STRATEGIC SECTOR SIGNALS

OPPORTUNITIES FOR INDUSTRIAL REAL ESTATE IN EUROPE

CONTENTS

INTRODUCTION

OVER THE PAST SEVERAL YEARS, THE WORLD HAS BEEN ROCKED BY MAJOR GEOPOLITICAL AND ECONOMIC SHIFTS. AND EUROPEAN BUSINESSES, INDUSTRIES AND GOVERNMENTS HAVE BEEN RESPONDING.

In Europe, a drive for greater self-sufficiency and sustainability alongside a need for more defensive capabilities has meant focused government interventions: overarching strategies, legislation and targets that act as catalysts for both business and public investment. But there are factors outside governmental sphere of influence which could threaten this growth story.

For industrial real estate, the implications are clear: demand for specialist industrial and logistics assets is set to accelerate, especially in established clusters and strategic hubs. Extensions, conversions, and new builds are all in play, but don't expect a one-size-fits-all approach. Security, compliance, and operational resilience are now boardroom issues, not just technical details.

Understanding what, how and where businesses in strategic sectors need production and logistics space can help unlock opportunities for both occupiers and investors. Those who understand the nuances—location, sector, regulatory risk, and tenant profile—will be best placed to capture value.

This report cuts through the noise. We highlight the trends, the risks, and the opportunities—so you can make informed decisions in a rapidly evolving market where learning how to read the signals will help you unlock the opportunities from strategic sectors.

EXECUTIVE SUMMARY

DEFENCE

- Since the Russian invasion of Ukraine, European defence and security spending has surged. In 2025, all NATO members are expected to meet or exceed the 2% GDP defence spending target, with new goals set for 3.5% (core defence) and 5% (including security-related areas) by 2035.
- In the EU, the “Readiness 2030” strategy aims to strengthen the EU’s defence industrial base, replenish stocks, and incentivise joint procurement and drive investment in domestic manufacturing capacity. In the UK, the Strategic Defence Review raises defence expenditure targets, prioritises UK-based acquisitions, and supports innovation with the forthcoming Defence Sector Plan set to further drive the sector’s growth.
- The property implications will be increased demand for manufacturing and logistics space, with a solutions coming from a mix of extensions to existing facilities, repurposing of existing buildings, and new builds. Locationally, investment will be focused on existing defence manufacturing clusters in major manufacturing heartland as well as growing in Central and Eastern Europe.

CLEAN ENERGY TECHNOLOGY

- Major sustainability goals and greater energy security ambitions means that both the EU and the UK are committed to more need for clean energy technologies, such as solar, wind and nuclear fission. Public policy for both has not only set out targets for the transition of energy generation but also seek to bolster domestic manufacturing capacities and capabilities to achieve them.
- In the EU, the Net-Zero Industry Act drives growth in European manufacturing of net-zero technologies whereas in the UK, the Clean Energy Sector Plan sets out the government’s plans to prioritise support for clean energy manufacturers.
- Focusing on key sub-sectors highlights significant differences in commercial realities between market segments of clean energy equipment production. Solar PV manufacturing in Europe faces cost and competitiveness issues. Wind power manufacturing is strong but needs to scale up to meet EU targets. Small modular reactors are expected to ramp up in both design and production as deployment is expected to crystallise in the next decade.
- The property implications will be that elements of production will need bespoke, specialist buildings which are likely to be owner-occupied, whilst other elements can be housed within more conventional spaces on both owned and leased bases. Locational choice for clean energy technologies is driven by proximity to transport links, access to skilled labour, and the benefits of clustering within established manufacturing hubs.

CRITICAL MATERIALS

- Global demand for strategic materials critical for the production of key technologies is expected increase dramatically over the near term. However, the supply of these critical materials is highly concentrated, leading to risks of supply chain interruption.
- Both the EU and the UK recognise the importance of bolstering domestic and regional supply capacities: in the EU, the Critical Raw Materials Act sets targets for domestic extraction, processing, and recycling and sets out steps to help the sector to grow. In the UK, a new Critical Minerals Strategy is forthcoming, aiming to secure long-term supply and optimise domestic production.
- The property implications will be that whilst mining and refining facilities will typically be owner-occupied, recycling facilities may be leased and use more conventional spaces. They are likely to be located near manufacturing plants which need the materials being recovered as well as with access to transport links, particularly for inbound movement of product to be recycled.

LIFE SCIENCES

- Both the EU and the UK are aiming to be amongst the most attractive places for life sciences businesses to operate. Strategies and forthcoming legislation offer many supportive mechanisms for businesses, particularly in R&D but also in manufacturing.
- However, the spectre of higher tariffs in the strategically important market of the US may impact European pharmaceutical exports, potentially shifting investment towards the US. However, businesses will not choose to shift manufacturing lightly as relocate pharmaceuticals production lines is expensive and time-consuming.
- The property implications will be that whilst some production spaces will be highly bespoke and likely to be owner-occupied, some manufacturing will be contracted on longer leasehold basis. Logistics facilities are more likely to be leased by 3PLs to match logistics services contracts. Locationally, production will be concentrated in major life sciences manufacturing clusters whereas logistics will be close to manufacturing facilities and at key ports and airports.

IMPLICATIONS FOR LOGISTICS & INDUSTRIAL REAL ESTATE

OCCUPIERS

- Plan growth carefully to avoid operational disruption.
- Partner with landlords and developers for asset enhancement.
- Create narratives for alternative uses when releasing assets to help improve the chances of divesting of the assets

LANDLORDS, DEVELOPERS & INVESTORS

- Stay connected to tenants in strategic sector to be able to deliver what they need from their real estate
- Secure land positions in key locations – development opportunities across the spectrum
- Consider opportunities for existing assets – assets that in the near past required major refurbishment or even redevelopment may now be more attractive to manufacturers looking to ramp up operations
- Leverage your position to help occupiers achieve their ambitions through leasehold opportunities
- Review investment policies, especially regarding defence sector limitations, to ensure capital deployment in these areas is permitted.

DEFENCE

WHAT HAS HAPPENED?

Following the invasion of Ukraine by Russia in February 2022, Europe's focus on its defence and security capabilities has massively sharpened. This has become even more focused following new spending commitments by NATO members.

NATO

THE NORTH ATLANTIC TREATY ORGANIZATION (NATO) SETS A TARGET FOR DEFENCE SPENDING FOR ITS 32 MEMBERS AS 2% OF NATIONAL GDP.

Following a significant uplift in commitments since the invasion of Ukraine, **in 2025 and for the first time, all NATO member states are expectedto meet or exceed the 2% target.**

In addition, at the June 2025 NATO summit in The Hague, leaders agreed that by 2035, member states should allocate at least 3.5% of GDP to core defence spending, relating to personnel, equipment, operations, and maintenance. A broader agreement was also reached to invest 5% of GDP annually by 2035, combining **3.5% for core defence and an extra 1.5% for security-related areas** like infrastructure, cyber resilience, logistics, and innovation.

One of the highest profile commitments has come from **Germany** which in March 2025 announced significant fiscal reform that removes controls which had limited defence and security spending to a maximum of 1% of GDP.

Whilst figures have yet to be confirmed in the federal budget, the German government had put forward proposals to boost defence spending by more than two-thirds by 2029 to reach EUR 162 billion in 2029.

Poland has also made large increases to its defence spending in recent years: as a proportion of GDP, Poland's spending is the highest of the NATO members. Poland's investment in its military and security capabilities is positioning the country as an increasingly **important defensive hub in Europe.**

In addition, members have also committed military forces to the defensive capabilities of the Alliance. For example, NATO has eight multinational, combat-ready battlegroups comprising almost 10,000 troops in Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. Some nations also have **stockpiles of NATO equipment** and bases and headquarters are positioned in key locations across the region, acting as coordinating command operations.

NATO SPENDING TARGETS AND ESTIMATED ACTUAL SPEND FOR EUROPEAN NATO COUNTRIES:

