

Monthly Research Report

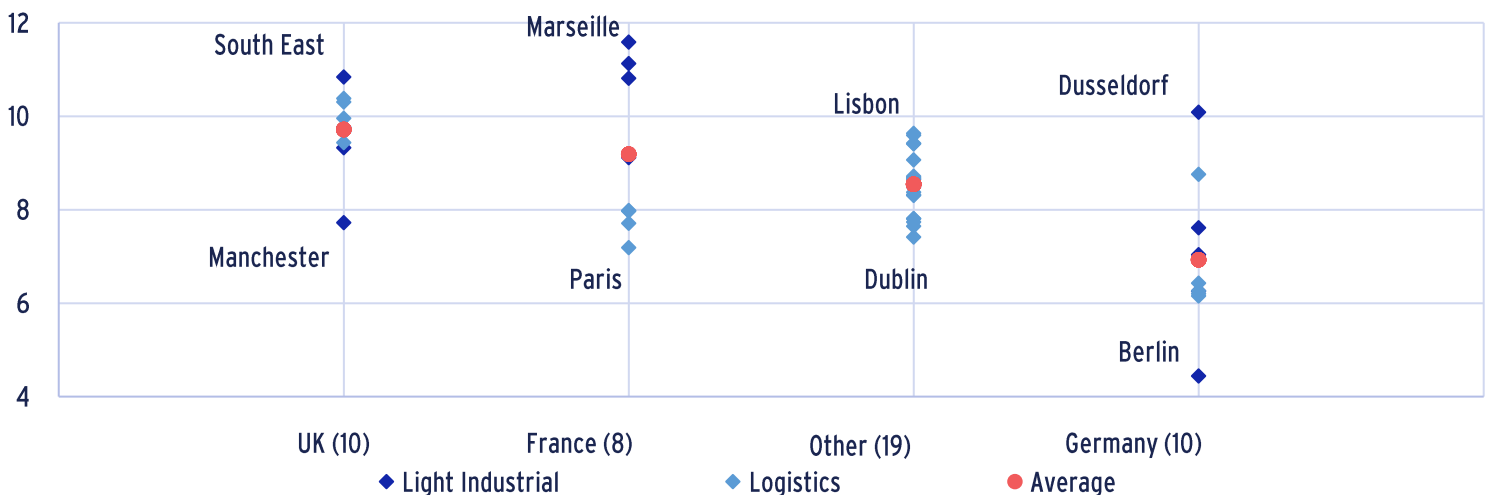
MAY 2026

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NEW LOGISTICS DEMAND DRIVERS OFFSET IMPACT FROM IRAN CONFLICT

- Regardless of short-term cost pressures from the ongoing conflict in the Middle East, the long-term prime European logistics recovery is forecasted to withstand its effects and stay on track. Potential upside might come as occupiers switch their focus from just-in-time to just-in-case approach by adding more space to facilitate higher inventories.
- The latest GDP growth forecasts show only a very modest 10bps p.a. impact relative to our base case with limited effect on long-term inflation and bond yields. However, our downside scenario would be reflective of a potential prolonged conflict resulting in a significantly lower GDP growth, higher inflation and bond yields.
- E-commerce remains a big driver, but third-party logistics (3PL) providers now account for 44% of take-up. Competition and related consolidation in 3PL will step up based on Amazon's recent move into the sector. In addition, growing manufacturing demand reflects Europe's sovereignty push in defence, pharmaceuticals and energy.
- Recent tax changes applied on direct-to-consumer shipments from outside of the EU has already led Chinese and other e-retailers to switch to bulk import and local EU fulfillment hubs to improve costs and operational control.
- Short logistics development cycles allow it to respond quickly to changes in demand. Covid triggered strong take-up in 2021-22 as vacancy hit 2.4%. During 2023-25, increased supply pushing vacancy rates up to 5.4%. Going forward, new supply and demand are projected to be more balanced with vacancy projected at 4.3% by 2030.
- Our latest 2026-30 base case forecast for prime rental growth in the 35 logistics and 12 light industrial markets covered in our analysis both come in at 2.3% p.a. for the next five years. Any impact from our downside scenario on rental growth is expected to be modest.
- As in other sectors, higher interest rates pushed prime logistics yields from 3.7% to 5.3%. After the 2022-24 repricing and our revised base case with less bond yield tightening, prime logistics yields across all markets are expected to move in by only 20bps by 2030. This means current income and rental growth will be key for returns.
- Total (unlevered) returns across 35 European logistics markets are estimated at 8.5% p.a. for 2026-30 in our Mar-26 base case assuming no prolonged conflict in the Middle East. UK and CEE markets are expected to achieve the highest logistics total returns at 9.9% p.a. and 9.1% p.a., respectively.
- 2026-30 projected annual returns across our covered logistics and light industrial markets range from 4.4% (Berlin) to 11.2% (Marseille), a 7% spread. Light industrial markets are showing solid resilience relative to logistics. Local market selection, with ample investable stock and liquidity are key to optimise risk-adjusted returns.

