MAY 2025

Where now for UK & European Logistics?

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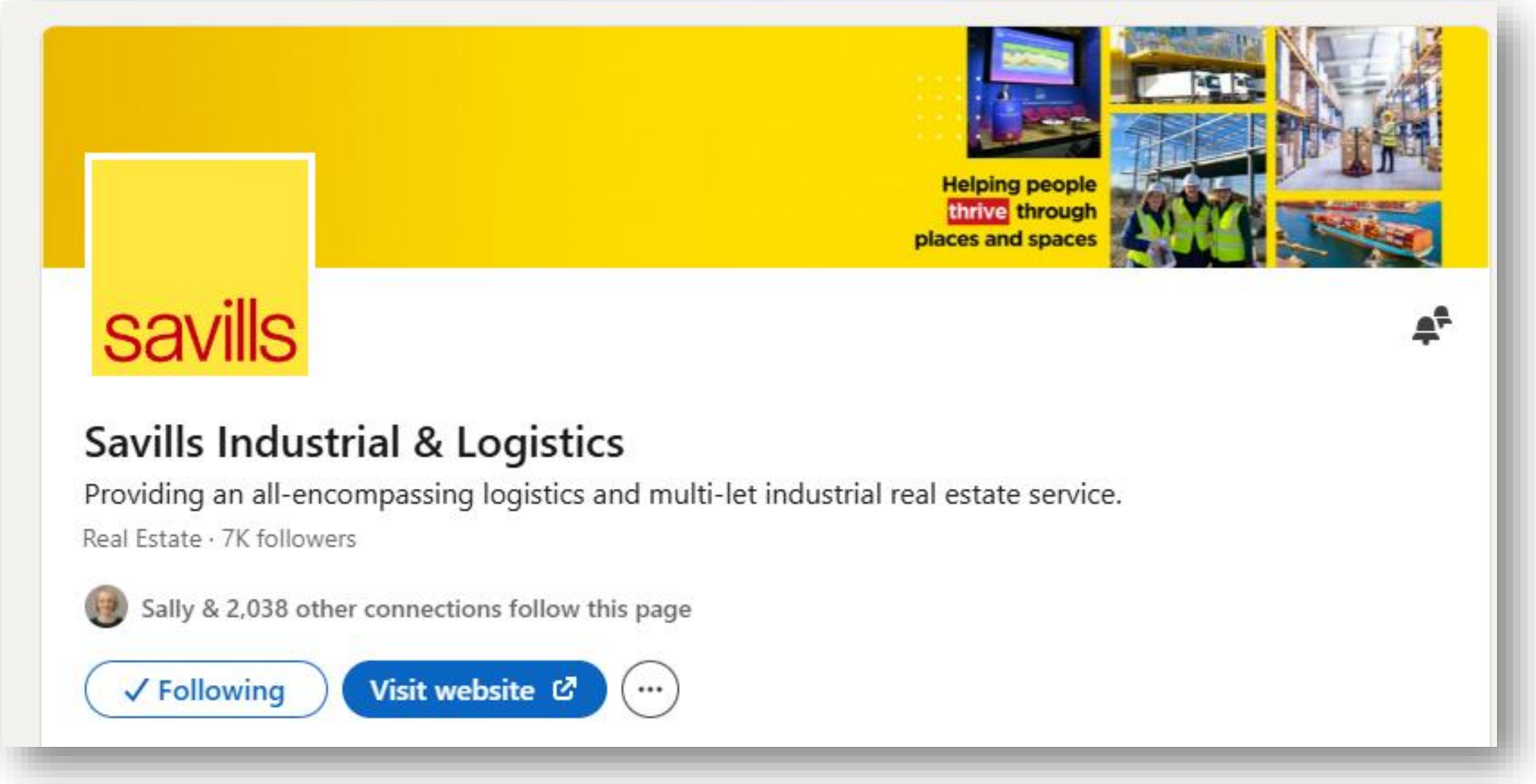

01

MAGA uncertainty

Analysing a moving target

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Bloomberg

Industrial Strength

by Brooke Sutherland

"We do not know the scope and breadth of the tariffs issue at the moment and will not for a while" so to pretend otherwise is "sheer speculation," Phebe Novakovic, chief executive officer of General Dynamics Corp., the company behind Gulfstream private jets and military tanks, said this week. "**Anything I say on that subject, given our lack of firm knowledge, will almost certainly be wrong.**"

It was one of the more accurate comments anyone has made about tariffs so far this earnings season, if not the most helpful for investors.


All
things being
equal...

5 years of **disruption** to the global logistics market

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A global pandemic fuelling….

…an unexpected market boom

A burst of double-digit annual capital and rental growth

War in Europe and the Middle East

A surge in inflation

A sharp increase in the cost of debt

Followed by a slowdown in activity

Change in political priorities following general elections across the World

Continued growth in online retail and interest in nearshoring and a surge in the Data Centre Market

Businesses and consumers rocked by higher taxes

And then…….


Reciprocal Tariffs
Country
Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers
U.S.A. Discounted Reciprocal Tariffs
China 67% 34%
European Union 39% 20%
Vietnam 90% 46%
Taiwan 64% 32%
Japan 46% 24%
India 52% 26%
South Korea 50% 25%
Thailand 72% 36%
Switzerland 61% 31%
Indonesia 64% 32%
Malaysia 47% 24%

An AI representation of the Savills Research team on 2nd April 2025

2025 so far

Requirement levels up

A growing defence sector?

Vacancy peaking in some areas

Land being lost to the DC sector

Tariff market implications

Direct economic impact limited – exports to US account for 3% of GDP

But significant potential impact on consumer and business confidence

Disrupting an already weak economic recovery

If anything, likely to be “disinflationary”

Increasing the likelihood of faster, deeper cuts in interest rates

V

Potentially meaning a V-shaped take-up response

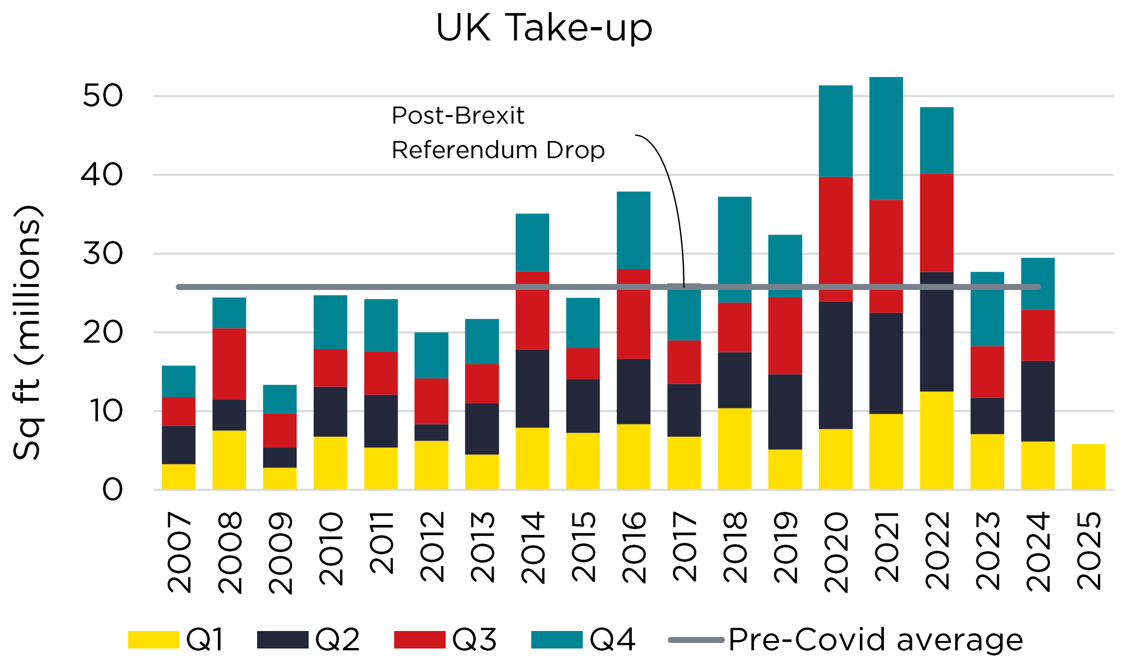
Illustrating the V….

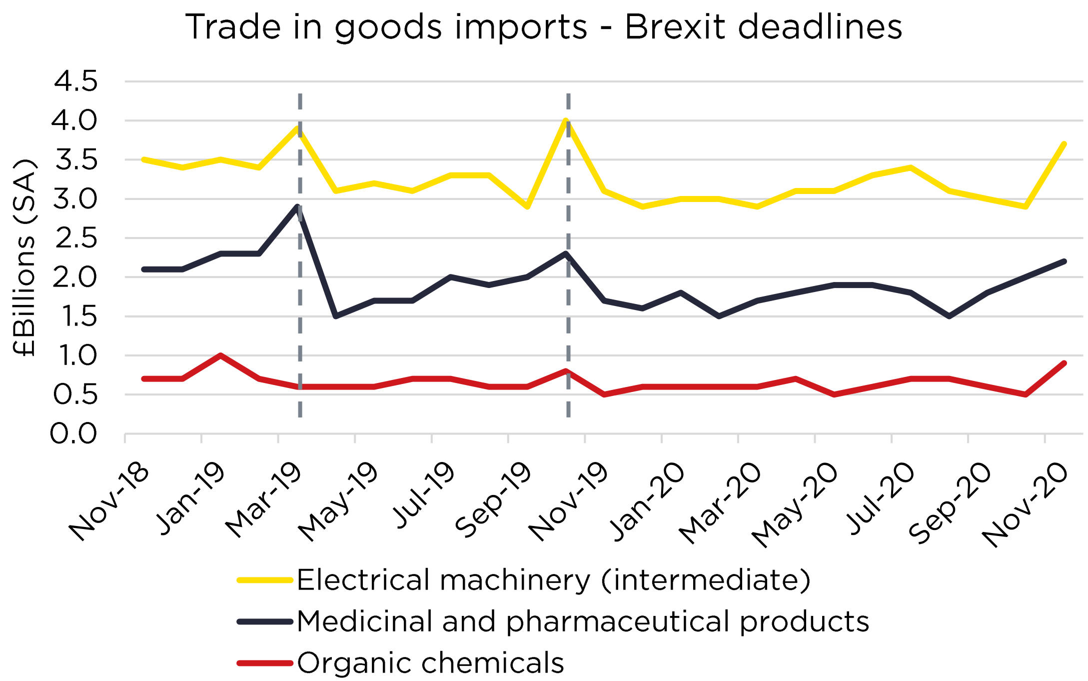
Brexit comparison

- There was a fall in take-up in the aftermath of the 2016 Brexit referendum. After the initial shock take-up quickly recovered in 2018.
- While the economic impact of Brexit has (arguably) suppressed the UK's Economic growth, there is case to suggest it was positive for the warehouse market.
- With markets becoming less favourable to expansion in the US we may see an acceleration of Chinese expansion into the EU and UK

Uncertainty encourages stockpiling

- In the run-up to Brexit imports of goods to the UK spiked
- With future trade relations becoming increasingly uncertain we would expect similar behaviour in Europe and the US in 2025.
- Tech giant Apple reportedly chartered cargo flights to ferry 600 tons of iPhones, or as many as 1.5 million, to the United States from India, after it stepped up production there to beat the deadline for the Trump administration's tariffs.





Source: Savills Research, Eurostat

Impact so far

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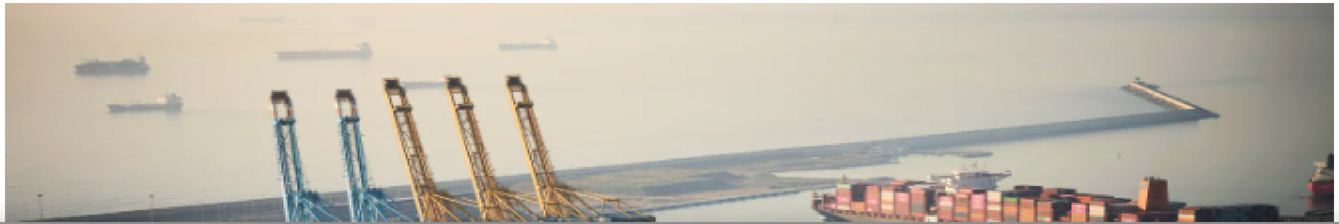
THE SUNDAY TIMES

Congestion at European ports as trade war leaves ships in limbo

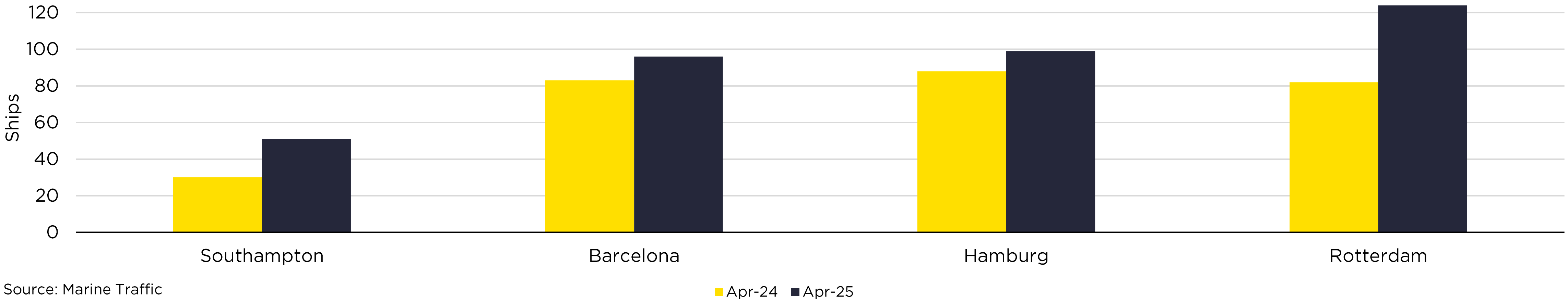
Queues are building across UK and Europe amid tit-for-tat tariffs and plan to impose $1m fee on Chinese-made vessels docking in the US

