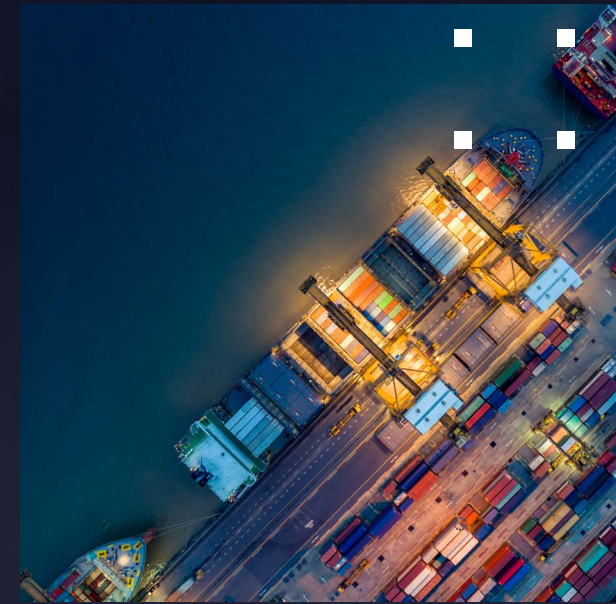
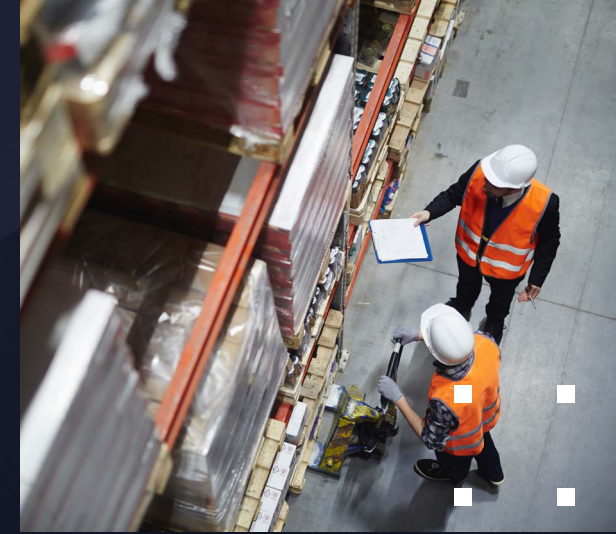


Savills Takes Stock: Global Capital Markets

# Logistics Q3 2025





LOGISTICS Q3 2025

# Global outlook





Oliver Salmon

Director, World Research

# From pause to progress

**After a subdued second quarter, global real estate capital markets have shown clear signs of recovery in Q3 2025.** Total investment reached US\$225bn in the quarter, representing a near 13% increase year-on-year. While part of this uplift can be attributed to a weaker US dollar, the underlying momentum remains strong—up 11.4% when measured in fixed exchange rates.

**More importantly, forward-looking indicators suggest that the recovery has legs.** Data on pending deals—transactions that are in contract but yet to be completed—point to a strong pipeline of activity heading into the final quarter. This is a reliable leading indicator, and supports our expectation that total investment will grow by 8% in 2025, representing a relatively robust performance given the persistent macro headwinds.

**This positive third quarter outcome is particularly striking given the market's performance in Q2.** On a seasonally adjusted basis, total investment rose by more than 7% in Q3, more than reversing the 3% decline seen in the previous quarter. At mid-year, the narrative was one of a market treading water, with investors cautious amid heightened economic uncertainty. The disruption caused by the 'Liberation Day' tariff announcements in early April was the principal reason for concern. However, it now appears that this led to temporary delays rather than a fundamental retreat from the market.

What's notable is that this shift in momentum has occurred without a material change in the broader macroeconomic environment. The economic backdrop remains complex, with ongoing concerns around trade policy, institutional instability in the US, and geopolitical tensions. Yet, the investment

market has begun to move forward, suggesting a renewed confidence among investors. Notably, many of the deals completing in the third quarter will have been originated during the chaos that followed Liberation Day.

Beyond the headline figures, there are several underlying trends that are indicative of a recovery that can be sustained. One of the most telling is the rise in average deal size, which reflects improving liquidity in larger lot sizes. The number of individual properties transacting for US\$100m or more rose by 14% on the year, while the value of portfolio and entity-level deals was 17% higher, as signs of life return to global M&A activity more generally. This is a clear signal that institutional capital is re-engaging, a critical inflection point for the market.

**Moreover, many deals are attracting multiple competitive bids.** This would suggest that buyers and sellers are increasingly aligned on pricing, consistent with a growing body of evidence in support of the conclusion that we are now past the trough in values. Genuine competition, especially for good quality assets, reflects a market that is transitioning from one driven by speculative interest and opportunistic buyers, to something more sustainable.

Sentiment indicators reinforce this view. After a dip in the second quarter, investor confidence has rebounded globally. This has happened despite little change to the interest rate backdrop. Bond yields remain elevated and increasingly detached from central bank policy rates, reflecting a rising risk premium, amid concerns over fiscal sustainability in many major developed economies. Despite this, this pricing environment appears to be largely accepted by both buyers and sellers, enabling more transactions to proceed.

**All of this is happening despite continued macroeconomic uncertainty.** While some clarity has emerged around tariffs, broader concerns remain unresolved. The latest IMF World Economic Outlook, titled "Global Economy in Flux, Prospects Remain Dim," paints a forlorn picture, highlighting risks related to trade fragmentation, institutional degradation, and geopolitical instability.





**Nevertheless, the global economy continues to demonstrate remarkable resilience.** This has been a consistent theme in recent years—from the outbreak of war in Ukraine and the inflationary surge that followed, to a generational spike in interest rates and a US President who continues to upend the traditional norms. Despite these challenges, markets are adapted and investors are finding a way to transact.

