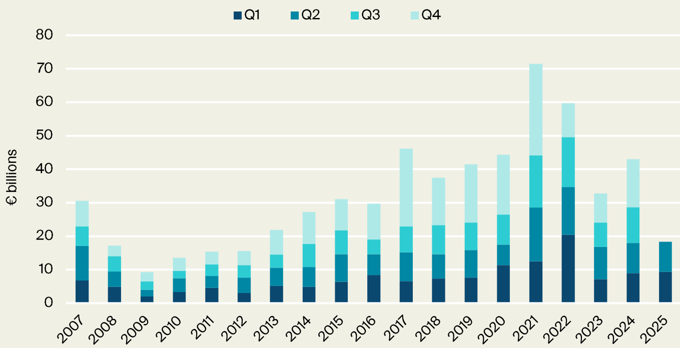
European Logistics Market Dashboard

September 2025

INTERNAL USE AND KEY CLIENTS ONLY

Investment market

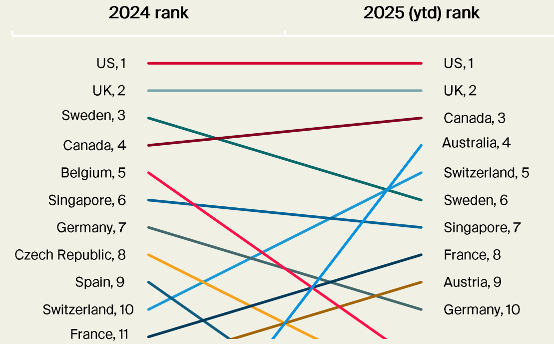
Industrial & logistics - investment total



*Q2 volumes are incomplete

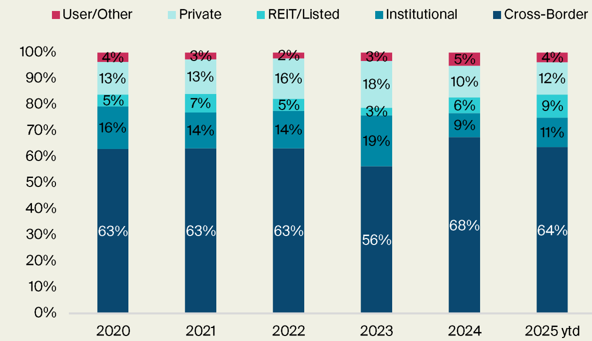
Source: Knight Frank, RCA

Top 10 sources of cross-border capital



Source: Knight Frank, RCA

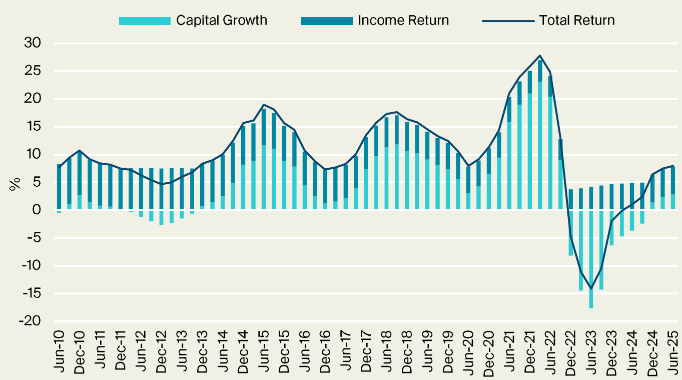
Composition of buyers



Source: Knight Frank, RCA

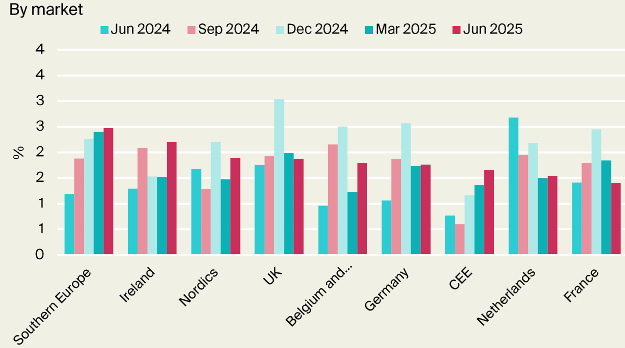
Performance

European industrial total returns – annualized



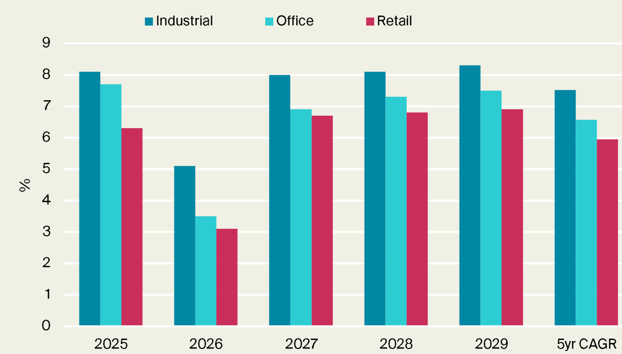
Source: Knight Frank, MSCI

Industrial total returns – quarterly
By market



Source: Knight Frank, MSCI

Euro zone total returns forecast by sector (2025-2029)



