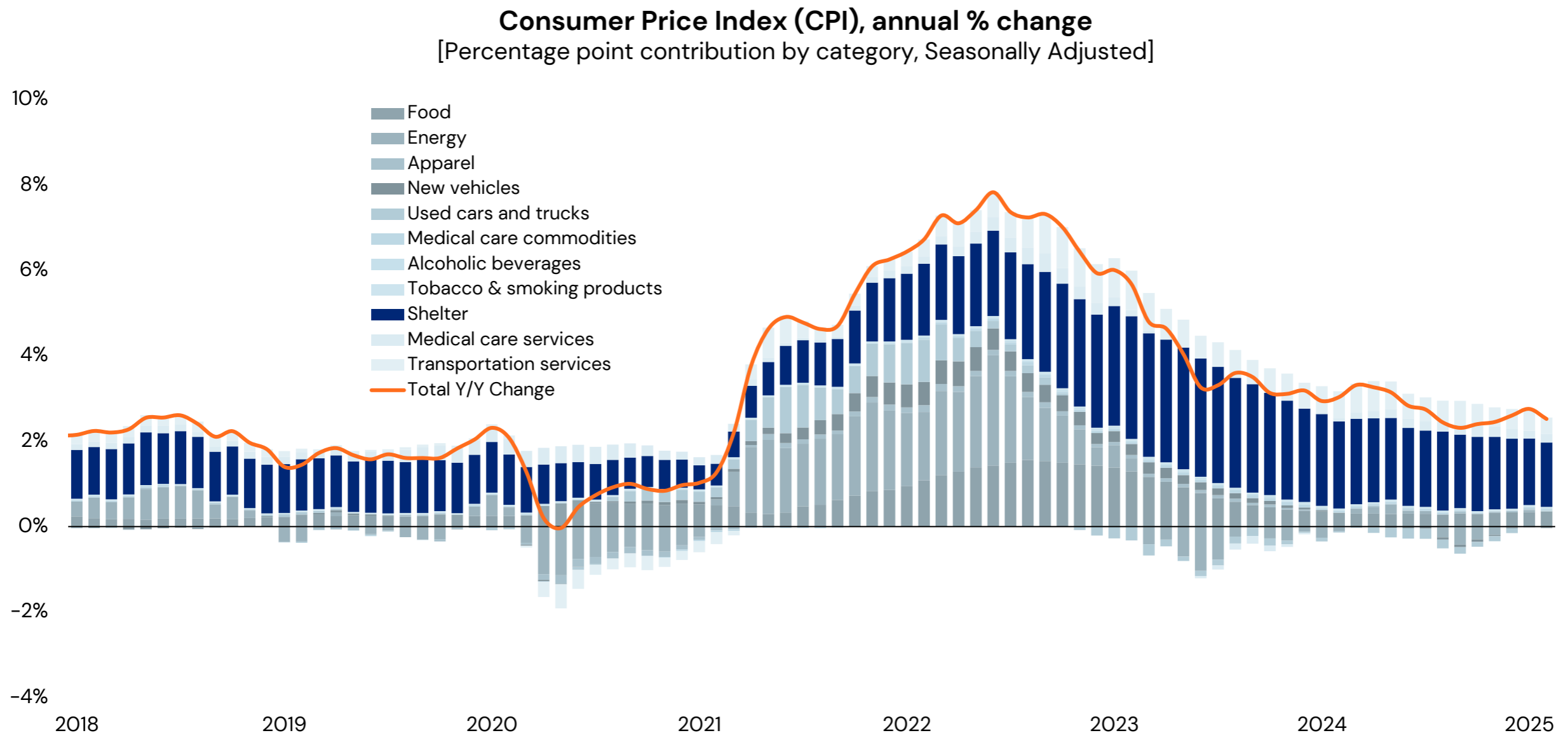
Year-over-year inflation remains above its 20-year average in several major markets, with the exceptions of China, South Korea, Singapore and Australia. US inflation stood at 2.8% Y/Y in February 2025. UK inflation (including all housing costs) picked up to 3.7% Y/Y in February. The Eurozone inflation has remained sticky at 2.6% Y/Y in February 2025.

Note: 20-year historical long term average inflation rate is the average quarterly inflation rate from Q1 2005 to Q4 2024.

Source: Oxford Economics; latest monthly data from Australia Bureau of Statistics (Australia), Eurostat (Eurozone), Singapore Department of Statistics (Singapore), Statistical Bureau (Japan), Statistics Korea (South Korea), National Bureau of Statistics (China), Statistics Canada (Canada), Office for National Statistics (UK), US Bureau of Labor Statistics (US). Latest data available as of March 31, 2025. No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

US inflation eases in February, but still elevated

Shelter remains the biggest driver of CPI, comprising half of the monthly increase.



The US CPI in February rose +2.8% y/y, again slowing from its recent record growth pace. Shelter remains the primary driver of total inflation increasing contributing almost 150 bps to the total, well-above its long-term average of 115 bps.

Source: Economy.com. Historical data through February 2025 and last updated in March 2025.

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Input prices like Brent crude oil down YTD

OPEC+ extends oil output cuts by more than 4 million barrels per day until June 2026

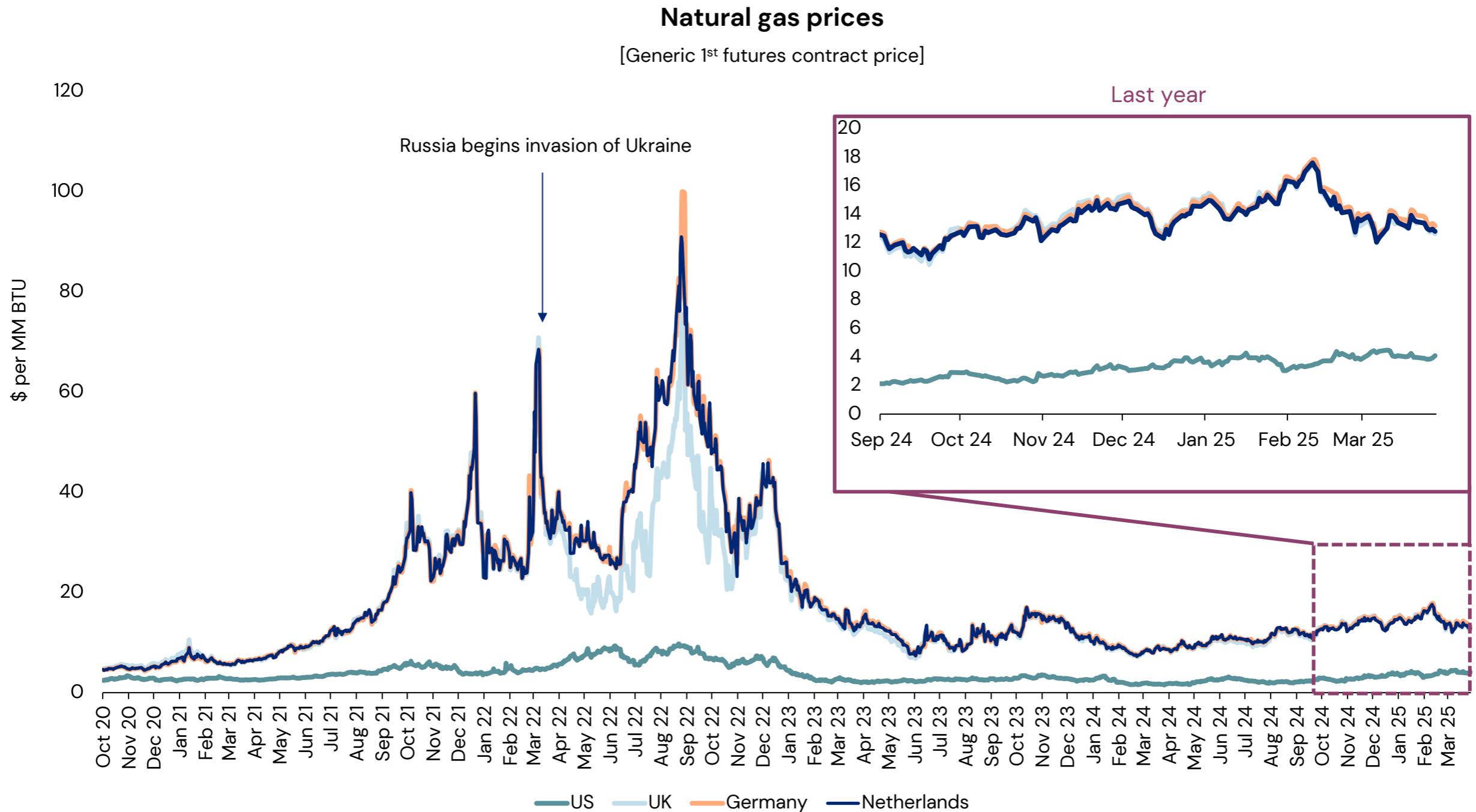


Source: AAA, New York Mercantile Exchange and Intercontinental Exchange data via Refinitiv and Bloomberg. As of March 31, 2025.

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European natural gas prices on an upward trend with summer refill season approaching

The European Commission proposes to extend gas storage filling goals until 2027



Source: LaSalle analysis of New York Mercantile Exchange and Intercontinental Exchange data via Refinitiv. Data as of March 28, 2025.

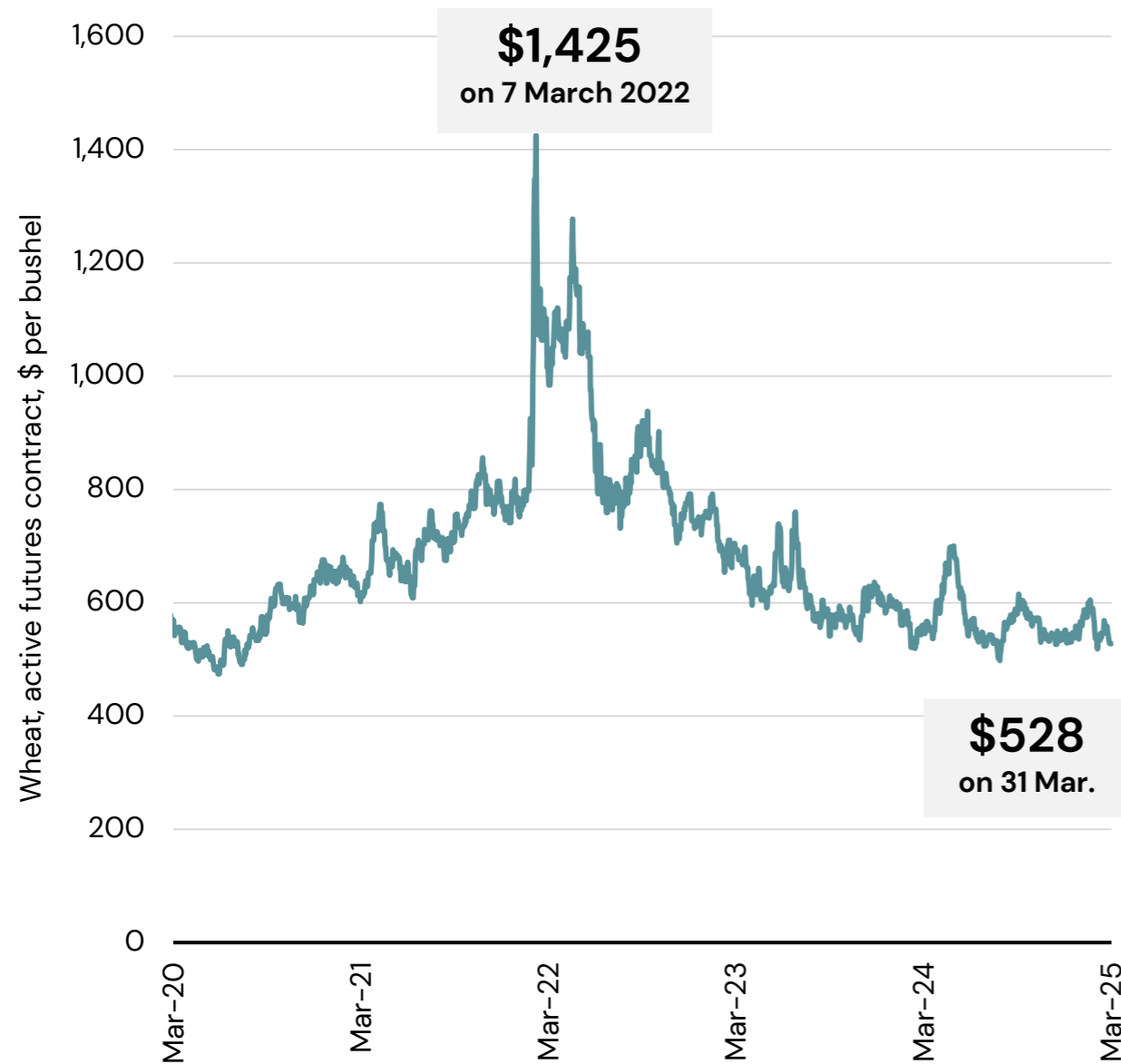
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Wheat futures down following Black Sea ceasefire

Other input prices like metals are quickly rising; up 10% YTD and 4% M/M

Wheat futures

Next month contract, Chicago Board of Trade



London metals exchange price index

Based on prices of copper, aluminium, tin, zinc, lead, and nickel



Source: Bloomberg. Wheat price and London Metals Index as of March 31, 2025. Latest data available as of March 31, 2025.

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Long-term break-even inflation trends up

Long-term inflation expectations up in Q1 across the board, particularly in Japan



Breakeven inflation rates rose from pandemic lows to about 3% at the end of April 2022. Since then – coinciding with more aggressive central bank action and slowing growth signals – long term inflation expectations have moved slightly lower. Japan breakeven rate hit 1.7% in June 2024, the highest rate recorded since 2014, before declining to 1.1% at the end of Q3 2024. Since then, it has trended back up to its medium-term high and has hovered around 1.6–1.7% since mid-January. The rate was 1.6% as of the end of March 2025.

