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Market Report

June 2025 | Europe

Market Report

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Executive Summary

Economic signals across Europe remain mixed. Inflation is easing in the Euro Area but remains stubborn in the UK. Consumer demand is soft, while trade flows are increasingly shaped by geopolitical tensions, tariffs, and capacity realignments.

Ocean freight is experiencing sharp volatility as transpacific bookings surge ahead of the August tariff deadline. Air cargo volumes are rising on Asia-Europe lanes, supported by eCommerce. European road freight is stabilising, but cost pressures persist.

Contract logistics and warehousing continue to expand, driven by automation, government investment, and shifting inventory strategies. Forwarders and shippers alike face a summer defined by disruption and strategic urgency.

Key Market Trends

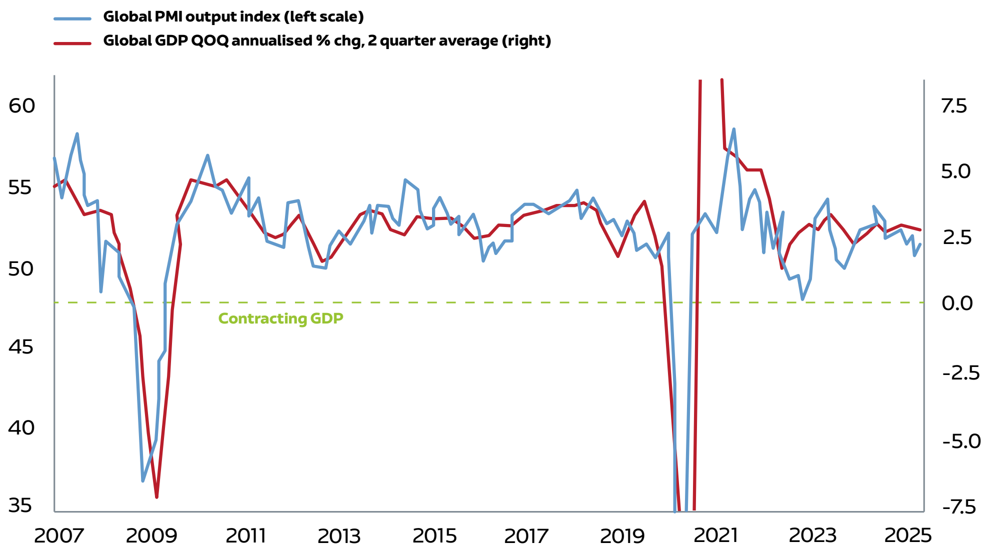
Ocean freight
US tariff pause triggers Asia-US booking surge; port congestion tightens capacity.

Air freight
Air cargo rebounds on eCommerce and tariff fears; China-Europe volumes surge.

Road freight
Road rates flatten amid subdued demand; diesel prices dip but wage pressures persist.

Contract logistics
Growth outlook strong; cost control and AI adoption now top strategic priorities.

Warehousing
Automation, D2C demand, and ESG boost space needs; rents inch higher.



Data compiled June 5 including PMI data to May 2025.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.

Market Summaries

OCEAN FREIGHT

Carriers are racing to reinstate transpacific sailings following a sudden booking surge triggered by the 90-day US-China tariff pause. With US-bound peak season shipping needing to conclude by mid-July, vessels are being diverted from Asia-Europe lanes, pushing capacity down 17%. European ports remain congested, and Red Sea diversions persist.

- US-bound spot rates spiking ahead of August tariff deadline
- Transpacific capacity reinstated at the expense of other trades
- Asia-Europe GRIs hold despite capacity cuts and weak demand
- EU ETS surcharges, port delays, and strikes inflate costs

AIR FREIGHT

Air freight volumes are climbing again, driven by China–Europe demand and front-loading of shipments to the US. eCommerce and seasonal flows remain strong, but uncertainty around US De Minimis reforms and tariff changes clouds the outlook. Carriers are planning summer capacity boosts, but tight supply persists out of Asia.

- Chargeable weight from China to Europe up 11% YoY
- Transpacific air cargo rebounds after sharp drop in April
- Load factors above 90% on key ex-Asia lanes
- Jet fuel costs fall 21% YoY, improving margins

OVERLAND

European road freight activity remains mixed. While April brought a seasonal demand spike, Q1 rates fell quarter-on-quarter. Courier pricing remains flat, but haulage costs rose sharply, reflecting demand strength and reduced articulated capacity. Diesel prices eased slightly, but inflationary labour costs persist.

