

Intelligent Investment

How will European logistics investors respond to a changing market in 2024?

VIEWPOINT

This viewpoint explores the responses of participants who identified logistics as their primary sector for investment purchases in our [2024 European Investor Intentions Survey](#).

CBRE RESEARCH
APRIL 2024



CBRE’s [2024 European Investor Intentions Survey](#) asked respondents a range of questions regarding their buying appetite and preferred strategies for sectors and markets in 2024. In total, 888 investors participated in the survey. This year, 34% of participants identified logistics as the sector they are primarily targeting for investment purchases in 2024 (figure 1), the highest proportion since the survey’s inception, making logistics the top sector for purchasing intentions. This viewpoint explores responses from this subset of participants.

Introduction

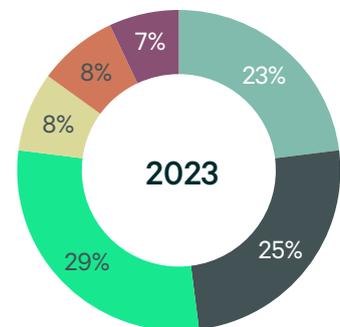
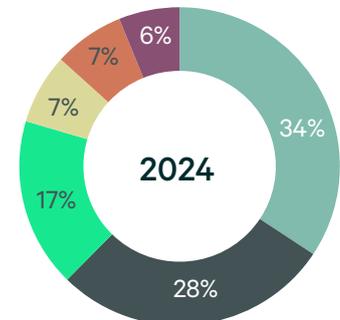
Investors responded to the extraordinarily strong demand for logistics space in 2021 and 2022 by significantly increasing their allocations to the sector, with logistics investment growing by 50% year-over-year in 2021 (compared with an all property investment volume increase of 29%).

Since mid-2022, [investment market conditions have deteriorated](#), as a result of macroeconomic headwinds and a steep interest rate hiking cycle, which significantly increased the cost of capital. Prime logistics yields moved out quickly, producing a sharp correction in capital values. [Logistics take-up also fell](#) back to 2019 levels in 2023 and vacancy rates saw a moderate increase. These trends are due to those same macroeconomic headwinds and the temporary easing of some of the demand drivers seen during the pandemic.

The [composition of demand](#) has also changed. E-commerce players, who took record amounts of space during the pandemic, have seen their share of total take-up diminish, whilst [3PLs expanded their share](#). However, the structural tailwinds, including e-commerce expansion and the improvements in supply chain resiliency, remain supportive of a healthy demand narrative in the near future.

Given this situation, how do investors that are primarily targeting logistics for investment in 2024 see fundamentals evolving this year, and how will they respond?

Figure 1: Sector preference – investor intentions survey



- Logistics
- Residential
- Office
- Retail
- Hotels
- Other

Source: CBRE Research, 2024 European Investor Intentions Survey
 Note: Figures may not add up to 100% due to rounding.