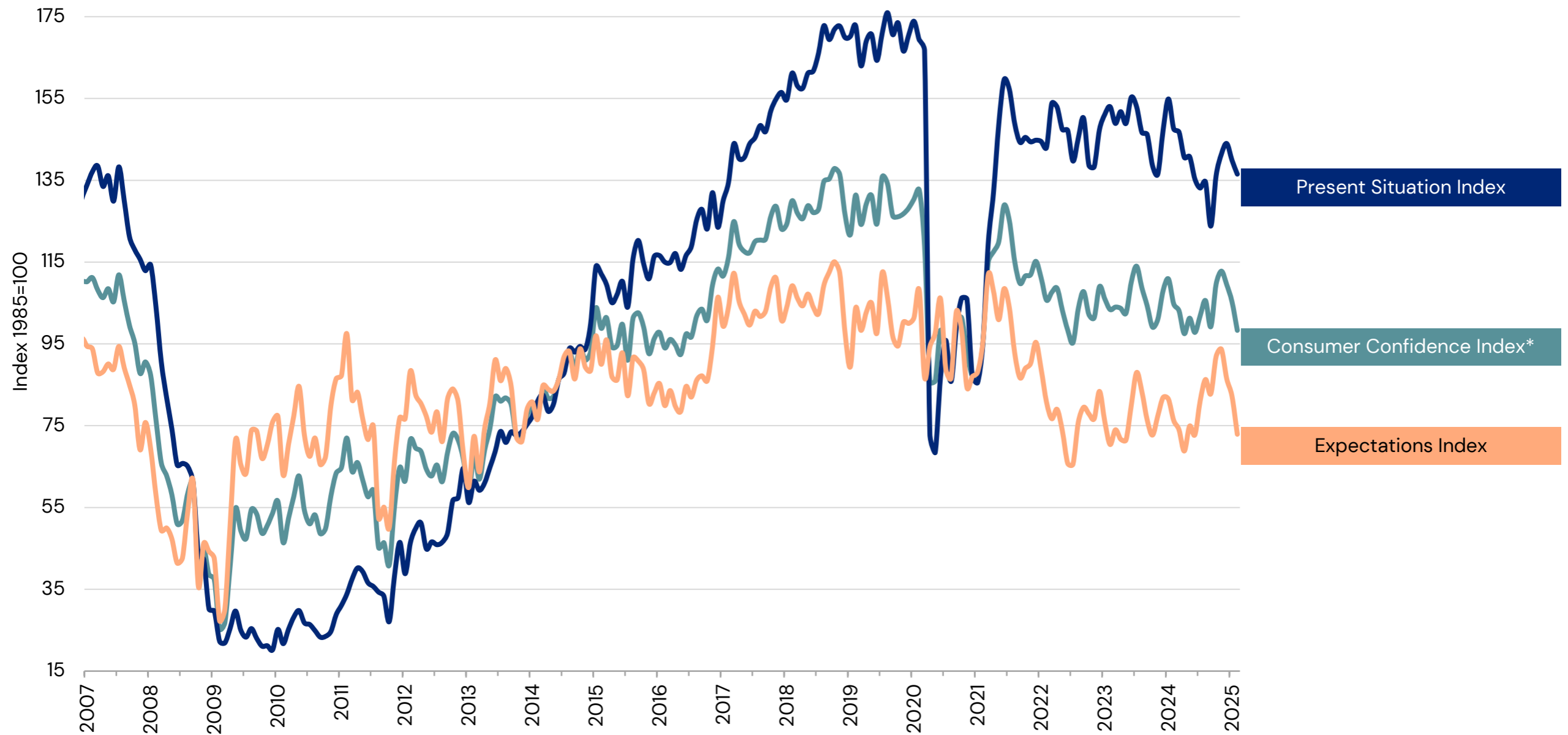
Source: Bloomberg. As of March 31, 2025.

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US consumer confidence declines YTD

Expectations index plummeted -4% y/y (-11% m/m), falling below the threshold typically signaling future recession

Conference board US consumer confidence



* Conference Board Consumer Confidence Index is based on equal weighted average of two Present Situation-related indexes and three Expectations-related indexes.

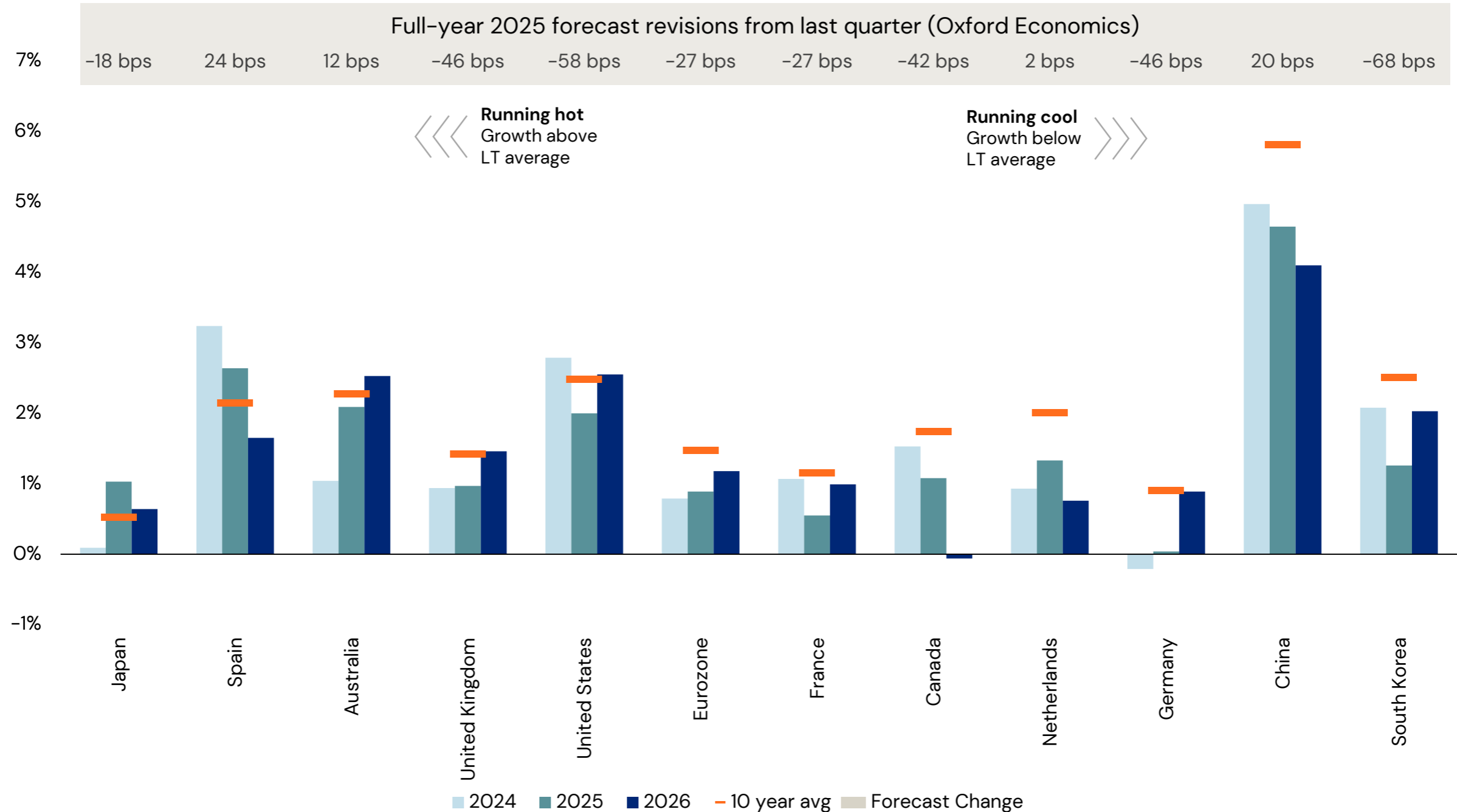
Source: Conference Board, Economy.com. Data as of February 2025.

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Subdued growth expected in 2025

Recovery expected for 2026 in Western Europe due to increased public investment activity

Oxford Economics global annual GDP forecasts



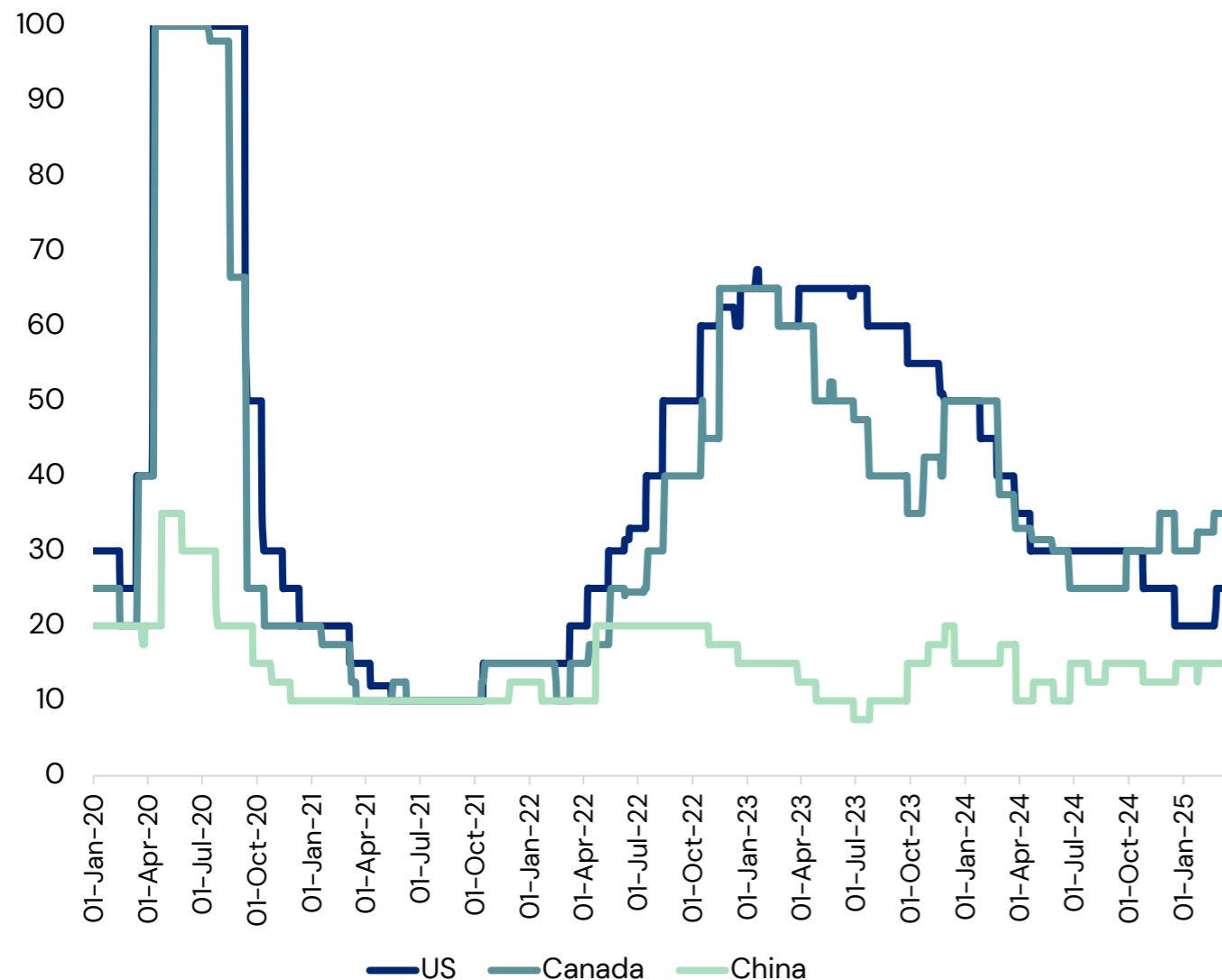
Aggregations above are based on Oxford Economics country classification: <https://services.oxfordeconomics.com/api/definitions/WDMacro/GlobalMacroEconomicDatabank.pdf>

Source: Oxford Economics Forecast most recent as of March 31, 2025

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Talk of a US recession has gathered momentum, and probability has increased (albeit modestly)

Recession probability over the next 12 months by country



The Big Question: is a US recession inevitable?

Trump's on-again, off-again trade war is creating market uncertainty and sending consumer confidence plummeting

Is the U.S. heading for a recession?

By Lauren Young

March 20, 2025 3:05 PM GMT · Updated 4 days ago



Stocks Plunge as Recession Talk Gets Louder

The S&P skidded 2.7 percent, amid investor fears that tit-for-tat tariffs could raise prices, slow the economy and sow uncertainty among businesses.

Recession risks are rising, economists say. Here's what to know.

Trump's tariffs touched off a stock market plunge in recent days.

The data above shows the median estimate of the recession probability for various countries over the next 12 months. These are based on a survey of conducted by Bloomberg. They highlight that there has been a small, but recent uptick in the US recession probability and a more consistent and marked uptick in Canadian probabilities.

Sources: Bloomberg data as at March 26, 2025 and headlines from Financial Times, Reuters, New York Times, ABC News

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Major changes to fiscal rules have shifted German growth forecasts

1) €500b Infrastructure fund over 10 years (~12% of GDP)

2) Debt brake does not apply to defence spending above 1% of GDP creating new fiscal room equal to 1% of GDP and likely targeting 3%–3.5% spend.