- Haulage demand rose 33% in April; articulated demand up 45%
- TEG index rose 3.9 points to 123.8 in April
- Courier index growth weak; contract and spot rates fell in Q1
- Driver shortage remains severe: 426,000 vacancies across Europe

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Market Summaries

CONTRACT LOGISTICS

UK and European contract logistics is growing steadily. Demand for automation and value-added services is rising, with eCommerce, retail, and aftermarket logistics leading uptake. Government investment and digitalisation are accelerating momentum, but policy clarity remains essential.

- UK market expected to grow at 7.3% CAGR through 2030
- £625m pledged for infrastructure and workforce development
- Automation, robotics, and AI becoming core operational tools
- Labour and compliance costs continue to pressure margins

WAREHOUSING

UK warehousing continues to perform strongly, underpinned by robust demand and rising automation. Fulfilment centres are expanding rapidly to meet shifting eCommerce and retail requirements. Overseas capital remains active despite limited new development.

- Q1 2025 take-up up 16% quarter-on-quarter to 5.0 million sq ft
- Fulfilment warehouses now estimated at over 98,000 across the UK
- Rental and capital values rose 0.3–0.4% in March
- Automation and AI adoption driving long-term operational efficiency

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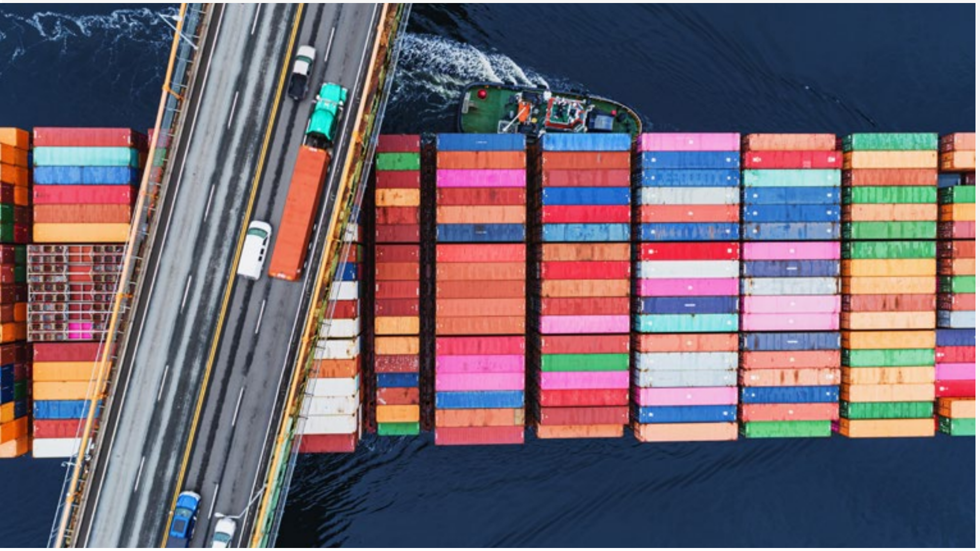
Ocean Freight

Introduction

Ocean freight markets are adjusting to tariff shifts, Red Sea disruptions, and shifting alliances. While schedule reliability improves, capacity swings between lanes are causing instability. A rush to ship US-bound cargo ahead of August tariffs is dominating short-term dynamics, while Europe remains pressured by port congestion and soft consumer demand.



Situation

Shipping lines continue to divert vessels via the Cape of Good Hope due to sustained attacks in the Red Sea. This re-routing absorbs capacity and complicates schedule management. European ports face growing congestion, with Antwerp, Hamburg, and Valencia seeing delays. The EU ETS is inflating costs through visible carbon surcharges, while the US threatens additional fees on Chinese-built ships. Meanwhile, labour actions in Northern Europe and the US East Coast are creating handling backlogs. New vessel deliveries help, but are often offset by longer routes or replacing older ships. Blank sailings are expected to rise through Q2 as carriers realign capacity and alliances fully deploy.