2%

$456B

2024 ESTIMATE

3.5%

$1,152B

TARGET BY 2035

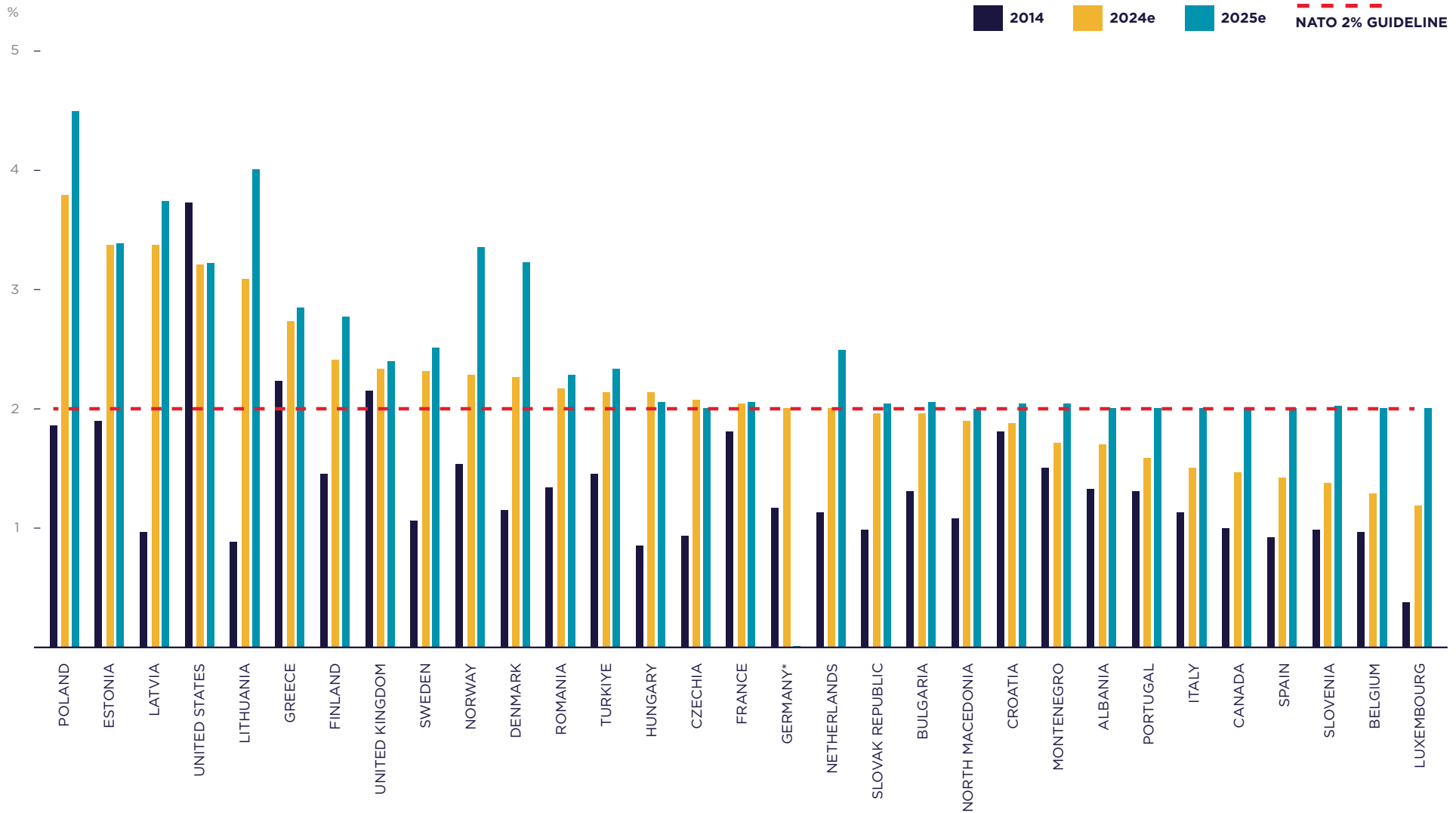
5%

$1,647B

EXTENDED TARGET BY 2035

Source: SIPRI, NATO, Cushman & Wakefield Research calculations

DEFENCE EXPENDITURE AS A SHARE OF GDP
(BASED ON 2021 PRICES AND EXCHANGE RATES)



*Source: NATO*Germany has made a political commitment to spend at least 2% of GDP in defence but will only be able to provide figreus when the national budge for 2025 has been approved by the German parliament*

EUROPEAN UNION

IN MARCH 2025, THE EUROPEAN COMMISSION LAUNCHED THE "**READINESS 2030**" STRATEGIC DEFENCE INITIATIVE (FORMERLY KNOWN AS "REARM EUROPE"), ITS STRATEGIC FRAMEWORK FOR STRENGTHENING THE EU'S COLLECTIVE DEFENCE AND MILITARY CAPABILITIES, INCLUDING BUILDING "A **STRONGER AND MORE RESILIENT DEFENCE INDUSTRIAL BASE**" FOR "FASTER AND MORE EFFICIENT PROCUREMENT".

In the short term, the initiative spells out the need to **urgently replenish stocks of ammunition, weapons and military equipment** as well as maintaining and enhancing military support to Ukraine. In the medium to longer term, it **identifies gaps in critical capabilities and proposes pooling efforts to address these gaps** including through "Defence Project of Common European Interest" which would benefit from EU incentives.

Around EUR 800 billion for additional defence spending is expected to be mobilised under Readiness 2030 including:

EUR 150 billion under the **Security and Action for Europe (SAFE)** instrument, a joint procurement fund which will be available to EU member states plus strategic partners (which includes the UK, Norway and Switzerland).

EUR 650 billion through the activation of the National Escape Clause under the Stability and Growth Pact which would allow member states to **increase spending on defence** by 1.5% of GDP. To early July 2025, 16 member states – including Germany and Poland – have chosen to activate the Escape Clause. These increases also form part of the commitment to the new NATO targets.

In addition, European Investment Bank lending rules have been relaxed to allow greater financing support for defence industries.

Previous instruments which Readiness 2030 will replace have also boosted investment in R&D and manufacturing capabilities including:

EUROPEAN DEFENCE INDUSTRY PROGRAMME (EDIP)

(part of the European Defence Industrial Strategy (EDIS)): adopted in March 2024, EDIP sets out to **"strengthen the competitiveness and responsiveness of the European Defence Technological and Industrial Base to ensure the timely availability and supply of defence products"**. Including in the EDIP is funding of up to EUR 1.5 billion between 2025-2027 to incentivise common procurement and cooperation as well as grants to boost production capacities and support commercialisation of defence products. Also, the EU with Member States plans to support the creation of "strategic stockpiles and defence industrial readiness pools", coordinating reserves of defence products, components and related raw materials.

ACT IN SUPPORT OF AMMUNITION PRODUCTION (ASAP)

Adopted in July 2023, ASAP is a short-term legislative instrument aimed at urgently **boosting ammunition and missile production** across the EU, particularly to support Ukraine's high demand for ammunition. Funding of EUR 500 million was allocated to 31 projects across 15 Member States to boost production capabilities.

Alongside the support given by the EU, many individual Member States have also implemented national government support for the defence industry.

THE UK

IN JUNE 2025, WITH THE AMBITION OF STRENGTHENING NATIONAL AND EUROPEAN SECURITY AND DEFENSIVE CAPABILITIES, THE UK GOVERNMENT RELEASED ITS **STRATEGIC DEFENCE REVIEW** (SDR) WHICH INCLUDES:

Raising defence expenditure from c2.3% to 2.5% of GDP by 2027 and aiming for 3% by the next parliamentary term (albeit contingent on fiscal conditions). The total cost of implementing the SDR's recommendations is estimated at c. GBP 68 billion through to the late 2030s. A **Defence Investment Plan** will follow the government's comprehensive spending review in October 2025, which will translate the SDR into a set of specific investment decisions in individual capabilities and projects.

Already signalled ahead of the Defence Investment Plan are investment over the next four years in **nuclear warheads (GBP 15 billion), autonomous defence systems** (GBP4 billion) and **munitions** (GBP 6 million) including at least **six new energetics and munitions factories** in the UK.

Development of a "thriving, resilient innovation and industrial base" through its forthcoming **Defence Sector Plan** as part of the wider Industrial Strategy. This will include an overhaul of acquisition processes to support defence business development, **prioritising UK-based businesses for acquisitions.**

It will also include strategies provide solutions to the challenge of small-scale production at a national level for individual countries by **"offering economies of scale and mass"** and position itself as a major exporter of defence technology.

It also flags that **developing regional clusters for specific technologies** will form part of the strategy.

Whilst awaiting the Defence Sector Plan, the UK government has created a new **UK Defence Innovation (UKDI)** body to **support innovation and growth of defence technologies** with an annual fund of GBP 400 million and access to specific Defence Innovation Loans through government body Innovate UK.

WHAT DOES THIS MEAN?

THESE PLEDGES IN UPLIFT IN DEFENCE SPENDING MEAN THAT **DEMAND FOR EQUIPMENT WILL SIGNIFICANTLY INCREASE.**

NATO sets a guideline of at least 20% of total defence spending should go to major equipment but in Europe, levels are currently at c.30%. Based on SIPRI estimates, if every European countries meets the new NATO target of 3.5% of GDP by 2035, this would total an additional USD 697 billion in 2035 alone, 20% of which is **USD 139 billion to be spent on equipment.**

This massive increase in defence spending is being directed to **boost domestic production** so as to ensure ongoing, secure supply of required materials. Under EDIS and confirmed under Readiness 2030, the EU sets **targets for Member States' procurement of goods made in the EU as:**

AT LEAST 50%

OF THEIR DEFENCE INVESTMENTS BY 2030.

AT LEAST 60%

THEIR DEFENCE INVESTMENTS BY 2035.

Currently, levels sit well below these targets: during the period from Russia's invasion of Ukraine in February 2022 to June 2023, the EC estimates that 78% of the defence acquisitions by EU Member States were made from outside the EU, US alone representing 63% of this share. In the UK, there is currently no specific publicly stated target for the proportion of defence procurement that must be from UK businesses.

EU PROCUREMENT OF EU-PRODUCED DEFENCE GOODS

22%

ACTUAL
(FEB 2022-JUNE 23 AVERAGE)

Source: European Commission European Defence Industrial Strategy

As well as bolstering demand for more defence products and requiring supply must come from domestic or regional producers, these government interventions will further boost demand for manufacturing space by helping to **derisk investment in investing in more industrial facilities** including:

FINANCIAL INCENTIVES

including in grants, favourable loans and other funding support have been announced to support the defence sector scale-up and stimulate private investment

ACTIVE COORDINATION FOR LARGER-SCALE ORDERING

that is, pooling ordering for a number of countries rather than smaller orders from individual countries – which will mean that defence manufacturers and suppliers can **invest in new facilities with confidence** that there will be orders for the increased production capacity they are creating

FAST-TRACK PLANNING, LICENSING AND PERMITTING FOR STRATEGIC PROJECTS

including those given **Defence Projects of Common European Interest** status, giving them priority in national and EU permitting procedures and obliging authorities to process applications faster and coordinate across levels of government.

WHAT DOES IT MEAN TO LOCATIONS?

