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Market Report

May 2025 | Europe

Market Report

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Executive Summary

Q1 2025 ends with significant uncertainty, marked by geopolitical volatility and unpredictable global trade relations, as the U.S. implements and pauses a range of new tariffs. Global GDP growth projections of 2.5% for 2025 are the weakest since 2009, with the largest forecast reductions for the United States, Canada, and Mexico.

The worldwide Purchasing Managers' Index (PMI) recorded faster global output growth in March, but deteriorating business expectations suggest the improvement may be short-lived.

Moreover, the March data collection period was prior to additional US tariffs were announced. Upcoming PMI data for April (released in early May) will provide an insight into the impact of tariff uncertainty.

Key Market Trends

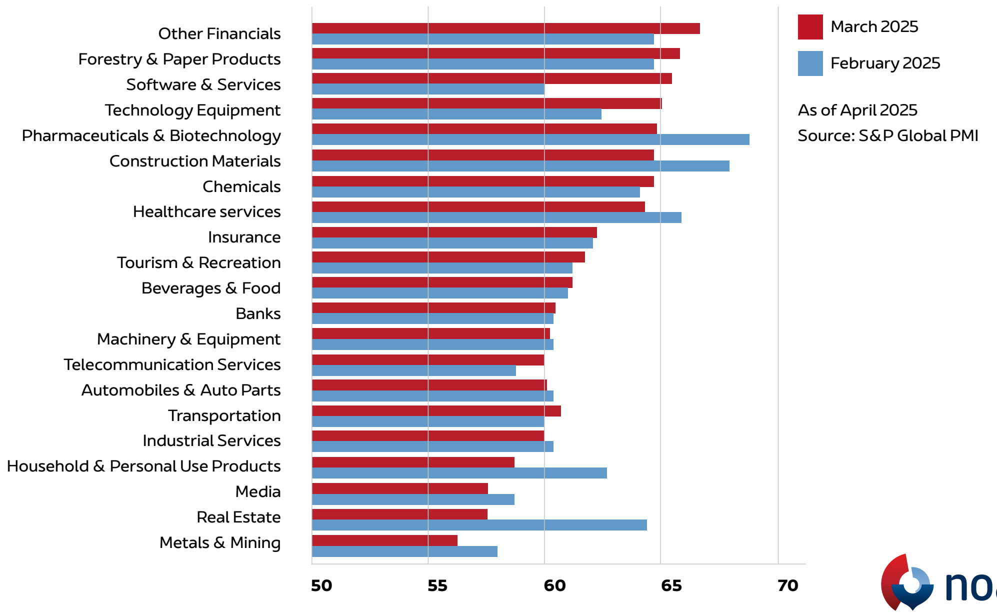
Ocean freight
Capacity rises post-CNY; alliances shift amid volatile Asia-Europe demand, with carriers cutting capacity or reorganising their US-bound services out of China

Air freight
Asia-Europe demand surges; capacity tightens; tariffs disrupt US lanes; rates edge up on constrained supply, but De Minimis ending looms.

Road freight
Delayed Easter peak tempers pricing; haulage costs rise; buyers urged to act before spring demand accelerates.

Contract logistics
Government unveils workforce and infrastructure boost; investment momentum builds; clarity still needed on electric vehicle policies.

Warehousing
Prime rents grow steadily; Grade-A demand dominates; supply rebuilds slowly; overseas capital drives investment confidence.



As of April 2025
Source: S&P Global PMI

Market Summaries

OCEAN FREIGHT

Markets are finely poised as new alliance structures, post-CNY capacity surges, and persistent Red Sea diversions reshape global flows. Rates stabilised from early-year lows, but excess tonnage and geopolitical risks continue to weigh on the outlook.

Asia-Europe carriers are deploying blank sailings and general rate increases in response, while cutting capacity or reorganising their US-bound services out of China, as new U.S. tariffs dampen demand.

- Drewry WCI rose in April but remains 79% below pandemic highs
- Asia-Europe capacity up 27% year-on-year (YoY), softening rates
- Gemini and Premier Alliance roll-outs underway, full impact expected mid-year
- Red Sea diversions still absorbing 10–12% of global capacity

AIR FREIGHT

The market is navigating short-term volatility, with trans-Pacific lanes disrupted by incoming US tariffs and De Minimis changes which could burst the eCommerce volume bubble.