EUROPEAN PRIME LOGISTICS & LIGHT INDUSTRIAL TOTAL MARKET-LEVEL RETURNS DISTRIBUTION BY COUNTRY (2026-30, % PA)



MACRO: MIDDLE EAST MAY INCREASE DEMAND FOR LOGISTICS SPACE

MIDDLE EAST CONFLICT AFFECTS ENERGY & INFLATION

- On 28 February 2026, the US and Israel launched airstrikes on Iran. As Iran retaliated, the military conflict spread to other gulf countries in March.
- As a result, access to the narrow strait of Hormuz has been restricted as insurance has become very costly and shippers don't want to jeopardise their vessels, crews or cargos.
- Since 20% of global crude oil and natural gas is shipped through this strait, energy prices have spiked in response. This is expected to push up consumer prices (CPI).
- The impact on CPI has been limited so far as strategic oil reserves have been released by various governments, and it takes time for the spikes to feed into the CPI series.
- For the moment, the price shock is expected to be temporary and milder than that following the 2022 Ukraine invasion, which was a structural hit to Europe's energy supply.
- The restrained reaction of wholesale electricity markets to the recent surge in gas prices has been due to the higher share of renewables and increased hedging by utilities sector.

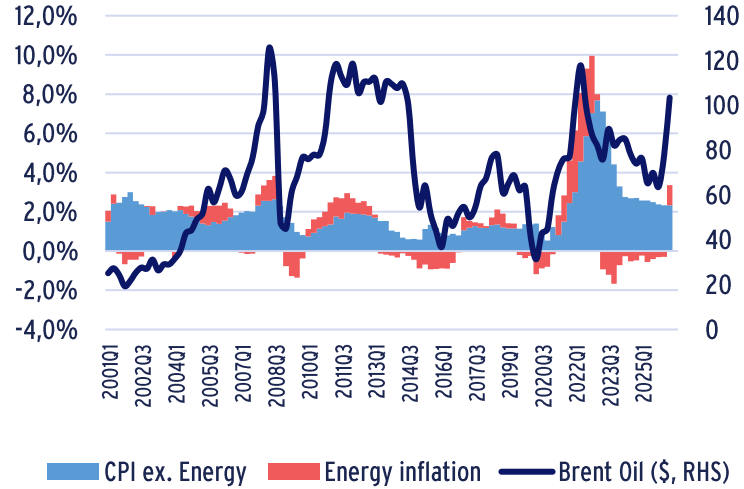
DOWNSIDE REMAINS UNLIKELY DESPITE PROLONGATION OF CONFLICT

- Given the uncertainty related to the ultimate length and impact from the current Middle East conflict, it is useful to consider our base case scenario in relative terms.
- Oxford Economics' latest updates, reflecting the three-month conflict show only a modest impact on GDP growth but no material impact on inflation and 2030 bond yields.
- This disregards its short-term impacts, which is appropriate given the prevailing holding period of most investors.
- Our Mar-26 downside scenario offers sufficient headroom to allow for a 50% decline in GDP growth, a 33% increase in inflation and a 15% increase in 2030 bond yields.
- In other words, the conflict would have to re-escalate and trigger a long-term impairment for the gulf countries' ability to restart oil and gas deliveries.
- Based on actual events to date, our Mar-26 downside scenario retains a low probability. However it could allow for other unexpected political and natural challenges.

UNCERTAINTY TO DEEPEN OCCUPIERS' JUST-IN-CASE FOCUS

- Despite the ongoing discussions on tariffs, the spike in trade policy uncertainty (TPU) has subsided as the US backed away from the initial announcements.
- The increase in GSCPI confirms supply chain pressures due to the latest news on the conflict in the Middle East.
- As the Strait of Hormuz and Suez canal remain restricted, trade flows are being redirected.
- Container demand and port capacity will shift in short order to facilitate this, triggering supply chain pressures.
- Despite TPU moderation, the higher GSCPI might still hurt short-term confidence of European logistics space users, as they pause expansion plans until uncertainties are resolved.
- Even if tariff uncertainty has reduced, European logistics occupiers are likely to further deepen their operational focus from just-in-time to just-in-case to ensure continuity.
- This just-in-case focus on additional inventory might trigger a higher demand for logistics space.

EUROZONE CPI INDEX & ENERGY COMPONENT (%), LHS) AND BRENT OIL PRICE (\$/BARREL, RHS)



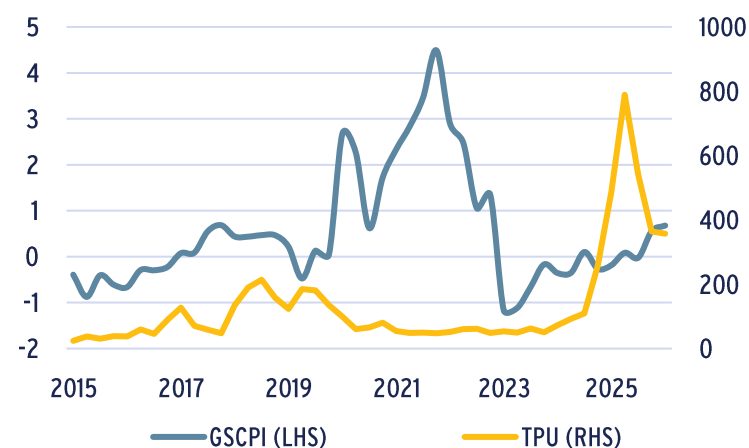
Sources: Oxford Economics, Investing.com and AEW Research & Strategy as of Q1 2026