LOCATIONAL CHOICE FOR DEFENCE MANUFACTURERS TENDS TO BE BASED ON A NUMBER OF FACTORS LARGELY UNRELATED TO COST OF OPERATIONS, INCLUDING:

Proximity to government and military locations, such as army and naval bases

Access to appropriate **labour**, especially skilled staff

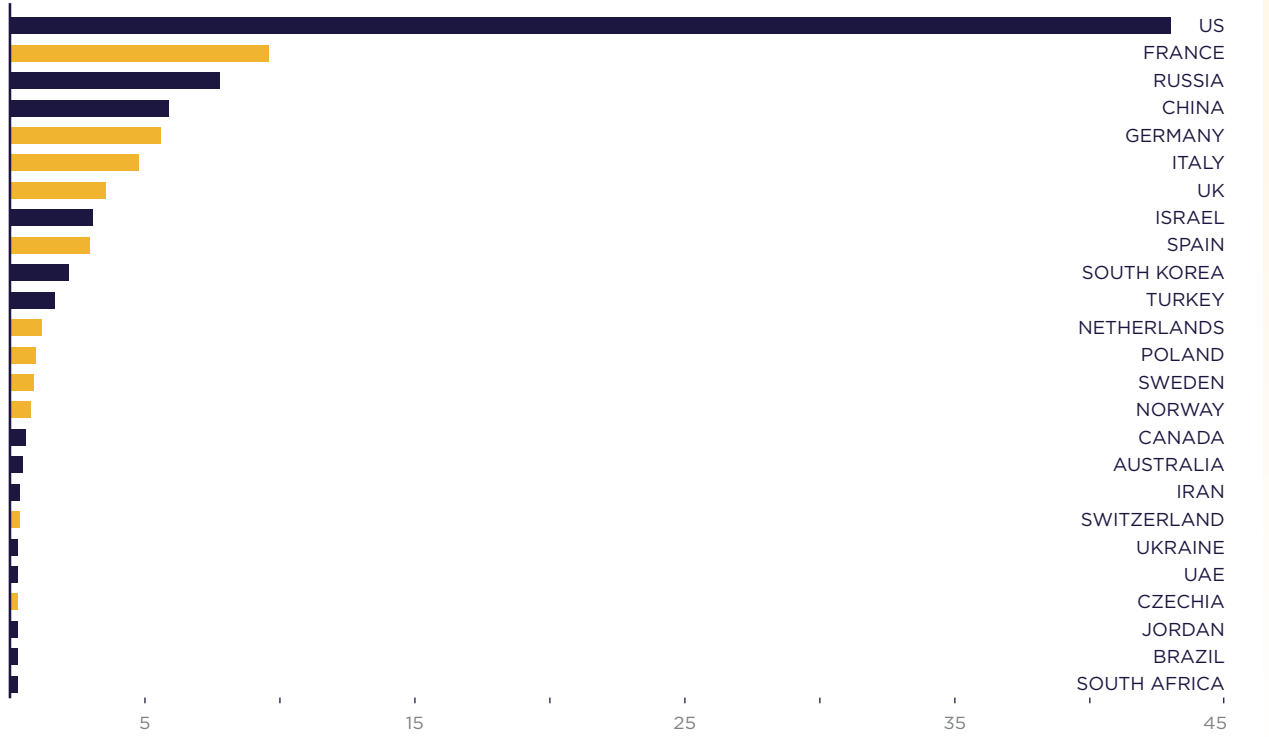
Location within **areas of specialisation**, such as armoured vehicles in Germany, helicopters in Italy and aircraft in France

Production in Europe has been focused around clusters in **France, the UK, Germany, Italy, Spain and Sweden.** Other countries such as Belgium, the Netherlands and Norway also have production capabilities in specific segments or components.

Investment in **Central and Eastern Europe and Finland** has also expanded in recent years, since Russian invasion of Ukraine, with governments committing to significant uplift in defence spending notably in Poland, Romania, Czechia and Hungary.

In addition, CEE countries are investing in infrastructure to position themselves as important locations and corridors for movement of people and equipment in the defence of Europe to the east. The location of NATO's battlegroups in eight countries and the proximity to Ukraine and Russia means that countries - particularly Poland and Romania – are positioning themselves as **major hubs along the eastern border of the EU.**

SHARE OF GLOBAL ARMS EXPORTS, 2020 - 2024 (%)



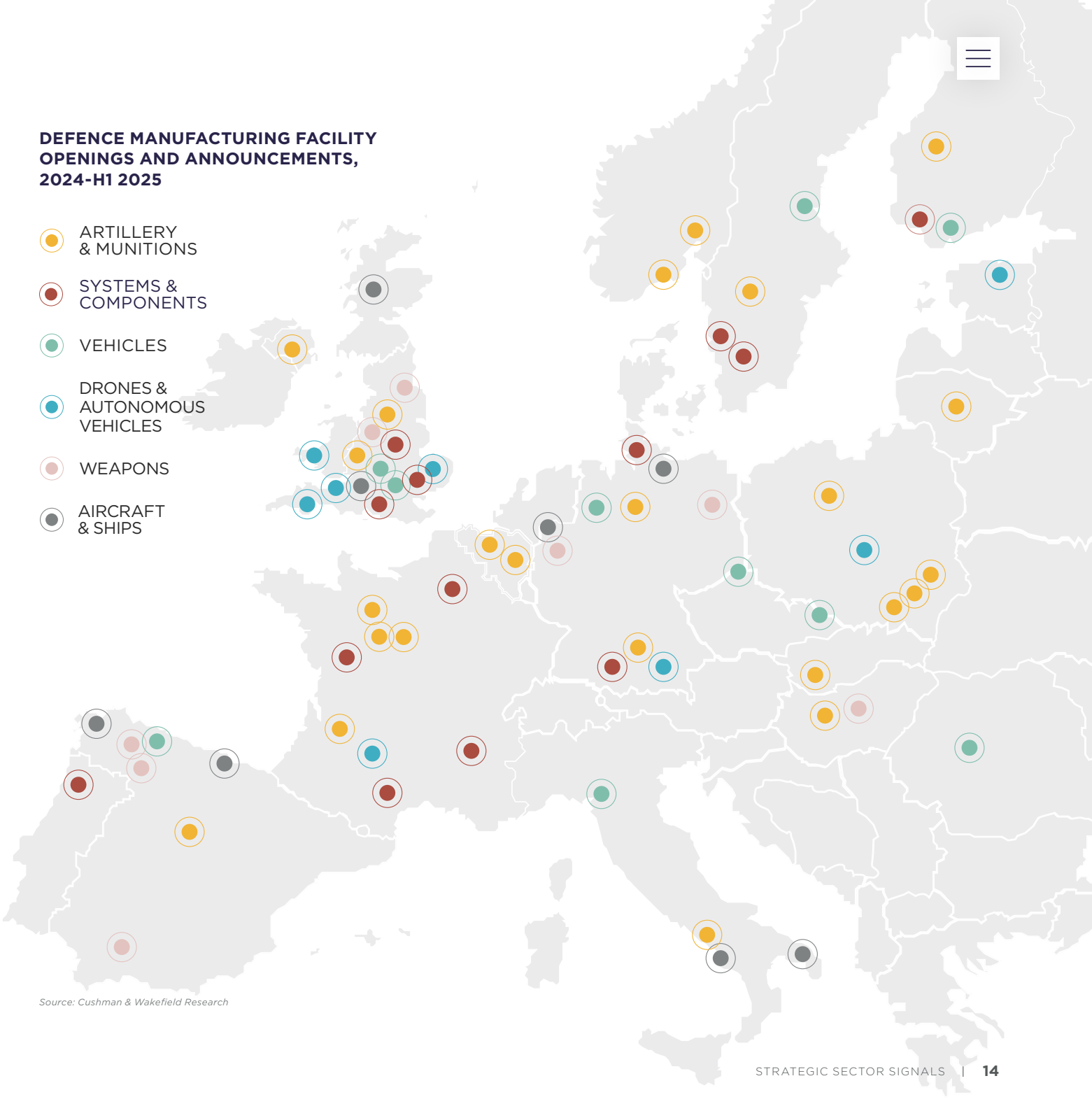
Source: SIPRI

Many recent investments have been in **established locations** where there are already existing capabilities. This is partly due to primary manufacturers or their suppliers growing their production capacity or due to the presence of the wider defence supply chain which makes sourcing talent and inputs easier.

Start-ups in defence production – notably in drones and other autonomous vehicles –also tend to locate in areas of established defence or tech clusters and when expanding, choose to enter markets where there are other defence related industries.

Countries along EU's eastern border have seen more activity in manufacturing investment, particularly in ammunition, artillery and munitions manufacturing and armoured vehicles.

DEFENCE MANUFACTURING FACILITY OPENINGS AND ANNOUNCEMENTS, 2024-H1 2025



Source: Cushman & Wakefield Research

WHAT DOES IT MEAN TO PROPERTY?

THE **TYPE OF SPACE REQUIRED** BY MANUFACTURERS VARIES ACCORDING TO THE TYPE OF PRODUCT THEY ARE MAKING:

Whilst some require relatively standard industrial real estate assets, others will need more specialised, bespoke buildings or even unconventional space such as shipyards and testing grounds.

Investment in **manufacturing facilities** will be achieved in several ways including:

EXTENSIONS TO EXISTING FACILITIES

Expanding established production facilities is an attractive option for manufacturers where they have already invested heavily in existing production space. However, this will depend on there being land availability for extensions.