Occupier demand expected to remain stable

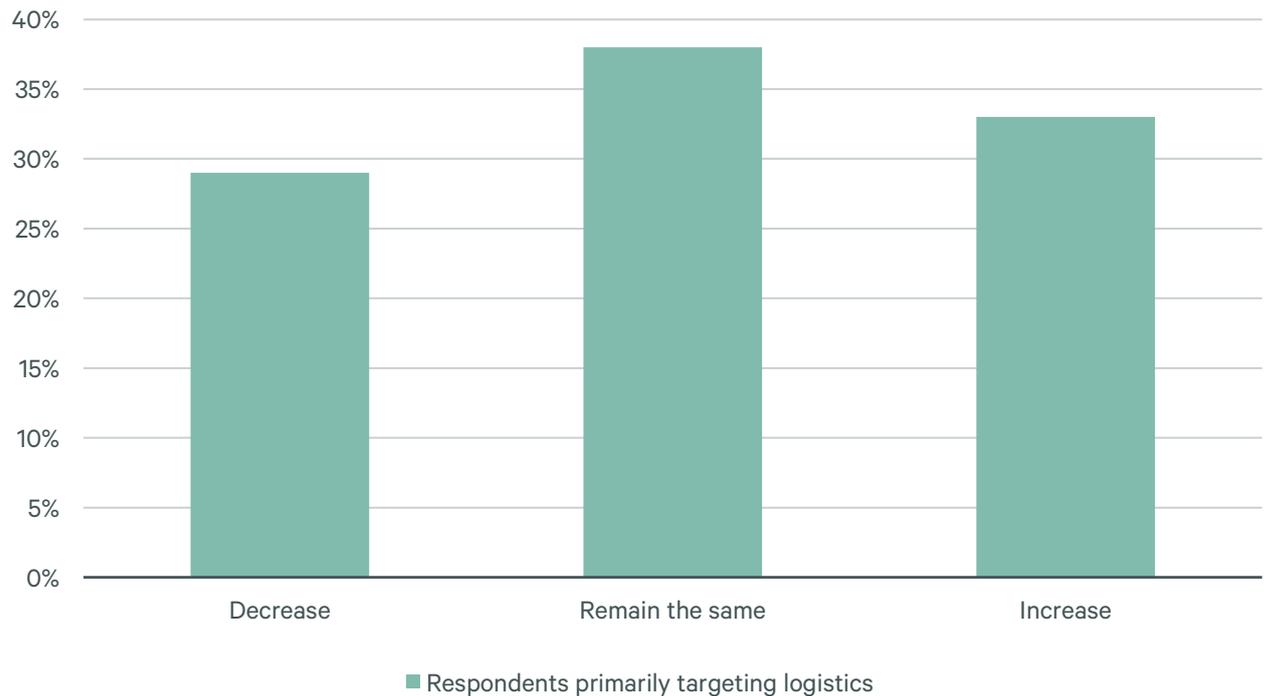
There is no consensus among investors about the evolution of logistics demand in 2024, as illustrated in figure 2. 33% of respondents trust that the structural tailwinds will outdo the temporary macroeconomic headwinds and therefore demand will increase.

On the other hand, 29% of respondents believe that demand levels in 2024 will be lower than last year, with the remaining 38% agreeing with CBRE’s view that logistics demand will now stabilise, although we are broadly inclined towards the optimistic side of respondents.

Percentage of logistics-focused respondents that believe demand will increase

33%

Figure 2: How do you expect 2024 occupier demand for logistics assets to evolve versus 2023?



Source: CBRE Research, 2024 European Investor Intentions Survey

Sentiment for acquisitions remains positive

While both overall and logistics-focused investor sentiment is weighted towards greater buying activity in 2024 compared to 2023, the result for logistics-focused investors is lower than for the overall cohort. Despite seeming counterintuitive, given that logistics is the preferred investor sector in Europe for 2024, it is explained by the particularly strong result of logistics against other sectors in [last year's survey](#).