MACRO ASSUMPTIONS FOR 20-COUNTRY AVERAGE, VARIOUS SCENARIOS

	Sep-25 Base case	Mar-26 Base case	OE 18-May-26	Mar-26 Downside
Average annual inflation 2026-30	2.1%	2.1%	2.1%	2.8%
10-year gvmt bond yield, Q4 2030	3.4%	3.5%	3.5%	3.9%
Annual GDP growth 2026-30	1.5%	1.5%	1.4%	0.7%

Sources: Oxford Economics and AEW Research & Strategy as of Q1 2026

GLOBAL SUPPLY CHAIN PRESSURE INDEX (GSCPI, LHS) & TRADE POLICY UNCERTAINTY INDEX (TPU, RHS)



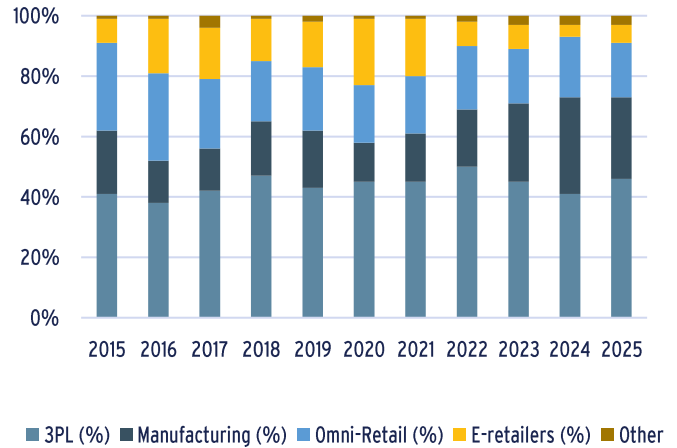
Sources: Oxford Economics, Trade Policy Uncertainty Index, AMEC and AEW Research & Strategy as of Q1 2025

OCCUPIER MARKET: MORE BALANCED ABSORPTION & SUPPLY TO PUSH VACANCY RATES DOWN

BROAD-BASED SUPPORT FOR LOGISTICS TAKE-UP

- E-commerce has been a key driver of logistics take-up, especially in the 2020-21 Covid period. But a closer look confirms broad-based support for logistics space demand.
- Third-Party logistics (3PL) providers represent 44% of annual take-up on average for the last ten years as firms outsource to 3PLs to allow operational flexibility and capital efficiency.
- In response to increased competition from Chinese and other platforms in its core e-commerce business, Amazon's recently announced new 3PL services.
- Increased competition in the 3PL sector has triggered consolidation such as DB Schenker/DSV and DHL/Evri which might offset some of the growth from Amazon.
- Rising manufacturing-led take-up is reflective of initiatives to strengthen Europe's industrial sovereignty in sectors like defense, pharmaceutical, clean energy and microelectronics.

SHARE OF TAKE-UP BY SECTOR AS % OF ANNUAL TOTAL (13 COUNTRIES)

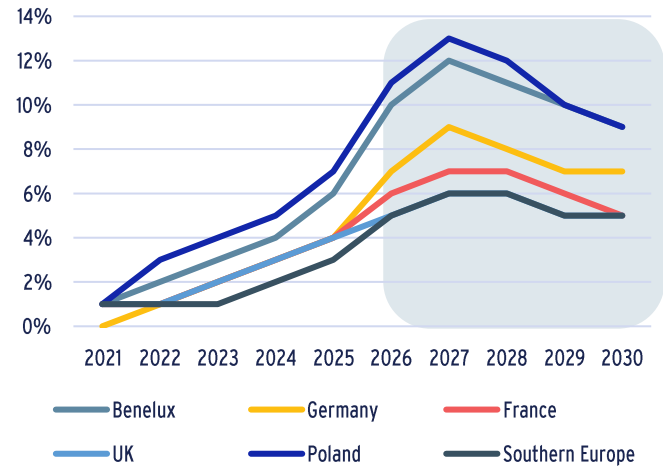


Sources: JLL Research and AEW Research & Strategy as of Q1 2026

2026 CUSTOMS CHANGES TO STEM DEMAND FROM CHINESE E-RETAILERS

- Until recently most online purchases from China were delivered through postal systems and 3PLs. Changes to small parcel import duties will impact this delivery.
- By 2023, Chinese e-retailers (Shein, AliExpress, Temu) expanded their warehousing footprint in gateway and low-cost hubs, mainly Poland, Netherlands, and Belgium.
- By 2024, Chinese operator accelerated their facilities expansion ahead of 2026 EU's customs and VAT changes with larger requirements in Germany, France and Spain.
- 2025-2027 is expected to constitute the network build-out window as major platforms switch to bulk import and EU fulfillment and start to secure their own flagship hubs to gain cost and operational control.
- After 2028, the share of annual new take-up is expected to ease as the core network is in place as optimisation and renewals dominate.