In contrast, Asia-Europe demand is strong, supported by eCommerce. Capacity remains tight, but relief may come from summer schedule expansions. Pricing continues to climb as buyers seek stability in uncertain conditions.

- Baltic Airfreight Index shows global rates up 2% YoY in March
- Asia-Europe chargeable weight saw double-digit YoY growth
- Load factors above 90% signal tight capacity, particularly ex-Asia
- Spot rate pressure likely to ease as new capacity enters

OVERLAND

UK and European road freight saw steady activity in March, with strong availability balancing out rising demand. A late Easter delayed typical seasonal pricing spikes, giving freight buyers a short window to act.

Labour costs remain a concern, but easing fuel prices offered a modest offset.

- TEG Road Transport Index rose to 119.9 in March
- Articulated capacity up 31% YoY; demand rose 37% month-on-month (MoM)
- Haulage index climbed 1.5% month-on-month; courier flat
- Fuel prices fell over 1% month-on-month for diesel and petrol

Market Summaries

CONTRACT LOGISTICS

Government investment in infrastructure and skills is supporting long-term growth in contract logistics. The sector continues to expand, particularly in last-mile and automated fulfilment, but clarity is still needed on key policy issues.

Cost pressures remain a challenge despite digital gains and workforce development plans.

- £625m Spring Statement package to support logistics workforce and networks
- £4.8bn committed to Strategic Road Network upgrades in 2025–26
- Market awaits June's 10-year Infrastructure Strategy for long-term signals
- Rising labour costs and EV policy concerns remain front of mind

eCOMMERCE

The UK warehousing market continues to attract capital and occupiers alike, with Grade-A demand leading the way. Rental and capital values ticked up in March.

While speculative development remains subdued, this is helping keep supply balanced as availability gradually rises and prime rents continue their upward trend.

- Capital values and rents rose 0.3–0.4% in March
- Take-up forecast to hit 40M sq ft in 2025
- Prime rental growth forecast at 4% for the year

Ocean Freight

Introduction

The ocean freight sector faces conflicting challenges. While capacity pressures persist due to Red Sea diversions, shifting trade flows and evolving alliances are reshaping dynamics. Carriers are managing demand on Europe-bound routes while dealing with the impact of an increasingly complex geopolitical landscape on demand from China and Asia to the U.S.

Situation

Despite geopolitical tensions delaying a Suez Canal return, investment in European infrastructure and defence is stimulating regional economies and demand.

Whilst the consequences of the new U.S. tariffs against China have yet to show on container trades, the magnitude of the levies will inevitably impact them, with carriers already cutting capacity or reorganising their US-bound services out of China.

On the flip side, the 90-day pause could see US-bound cargo volumes booming from other countries, with South East Asian nations such as Vietnam, likely to benefit. That could drive freight rates significantly up in the coming weeks on some routes to the US, in the run up to the 9 July deadline, when the tariff ‘pause’ ends.

