

Logistics Occupiers Seek Expansion Plans Outside of Traditional Hubs, Says CBRE

3 years ago



A new survey from global real estate advisor, CBRE, has indicated that logistics occupiers are still focused on expansion, with many now considering alternative locations due to the prolonged imbalance in supply and demand.

CBRE's 2022 European Logistics Occupier Survey, in conjunction with Analytiqa, analysed responses from more than 100 of the largest European logistics occupiers with an estimated combined footprint of 60-75 million square metres across manufacturing, online and general retail, supermarkets and third-party logistics.

According to the research, logistics occupiers across all sectors remain bullish with their future plans. 73% of respondents intend to expand their logistics footprint in the next three years, of which more than a fifth plan to expand by more than 10%, confirming the continuation of extraordinary demand for warehouses in Europe.

When asked about location preferences, Germany, France, Belgium, Italy and The Netherlands were identified as the top priority markets for expansion, most of which CBRE expects to experience further e-commerce growth. However, occupiers' expansion plans are conditional to the availability of sites, which is currently at its lowest level in Europe. This has driven occupiers to consider alternative locations, with 54% of respondents confirming that they are exploring expansion outside of traditional logistics hubs.

Occupiers are also rethinking urban expansion plans as a result of the challenges they face in sourcing and operating city logistics facilities. However, the research shows that this varies at a sector level and is still a high priority for post and parcel companies, online and omni channel retailers.

Furthermore, the lack of supply has also impacted occupiers' real estate acquisition strategies, with 68% of respondents saying that they have had to adapt these strategies by either securing sites in advance of requirements or partnering with developers and investors.

When considering wider business challenges, respondents main concerns remain the same as two years ago: cost escalation, with an emphasis on energy and labour costs, and labour and skills shortages. However, one challenge that has risen up the agenda is environmental concerns. In CBRE's 2020 European Logistics Occupier Survey, environmental concerns were ranked significantly lower in the list, but the subsequent shift in focus towards sustainability alongside cost implications of meeting ESG standards and regulatory changes has seen this move up to a top three concern.

CBRE's findings also identified a willingness from occupiers to pay a green premium. When considering new facilities, nearly two-thirds of those surveyed said that they would pay a premium in rent for facilities that have a green certificate. By contrast, 11% of respondents said that they would not pay a premium but would seek a discount for non-green facilities. The response was similar when considering existing facilities, with 76% of occupiers willing to increase their current rents to switch to green sources of energy, of which the majority would do so if the savings are matched on operational costs.

Due to anticipated rental growth, rental cost increases remain the number one real estate concern for 37% of occupiers. However, with rents and service charges accounting for less than 10% of total operating costs for 70% of the respondents, increases in labour and transportation costs are likely to have a bigger impact than rents.

Joerg Kreindl, Head of Occupier Industrial & Logistics, EMEA, CBRE, said: "Logistics occupiers are still in expansion mode but are now more focused on their long-term strategies than they were two years ago. With a vacancy rate of less than 3% on average in Europe and low levels of land availability, it comes as no surprise that occupiers have started taking new approaches to securing sites. Compromising on location in order to find suitable space and labourforce is a price they are willing to pay in order to continue expanding, and ultimately, corporate real estate will have a seat at the top table on logistics projects to help facilitate this."

Tasos Vezyridis, Executive Director, EMEA Industrial & Logistics and Retail Research, CBRE, said: "It is great to see that the results of our survey confirm that logistics occupiers are embracing ESG initiatives in their warehouses. The sector is catching up with the wider real estate market from a sustainability perspective and whilst we believe this is the only way to go, it requires landlords, occupiers and developers working together to achieve sustainable growth."