Interestingly, tariffs have now faded as a top concern to investors, replaced by growing speculation around a potential AI-driven bubble in equity markets. While some analysts highlight the risk around inflated valuations and highly concentrated equity market returns, those within the tech industry argue that it could be a “good bubble”—one driven by genuine innovation and long-term productivity gains. Both can be true at the same time.

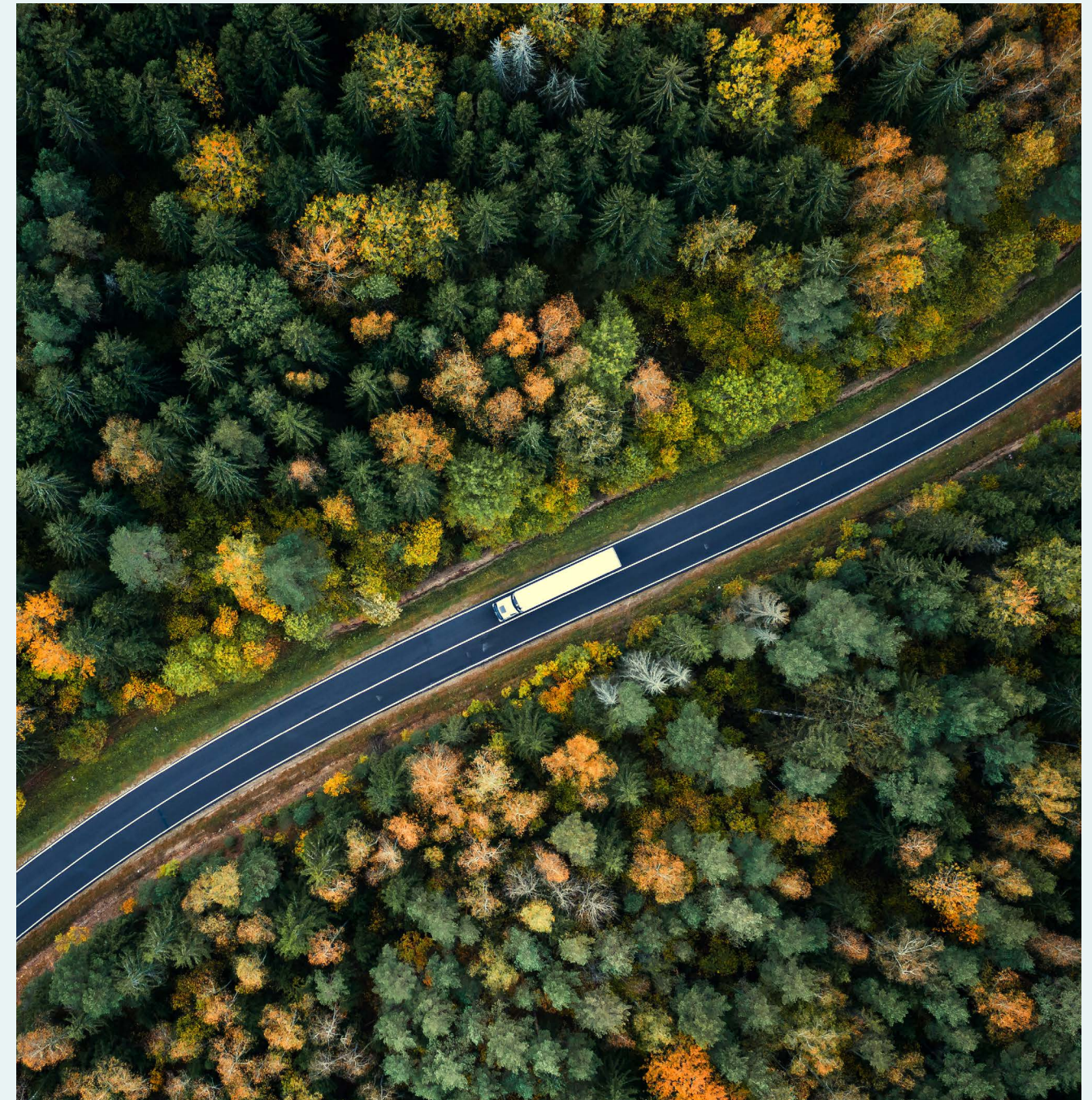
**Nevertheless, in the real estate sector, investors appear to have decided that now is the time to act.** With development activity still muted, the supply of high-quality assets remains constrained. For occupiers seeking the best buildings in prime locations, the message is clear: they will need to pay a premium. This supply-demand dynamic is now a fundamental driver of market behaviour, and it’s encouraging the highly researched investors to re-enter the fray. Absent external shocks, momentum should build in the coming quarters.



# Steady as she goes

**Global investment in industrial and logistics real estate totalled US\$51.3bn in the latest quarter, broadly unchanged compared to the previous year.** When adjusting for currency fluctuations caused by a weaker US dollar, investment was approximately 1.5% lower than last year, marking the second consecutive annual decline. Despite this, the market demonstrated resilience; on a seasonally adjusted basis, investment was 7% higher than Q2, signalling improvement after earlier disruptions linked to tariff announcements. Importantly, investment in Q3 remained above pre-Covid averages and represented only the third quarter since 2022 to surpass US\$50bn, reinforcing the narrative of a market that has largely normalised.

The year-on-year decline was primarily driven by weakness in Europe, particularly in core mainland markets such as France and Germany, which together accounted for a two-percentage-point drag on global growth. This weakness was partially offset by stronger performance in the US, UK, China, and Australia, where investment activity picked up. Portfolio and M&A deal values fell by 5% year-on-year, even after factoring in the ESR privatisation in APAC, while individual asset sales increased, further highlighting the resilience in investor demand.