Market

Surging Post-CNY Capacity Reshapes Trade Flows

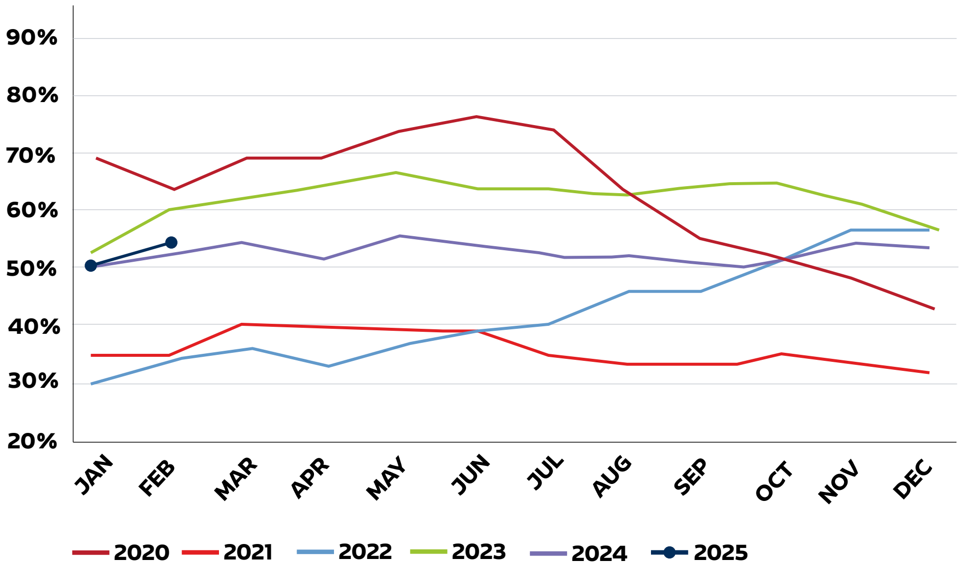
Asia-Europe trades saw significant post-CNY capacity growth - up 27% YoY - which could weaken spot rates and encourage carriers to push ahead with GRIs. Carriers continue to adjust capacity tactically - blank sailings peaked in March, then dropped by half in April, and are set to reduce further in May.

Supported by strong utilisation and the blank sailings the GRIs have largely stuck, though overcapacity remains a threat.

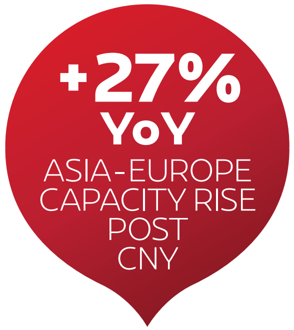
Chinese volumes are shifting toward Europe as US demand softens. Southeast Asia-US lanes are operating at near full utilisation, with short-term demand likely to spike, reflecting broader demand shifts.

The transition to new carrier alliances is underway, with Gemini achieving 94% origin schedule reliability. Yet, the full impact of these new networks won't be felt until July, and further blank sailings may be needed to sustain rate recovery.

Global Schedule Reliability



Source: Sea-Intelligence, GLP report



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Rates

Rate Recovery Falters Under Capacity and Geopolitical Pressures

"Rates are stabilising, but excess capacity continues to undermine recovery efforts."

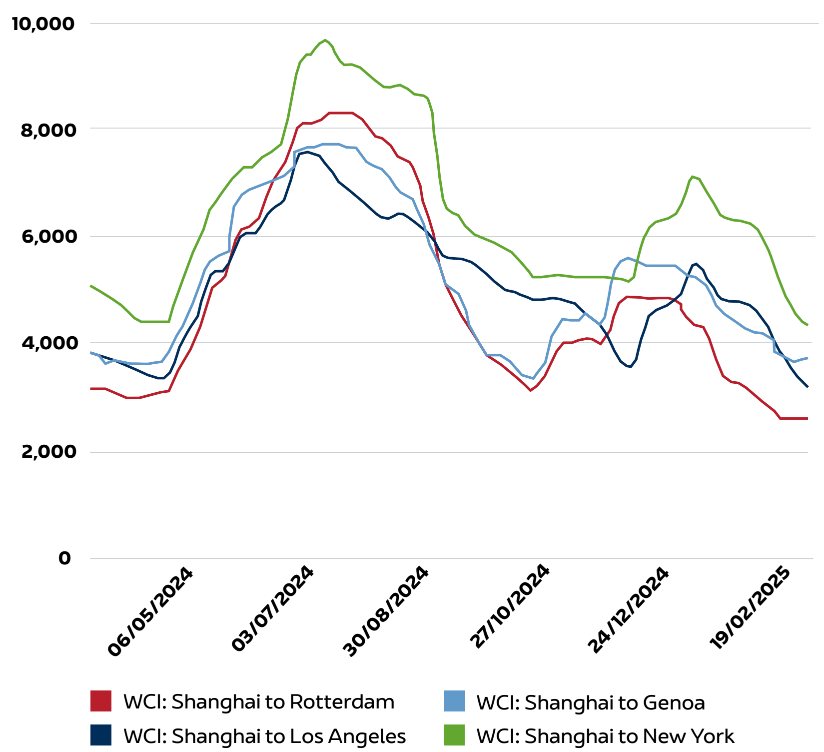
Global schedule reliability improved to 54.9% in February 2025 - the highest since May 2024 - driven by new alliances like Gemini and Premier. However, the impact of excess tonnage, despite the Red Sea rerouted vessels, continues to weigh on pricing.

