



EUROPEAN LOGISTICS UPDATE

H1 2026



Key Takeaways

European **OCCUPIER TAKE-UP REACHED 30.6 MILLION SQM IN THE FOUR QUARTERS TO THE END OF H1 2026**, as it begins to stabilise, aligning more closely with pre-pandemic averages following record highs.

VACANCY RATES RISE FROM CYCLICAL LOWS ACROSS THE MAJORITY OF EUROPEAN MARKETS, as occupier caution drives availability, but slower development activity limits increases.

PRIME RENTS CONTINUE TO GROW, despite a further moderation in pace. Southern Europe saw the greatest annual increase, while most Western European markets posted steady uplifts and CEE softened. Above-average growth was recorded in Bordeaux and Athens, as well as in regional markets across the UK, Germany and Belgium.

In the four quarters to the end of 2025, **INDUSTRIAL INVESTMENT VOLUMES DECREASED BY 10%** compared to the same period last year. Prime yields tightened for most markets by 5-25bps year-on-year, as repricing progresses.

THE OUTLOOK FOR THE OCCUPIER MARKET IS GRADUALLY NORMALISING: business confidence remains cautious due to renewed geopolitical risks but has improved modestly alongside logistics take-up. The sooner a final and permanent agreement is reached between the US and Iran, the greater the potential for further improvements in business sentiment, and thus, occupier demand. Our position remains cautiously optimistic given the sector's strong fundamentals despite the macroeconomic backdrop.

While a slowdown in speculative development activity across Europe is **EXPECTED TO SUPPORT STABLE VACANCY RATES**, lower absorption and greater availability of second-hand stock in some markets will see vacancy rates continue to rise.

RENTAL GROWTH IS EXPECTED TO CONTINUE, albeit at slower rates, as vacancy is absorbed.

INVESTMENT ACTIVITY WILL STABILISE AT NEW LEVELS, with repricing and market polarisation reinforcing demand for income resilience and value-add opportunities.

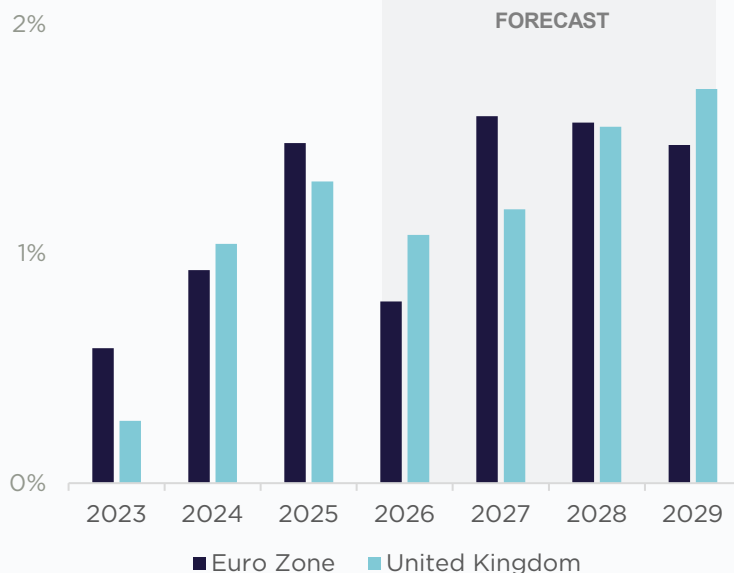
Economic Indicators

Despite the ongoing conflict in the Middle East and broader geopolitical uncertainties, Europe's economy expanded by 0.5% q-o-q in Q2 2026, marking its fastest quarterly growth rate since Q1 2025. As a result, annual GDP growth reached 1.2%, which was supported by somewhat of a recovery in the services sector, driven in part by AI-related activity. Manufacturing also strengthened as firms increased inventories to mitigate supply chain risks, while higher defence spending provided an additional boost. However, UK GDP growth continued to fall from its recent peak in April to 0.4% in the three months to June 2026.

Economic performance remains uneven across Europe. Excluding Ireland's continued strong GDP growth, European GDP would have reached 0.3% q-o-q in Q2, only marginally greater than in Q1. Six countries posted growth above the quarterly EU average, including Sweden, Finland, Portugal and Spain. In contrast, some of Europe's biggest economies such as France and Germany, as well as Czechia, the Netherlands and Italy, recorded more modest growth of less than 0.5%. Looking ahead, Moody's projects GDP growth to reach 0.8% y-o-y by year-end 2026, with higher fiscal spending, recovering exports and improving private consumption helping to offset elevated energy costs.