Laith Al-Khalaf, Business Reporter

Sunday April 13 2025, 12.01am, The Sunday Times



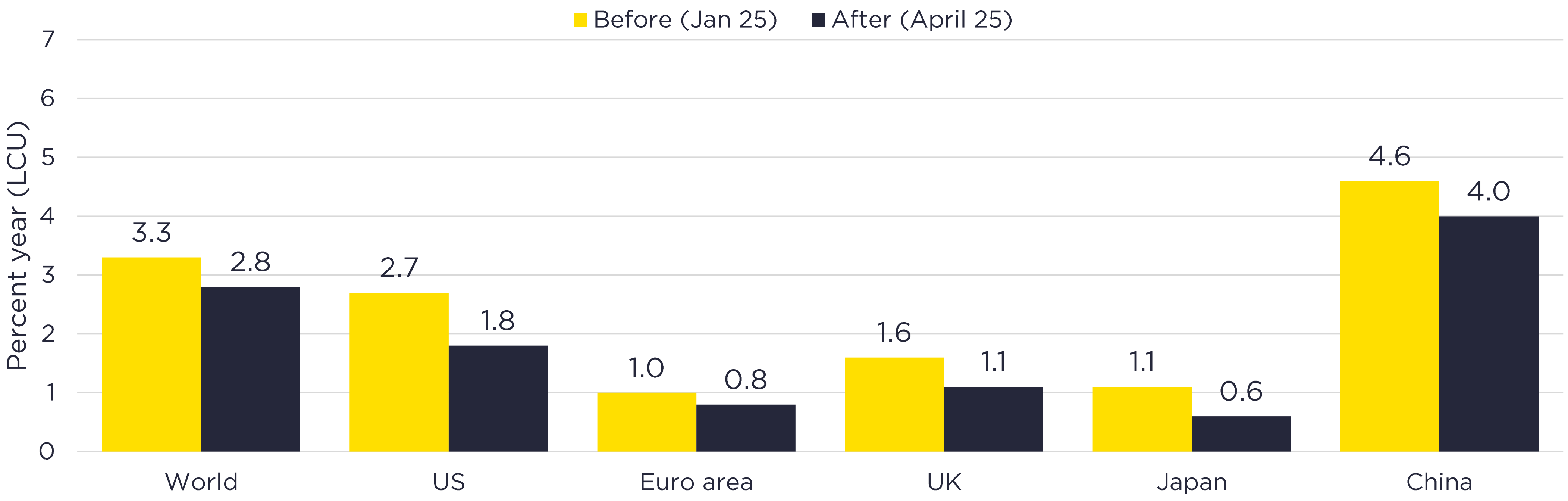
Port entries



Source: Marine Traffic

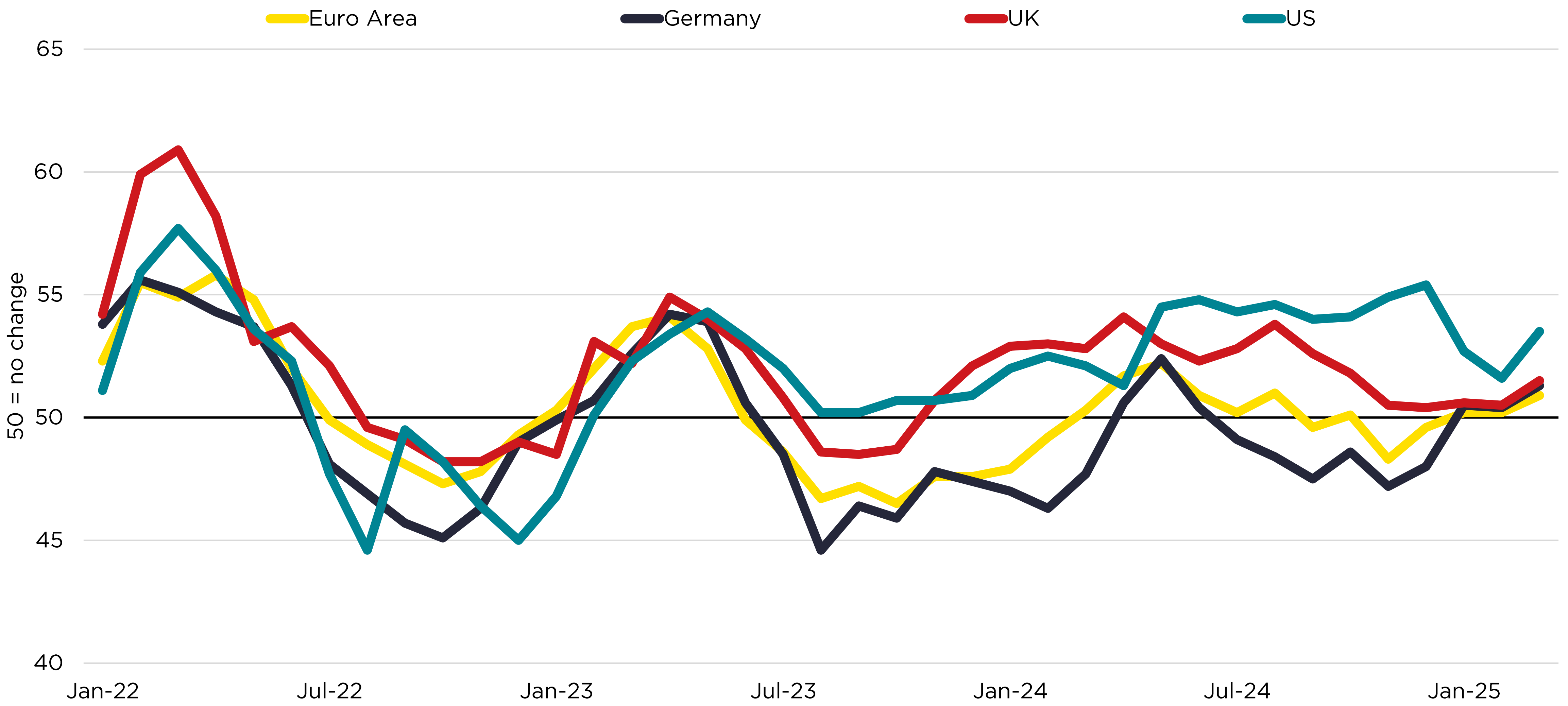
GDP forecasts have **been downgraded**

IMF Global GDP growth forecasts for 2025 before and after 'Liberation Day' tariffs



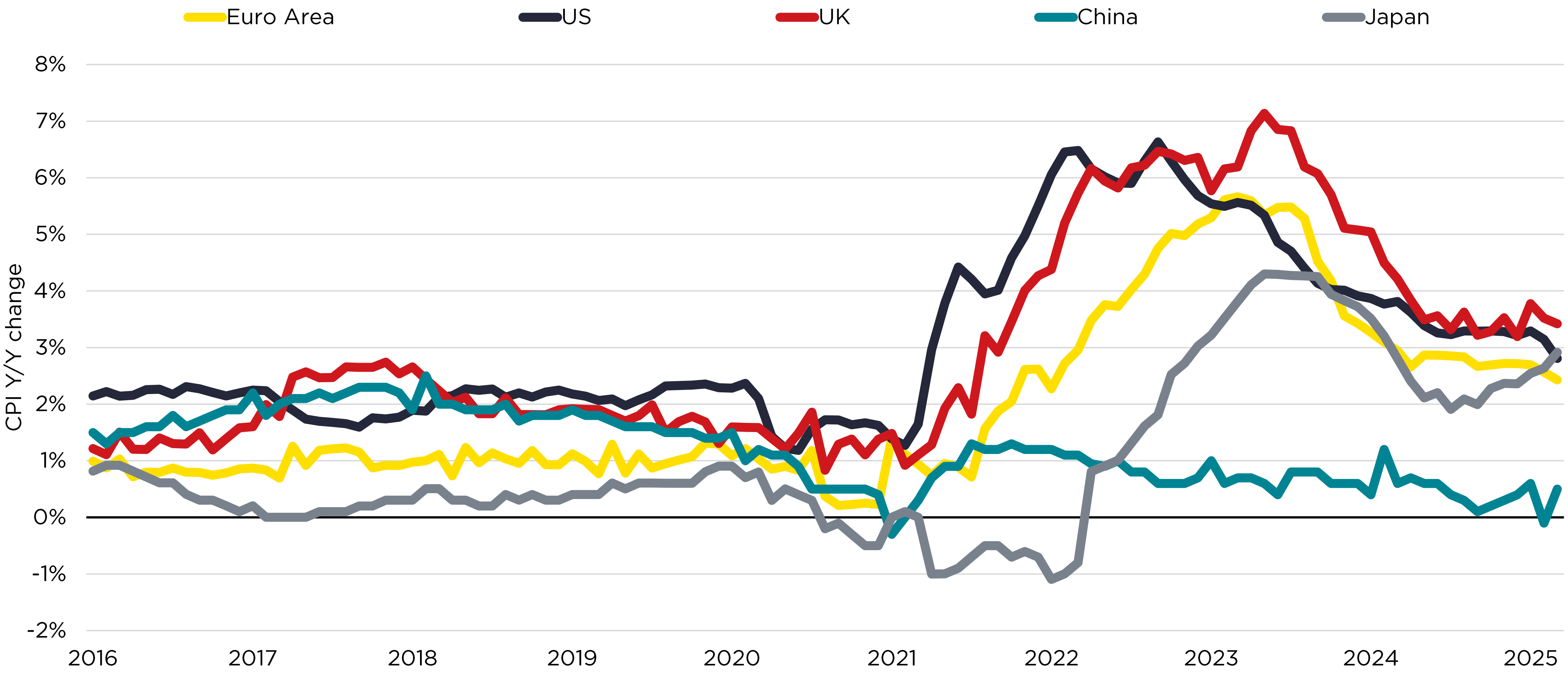
Source: Savills Research using IMF WEO April 2025

Momentum was building in the PMI data



Source: Savills Research using Macrobond

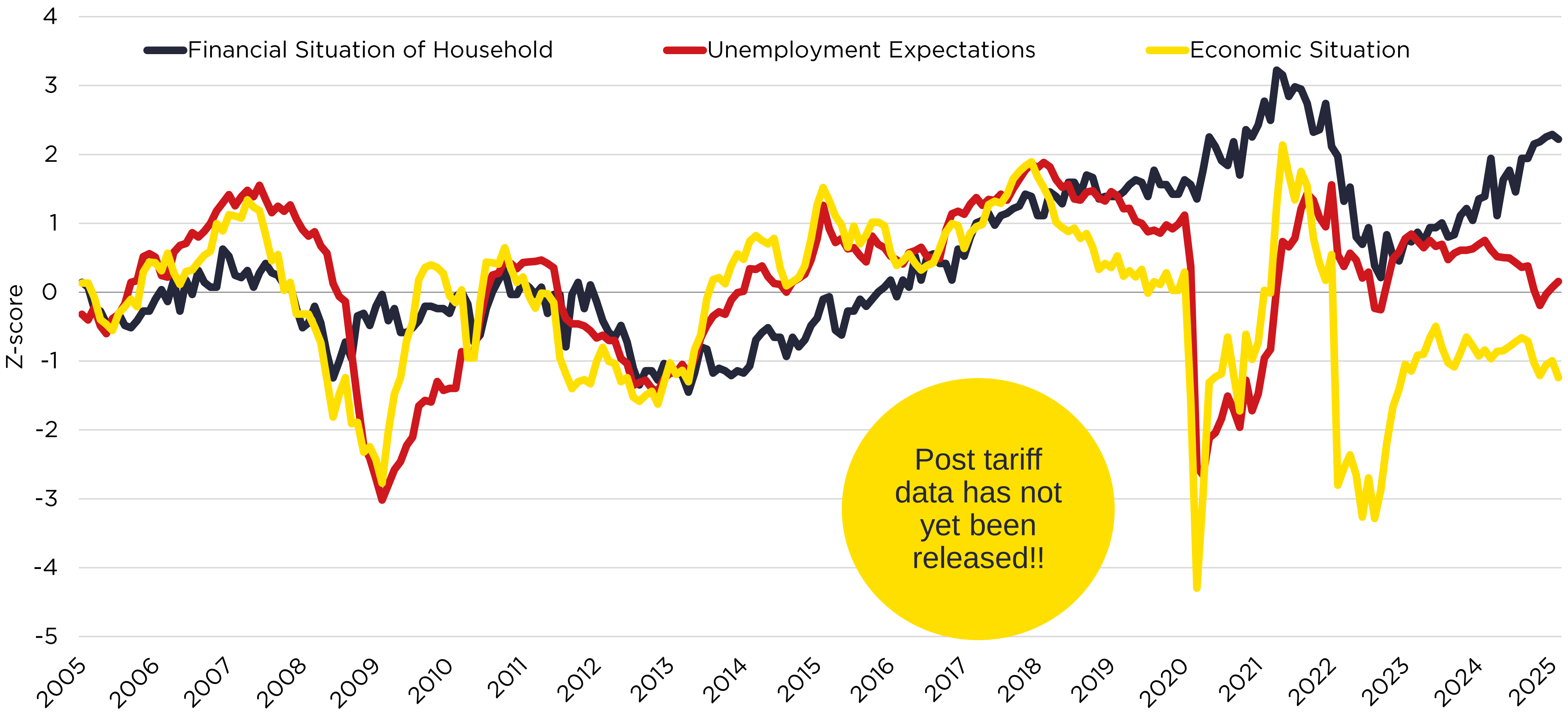
Core inflation is **heading to target,** but volatility remains



Source: Savills Research using Macrobond

INFLATION

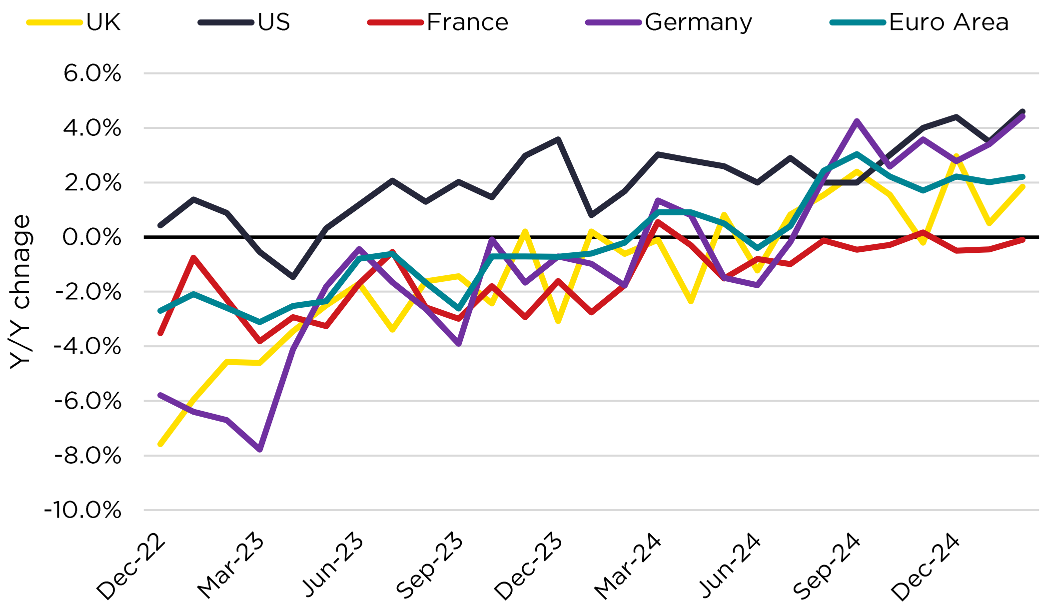
Consumer confidence **remains robust**



Source: Savills Research using Macrobond

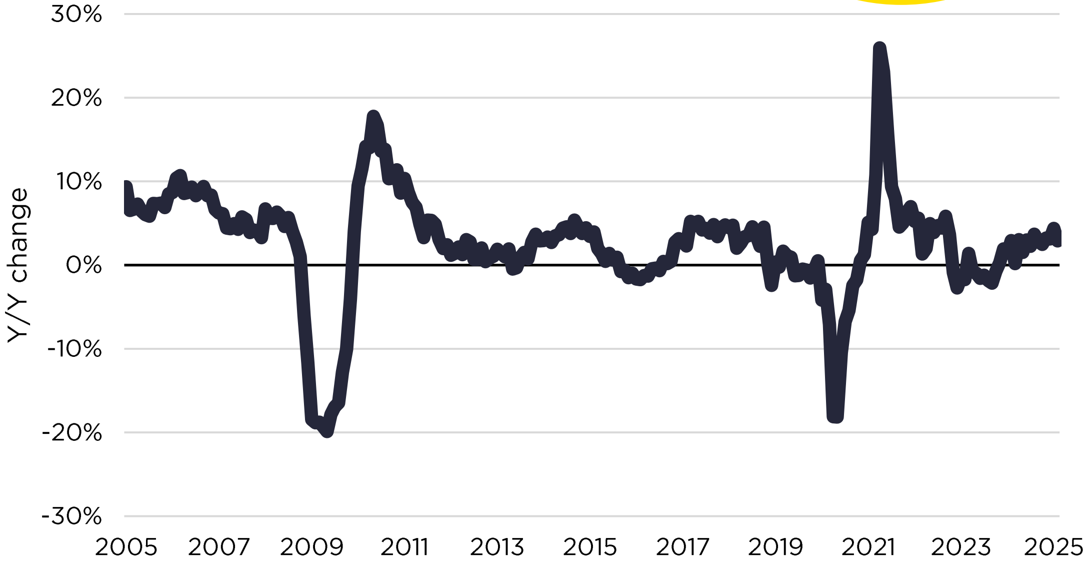
Key logistics indicators are **heading in the right direction**