Spot rates have dropped over 55% since December 2024 but are now stabilising. The Drewry WCI rose 2% in early April, still 79% below pandemic peaks but 55% above 2019 averages.

Asia–US rates climbed 8–10% in April, while Europe-bound rates were mixed.

With Suez diversions ongoing and peak season front-loading expected, rate pressure could return in May and June. Capacity growth forecast at 5.4% for 2025 will further strain pricing unless demand strengthens. US tariff announcements are injecting volatility into transpacific pricing, reinforcing the need for tactical capacity management.

Drewry WCI: Trade Routes from Shanghai (US$/40ft)



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Air Freight

Introduction

+90%
LOAD FACTOR NORTH ASIA TO EUROPE IN MARCH

The air freight market continues to navigate instability, shaped by seasonal trends, regulatory shifts, and front-loaded demand. Strong growth on Asia-Europe lanes contrasts with a turbulent transpacific outlook. With trade policy changes looming and eCommerce flows shifting, the industry faces a critical inflection point heading into the summer schedules.

Situation

Early Q2 brings short-term volatility, especially on trans-Pacific lanes, as cargo owners rush shipments into the US ahead of May's tariff and De Minimis reforms. While this has spurred a temporary spike, a decline is expected once the new duties suppress volumes.

Globally, load factors are tightening, especially out of Asia, but summer capacity additions could provide relief. Despite easing jet fuel prices, the market remains sensitive to policy announcements, with many stakeholders adopting a cautious, short-term planning approach amid unclear tariff timelines and potential retaliation from trade partners.

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Market

Asia-Europe Demand Soars as Global Volumes Stabilise

"Asia-Europe demand is climbing, but global recovery remains uneven."

Asia-Europe demand continues to outperform, with chargeable weight and shipment volumes showing double-digit year-on-year growth in March. Global tonnages also rose, albeit at a slower pace, driven by strength from Asia Pacific and the Americas.

China's international air cargo activity continues to expand, supported by eCommerce flows, while Northeast Asia to Europe now ranks among the top global corridors. However, the dynamic load factor on these lanes exceeded 90% by late March - well above the pressure point - suggesting mounting strain on available capacity.

Multiple carriers are preparing to add services in summer schedules, which may ease constraints, though demand remains volatile and policy-driven. Global year-on-year growth has moderated sharply since 2024, indicating a market still adjusting to new geopolitical and commercial realities.

Global Origins

Last 2 to 5 weeks

	Capacity[1]			Chargeable weight[1]			rate[1]		
	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY
Africa		-2%	+2%		-9%	+5%		+1%	+8%
Asia Pacific		-0%	+1%		-5%	+8%		+6%	+6%
C & S America		+0%	-2%		+5%	+15%		-3%	-3%
Europe		+5%	+3%		-4%	+9%		+1%	+2%
M East & S Asia		+2%	+3%		-8%	-11%		+6%	-8%
North America		-1%	-1%		-3%	+9%		+0%	-1%
Worldwide		**+1%**	**+1%**		**-4%**	**+7%**		**+3%**	**+9%**