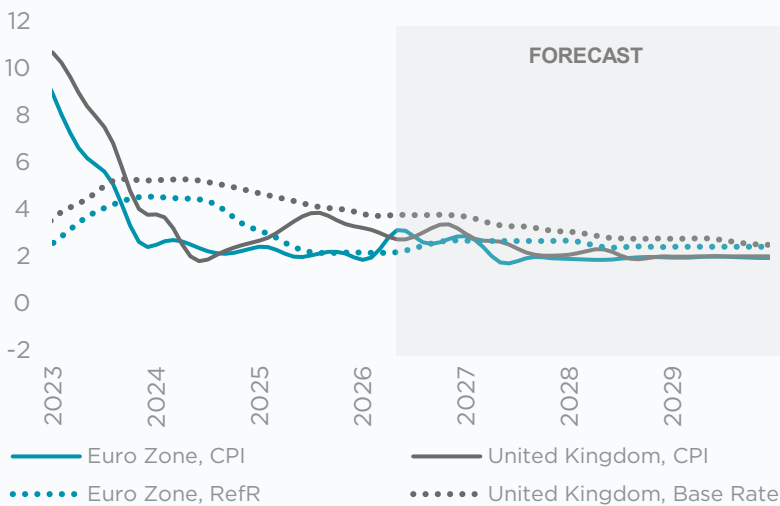
Having eased in June 2026, EU inflation rose to 2.9% in July and is expected to reach 3.3% in August. As anticipated, energy prices remained the largest contributor, accelerating to 14.3% y-o-y in August, followed by services, while food inflation stabilised. UK CPI declined through Q2 but tipped up in July, reaching 2.9%. With inflation above the 2% target amid persistent upward risks, the ECB raised rates by 25bps for the second time this year at its latest meeting in September. The Bank of England has held rates steady since December 2025, while closely monitoring prices.

GDP GROWTH



Source: Cushman & Wakefield Research, Moody's Analytics
(Forecasts relate to Moody's Baseline Scenario - August 2026)

INFLATION & CENTRAL BANK BASE RATES (%)



Source: Cushman & Wakefield Research, Moody's Analytics
(Forecasts relate to Moody's Baseline Scenario - August 2026)

Occupier Activity

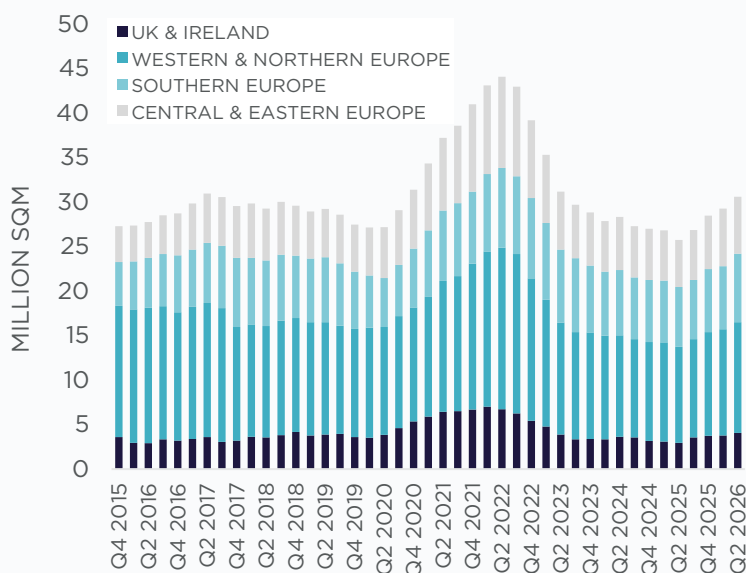
European L&I leasing activity proved more resilient than expected in H1 2026 against a backdrop of renewed geopolitical tensions and related economic and trade disruptions. Take-up continued to recover from the recent low point in Q2 2025, reaching 30.6 million sqm (four-quarter rolling) by Q2 2026. This represents a 19%y-o-y increase, and marks the strongest annual growth since Q2 2022.