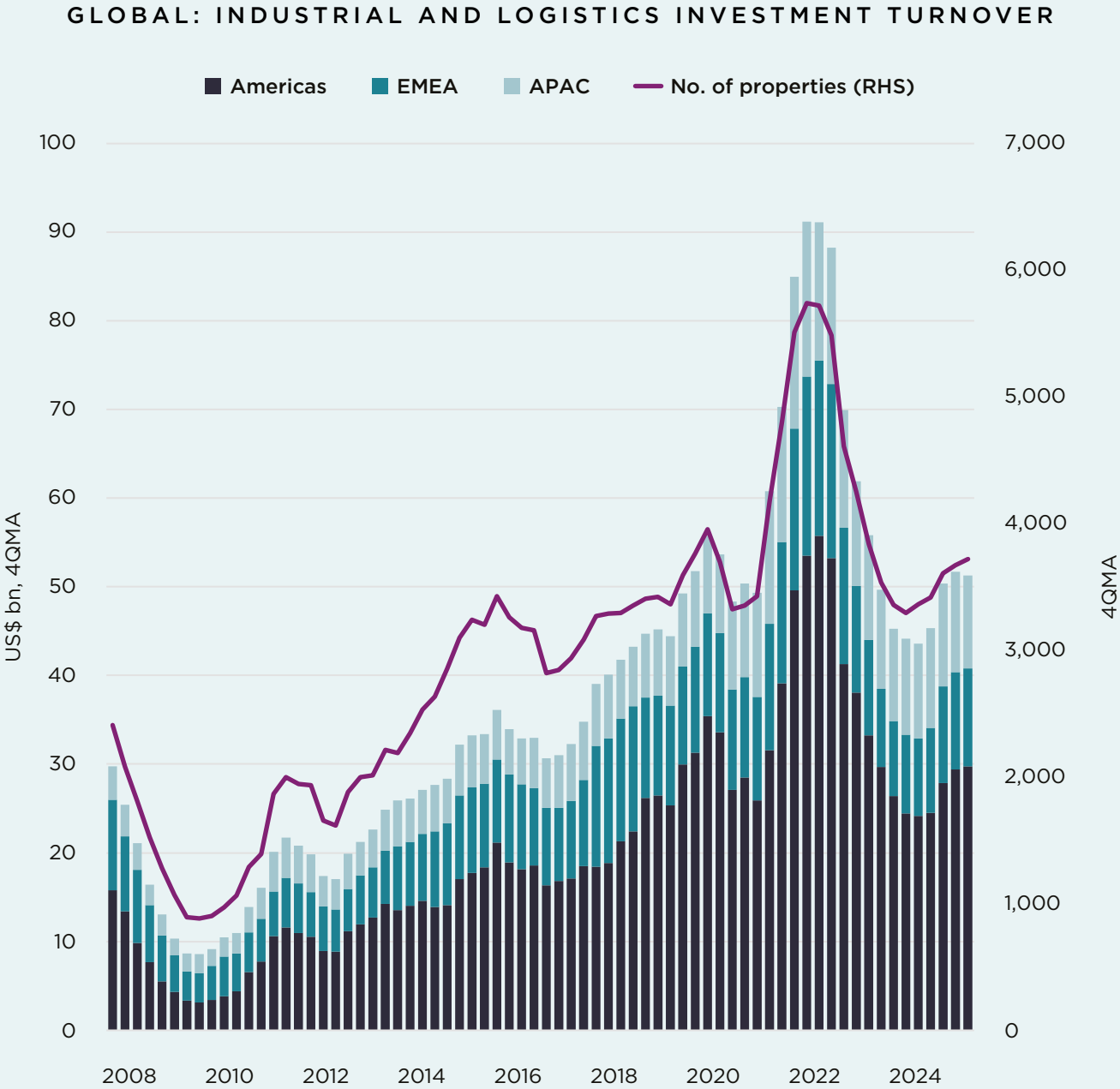




**Rental growth continues to slow across most major regions.** In the United States, asking rents declined in half of all markets despite improving leasing demand, as the sector absorbs the new supply that continues to hit the market following the 2021-22 construction boom. In Europe, rents were largely stable on a sequential basis, with annual growth falling back in line with the prevailing vacancy rate. There are however signs that the market is bottoming out, following a broad-based decline in vacancy across the region in Q3. Conditions in APAC remain mixed; Japan is experiencing a slowdown in rent growth, while the Australian market continues to favour landlords, maintaining relatively strong rental conditions.

**Macroeconomic risks have eased somewhat since Q3, supported by greater stability in trade policy.** The US administration has reached agreements with most major trade partners, reducing the severity of previously announced tariffs, though significant duties on imports remain in place, and the wider uncertainty in policy will remain indefinitely. While US import volumes have slowed in response to tariffs, global trade flows have proven more resilient than expected. Amid this volatility, some businesses have opted to outsource their logistics needs to third-party providers (3PLs), which has supported leasing activity during the quarter and provided a buffer against trade-related uncertainty.

**Despite improved trade stability, potential headwinds persist from weakening consumer demand, driven by softening labour markets and generally low levels of confidence.** Development activity remains subdued, acting as a stabilising force should demand soften further. However, a notable trend is the uptick in new project starts in the US, where most vacant space is already concentrated in class A facilities, reflecting the recent influx of high-quality stock. This dynamic will be important to monitor as the market works through elevated supply levels while balancing evolving demand conditions, albeit that there is significant differentiation across the country.