Source WORLD ACD

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Rates

Tariff Volatility Drives Rate Divergence Across Corridors

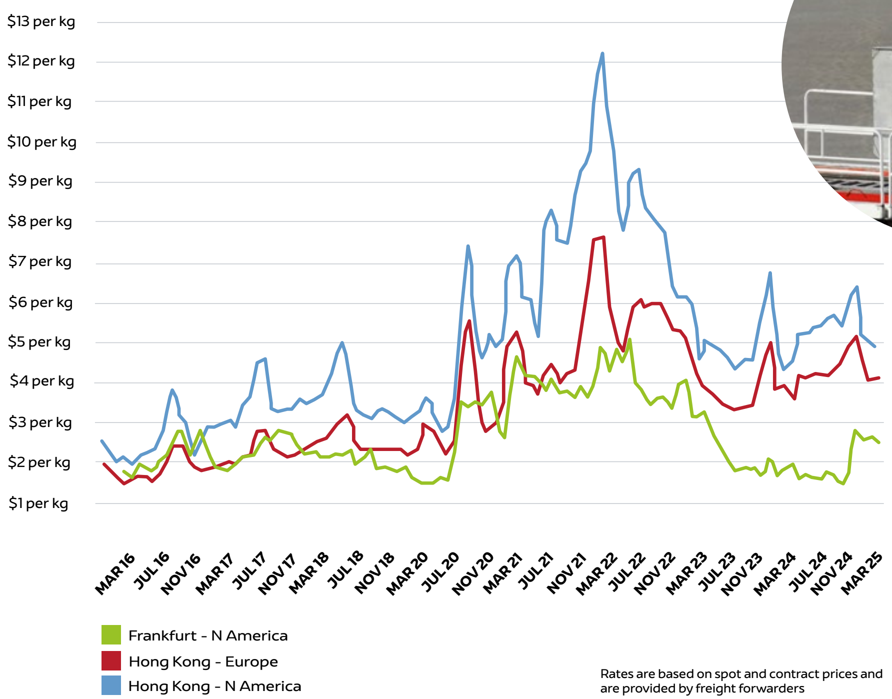
Air freight rates have firmed across key Asia-Pacific corridors, underpinned by strong demand, limited space, and anticipation of disruptive tariff measures.

Rates into both Europe and North America remain higher than a year ago, despite some softening in early March. Load factors above 80% continue to support carriers in price negotiations, and ongoing capacity tightness out of Asia is reinforcing upward pressure. The Baltic Exchange Airfreight Index showed average global rates up 2% year-on-year in March, with Asia-Europe spot rates up 13% and Asia-US up 11% annually, driven by constrained capacity and pre-tariff demand.

However, capacity additions planned for the summer could gradually temper this. Lower jet fuel costs are improving carrier margins, though pricing remains sensitive to shifting trade policies.

The removal of US De Minimis exemptions, along with rising duties, is expected to reshape eCommerce volumes, particularly on China–US routes, adding further uncertainty. The wider market remains on alert for potential knock-on effects, especially as global averages now reflect the early signs of a return to pre-peak season patterns.

Baltic Exchange Air Freight Index



Rates are based on spot and contract prices and are provided by freight forwarders

+13% YoY
ASIA-EUROPE SPOT RATES

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Overland

Introduction

The European and UK road freight markets head into spring with cautious optimism. March showed a steady rise in demand, particularly in the articulated sector, but strong carrier availability and a delayed Easter peak helped contain pricing. Cost pressures remain elevated, but strategic freight planning opportunities are emerging ahead of the seasonal surge.

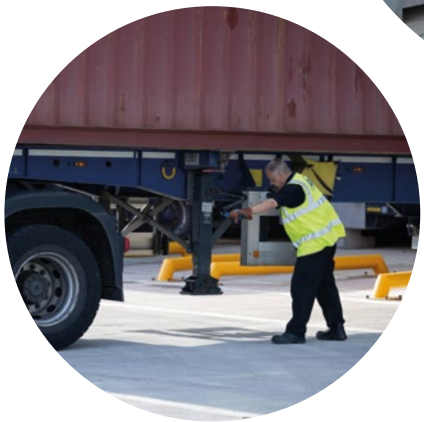
Situation

March saw the TEG Road Transport Index rise to 119.9, up 1 point month-on-month and 1.7 points year-on-year. A late Easter has delayed the usual seasonal spike, resulting in a market where demand is rising steadily but tempered by abundant supply.
Articulated availability surged 31% year-on-year in March, while demand rose 37%, echoing 2024 volumes.

Fuel prices eased slightly, but labour costs remain high, with nearly 36% of operators reporting increased wage pressures. Consumer confidence continues to improve, supported by milder weather and retail activity. Together, these signals suggest a compressed Easter peak and a spring period requiring agility from freight buyers.

Market

March Movement Hints at Spring Acceleration



The articulated segment led March's activity, with significant capacity in the market providing a rare opportunity for freight buyers to secure favourable rates before volumes spike.