The composition of occupier demand across Europe has already started to shift. Following the pandemic-led dominance of e-commerce tenants, the presence of 3PLs has increased, such as with the launch and expansion of Amazon Supply Chain Services (ASCS). The boost in defence spending across Europe has also supported demand for logistics assets. Meanwhile, Chinese companies looking to cut delivery times and avoid trade tariffs are increasing their L&I footprint in Europe, in particular retail giants and automotive manufacturers. According to our internal C&W L&I survey, demand from traditional occupiers of the sector is expected to remain stable.

All locations tracked posted positive annual take-up growth, except for Slovakia, which recorded a 24% y-o-y decline, while France saw almost no growth at just 1%. Annual take-up growth was strongest in CEE markets, while the UK and Italy also showed solid momentum. Hungary stands out as the strongest performer, with take-up more than doubling from its pre-Covid average, alongside robust y-o-y growth.

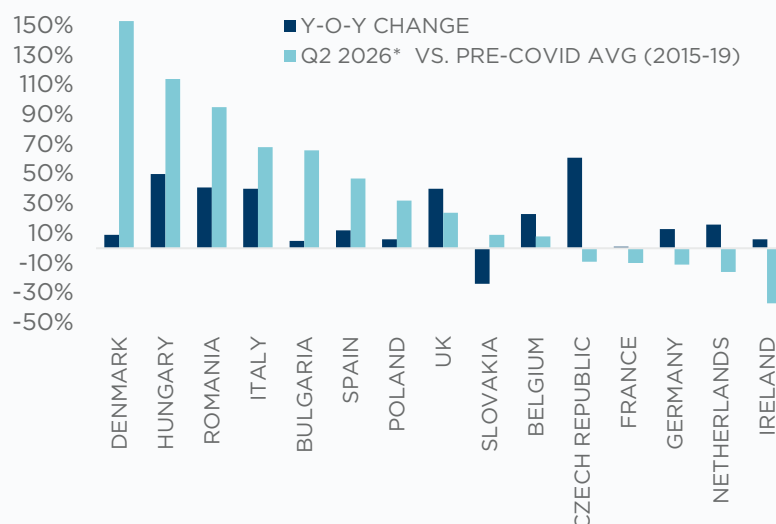
While leasing activity remains healthy by historical standards, markets that saw stronger take-up pre-Covid, have since moderated highlighting a shift in occupier demand towards lower cost, emerging locations with fewer constraints. Denmark was a notable outperformer, followed by Romania, Bulgaria and the Southern European markets. Conversely, Ireland was weakest relative to its pre-Covid average.

LOGISTICS & INDUSTRIAL OCCUPIER TAKE-UP*



Source: Cushman & Wakefield Research
* four-quarter rolling total

OCCUPIER TAKE-UP* BY COUNTRY (Q2 2026; YOY GROWTH)



Source: Cushman & Wakefield Research
* four-quarter rolling total

Availability

On average, European vacancy rates have gradually risen from their cyclical lows in H2 2022, reaching 6.2% by June 2026, as market conditions continue to rebalance.

During the same period, available logistics space almost doubled, increasing by a further 1 million sqm y-o-y in June 2026. The release of second-hand stock is contributing to rising availability as occupiers relocate to more efficient facilities.

In contrast, development pipelines have contracted, with under-construction volumes slowing from their peak in June 2022, and stabilising around 9 million sqm over the past year. Consequently, new completions fell materially by 59% from the peak recorded in H2 2022.

Whilst vacancy rates are above the H2 2022 low, rates in many countries have recently been falling over the past several quarters, because of slowing development and the improvement in occupier demand. In countries where vacancy continues to increase, the rate of uplift has largely slowed.

European vacancy trends remain divergent, with notable regional differences. These are most pronounced in Poland, where vacancy ranges from around 15% in Lubuskie to single-digit levels in key hubs such as Warsaw and Silesia, highlighting the importance of location.

The UK, Italy, Spain and Poland recorded annual declines in vacancy in H1 2026, underpinned by stronger demand and the absorption of both new and second-hand space.