REPURPOSING OF EXISTING BUILDINGS

Defence companies are also looking to industrial sites, especially those **previously used for automotive and machinery production,** to be repurposed for defence-related manufacturing. These sites, where available, could represent an attractive opportunity for manufacturers to scale up quickly albeit may present challenges, especially if high-quality space is required

NEW BUILDINGS

New facilities will be required where there is a shortage of space or where high quality is required, especially for production of high-tech products such as Intelligence, Surveillance, and Reconnaissance (ISR) systems

BASED ON ANALYSIS OF RECENT ANNOUNCEMENTS AND OPENINGS BY DEFENCE MANUFACTURERS ACROSS EUROPE:

54%

OF NEW MANUFACTURING FACILITIES WERE CREATED AS EXTENSIONS OR EXPANSIONS OF EXISTING FACILITIES

16%

WERE CREATED BY CONVERTING OR RE-USING EXISTING BUILDINGS

26%

WERE NEWLY BUILT FACILITIES, MANY OF WHICH ARE FOR ARTILLERY AND MUNITIONS PRODUCTION

Logistics facilities for manufacturers are typically **co-located with production sites** but some **additional facilities are likely to be required on major transport routes including at ports** where product is being moved between European countries or abroad. In the short term, and until European production capacity ramps up to meet demand, sourcing of defence equipment will still come from countries such as the US, South Korea, Brazil, Israel and China. This will require logistics space to accommodate this movement of product into Europe. As European capacity grows over the longer term, logistics space will be required to move goods especially through major ports.

Both the EU and the UK have announced the need for **centralised munitions depots** and other logistics hubs will also established for the **marshalling of equipment.** These are likely to be **located close to military bases,** particularly those with strategic importance for NATO or for individual countries from which any deployment would be expected if needed, especially those along the eastern flank of Europe.

All defence spaces will require **enhanced security** – such as higher fences, advanced access and on-site surveillance systems – and **safety** – such as blast resistant building. They will also be subject to **greater scrutiny** by public and regulatory authorities, including ensuring spaces are compliant and also assessing any wider risks such as adjacent occupiers. This will add cost and time to building and leasing or selling spaces.

IN TERMS OF **OWNERSHIP AND LEASING** COMMITMENTS:

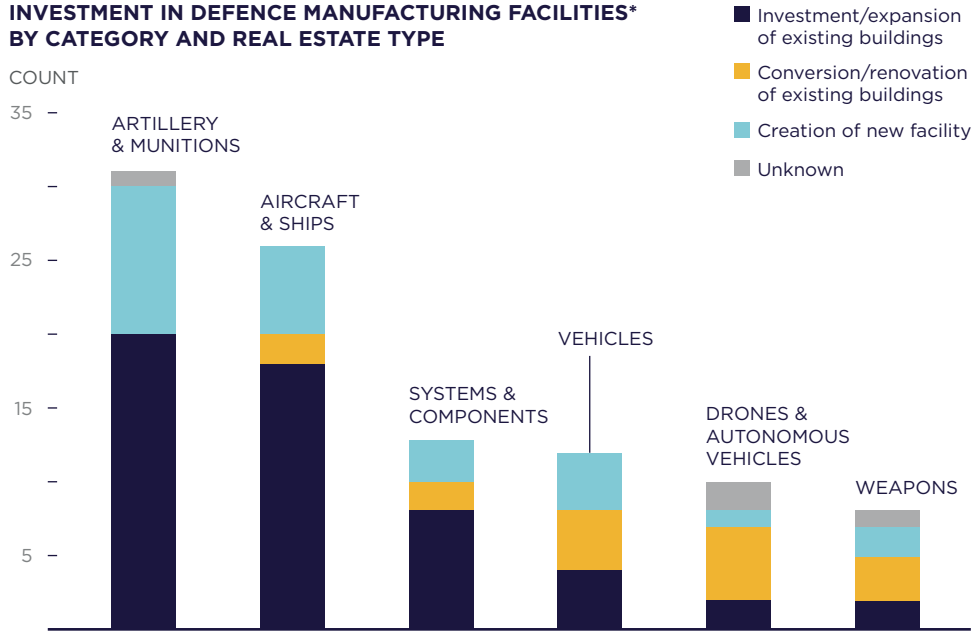
PRODUCTION

Manufacturing space is likely to be taken as a **combination of owner-occupied and leased space** according to the existing facilities, the type of production and the maturity of the business – start-ups or rapidly growing businesses may well choose to lease rather than acquire given their potential growth in this environment of surging demand.

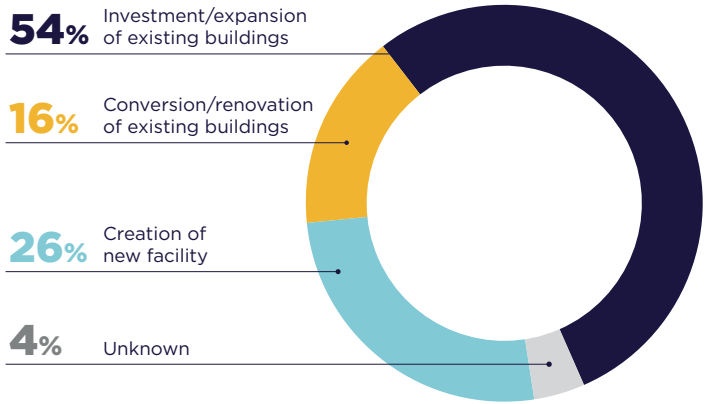
LOGISTICS

Logistics space is more likely to be **leased by 3PLs or manufacturers** when moving goods around Europe and beyond, especially on major transport corridors and at major ports. However, where logistics is co-located with manufacturing plants, it may be more appropriate to own. When considering military logistics for individual countries and NATO, governments will necessarily own their logistics hubs for both strategic and security reasons.

INVESTMENT IN DEFENCE MANUFACTURING FACILITIES* BY CATEGORY AND REAL ESTATE TYPE

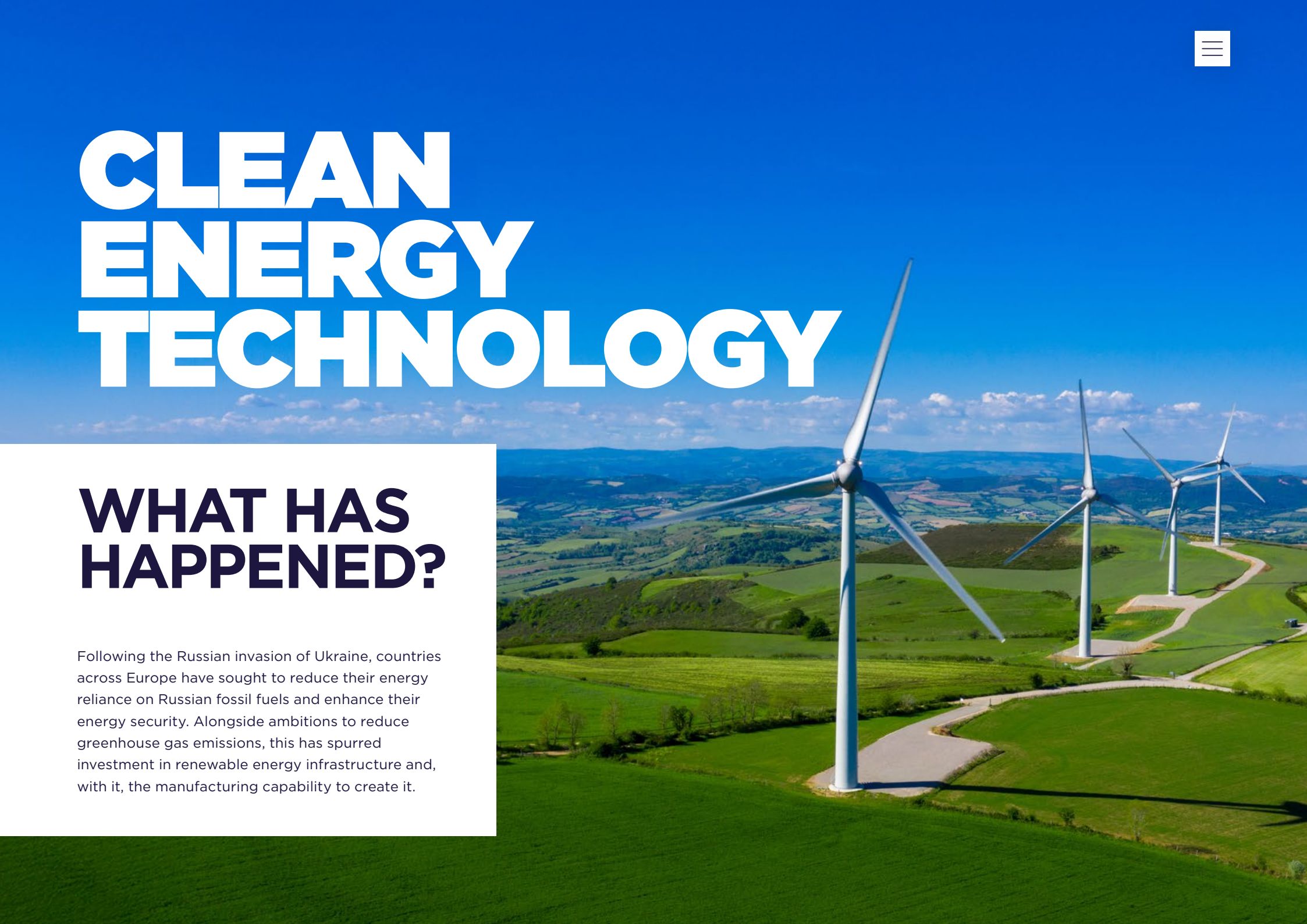


INVESTMENT IN DEFENCE MANUFACTURING FACILITIES* BY REAL ESTATE TYPE



*Source: Cushman & Wakefield Research | *new investment in facilities announced or opened in 2024-H1 2025*

CLEAN ENERGY TECHNOLOGY



WHAT HAS HAPPENED?

Following the Russian invasion of Ukraine, countries across Europe have sought to reduce their energy reliance on Russian fossil fuels and enhance their energy security. Alongside ambitions to reduce greenhouse gas emissions, this has spurred investment in renewable energy infrastructure and, with it, the manufacturing capability to create it.

