Affinius Capital

Why macro volatility is changing logistics demand, not undermining it

Macro volatility has become a defining feature of the European investment landscape. Trade friction, geopolitical tension, higher interest rates, and shifting industrial policy have combined to create an environment where uncertainty is elevated and decision-making cycles are longer. In this context, logistics real estate may be perceived as vulnerable, highly exposed to global trade and therefore at risk as macro headwinds intensify.

Macro uncertainty does not appear to be materially undermining logistics demand but rather contributing to a gradual reshaping of it. The sector is moving through a period of adjustment rather than decline, with demand becoming more selective, more location specific and more tightly aligned to resilience, security of supply and operational efficiency.

Volatility defers decisions – but does not eliminate demand

The most visible impact of macro volatility on logistics over the past 12 to 18 months has been slower occupier decision-making. Shifting trade policies, tariff uncertainty and evolving supply chain strategies caused many tenants to pause expansion plans during 2025, particularly for large footprint requirements. This translated into a short-term softening in take-up across several European markets.

The same forces driving that hesitation, however, also point toward structurally higher long-term demand for logistics space. A fracturing global economy – defined by reshoring, nearshoring, supply-chain redundancy and greater regional self-sufficiency – requires a broader range of unit sizes and more geographically distributed manufacturing and logistics facilities.

Crucially, this hesitation suggests the presence of latent demand, particularly from occupiers reassessing network design, inventory strategy and regional distribution strategies. It is important to note that these decisions have largely been postponed rather than cancelled, reflecting uncertainty regarding timing rather than underlying space requirements.

Structural drivers remain firmly intact

Despite heightened macro risk, the core demand drivers for European logistics remain in place:

- **Ecommerce penetration continues to grow,** with Europe still materially behind the US on a per-capita basis. Even modest incremental gains translate into meaningful warehouse demand. In the near term, Amazon plans to expand its logistics footprint by approximately 1.8 million square meters across select European countries.[1] Historically, Amazon's expansion has acted as a catalyst, spurring activity among other occupiers, driving demand across logistics markets, and creating positive ripple effects for logistics real estate more broadly.
- **Supply chains are regionalising,** not shrinking. Nearshoring, onshoring of higher-value manufacturing, and the need for buffer inventory all increase demand for modern logistics space closer to end markets.
- **Defence, healthcare, and essential goods** have emerged as increasingly important logistics users. Elevated geopolitical risk has reinforced the strategic importance of secure, proximate storage and distribution for critical sectors. Looking to Europe, Savills estimates that increasing NATO defence spending to 3.5 percent of GDP could generate an additional 37 million square metres[2] of manufacturing and defence-related demand, equivalent to around 9 percent of existing logistics stock.[3]
- **Technology and automation** are raising functional requirements. Modern logistics facilities are no longer simple storage boxes; they are integral to data-driven, automated supply chains that prioritise speed, reliability and efficiency.

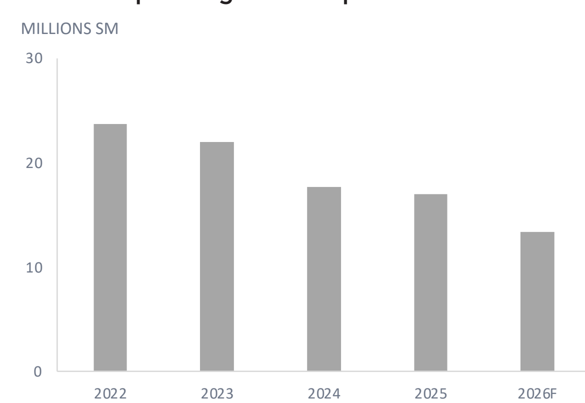
The occupier base within the logistics sector has rarely been as diversified as it is today, and that breadth is a key factor underpinning its long term appeal.

Demand is becoming more selective – and quality-led

Macro disruption is accelerating a clear **flight to functionality and quality** within the logistics sector. As uncertainty persists, occupiers are becoming more discerning, prioritising assets that enhance operational resilience – namely modern buildings in strong locations, with access to labour and growing access to power. In many cases, this focus on resilience also implies higher inventory levels and greater space requirements, reinforcing demand for modern logistics assets rather than constraining it.