Source: Knight Frank, Capital Economics

Research

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Capital Markets

Richard Laird
Partner, Co Head European Capital Markets
+44 20 7861 1663
richard.laird@knightfrank.com

Agency

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
charles.binks@knightfrank.com

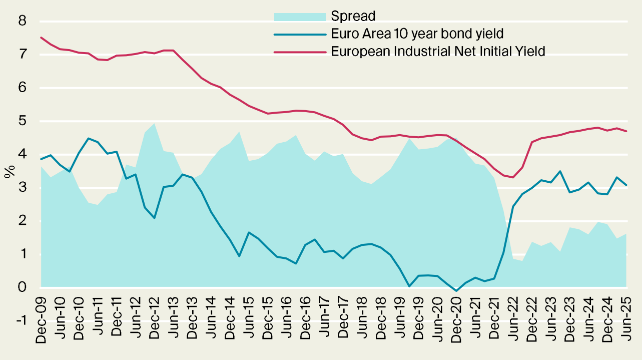
European Logistics Market Dashboard

September 2025

INTERNAL USE AND KEY CLIENTS ONLY

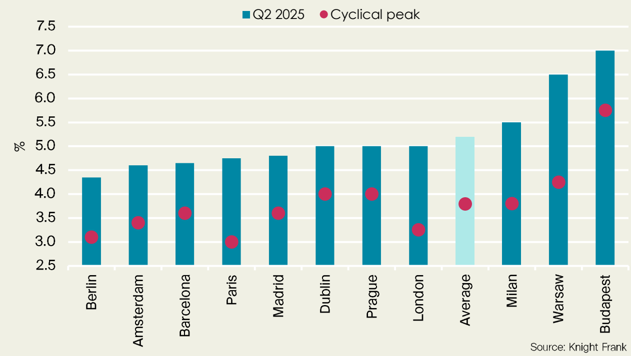
Yields

Europe - industrial yields



Source: Knight Frank, MSCI, Macrobond

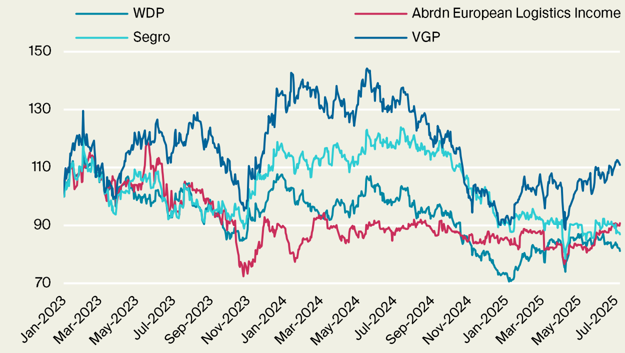
Prime European yields – Q2 2025



Source: Knight Frank

Listed real estate

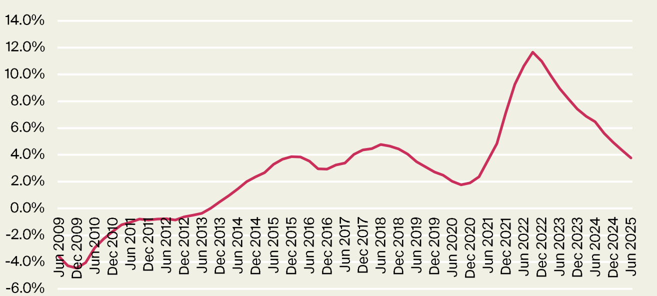
Listed real estate – price indices
01/01/2023 = 100