Market

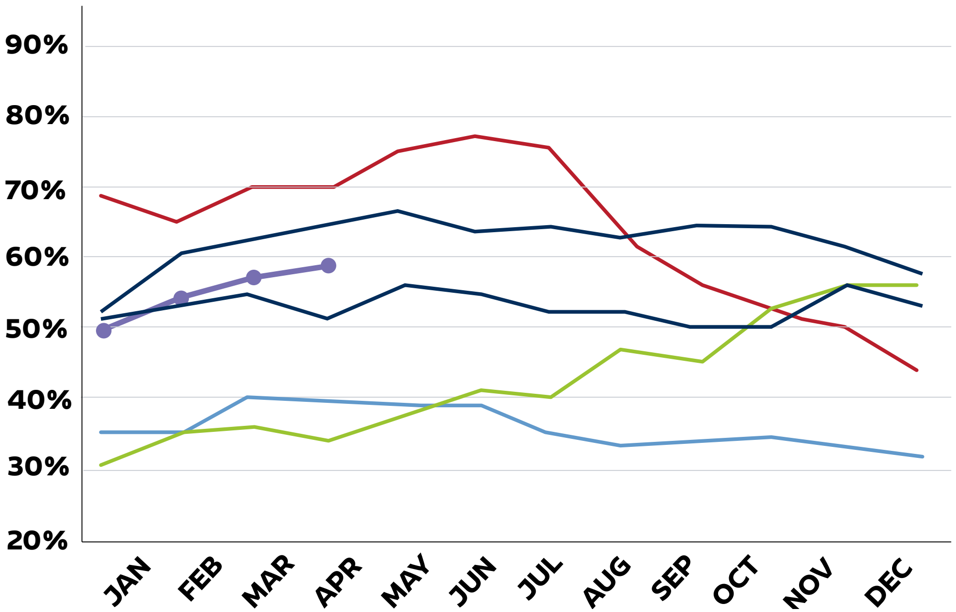
Transpacific demand soars as carriers pull back from Asia–Europe

A sudden reversal in US policy led to a booking rush on transpacific lanes, with shippers aiming to land goods before the August 14 deadline. Carriers who had withdrawn capacity after tariffs were announced are now reinstating sailings at speed, especially to the US East Coast.

However, the timing is tight, and with peak season volumes required to depart by mid-July, congestion and overbooking are likely. Carriers are redeploying vessels from other trades, cutting Asia-Europe capacity by 17% week-on-week from June 16. Southeast Asian exporters stand to benefit from diversions.

Meanwhile, discretionary EU demand remains soft, with pharma and reefer flows providing some stability. Alliance transitions continue, with Gemini achieving high schedule reliability, but full rollout isn't expected until July. Additional blank sailings are likely.

Global Schedule Reliability



-17% WoW
ASIA-EUROPE CAPACITY

+38%
IN 3 WKS SPOT RATES SHANGHAI–LA

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Rates

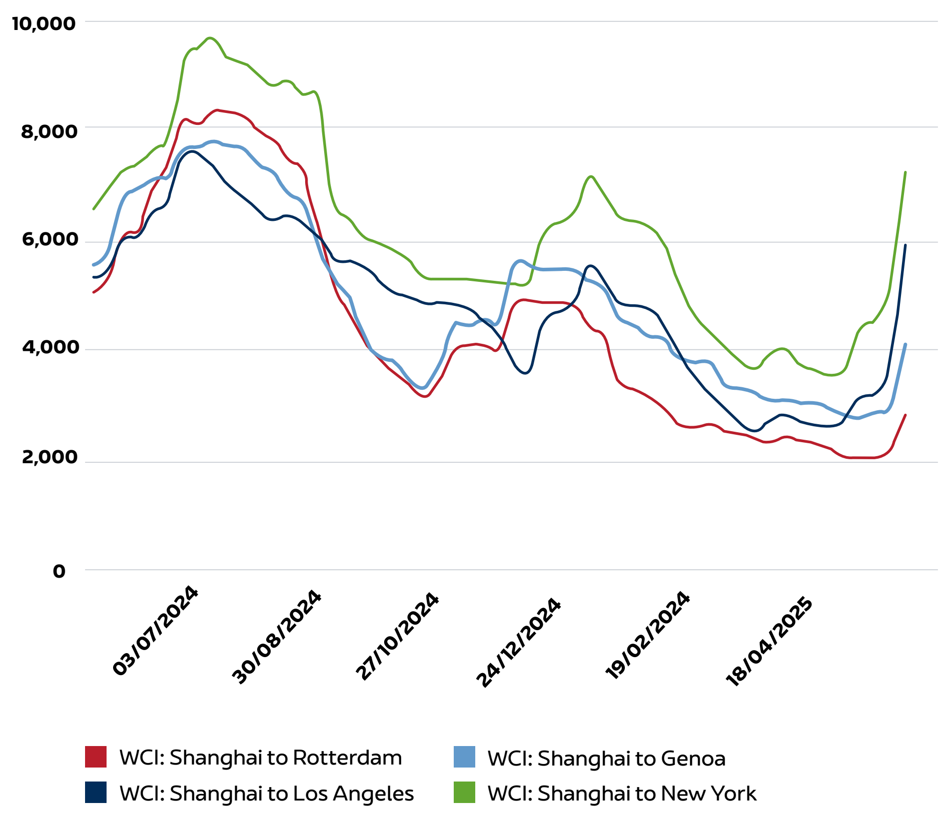
Tariff shockwave triggers rapid rate recovery on US lanes

