Re-imagining value-add real estate: How energy is reshaping European logistics

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As investors seek more reliable sources of rental growth, energy efficiency is emerging as an important driver of value in European logistics. Rising energy costs, growing power requirements and grid constraints are changing occupier needs. For investors, this creates opportunities to enhance rental income and asset values through targeted refurbishment, without taking on many of the risks associated with traditional value-add investing.

The energy transition is also creating a growing convergence between infrastructure and real estate investing. While infrastructure investment focuses on expanding and decarbonising energy supply, improving the efficiency of existing buildings reduces demand. This highlights the important role existing real estate assets can play in the energy transition, alongside the potential to improve their investment performance.

Occupier requirements are evolving

Energy has become a larger and less predictable operating cost for logistics occupiers, adding to pressures such as rents and labour. We estimate that energy costs have increased by around 90% since 2019 and now account for around one fifth of total occupancy costs across selected European markets.

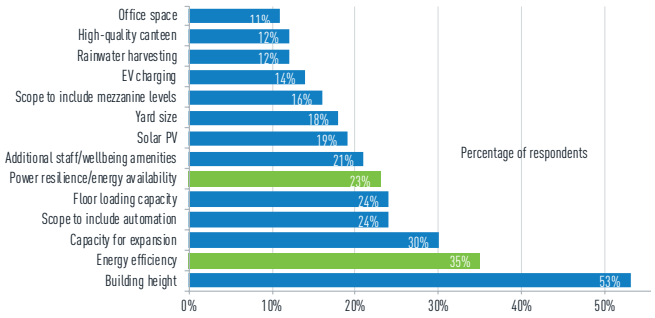
Meanwhile, automation, robotics, electric vehicle charging and climate control are driving higher electricity demand, while Europe's grid struggles to expand at the same pace. In several markets, access to reliable power has become a growing constraint.

Occupier priorities reflect these changes. More than 80% of logistics occupiers report concerns about power availability and grid reliability, while energy efficiency is among the most important considerations when selecting warehouse space[1]. Buildings that reduce operating costs and improve energy resilience are becoming more attractive to occupiers.

Occupier behaviour is already changing...

Energy efficiency and building power supply increasingly top factors driving building selection

Which warehouse features are important to you?



Source: Savills, Brookfield Properties and Analytiqa, European Real Estate Logistics Census, September 2025.

[1]CBRE, European Logistics Occupier Survey 2026
[2]JLL, Warehousing Retrofitting, May 2024.
[3]Cushman & Wakefield, Sustainable Logistics: Navigating Change in European Logistics Real Estate, September 2024.

Turning energy efficiency into value creation

Energy efficiency led refurbishment can reduce occupier operating costs, creating capacity for higher rents while maintaining a lower overall cost of occupation. Rather than relying on occupiers paying more simply because a building is greener, the investment case rests on measurable commercial benefits. As occupiers increasingly assess total occupancy costs rather than rents in isolation, buildings that deliver energy savings can become more competitive.

This offers a different approach to traditional value add investing. Instead of major redevelopment or significant planning and leasing risks, investors can upgrade fundamentally strong, well-located assets through electrification, onsite renewable generation and more efficient building systems. These works can often be undertaken while occupiers remain in place, helping preserve income during refurbishment.

Our experience supports this approach. Energy efficient logistics assets have achieved leases ahead of prevailing market rental levels while letting faster than anticipated, demonstrating how lower occupier costs can translate into stronger leasing outcomes.

Structural supply constraints strengthen the case

The investment case is reinforced by a shortage of modern, energy efficient logistics space. According to JLL, 61% of European warehouse stock is more than 10 years old, with much of it predating today's requirements around energy efficiency, automation and power availability[2]. Well located existing assets may also benefit from established grid connections, which can be difficult for new developments to secure. New development faces further constraints from planning restrictions, limited land availability and elevated construction costs.

Meanwhile, refurbishment is also failing to keep pace with demand, creating an imbalance between occupier requirements and suitable supply. Cushman & Wakefield found that European logistics buildings with stronger sustainability credentials commanded rental premiums of 10% to 30% and an average investment price premium of 19% over lower rated assets[3].

For institutional investors, upgrading existing assets can help address changing occupier requirements while positioning buildings to capture rental growth in a supply constrained market.

A more controllable route to long-term returns

With broad market appreciation and yield compression harder to rely on, energy efficiency led refurbishment offers a more controllable route to supporting rental growth. Investors can improve occupier economics and asset competitiveness without fundamentally repositioning buildings, although careful asset selection and disciplined capital expenditure remain essential to delivering the expected returns.

The opportunity is not about turning poor buildings into good ones but making good buildings better. For institutional investors seeking durable income and long-term value creation, this approach offers the potential for value-add returns with risk characteristics more commonly associated with core plus investing, while aligning financial and sustainability outcomes.

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