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

LOGISTICS Q3 2025

# Regional outlook



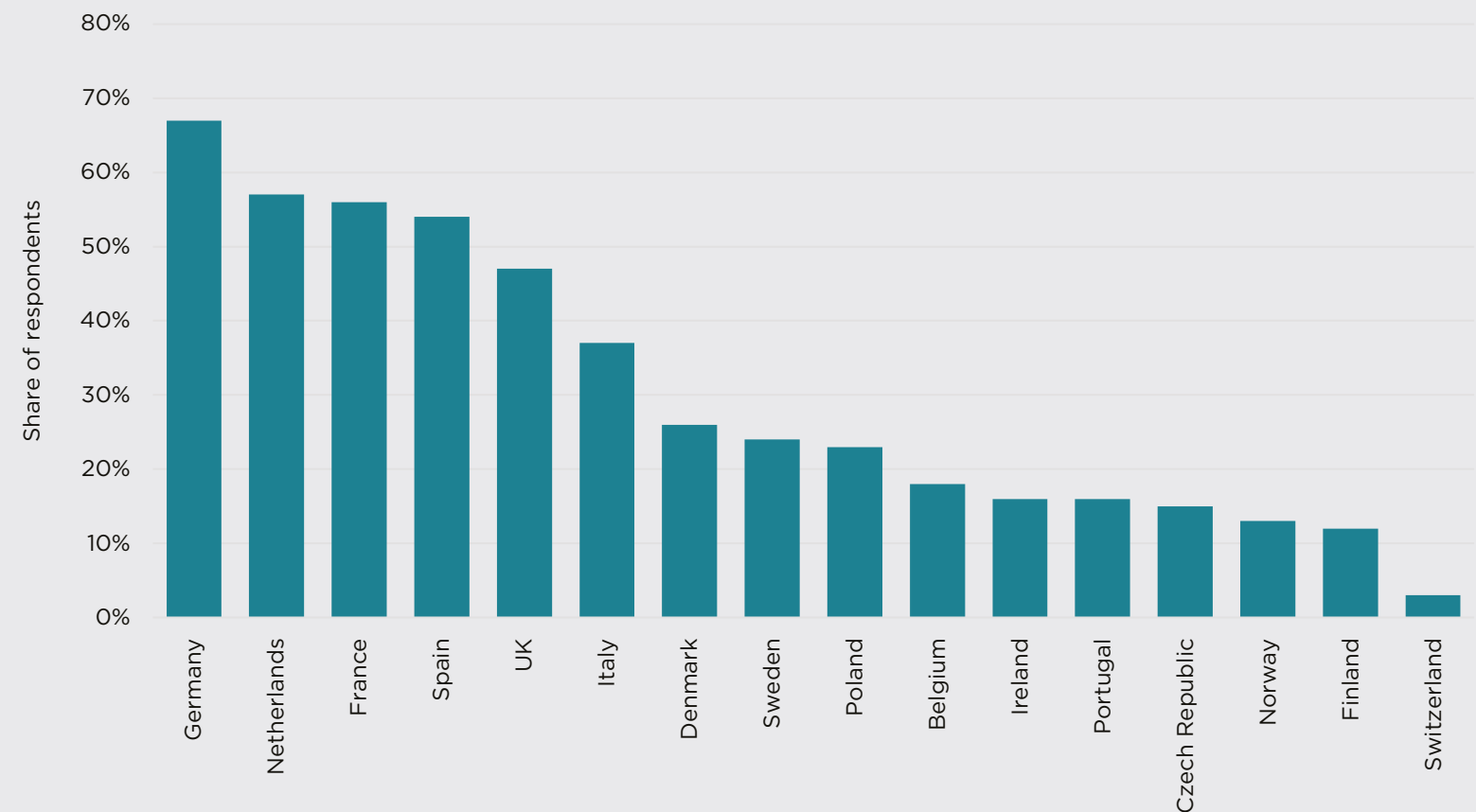


# EMEA

The EMEA industrial and logistics investment market softened in Q3 2025, with investment totalling €8.3bn (US\$9.7bn)—a 24% decline year-on-year and the weakest quarterly outturn since Q3 2023. This marks a reversal after four consecutive quarters of growth, as both individual asset sales and portfolio transactions fell compared to last year. The slowdown was driven primarily by weakness in core mainland European markets, notably France and Germany, while the UK provided a partial offset, recording £2.9bn (US\$4.0bn) in investment, up nearly 13% year-on-year. UK activity was buoyed by Blackstone’s take-private acquisition of Warehouse REIT—their third major UK industrial and logistics REIT privatization since 2021—alongside healthy growth in single-asset transactions, signalling broader market resilience.

**Cross-border investors remain the dominant buyer group, with North American private equity continuing to play a leading role.** Demand is largely driven by strategies to aggregate and consolidate portfolios across the region. Other major investor groups have been net sellers this year. Portfolio and entity-level deals have outperformed single-asset transactions by value, underscoring the preference for scale. Despite the recent weakness in activity across Western Europe, investor focus remains firmly on these core markets, a trend that has persisted over recent years, according to our latest European Real Estate Logistics Census (conducted in the immediate aftermath of ‘Liberation Day’ in May-July).

EUROPE: PREFERRED DESTINATIONS TO INVEST



Source: Savills European Real Estate Logistics Census



**On the occupier side, Q3 brought a notable rebound in leasing activity following a subdued first half, which saw the weakest take-up in a decade.** The 81m sq ft of space leased across the region was up 20% year-on-year and nearly 25% quarter-on-quarter, suggesting the release of pent-up demand after the volatility surrounding ‘Liberation Day’. The recovery was led by Germany, where take-up surged 66% year-on-year, and the UK, which posted a 37% increase. However, the rebound was uneven, with France recording a particularly weak quarter, achieving only half its five-year average.

Improved demand helped push the European-wide vacancy rate down by 20bps to 6.8%, reinforcing the view that the market may have passed its trough. The trend appears broad-based, supported by slowing development activity; in the UK, which typically leads Europe, the pipeline of under-construction stock has fallen by almost 50% year-to-date.

**Despite this, conditions remain occupier-friendly in most locations.** Average rents are up 2% year-on-year, but sequential growth is limited, and landlords continue to offer generous incentives to maintain headline rates. Pockets of stronger rental growth persist in Southern Europe—such as Madrid, where vacancy has dropped to 9.7%, down 250bps from its peak—and in major Central and Eastern European markets.