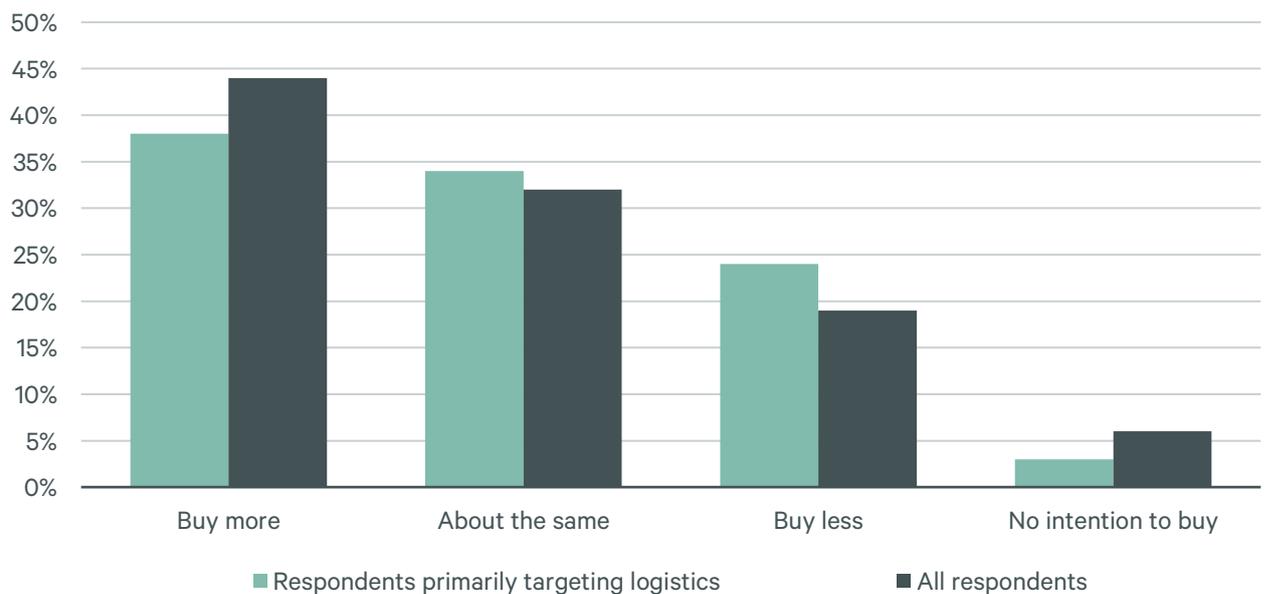
Percentage of logistics-focused respondents expecting to buy more in 2024

38%

Almost three quarters of respondents primarily targeting logistics reported an appetite to buy more last year (vs 28% of the overall cohort), with none reporting they would buy less (vs 42% of the overall cohort). In 2024, the recovery is also expected to benefit other sectors that will have finalised the repricing process and should in turn attract increased real estate investment. Therefore, logistics purchasing intentions are more moderate than for all respondents, owing to much stronger relative purchasing intentions in 2023.

In terms of the major challenges facing real estate investment in 2024, responses from investors focusing their purchasing intention on logistics were in line with the overall cohort, with the top three challenges being a mismatch in buyer and seller expectations, interest rates remaining higher for longer, and tighter credit availability and loan terms.

Figure 3: Compared to 2023, do you expect your purchasing activity in 2024 to be higher, lower, or the same?



Source: CBRE Research, 2024 European Investor Intentions Survey

Location prioritised over building age

When choosing what type of assets to focus on and in which location, a clear trend emerged for logistics-focused investors to prioritise location over building age. 82% aim to focus on assets in major cities, with the majority of these focused on modern assets, while just 18% intend to focus on peripheral cities.

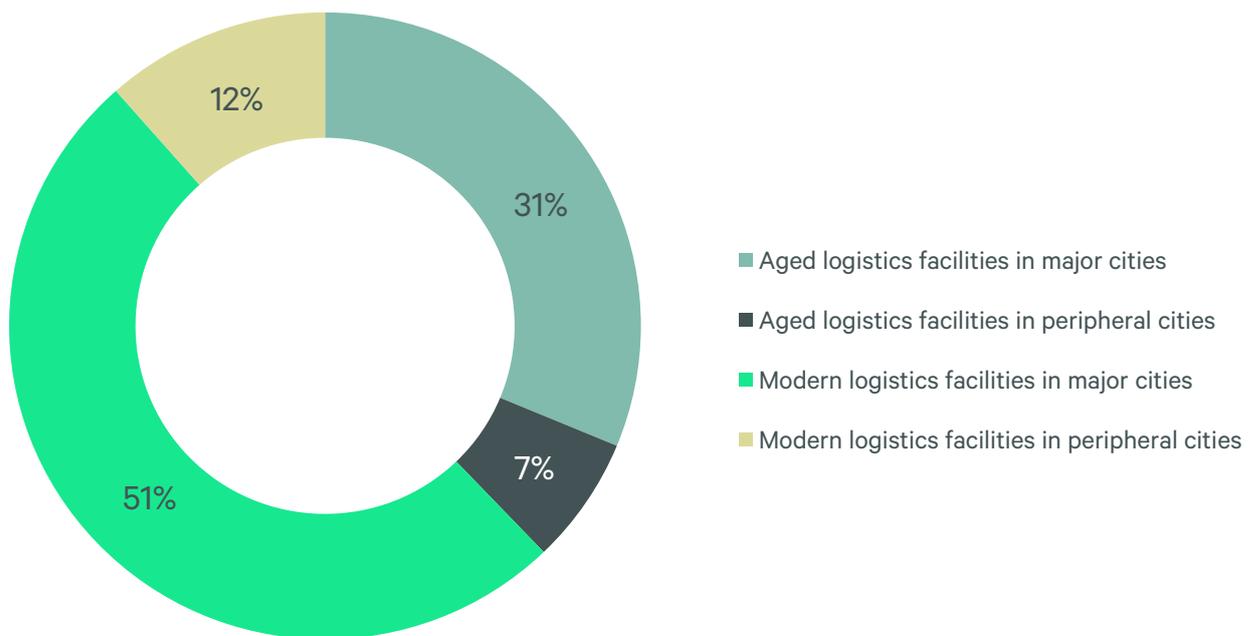
Percentage of logistics-focused respondents aiming to focus on assets located in major cities