Retail sales values are trending upwards



As is global trade

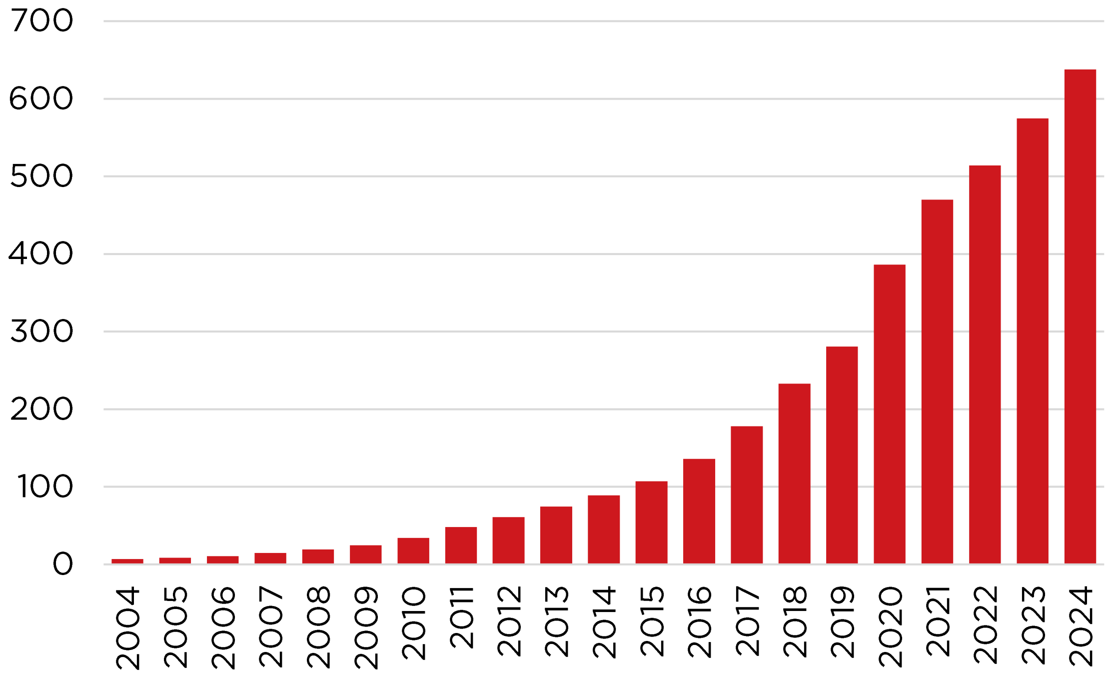
Post tariff data has not yet been released!!



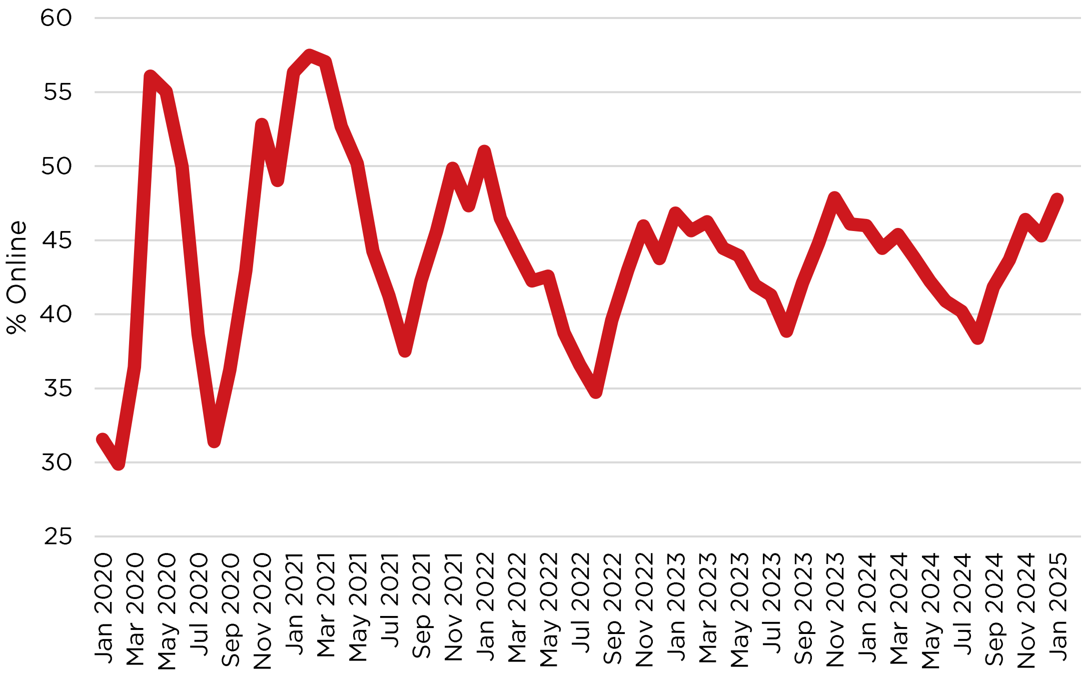
Source: Savills Research using Macrobond

eCommerce is set for sustained growth due to **demographic trends**

Amazon retail sales continue to grow, 24 was 16.4% higher yr/yr



Data from Revolut shows greater eCommerce penetration

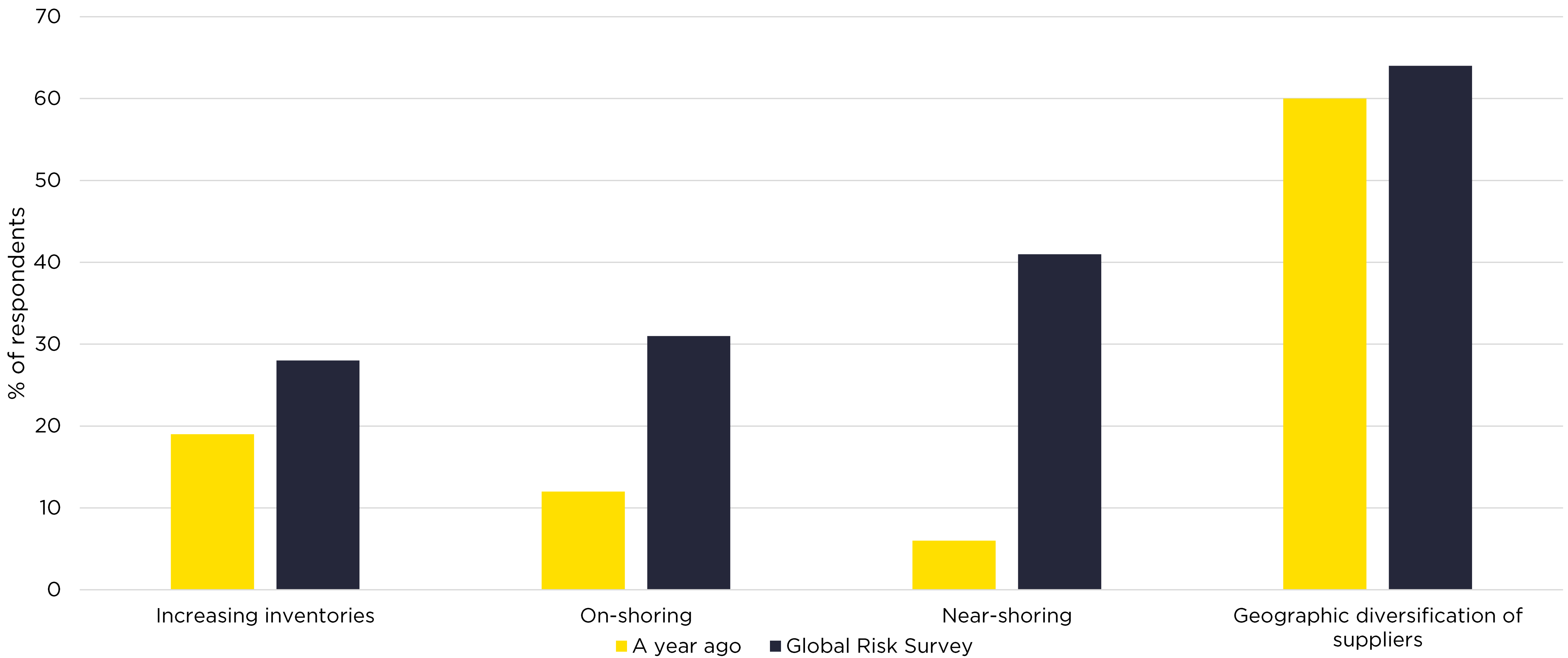


Source: Savills Research using Statista and ONS

Global Supply Chain Disruptions

SUPPLY CHAIN DISRUPTION

What steps are you taking to improve **supply chain resilience?**



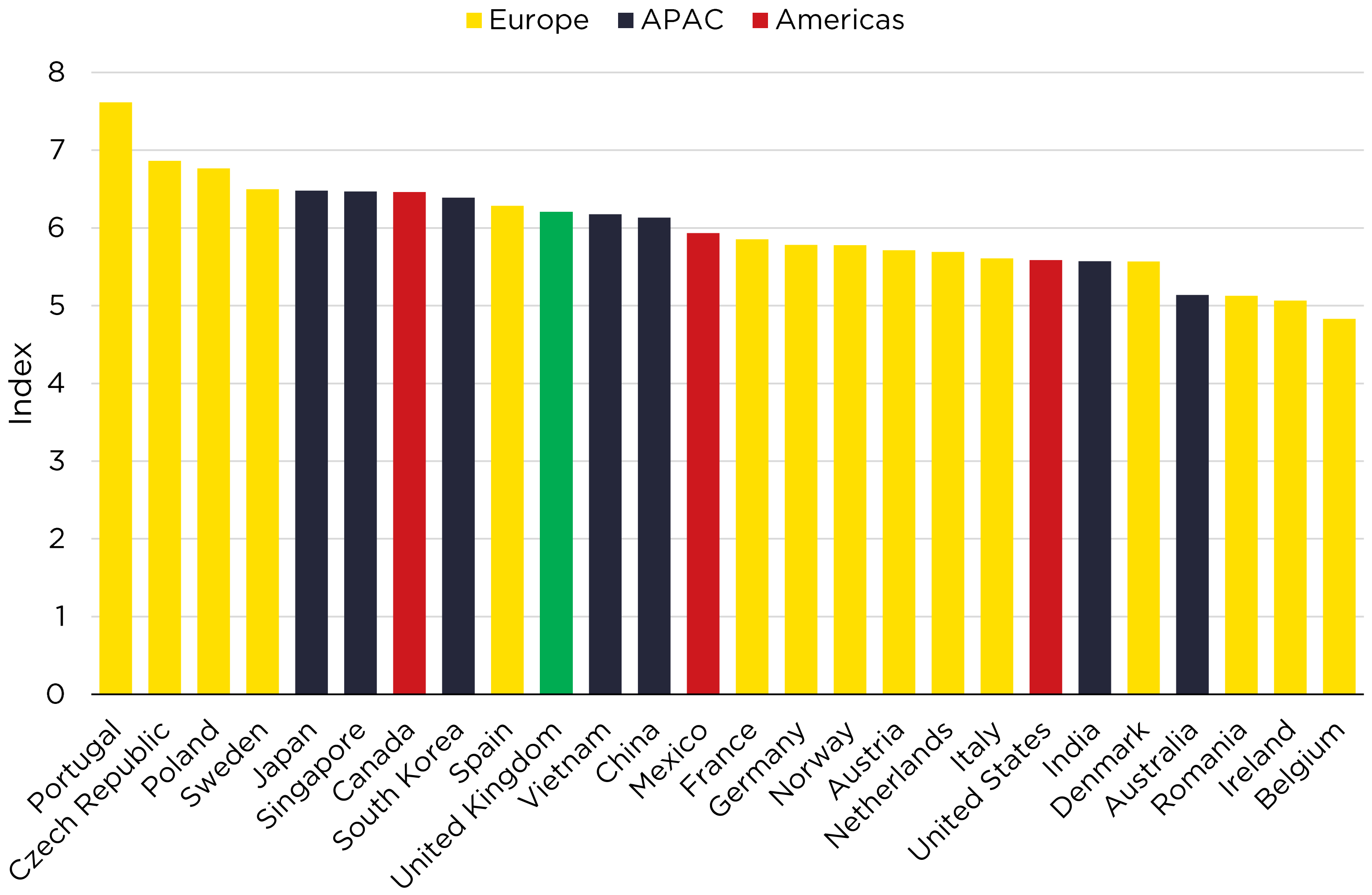
Source: Oxford Economics Global Risk Survey

25%

Share of occupiers that have shortened their supply chain over the past three years to mitigate risks from disruption

Source: Savills Research, Tritax EuroBox, Analytiqa

Businesses are looking to **diversify** their supply chains



Source: Savills Research

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NEARSHORING

Nearshoring in action – here in Portugal

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Pedro Figueiras • 1st
Director | Head of Industrial, Logistics & Data Centres | MBA | Real Estate | Inv...
2w •

The trend of nearshoring is gaining momentum, with Portugal at the forefront!

Thrilled to have advised Panattoni Iberia on a transformative project poised to significantly impact the economy. A special thank you to Jesus Lancharro MSRE, Laurent JAYR and Gustavo Cardozo Lupi for all the trust you put in our teams!