Yields were stable across the region in Q3, and expectations point to continued stability over the next 12 months, supported by moderating supply and steady investor appetite for core assets. While short-term challenges remain, particularly in France and Germany, the combination of improving occupier demand, weaker development activity, and structural investor interest should anchor the market going forward.







# North America

The US industrial and logistics market continued to demonstrate resilience through Q3 2025, with investment turnover reaching US\$25.5bn, a modest 3.4% increase year-on-year. This performance reinforces the sense of normalisation that has characterized the sector since early 2023, as quarterly deal activity has consistently hovered between US\$20–25bn, broadly in line with pre-Covid averages. However, the pace of growth slowed compared to the strong first half of the year, when investment surged by 23%, reflecting a degree of caution in the aftermath of ‘Liberation Day’. This was most evident in the sharp 40% decline in the value of portfolio and entity-level deals, leaving single-asset transactions to dominate transactional activity in the quarter. Cross-border capital inflows were particularly weak, totalling just US\$1.9bn, a two-thirds drop from last year.

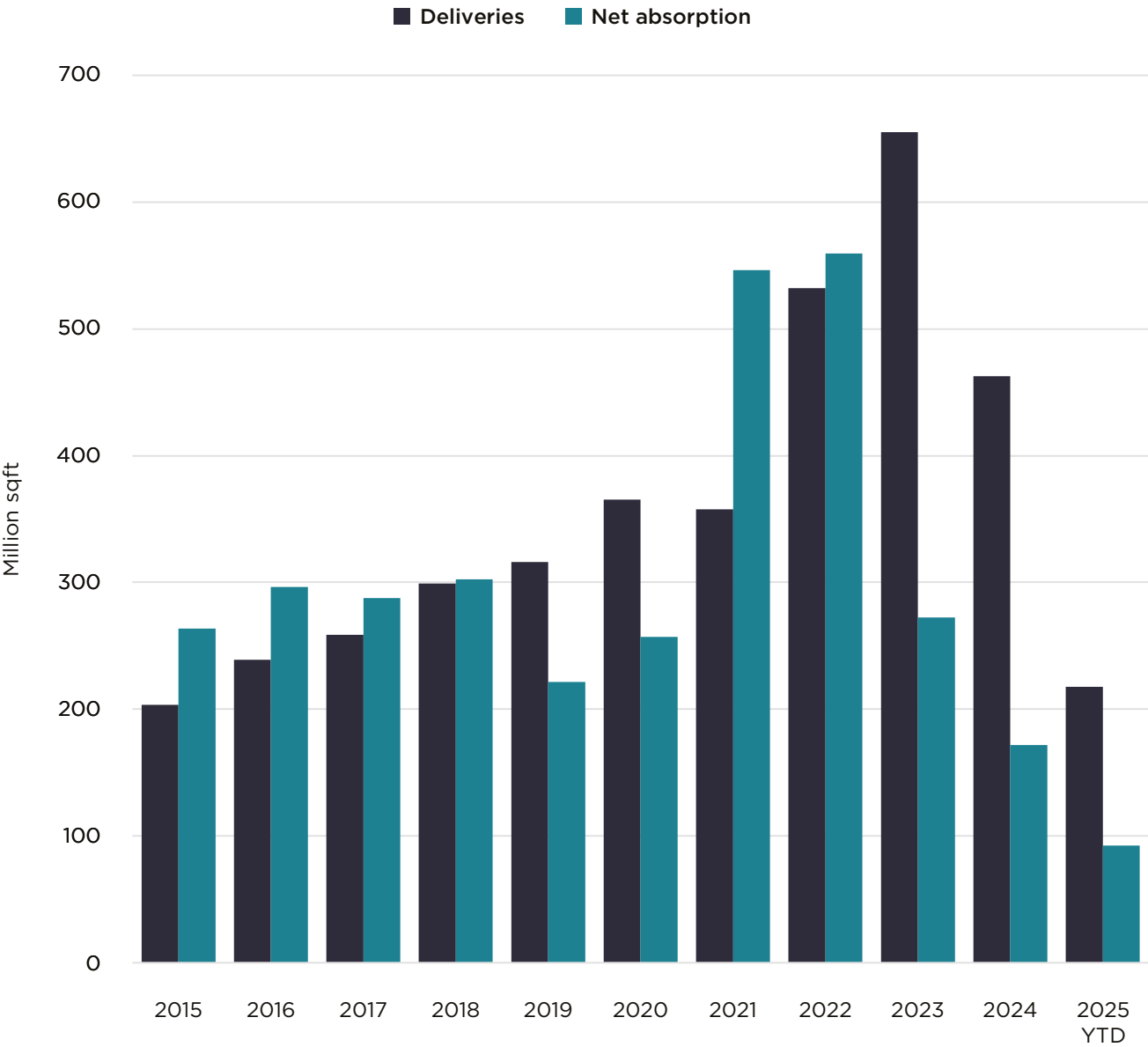
Pricing dynamics have remained stable, with prime yields unchanged since January despite initial uncertainty following ‘Liberation Day’. The market has since settled, and the Federal Reserve’s recent policy shift toward accelerated rate cuts suggests potential downward pressure on yields over the next 12 months. Importantly, distress remains minimal; rents have climbed 65% over the past five years, offsetting any interest-rate-driven yield expansion and helping property values hold firm. CMBS delinquency rates remain exceptionally low at 0.6%, compared with 7.5% across all property types, underscoring the sector’s financial health.





**On the occupier side, leasing momentum has improved, with 2025 on track to surpass the previous two years.** Renewals and heightened demand from 3PLs have been key drivers, as companies increasingly outsource distribution amid macroeconomic and policy uncertainty. Yet, net absorption remains subdued, and the vacancy rate has risen to 8.2% nationally, up 90bps year-on-year, though sequential growth is flattening. Much of this vacancy is concentrated in class A space following a surge in construction, creating opportunities for tenants to upgrade in quality at competitive terms, given the more tenant favourable conditions.