82%

While factors such as building age, obsolescence, and environmental credentials are increasing in importance, investors demonstrate they are secondary when compared with location. This aligns with the importance given to location by occupiers in our [European Logistics Occupier Survey 2023](#) and the tighter supply conditions in most prime logistics locations.

Investors clearly demonstrate that proximity to large population centres is more significant to returns than the age, building features, and environmental credentials of a building. In the case of older logistics facilities in major cities, most assets fall into opportunistic and value-add strategies (as in figure 4), suggesting that investors are counting on capital expenditure to modernise assets.

Figure 4: Among industrial and logistics assets, which asset type do you focus on?



Source: CBRE Research, 2024 European Investor Intentions Survey (participants that identified logistics as the sector they are primarily targeting for investment purchases in 2024)
 Note: Figures may not add up to 100% due to rounding.

Logistics investors have greater risk appetite

While logistics yields have moved out sharply in all markets, we believe that yields are now very close to their peaks and any further repricing in 2024 is likely to be minimal. Logistics-focused respondents show a higher risk appetite than the overall cohort, which is driven by the stronger fundamentals in the sector.

This supports embracing higher potential risk and exploring non-prime assets, if they are in the right location, as shown in figure 5. 37% of respondents primarily targeting logistics prefer value-add strategies in 2024, compared with 31% overall. Logistics-focused investors also have a higher propensity to favour opportunistic and core-plus strategies, with a much lower proportion favouring core – just 10% believe a core strategy will be most attractive, compared with 14% overall.