Thank you AoSheng Hi-Tech for walking with us on such an important investment!

This transaction truly embodies our values and teamwork. Congratulations to Isabel Rocha and Samuel Lima for their professionalism and flawless execution throughout this process! 👏

#savills #savillsportugal #nearshoring

Chinesa Aosheng vai investir 18 milhões numa fábrica e criar 200 empregos em Valongo
jornaldenegocios.pt

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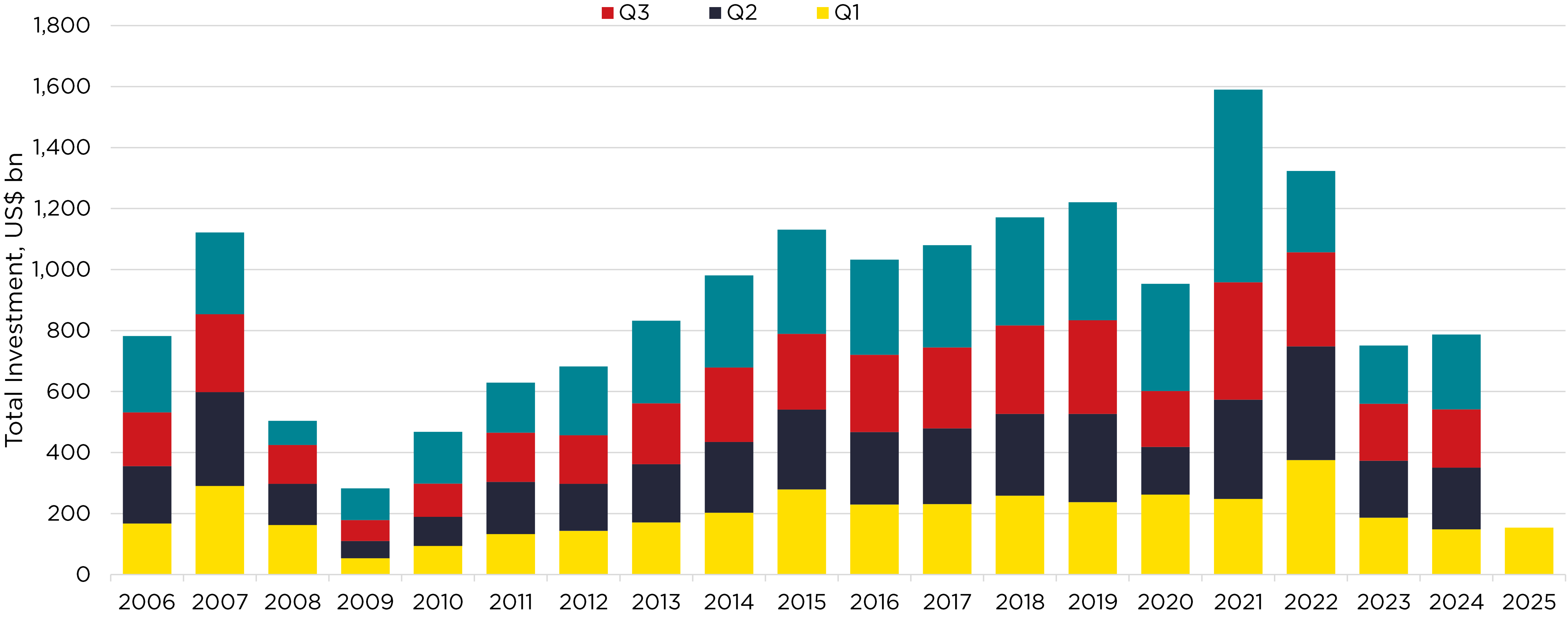
Despite all of this it was a **decent start to a year** for global capital markets



Source: Savills Research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

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02

Occupier Market

Headlines for 2024

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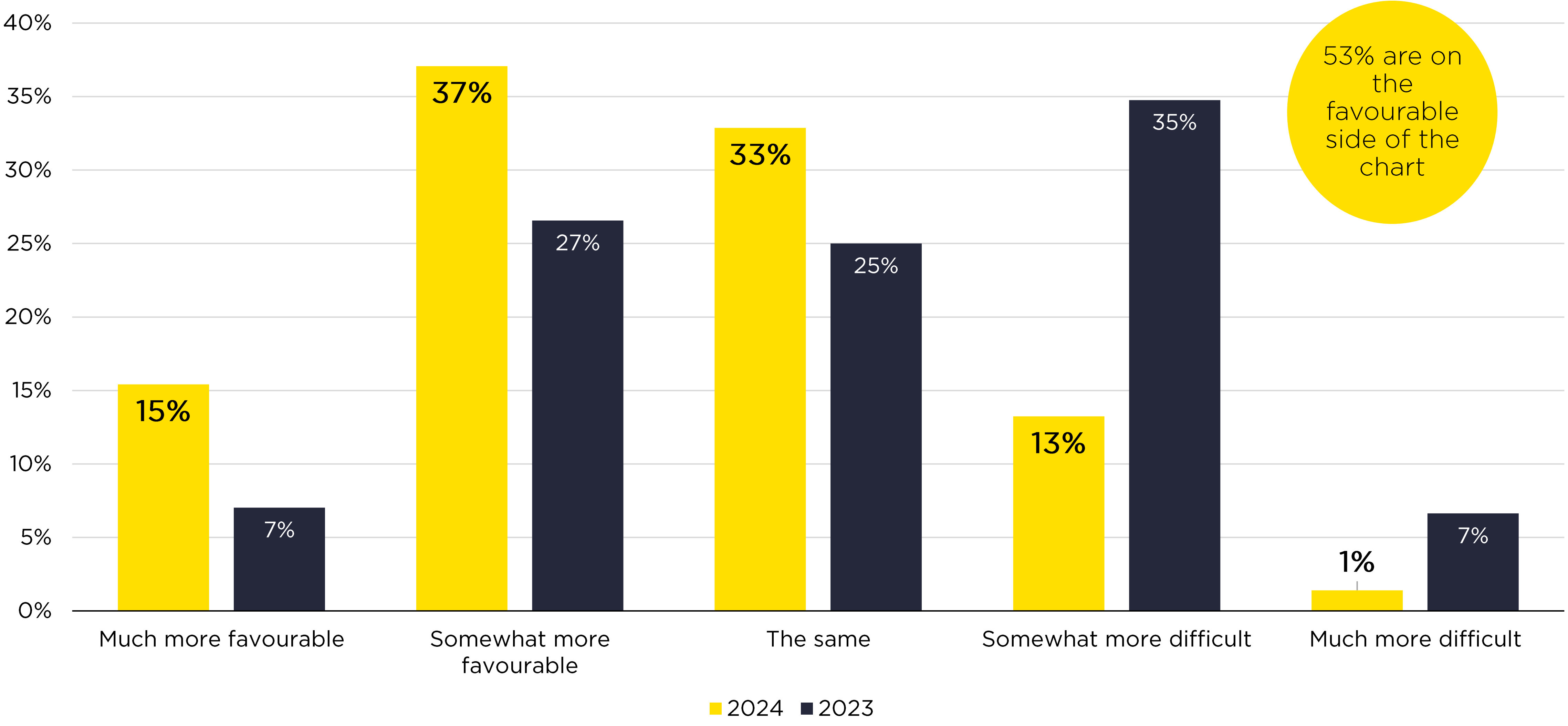
27.6M Sq M

Take-up 4% higher than in 2015-2019

6.06%

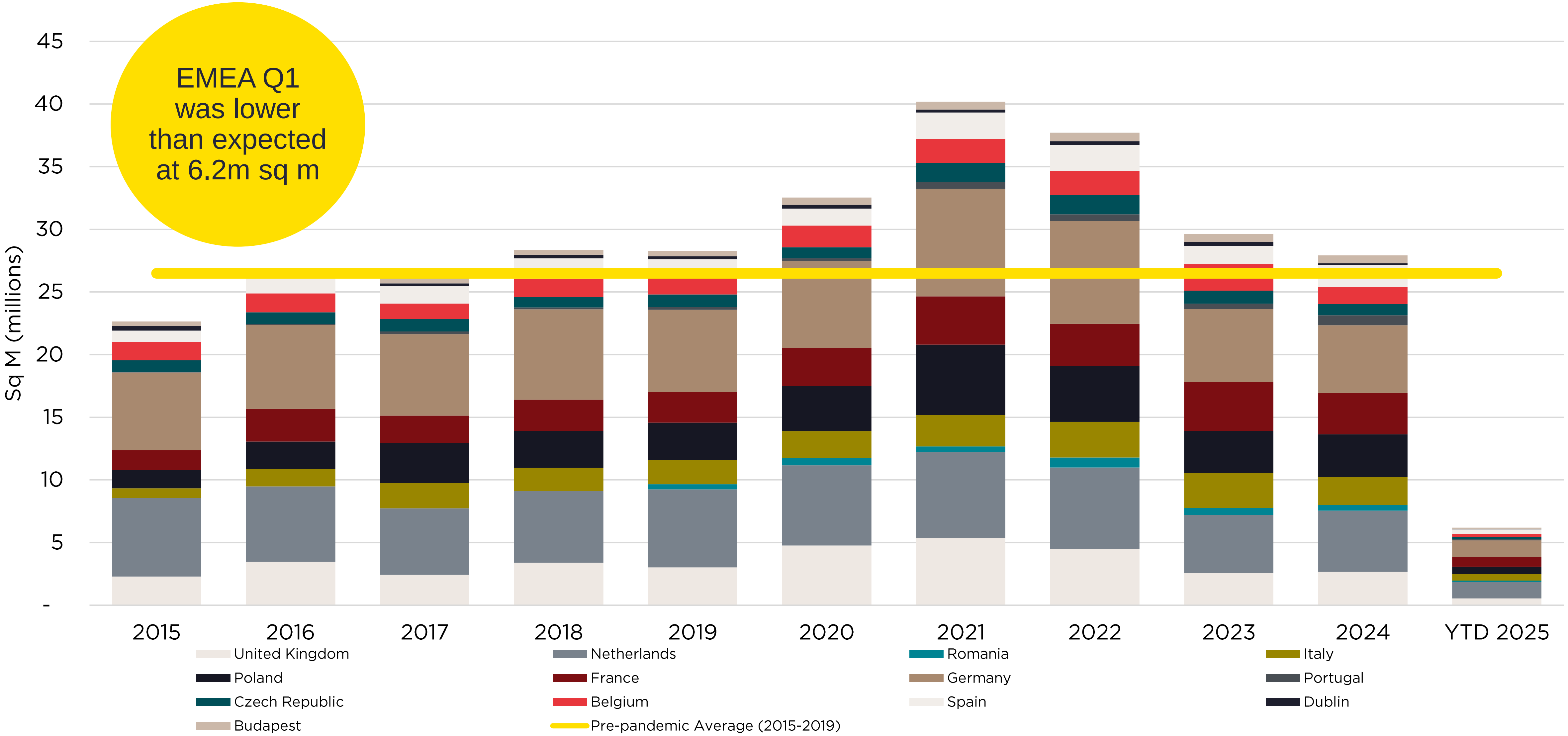
Vacancy fell for the first time in two years

Census Data: How do you view current business conditions vs. the previous year?



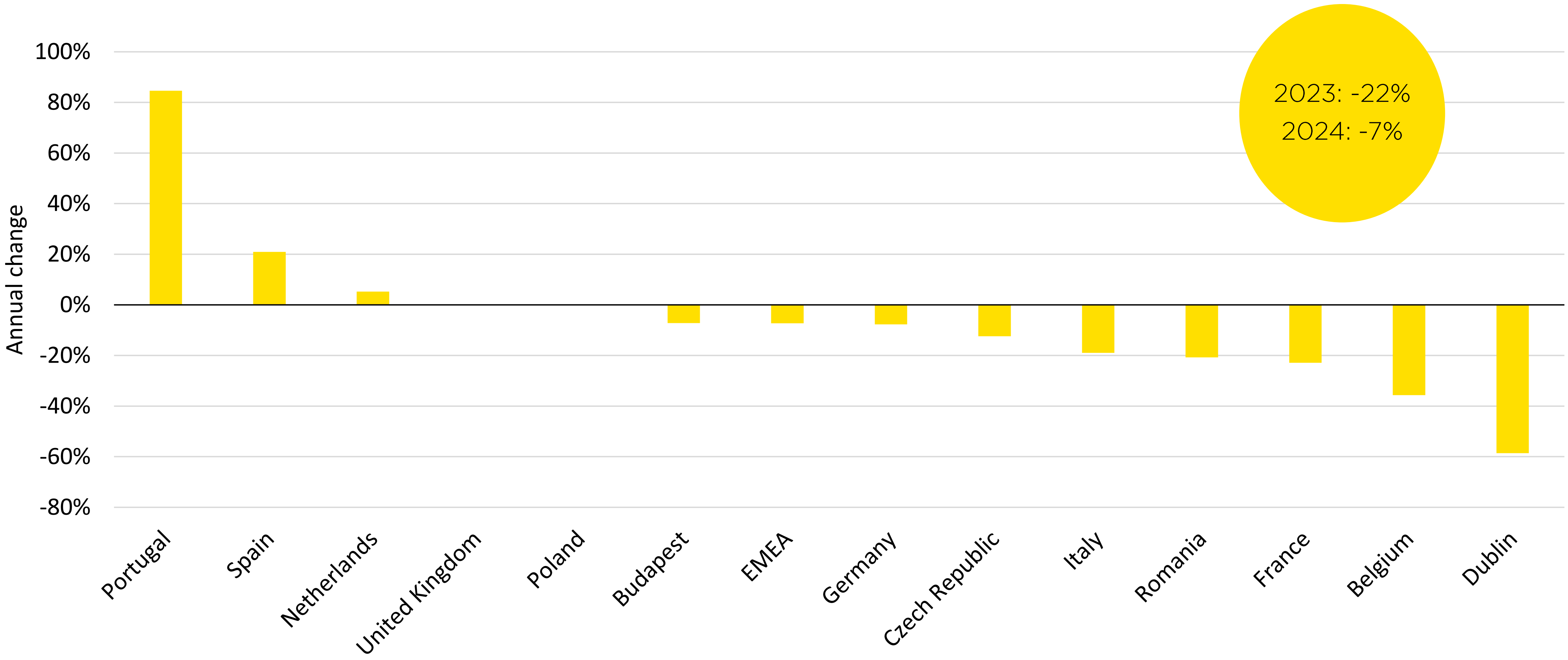
Source: Savills, Tritax Eurobox, Analqtiqa