Demand rose sharply month-on-month, nearly mirroring 2024 levels, but was met with equally strong supply. This balance kept the index in check — for now. The haulage index also climbed to 118.0, up 1.5% month-on-month and nearly 3 points above March 2024, suggesting structural cost pressures remain embedded. Courier activity, however, remained flat and down year-on-year, reflecting more cautious consumer spending.

As retailers and food distributors prepare for Easter and early summer, buyers are urged to act decisively, anticipate rate shifts and secure strategic capacity ahead of a likely April peak.

"Plenty of supply is holding rates in check - for now."

+31% YoY
RISE IN ARTICULTED CAPACITY

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Rates

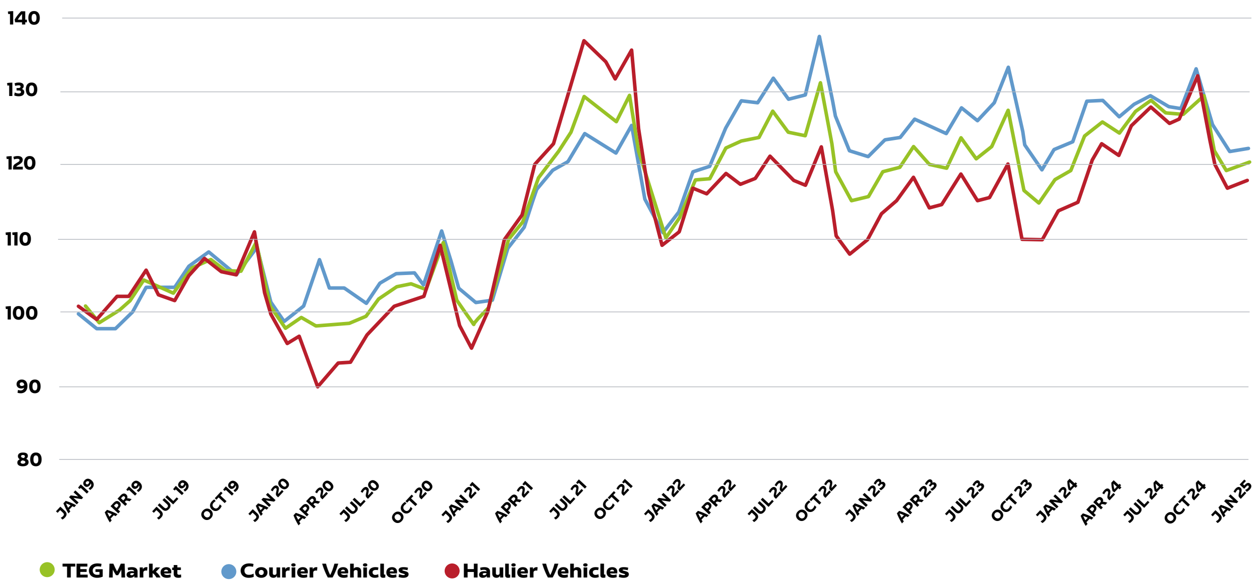
Cost Pressures Build as Index Rises Modestly

While March's overall index rise was modest, underlying trends point to an active spring ahead. The articulated market's strong capacity helped hold rates down temporarily, but early April could see a rapid upward swing as Easter and warmer weather boost volumes.

The haulage index, up 1.7 points from February, remains 2.8 points higher year-on-year, with staffing costs contributing to this upward pressure. In contrast, the courier index nudged up just 0.4 points month-on-month and is slightly down year-on-year, suggesting a stabilisation of pandemic-era pricing.

Lower diesel and petrol prices provided some short-term relief, but with minimum wage increases and ongoing recruitment challenges, cost inflation is likely to persist. For freight buyers, March offered a valuable planning window - but agility and flexible strategies will be key as the market shifts rapidly in the weeks ahead.

TEG Road Transport Index



+2.8 YoY
POINTS RISE IN HAULAGE INDEX

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Contract Logistics

Introduction

The UK's contract logistics sector enters Q2 with cautious optimism, buoyed by new government investment in infrastructure and skills. While operational costs and labour shortages remain pressure points, recent policy announcements signal longer-term support for modernising networks, strengthening workforce capabilities, and accelerating digital transformation across supply chain operations.