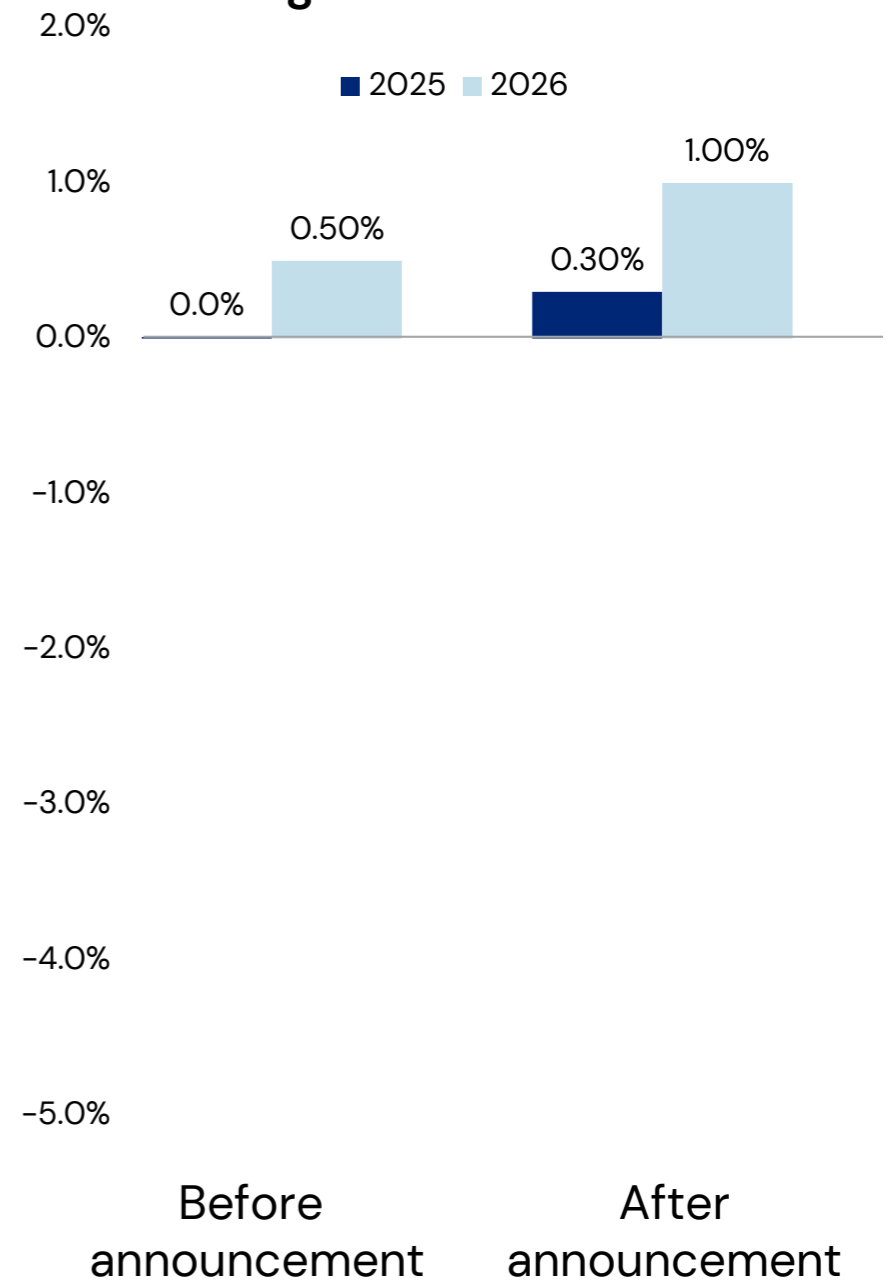
3) Länder can borrow up to 0.35% of GDP, which was previously zero

Overall stimulus = c. 2.5% of GDP p.a.

Deficit expected in 2026



Capital Economics GDP growth forecasts



Source: Capital Economics. Latest forecasts as of March 7, 2025.

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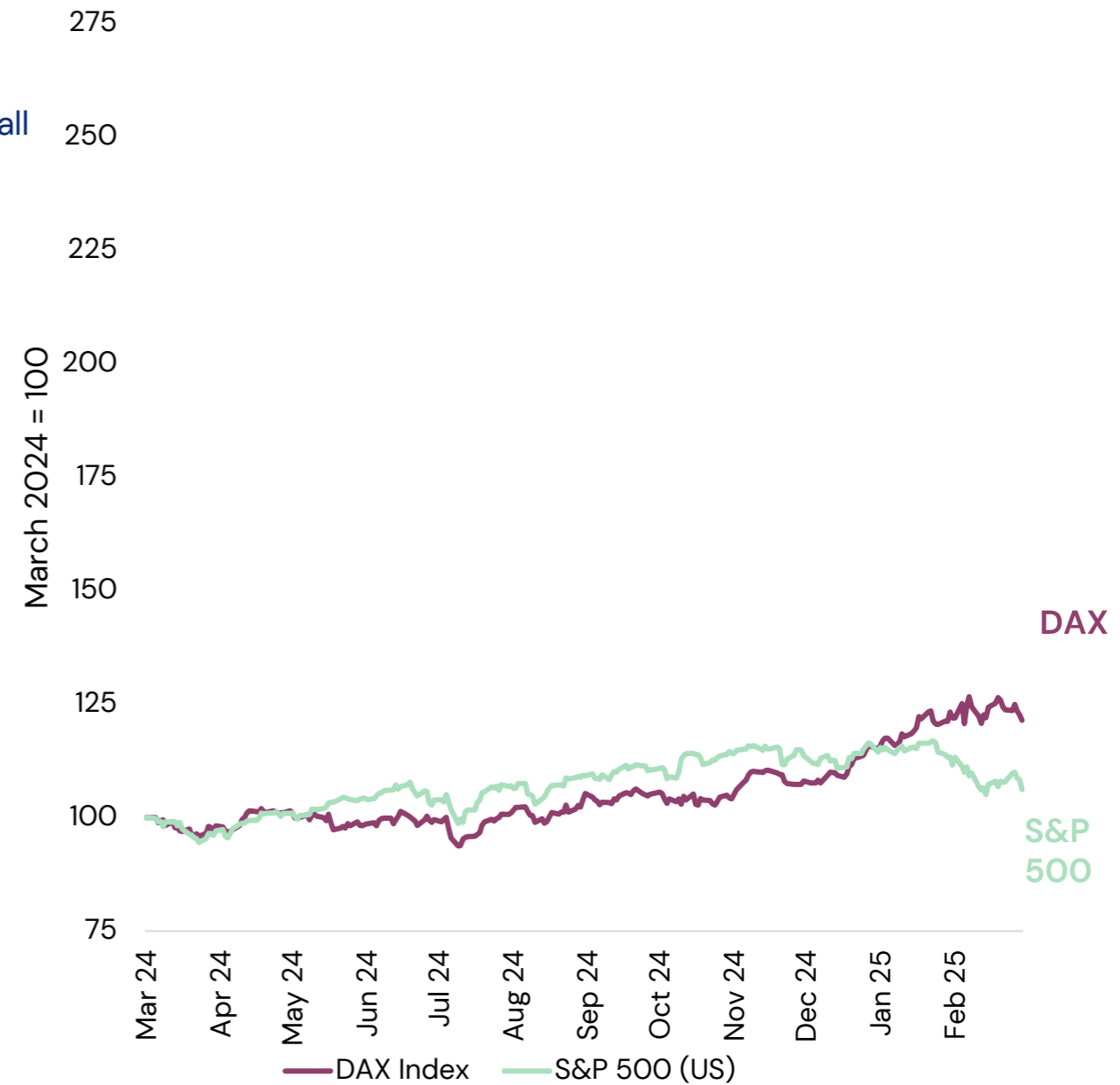
Spending plans drive European defense stocks

German stocks performance now outstripping US over the last 12 months

Defence stock price index
[100 = 6 March 2024]



Wider stock price index
[100 = 6 March 2024]



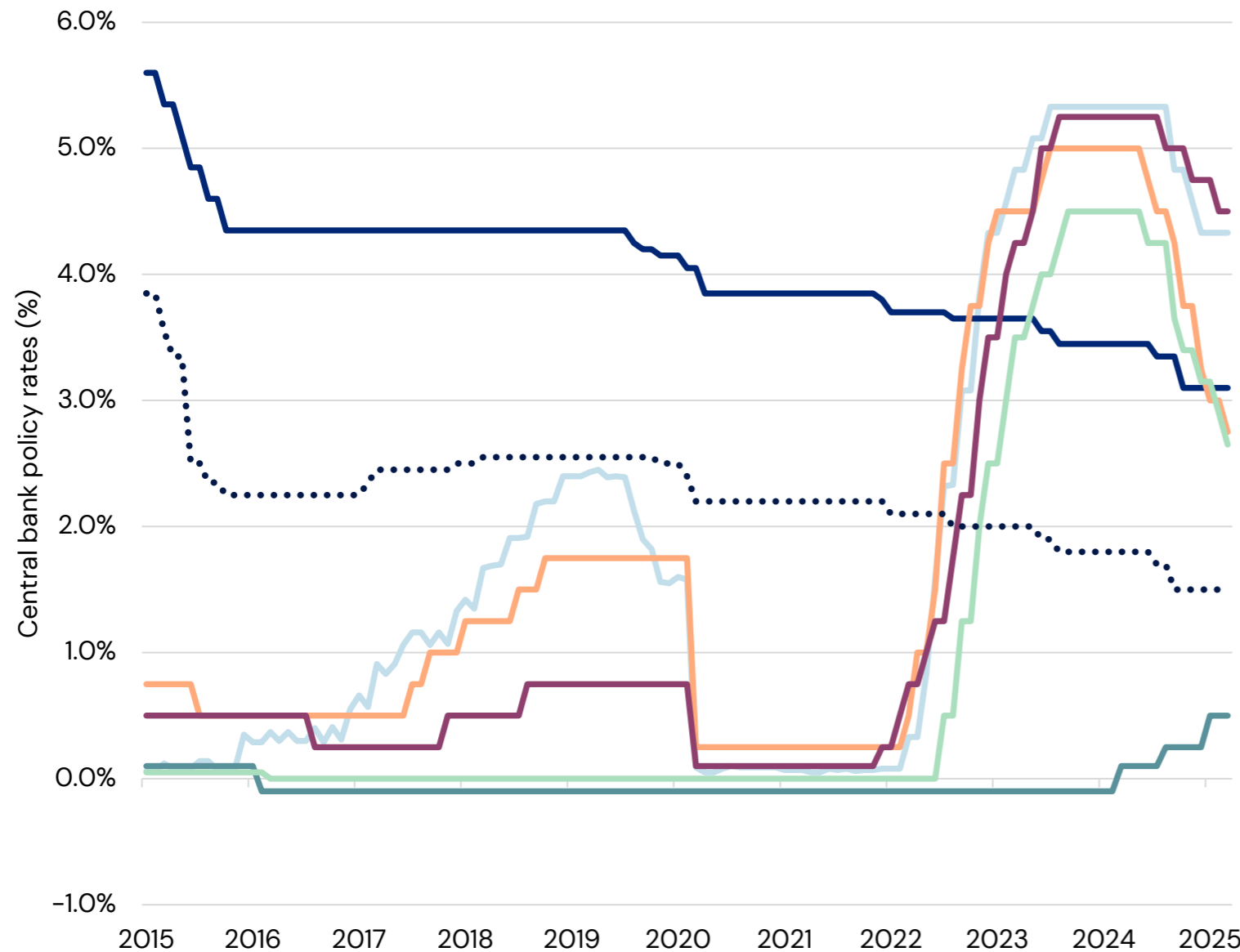
Source: LaSalle, Refinitiv. Data as of March 6, 2025.

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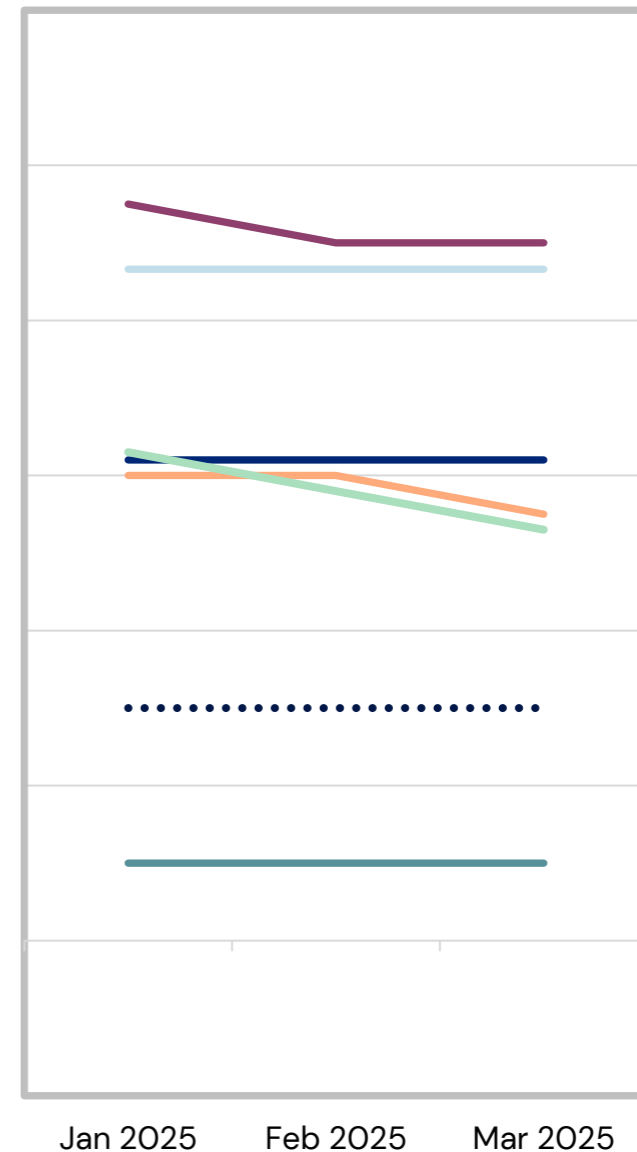
Bank of Japan holds rate steady at 0.5% amid trade uncertainty

Globally, central banks anticipate a slower and shallower rate-cutting trajectory in 2025