EUROPEAN UNION

THE EU HAS LEGALLY COMMITTED TO SUSTAINABILITY OBJECTIVES INCLUDING:

Becoming the **first climate neutral continent by 2050**

Reducing emissions by at least 55% by 2030 and 90% reduction proposed for 2040

Achieving a share of **at least 42.5% renewable energy by 2030,** with an aspirational goal of reaching 45%

To meet these goals, huge investment in renewable energy infrastructure is underway.

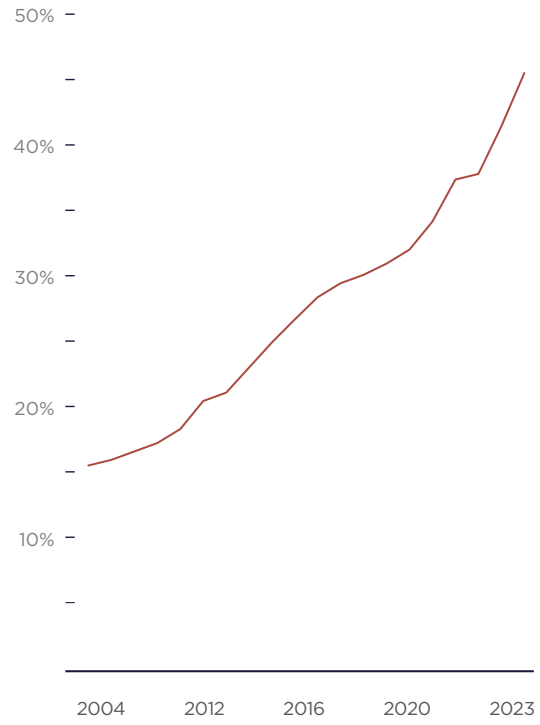
Alongside this investment wwhich is driving demand, the EU is also seeking to accelerate growth in the bloc's supply capabilities. An important element of the EU's plans for growth is the **Net-Zero Industry Act (NZIA)**, which came into force in June 2024, and is seeking to drive growth in European manufacturing of net-zero technologies.

The NZIA sets a **goal for net-zero manufacturing capacity to meet at least 40% of the EU's annual deployment needs by 2030.** The current level is difficult to determine but is considered to be significantly below 40%, indicating that there is an enormous growth trajectory for EU-made products over the next five years and beyond; this improves certainty and predictability for manufacturers, making investment in production capabilities more attractive.

Key elements for real estate under the NZIA include the **lowering administrative burden for development** of net-zero manufacturing projects and **simpler and faster permitting procedures,** especially for recognised Strategic Projects which will benefit from even faster permitting, to increase planning and investment certainty.

Whilst the NZIA itself does not allocate financial incentives to businesses, under relaxed state aid rules, individual countries are able to provide **financial incentives to companies seeking to invest in net-zero manufacturing capabilities.** Recent analysis from the EC found that 19 Member States have specific economic incentive schemes for net-zero manufacturing and 15 Member States have targeted skills and education programs.

SHARE OF ENERGY FROM RENEWABLE SOURCES ACROSS THE EU



Source: Eurostat

THE UK

THE UK HAS PLEDGED TO BE NET ZERO BY 2050 AND AS PART OF ITS PLAN TO ACHIEVE THIS, UNDER THE **CLEAN POWER 2030 ACTION PLAN**, IT HAS SET A TARGET THAT **BY 2030, THE UK'S ELECTRICITY SYSTEM SHOULD BE ABLE TO MEET 100% OF ANNUAL POWER DEMAND** WITH AT LEAST 95% OF GENERATION COMING FROM LOW-CARBON SOURCES.

In June 2025, the UK government released its **Clean Energy Sector Plan**, part of the wider Industrial Strategy. The aim of the plan is to support the UK's ambition to be a global leader in Clean Energy Industries and the government is targeting at least a doubling of current investment levels across Clean Energy Industries by 2035.

As part of the plan, the government is prioritising ways to help Clean Energy manufacturers including:

Billions of pounds in incentives and "targeted catalytic public investment to drive jobs, innovation and growth".

Reform to the planning system to "unblock bureaucratic processes" that have held back growth.

Reduced electricity costs under the new British Industrial Competitiveness Scheme.

As part of the wider Industrial Strategy, the UK government has given **Investment Zones** status to 31 areas across the country, which will enjoy funding, tax reliefs, planning mechanisms and other support over the next ten years. Identified in the Sector Plan are several of these that have **committed to prioritising Clean Energy Industries.**

The Clean Energy Sector Plan and wider Industrial Strategy is targeted at driving British industry growth in the priority sectors to create resilient UK-based supply chains but **no specific procurement targets to buy British-made products have been mandated.**

WHAT DOES THIS MEAN?

THE FOCUS OF BOTH THE EU AND THE UK POLICIES IS ON **SUPPORTING AND ACCELERATING INVESTMENT IN CLEAN ENERGY MANUFACTURING** TO MEET CLIMATE GOALS AND TO BOOST ECONOMIC DEVELOPMENT OF THE SECTOR.

As well as stimulating massive demand through net-zero and carbon-neutrality targets, procurement targets means supply capacity needs to be significantly ramped up.

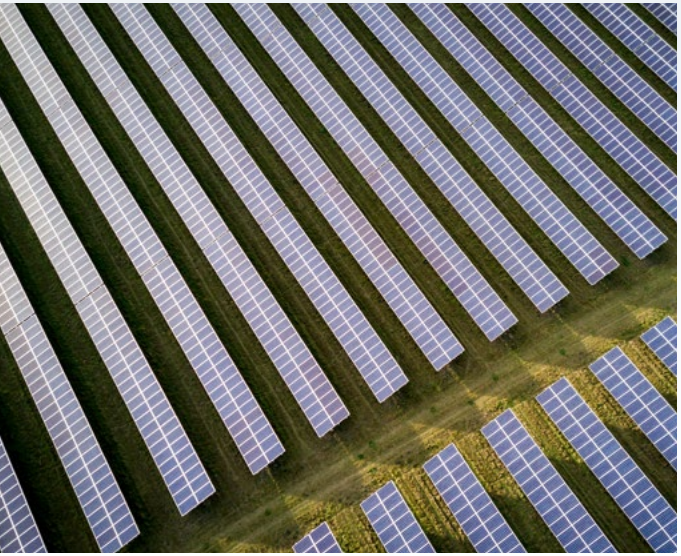
However, there are significant differences in commercial realities between market segments of clean energy equipment production.

Key parts of the sector identified include **solar PV, wind power and nuclear fission, including Small Modular Reactors (SMRs).**

SOLAR

DESPITE THE SIGNIFICANT GROWTH IN DEMAND FOR SOLAR PVS AS INVESTMENT IN RENEWABLE ENERGY GENERATION CONTINUES, SOLAR PV MANUFACTURING IN EUROPE HAS BEEN CHALLENGED BY CURRENT MARKET CONDITIONS.

If EU targets for energy transition and procurement of EU-made products to be met by 2030, **production capabilities will need to be massively increased.** The global supply of solar PVs is dominated by China, which accounts for 82-87% of global production of different PV elements. EU countries source over 80% of PVs from China with just 2% estimated to be supplied from EU sources.



However, over the past several years, there have been significant challenges to growing or even maintaining PV manufacturing in Europe:

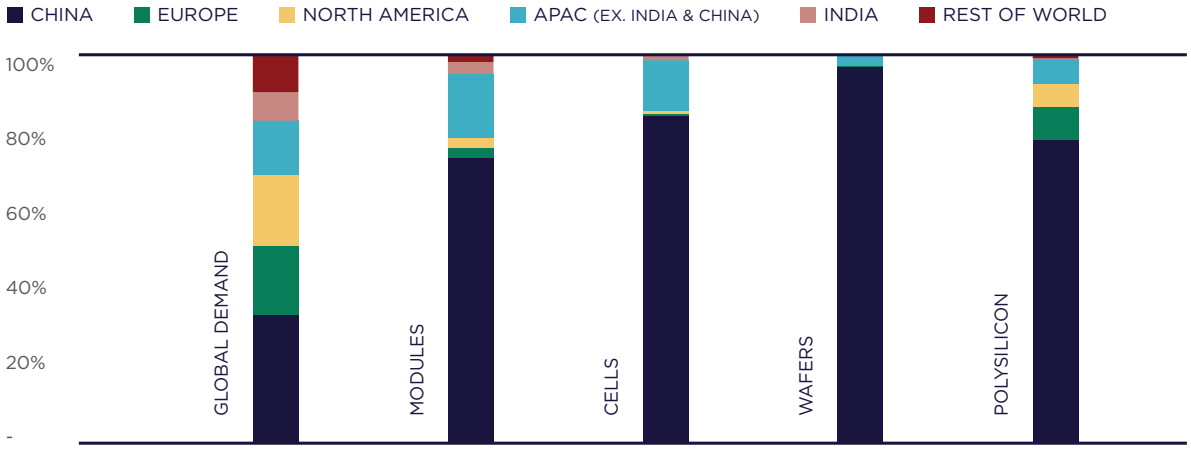
Production costs in Europe are high: the International Energy Agency estimates that **PV production costs in China are 60 % lower than in Europe.**

The price of PVs has fallen dramatically: since January 2023, PV module prices have fallen by 50-70%, as a result of Chinese overproduction and subsequent price reductions due to overproduction.

These conditions have further impacted the competitiveness of European-made product and European manufacturers profitability. As a result, **growth in solar technologies investment has slowed in Europe and indeed some factories have been closed.**

To help secure and expand EU solar PV manufacturing capabilities, the **EU Solar Charter** was agreed in April 2024. Under the Charter, the EU and its Member states agreed to support the PV manufacturing industry in their countries including implementing resilient procurement of products, create favourable frameworks for manufacturers (including accelerated permitting for facilities) and open up access to both EU and state aid.