US: DEMAND AND SUPPLY OF INDUSTRIAL AND LOGISTICS SPACE



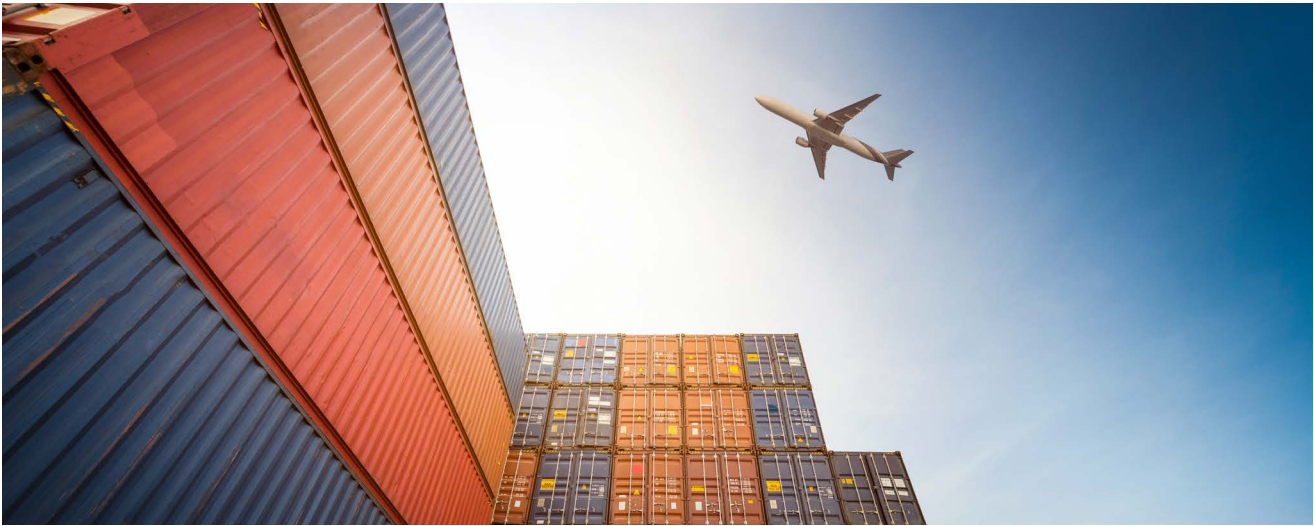
Source: Savills Research



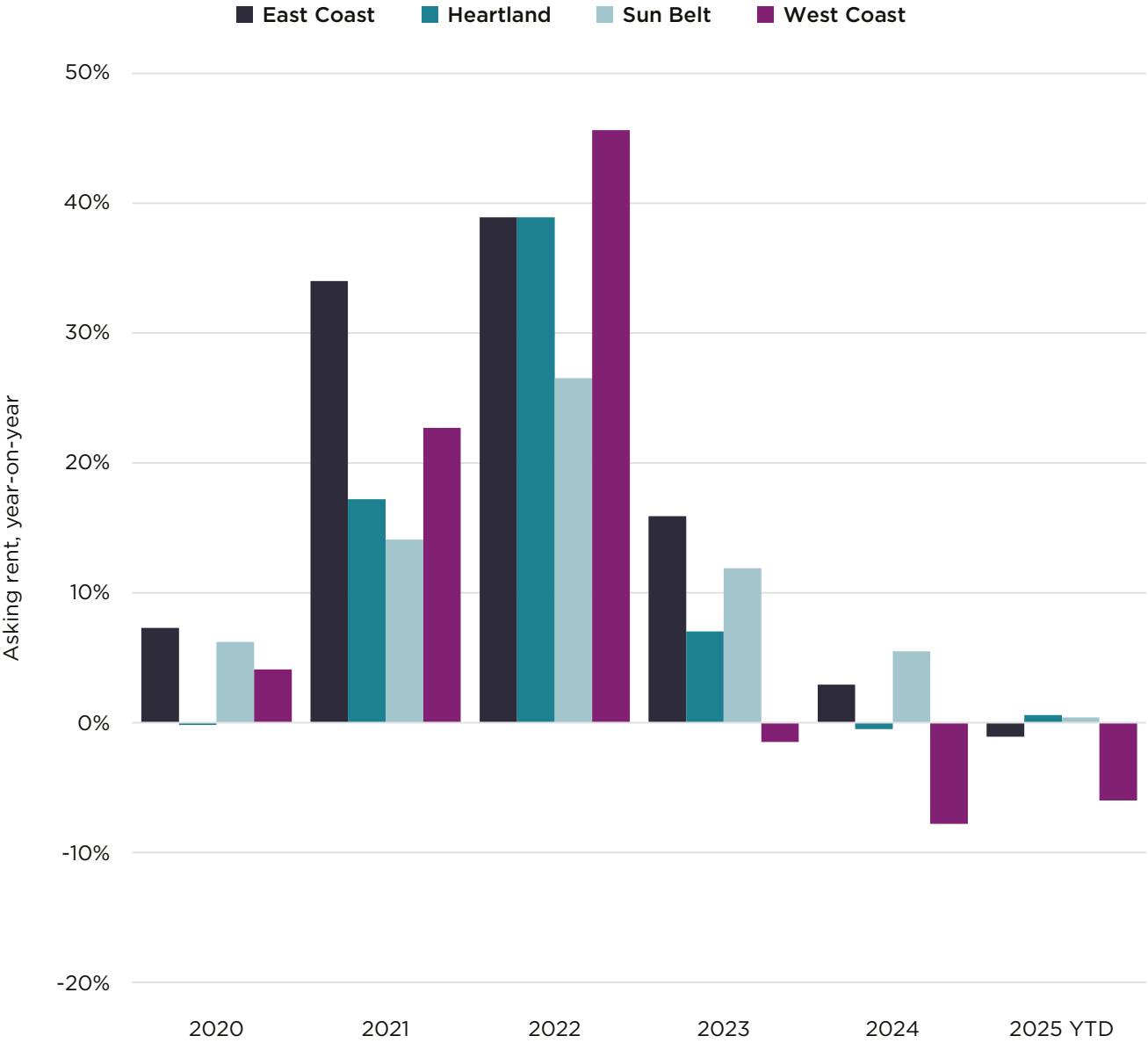
**Supply-side dynamics continue to weigh on the market.** While construction activity has stabilised and new starts ticked up in Q3, development remains well below the 2021-22 boom. The Sun Belt markets dominate the pipeline, led by Dallas-Fort Worth, followed by Phoenix, Houston, Austin, and Atlanta. Build-to-suit projects have grown since 2023, but speculative development still outpaces absorption, potentially delaying a full recovery.