SHARE OF ANNUAL LOGISTICS TAKE-UP FROM CHINESE E-COMMERCE & RETAILERS

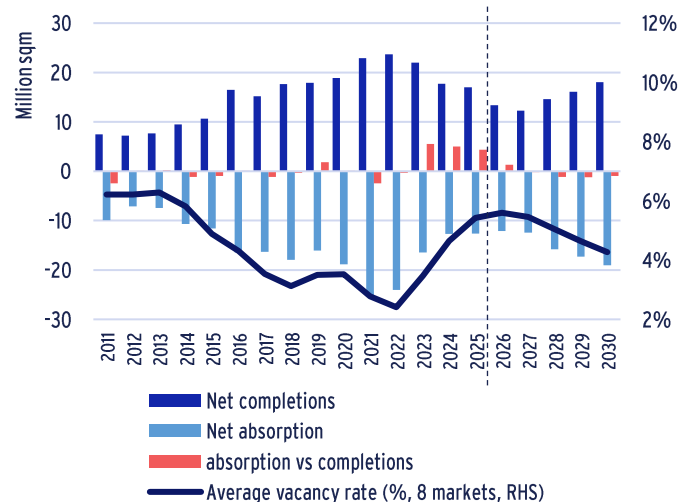


Sources: CBRE, JLL, AEW Research & Strategy indicative estimates based on market trends and recent expansion activity of Chinese e-commerce platforms as of Q1 2026

LOGISTICS VACANCY PROJECTED TO COME DOWN AFTER 2026

- Developers responded to the strong increase in 2020-21 demand as Covid-related supply chain disruptions required many occupiers to adopt a just-in-case approach.
- During 2023-25, this increased supply was met by a declining demand for space pushing vacancy rates up to 5.4% up from its 2022 record low of 2.4%.
- However, new supply is projected to subside as developers' profitability has been hurt by higher material (e.g. diesel, steel and cement) and labour costs as well as lower capital values.
- Going forward, new supply and demand are projected to be more balanced, which means that logistics vacancy rate is projected to come down gradually to 4.3% by 2030.
- As the sector has faced ongoing supply chain challenges from the Ukraine conflict, tariffs and the Middle Eastern conflict, many occupiers adopted a wait-and-see approach.
- However, with less available space many might be forced to commit to space if they want to meet their business plans.
- These factors are expected to drive future rental growth across the core European logistics markets.

LOGISTICS NET ABSORPTION* VS COMPLETIONS AND VACANCY RATES IN EUROPE**



* Net absorption = change in occupied stock
 ** Germany, France, UK, Poland, Netherlands, Czech Rep., Italy, Spain, Belgium
 Sources: CBRE, AEW Research & Strategy as of Q1 2026

STEADY RENTAL GROWTH ACROSS LOGISTICS AND INDUSTRIAL MARKETS

- Our latest 2026-30 base case forecast for prime rental growth in the 35 logistics and 12 light industrial markets covered in our analysis comes in at 2.3% p.a.
- Steady growth across major European countries and sub-regions is confirmed by a relatively tight range of 2% to 2.6% p.a., above inflation target level of 2%.
- Spain is ranked top in terms of the projected rental growth in logistics, followed by the UK.
- CEE, France, and the Nordics are expected to show logistics rental growth just below the European average.
- The expected cyclical recovery of the manufacturing sector in Germany and the emergence of local defense-related activity is expected to support light industrial rental growth.
- Our modest projected growth rates reflect the medium-term resilience in demand across occupiers as well as the limited new supply pipeline.
- Data centers have increasingly become a competing use and have driven up local (especially powered) land and energy prices further hampering developers' profitability
- New supply of logistics is likely to be negatively impacted.