Source: Knight Frank, Marcobond

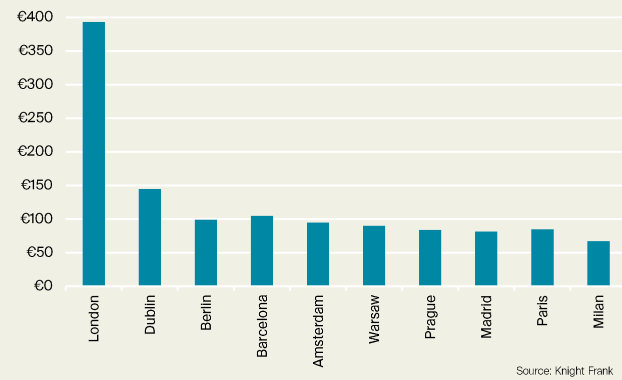
Rents

Europe industrial - Annual average market rental growth



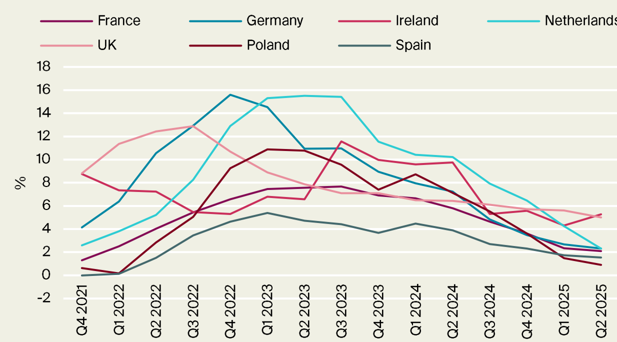
Source: Knight Frank, MSCI

Prime European industrial rents – Q2 2025
€ / sq m / annum



Source: Knight Frank

Average annual rental growth by market



Source: Knight Frank, MSCI

Research

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Capital Markets

Richard Laird
Partner, Co Head European Capital Markets
+44 20 7861 1663
richard.laird@knightfrank.com

Agency

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
charles.binks@knightfrank.com

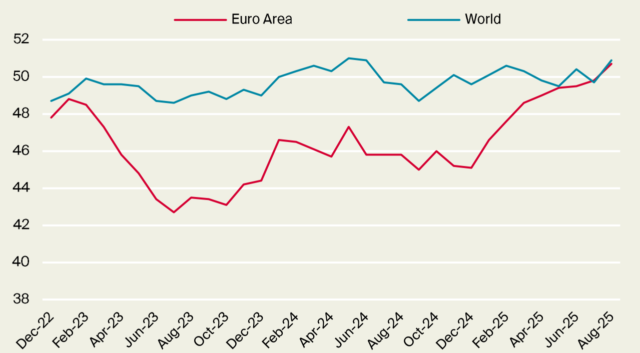
European Logistics Market Dashboard

September 2025

INTERNAL USE AND KEY CLIENTS ONLY

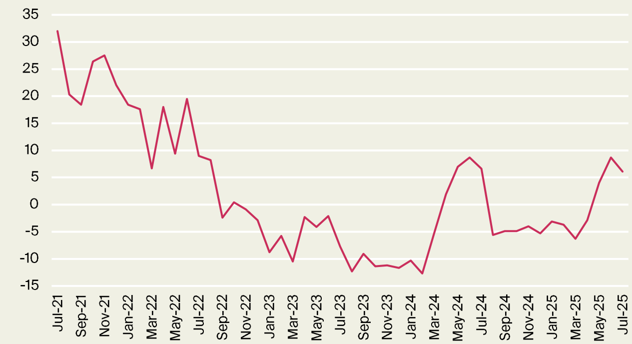
Key indicators: Transport, manufacturing and online retail

Manufacturing PMI index



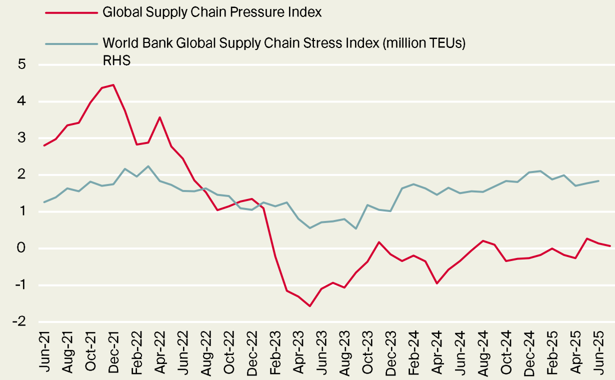
Source: Knight Frank, Macrobond

Warehousing and support activities for transportation – confidence index - EU business survey



