

# Unlocking the Hidden Optionality in Europe's Warehouses

Intra-regional trade, supply constraints, and sector convergence have been reshaping Europe's industrial landscape.

By Ross Blair, Vanessa Gelado, and Alexander Möll

### Europe's Logistics Reset

Europe's logistics sector has been entering a new era—one defined not by short-term cycles but by structural transformation. Global trade patterns have been shifting from inter-regional to intra-regional flows, creating fresh demand for transport nodes and warehouse networks across the Continent. At the same time, nearshoring and the emergence of alternative supply routes such as the “New Silk Road” have further amplified regional demand.

European economies have also been investing heavily in domestic infrastructure and defense capabilities, adding another layer of demand for industrial space. Germany, in particular, has emerged as a strategic hub for military buildup and the movement of defense-related materials, supported by the €1 trillion in national investment<sup>1</sup> alongside broader EU defense spending programs. These forces converge against a backdrop of constrained supply. Vacancy rates in many prime European logistics hubs have been low by global standards, while new construction remains subdued. For investors, this imbalance creates the runway for potential rental growth and long-term value creation.

### Demand Drivers: Beyond E-Commerce

While e-commerce remains a powerful catalyst, as we noted in our recent **Hines Research** **whitepaper**, the story has broadened since the pandemic. Reshoring is real and driving occupiers to rethink supply chains. As global decoupling and “China Plus One” strategies take hold, companies are moving from Just-in-Time to Just-in-Case, holding more inventory closer to end markets and engaging more than one supplier to build supply chain resilience. For occupiers, adding a warehouse is often a minor cost compared to the broader supply chain, making logistics space a relatively easy lever to pull to strengthen operational agility. In practice, this means a greater appetite for urban infill, multi-let and last-mile facilities that reduce delivery times and optimize return logistics.



---

### Key takeaways

1. Intra-regional trade, deglobalization have been creating new demand corridors.
2. Limited new construction and low vacancy support rental growth.
3. Convergence with data centers and omni-channel retail could offer strategic upside.

Past performance cannot guarantee future results. Investing in real estate involves a high degree of risk including, but not limited to, risk of substantial loss of principal.

<sup>1</sup>Source: The Wall Street Journal: “Germany's Economy Grows for First Time Since 2022” January 15, 2026.

Our research shows that operators will pay a premium for locations that have short drive times and cut overall costs—particularly fuel and labor—even when real estate rents represent only a small fraction of total supply chain expense. More specifically, rent growth outperformed in locations that could serve the largest aggregate amount of household disposable income within a 30 to 60-minute drivetime.

Madrid, one of Europe’s fastest-growing logistics markets, offers a clear illustration of these dynamics. The Madrid-based Nexus Barajas industrial complex benefits from a prime last-mile location on the A2 motorway axis, providing direct access to major transport corridors that serve both the Madrid metropolitan area and key intra-European trade routes.

With scarce developable land and historically low Grade-A vacancy, the asset is well positioned to capture rental growth and deliver the flexibility occupiers require as supply chains become more localized and resilient. The asset’s targeted BREEAM Excellent certification<sup>2</sup> further underscores a focus on sustainability, integrated green spaces, and wellness-oriented work environments that support future tenants.

As we assess European industrial assets moving forward, it’s no longer just about the single-use 800,000-square-foot warehouse designed for an e-commerce tenant. The overall equation becomes far less binary. In a smaller unit space, with capacity for 8 to 10 tenants, for example, there is greater latitude for Hines to add value over time. As one example, Hines has assembled a portfolio of 26 multi-let industrial properties in strategic nodes across the UK to take advantage of the growing demand for servicing urban shipping.

### Investment Lens: Why Europe Stands Out

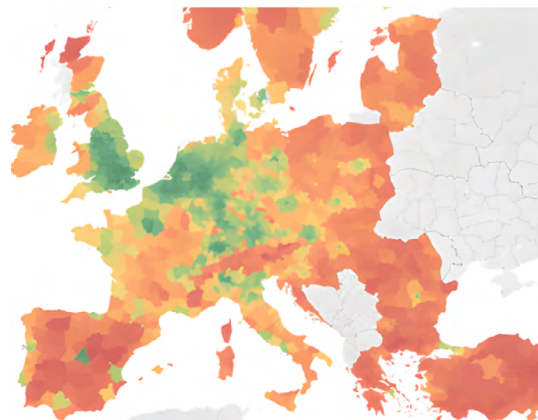
The fundamentals are compelling. New construction is down nearly 70% from its peak<sup>3</sup>, with current market dynamics favoring acquisitions over ground-up development, a preference reinforced by our proprietary research weighing value and cost dynamics. At Hines, we approach acquisitions with a disciplined framework:

- Location: Proximity to population and transport corridors, especially last-mile.
- Functionality: Buildings that meet current and future occupier needs, including sustainability standards and the ability to accommodate multiple tenant layouts.
- Value: Pricing materially below replacement cost and offers rental reversion potential.

