

# Why logistics investors should turn their attention to Southern Europe

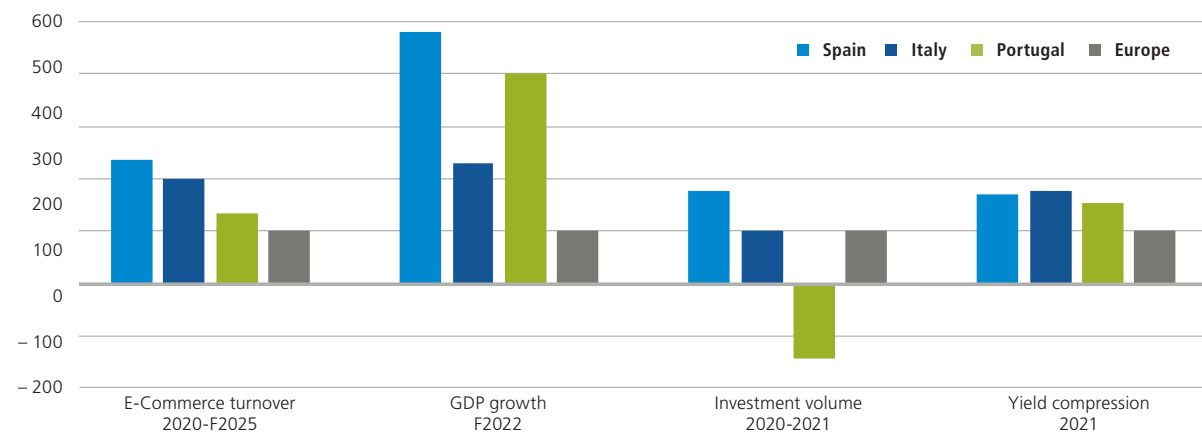
**In the tension field between crisis resilience, economic competitiveness, digitalisation and sustainability, the logistics industry is undergoing a dynamic transformation. Coping with rising complexity is a major challenge, but one that offers opportunities due to the rising value of logistics services and the resulting need for infrastructure. The acceleration of change complemented by the catch-up potential, seen in Southern Europe, offers opportunities for successful long-term investment strategies; particularly for managers that can navigate complexity, bring together experience and harness a holistic approach to realise significant upside potential.**

These challenges also represent an enormous opportunity. Logistics is transforming from a pure service provider to a central and extremely valuable building block within global economy. By further integrating logistics innovations into all areas of the value chains, it will be possible to make processes significantly more efficient.

It is worth noting that with such opportunities comes risk. This has been painfully demonstrated in the recent past. Disruptions in the supply and value chains exposed the vulnerabilities within the global economic system. As the megatrends of globalisation, digitalisation and the urgent need to focus on sustainability continue, crisis-resistant logistics have become vital to strengthening economic and social development.

These fundamental conditions have already led to a huge increase in investor interest to related areas. Additionally, the pandemic has acted as a catalyst to accelerate developments in the long term. Together with rising uncertainty due to a resurgence of protectionist trade models and geopolitical tensions, the holistic

Logistics drivers in European comparison (Index Europe=100)



view is fundamental to long-term success and participation in the enormous upside potential.

The war in Ukraine has illustrated the far-reaching consequences that vulnerable international dependencies can have. The ongoing conflict is expected to lead to food crises and increasing energy poverty even in completely different regions of the world. As a result, cost efficiency can no longer be the sole rationale for action. Instead, increased warehousing, diversification of supply chains and strict attention to sustainability aspects will become equally important and have the potential to determine the competitiveness of entire national economies.

To carry out this reorganisation, the necessary infrastructure is crucial and the current transformation is leading to enormous demand for additional space capacity. Already, the average vacancy rate for warehouses in Europe is at an all-time low of 5 per cent.

Sustainability aspects in particular reveal the dynamics of change. As logistics properties form the foundation of emission-free supply chains, energy efficiency, building materials and energy supply have to be front of mind. Whereas in the past these measures were

associated with additional costs, today they already offer enormous competitive advantages, e.g. self-supply with renewable energy offers significant cost advantages.

One thing is clear: the surplus demand in the market offers interesting investment options for the development of new, modern and sustainable logistics properties. In addition, there is the opportunity to profit from heterogeneous structures within Europe.

The southern European markets of Spain, Italy and Portugal for example, still offer considerable catch-up potential compared to Western Europe. Starting from low levels, they show significantly above-average growth rates in online trade, which received a considerable boost driven by the pandemic, resulting in an immediate demand for space. GDP growth rates, which exceed the European average by a factor of almost 5, in combination with higher warehousing and re-shoring activities, also generate enormous demand for logistics space. As a result, investments in the sector are increasing significantly. However, Portugal is the exception, this is due to a lack of existing assets. As a result, the pressure on yields is rising enormously. This assessment is confirmed by the increases in capital values already achieved in these countries, which were by far the highest within Europe last year. The lack of supply in the markets, has yet to impact rental prices but offers significant upside potential. Developers with strong local knowledge and networks continue to have opportunities to realise new developments and create highly attractive investment opportunities while strengthening the economic resilience and sustainability of the industry. The development of new modern buildings offers the opportunity to profit from these strong fundamentals.

Companies that anticipated these development at an early stage can profit significantly from the current demand situation, while inflationary pressure and the resulting increase in construction costs have only a moderate influence and thus significantly strengthen the competitive situation.

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## Aquila Capital Logistics Investment

Aquila Capital is active in European Core logistics markets since 2012. Based on the market development and the potential especially in Southern Europe, the exposure as well as the local capacity in the region was successively expanded. Thanks to the secured pipeline, investors have direct access to lucrative investment properties in these very fast-growing markets.

Our specialised team in Madrid and Hamburg have more than 85 years of experience in the logistics industry with a development and acquisition track record of > EUR 700 million. Especially with the reference to green logistics buildings, which are absolutely in the focus of potential tenants, investors can additionally benefit from in-house synergies, which are characterised by high expertise in the areas of renewable energies and energy efficiency.