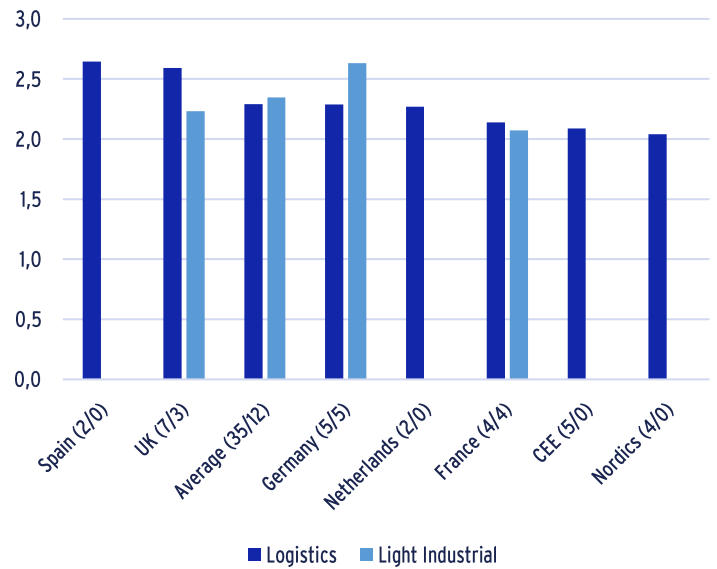
PRIME LOGISTICS RENTS PROJECTED TO RESUME PRE-COVID GROWTH

- Prime rental growth trends on an indexed basis highlight the positive effect of the 2020-21 Covid-related lockdowns across most key European logistics markets.
- European prime logistics rents grew nearly 40% over the 2020-23 period, with the UK rents moving up by near 50% over the same period.
- Spanish markets did not benefit from the same level of impact during the period as vacancy rates had become elevated a bit earlier than in other markets.
- As vacancy rates have increased across more European markets since 2023, our rental growth forecasts are resuming the pre-Covid growth rates for the majority of markets.
- Developers' increasing costs might become a factor in how rents are set especially in build-to-suits, as a minimum profit margin might require a higher rent than originally agreed.

PRIME LIGHT INDUSTRIAL RENTS SHOW STRONGER GROWTH PROSPECTS

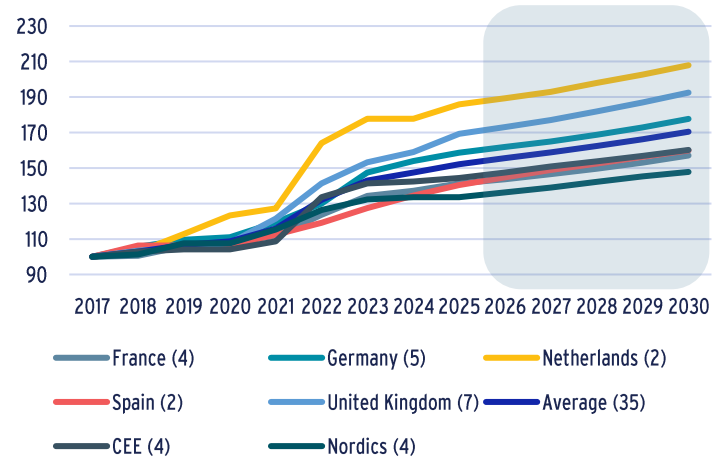
- A closer look at our projections for light industrial rents reveals a similar positive growth trend.
- Very low vacancy rates in the UK and Germany combined with strong demand for modern, energy-efficient buildings are driving these rental growth prospects.
- Increased growth in European defense and pharmaceuticals is likely to trigger demand from smaller firms that provide services and components to bigger firms in these sectors.
- Paris' relatively higher vacancy rate and high rent impacting affordability explain the more moderate rental growth in the region, which represents over a third of the national GDP.
- The push for reindustrialization and projects such as the "Grand Paris Express" might boost demand for light industrial space and fuel rental growth in the longer term.

ANNUAL PRIME LOGISTICS RENTAL GROWTH FOR BASE CASE (2026-30, PA %)



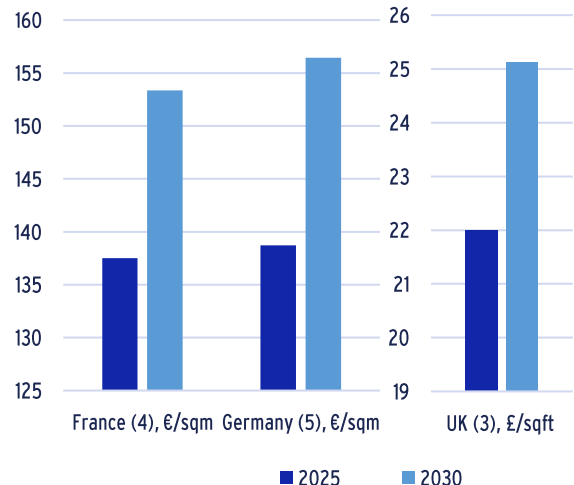
Sources: CBRE, JLL, AEW Research & Strategy as of Q1 2026

PRIME LOGISTICS RENTAL GROWTH (BASE 100 = 2017)



Sources: CBRE, AEW Research & Strategy as of Q1 2025

PRIME LIGHT INDUSTRIAL RENTAL GROWTH (BASE 100 = 2017)



Sources: CBRE, JLL, AEW Research & Strategy as of Q1 2026

INVESTMENT MARKET: PROJECTED RETURNS DRIVEN BY SOLID CURRENT INCOME AND MARKET RENTAL GROWTH

2025 VOLUME MOMENTUM LIKELY TO SLOW IN H1 2026

- Full year 2025 European transaction volumes across the main property types came in at €209bn., with 18% or €41bn transacted in logistics.
- In Q1 2026, the conflict in the Middle East has affected negotiations as especially leveraged buyers are eager to price in the increased swap rates affecting their costs of debt.
- As a result of these renegotiations and delays Q1 2026, quarterly Industrial investment volumes have dropped in -24% y-o-y according to RCA/MSCI.
- However, M&A activity might continue as buyers seek to take advantage of arbitrage opportunities in book values both in public and private markets.
- Transaction volumes are likely to catch up with the recovery trend when investors' confidence returns. If peace negotiations proceed this might come in 2H 2026.

