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Savills: European offices and logistics most shielded from energy shocks

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According to Savills latest research, European offices and logistics are the two commercial real estate sectors most shielded from energy shocks as utility costs account for a relatively small share of total business spending.

The international real estate advisor estimates that the share of energy costs reflects 2 to 4% of the total expenses for occupiers in the two sectors. Staffing is responsible for more than 50% of the total costs for office occupiers and the combined outlays for transport and labour accounts for more than 75% of the total costs for warehouse occupiers.

Retailers generally consume larger amounts of energy and are not always able to pass the costs on to customers while data centres and the life science industry are heavily reliant on energy. However, power usage effectiveness (PUE) in data centres is continuously improving and current operators are exploring more alternative and greener sources of energy supply such as on-site hydrogen fuel cells which could also be introduced to the life science sector.

Savills believes that retailers could consider other (smaller) solutions such as lowering temperatures in their shops, turning off the lights outside opening hours and/or closing their doors. Research from Cambridge University shows that shutting shop doors in winter reduces energy usage and carbon emissions by up to 50%.

Dan Jestico, Director, Savills Earth, says: “Commercial real estate is significantly exposed to the impact of the energy crisis and faces multiple challenges in the near future to secure reliable, affordable and ‘clean and green’ energy. Both landlords and occupiers can and must address these challenges together, by investing in energy-efficient interventions, driving improvements to both building fabric and energy consuming systems to reduce energy consumption and lower costs over the long term."

Bram de Rijk, European Research Associate at Savills, says: "Europe is currently strongly positioned to counter the impact of the energy crisis as a result of the mild 2022-23 winter, the reduction in gas consumption, and stocking up on gas levels.

"However and although we entered the meteorological spring with warmer temperatures ahead of us, the resilience to the energy crisis will be truly tested in the next winter when governments are perhaps less capable and/or willing to spend as much capital to support households and businesses, especially if next winter turns out to be colder for a longer period."

To read the full report, please click here.