Occupier take-up **reverting to norm**



Source: Savills Research

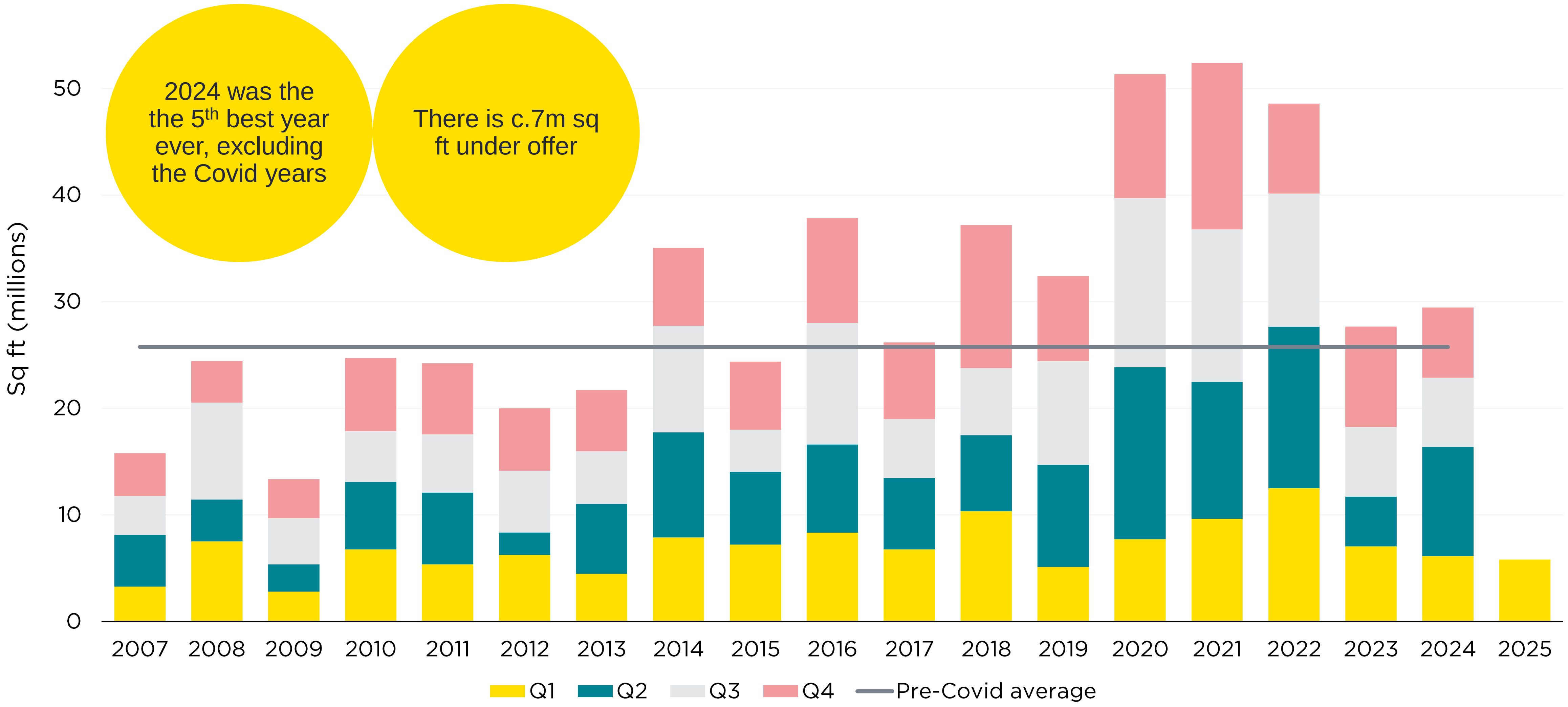
Annual declines in leasing activity **slowed in 2024**



Source: Savills

OCCUPATIONAL MARKET

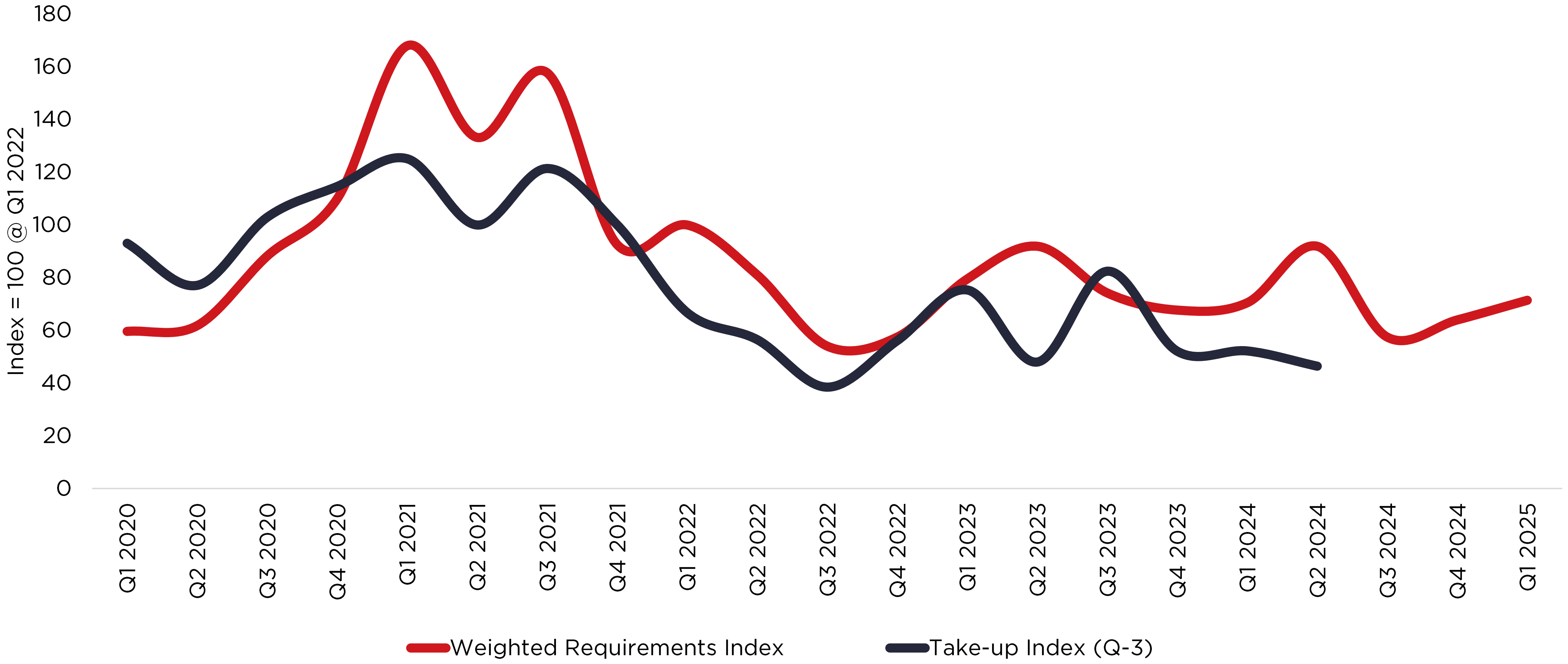
In the UK despite economic uncertainty **take-up exceeded pre-covid averages**



Source: Savills Research

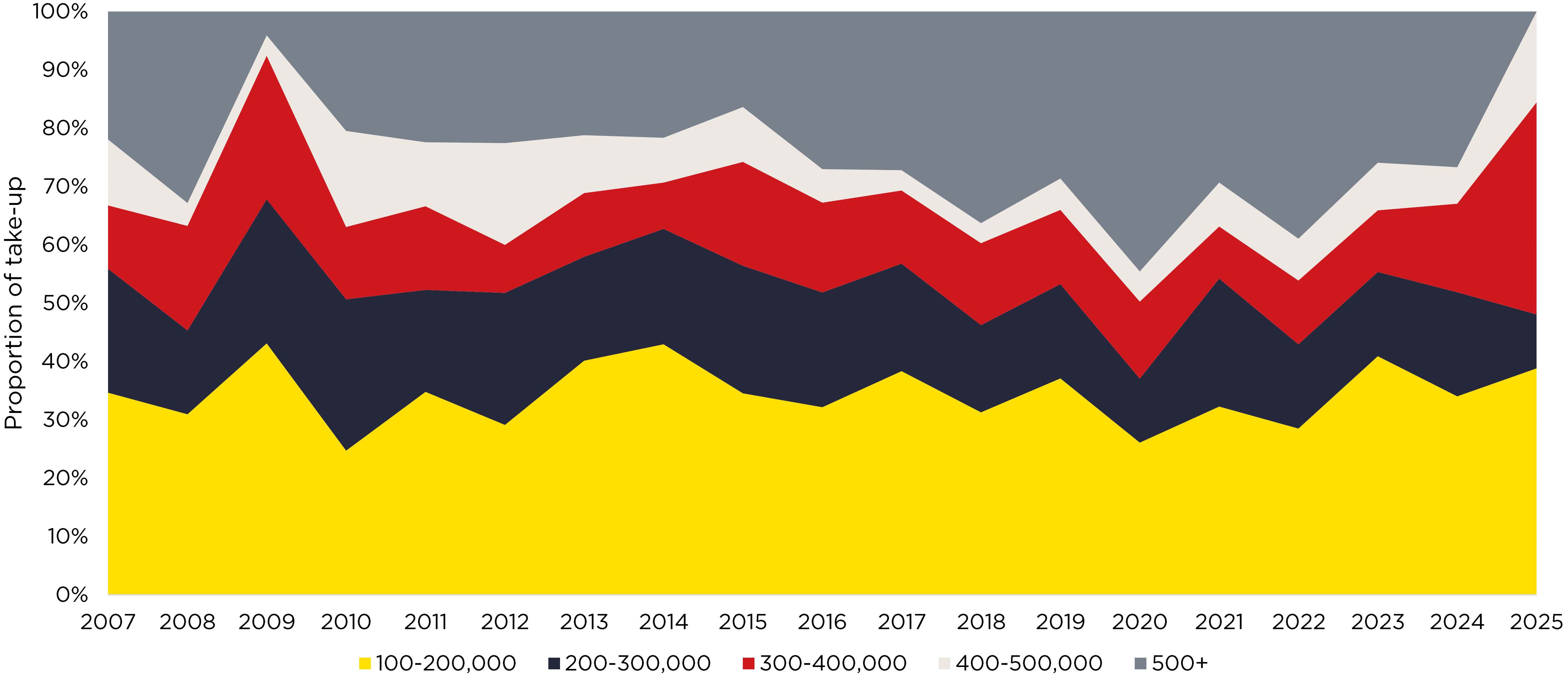
OCCUPATIONAL MARKET

UK: Where is take-up heading? Requirements have risen for **two consecutive quarters**