"Spot rates to Europe also increased, with Shanghai to Rotterdam up 6% and Shanghai to Genoa up 3%."

Freight rates have surged in reaction to the transpacific squeeze. Drewry's WCI composite index rose 10% in late May. Shanghai–Los Angeles spot rates climbed 17% week-on-week, up 38% in three weeks. Shanghai–New York rose 14%, with carriers pushing premium services for guaranteed space.

Spot rates to Europe also increased, with Shanghai–Rotterdam up 6% and Shanghai–Genoa up 3%, supported by June GRIs and growing congestion. However, Drewry and Linerlytica expect downward pressure to return in H2 as the supply-demand balance weakens. Shippers are advised to review allocation strategies closely and lock in space early, especially for July.

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



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Air Freight

+11%
YoY
CHINA–EUROPE CHARGEABLE VOLUMES

Introduction

Global air freight is navigating sharp regional contrasts. Demand is up on Asia-Europe lanes thanks to eCommerce and fashion shipments, while transpacific routes show volatility driven by tariff shifts. Capacity remains tight, but carriers are adding summer services to meet seasonal demand.

Situation

Shippers are racing to move goods before tariff changes take hold in the US. Demand on China to US routes rebounded in late May after dropping 14% in April. Meanwhile, China–Europe volumes rose 11% year-on-year. Global air cargo demand grew 5.8% YoY in April, while capacity rose 6.3%.

Jet fuel prices are down 21% year-on-year, easing some cost pressures. Load factors remain high, especially on outbound Asia lanes, reflecting tight availability. IATA cautions that while April's surge was supported by seasonal trends and front-loading, underlying volatility remains.

Capacity lags behind demand growth and carriers are responding cautiously due to policy unpredictability. eCommerce flows are expected to continue supporting volumes through Q2.

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Market

Asia to Europe drives recovery as transpacific lanes stabilise

"Capacity increases are on the way, but slower than demand."

Strong demand from Asia Pacific to Europe continues to outpace other corridors, supported by seasonal retail and eCommerce. Load factors on these lanes surpassed 90% in late May, indicating severe pressure on space. After a steep two-week drop, China to US volumes recovered, with chargeable weight nearly back to 2024 levels by the end of May. Global growth is uneven, with Latin America and Asia Pacific leading YoY demand gains, while intra-European and Middle East to Europe routes contracted.

Capacity increases are on the way, but lag behind demand. Market participants remain cautious, with shippers seeking reliability amid the policy flux. Airlines are preparing summer schedules with added belly-hold capacity, which may ease constraints, though uncertainty still clouds H2 outlooks.

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		+3%	+6%		-4%	+1%		+1%	+6%
Asia Pacific		+3%	+3%		+5%	+7%		+5%	-2%
C & S America		-2%	-2%		-6%	+2%		-1%	-3%
Europe		+0%	+2%		-3%	+3%		+1%	+0%
M East & S Asia		+5%	+6%		+5%	+1%		-2%	-13%
North America		+1%	-2		-4%	-1%		+0%	-2%
Worldwide		**+2%**	**+1%**		**+1%**	**+4%**		**+4%**	**-2%**