Central bank policy benchmark rates



Year-to-date



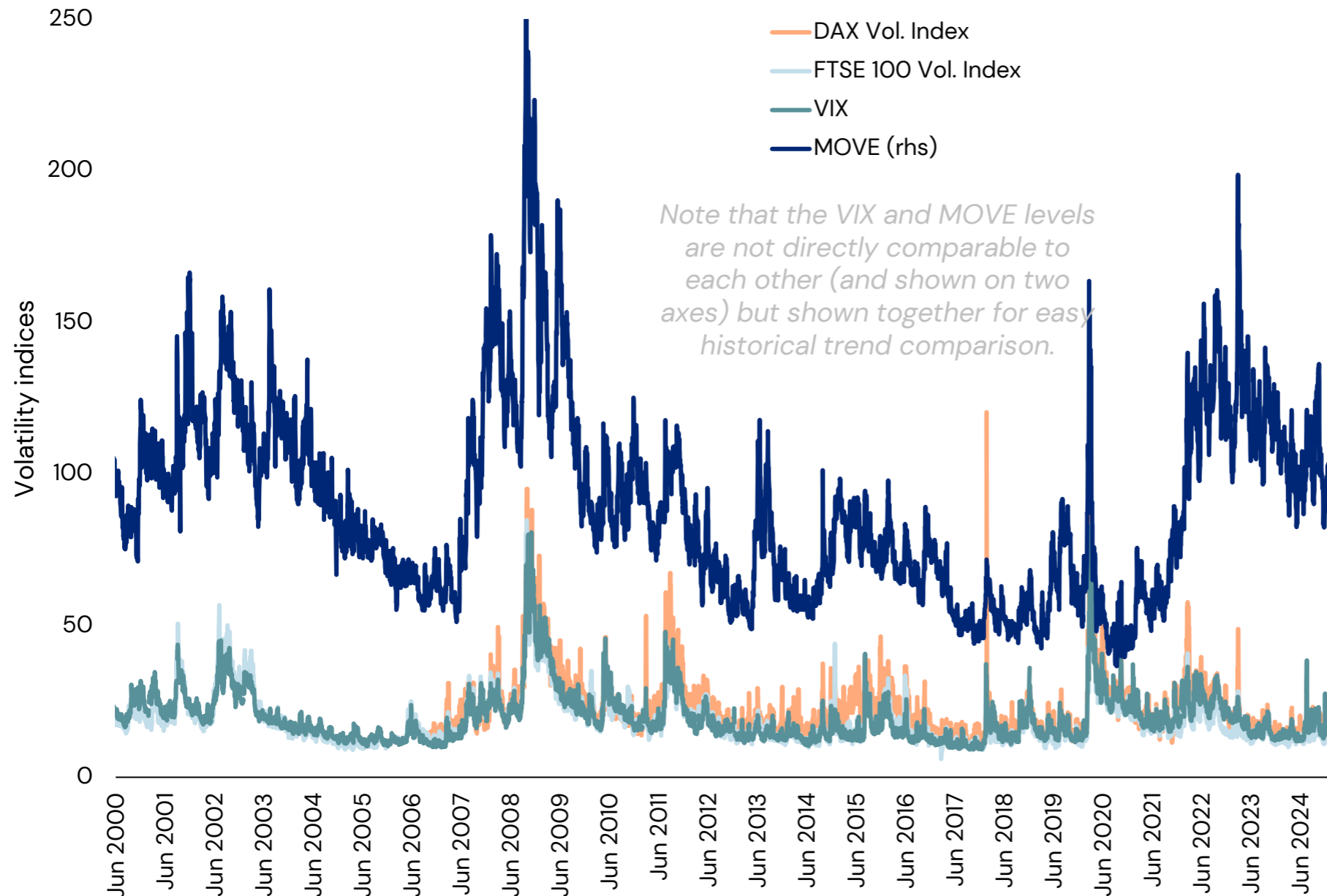
UK: 4.50%
 US: 4.33% (Eff.)¹
 China One Year Loan Prime Rate: 3.10%
 Canada: 2.75%
 ECB: 2.65%²
 China 7D Reverse Repo Rate: 1.50%
 Japan: 0.50%³

Notes 1. Effective Fed Funds rate shown rather than target range. 2. ECB main refinancing rate shown. 3. Negative interest rates in Japan apply to marginal increases to reserves. Japan cash rate / complementary Deposit Facility. Source: Refinitiv, central bank websites, LaSalle. Data as of March 31, 2025. No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

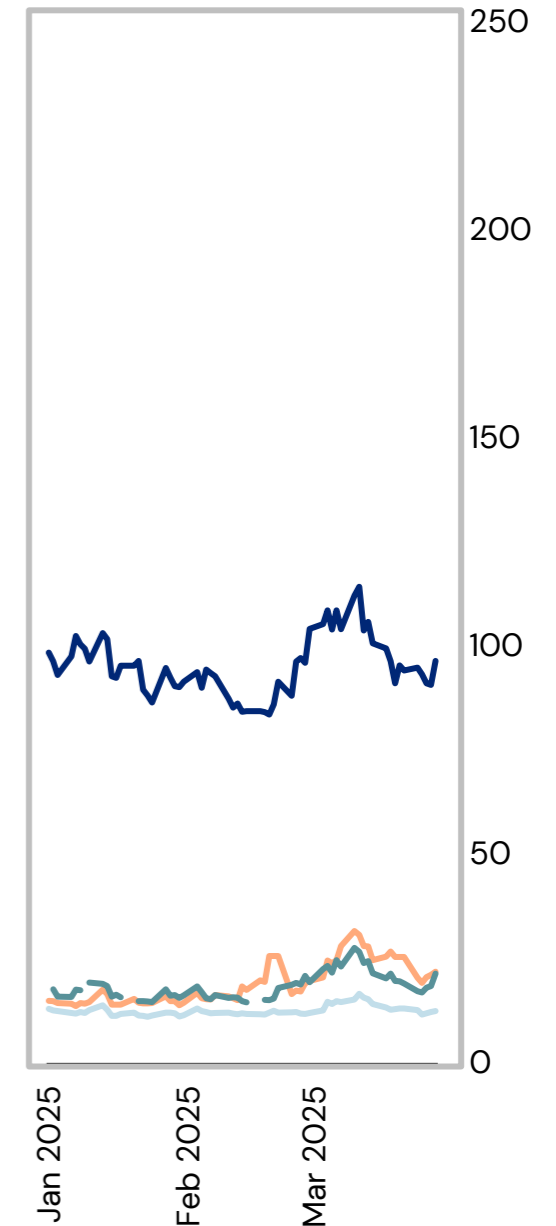
Financial market volatility remains elevated

Bond market volatility on downward trend as inflation path is crystalizing

Market volatility indices



Year-to-date



The MOVE index is based on the implied volatility on one month US Treasury options, weighted based on 2, 5, 10 and 30-year contracts for the next 30-day period. It reflects both price uncertainty and risk aversion.

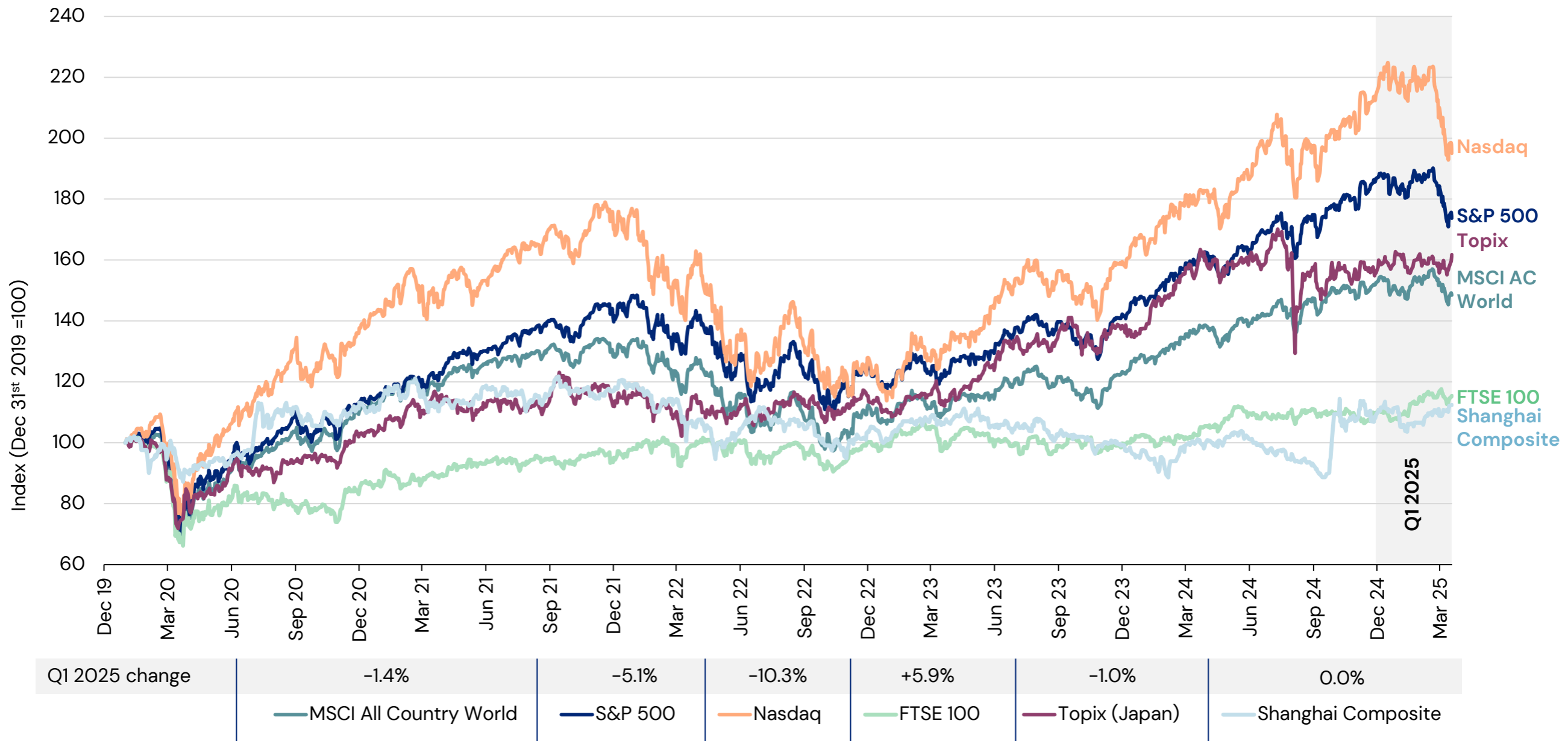
*VIX is the Chicago Board Options Exchange's CBOE Volatility Index. Source: Refinitiv, LaSalle. Data as of March 31, 2025.

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Global equity indices down -1.4% in Q1

Topix, S&P, and Nasdaq depreciating over the quarter, while FTSE is up

Global equity indices (December 31, 2019 = 100)



Amid an escalating trade war between the US and its key trading partners, Wall Street experienced a severe downturn, wiping out all gains made since Election Day in early November and erasing \$4 trillion in market capitalization from the S&P 500. Elsewhere, European and Asian stock markets hold steadier with DAX (German) index soaring to new record as stimulus offsets US tariff concerns.

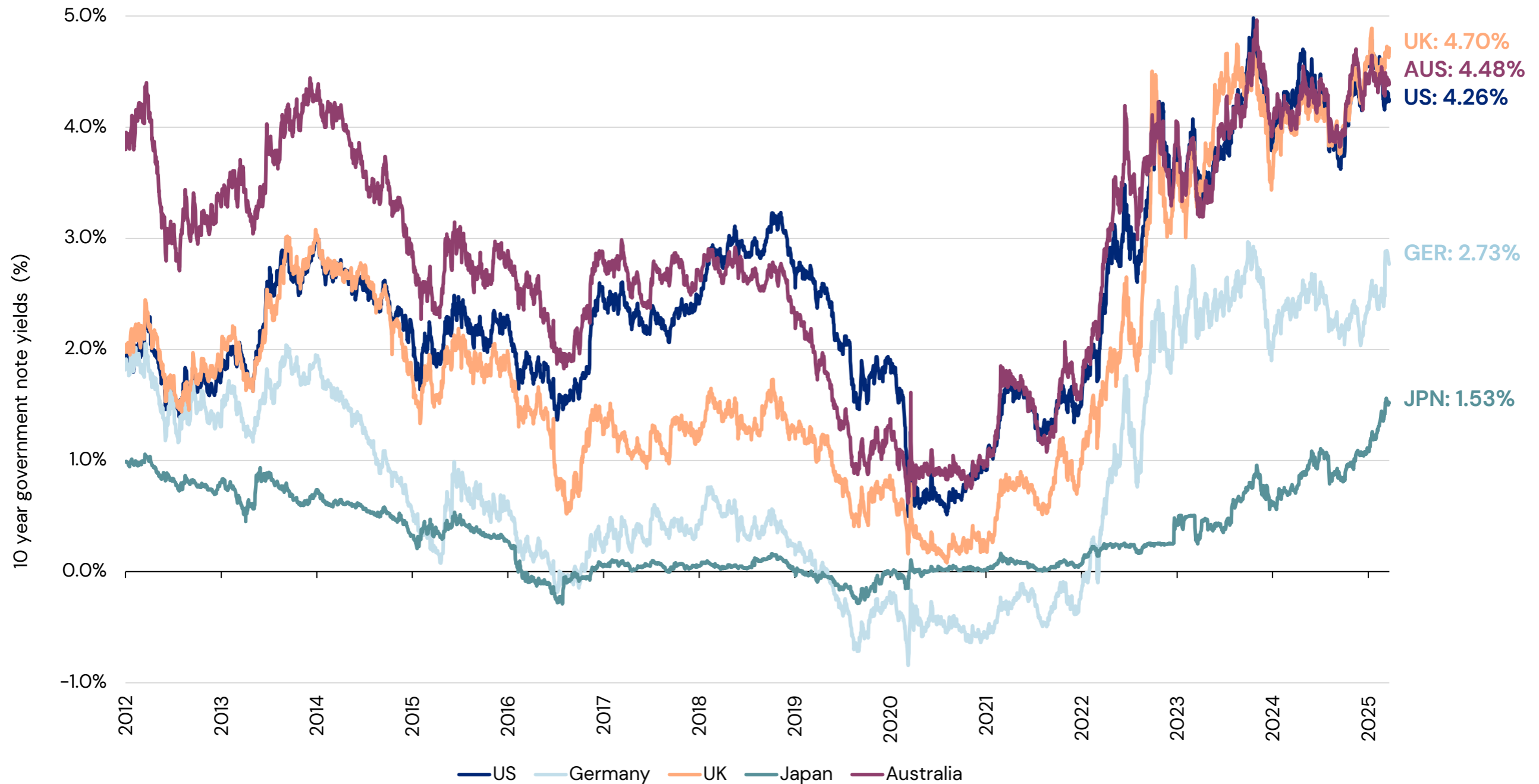
Source: Refinitiv and Bloomberg. Data as of March 28, 2025.