Situation

The UK government's Spring Statement 2025 announced a £625 million package to address logistics workforce shortages and upgrade infrastructure.

Measures include expanded apprenticeship schemes, Technical Excellence Colleges, and support for bespoke employer-led training. £4.8 billion has also been earmarked for the Strategic Road Network, with capital investment set to rise. While industry groups welcomed the commitments, criticism remains over unclear policy on electric vehicle classification and concerns over van taxation reforms.

The sector is now looking ahead to the June Spending Review, which is expected to define long-term policy support for green corridors, digitally connected warehousing, and sustainable logistics development.

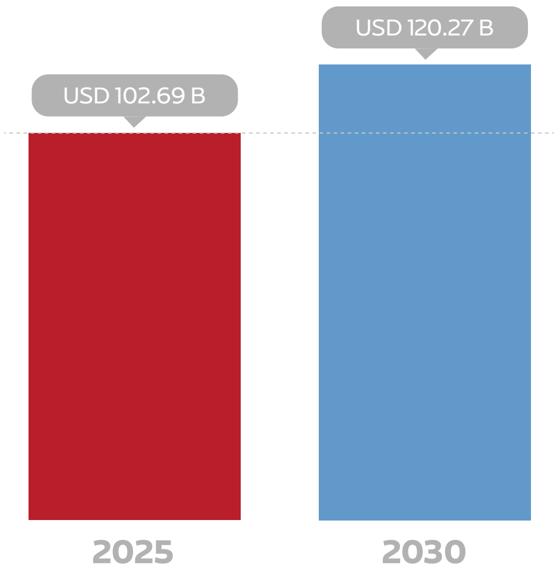
Market

Infrastructure Strategy Set to Reshape Logistics Dynamics

With a national infrastructure strategy due mid-year, logistics providers are preparing for a shift in market dynamics. The focus on digital transformation and workforce development aligns closely with contract logistics needs, particularly for last-mile, omnichannel, and value-added services.

Demand continues to grow in sectors such as retail and construction, and new capital allocations are likely to accelerate investment in automation, AI-driven inventory management, and connected transport hubs. However, regulatory clarity remains a priority - especially regarding vehicle emissions rules, tax classifications, and the fair treatment of electric fleets. Despite near-term headwinds, the foundations for sustained sector growth are being laid.

UK Contract Logistics Market



Market Size in USD Billion
CAGR 3.21%
Source: Mordor Intelligence

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Rates

Labour and Compliance Costs Pressure Margins

While facility costs remain elevated, the pace of increase is slowing. Real estate and operational investment remain robust, supported by forecasts of long-term demand and government-backed infrastructure funding. Labour costs, however, are likely to rise further as wage pressures mount and skills development accelerates. The withdrawal of the electric van VED exemption could also impact cost forecasts, particularly for last-mile operations. In response, some operators are beginning to adjust fleet strategies and explore partnerships with training providers to secure future capacity.

As the market awaits the June Infrastructure Strategy, users are encouraged to track policy signals closely and plan investment around emerging opportunities in green and digital logistics zones.

"Rising wage costs and regulatory uncertainty are shaping investment decisions."

£625m
GOV'T FUNDING FOR INFRA + SKILLS

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Warehouse

Introduction

The UK warehousing sector is showing steady resilience as investor interest, occupier demand, and rental growth all remain robust. While supply is recovering, a focus on high-spec assets and ESG-led operations continues to drive strong performance, particularly in Grade-A space. International capital remains a powerful force shaping the market's trajectory.

Situation

UK industrial and logistics assets continued to outperform the wider commercial real estate market in Q1 2025. Capital values rose by 0.4% in March, while rental values increased by 0.3%. Total returns reached 2.3% for the quarter.

Quality-led demand remains a defining feature, with Grade-A units accounting for a record 73% of 2024 take-up. Agents report that global volatility has not dampened investor appetite, particularly among North American funds.

A £4.4bn influx of overseas capital in 2024 - 55% higher than the previous year - underscores confidence in the UK market. With further investment expected in 2025, market sentiment remains bullish.

Market

Quality-Led Demand Drives Resilient Investment

"Occupiers are paying more for less – quality still commands a premium."