Source WORLD ACD

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Rates

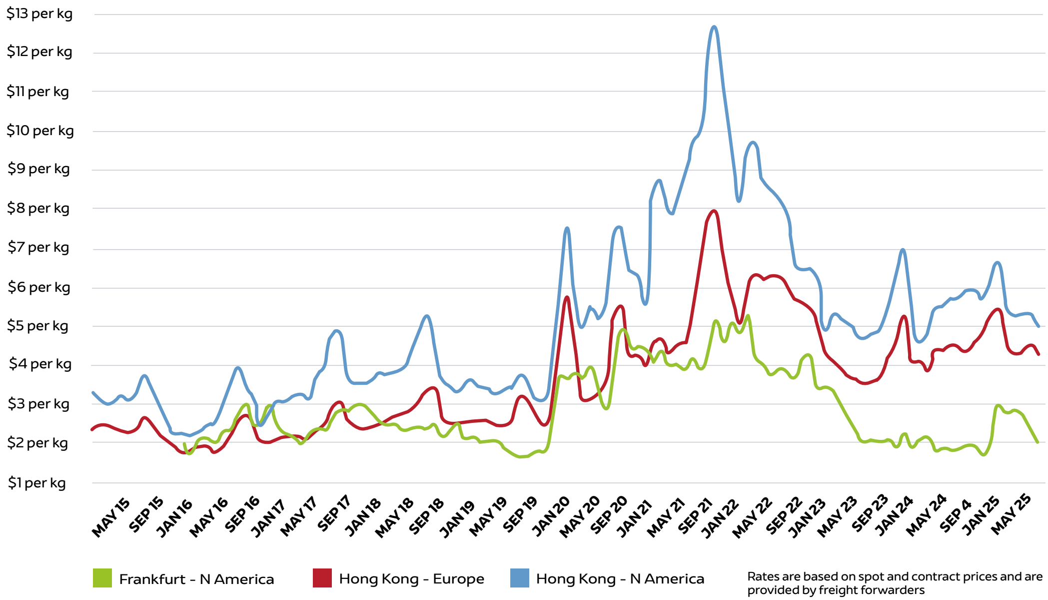
Tight space and tariff fears keep rates high

Air freight rates continue to reflect supply-demand tension, especially from Asia. Baltic Exchange figures show March global rates up 2% YoY, with Asia-Europe spot rates rising 13% and Asia to US by 11%. Mid-high transpacific rates jumped in May, with many shippers paying premiums to secure capacity, particularly on eastbound US lanes. Load factors above 80-90% give carriers pricing power, even as jet fuel costs decline.

De Minimis changes in the US are expected to disrupt low-value parcel flows, possibly pushing volumes to deferred services. Meanwhile, capacity increases from Asia are expected to ease rate pressure from late June. Until then, shippers reliant on spot bookings face high costs. Long-term contracts offer more stability in the short term.

-21% YoY
JET FUEL PRICES

Baltic Exchange Air Freight Index



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

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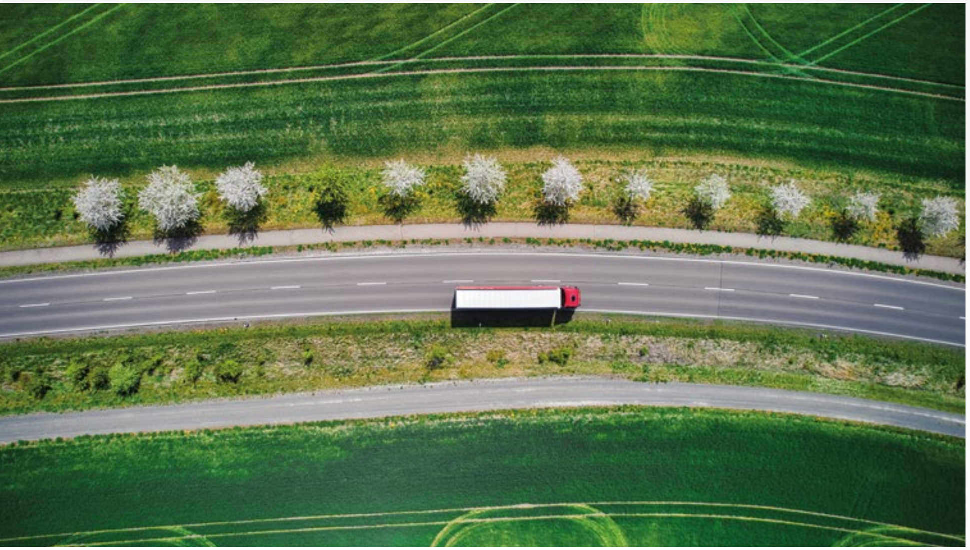
Overland

Introduction

The UK and European road freight market saw diverging trends in early 2025. While Q1 brought lower contract and spot rates, April delivered a notable seasonal spike. Haulage demand surged, particularly for articulated vehicles, though supply constraints and ongoing labour shortages continue to drive volatility in operational and pricing dynamics.