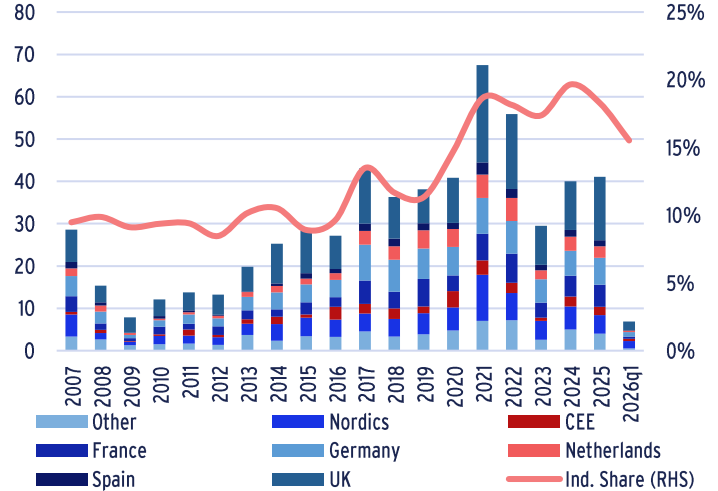
PRIME LOGISTICS YIELD TIGHTENING PROJECTED TO MODERATE

- Higher interest rates pushed prime logistics yields (35 covered markets average) from 3.7% to 5.3%.
- This 160bps logistics increase over the 2022-24 period was second only to the 190bps office yield widening.
- After the 2022-24 repricing, logistics yields tightened by 7bps in 2025 and are expected to move in by 20bps by 2030.
- As of year-end 2025, prime logistics yields in CEE and UK remained above the European average at 6.2% and 5.2%.
- UK markets are expected to show more than average yield tightening of 40bps over the next five years.
- Other leading European logistics markets are projected to have more modest yield tightening of between 10-20bps over the same period.
- The impact of the Middle East conflict might delay the yield impact as sentiment and liquidity pause. However, we expect our base case to remain most likely over the 5-year period.

GERMAN LIGHT INDUSTRIAL YIELDS WIDENING AS FRANCE & UK TIGHTEN

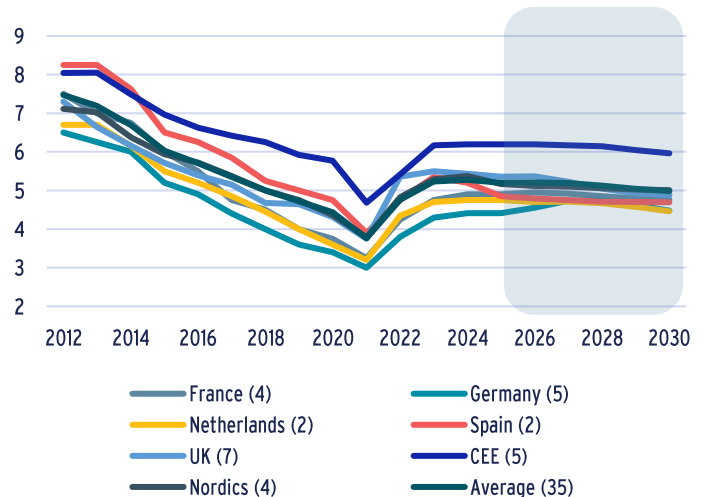
- Like in other sectors, elevated interest rates over the last three years pushed prime light industrial (LI) yields for all 16 covered markets from 4.3% to 5.6%.
- After the 2022-24 repricing, our base case scenario assumes some bond yield tightening, prime LI yields across all markets are expected to move in by only 5bps by 2030 on average.
- UK LI markets are expected to see the strongest yield compression, down nearly 40bps by 2030.
- French LI markets follow, with prime yields expected to move in by more than 30bps but polarisation between modern stock and older, secondary units could widen the spread.
- However, German LI markets are projected to show 60bps of yield widening. This is mostly due to a normalization of the LI-logistics excess spread in yields.
- It should be noted that these projections partly reflect a return to historical average spreads between LI and logistics yields.