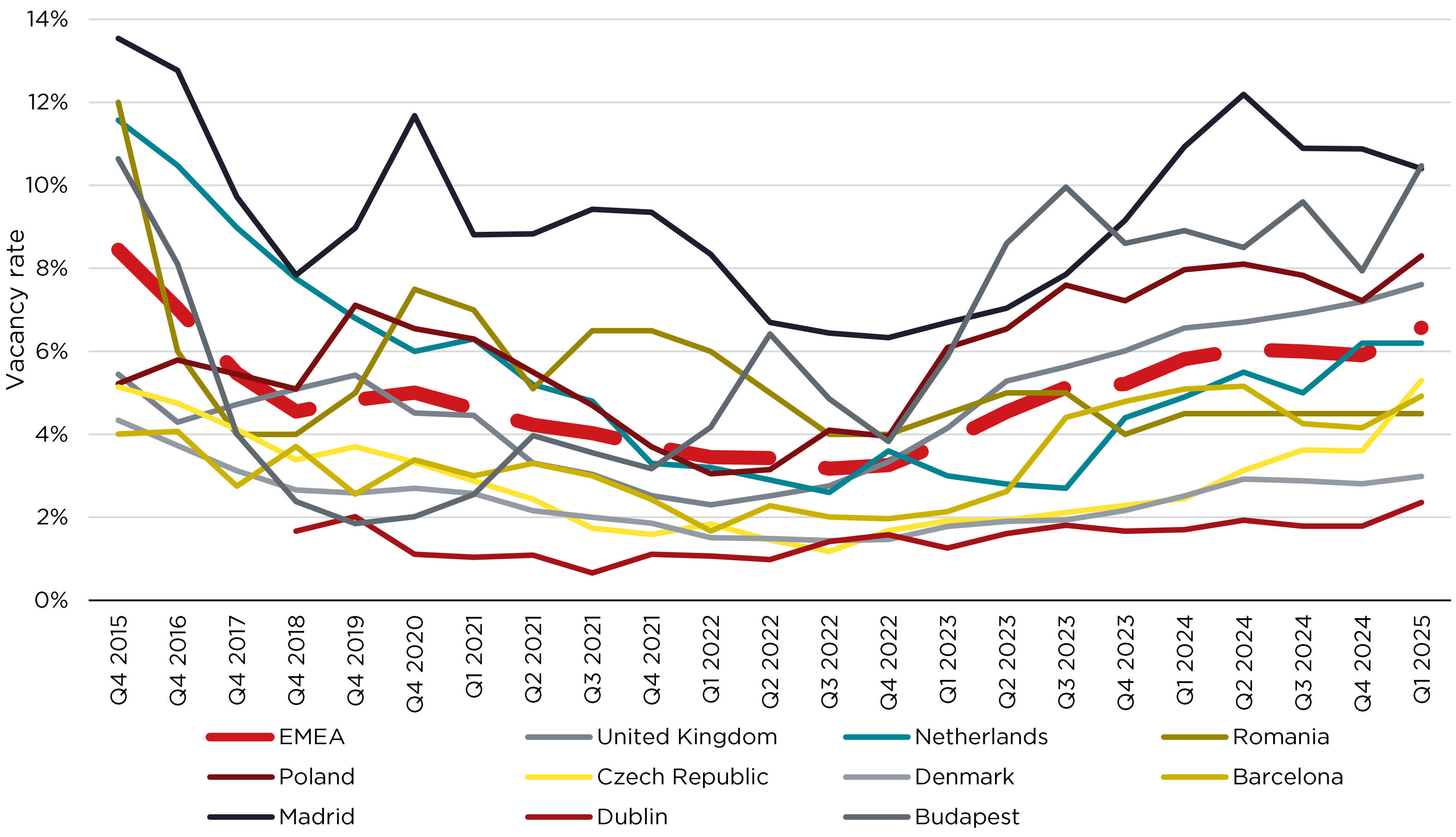
Source: Savills Research

Interestingly in the UK we've seen **a rise in larger unit take-up**



Source: Savills Research

Vacancy rates rebounded to **6.6% in Q1 2025**



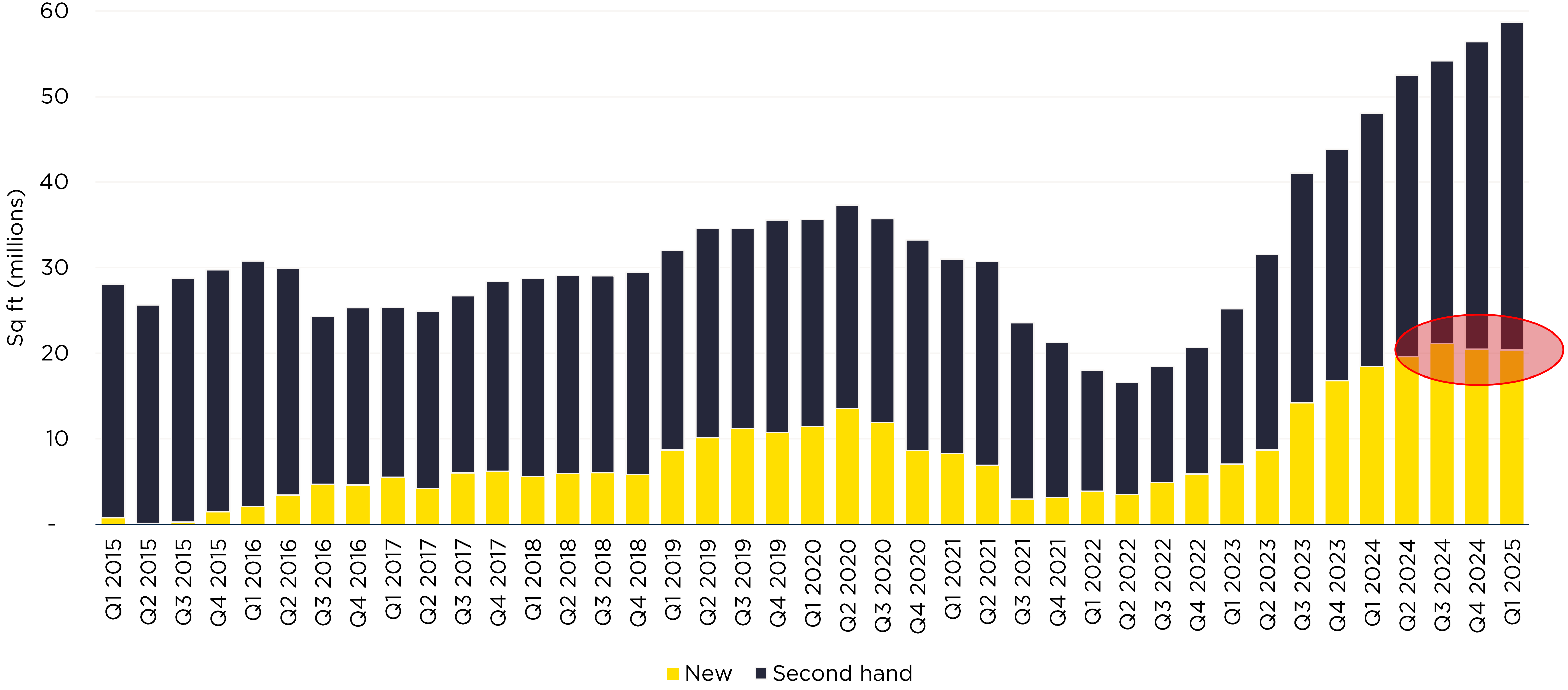
Driven by CEE markets

Significant Market Variation

Vacancy increased at a faster rate in Q1

Source: Savills Research

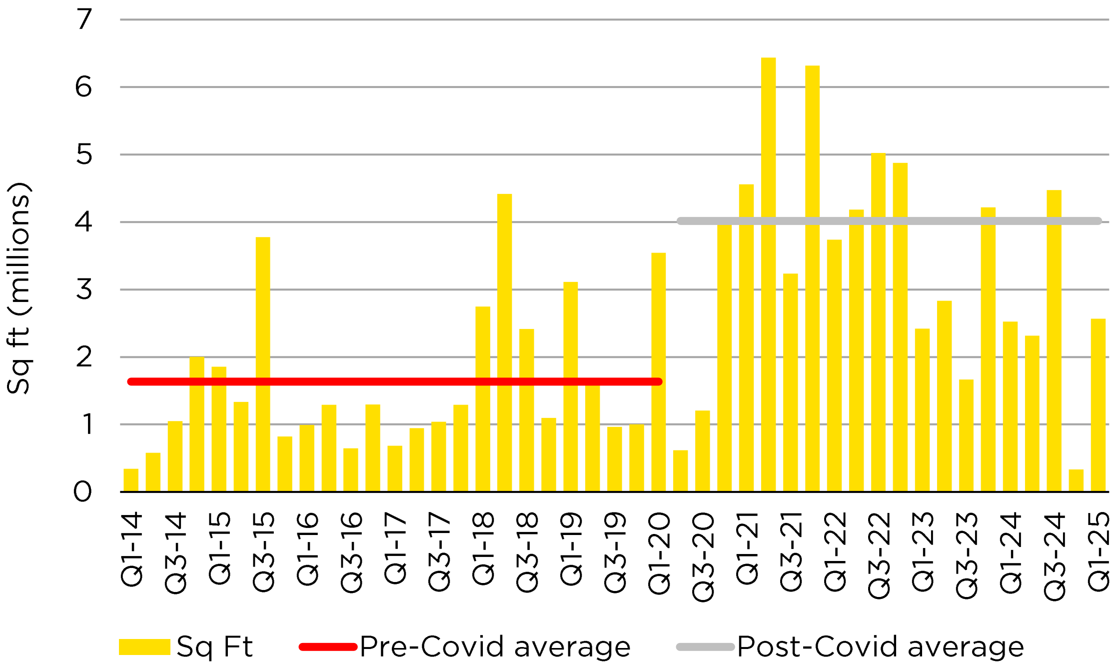
In the UK supply continues to rise, but **new supply is falling**



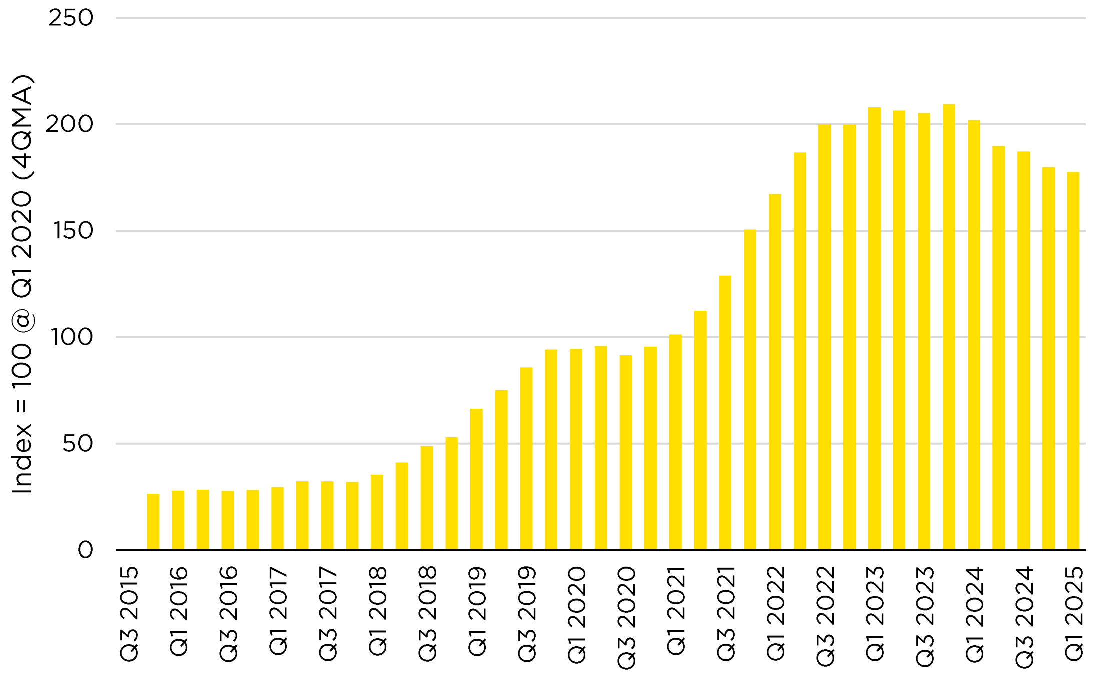
Source: Savills Research

Pipeline supply is **contracting**

UK Speculative development announcements continue to fall



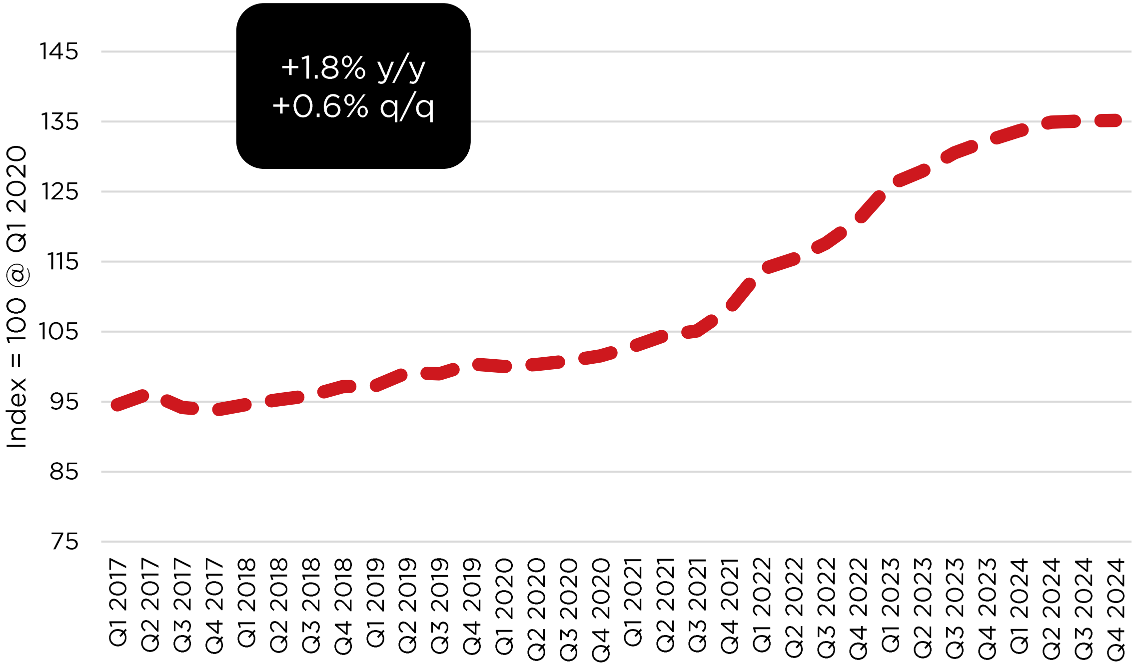
Savills European Pipeline Index decreases for 6 quarters in a row



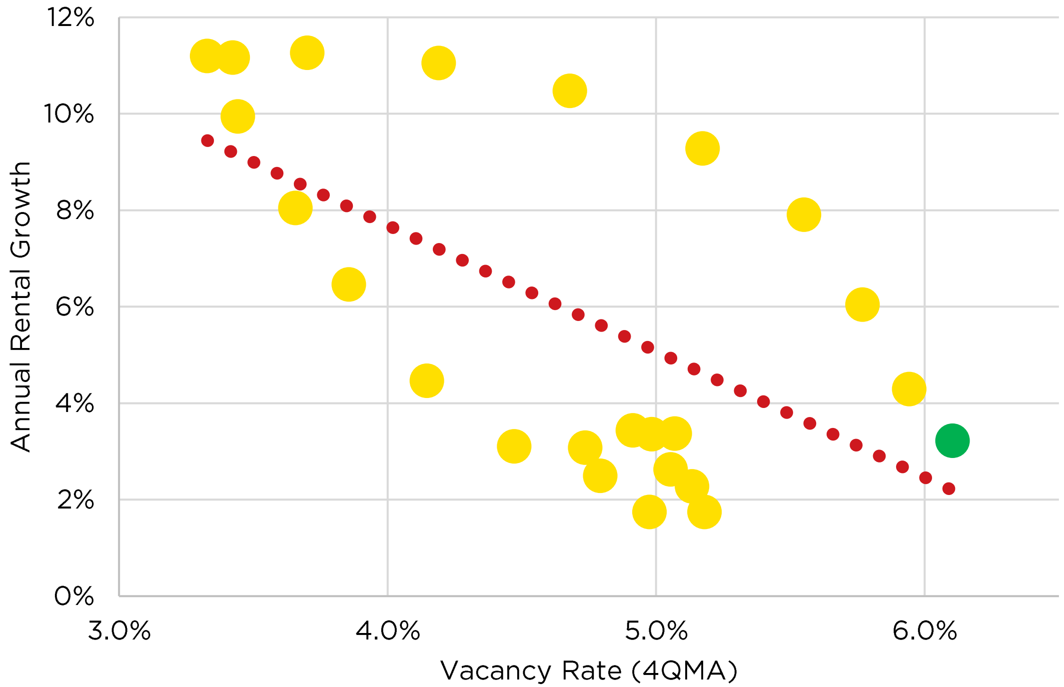
Source: Savills Research

Are we set for slower **rental growth?**

Rents continued to grow in Q1 2025



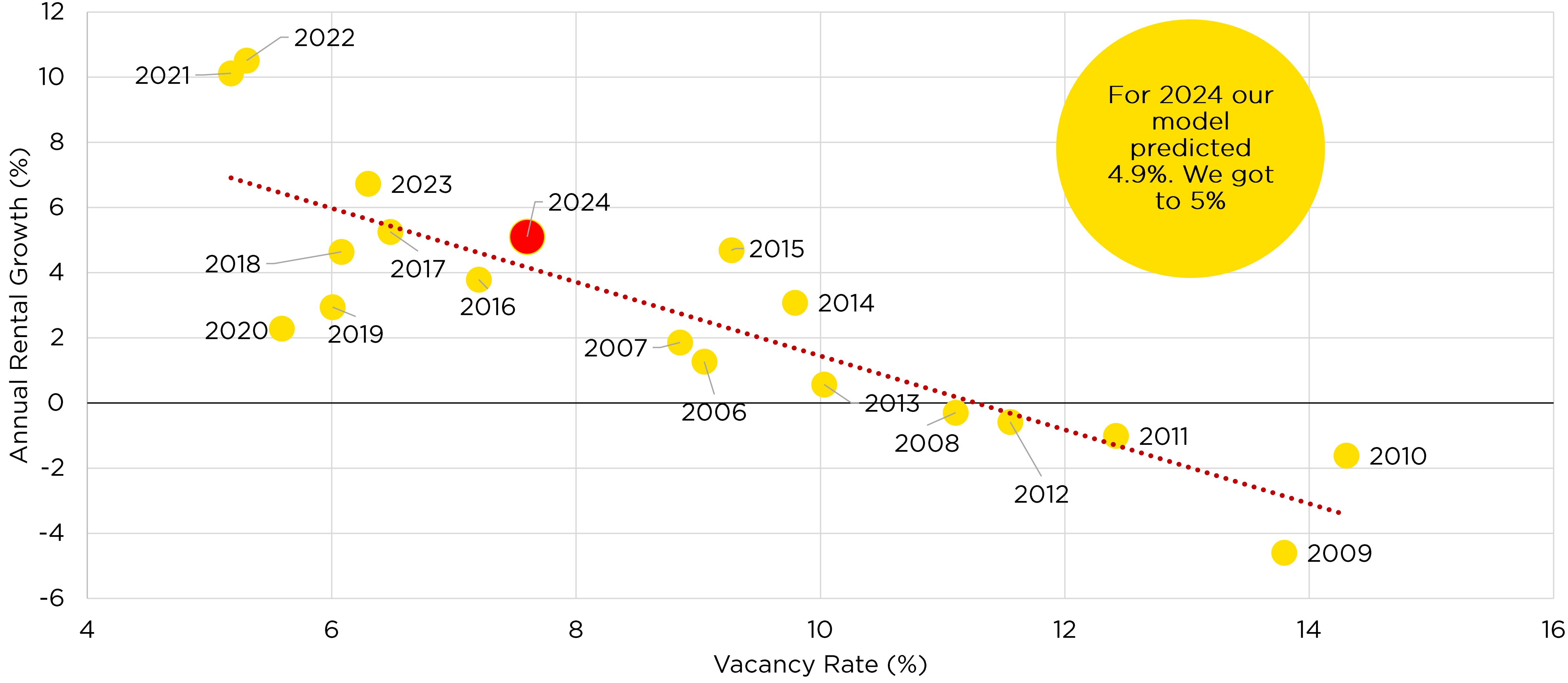
The relationship between vacancy rates and rents