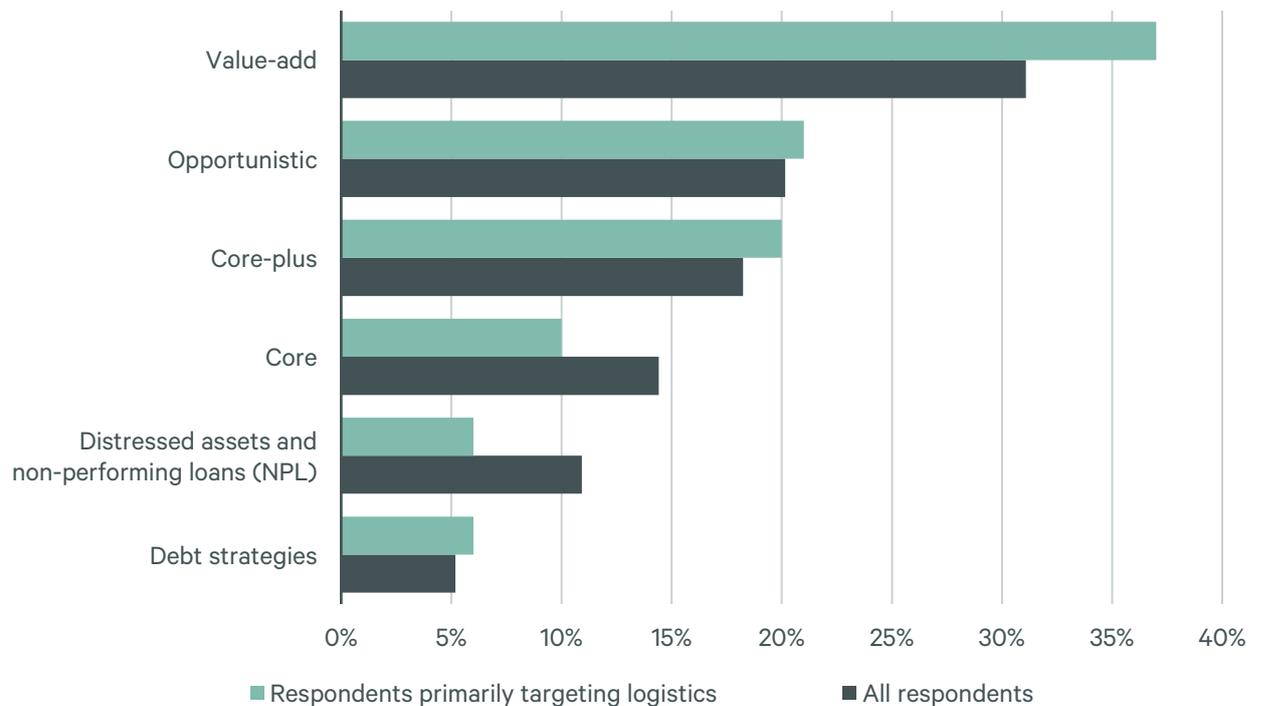
Percentage of logistics-focused respondents favouring value-add strategies

37%

Percentage of logistics-focused respondents opting for core strategies

10%

Figure 5: What type of strategy do you believe will be the most attractive for your organisation in 2024?



Source: CBRE Research, 2024 European Investor Intentions Survey

Conclusion

Logistics-focused investors entered 2024 with cautious optimism. Overall sentiment is acquisitive, though less so than in 2023, when purchasing intentions were particularly strong. Investors in logistics will climb higher up the risk curve to generate the returns they require and will prioritise location over building age.

Occupier demand is expected to remain broadly stable in 2024. However, it may well surprise on the upside, due to a combination of an improved macroeconomic environment, delayed occupier expansion plans finally being realised, growing e-commerce, and the ongoing restructuring and nearshoring of supply chains. Improved occupier demand is likely to strengthen rental growth prospects for the sector.

Total returns for logistics have outperformed all sector returns at a European level since 2019. While logistics returns saw a more rapid fall in the most recent repricing cycle, due to sharper declines in capital values, we expect total returns for the sector to continue to outperform in the near-term. Given that it is likely that values have largely bottomed out, 2024 appears to present an attractive opportunity for investment in the sector.