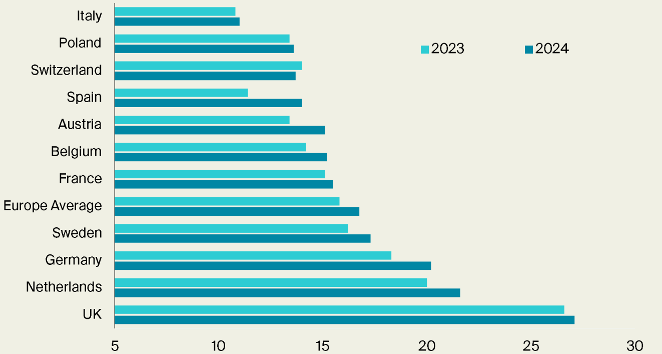
Source: Knight Frank, Macrobond

Global supply chains



Source: Knight Frank, World Bank, Macrobond

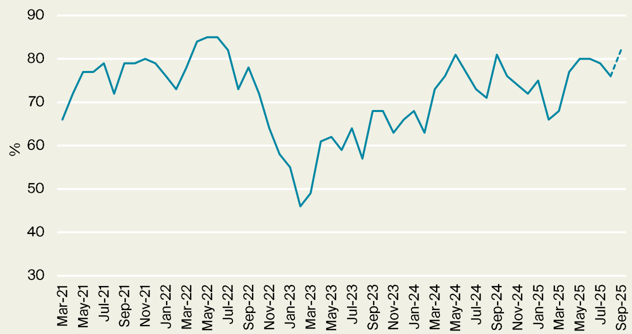
Online retail as a share of retail sales, %



* Estimated penetration rates

Source: Knight Frank

European freight transport barometer
Freight to vehicle space ratio



Source: Knight Frank, TIMOCOM

Key comments

- The Euro Area Manufacturing PMI inched higher to 50.7 in August of 2025 from 49.8 in July. Moving above the 50 mark, August marks the first time the manufacturing sector has been in expansion mode since June 2022, with production increasing at the fastest in almost three-and-a-half years.
- Business confidence within the EU's Warehousing and Support activities for the Transportation sector has been largely negative over the past year. However, it has been positive since May, reaching 8.7 in June, its highest reading since June 2024. It has since moderated in July and August, to reach 4.4.
- The Global Supply Chains chart compares two indexes of supply chain frictions: the World Bank's Global Supply Chain Stress Index (GSCSI) and the New York Fed's Global Supply Chain Pressure Index (GSCPI). Over the past 18 months, the indexes have diverged. GSCPI is near normal levels, while the GSCSI indicates stress similar to 2021–22. GSCPI is a broader measure, incorporating shipping costs, airfreight, and manufacturing surveys (e.g., delivery times, inventories, backlogs), while the GSCSI focuses on maritime disruptions, particularly container shipping delays, using port-level traffic data. The divergence highlights the acute impact of Red Sea disruptions on maritime freight in particular and may also suggest improved supply chain resilience, with firms more able to manage disruptions due to improved inventory management and increased stock holdings etc.

Research

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Capital Markets

Richard Laird
Partner, Co Head European Capital Markets
+44 20 7861 1663
richard.laird@knightfrank.com

Agency

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
charles.binks@knightfrank.com

European Logistics Market Dashboard

September 2025

INTERNAL USE AND KEY CLIENTS ONLY

Market commentary

Investment

- A total of €18.4 billion has been invested into the European industrial sector in H1 2025. This is 2.5% higher y/y and takes the four quarter rolling total €43.4 billion, its highest since Q1 2023 (Source: RealCapitalAnalytics). Greater yield stability is giving investors confidence.
- 64% of capital invested in 2025 (ytd) has come from cross-border investors, with US and UK-headquartered investors dominating once again.
- Australian investors have risen up the cross-border investor rankings, due to Australia's largest pension fund, AustralianSuper acquiring a 50% stake in a pan-European logistics owned by Oxford Properties for €840 million. German capital, which ranked 3rd for cross-border activity in 2023 slipped to 7th in 2024 and has slipped further still in 2025, ranking 10th reflecting their broad approach to capital deployment and limited inflows of capital.
- The UK and German markets both saw an uptick in investment volumes in H1, as did Poland, Italy and Spain. However, France, the Netherlands and the Nordics all saw a decline in activity y/y.
- While the improvement in investment volumes was modest, the number of properties transacting showed a more marked improvement, H1 2025 transaction numbers were +17% higher y/y.
- Portfolio transactions continued to dominate activity in the first half of the year. In Q2, €4.9 billion was invested through portfolio acquisitions, 63% higher y/y. However, we expect single property transactions to account for a larger share of the market through the second half of the year.