SOLAR PV MANUFACTURING CAPACITY BY COUNTRY AND REGION, 2021



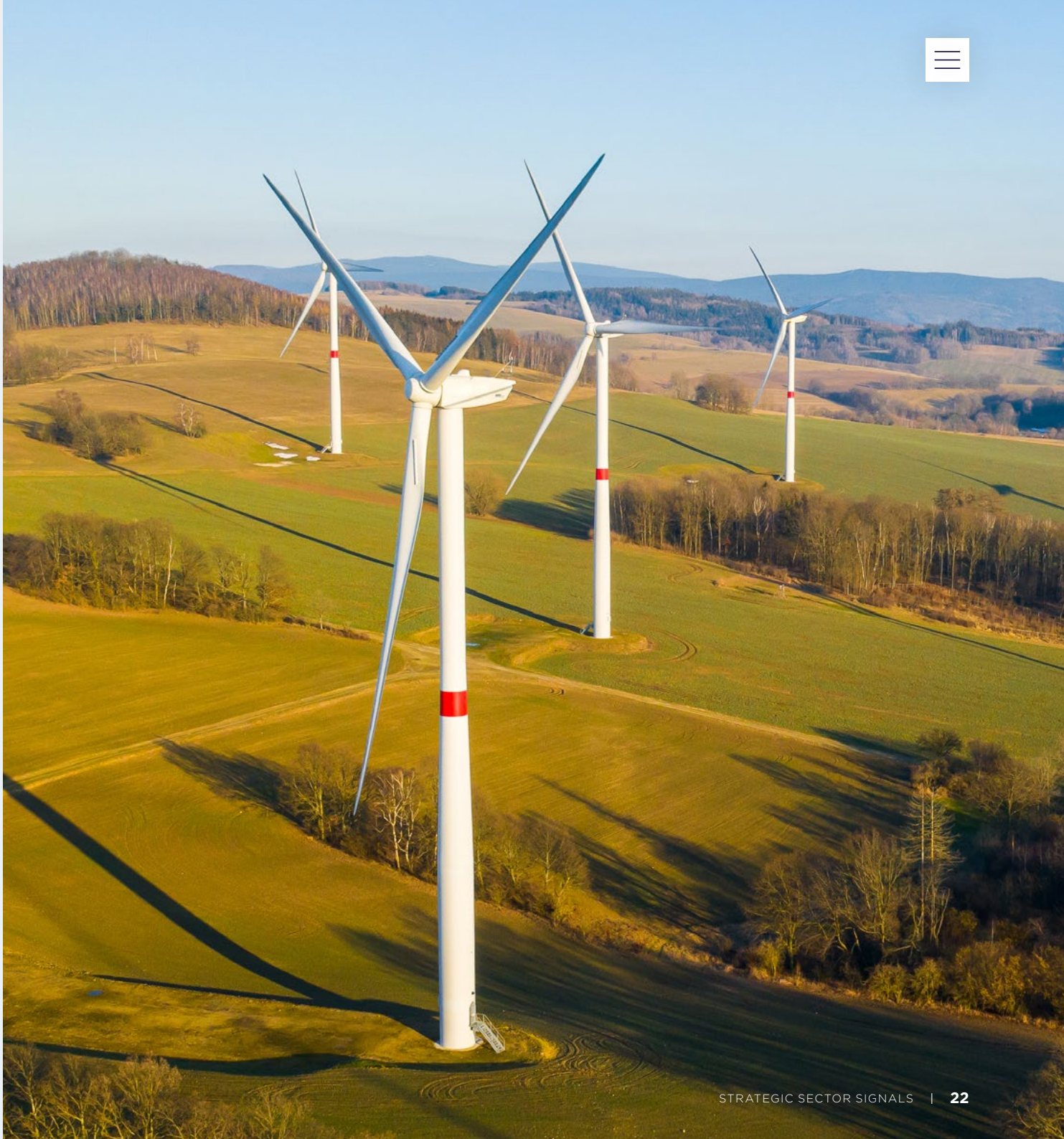
Source: IEA Solar PV Global Supply Chains

WIND

THE **EUROPEAN WIND POWER MANUFACTURING INDUSTRY IS A GLOBAL LEADER,** REPRESENTING THE LARGEST SHARE OF THE GLOBAL MARKET OUTSIDE CHINA. BUT, IN ORDER TO MEET THE EXPECTED DEMAND TO MEET TARGETS UNDER THE RENEWABLE ENERGY DIRECTIVE AND THE NZIA, EUROPEAN WIND POWER TECHNOLOGY MANUFACTURING NEEDS TO SCALE UP CONSIDERABLY.

To achieve the goal of 42.5% renewable energy as a share of energy consumption by 2030, industry body WindEurope estimates that the EU will need to install a total of 425 GW of wind power capacity by 2030; in order to meet target, it is estimated that 33GW a year needs to be added. However, WindEurope estimates that currently that annual additions total 22 GW per year.

Challenges in grid infrastructure, permitting, input cost inflation and supply-side constraints have meant that investment has been held back. **Investment in wind power infrastructure therefore needs to speed up considerably to meet targets.**



SMRs

SMALL MODULAR REACTORS (SMRS) ARE NUCLEAR FISSION REACTORS WITH ELECTRICAL OUTPUT GENERALLY LESS THAN 300 MWE. THEY ARE DESIGNED FOR FACTORY FABRICATION OF MODULAR COMPONENTS THAT ARE THEN TRANSPORTED AND ASSEMBLED ON-SITE.

Modular construction means cost efficiency through economies of scale as well as reduced construction times and scalability as demand grows.

SMRs as a technology is still relatively nascent: whilst across the world there are designs are in development or licencing phases, just a few are currently operational or licenced. The OECD's Nuclear Energy Agency expects that the first SMRs will be built this decade, followed by **accelerated deployment around the world in the 2030s**

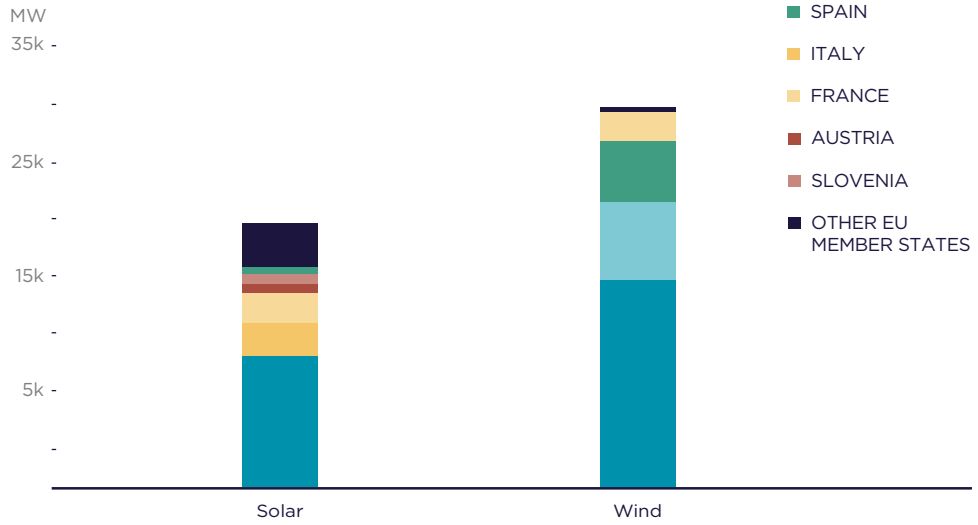
Europe is home to some of the world's leaders in the technology. Leaders include Rolls-Royce in the UK which has been selected by the British and Czech governments and shortlisted by Sweden to provide them with SMRs and has plans underway for component manufacturing facilities in the UK. In France, EDF and CEA, the French national atomic energy commission, are collaborating on the NUWARD SMR project, positioned to be deployable in mid 2030s.

Additionally, non-European designs are being brought to Europe to be built in country. Poland and Hungary have both committed to multiple SMRs to be built to US firm GE Hitachi Nuclear Energy design and in **Romania,** global leader NuScale has agreed to build a six-SMR plant, expected by the end of this decade.

In addition to primary SMR manufacturing sites, there will also need to be **further capacity by OEM suppliers for components of the SMRs** and they will also need a **reliable supply of fuels.** European OEM component and fuel producers have already announced plans to expand and adapt European factories as well as build new facilities.

WHAT DOES IT MEAN TO LOCATIONS?

EU CUMULATIVE MANUFACTURING CAPACITY* OF THE MAIN COMPONENTS OF SELECTED NET-ZERO TECHNOLOGIES, 2024



Source: European Commission The Net-Zero manufacturing industry landscape across the Member States
**original data is presented as a range; maximum assessed capacity represented on this chart*

European manufacturing of key clean energy technologies has concentrated in several countries and locations. **Germany** dominates with around half the EU's manufacturing capacity for both solar and wind. For solar, **Italy and France** account for around a quarter of total capacity between them with concentrations in **Austria, Slovenia and Spain.**

Most countries across Europe have some manufacturing capacity in solar at various points across the value chain, with most small domestic production likely to be assembly of solar PV modules rather than primary production of ingots, wafers or cells.

For wind, **Germany** again dominates followed by **Denmark, Spain and France** as the EU's leading producers. Estimated at a similar size to the French production capacity, **the UK** also has a strong manufacturing capability with core strengths in blades and turbines, foundations and substructures and electrical systems and cables.