Situation

Q1 2025 saw declining rates across Europe, with the spot index falling 3.8 points and the contract index down 2.3 points quarter-on-quarter. Demand remained subdued amid weak consumer sentiment, though April brought relief. A late Easter, warmer weather, and stronger retail activity lifted haulage volumes, offsetting flat courier performance. Articulated demand surged 45% year-on-year, but articulated slack dropped 10.9%, tightening capacity.

Meanwhile, the cost base remains high. Diesel prices fell 2.17% month-on-month in April, while driver wages continue to rise; over 5% in Spain and Italy. A lack of new vehicle registrations also reflects hesitancy amid economic uncertainty.

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Market

April spike provides breathing room in flat Q1 market

After a lacklustre Q1, April brought a surge in road freight demand, driven by seasonal trends and a late Easter. Haulage volumes rose 33% year-on-year, with articulated vehicle demand leading. As a result, haulage prices climbed 5.7 points month-on-month. However, this uptick comes against a backdrop of muted Q1 performance, when both spot and contract indices declined due to low consumer spending and subdued industrial output.

European manufacturers are still grappling with trade uncertainty and shifting sourcing models, keeping demand lower than expected. While near-shoring initiatives and “Buy European” policies may offer medium-term gains, short-term sentiment remains cautious.

Many shippers are securing long-term contracts for base capacity while using the spot market for flexibility. This dual approach reflects wider concerns about inflation and fuel volatility, even as diesel prices eased in April. Ongoing labour and capacity constraints suggest rates could rise again if demand strengthens in late Q2.

“Ongoing labour and capacity constraints suggest rates could rise again if demand strengthens in late Q2.”

+45% YoY
ARTIC VEHICLE DEMAND

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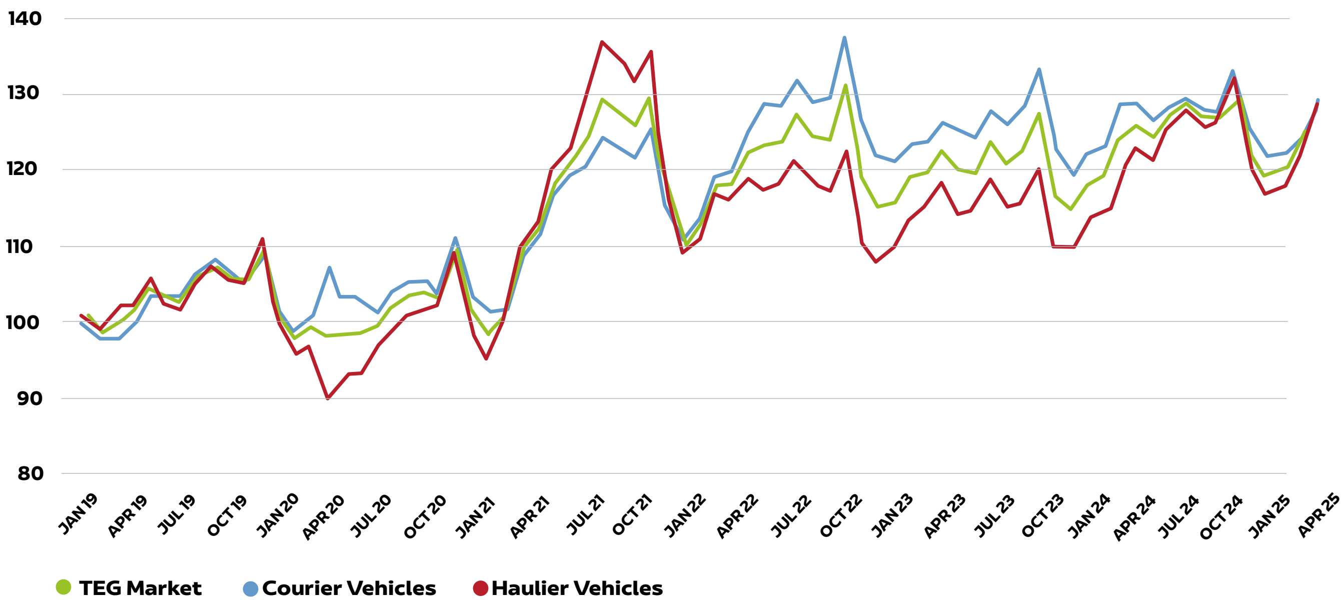
Rates

Haulage rates rise, but cost base remains volatile

April saw a clear rate rebound, led by haulage. The TEG Road Transport Price Index rose 3.9 points to 123.8, with articulated rates increasing 5.3 points. Courier pricing, by contrast, grew just 1.7%. Year-on-year, haulage prices are 7.9% higher, but quarterly benchmarks remain lower than Q4 2024.