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Sovereign rates volatility has risen over Q1

German 10-year treasury surged by +37bps following the announcement of a historic increase in government spending and proposed modifications to the constitutional "debt brake" rule

10-year government note rates

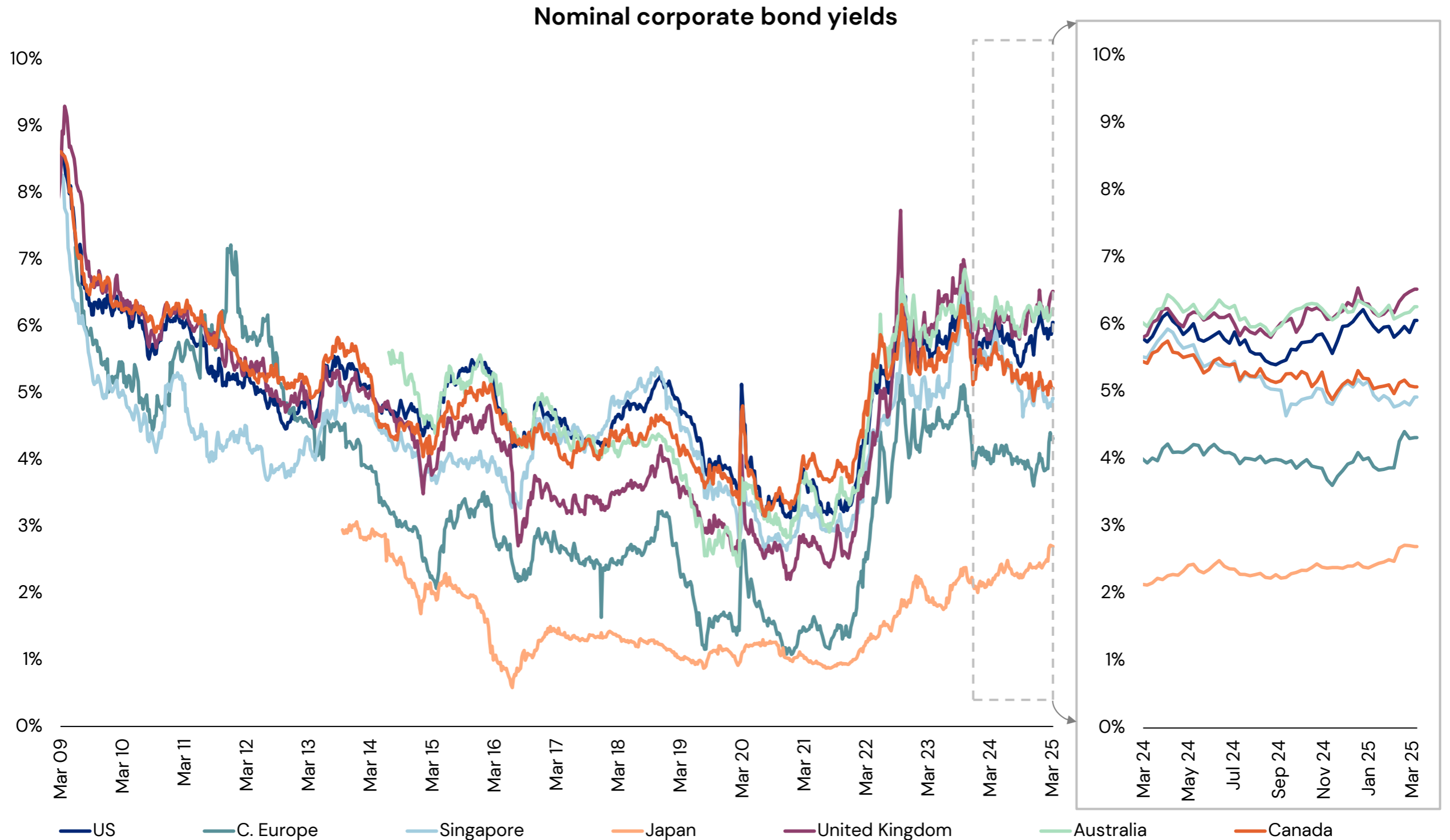


Source: Refinitiv and Bloomberg. Data as of March 28, 2025.

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Bond yields sensitive to economic narrative

Corporate bonds q/q trends diverge by region, with APAC contracting and EU/UK on the rise

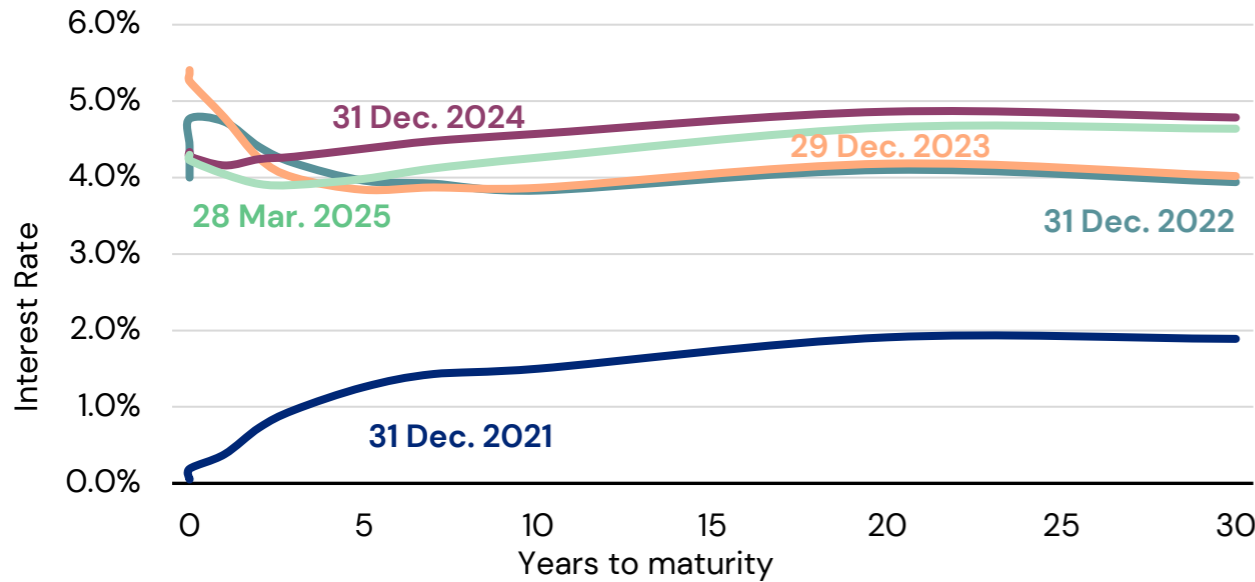


Source: LaSalle Global Solutions, Bloomberg data as of March 31, 2025. The bond indices above are based on Moody's Baa US bonds with terms of 20 to 30 years. In other countries, comparables are used of similar credit quality and term. No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

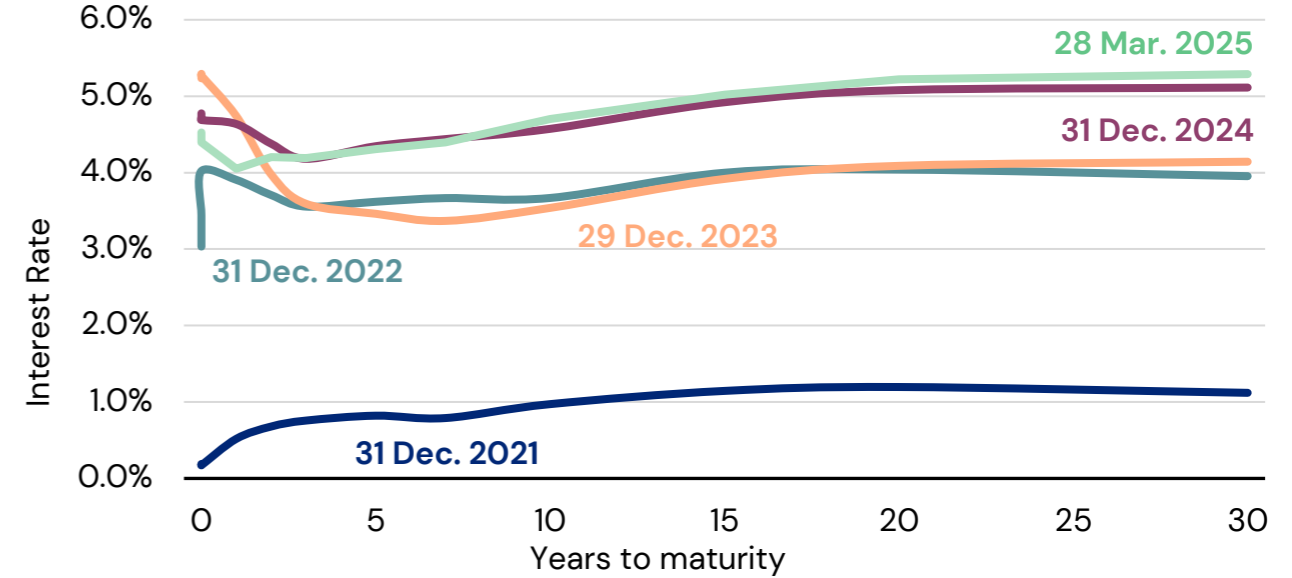
US yield curve lowers slightly in Q1 relative to Q4