**Rental growth has stalled at the national level, and half of all markets have seen asking rents decline.** The sharpest corrections are on the West Coast, where Los Angeles rents fell 6.4%, Inland Empire -9.1%, and Orange County -4.7%, underpinned by elevated vacancy and some correction from post-Covid exuberance. In contrast, Sun Belt markets remain resilient, with Dallas-Fort Worth even recording an 80bps drop in vacancy over the past year, despite elevated completions.

**Despite these occupier challenges, investor confidence remains firm.** Los Angeles leads investment activity with US\$8bn year-to-date, up 13% annually, signalling a long-term view beyond short-term headwinds. Sun Belt markets—Dallas, Houston, Phoenix—also rank among the top five markets for investment, all posting double-digit growth, alongside the New York/New Jersey corridor, which remains one of the nation’s most expensive rental markets.



US: REGIONAL RENTAL GROWTH



Source: Savills Research



# APAC

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**APAC industrial and logistics investment rose in Q3 2025, reaching US\$13.3bn, a 3% year-on-year increase and the strongest quarterly outturn since late 2022.** Growth was driven by robust activity in Australia, China, Hong Kong, and Japan, partially offset by a sharp decline in Singapore. However, Singapore's fall was largely a base-effect distortion, as Q3 2024 included a major SGD1.6bn portfolio acquisition. Even so, the US\$1bn turnover recorded in Singapore this quarter marked only the second time since early 2021 that the market crossed this threshold.

**The quarter's strength was underpinned by a surge in portfolio and entity-level transactions, which more than doubled in value compared to last year.** Some of these deals were delayed from Q2 amid turbulence following the imposition of 'Liberation Day' tariffs, which disproportionately impacted East Asian export economies due to their large trade surpluses with the US. The standout transaction globally was the US\$7bn privatisation of ESR Group, which delisted from the Hong Kong Stock Exchange after its acquisition by a consortium including Starwood, Warburg Pincus, and Qatar Investment Authority. This deal heavily skewed investment figures for Mainland China and Hong Kong; excluding entity-level transactions, individual asset sales in these markets fell by more than 50% in US\$ terms, reflecting subdued occupier fundamentals.

**In Shanghai, vacancy rates have edged down slightly, but a demand recovery remains incomplete amid weak consumer sentiment.** Prime yields moved 25bps outward this quarter, extending a 75bps shift since early 2023, with further upward pressure expected. Hong Kong faces similar challenges; leasing demand for modern warehouses remains muted, vacancy stands at 11.4%, and rents fell 1.5% on the year in Q3. While low funding costs and anticipated rate cuts may support selective trades, a lack of end-user demand will keep values under pressure.

**Australia delivered a standout performance,** with A\$4.2bn (US\$2.7bn) transacted—up nearly 30% year-on-year, driven by entity-level deals such as the seeding transaction of the GPT QuadReal Logistics Trust 2 joint venture. This reflects a broader trend of growing buyer diversity and new capital partnerships between domestic and offshore investors, particularly from North America. Pending deals suggest a strong finish to the year, supported by healthy institutional appetite. Sydney remains the prime focus, while Brisbane offers a competitive alternative given the limited opportunities in the former. Leasing activity dipped this quarter but remains 44% higher year-on-year, supporting rental growth despite a slight vacancy uptick from backfill space due to the completion of new speculative assets to the market.

**Japan also saw momentum build, with ¥293bn (US\$2bn) invested this quarter—a near 50% annual increase—led by high-profile domestic transactions such as ESR's sale of a 50% stake in the Amagasaki Distribution Center for ¥140bn (US\$973m).** Vacancy in Greater Tokyo rose to 9.6%, but the pace of increase is slowing, and rents, down 4.1% on the year, are expected to stabilise as supply moderates. Cold storage facilities are emerging as a niche growth segment.

**South Korea recorded KRW2.7tn (US\$2bn) in Q3 investment, down 6% year-on-year but more than double Q2's level, signalling renewed stability.** Large portfolio deals and strong cross-border participation—accounting for 60% of turnover, mostly US capital—drove activity. Limited new supply is pushing vacancy lower and supporting rental recovery, while competition has tightened yields, with Seoul prime yields moving 25bps inward.

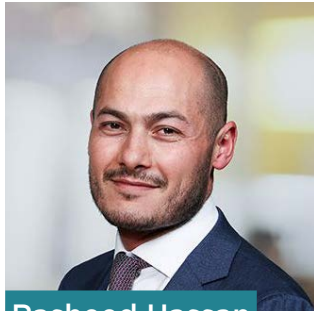


LOGISTICS Q3 2025

# Market view







Rasheed Hassan

Head of Global Cross Border Investment  
*shares his view on the market*

It seems real estate capital markets have shaken off another economic shock, this time from the US tariff policies, and investment turnover is increasing again. The resilience of the real estate markets continues to play out and it shows us that there remains a steady flow of capital from existing and new sources for the sector.