The 33% rise in demand, combined with a 10.9% reduction in available articulated capacity, created a temporary rate surge. However, underlying cost inflation hasn't abated. Labour costs remain elevated: driver wages increased 5.1% in Spain and by more than €500/month in Italy. While falling diesel prices offer near-term relief, carriers face pressure from delayed SPPI data, growing regulation, and inflation-driven wage settlements. Forward-looking shippers are locking in capacity now, anticipating a tighter summer market.

TEG Road Transport Index



Introduction

Contract logistics is evolving beyond warehousing and transport into fully integrated supply chain support. Driven by automation, eCommerce growth, and rising customer expectations, the sector continues to expand across the UK and Europe. Strategic investment and digital transformation are now central to maintaining competitiveness and meeting growing service demands.

Situation

UK government investment is boosting confidence in the contract logistics sector. The Spring Statement announced £625 million to support workforce development and infrastructure, including new training programmes and Strategic Road Network upgrades.

The June Infrastructure Strategy is expected to define longer-term commitments to digital corridors, green logistics zones, and automation funding.

However, unresolved policy issues continue to weigh on operators. Uncertainty around electric vehicle taxation, emission regulations, and labour market pressures are constraining operational planning.

Labour costs remain elevated, particularly in last-mile services, while fleet modernisation is slowed by EV policy ambiguity. The sector awaits clearer direction to support long-term planning.

Market

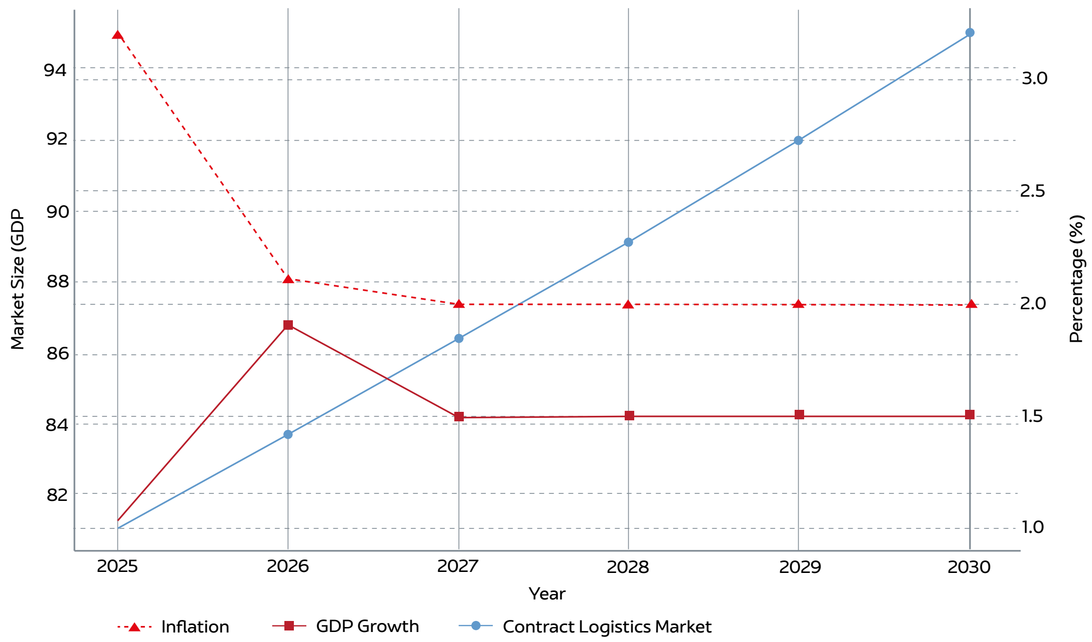
Digital demand and policy investment reshape contract logistics

Contract logistics is rapidly transforming in response to structural changes across retail, eCommerce, and aftermarket sectors. Demand is rising for flexible, tech-enabled services, from inventory visibility and AI-driven fulfilment to value-added support.

Automation and robotics are being adopted across mid-size fulfilment centres, not just by eCommerce giants. The UK market alone generated over £22 billion in 2024 and is expected to grow 7.3% annually through 2030. Investment is being driven by rising demand for scalable, sustainable operations and by the need for control and transparency in fragmented supply chains.

