

Paris Tops European Urban Logistics City Ranking

LONDON, 10 July 2024 - ESR Europe, a leading Pan-European real estate investment manager and the European platform of ESR Group, has released its comprehensive 'European Urban Logistics City Research'. The research identifies the top cities for urban logistics investment potential across Europe, as well as the micro locations within them expected to outperform.

Key findings:

- Paris tops the European Urban Logistics City Ranking due to its high scores in Consumer Base, Business Environment, Sustainability, and Labour Market categories.
- Paris was closely followed by key European gateway cities such as Frankfurt, Madrid and Dusseldorf.
- At a country level Germany, France, and the Netherlands dominate the top cities ranking, with Germany having the highest representation of cities due to its population density, interconnectivity and wealth.

Top 10 European Urban Logistics Cities

1	Paris
2	Madrid
3	Dusseldorf
4	Frankfurt am Main
5	Barcelona
6	Munich
7	Hamburg
8	Amsterdam
9	Utrecht
10	Stuttgart

Research Methodology

The research was developed using multi-factor modelling, evaluating 150 sub-markets across eight western European countries (excluding the UK). The research highlights markets with the greatest supply and demand imbalances; and therefore potential for rental growth in urban logistics rents.

Six categories were utilised to not only provide a detailed understanding of current market dynamics today but also utilised forward looking metrics to capture future potential:

1. **Supply** is defined by the stock within a market, land availability, 'sustainable' buildings, vacancy and rental growth. The category captures industrial and logistics vacancy rate as a percentage of total stock, rental growth, the number of BREEAM Accredited Industrial Buildings, and the number of Amazon locations – which acts as a sense check on the dynamics and demand for last mile delivery services. It also captures the catchment area accessible within a set one-hour

drive time of the city centre, the proportion of the one-hour drive time catchment that is categorised as industrial land and underdeveloped land, as well as the number of “accessible” buildings i.e., a 10-minute drive from a highway junction.

2. **Consumer Base** is defined by structural demographic drivers, notably the catchment population accessible within one-hour, as well as their income and spending patterns, including e-commerce sales. The category encompasses the number of internet users, the share of online retail versus traditional retail, eCommerce revenue, and population figures & densities, with higher figures for the latter potentially straining existing infrastructure and accelerating demand for space.
3. **Business Environment** is defined by the economic output of each market and the ease and costs of doing business within that country. The category encompasses operational stability for businesses – which measures the likelihood and severity of political, legal, operational or security risks affecting business operations –, the country’s corporate tax rate and ranking in the Global Peace Index, GDP per capita, and Gross Value Added, which refers to the local contribution to the economy from Manufacturing, Transport / Storage, Wholesale & Retail Trade sectors. It also captures fuel cost and inflation.
4. **Labour Market** is defined by the availability and cost of the local workforce. The category encompasses working age population and growth forecasts, the proportion of local workforce involved in manufacturing and separately in transport, warehousing, postal and courier activities, which directly reflects activity in that region, and the unemployment rate. It also captures the average wage and minimum wage, which impacts overall operational expenses and the attractiveness of a location to businesses, but also reflects the labour law protections in place.
5. **Supply Chain** is defined by the ease of moving goods nationally and the local transport infrastructure. The category encompasses congestion at city level, transport infrastructure investment, supply chain resilience, the competence and quality of logistics services, the volume and weight of road and seaborne freight, and the number of significant ports.
6. **Sustainability** is defined by the risks related to climate change and energy security. It encompasses climate risk exposure, which considers the percentage of a country's area devoted to economic activities exposed to wind or flood, as well as the vulnerability of a market to these climate risks. It also captures the country’s ability to provide sustainable energy and energy security, and the share of renewable energy in the total energy consumption of a country.

Data was collected using the Nomenclature of Territorial Units for Statistics (NUTS) standard, covering 150 markets across nine countries. The analysis considered local and national factors, ensuring comprehensive insights into market conditions affecting both occupier and investor decisions.

Insights and Strategic Implications

Henry Giles, Managing Director, Fund Management at ESR Europe, commented: “Our European Urban Logistics research focuses on factors that are fundamental considerations for investors in the urban logistics ecosystem, showcasing those cities with easily accessible urban population clusters, thus presenting an opportunity for last mile investment strategies. Last mile, urban logistics is a core investment theme for ESR Europe, and we are actively looking to add to our portfolio in key markets through our Urban Logistics II strategy.”

Stuart Jackson, Head of Private Markets at ESR Europe, added: “The European Urban Logistics City Research underscores the dynamic and evolving nature of the real estate investment landscape. Our

focus at ESR Europe is on identifying markets with significant growth potential and resilience, and we are committed to expanding our portfolio while providing innovative, sustainable strategies for our investors.”

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About ESR Europe

ESR Europe is the European platform of ESR Group, a global real estate investment manager with a leading position in New Economy in Asia-Pacific. ESR Europe operates across the UK and Western Europe, bringing over 30 years of real estate investment and asset management experience delivered by a highly skilled in-house team. Our vehicles include public markets, equity and credit discretionary funds, joint ventures and separate accounts. From the spaces we create to the services we offer, we work alongside you to create space and investment solutions for a sustainable future.

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