Evidence of this trend is already clear. In the UK, net absorption over the past five years has been concentrated almost entirely in assets delivered in the

Exhibit 1. European logistics completions



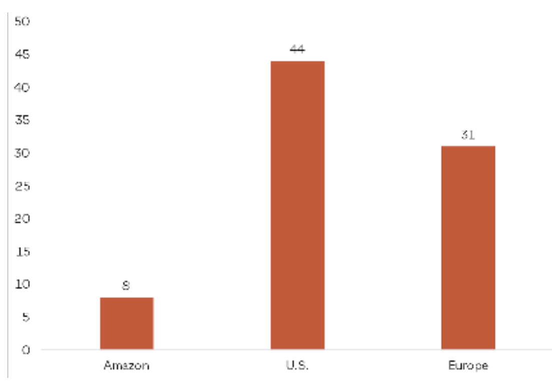
Source: CBRE, Q4 2025

2020s, while stock built prior to 2015 has experienced negative net absorption since the pandemic. Similar patterns are becoming more and more evident across continental Europe. Macro volatility is sharpening occupier preferences and widening performance dispersion between assets — further reinforcing the strategic importance of modern, flexible logistics space.

This evolving demand profile is now intersecting with a **meaningful supply-side adjustment.** Construction starts in Europe remain subdued, with 2026 deliveries projected to decline by around 40 percent on average from the 2022 peak — and by more than 60 percent in some markets (Exhibit 1).[4] As new supply tightens, the availability of modern, fit-for-purpose space is increasingly likely to fall short of occupier needs.

These tenant preferences are evident when comparing the composition of Amazon's logistics portfolio with the broader logistics stock across the US and Europe. The average building vintage in Amazon's network is 2017 — less than a decade old — highlighting the company's emphasis on modern, purpose-built facilities designed for high-throughput ecommerce operations. By contrast, the average vintage of European logistics stock stands at 1994 (Exhibit 2).

Exhibit 2. Age of industrial portfolio: Amazon vs. all US & European markets



Source: CoStar. Note US portfolio is only industrial properties over 100,000 SF. Average age for each property is based on the most recent of year built or year renovated.

Barriers to supply

Europe's logistics markets already operate with significantly less warehouse space per capita than North America. As development pipelines shrink further, the availability of modern space is likely to fall short of evolving demand once occupiers re-engage. This pullback is not simply cyclical caution. It reflects deeper structural barriers to development including land scarcity, planning hurdles and power constraints.

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.

Against this backdrop, performance differentiation within the sector is becoming more pronounced. Our research shows that newer, well-located logistics facilities outperform during the early stages of recovery cycles, and likely beyond. With development pipelines curtailed, competition for high-quality space diminishes just as tenant demand begins to re-engage. This allows modern assets to capture leasing velocity, occupancy gains and rental growth ahead of the broader market, reinforcing the persistent flight to quality observed across leasing activity.

Conclusions

Taken together, these trends suggest that macro disruption is reshaping the composition and focus of logistics demand without materially undermining the underlying investment case. While short-term caution persists, occupier demand has become more durable and more broad-based. As a result, asset quality, location and functional specification are playing more decisive roles in both occupier and investor decision-making. At the same time, supply constraints are tightening just as demand shows early signs of re-engagement, indicating that rental growth potential is becoming increasingly concentrated in modern, well-located assets.

This environment is unlikely to reward passive ownership or broad-brush exposure. Instead, it favours investors with land and the ability to deliver modern product, local market insight and hands-on asset management — those who can deliver and operate assets that align with occupiers' evolving priorities. Looking ahead, we believe rapid technological shifts and inevitable disruptions will continue to shape the market. However, history demonstrates that those prepared to adapt and innovate will not only weather turbulence but thrive in it.

Notes
1. Green Street. Industrial Insights. 21 August 2025. Includes France, Germany, Italy, Spain and the UK
2. Savills, Defence Logistics 2025, September 2025
3. CBRE, Q4 2025
4. CBRE, Q4 2025

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