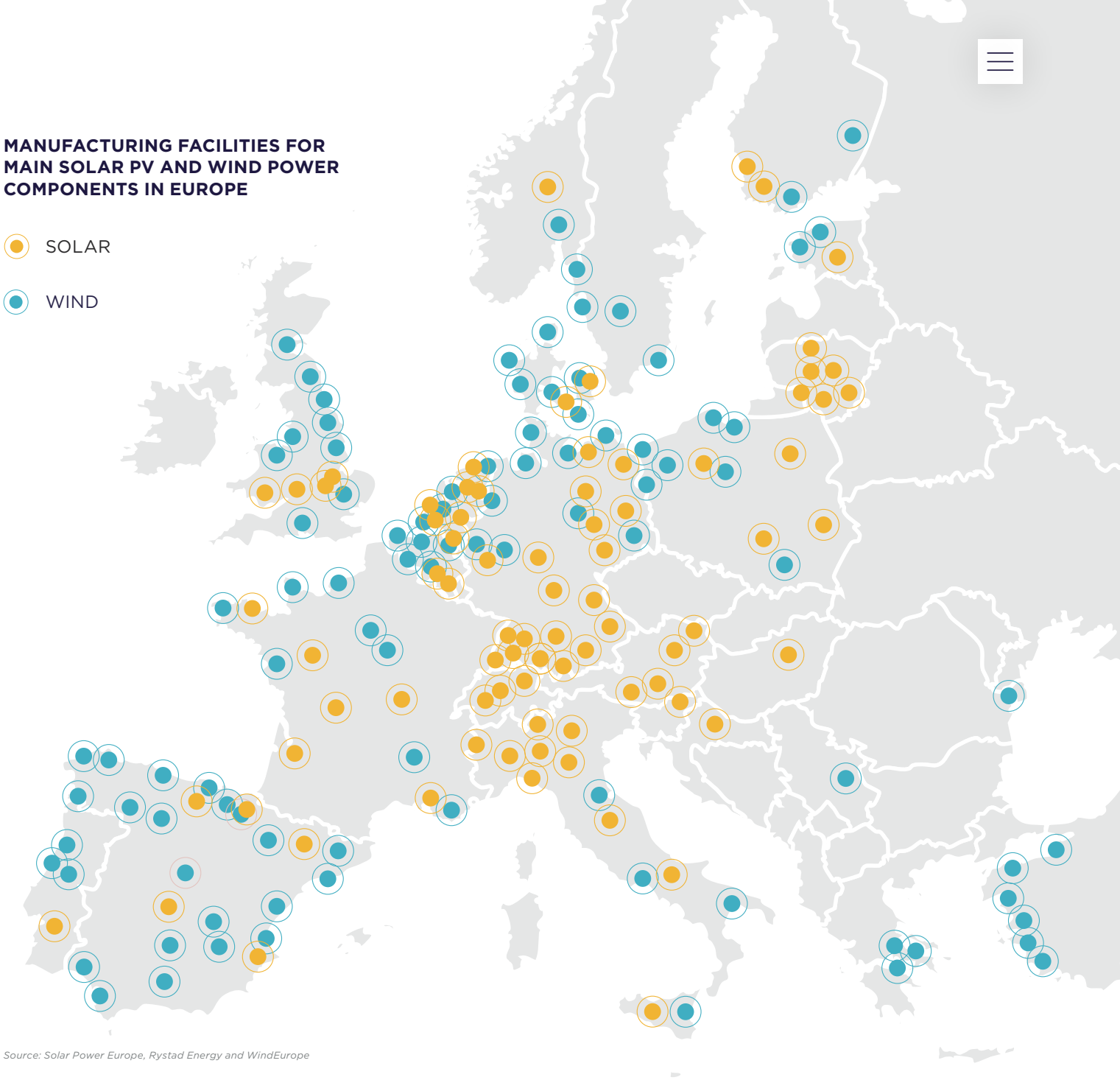
Clusters have developed in locations where wind power has been most significantly adopted, typically close to ports where materials can be dispatched to installation destinations including:

- **North Sea hubs** in Denmark, Germany, Netherlands and the UK specialize in offshore-heavy components (including turbines/ nacelles, foundations, cables), notably Hull in the UK, Esbjerg in Denmark, Cuxhaven in Germany and Rotterdam in the Netherlands
- **The Iberian Peninsula** (Spain, Portugal) is strong in the manufacture of blades and towers, plus Bilbao as an offshore staging port
- **Poland** is emerging as a cost-competitive hub for blades, towers, and as a staging point for Baltic offshore supply, notably from Gdańsk/Gdynia/Szczecin
- **Nordics, Italy and France** anchor the HVDC and cable supply chain.

Locations for production of **SMRs** is still developing as the sector evolves. SMRs are designed for off-site factory fabrication: standardised modules are made in controlled environments where they can be built swiftly, efficiently and consistently. They are intentionally sized to be transportable and moved to sites for installation. Production plant can therefore be located anywhere but will likely to be centred around regional hubs where primary manufacturers and OEMs can create a supply, knowledge and skills network. For example in **the UK**, Rolls Royce is planning factories to supply domestic and international projects. NuScale plans to build a regional hub for components production and assembly in **Romania.**

For all, **access to transportation links** is crucial. For wind power, ports are critical, especially for offshore wind installations. Locating within **incentive zones** – such as those identified in the UK Industrial Strategy – brings significant financial, planning and staffing benefits and, given the priority to upscale renewable energy generation, some zones are specifically targeting these types of manufacturers.

MANUFACTURING FACILITIES FOR MAIN SOLAR PV AND WIND POWER COMPONENTS IN EUROPE



Source: Solar Power Europe, Rystad Energy and WindEurope

WHAT DOES IT MEAN TO PROPERTY?

THE REQUIREMENTS FOR MANUFACTURING SPACE FOR ALL TECHNOLOGIES VARIES ACCORDING TO THE PRODUCT TYPE AND STAGE IN PRODUCTION.

For **solar PVs,** cell and wafer fabs require more **specialist spaces** in which to operate precision machinery; spaces include controlled environments such as clean rooms, high-purity water supplies and energy-intensive production automation systems. These types of specialist facilities will be **owned rather than leased** given their highly bespoke requirements and strategic importance to the businesses.

Facilities for upstream production such as the assembly of solar PV modules and systems, however, are more likely to require **more conventional buildings,** typically larger buildings with high ceilings, wide spans and reinforced floors. These operations will utilise automation and robotics to assemble the products and so will require power and will need some elements of environmental control but not to the same super-clean requirement as wafer and cell production. **Logistics** operations to distribute PVs – either made in Europe or imported from abroad – will need similar characteristics and both can be held as **either owned or leased assets.**

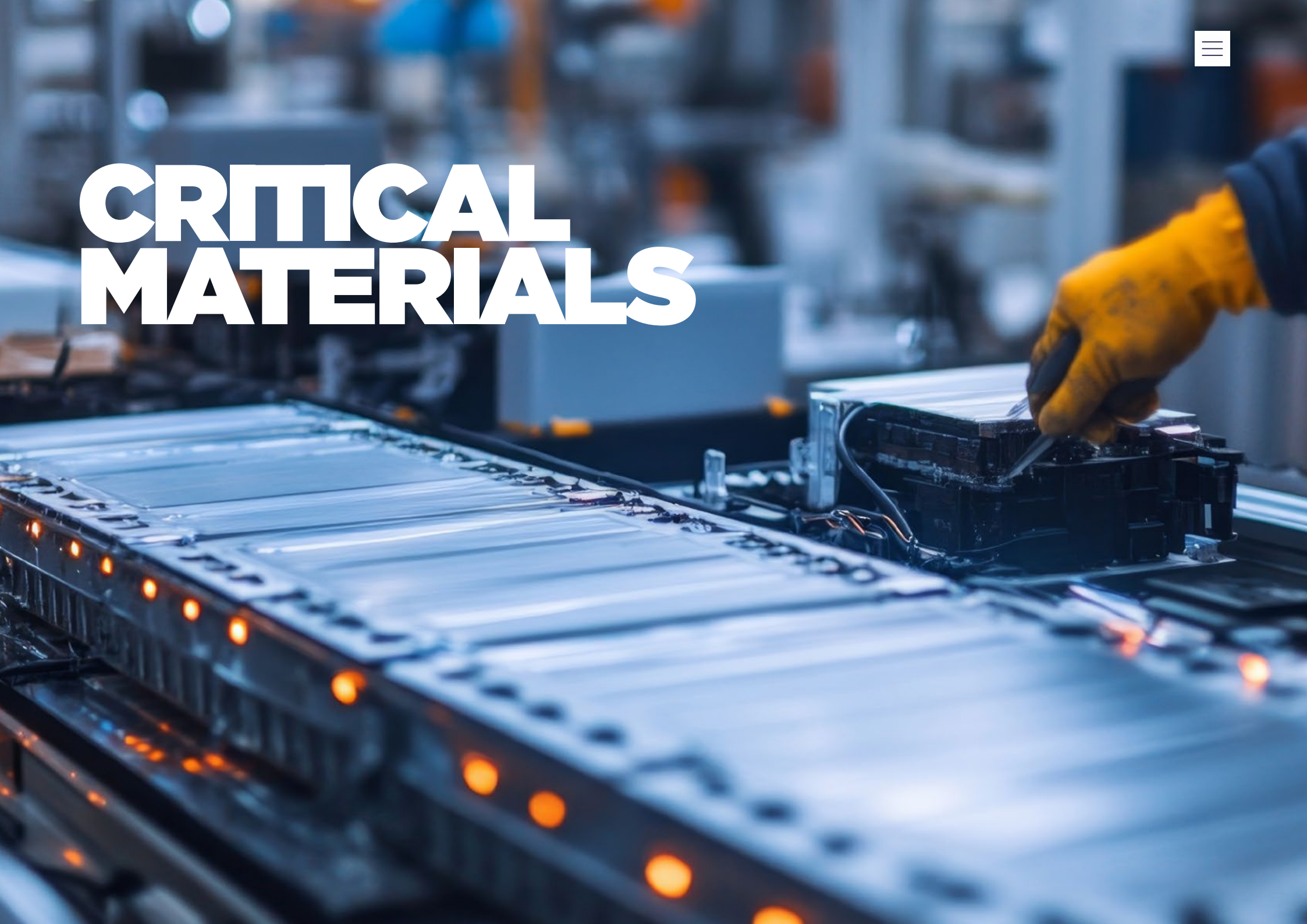
For **wind** power machinery, production of blades and towers necessarily need **very large specialist buildings** with wide clear-span areas and also high ceilings and wide bay doors for oversized components. They will need to accommodate heavy cranes and lifting equipment for moving finished components. Given the bespoke requirements and unconventional characteristics of these buildings, these facilities will typically be **owned** by companies.