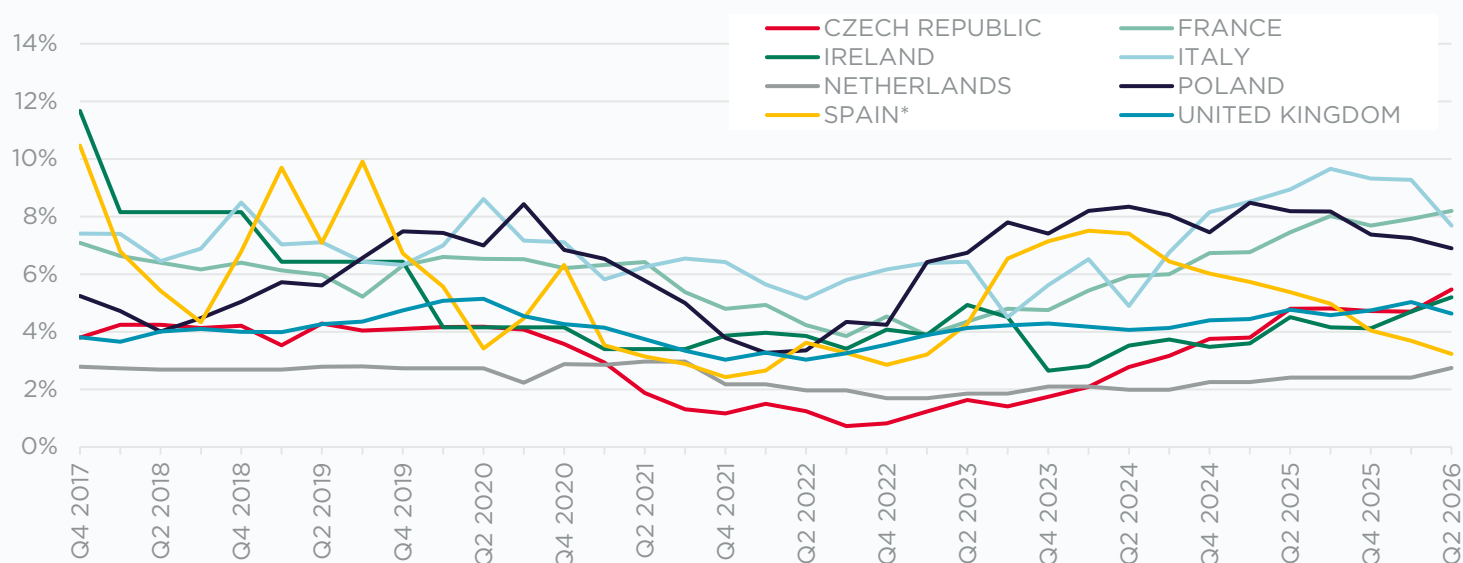
In Spain, dwindling vacancy rates over the last two years has shifted occupier focus towards outer-ring locations.

Conversely, France, Ireland and the Czech Republic continue to see rising vacancy. Both Ireland and Czechia reached peaks in Q2 2026, while occupier move-outs in France added second-hand space to the market.

Vacancy rates are still the lowest in the Netherlands, due to limited land availability and stringent sustainability requirements.

Looking ahead, vacancy rates are likely to decline slightly given the relative dominance of build-to-suit schemes to secure commitments and reduce feasibility risks for developers.

LOGISTICS & INDUSTRIAL VACANCY RATES



Source: Cushman & Wakefield Research
 *Spain = Barcelona

Rental Growth

Prime headline rents across Europe have continued to increase since mid-2021, although growth has moderated in recent quarters.

In Q2 2026, European average prime rents increased by 1.7% y-o-y, the lowest annual growth rate since 2021. Nonetheless, prime rents remain almost 38% above Q2 2021 levels. On a quarterly basis, prime rents rose by 0.7% in Q2 2026, marking the strongest increase since Q2 2025.

As current market dynamics remain in favour of tenants in many markets, prime rents have stabilized. Rental corrections have also emerged for assets that no longer meet modern occupier requirements.

All European regions registered prime rental growth over the twelve months to H1 2026, except for CEE, where rents remained broadly stable.

Annual rental growth was greatest across Southern Europe, with Portugal and Spain increasing by 6.7% and 6% y-o-y, respectively. The growing share of turnkey developments has constrained prime speculative supply, driving rental growth and causing demand to spill over into alternative locations.

Prime rents in the Nordics remained broadly stable, with Copenhagen the only market to record annual growth at 3.2%, driven by a slowdown in development activity amid a more cautious environment.

Western Europe continued to see positive, albeit slower, rental growth. UK growth decelerated to 3%, its lowest level since Q3 2020, reflecting weaker net absorption and rising speculative supply. Regional performance underpinned growth led by Belfast, Bristol, Reading and Milton Keynes, each recording uplifts of over 9% y-o-y.