EUROPEAN INVESTMENT VOLUMES BY SECTOR (€ BN)



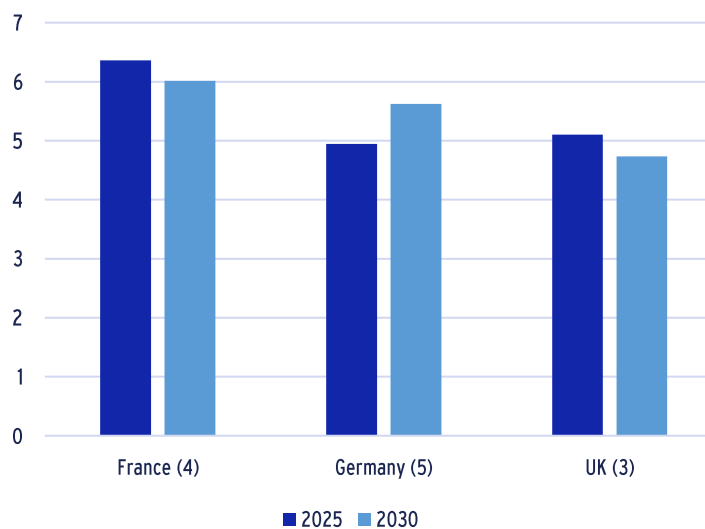
Sources: RCA/MSCI, AEW Research & Strategy as of Q1 2025

LOGISTICS PRIME YIELDS - SIX KEY EUROPEAN MARKETS (%)



Sources: CBRE, AEW Research & Strategy as of Q1 2026

LIGHT INDUSTRIAL PRIME YIELDS - KEY EUROPEAN MARKETS (%)



Sources: CBRE, AEW Research & Strategy as of Q1 2026

PROJECTED LOGISTICS TOTAL RETURNS COME IN AT 8.5% P.A.

- Total returns across our 35 European logistics markets are estimated at 8.5% p.a. for 2026-30 in our Mar-26 base case, up 60bps for the same period from our Mar-25 base case.
- UK and CEE markets are expected to achieve the highest logistics total returns at 9.9% p.a. and 9.1% p.a., respectively.
- Our forecast projections for the expanded universe of 12 light industrial (LI) markets in the UK, Netherlands, France and Germany over the same period comes in at 8.8% p.a.
- The LI total returns are broadly in line with logistics returns in most countries except for France where higher LI initial yields in out of Paris markets are driving LI returns up.
- Projected LI returns in the UK are lagging a bit behind prime logistics, which is likely triggered by the mismatch in geographic coverage between the two sectors.
- LI typically focuses on smaller units and more urban locations compared to prime logistics.

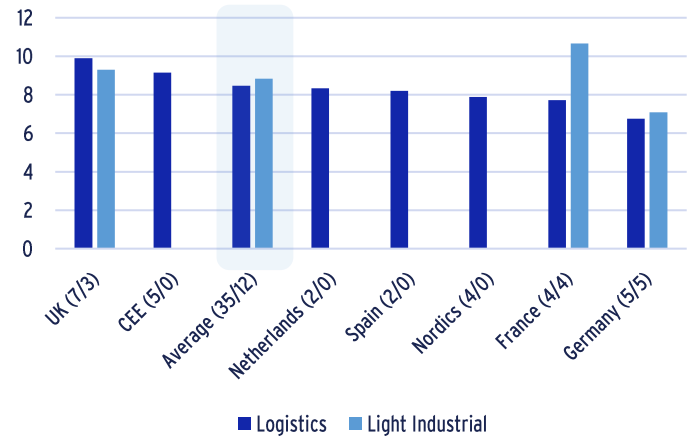
DOWNSIDE SCENARIO REMOVES JUST 1.1% P.A. FROM BASE CASE RETURNS

- In our base case, average prime logistics projected 2026-30 returns are 8.5% p.a., comprised of 5.3% p.a. income return, 2.3% p.a. of rental growth and 0.9 % p.a. from yield shift.
- This compares to our downside scenario 7.4% p.a. total return with 5.5% p.a. of income return, 2.5% p.a. of rental growth and -0.6% p.a. from yield shift.
- Most of the impact in the downside scenario comes from the yield widening and occurs early with partial reversal later in our 5-year forecasting period.
- This means that our overall 5-year period total return in the downside scenario is only 1.1% p.a. lower than the 8.5% p.a. forecasted in our base case.
- Across countries, the negative impact on logistics returns in the downside (compared to the base case) is least in the UK while most significant in Germany.
- In fact, for German logistics, we do expect some yield widening even in the base case scenario.