As we approach the new year, there are reasons to be positive. From a macro perspective, interest rates are falling (save for Japan), inflation is largely under control, resolutions to the war in the Middle East are emerging, I could go on. In the real estate markets, as referenced in these reports, every sector is experiencing rental growth—at least in the majority of geographies—the volume of larger transactions is increasing, and we continue to see growing evidence of yield compression. We are even seeing more

positive than negative news about offices, including in the US...who knew?!

There are areas that remain challenging. We have highlighted logistics rents on the US West Coast, and continuing difficulties in the Greater China markets. In the round though, these are largely contained to specific markets, and in a general sense we can be positive.

More of a worry for me personally right now is the negativity emanating from the equity markets. There is a growing view that there is a bubble waiting to burst, driven by the AI sector, and that issues are emerging in the private credit space. These issues are causing the start of a sell-off and price falls in equities. Just when we thought we were through the extended period of major disruption, we could be at the start of something else.

**What does this mean for real estate?**

AI and the tech sector more broadly is clearly closely correlated with the data centre market, which is booming, so we could see a slow down here. If there really is an issue in the private credit space, then the lending environment more generally could tighten, albeit I feel that the sheer weight of capital will mean that overall the debt markets will remain very much open for business.

**PRIME LOGISTICS YIELDS, Q3 2025 (AS AT END-SEPTEMBER)**

City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Tokyo	3.30%	➡	60%	1.3%	6.3%	1.7%
Hong Kong	4.08%	➡	40%	3.5%	4.5%	1.2%
Cologne	4.40%	➡	55%	3.7%	5.3%	1.7%
Madrid	4.55%	➡	55%	4.1%	5.1%	1.3%
Île-de-France	4.75%	⬇	55%	3.7%	6.0%	1.2%
Sydney	4.80%	➡	53%	5.3%	4.3%	0.5%
Amsterdam	5.00%	➡	55%	3.7%	6.6%	2.6%
London	5.00%	➡	60%	5.3%	4.6%	0.2%
Northern New Jersey	5.25%	⬇	60%	5.8%	4.5%	1.1%
Los Angeles	5.25%	⬇	60%	5.8%	4.5%	1.1%
Seoul Metropolitan Area	5.30%	➡	60%	5.0%	5.8%	2.3%
Chicago	5.50%	⬇	60%	5.8%	5.1%	1.3%
Shanghai	5.50%	⬆	50%	3.7%	7.3%	3.6%
Houston	5.75%	⬇	60%	5.8%	5.8%	1.6%
Singapore	6.50%	➡	55%	2.6%	11.2%	4.6%
Dubai	7.50%	➡	50%	7.0%	8.0%	3.3%

**Source:** Savills Research and Macrobond. **Note:** Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Yields in Singapore reflect the domestic land tenure system, where the longest lease for new industrial properties is 30 years. Values based on end-of-quarter data. See methodology for details.

**Methodology:** Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a hypothetical grade A big-box logistics facility located in a prime location, fully let to a single good profile tenant on a 10-15 year open-market lease. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Data is end-of-quarter values.



If there is broader contagion and we see a widespread decline in equity market pricing, then in the near term we could see a focus on certain parts of the real estate markets, as investors look to the security of real assets with predictable contractual income streams, which is clearly a positive. This could also lead to price appreciation for the most scarce / prime assets, as the focus moves (particularly from private investors) to safe haven items, which is when the flight to core real estate is akin to the flight to gold.

However, looking beyond the near term, a meaningful drop in the value of equity markets is not a positive, as we will start to see the denominator effect play out, where groups become 'over-allocated' to real estate simply because the values of their equity investments have fallen. This is a particular issue for the largest global institutional investors, who invest within relatively clear allocation parameters. These investors have a dramatic effect on global real estate markets, as they drive turnover both through their direct investing activity, as well as their investment into funds.

When the institutional investors pause, it gives room for private investors to be more active, which is a common trend we see during moments of challenge, as they are less accountable to investment committees, but the weight of this capital is not equal, particularly for larger transactions.

Fortunately, owing to the recent boom in equity markets, many institutions will be under-allocated to real estate going into the new year, which could represent a boon for fundraising. Let's hope this latest potential storm is contained to a teacup. This is what I will be asking Santa for anyway.





LOGISTICS Q3 2025

# Key transactions







## ESR Privatisation, APAC

<b>Tenant:</b>	Multiple
<b>Lease length (WAULT):</b>	N/A
<b>Area:</b>	506m sq ft (GFA)
<b>Price / NIY:</b>	US\$7.1bn/undisclosed
<b>Vendor:</b>	N/A
<b>Vendor nationality:</b>	N/A
<b>Purchaser:</b>	Starwood Capital Group, SSW Partners, Sixth Street, Warburg Pincus, and Qatar Investment Authority
<b>Purchaser nationality:</b>	US and Qatar
<b>Other comments:</b>	ESR, one of the largest fund managers in APAC with over US\$70bn in fee-related assets under management, and a major owner of logistics and data centre assets across the region, was delisted from the Hong Kong Stock Exchange in July following the take private deal from a consortium of primarily US-based investors. The ESR founders, as well as existing shareholders including OMERS and Sumitomo Mitsui Banking Corporation, retained some or all of their equity holdings in the newly privatised business.

## Warehouse REIT Privatisation, UK

<b>Tenant:</b>	Multiple
<b>Lease length (WAULT):</b>	N/A
<b>Area:</b>	6.9m sqft
<b>Price / NIY:</b>	£489m (US\$533m)/undisclosed
<b>Vendor:</b>	N/A
<b>Vendor nationality:</b>	N/A
<b>Purchaser:</b>	Blackstone
<b>Purchaser nationality:</b>	United States
<b>Other comments:</b>	Blackstone outbid rivals in a competitive process to privatise Warehouse REIT, which focuses on UK multi-let warehouses, representing their third take private deal in the UK in recent years. The portfolio consists of 6.9m sqft across 60 locations focused around key industrial hubs, including the North West, Midlands, and the Oxford-Cambridge ARC, with an occupancy rate of nearly 94%.

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