US and UK yield curves marginally move back into un-inverted territory

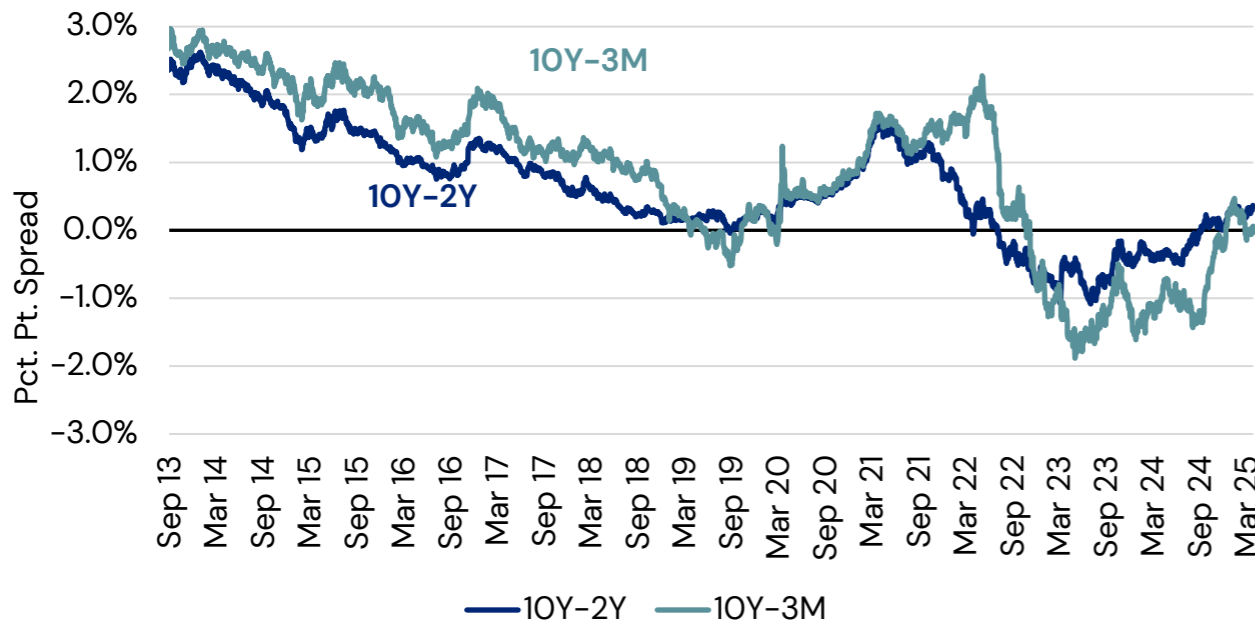
US yield curve over time



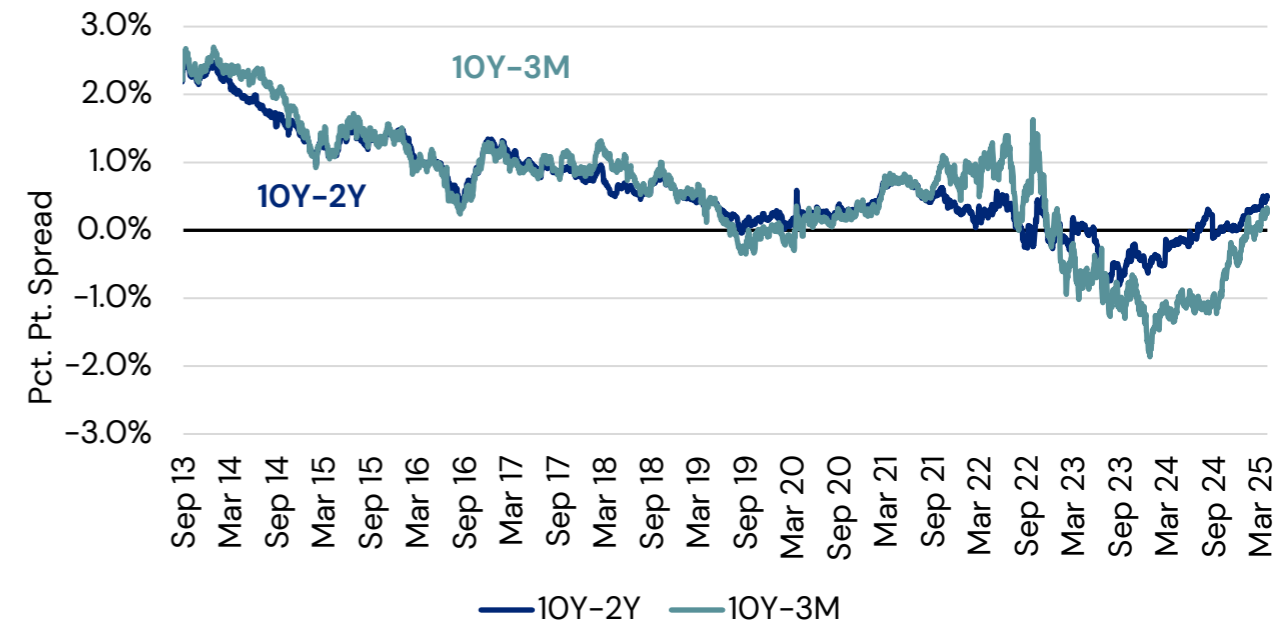
UK yield curve over time



US yield curve spreads



UK yield curve spreads



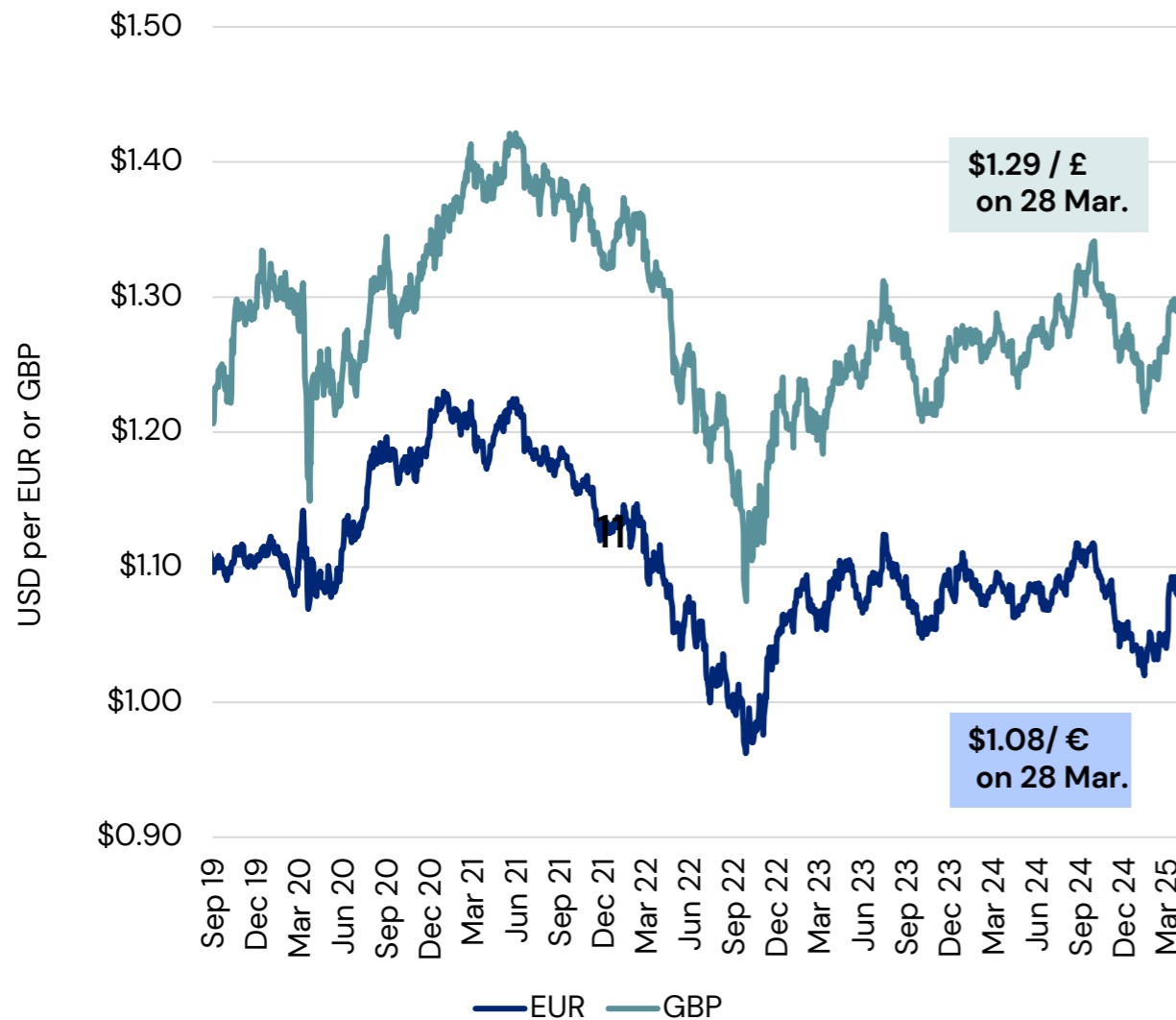
Source: LaSalle analysis of Refinitiv and Bloomberg data. Data as of March 28, 2025.

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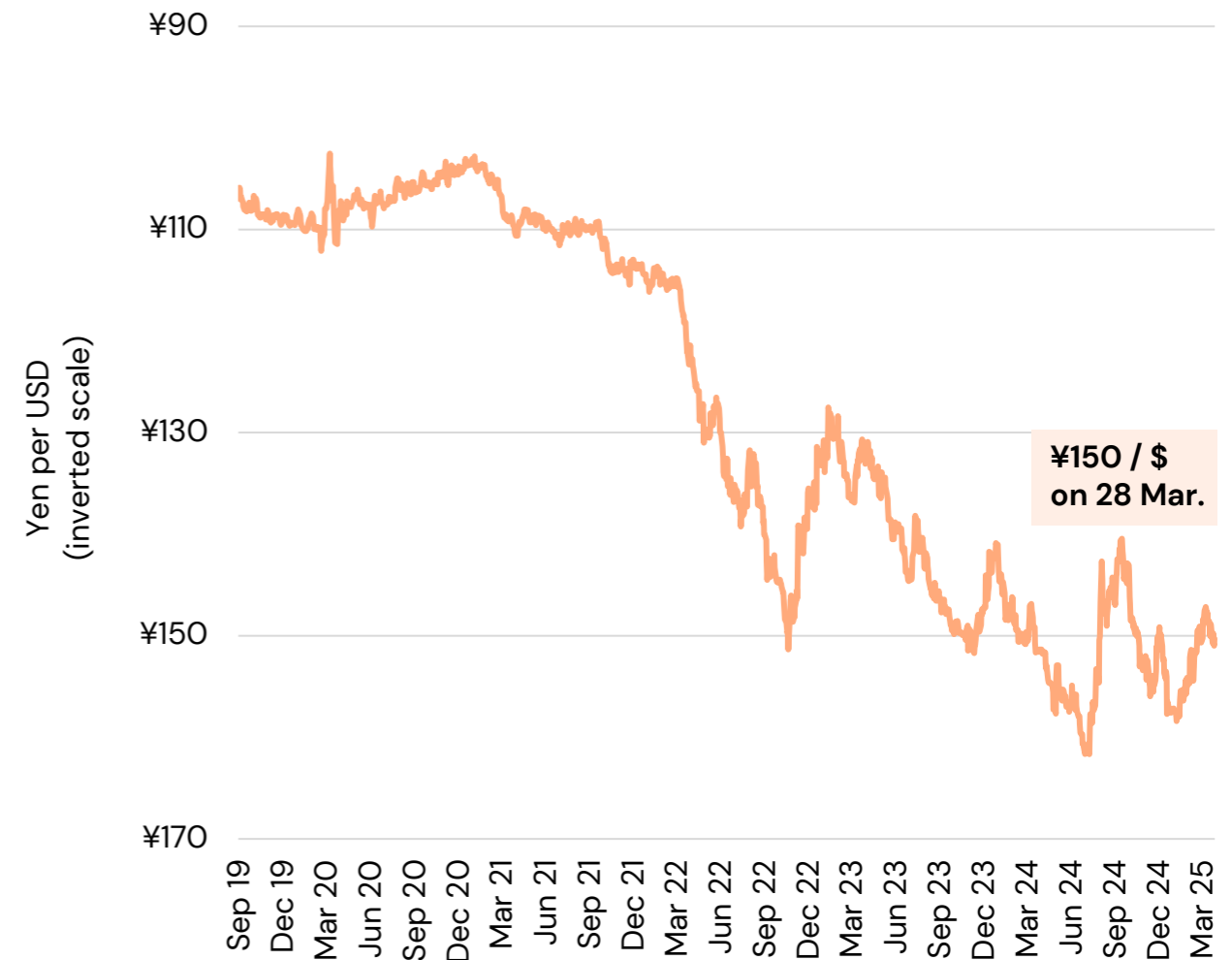
Many global currencies have recently appreciated against the US Dollar

Movements reflect expectations that Trump's economic agenda will weaken US growth

USD / € and USD / £ exchange rates



Yen / USD exchange rate



Tariff uncertainty and European fiscal stimulus have caused the US Dollar to weaken so far into this 2025 with the Euro and British Pound appreciated relative to the US Dollar by 4.5% and 3.3%, respectively. Rising inflation in Japan has increased expectations of potential rate hikes, contributing to the strengthening of the Yen against the US Dollar. Despite the Bank of Japan (BOJ) holding rates steady its March 2025 meeting, the Japanese Yen appreciated following comments from the BOJ governor, who stated that wage hikes and policy normalization are "on track." Over the first quarter, the Yen appreciated 4.4%.

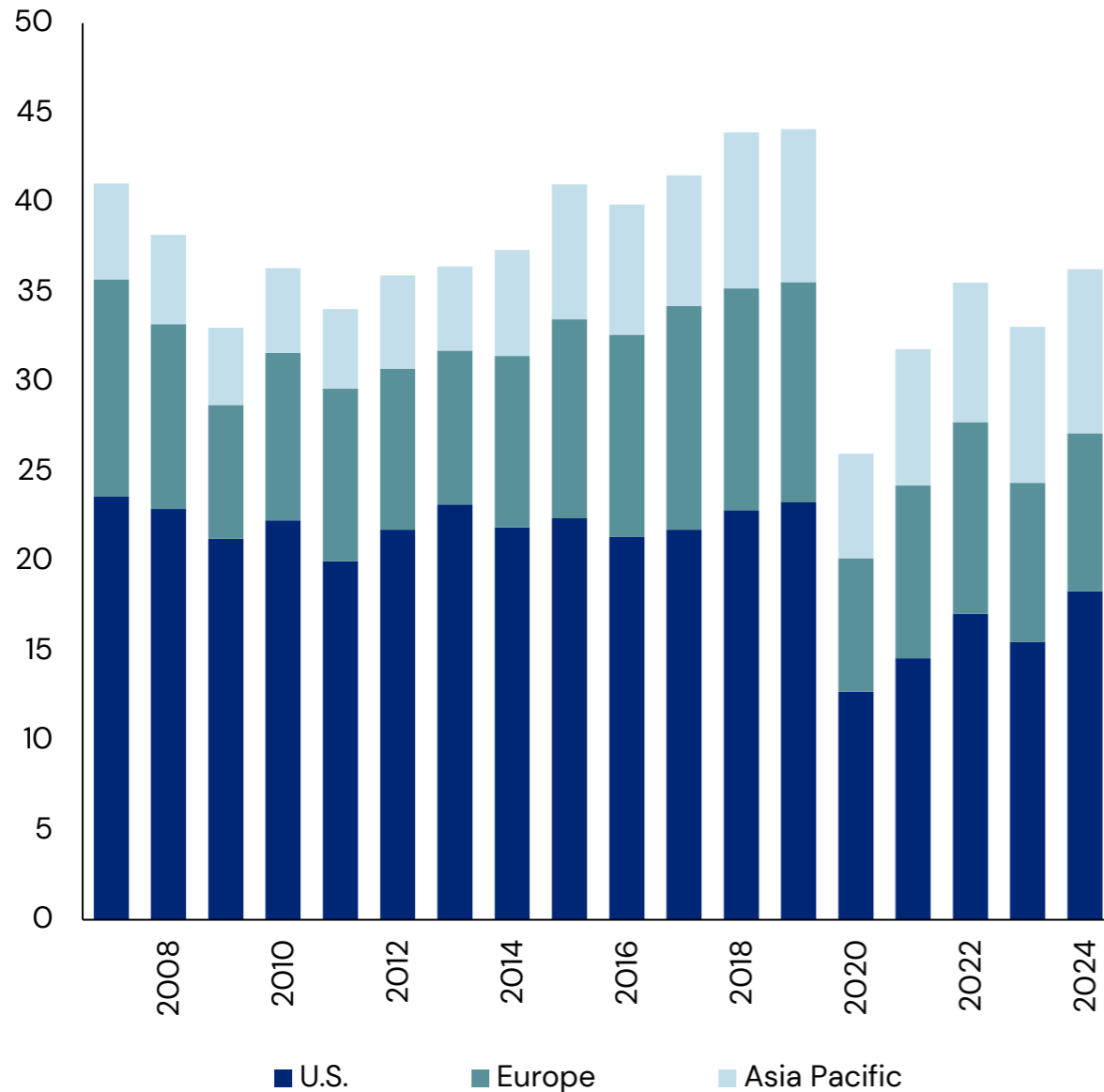
Source: Refinitiv and Bloomberg. Latest data available as of March 28, 2025.

No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

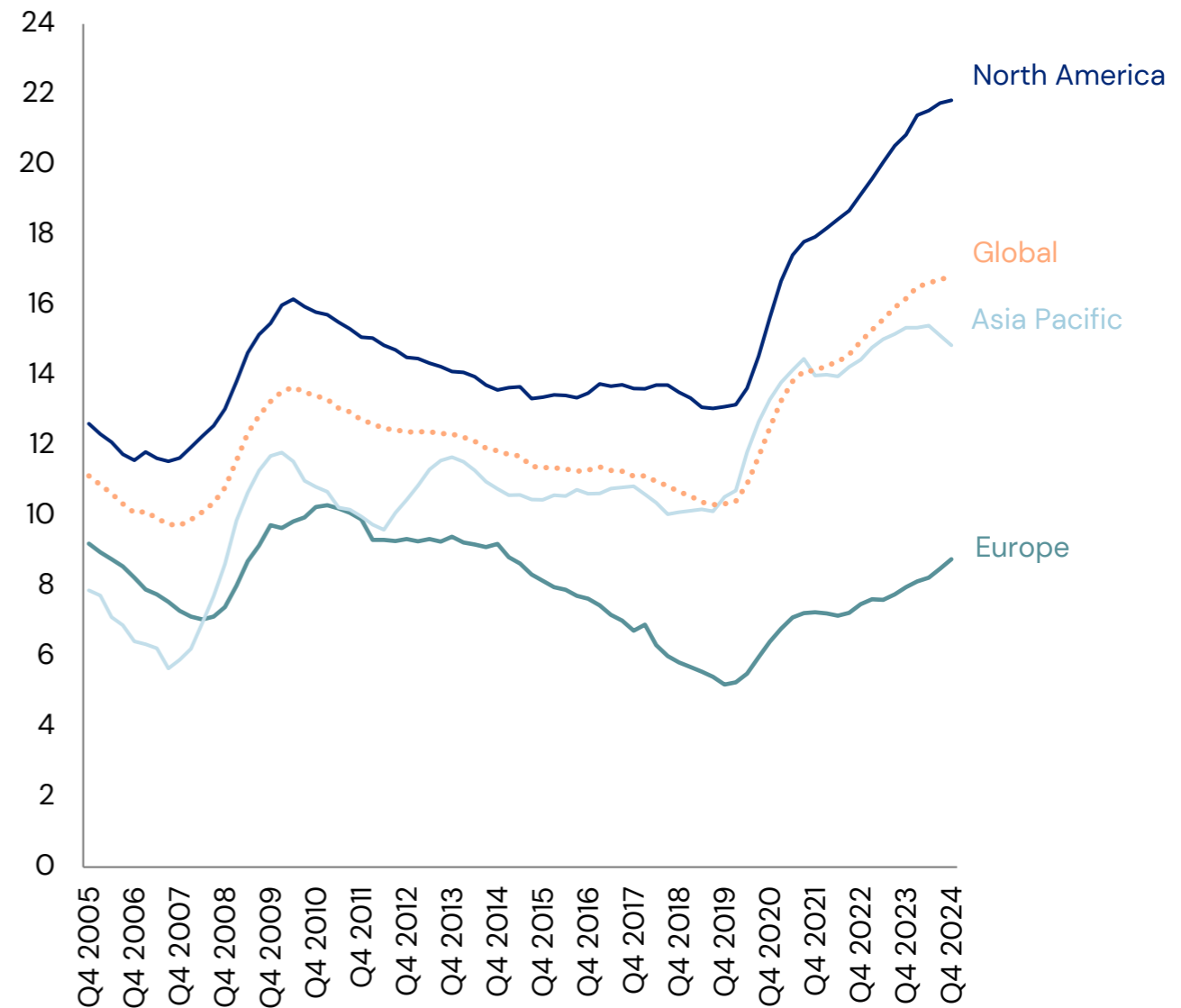
Office absorption improving on aggregate

Despite major US tenant downsizing slowing in 2024, vacancy rate still highest amongst regions

Gross leasing by region
[sqm million]



Vacancy rate by region



23 markets in Europe; 50 markets in the US; 22 markets in Asia Pacific.