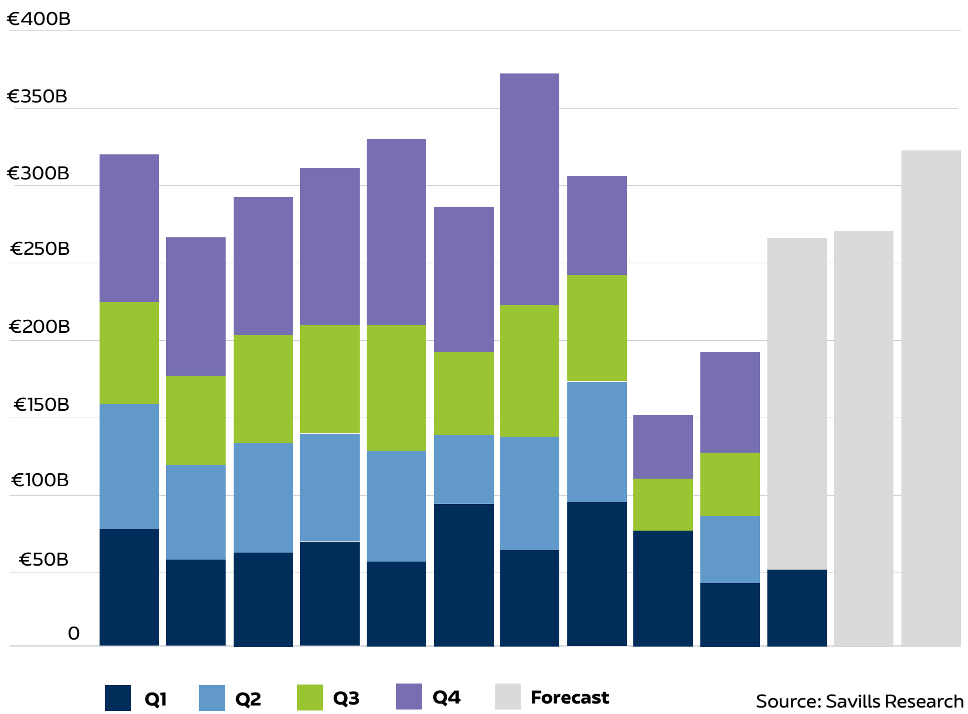
UK warehouse take-up is forecast to reach 40 million sq ft in 2025, in line with the pre-pandemic average. Occupiers continue to prioritise high-quality space, driving average prime rental growth of 4.6% in 2024 and a projected 4% uplift this year.

Strong leasing activity in the Midlands and a standout Q4 performance suggest sustained resilience. Meanwhile, cautious speculative development has helped moderate supply levels, with just 7.6 million sq ft expected to start construction this year - the lowest total in a decade.

Availability is forecast to reach 7.6% by year-end, edging toward equilibrium without oversaturating the market. With demand underpinned by ESG, automation, and network optimisation, high-spec space will remain the core focus in 2025.

+73%
2024 TAKE-UP IN GRADE-A SPACE

European Investment Forecast



Source: Savills Research

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Rates

Rents Steady as Investors Prioritise Long-Term Value

Rental values grew by 0.4% in March and are expected to maintain upward momentum throughout 2025, though growth will vary by region. With quality at a premium, occupiers continue to pay higher rents to secure space that supports energy efficiency, automation, and ESG compliance. Capital values rose 0.4% in March, contributing to a total Q1 return of 2.3% for the industrial sector.

While availability is gradually increasing, cautious speculative development will help balance supply.

As inflation stabilises and fuel prices ease, warehouse operators and tenants may see temporary cost relief - but structural upward pressure on occupancy costs is likely to persist.

The investment outlook remains strong, with overseas capital projected to account for 60% of deal volume this year, led again by North American buyers.

+0.4%
Q1
WAREHOUSE RENT GROWTH

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SOURCES
Baltic Air Freight Index | BDO | Care | Drewry's | Expert Market Research | FT | House of Commons Library | IRU | Logistics UK | Knight Frank
Mordor Intelligence | Reuters | Supply Market Insights | TAC Index | Trans.Info | Transport Intelligence | WorldACD