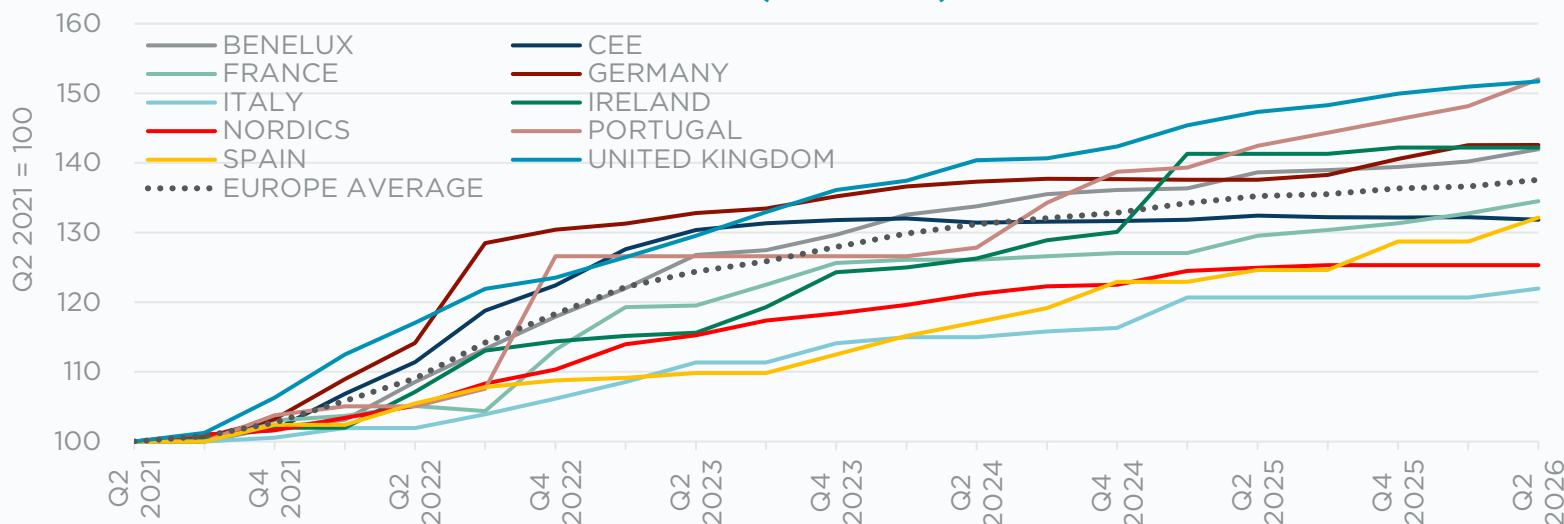
Likewise, in Benelux, regional logistics hubs posted solid growth, with Liège, Eindhoven and Ghent exceeding annual growth of 5%, while capital and tier 1 cities stabilised.

Rental growth in France also slowed to 3.8% in Q2 2026, with landlords offering rental incentives for the first time as immediate supply increases.

On the other hand, Germany recorded its strongest annual increase since early 2024, at 3.6%, driven by Frankfurt, Dortmund and Düsseldorf.

In contrast, CEE prime rents declined marginally for the first time since 2025 by -0.5%, driven by falls in Budapest, Gdansk and Bratislava to name a few as increased construction activity and landlord incentives weighed on effective rents.