Source: JLL Research data as of Q4 2024.

No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

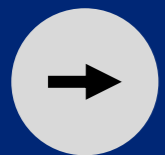
Sentiment eases slightly in Q1, but well ahead of levels seen in 2023

Global real estate sentiment

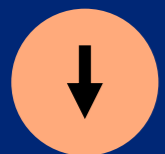
Over the next six months, do you think market conditions will:



Improve

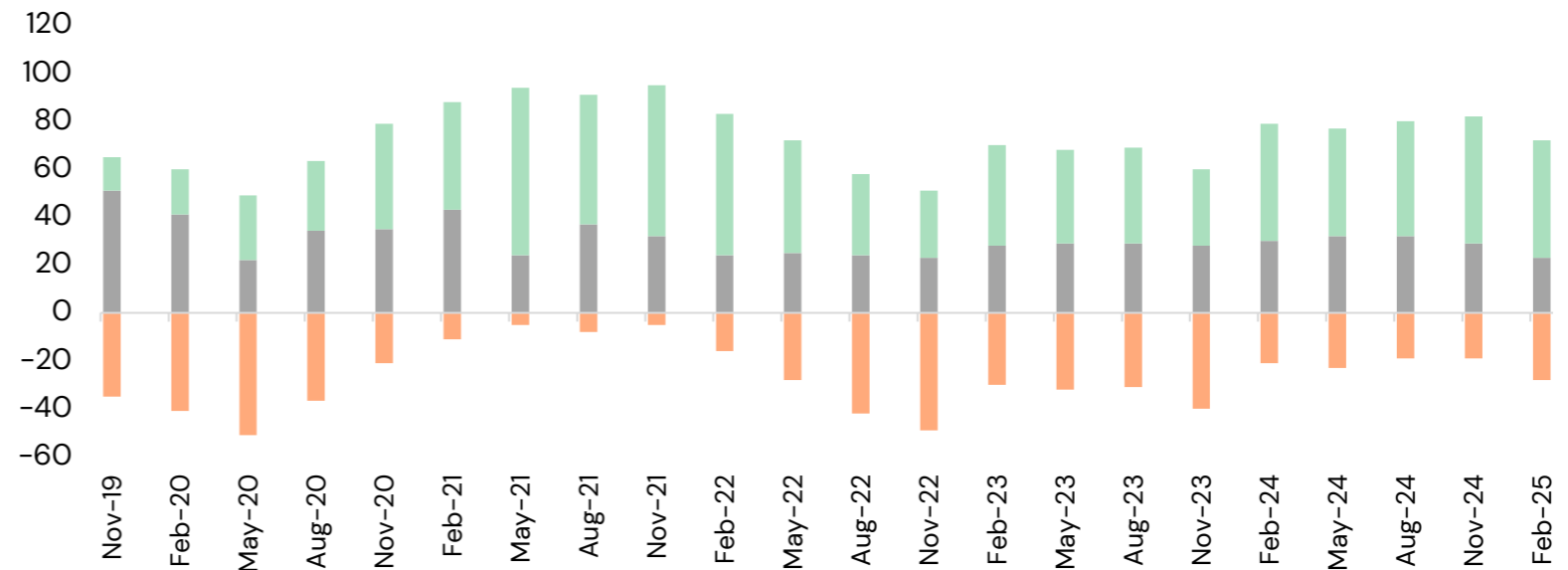


Stay the same

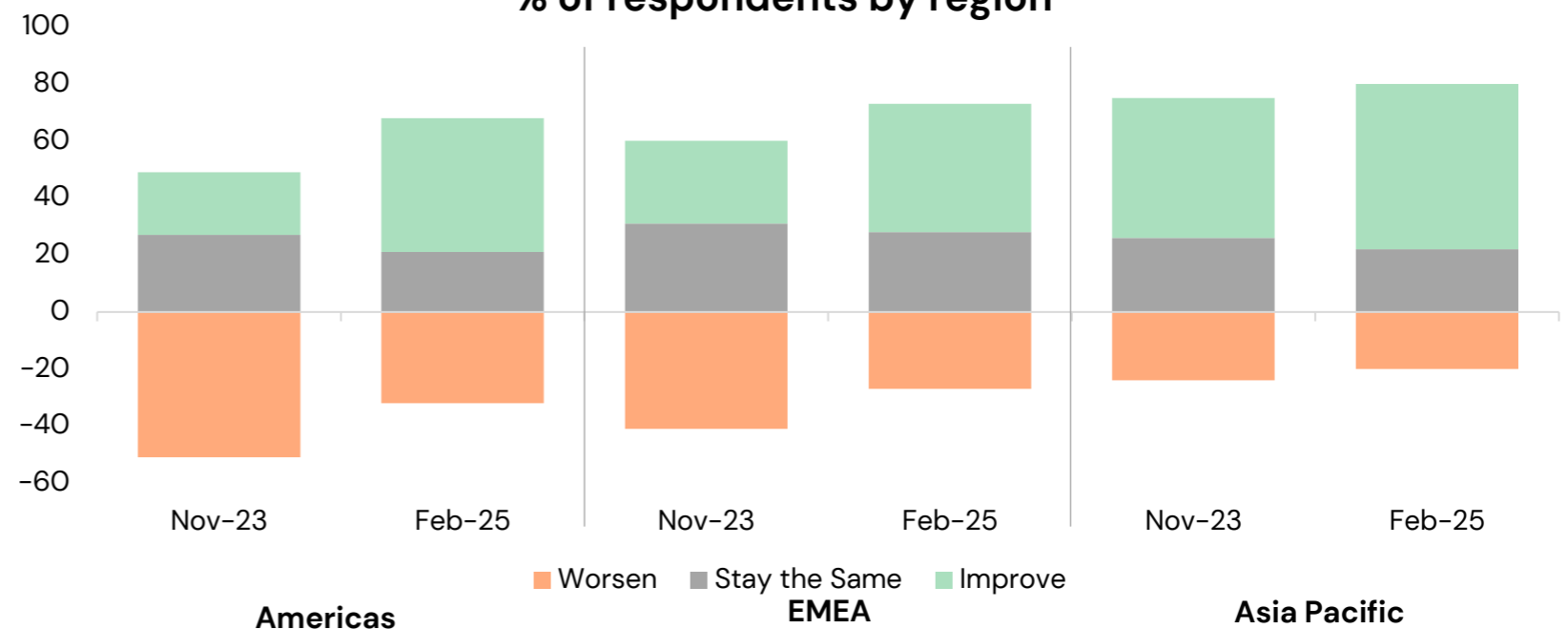


Worsen

% of global respondents



% of respondents by region



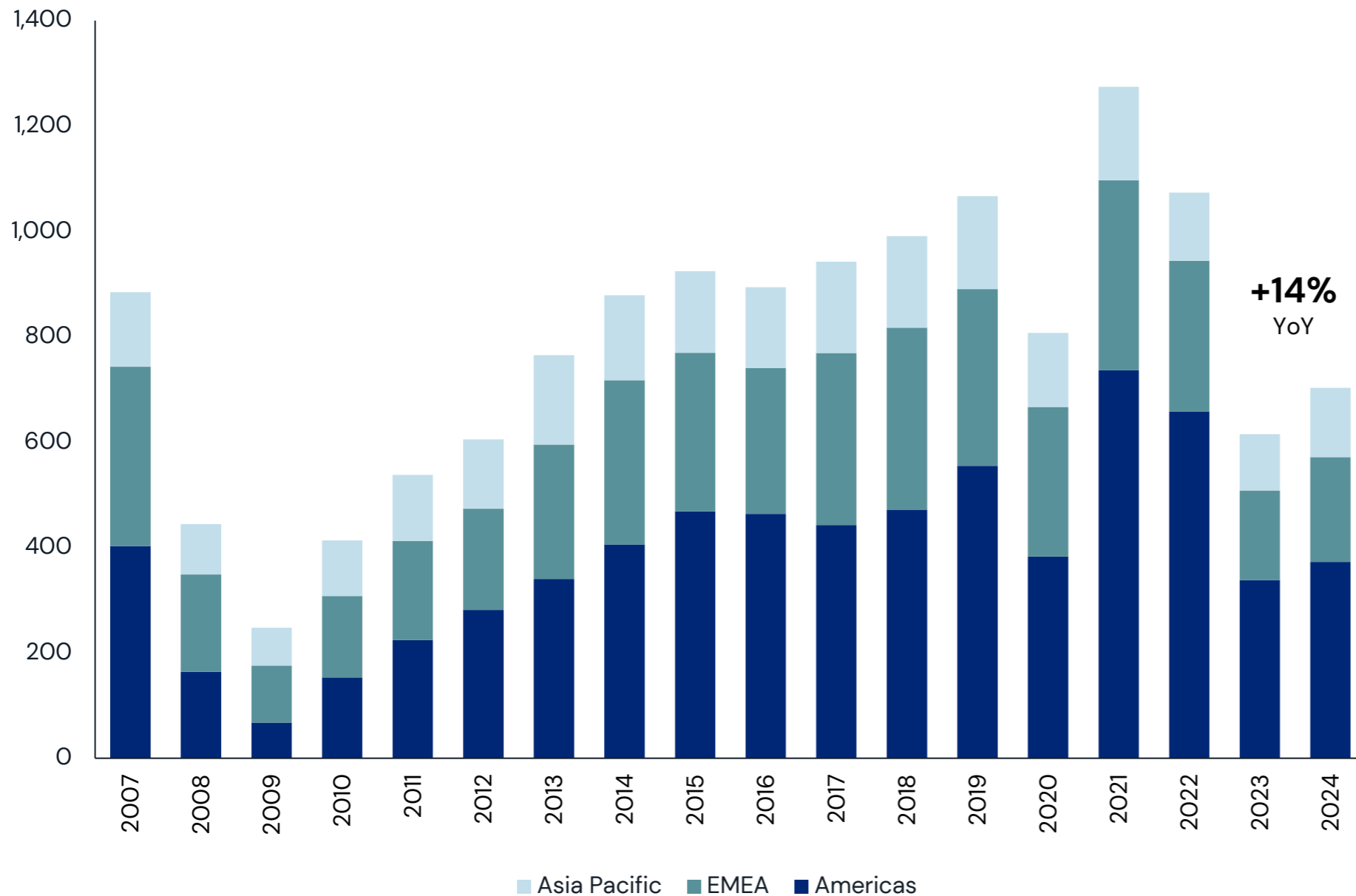
Source: JLL Research, data as of February 2025.

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Investment activity improvement continued in Q4

A late recovery in EMEA and Americas drives improvement into double digits in all three regions

Direct global investment volumes



Americas

+10%
2024 vs 2023

EMEA

+17%
2024 vs 2023

Asia Pacific

+23%
2024 vs 2023

+14%
YoY

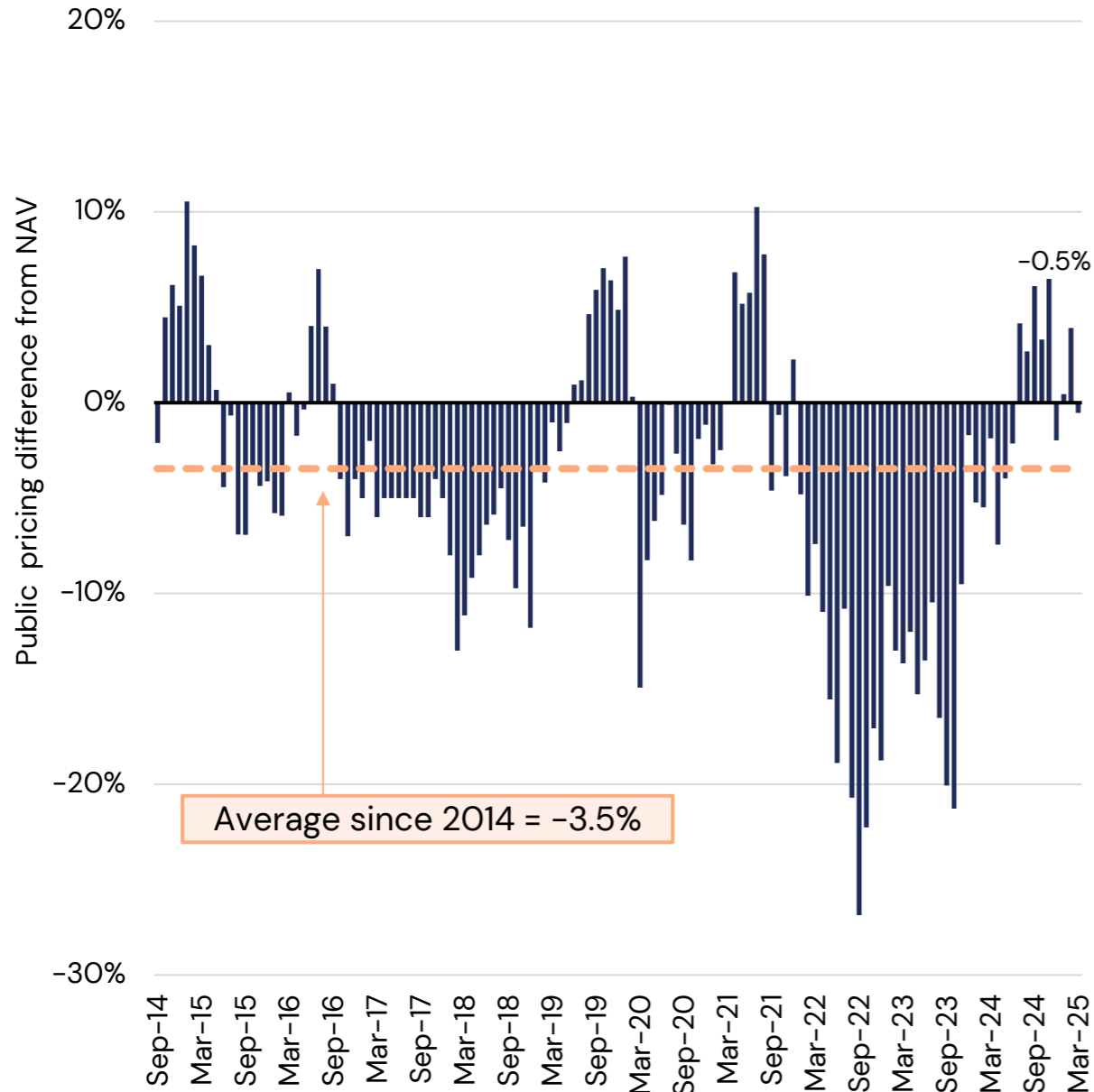
Source: JLL Research data as of January 2024.