Returns

- Annual capital growth for European Industrial property rose from 2.4% in Q1 to 2.8% in Q2 2025 (according to the MSCI European Quarterly Index), boosting total returns to 8.0%, from 7.5% in Q1.
- Apart from the UK and France, all markets have seen an improvement (q/q) in total returns in Q2 2025. Southern Europe recorded the strongest returns in Q2, with accelerating growth recorded over the past five quarters.
- Total returns for Eurozone industrial are expected to outperform the office and retail sectors over the next five years. Capital Economics forecast 8.1% total returns for industrial in 2025, dropping to 5.1% in 2026. This marks a downward revision from their previous forecast. However, returns for the European industrial sector are anticipated to exceed those of major property sectors over the next five years (2025-2029), with a CAGR of 7.5% per annum (Capital Economics), compared with 6.6% and 6.0% for the office and retail sectors.

Yields

- The MSCI pan-European net initial yield hardened in Q2 2025, 8bps lower q/q, reaching 4.71%, the lowest it has been since Q4 2023. However, the NIY remains significantly softer than the cyclical peak of 3.32% (Q2 '22).
- The ECB Eurozone 10-year bond hardened during Q2, to 3.08% at quarter end. Meanwhile the German Bund reached 2.52% (end June) from 2.74% (end March). Yields rallied in Q2 alongside ECB rate cuts, benign inflation trends and safe-haven demand.
- The ECB 10 year bond is approximately 3.18% as of September 12, 2025.
- The ECB has held rates at its last two meetings (in July and September) and with inflation stabilising and the interest rate cutting cycle at or nearing its end, investors have lowered their expectations of future rate cuts.
- Based on the MSCI pan-European NIY (Q2 2025), and the Eurozone 10-year government bond yields, the yield spread was 162bps, this compares with 148bps at the end of Q1 last year and a ten-year average of c.315bps.
- Across the 11 core prime markets, yields have softened an average of 140bps from the cyclical market peak to Q2 2025. However, recent quarters have seen a hardening of yields in some markets. In Q2, a third of the prime markets we track recorded some yield compression, with the rest remaining stable q/q.

Occupier Market Activity

- Take-up levels remain subdued by a combination of slower occupier demand and reduced development activity, with less high-quality space available compared with pre-pandemic years. Most markets reported y/y declines in take up volumes in H1 2025. However, there were notable exceptions, particularly the Netherlands, Belgium, Spain and Ireland, where take up levels rose y/y.
- European vacancy rates have risen, an average of 120 bps, from 6.1% in Q2 2025, up from 4.9% in Q2 last year. Despite the uptick, they remain low enough to sustain rental growth, albeit the pace is slowing across most markets.
- An uptick in availability, coupled with wider macro-economic conditions and a tempering in economic growth is leading to slower expansion decisions by occupiers. Economic pressures and a fall in speculative development, along with high fit out costs is driving more occupiers to consider second hand facilities, where they can benefit from a previous tenant's fit-out.
- Greater adoption of automation technology is focusing occupier demand toward larger buildings with adequate power provision, transport connectivity and (skilled) labour.
- Elevated global geopolitical instability and ongoing shipping and supply chain disruptions have continued due hamper trade flows, reinforcing the need for dynamic rerouting capabilities, and promoting the holding of additional buffer/safety-stock and supporting just-in-case stocking strategies.
- Higher financing and build costs mean that development activity has significantly reduced over the past couple of years. This will mean that occupiers wanting new space will face increasingly limited options in the coming months and this will mean continued upward pressure on prime rents.

Rental Growth

- Prime rents remained largely stable in Q2, Madrid was the only core market to report an uplift, while London saw prime rents decline, with strong historic rental growth and rising vacancy impacting momentum.
- Average rents for European Industrial continue to grow, though the rate of growth has moderated over the last two years, with 3.8% growth over the past year (to Q2 2025) compared with 6.5% growth in the year to Q2 2024 and a peak of 11.7% in Q3 2022 (Source: MSCI).
- The UK and Ireland have seen the strongest uplift in average rents over the past year, with rental growth of 5.0% and 5.3% respectively (to Q2 2025). Poland and Spain were the lowest in terms of average growth, with 0.9% and 1.5% growth respectively. Most markets are experiencing a slowing in the rate of rental growth, only Ireland saw the growth rate accelerate in Q2, while the Netherlands saw the most marked slowdown.
- Some core/city markets are recording stronger average rental growth. In the year to Q2 2025, the top performing city markets were dominated by UK cities, with Edinburgh, Manchester and Leeds recording more than 6% annual growth. The top performing city markets outside of the UK were Dublin, Copenhagen and Stuttgart (MSCI).

Research

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Capital Markets

Richard Laird
Partner, Co Head European Capital Markets
+44 20 7861 1663
richard.laird@knightfrank.com

Agency

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
charles.binks@knightfrank.com