

Logistics real estate faced the greatest impact from trade policy volatility in 2025, as shifting tariffs, uncertain global trade relationships, and evolving industrial policies caused hesitation and deferred decision making among occupiers, leading to slower lease execution and delayed demand while tenants awaited clarity on sourcing, pricing, and long-term location strategies. This hesitancy suggests the presence of latent demand, with the potential for a rebound in activity once market conditions stabilise.

Our **RESEARCH**  highlights several longer-term trends such as regionalisation of high-value manufacturing, growth in e-commerce, and increased defence spending continue to support leasing fundamentals. In an increasingly turbulent geopolitical environment, logistics assets are likely to gain renewed importance as critical enablers of supply chain security. This is especially true of essential goods sectors such as pharmaceuticals and grocery, technology, and data centre supplies, which need to be kept in higher quantities and proximate. We see several positive themes emerging for demand in the sector:

- There remains significant potential for growth in **Europe's e-commerce markets**, particularly from major players like Amazon, which currently accounts for 20% of the European e-commerce market compared to 40% in the U.S. In the near term, Amazon plans to expand its logistics footprint by approximately 1.8 million square meters (19 million square feet) across select European countries.¹ **Historically, Amazon's expansion has acted as a catalyst, spurring activity among other occupiers and driving demand across logistics markets, creating positive ripple effects for logistics real estate more broadly.**
- Recent technology developments could create further upside to e-commerce driven demand. **Autonomous vehicles** are still in their infancy but are gaining ground and could enable faster, more efficient and cost-effective delivery. Similarly, **agentic commerce**, powered by AI, is showing promise and could facilitate the online purchasing experience via automation.
- Amid elevated geopolitical uncertainty and rising government spending on national security, defence firms and their supply chains are becoming a notable source of logistics demand. Increased defence spending is expected to generate around 37 million square meters of additional logistics requirements across Europe over the next seven years,² with U.K. data already showing a more than 70% rise in defence-related take-up since the Ukraine conflict began in 2022.³ Although defence occupiers often have specialised and more complex real estate needs, this trend represents a meaningful tailwind for the logistics sector and, similar to e-commerce's early stages, can create positive knock-on demand across the wider market.
- China is actively increasing its investment in European supply chains, particularly in the electric vehicle and battery sectors. Despite the introduction of EU tariffs on Chinese EV manufacturers in 2024, the sector is increasingly important to the **China-Europe trade corridor**. Companies including BYD, Nio, XPeng, MG (SAIC) and Great Wall Motor have expanded rapidly, investing in research, development and supply chain infrastructure.