Deals that check these boxes are where we see opportunity.

### The Significance of Warehouse Land Optionality

Industrial real estate is no longer siloed. The sector has been converging with data centers, advanced manufacturing, and omni-channel retail. For investors, this means adopting an optionality mindset. In markets where land is scarce and power availability commands a premium, optionality offers dual benefits: stable income now and long-term upside later. At Hines, we adopt a strategy that allows for parallel outcomes: pursue logistics income today while exploring entitlements and power infrastructure for future redevelopment. A well-located logistics asset can generate income today while also serving as a covered-land play—a strategy we’ve successfully deployed across targeted European markets. In fact, we’re currently in the midst of reviewing all our European industrial properties for potential optionality.



**Exhibit 2:** 60-Minute Drivetime Scores Based on Aggregate Amount of Household Spending Power

<sup>2</sup>Source: BREEAM is the world’s leading science-based suite of validation and certification systems for a sustainable built environment. It provides independent third-party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. Participants pay for the certification process. The BREEAM ratings range from Unclassified, Pass, Good, Very Good, Excellent to Outstanding and it is reflected in a series of stars on the BREEAM certificate. The higher the percentage score and higher number of stars reflected on the certificate indicate a higher over-all rating. “Outstanding” -- 85 percent score; “Excellent” -- 70 percent; “Very Good” -- 55 percent score; “Good” -- 40 percent score; “Pass” -- 25 percent score; “Acceptable” -- 10 percent score and “Unclassified” -- < 10 percent score.

<sup>3</sup>Source: Hines Research: 2026 Global Investment Outlook. As of January 6, 2026.

This parallel approach aims to mitigate risk and amplify upside potential. If the logistics thesis holds, the asset performs. If demand for powered land accelerates, the optionality creates a second (or even multiple) path to returns.

*At Hines, we adopt a strategy that allows for parallel outcomes: pursue logistics income today while exploring entitlements and power infrastructure for future redevelopment.*

One example of optionality in action: Hines acquired a three-property logistics portfolio near Frankfurt in 2019, fully leased and strategically located next to autobahn A66 for last-mile delivery. During ownership, the team identified direct access to dark fiber and worked with local authorities to secure re-zoning and power for data center use. That foresight transformed the asset's profile, culminating in a 2025 sale for \$198.5 million, nearly five times our original purchase price.

### **The Road Ahead**

Policy uncertainty and tariff dynamics have slowed decision-making in recent months, but we expect the potential for pent-up demand to materialize once clarity returns. Combined with structural drivers, including trade realignment, defense spending, and continued e-commerce growth, Europe's logistics market is positioned for resilience and expansion over the next decade.

For investors, the message is clear: logistics isn't just about warehouses anymore. It's about building flexibility into portfolios and capturing the convergence of sectors that will define the next era of industrial real estate.

## **About the Authors**

**Ross Blair**, Senior Managing Director, Head of Western Europe

**Vanessa Gelado**, Senior Managing Director, Head of Southern Europe

**Alexander Möll**, Senior Managing Director, Head of Northern & Central Europe

## **Disclaimer**

Represents subjective opinions of Hines Interests Limited Partnership ("Hines") and should not be viewed as financial advice. Other market participants may reasonably have differing opinions. There is no assurance that the experience of and management by Hines will translate into positive results for any investment available through Hines Private Wealth Solutions LLC ("Hines Private Wealth Solutions"). Investors are not acquiring an interest in Hines. This communication is for general information purposes only and does not constitute an offer or solicitation to buy or subscribe for securities, units or other financial instruments, nor does it constitute financial promotion, investment advice or an inducement to participate in any offering or investment. The use of "we" and "our" refers to Hines. This material contains forward-looking statements (such as those concerning market forecasts, investment objectives, strategies, economic updates, other plans and objectives for future operations or economic performance, or related assumptions or forecasts) that are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Any of the assumptions underlying the forward-looking statements could prove to be inaccurate and results could differ materially from those expressed or implied. You are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements. Past performance cannot guarantee future results. This communication contains information in the form of charts, graphs and/or statements that we indicate were obtained by us from published sources or provided to us by independent third parties, some of whom we pay fees for such information. We consider such sources to be reliable. It is possible that data and assumptions underlying such third-party information may have changed materially since the date referenced. You should not rely on such third-party information as predictions of future results. None of Hines, its affiliates or any third-party source undertakes to update any such information contained herein. Further, none of Hines, its affiliates or any third-party source purports that such information is comprehensive, and, while it is believed to be accurate, it is not guaranteed to be free from error, omission or misstatement. Hines and its affiliates have not undertaken any independent verification of such information. Finally, you should not construe such third-party information as investment, tax, accounting or legal advice.

Hines Private Wealth Solutions LLC, Member FINRA/SIPC. Hines is the sponsor of the investments offered by Hines Private Wealth Solutions. 02/26

*For more insights or to learn about investment opportunities, visit [hinesprivatewealth.com](https://hinesprivatewealth.com)*