The UK government's recent infrastructure funding and workforce support are expected to accelerate this evolution. Germany is also seeing rapid growth, with logistics automation playing a key role. However, market expansion depends on regulatory clarity and continued investment. Early adopters of automation and AI will be best placed to support retail, fashion, and industrial clients in a competitive, demand-sensitive landscape.

UK Contract Logistics Market



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Rates

Rising wages and fleet costs challenge operational margins

Costs remain a major concern for logistics providers. While property and operational investment remains strong, labour and fleet costs continue to rise. Driver shortages persist, and minimum wage increases are squeezing margins.

The removal of the electric van Vehicle Excise Duty exemption adds pressure for last-mile operators, particularly those investing in green fleets. While automation offers long-term savings, upfront capital costs are high, particularly for mid-tier providers.

The lack of clear tax guidance on EV adoption further complicates planning. Warehouse rents are stabilising, but cost-per-order continues to rise due to demand for real-time tracking and accuracy. Providers are increasingly partnering with training institutions to build skilled workforces and mitigate attrition. With labour and sustainability linked to competitiveness, contract logistics firms must balance investment in technology with financial flexibility. Margins are tight, but strategic agility and early tech adoption will separate the leaders from the laggards.

"Driver shortages persist, and minimum wage increases are squeezing margins."

+7.3% CAGR
UK LOGISTICS GROWTH TO 2030

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Warehousing

Introduction

The UK warehousing market remains resilient, with demand for high-quality, tech-enabled space supporting sustained growth. Retail and eCommerce occupiers continue to drive leasing activity, while automation is rapidly reshaping operational models. Limited speculative development and rising costs are pushing occupiers toward efficiency-focused, future-ready facilities with long-term flexibility and resilience.

Situation

Q1 2025 saw 5.0 million sq ft of take-up, up 16% on the previous quarter. The South West led activity, while the East Midlands maintained its 12-month lead. Fulfilment centres now represent a significant share of demand, driven by direct-to-consumer (D2C) shifts and pressure on delivery times.

Rental and capital values increased by 0.3–0.4% in March. Despite robust demand, speculative development remains below long-term averages, holding availability in check. Investor interest is strong. 2024 saw a £4.4bn influx of overseas capital, mainly from North America. However, a pricing mis-match between buyers and sellers continues to limit deal flow in 2025.

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Market

Fulfilment and automation drive expansion despite limited supply

The UK now hosts more than 98,000 fulfilment warehouses, up 42% since 2021. This growth reflects continued eCommerce expansion and an accelerating shift towards automated, tech-driven distribution.

Robotics, AI-powered inventory management, and autonomous mobile robots (AMRs) are now commonplace, particularly in third-party logistics (3PL) and retail-led facilities.

Demand is strongest in Grade-A space, with 2024 take-up at 73%. Limited new supply and ESG pressures have sustained upward rental momentum, projected at 4% in 2025. With speculative development still muted, demand continues to outpace availability in key hubs.

Supermarkets, online retailers, and parcel operators are reactivating expansion plans previously paused due to cost volatility. Additionally, the looming removal of the UK's De Minimis exemption is encouraging some importers to hold stock locally, further supporting warehousing demand. This trend is likely to strengthen in H2, with growing interest in regional nodes to support resilience, sustainability, and last-mile delivery needs.

+16% QoQ
Q1 TAKE-UP = 5.0M SQ FT

"AI-powered inventory management, and autonomous mobile robots (AMRs) are now commonplace."

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Rates

Stable growth as quality drives rents and investment returns

Prime rents rose 0.4% in March and are forecast to grow 4% in 2025. Capital values also increased, contributing to Q1 total returns of 2.3% for industrial assets. Grade-A demand continues to command a premium, especially where automation and ESG credentials are strong.

Availability is projected to reach 7.6% by year-end, approaching market equilibrium, though regional disparities remain. London and Midlands markets remain tightest.

Cautious development is helping sustain rent levels while supporting investor confidence. Fulfilment-related rents are particularly buoyant, driven by eCommerce and supermarket demand.

Cost relief may emerge from easing energy and fuel prices, but structural pressure on occupancy costs will persist. North American capital continues to drive investment activity, expected to account for 60% of 2025 deal volume. With rising demand for future-ready facilities, rental premiums will likely concentrate in highly specified, sustainable warehouse assets offering automation and flexible last-mile potential.

+0.4%
MoM
PRIME RENTS

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