GERMANY SHOWS WIDEST RANGE OF LOCAL MARKET RETURNS

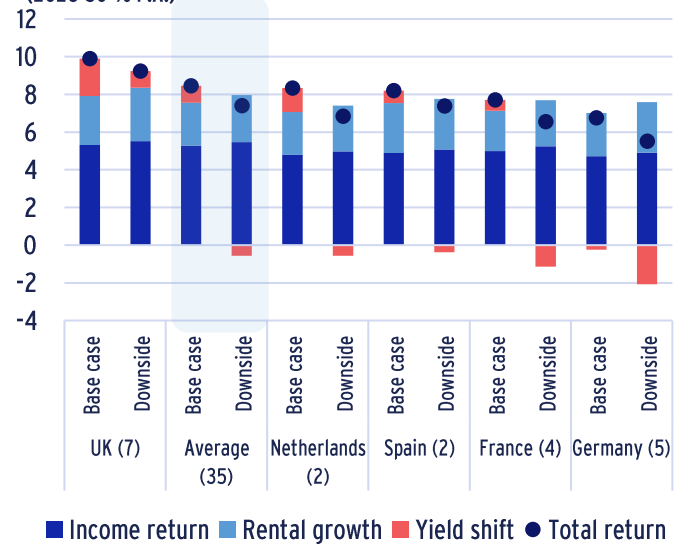
- Across the 35 logistics and 12 light industrial local markets returns range from 4.4% p.a. for Berlin to 11.2% for Marseille light industrial, a near 7% range between highest and lowest.
- Germany has the widest range of projected local market returns between 4.4% p.a. and 10.1% p.a., followed closely by France between 7.2% p.a. and 11.2% p.a.
- The 10 UK markets have a relatively tight range of returns of 7.2% p.a. and 10.9% p.a., especially if we take Manchester out.
- Surprisingly, the tightest range of returns is shown for other European markets ranging between 7.4% p.a. and 9.4% p.a., which actually have 19 of the 47 covered market segments.
- This confirms that a simple property sector and country allocation might not yield the best results for investors looking to optimize their risk-adjusted returns.
- Close review of local market dynamics at this stage is essential for logistics and light industrial investors.

LOGISTICS ANNUAL PRIME TOTAL RETURNS BY COUNTRY (2026-30 %)



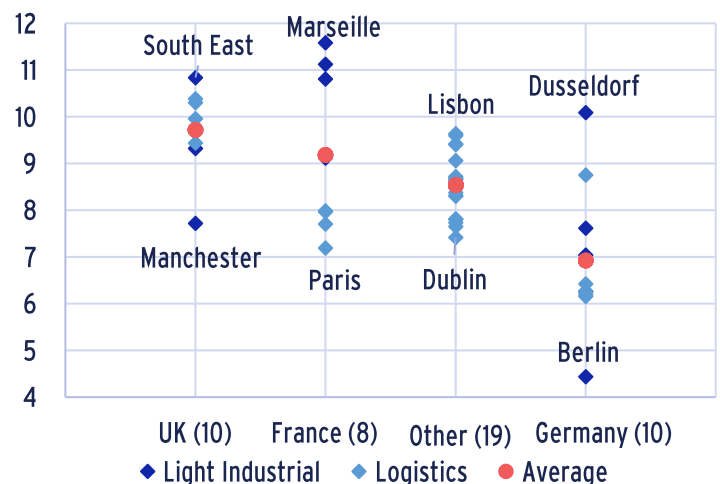
Sources: CBRE, AEW Research & Strategy as of Q1 2026

EUROPEAN PRIME LOGISTICS TOTAL RETURN FORECAST AND ITS COMPONENTS (2026-30 % P.A.)



Sources: CBRE, AEW Research & Strategy as of Q1 2026

EUROPEAN PRIME LOGISTICS AND LIGHT INDUSTRIAL TOTAL RETURNS DISTRIBUTION BY COUNTRY (2026-30, % PA)



Sources: CBRE, AEW Research & Strategy as of Q1 2026

ABOUT AEW

AEW is one of the world’s largest real estate asset managers, with €74.2 billion of assets under management as at 31 March 2026 [1]. AEW has over 815 employees globally, with its main offices located in Boston, London, Paris and Hong Kong and offers a wide range of real estate investment products including comingled funds, separate accounts and securities mandates across the full spectrum of investment strategies. AEW represents the real estate asset management platform of Natixis Investment Managers, one of the largest asset managers in the world.

As at 31 March 2026, AEW managed €35.8bn of real estate assets in Europe on behalf of a number of funds and separate accounts. AEW has over 510 employees based in 11 offices across Europe and has a long track record of successfully implementing Core, Value-Add and Opportunistic investment strategies on behalf of its clients. In the last five years, AEW has invested and divested a total volume of over €13bn of real estate across European markets.

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[Source: "2024 IREI.Q. Real Estate Managers Guide". The Guide, published annually by Institutional Real Estate, Inc., ranks real estate managers based on the gross value of real estate AUM (\$m) as of December 31, 2023. ²CFA® and Chartered Financial Analyst® are registered trademarks owned by the CFA Institute

[1] As of March 31, 2026. AEW includes (i) AEW Capital Management, L.P. and its subsidiaries and (ii) affiliated company AEW Europe and its subsidiaries. AEW Europe and AEW Capital Management, L.P. are commonly owned by Natixis Investment Managers and operate independently from each other. Total AEW AUM of €74.2 billion includes €35.8 billion in assets managed by AEW Europe and its affiliates, €2.4 billion in regulatory assets under management of AEW Capital Management, L.P., and €36.0 billion in assets for which AEW Capital Management, L.P. and its affiliates provide (i) investment management services to a fund or other vehicle that is not primarily investing in securities (e.g., real estate), (ii) non-discretionary investment advisory services (e.g., model portfolios) or (iii) fund management services that do not include providing investment advice.