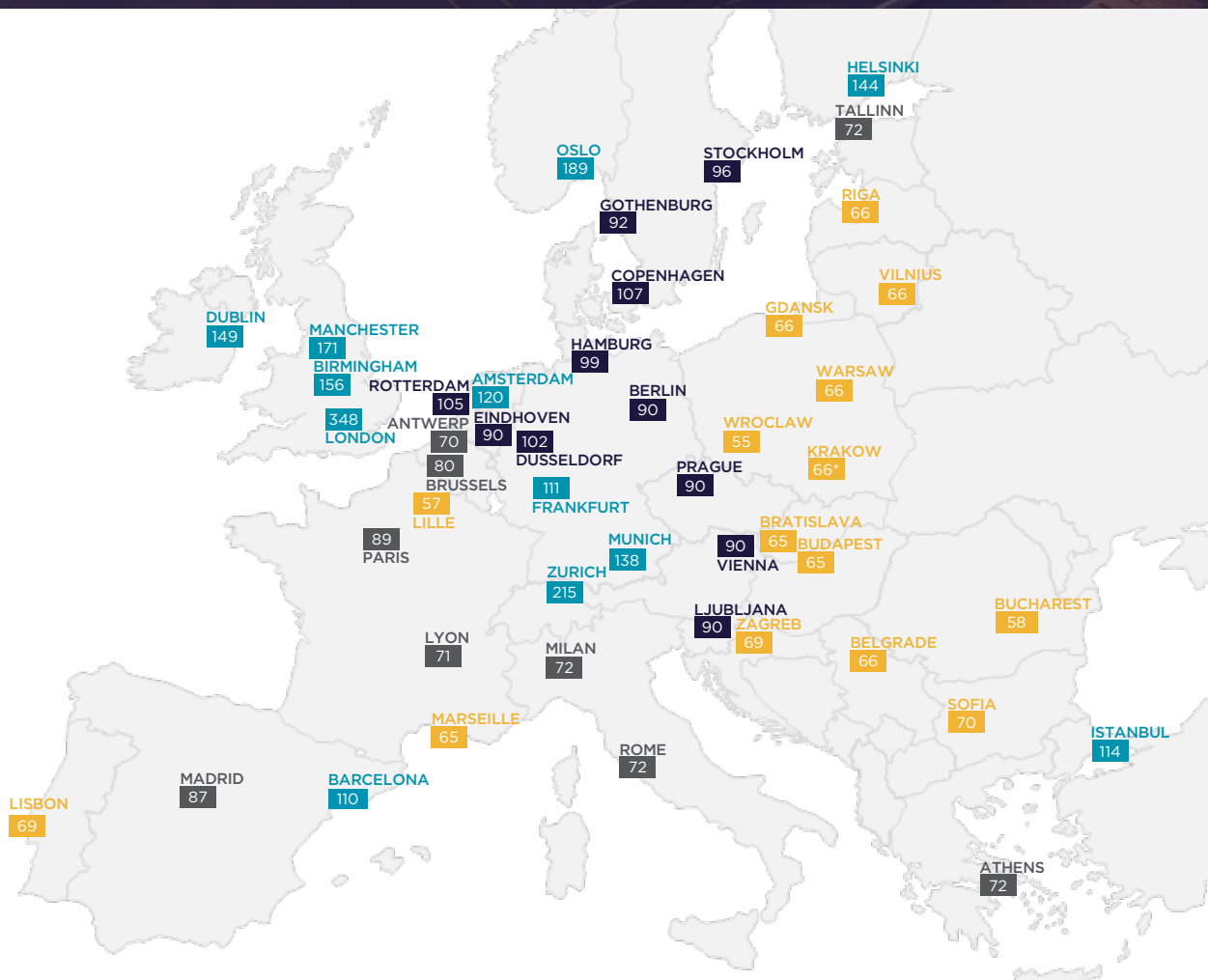
PRIME LOGISTICS HEADLINE RENT INDICES BY MARKET (Q2 2021 = 100)



Source: Cushman & Wakefield Research

Rental Growth

PRIME LOGISTICS RENTAL LEVEL Q2 2026



Source: Cushman & Wakefield Research; *Time series for Krakow has been revised; the new rental value corresponds to rent growth of 0% QoQ
Exchange rates (average for Q2 2026): EUR-GBP = 0.85; EUR-DKK = 7.48; EUR-SEK = 11.05; EUR-NOK = 11.11; EUR-CHF = 0.93; EUR-USD = 1.14

Rental rates across many European markets stabilised y-o-y by the end of H1 2026.

Of the 123 locations tracked by Cushman & Wakefield, just over half recorded steady annual growth. Only four markets posted double-digit increases of 10% or more; Ljubljana, Bordeaux, Athens and Belfast, averaging 12% y-o-y. Meanwhile, just 5% of locations registered annual declines, highlighting the continued resilience of prime logistics assets across Europe.

Despite a slowdown in CEE rental growth, Ljubljana outperformed all European markets with 15.4% annual growth as land constraints intensify. Warsaw, Sofia, Łódź and Bucharest also posted modest gains, with stabilisation across most CEE markets. Rents declined in five CEE locations, including Bratislava and Gdansk.

In Southern Europe, Athens and Barcelona moved into higher rental bands in Q2 2026. Rental growth in Italy was limited to Rome and Milan, with secondary cities remaining stable.

Five of Germany's twelve locations recorded annual rental growth above 5%. Berlin reached a new high of €90/sqm/yr, with moderate growth elsewhere. Dutch prime rents were largely stable, with only Venlo, Utrecht and Eindhoven seeing growth, with the latter moving into a higher rental band.

