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KEYNOTE INTERVIEW

Logistics in transition as global markets reset



Vacancy shifts, land scarcity and automation pressures are reshaping markets around the world, say Macquarie Asset Management's Julia Huang, James Bechely-Crundall and James Besson

Logistics real estate is no longer riding the post-pandemic surge that once defined the sector. Instead, markets across the globe are moving into a more mature, uneven phase – one where rising vacancies in some regions contrast with structural land scarcity in others, and where construction cost inflation has cooled but competition for powered sites has intensified, explain Macquarie Asset Management managing directors Julia Huang in Hong Kong, James Bechely-Crundall in London and James Besson in New York.

Technology is deepening the divide between modern facilities and aging industrial stock, while long-term themes such as e-commerce penetration, reshoring, defense spending and population growth are reshaping where demand concentrates next.

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Q How are shifts in vacancy and development activity playing out across major logistics markets, and what does that tell us about where each region is in its cycle?

James Besson: In the US, logistics supply surged post-pandemic, pushing construction inventory up to 5 percent. Tenants have had a lot of curveballs thrown at them from economic uncertainty, government policies and tariffs.

We believe this has slowed investment, causing vacancies to rise from sub-3 percent to about 7.5 percent. But rates have now stabilized, and leasing has picked up after mid-year setbacks, showing signs of sector resilience. As a result, we believe there is potential for rent growth to pick up, potentially leading to lower vacancy and renewed development in the second half of 2026.

Julia Huang: Across Asia, markets vary widely. For instance, Japan faces land constraints, so location is critical. Modern logistics facilities in less desirable locations lease slowly, whereas emerging markets like Kyushu have strong demand. Rising construction costs and labor shortages have slowed new projects of late, prompting a market rebalance which we expect to benefit well-located assets, potentially resulting in higher rents and reduced vacancies over the next two years.

James Bechely-Crundall: European logistics markets are holding up better than their global counterparts. In most local markets there is between one and two years of take up, which we do not see as a particular oversupply. Older stock is typically more prone to high vacancy. So, it is important to focus on new, modern spec facilities in prime locations, with the right occupational costs and levels of power in place.

Q With costs stabilizing but land becoming harder to secure, how are construction economics and site competition reshaping development pipelines worldwide?

JB: We have seen construction cost inflation stabilize over the last two years after an unprecedented 40-plus percent spike during the pandemic. While tariffs could affect future costs, they have not yet caused notable increases. Labor market inflation has also eased in the US, making conditions more stable following a period of hyperinflation.

Land previously used for industrial development is often now allocated to data centers and creating scarcity issues. Another challenge is increased NIMBYism following rapid industrial development from 2020-22, complicating approval processes. We believe these factors will support sector performance over the medium term.

JBC: As in the US, we have seen construction costs normalizing, helped by slowing construction starts and more competitive contractor margins. This may help protect current rental levels in Europe. We also see increased competition from both data centers and powered land players. The recent rapid growth of AI automation has increased competition for sites with near-term power capacity, which is reducing overall available land supply for logistics. We believe this has the potential to lower vacancy, drive rents and place a premium on existing assets in difficult to replicate locations.

JH: There is certainly increased land competition within the Asian markets. Preparing land for data center use requires meeting several critical criteria around sourcing power and water and avoiding fire or flood risks. Securing reliable power varies significantly

Q What role are automation and broader technology upgrades playing in the next generation of logistics facilities worldwide?

JH: Robotics are gradually being implemented in Japan, primarily in new facilities with specific building requirements such as higher ceilings. Older properties often cannot support efficient robotics due to structural limitations. General technology upgrades and automation are also improving operational efficiency around warehousing and shipping.

JBC: Technological advancements are shaping demand as organizations seek to leverage enhanced automation in their operations. Modern facilities feature advanced technology, including smart lighting, rooftop photovoltaics, battery storage and EV charging. Across markets, tenants are actively seeking facilities with enhanced power capacity, exploring a mix of both grid-based solutions and on-site energy production and storage.