Source: Savills Research

OCCUPATIONAL MARKET

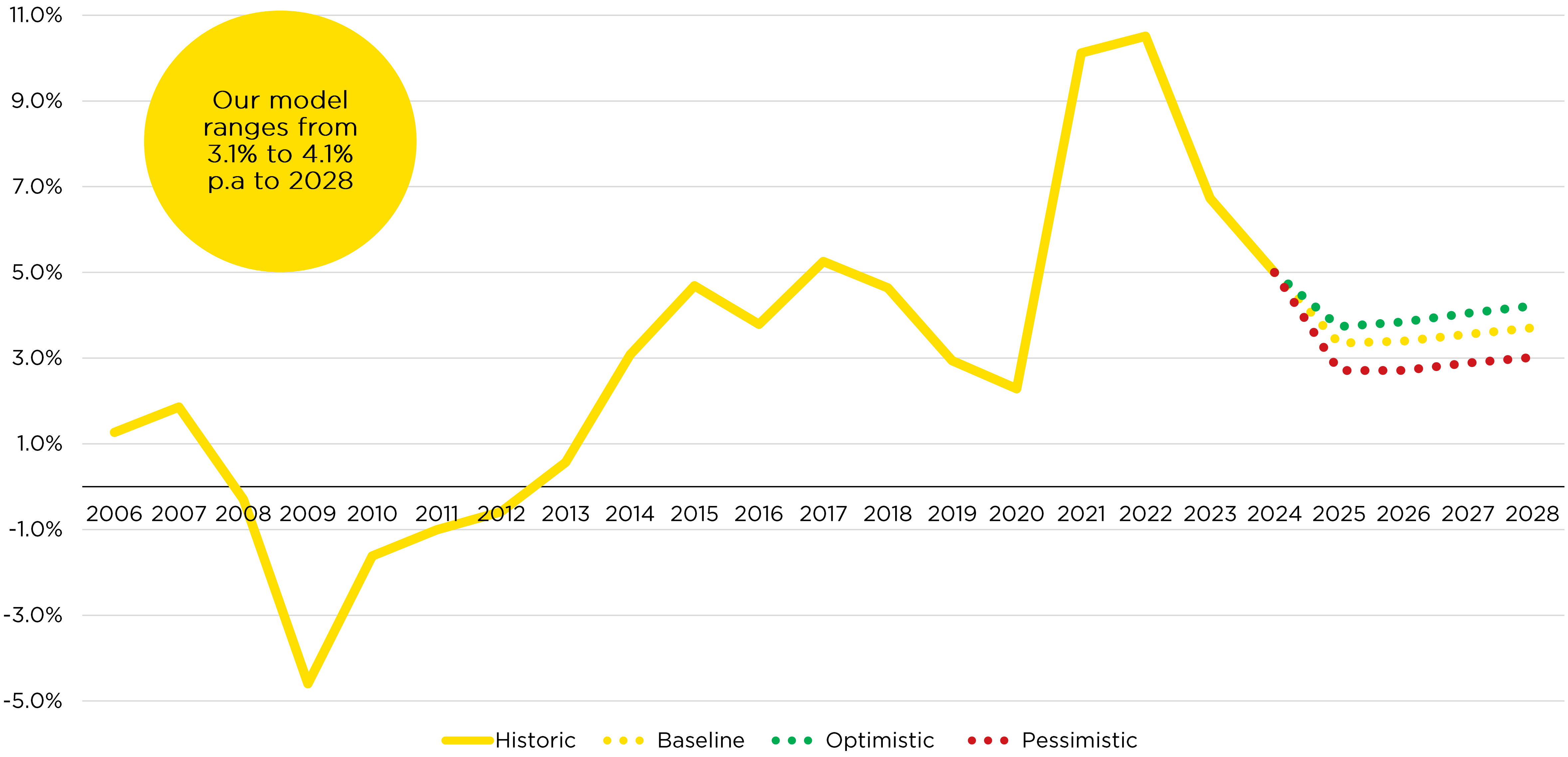
UK Rental growth continues to **outperform** historic vacancy trends



Source: MSCI

RENTAL GROWTH FORECASTS

What's the UK rental growth outlook?



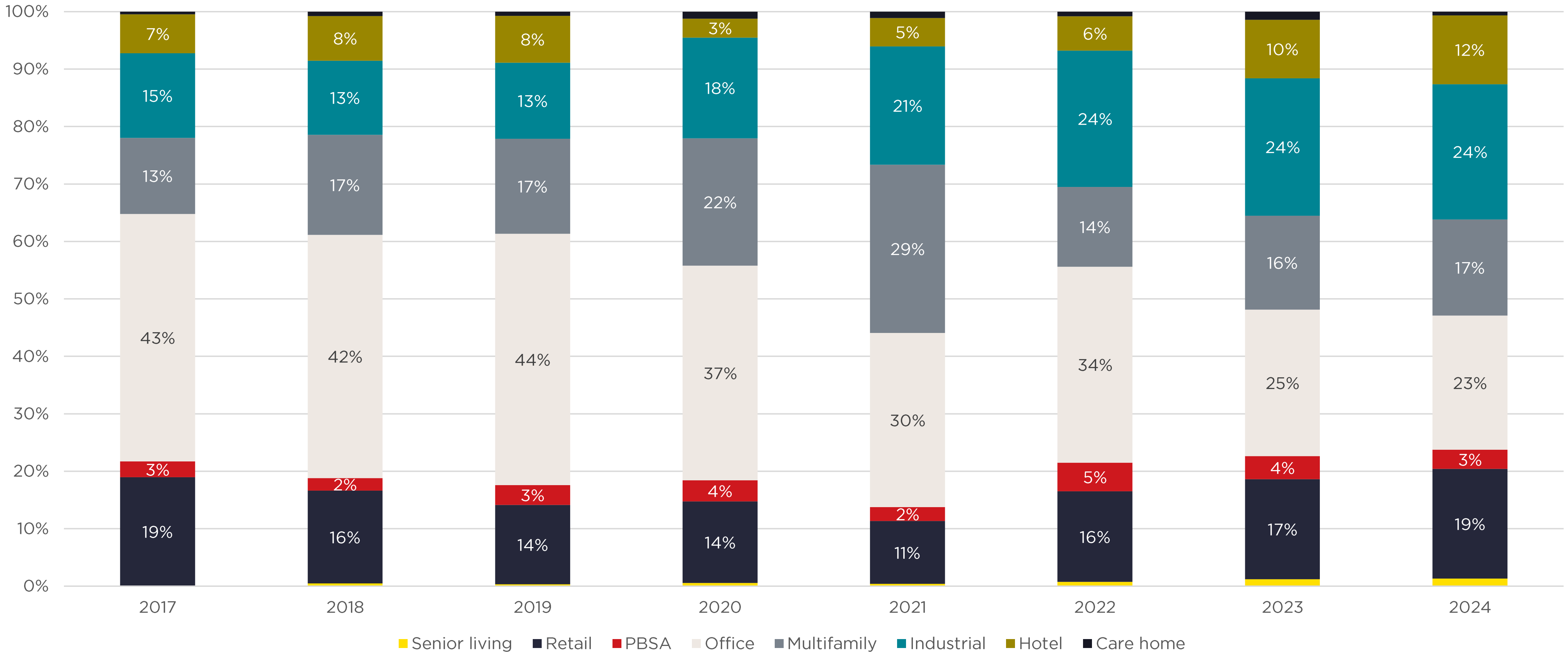
Source: MSC for historic data & Savills Economics Forecasts

RENTAL GROWTH FORECASTS

03

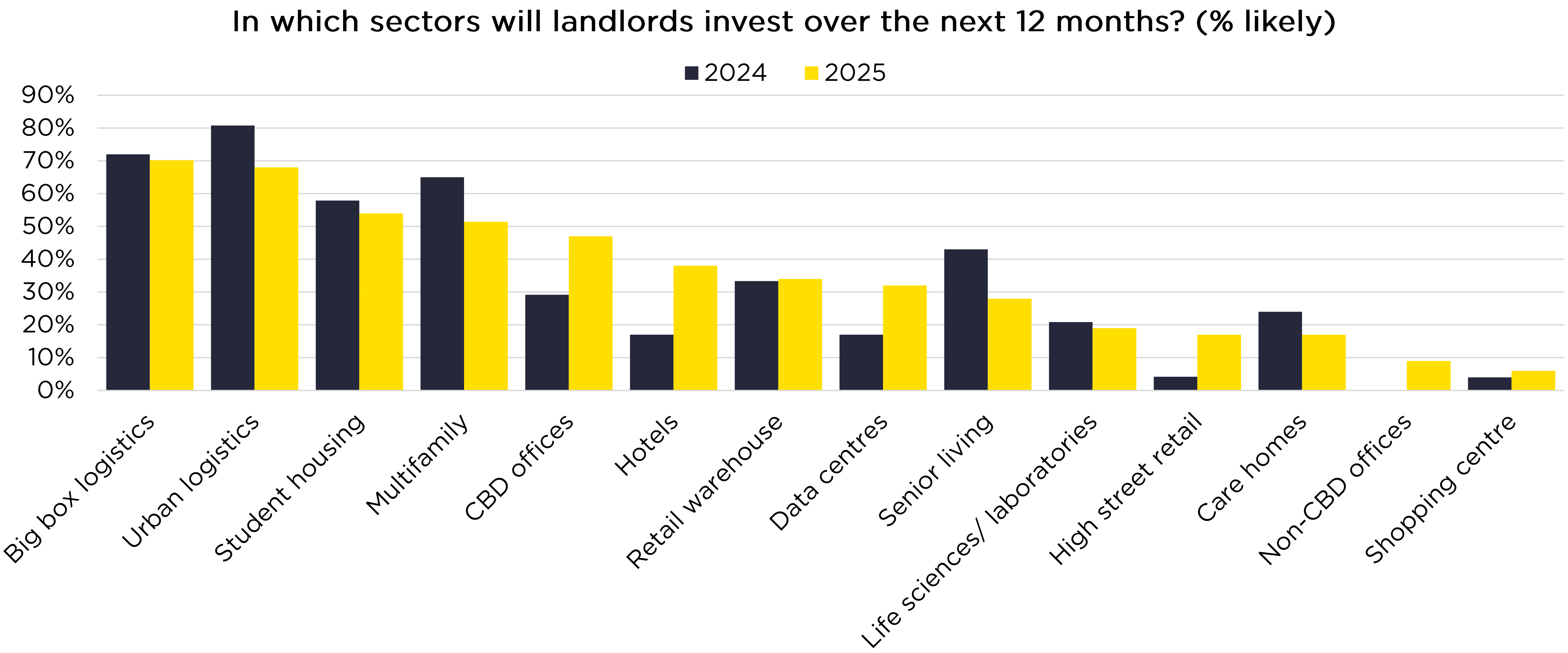
Capital Markets

Industrial share of investment volumes is at its **highest-ever level**



Source: Savills Research using RCA

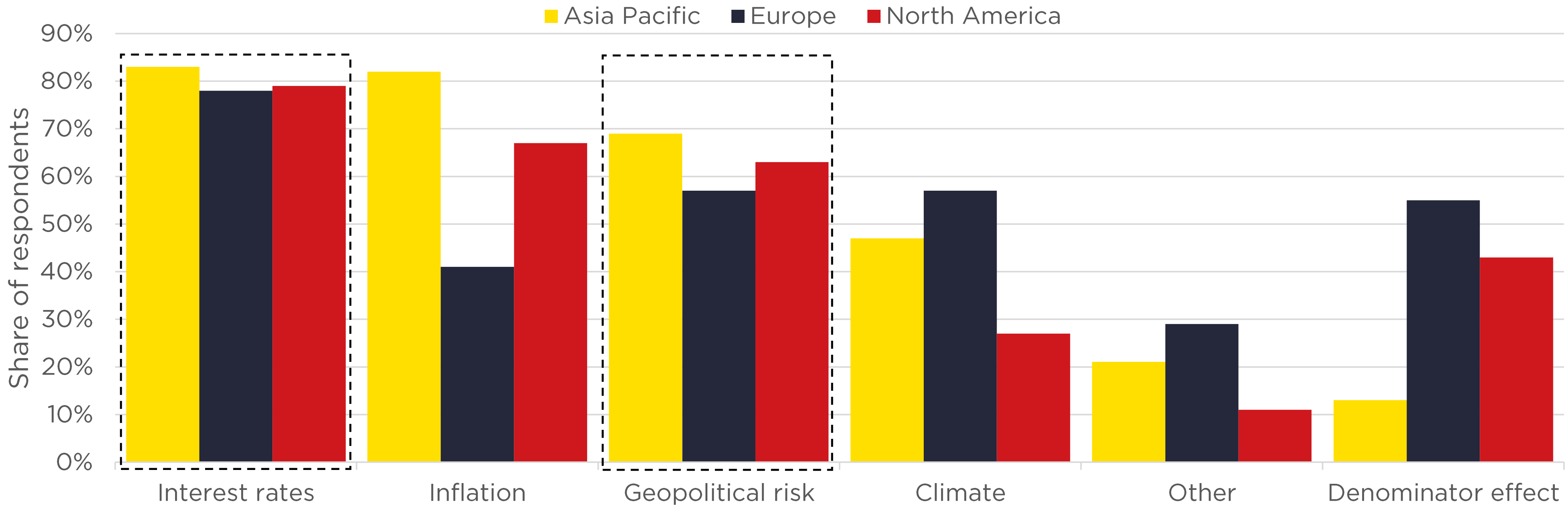
Beds and sheds remain at the top of Europe's investment agenda



Source: Savills

Investors did say that **base rates were the key issue**

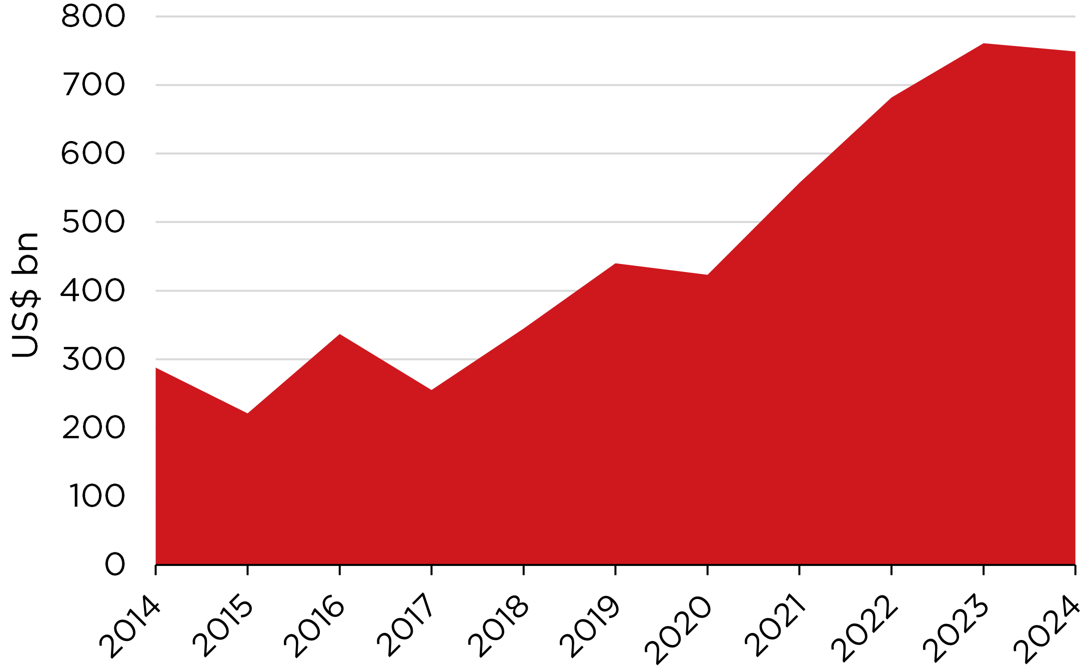
What are the key issues impacting investments into real estate in 2025?