It was a mixed performance in the UK, with regional markets seeing higher growth rates while London's submarkets saw more modest growth, reflecting a maturing rental cycle.

Investment Market

Rolling quarterly European logistics and industrial investment volumes totalled just over €40bn at the end of H2 2026,

representing a 10% decline over the same period last year. Investment activity slowed across all regions y-o-y in H2 2026, with CEE recording the sharpest fall of -26%, followed by Southern Europe by -12%. Both the UK & Ireland along with Western & Northern Europe saw more moderate declines, averaging around 8%.

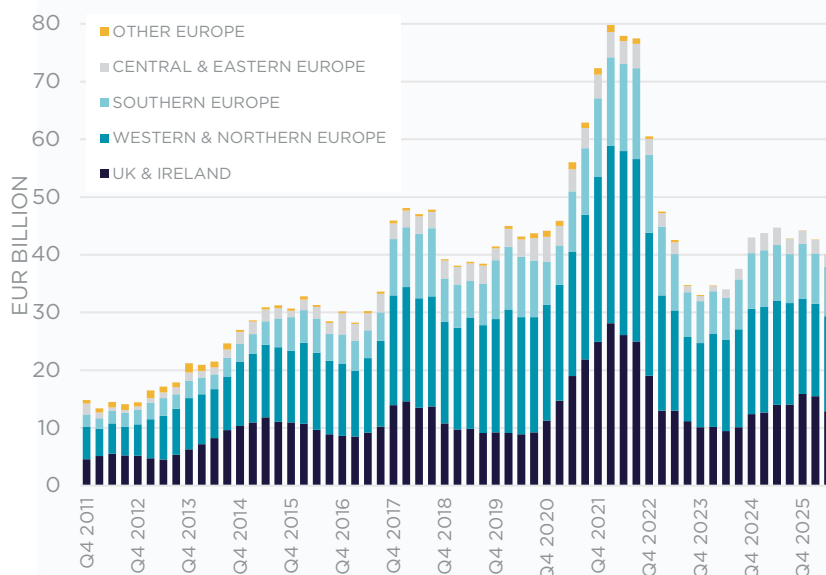
Inflationary pressures, interest rate volatility and subdued economic growth, exacerbated by ongoing geopolitical conflicts and related energy price shocks, weighed on investor sentiment.

Additionally, there have been some modest adjustments during H1 2026. The correction remains uneven with a widening bifurcation across the market. As a result, investors are prioritising prime assets in prime or established locations that are better positioned for rental growth, due to more resilient underlying occupier fundamentals.

Prime yields broadly held firm across Europe in Q2 2026, edging down by 6bps y-o-y to 5.23%. The UK and France were the only markets to see yields widen, both by 15bps, reaching 4.75% and 4.90%, respectively. Six markets were unchanged, while ten saw yields compress by 5-25bps y-o-y, most notably Italy, Czechia and Spain. UK swap rates (3M Sonia) fell to 3.74% at the time of writing, materially above 3M Euribor at 2.50%, which recently rose, demonstrating that financing for euro-denominated deals remains relatively more attractive.

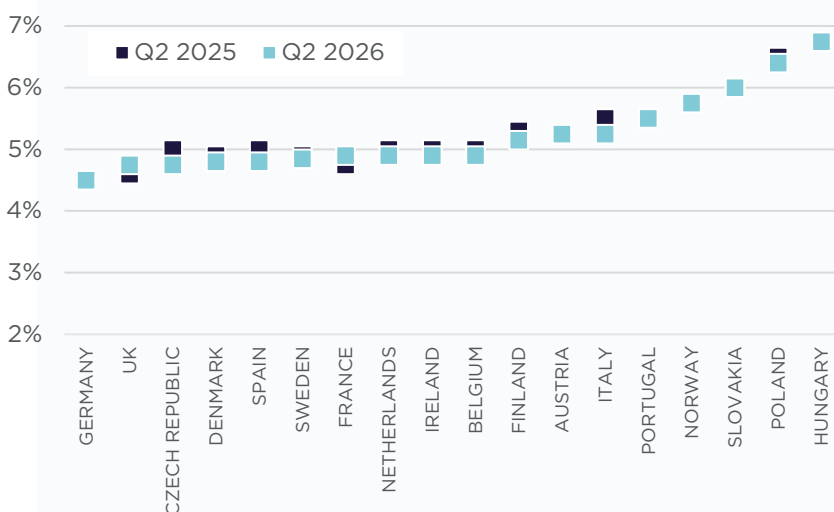
At the beginning of 2026, core capital showed signs of re-engaging and was readying for deployment. However, with the shift in geopolitical and macroeconomic dynamics since then, core capital appears to be increasingly restricted until more stable conditions prevail.