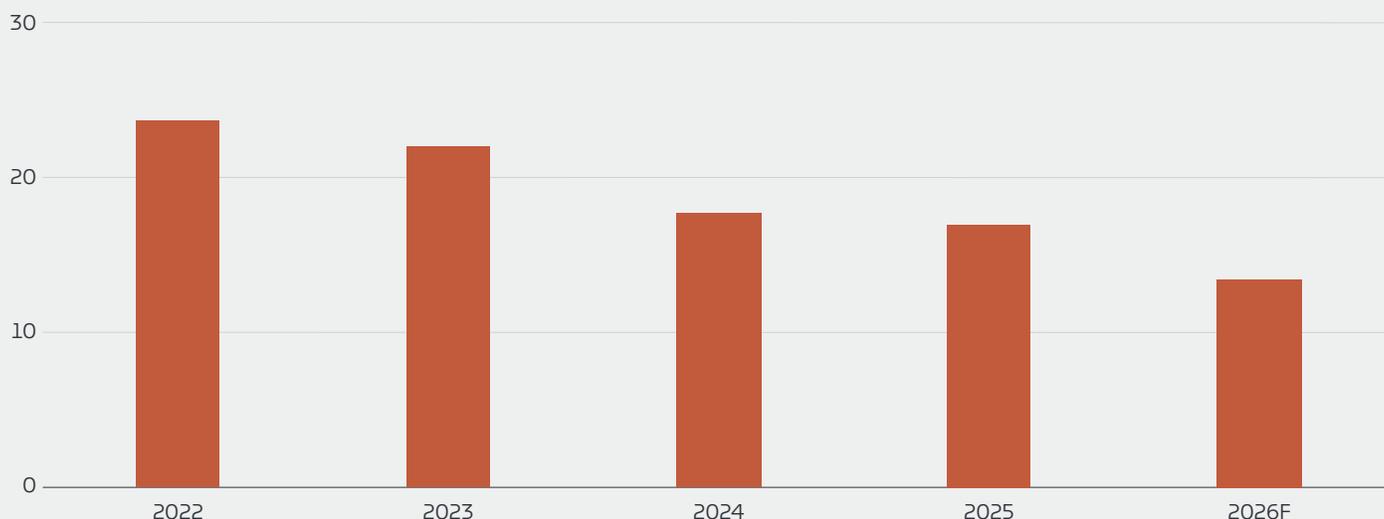


1. Green Street. Industrial Insights. 21 August 2025. Includes France, Germany, Italy, Spain and the U.K.
 2. Savills. 24 September 2025
 3. CoStar. Ministry of Defence investment sparks industrial demand boom across defence supply chain. 6 January 2026

This long-term demand backdrop now intersects with a meaningful supply-side adjustment. Construction starts remain low, with 2026 deliveries projected to decline by 40% on average from the 2022 peak, and by more than 60% in some markets⁴ With new supply tightening, the availability of such space is likely to fall short of evolving demand. Notably, industrial land pricing has generally held across most markets despite significant prime yield expansion in the preceding years, signalling that capital continues to underwrite continued rental growth and recognise that consented and importantly powered land are scarce and critical to being able to develop to meet the expected occupier demand.

EUROPEAN LOGISTICS COMPLETIONS

Millions SM



Source: CBRE, Q4 2025

This environment is particularly supportive of modern, Class A industrial assets. Our **RESEARCH**  shows that **newer, well-located facilities consistently outperform in the early stages of real estate recoveries**. With new supply deliveries sharply curtailed, competition for high-quality space diminishes just as tenant demand begins to re-engage, allowing modern assets to capture leasing velocity, occupancy gains, and rent growth ahead of the broader market. This dynamic reinforces the persistent flight to quality observed across leasing activity. In the U.K., net absorption over the last five years has been focused on assets built in the 2020s, and anything built earlier than 2015 has seen negative net absorption since the pandemic.⁵

This dynamic is particularly evident in Europe, where we see strong prospects for rental growth supported by natural barriers to supply, including power and planning constraints. Europe's higher population density (112 people per km² compared to around 38 people per km² in the U.S.) combined with competing land uses and regulatory hurdles creates significant constraints on logistics development. Europe still trails North America, with warehouse space per capita at only one-third of U.S. levels. Competition for land is intensifying, particularly from data centres, which share similar locational requirements with logistics assets. As a result, brownfield redevelopment is emerging as a strategic solution, though it remains complex and capital-intensive. **Supply-side limitations extend beyond land. Power availability and grid capacity are becoming critical constraints for logistics development, especially for warehouse automation and EV charging infrastructure.** Together, these factors reinforce scarcity in key locations and amplify the value of deliverable land and modern, well-located stock. This structural imbalance underscores the long-term growth opportunity for high-quality logistics assets in Europe.

Since 2014, Affinius Capital has invested in European logistics, mainly through development. Alongside our wholly owned affiliate **Mountpark**, we are well-positioned to deliver premier logistics development projects throughout the U.K. and Europe. Affiliates such as Mountpark allow us to unlock unique opportunities and execute on higher-returning developments. Our strategically located network of logistics projects currently spans six countries, providing access across Europe's major supply-chain corridors.

4. CBRE Forecasting, Q4 2025

5. CoStar, Affinius Capital Research



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