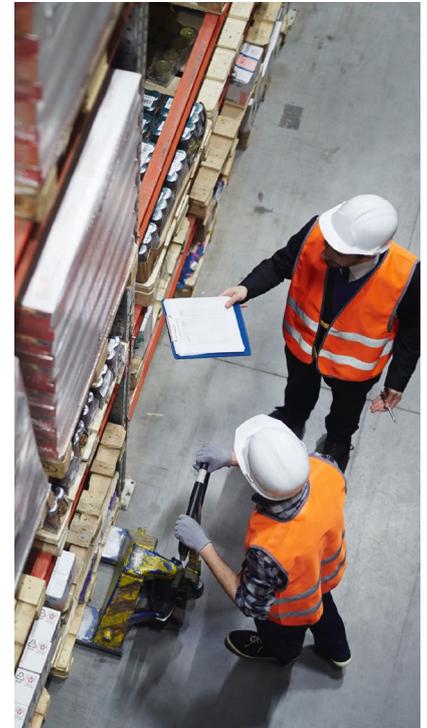
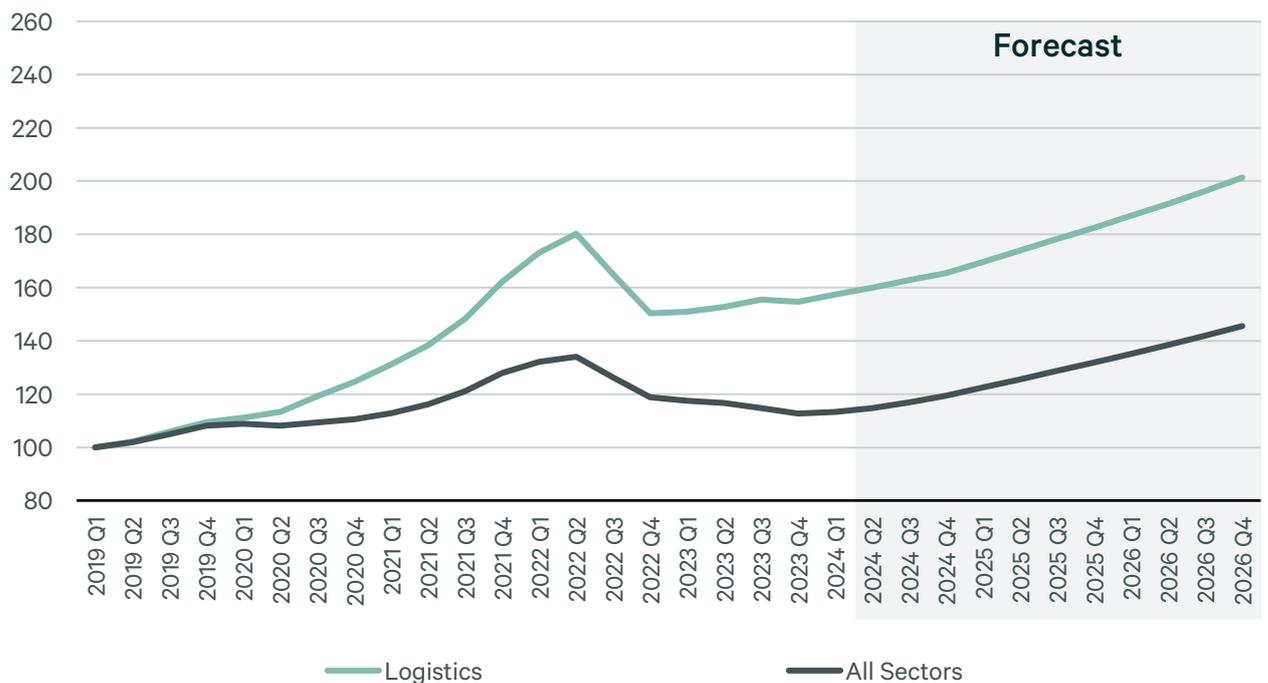


Figure 6: Average total returns, 2019–2026F (Index, 2019 Q1=100)



Source: CBRE Forecasting

Note: All Sectors is an average of office, retail, logistics and residential, weighted by each sector's share of five-year investment volumes to 2023.



Contacts

Alex Ozga

Associate Director,
European Industrial & Logistics
and Retail Research
alex.ozga@cbre.com

Pol Marfà

Director, European Industrial &
Logistics and Retail Research
pol.marfamiro@cbre.com

Jack Cox

Head of European
Industrial & Logistics
jack.d.cox@cbre.com

Mark Cartlich

Head of European
Industrial & Logistics Strategy
mark.cartlich@cbre.com

Tasos Vezyridis

Head of Thought Leadership
for Europe
tasos.vezyridis@cbre.com

Jos Tromp

Head of Research,
Data Intelligence &
Business Development,
Continental Europe
jos.tromp@cbre.com

Raphael Rietema

Director, Capital Markets
Research, Europe
raphael.rietema@cbre.com

Benjamin Pipernos

Senior Analyst, Capital Markets
Research, Europe
benjamin.pipernos@cbre.fr

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.