EUROPEAN INDUSTRIAL INVESTMENT VOLUMES*



Source: MSCI Real Capital Analytics, Cushman & Wakefield Research
*four-quarter rolling total

PRIME LOGISTICS INVESTMENT YIELDS



Source: Cushman & Wakefield Research

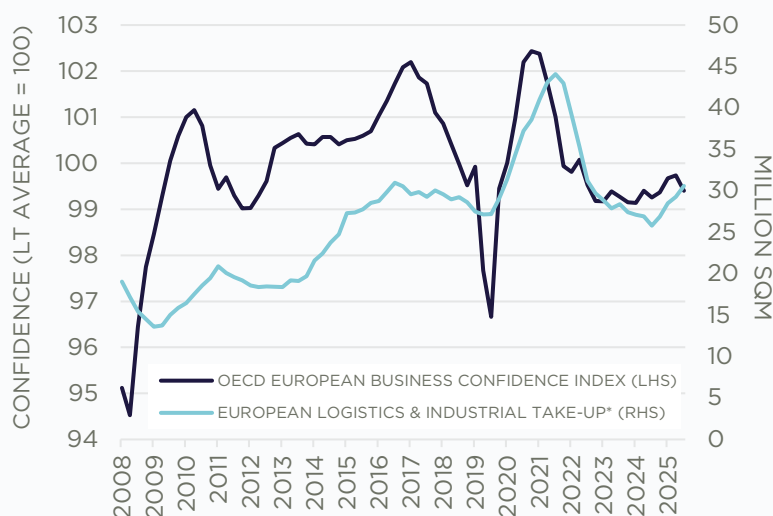
Outlook

Over the past three years, weaker business confidence across the UK and Europe broadly coincided with softer logistics take-up. A cautious macro-economic environment encouraged occupiers to defer their expansion plans and instead optimise existing networks, as uncertainty weighed on business confidence. Since 2023, business confidence has remained relatively subdued, while take-up has stabilised at lower levels. However, more recently both indicators have shown signs of recovery, with take-up edging higher alongside a modest improvement in confidence. When a final, long-standing agreement between Iran and the US is reached, we expect business sentiment to improve, subsequently encouraging further take-up.

As sector conditions normalise, with rising vacancy amid slower development activity and a recovery in capital values, European rental growth is expected to moderate from 4.3% to 2.5% on average by 2027 year-end. Europe's major logistics markets, France, Germany and the UK, are expected to lead near-term growth. On the other hand, Benelux, CEE, Italy and the Nordics are forecast to see more subdued rental growth. Looking further ahead, CEE is the only region projected to accelerate by 2029 year-end.

Given these forecasts, total returns are expected to continue to remain increasingly income-driven, with rental growth supporting capital value appreciation, as the scope for yield compression moderates. While investment appetite remains cautious, the sector continues to demonstrate resilience, underpinned by strong underlying fundamentals. Investors' increasing focus on income continues to support core-plus strategies, whilst core capital is likely to take some time to re-engage. At the same time, limited prime supply, further secondary stock and evolving occupier requirements, are driving appetite for value-add strategies to enhance income growth potential.

EUROPEAN BUSINESS CONFIDENCE & OCCUPIER TAKE-UP



Source: Cushman & Wakefield Research, OECD

* four-quarter rolling total

PRIME LOGISTICS RENTAL GROWTH FORECASTS

	2024 (y-o-y % chg)	2025 (y-o-y % chg)	2026F-2027F Avg	2028F-2029F Avg
FRANCE	1.1	6.5	3.5	1.3
GERMANY	2.7	2.4	2.9	1.3
BENELUX	2.8	5.1	1.3	1.3
NORDICS	4.1	3.3	1.7	1.5
CEE	0.1	-0.6	1.4	1.7
ITALY	3.1	4.5	1.4	1.4
SPAIN	9.3	4.8	2.4	1.5
UK	4.6	5.5	3.6	2.4
EUROPE AVERAGE	3.5	4.3	2.5	1.7

Source: Cushman & Wakefield Research (Q1 2026 forecasts)

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