JB: Robotics is not as major a driver of demand in the US. While there are some highly automated buildings, we believe the US lags behind global peers in automation adoption. In saying that, we have seen increased demand from users requiring more power given the growth in demand from manufacturing.

between countries; for example, in Japan this process typically takes four to six years. There are also some players acting opportunistically in markets where land is scarce, exacerbating shortages. This is evident in certain metropolitan areas of Australia such as Sydney and Melbourne, and especially Singapore, where developable land is extremely limited.

Q As global supply chains, consumer behavior and industrial demand evolve, which structural themes are beginning to redefine where logistics growth concentrates next?

JBC: Despite its relatively low share of total sales in continental Europe, we expect e-commerce to remain a major factor, along with broader influences tied to demographic shifts, supply-chain reconfiguration and increasing defense spending. On that last point, recent NATO commitments require most members to reach 5 percent of GDP by 2035, which is a notable shift after years of underinvestment. While actual effects are just beginning to appear, early figures suggest that defense sector take-up has recently doubled, albeit from a low base. Overall, this is an emerging trend, and we believe this could be a lasting driver, though we are only at the beginning stages.

These emerging themes intersect with how we allocate resources within our region. With the recent reset of the rate cycle, markets that are historically tightly held and highly competitive like Germany and the Netherlands now present opportunities at a more attractive entry basis. We tend to prioritize these markets over those that tend to be more accessible and less competitive throughout the cycle.

JB: Despite market volatility, US consumers have shown resilience and e-commerce continues to grow its market share. A new trend is increased domestic manufacturing investment, which supports industrial demand here as suppliers seek proximity to large populations. Southern US markets are benefiting from this growth, due to population increases and rising manufacturing activity there.

Over the past five to 10 years, supply chains have diversified, influenced by US-China relations, leading certain regions like Texas, border states and eastern seaports including Savannah, Charleston and Newark/New York, to see increased activity. The Port of Long Beach/Los Angeles remains dominant for imports, but other ports are gaining market share. Defense is not as significant a theme as in Europe. Defense spending is already high in the US, although we have seen onshoring of critical goods, which has been a meaningful contributor to demand.

JH: Reshoring is also a major theme in Asia. For example, new semiconductor plants on Kyushu island are driving higher demand for logistics facilities, a sector with historically less than 1 percent modern stock and primarily controlled by rail companies. These supply-chain developments benefit from population growth, another theme that supplies the necessary labor.

Tariff tensions are also creating new opportunities in Asia, especially Southeast Asia, as Chinese firms relocate parts of their assembly lines there. As direct China-US trade has declined, intra-Asia trade – particularly between China and Southeast Asia – has grown, balancing overall volume and boosting demand for logistics and manufacturing facilities in markets like Malaysia and Singapore.

In Australia, population growth also drives consumption, increasing the need for logistics facilities, especially given high labor costs there, a straightforward thematic play. In Japan, improving operational efficiency is closely tied to boosting return on investment. Japan and South Korea have formed defense clusters with strong US ties, but it is not a dominant investment theme in Asia overall.

Q Given the crosscurrents in supply, capital costs and tenant demand, what skills and strategies matter most for managers trying to deliver risk-adjusted returns?

JH: In Asia, cycles differ by market and sector, so managers must monitor conditions to find optimal entry points. An essential skill for managers is finding people with strong real estate capabilities in markets and sectors you are confident in. These experts must understand the market, identify products that suit real estate investors' needs over time and adapt to changes on the ground. Another core capability is selecting land for optimal use. Value creation still depends on this expertise, which is key to navigating changing macro and market conditions.

JB: It is important to invest alongside specialist operators and focus across the risk spectrum to find the best risk-adjusted returns by market, risk profile or size at various points of the cycle. This flexibility lets you develop products suited for institutional capital and deploy them into attractive opportunities as they arise. A platform must adapt over time, shifting between development, value-add or core strategies based on where returns are optimal.

JBC: In our experience in this sector over the last 20 years, a key element of success has been partnering with the right sector specialist teams, allowing us to operate across various markets and risk profiles to deliver attractive risk-adjusted returns for our capital partners throughout the cycle. Leveraging our global infrastructure platform, which includes ownership in ports, road networks, data centers and energy transition assets, helps create more opportunities for growth. In this sector, we have found that scale can be a significant advantage. ■