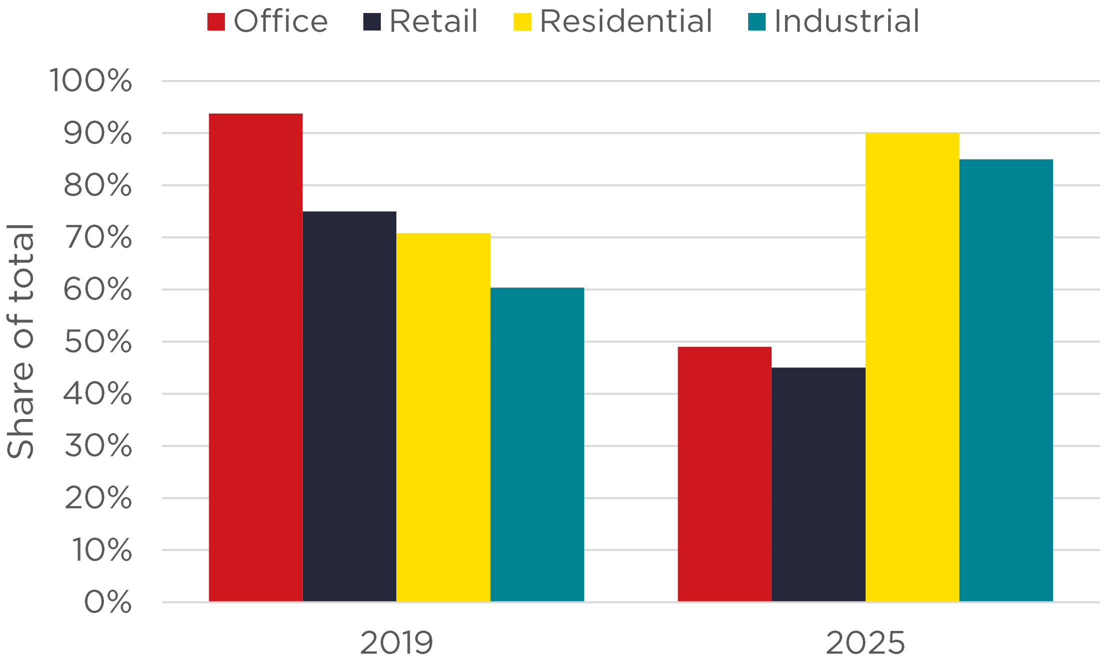
Source: Savills Research using INREV Investment Intentions Survey 2025.

There is **capital to be deployed** and logistics is a key area of interest

Global "dry powder" remains elevated



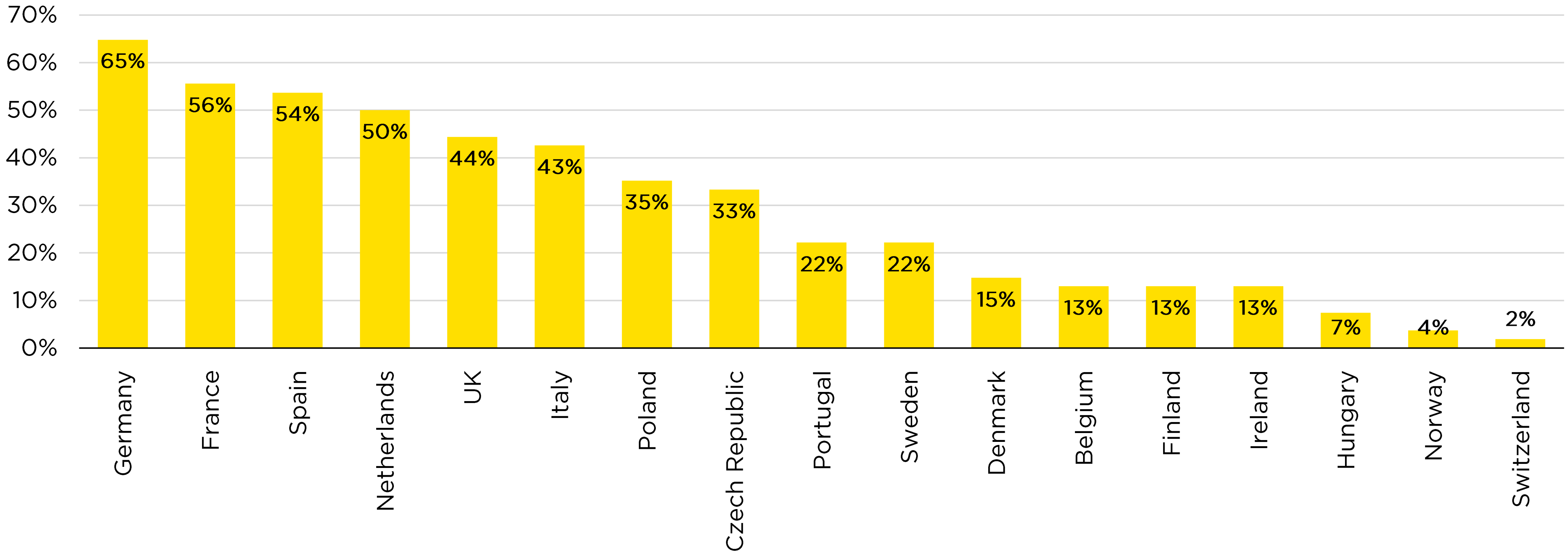
Investment intentions: Europe's preferred sectors, next two years



Source: Savills Research using Prequin and INREV Investment Intensions Survey 2025.

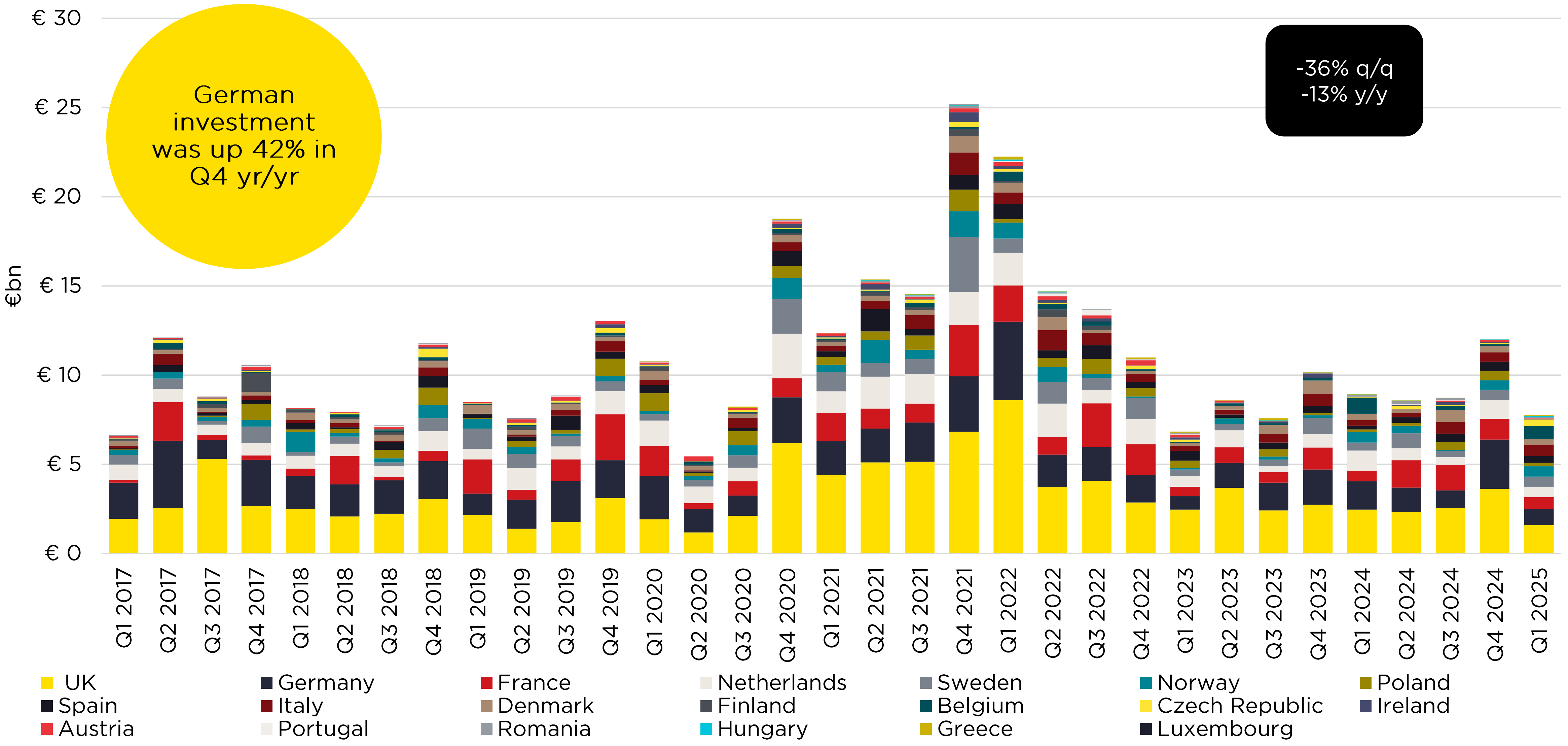
Census Data: logistics **investors are looking to Western Europe**

Where in Europe would you like to invest?



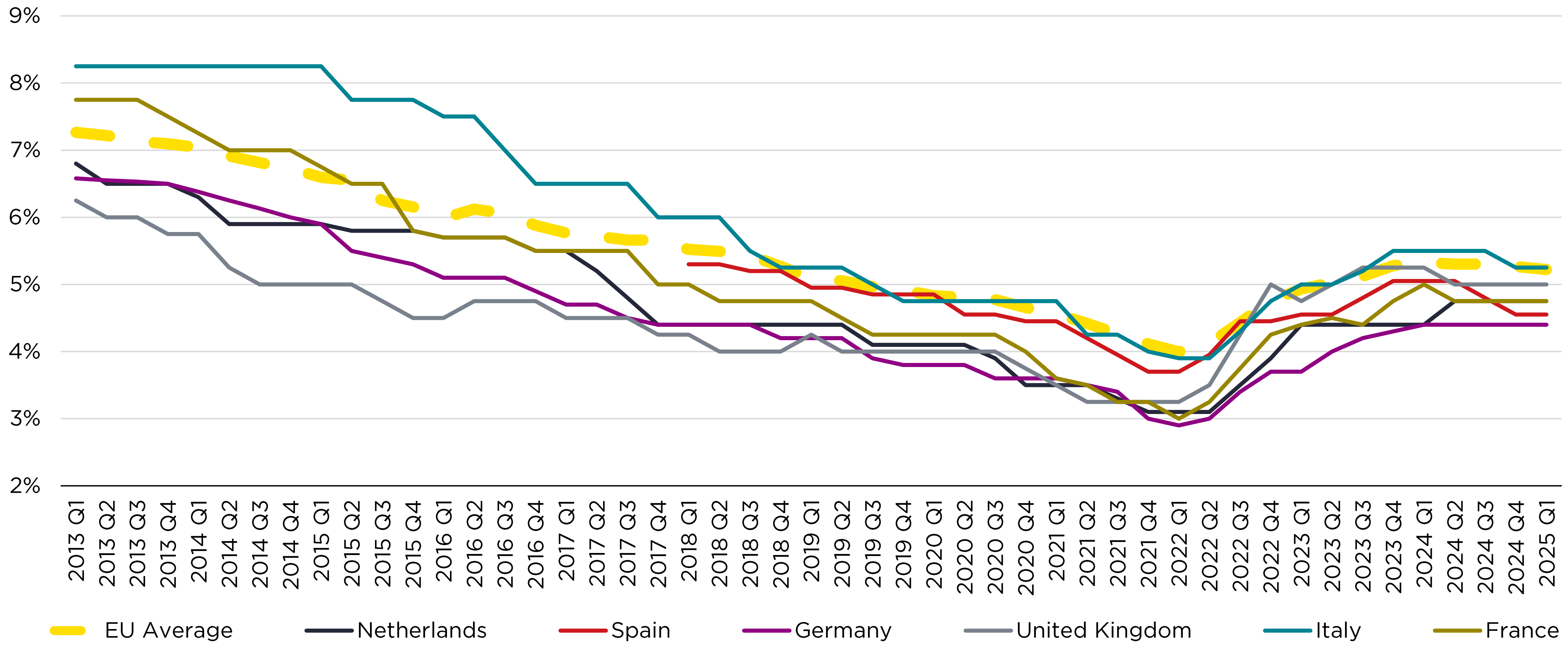
Source: Savills, Tritax Eurobox, Analytiqa

Slower start to 25 after strong year end



Source: Savills Research

Average prime yields fell by **5bps in Q1 2025**



Note: European Average based simple average from shown countries + where available data for Belgium, Czech Republic, Denmark, Finland, Norway, Sweden, Portugal, Ireland and Romania.
Source: Savills Research.

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INVESTMENT MARKET

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04

Final Thoughts

Final thoughts

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KEY THEMES

We have found Trump's pain threshold

What happens after 90 days?

Many market fundamentals are (were) improving

Get under the data!

Thank you

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