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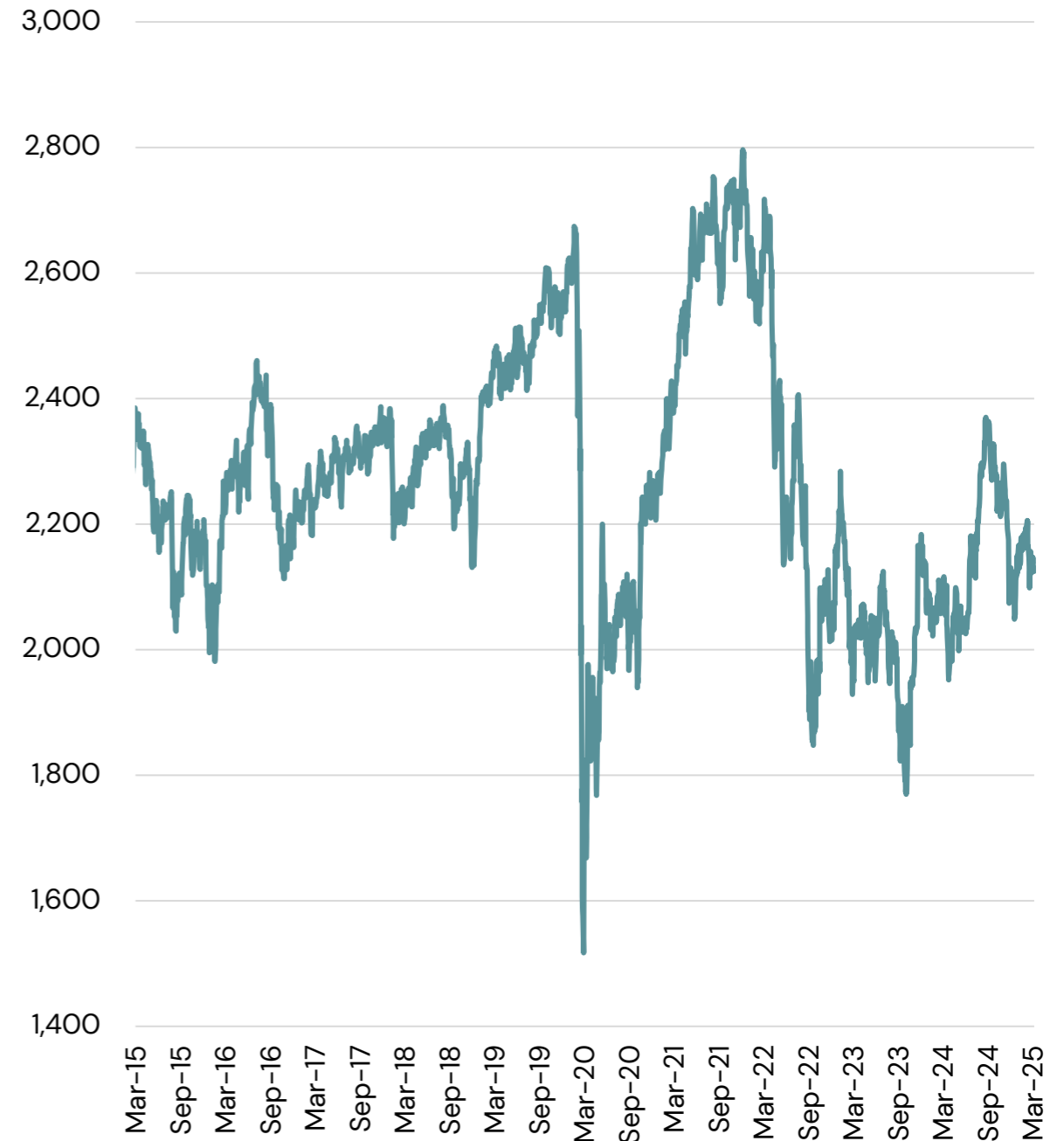
Global REIT discount to NAV falls to -0.5%

Global listed real estate securities increase fall -3% m/m, but up 0.4% in Q1 and 0.4% y/y

Global RE securities premium / discount to NAV



EPRA / NAREIT global index



Source: EPRA/NAREIT, LaSalle Investment Management Securities. Discount to NAV and EPRA/NAREIT data as of March 31, 2025.

No assurances are given that these trends will continue or materialize as expected. Nothing herein constitutes a guarantee or prediction of future events or results and accordingly the information is subject to a high degree of uncertainty.

Global macro indicators summary

Latest data as of end of March 2025

	United States	United Kingdom	Germany	France	Japan	China	Australia	Canada
Official interest rate (target rate)	4.25% to 4.5% ↓	4.5% ↓	2.65% ↓	2.65% ↓	0.5% ↑	3.1% ¹	4.1% ↓	2.75% ↓
GDP(Q/Q) annualized	2.3% (Q4)	0.4% (Q4)	-0.8% (Q4)	-0.4% (Q4)	2.2% (Q4)	5.4% (Q4) (Y/Y)	2.4% (Q4)	2.6% (Q4)
CPI inflation (Y/Y)	2.8%	2.8% ^(CPIH)	2.3%	0.8%	3.7%	-0.7%	2.4%	2.6%
Industrial production (Y/Y)	1.4%	-1.5%	-1.5%	-1.6%	2.2%	5.9%	-1.2%	-1.1%
Unemployment rate	4.1%	4.4%	3.5%	7.3%	2.5%	5.4%	4.1%	6.6%
Retail sales (latest Y/Y change)	4.4%	1.2%	3.0%	1.5%	3.5%	3.7%	4.6%	4.2%
Stock market price index 2025 YTD (local)	-1.7%	6.2%	15.2%	9.0%	1.0%	0.5%	-2.0%	2.6%

Note: Changed data from last update is highlighted in bold. ¹One Year Loan Prime Rate.

Source: Eurostat, The Economist (<https://www.economist.com/markets-data>), Trading Economics, Bloomberg. Latest data available as of March 31, 2025.

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Proprietary Research

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[Property EU: The state of logistics 2024](#)

[LaSalle's European Paths of Distribution Score 2024](#)

[Seeing the market as it is \(not as we wish it to be\)](#)

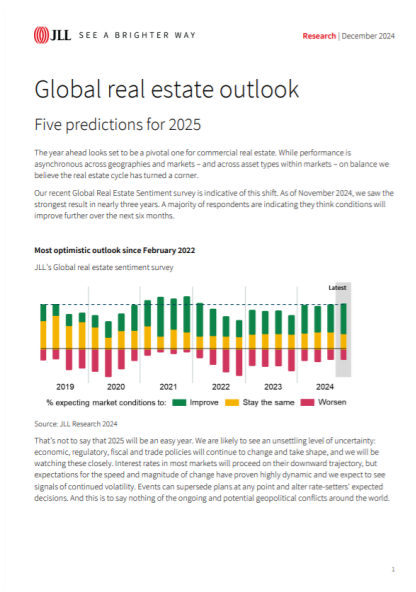
[European market view: 2024](#)

ISA Portfolio view



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Recent JLL Global Insight publications



Global Real Estate Outlook, December 2024
[Full report](#) | [Interactive website](#)

Global Capital Outlook, January 2025
[Full report](#) | [Interactive website](#)



Global Real Estate Perspective, February 2025

The Global Real Estate Perspective (GREP) is JLL's quarterly house view on global real estate market dynamics and outlook for key real estate sectors.

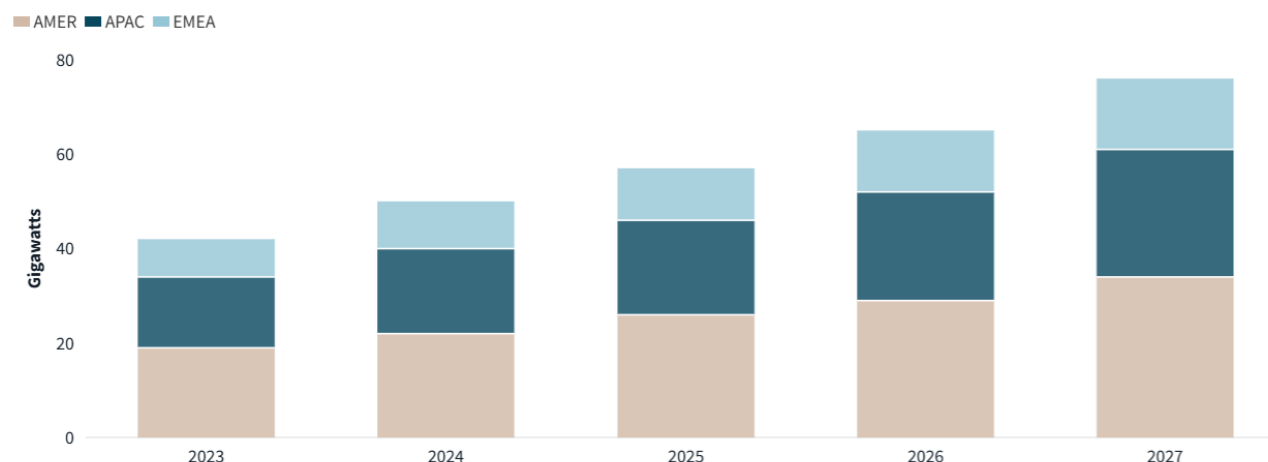
While risks remain, the economic outlook is broadly positive and global real estate market is on track for a further gradual recovery in 2025.

2025 Global Data Center Outlook

The global data center market is likely to expand by 15–20% per annum between now and 2027. Our latest research explores the complex market dynamics, the challenges the sector is facing and highlights the opportunities for real estate occupiers, investors and developers.

Global data center capacity projected to grow at 15% per year but this will not be sufficient to meet growing demand

Data center capacity (gigawatts) 2023–2027

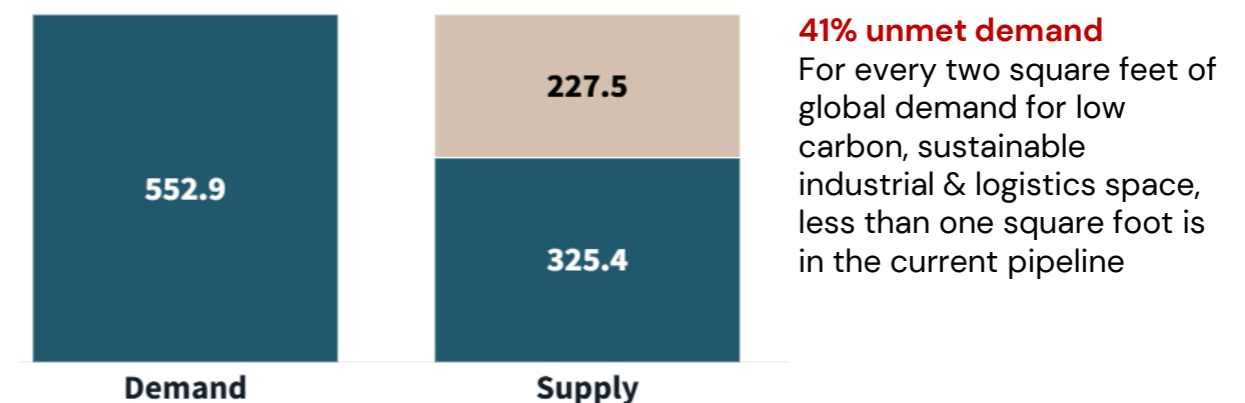


Powering operational excellence

JLL has evaluated the leased footprint of major occupiers across 18 industrial & logistics hubs in North America, Europe and Australia. We found that 65% of future space needs across 900 occupiers will be tied to a carbon reduction target. When compared against adequate supply and estimated construction pipelines through 2030, 41% of projected demand for low carbon space will not be met.

Low carbon occupational requirements vs development pipeline, 2025–2030

Global supply–demand deficit (millions sqft)



LaSalle Global Research and Strategy

Brian Klinksiek

Global Head of Research and Strategy
Chicago

brian.klinksiek@lasalle.com

Rich Kleinman

Americas Head of Research and Strategy and Americas Co-CIO

Chicago

richard.kleinman@lasalle.com

Daniel Mahoney

Europe Head of Research and Strategy

London

daniel.mahoney@lasalle.com

Eduardo Gorab

Managing Director, Global Research and Strategy

London

eduardo.gorab@lasalle.com

Petra Blazkova

Europe Head of Core and Core-plus Research and Strategy

Munich

petra.blazkova@lasalle.com

Dominic Silman

Europe Head of Debt and Value-add Capital Research and Strategy

London

dominic.silman@lasalle.com

Chris Langstaff

Canada Head of Research and Strategy

Toronto

chris.langstaff@lasalle.com

Fred Tang

China Head of Research and Strategy

Shanghai

fred.tang@lasalle.com

Julie Manning

Global Head of Climate and Carbon

Chicago

julie.manning@lasalle.com

Zuhaib Butt

Head of Investment Risk Strategy and Management

London

zuhaib.butt@lasalle.com

Dennis Wong

Senior Strategist

Singapore

dennis.wong@lasalle.com

Simone Caschili

Data Strategist

Chicago

simone.caschili@lasalle.com

Chris Psaras

Senior Strategist

London

chris.psaras@lasalle.com

Heidi Hannah

Senior Strategist

Chicago

heidi.hannah@lasalle.com

Jen Wichmann

Senior Strategist

Chicago

jen.wichmann@lasalle.com

Frederik Burmester

Munich

Amanda Chiang

Singapore

Ryan Daily

London

Hina Yamada

London

Tobias Lindqvist

London

Sophia Sul

Chicago

Sierra Pierre

Toronto

Wayne Qin

Singapore

Kyra Spotte-Smith

Chicago

Jannie Wu

Shanghai

This edition's contributors include Petra Blazkova, Wayne Qin, Kyra Spotte-Smith, Frederik Burmester, Fred Tang, Hina Yamada, and Eduardo Gorab.

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