Nacelle and gearbox assembly will require **more conventional manufacturing spaces,** typically as will electrical systems which are likely to be contracted out as part of the manufacturing process. As well as production space, **logistics facilities** to distribute these goods will be governed by the types of products but both production and distribution will typically require reinforced floors and good spans and access for moving products within and from the buildings. These more conventional buildings may be **leased** and may be accommodated within existing buildings with the right characteristics as well as being built to suit.

For **SMRs,** critical components and final assembly will be **owner occupied and highly specialized,** will be subject to regulatory oversight and will need to be highly secure, also likely to have specialist requirements for temperature and ventilation controls as well as waste water treatment. Specification is likely to be similar to aircraft manufacturing: large sites with precision machinery and movement of heavy components which will need super flat floors and need to be able to accommodate cranes and other heavy machinery.

However, production of some components such as pumps, valves and condensers, steel framings and enclosures and turbine-generators could be outsourced to providers in the wider manufacturing ecosystem. Depending on the type of component, these could be accommodated in **conventional industrial buildings.**

Highly specialised buildings will be considered strategic assets for producers and will be mostly held on an **owner occupied basis.** However, given the wide supply network of these industries, some component production and some assembly functions will be conducted in **leased properties.**


CRITICAL
MATERIALS

WHAT HAS HAPPENED?

ACCELERATED DEMAND FOR DECARBONISATION AND DIGITAL TECHNOLOGIES HAS MEANT GROWTH IN REQUIREMENTS FOR CRITICAL RAW MATERIALS.

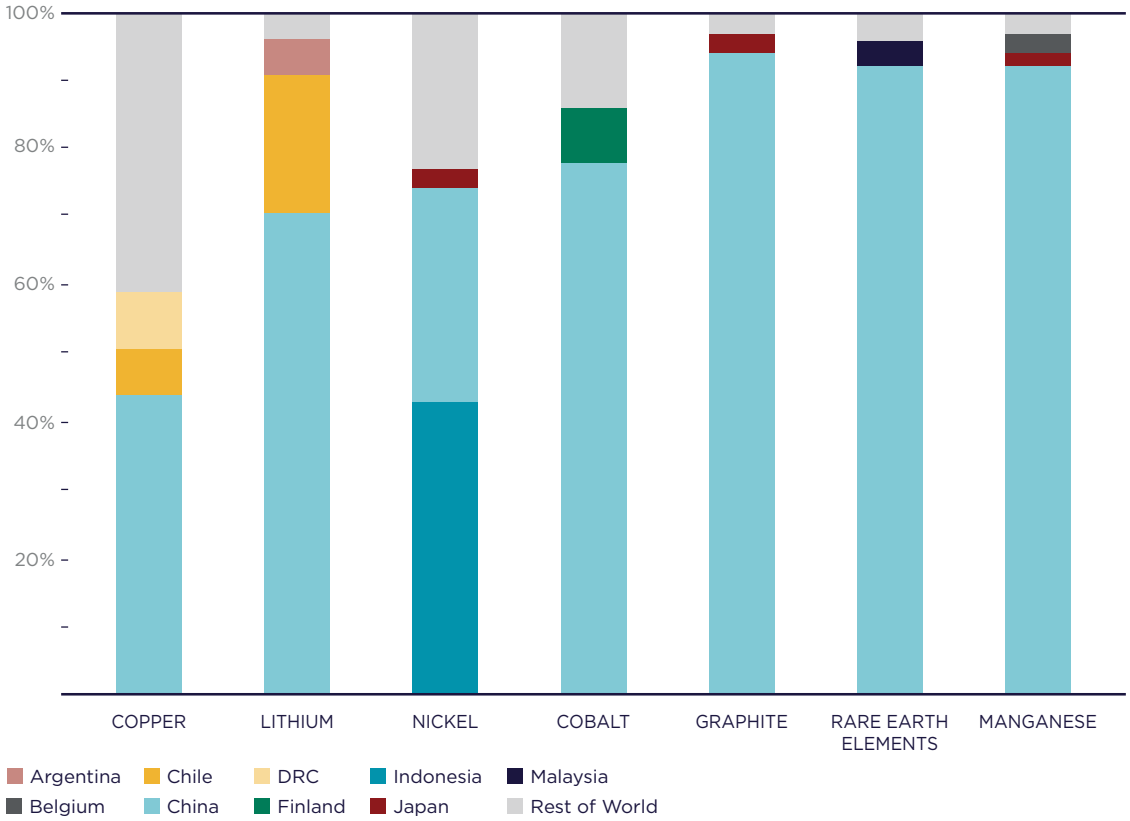
These materials are used in producing **crucial elements like batteries** for electric vehicles (EVs), energy storage and consumer electronics and **semiconductors** for use in a wide range of technologies. As an indicator of the scale of demand growth, the EU expects that its demand for rare earth metals to increase six-fold by 2030 and seven-fold by 2050 and EU demand for lithium is expected to increase twelve-fold by 2030 and twenty-one-fold by 2050.

These materials are also **highly vulnerable to supply challenges and disruptions:** the supply of critical materials are highly concentrated with countries such as Indonesia, Chile and especially China controlling the majority of global supply of some materials and minerals.

These materials are also **highly vulnerable to supply challenges and disruptions:** the supply of critical materials are highly concentrated with countries such as Indonesia, Chile and especially China controlling the majority of global supply of some materials and minerals.

Attention has recently turned to how **to improve resiliency and competitiveness of supply in an environment of growing demand** with an emphasis on domestic and European production.

GEOGRAPHICAL DISTRIBUTION OF REFINED MATERIAL PRODUCTION, 2024



Source: International Energy Agency, Global Critical Minerals Outlook 2025

EUROPEAN UNION

PART OF THE GREEN DEAL INDUSTRIAL PLAN AND SITS ALONGSIDE THE NZIA, THE **CRITICAL RAW MATERIALS ACT** (CRMA) CAME INTO FORCE IN MAY 2024, ITS PURPOSE TO SECURE A RELIABLE, SUSTAINABLE AND DIVERSIFIED SUPPLY OF THE MINERALS AND METALS NEEDED FOR THE GREEN, DIGITAL, DEFENCE AND AEROSPACE SECTORS.

The CRMA identifies strategic raw materials, focusing on those that that are most crucial for the EU's economy. These materials, also known as **Strategic Raw Materials** (SRMs), are selected based on their economic importance and the risk of supply disruptions. These 17 SRMs include cobalt, lithium, nickel, graphite, copper, silicon and rare earth elements (REEs).

THE CRMA SETS **TARGETS FOR DOMESTIC CAPACITIES IN STRATEGIC RAW MATERIALS FOR 2030 AS:**

AT LEAST 10%

OF THE EU'S ANNUAL CONSUMPTION FOR EXTRACTION

AT LEAST 40%

OF THE EU'S ANNUAL CONSUMPTION FOR PROCESSING

AT LEAST 25%

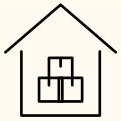
OF THE EU'S ANNUAL CONSUMPTION FOR RECYCLING

Additionally, no more than 65% of the EU's annual consumption from a single third country, reducing the risk of supply chain disruption.

The CRMA is also targeting ways to help achieve these goals including:

Faster permitting and improved access to finance opportunities for priority "Strategic Projects" with maximum timelines of 27 months (for extraction) and 15 months (for processing/ recycling), plus coordinated environmental assessment

Creating **joint purchasing partnerships** to aggregate demand for strategic raw materials as well as creating **strategic partnerships with supplier countries**



Monitor supplies and set benchmarks for **stockpiles** and set reporting requirements by Member States and large manufacturers on risk assessments for potential supply chain disruption and plans for diversification or substitution

THE UK

THE UK GOVERNMENT PLANS TO PUBLISH A NEW **CRITICAL MINERALS STRATEGY** LATER IN 2025, REFRESHING THE 2022 STRATEGY PREPARED BY THE PREVIOUS ADMINISTRATION.

The new strategy intends to help secure the country's supply of critical minerals for the long term and refine its approach to **optimising domestic production.**

Part of the recent UK's Industrial Strategy is the initiation of a new national **Supply Chain Centre** which will review inputs, consider the impact of future trends on demand and determine what action may be required. The Centre will look across different sectors and will complement the work of the existing Critical Minerals Intelligence Centre.

What mechanisms the UK government includes in the forthcoming strategy is yet to be revealed but interventions – including **reducing the cost of energy** for energy-intensive industries, providing **grants and other financial assistance** to support private investment and **accelerating planning and permitting processes** for strategic industries – have all been included in the wider Industrial Strategy. These would likely be applied to critical materials operations, especially given the importance of securing supply of them for the growth of so many industrial sectors that require them.

WHAT DOES THIS MEAN?

THREE KEY AREAS OF SUPPLY ARE EXPECTED TO GROW IN EUROPE AND THE UK IN ORDER TO MEET THE REQUIRED THRESHOLDS:

Increased **mining and extraction** from naturally occurring deposits

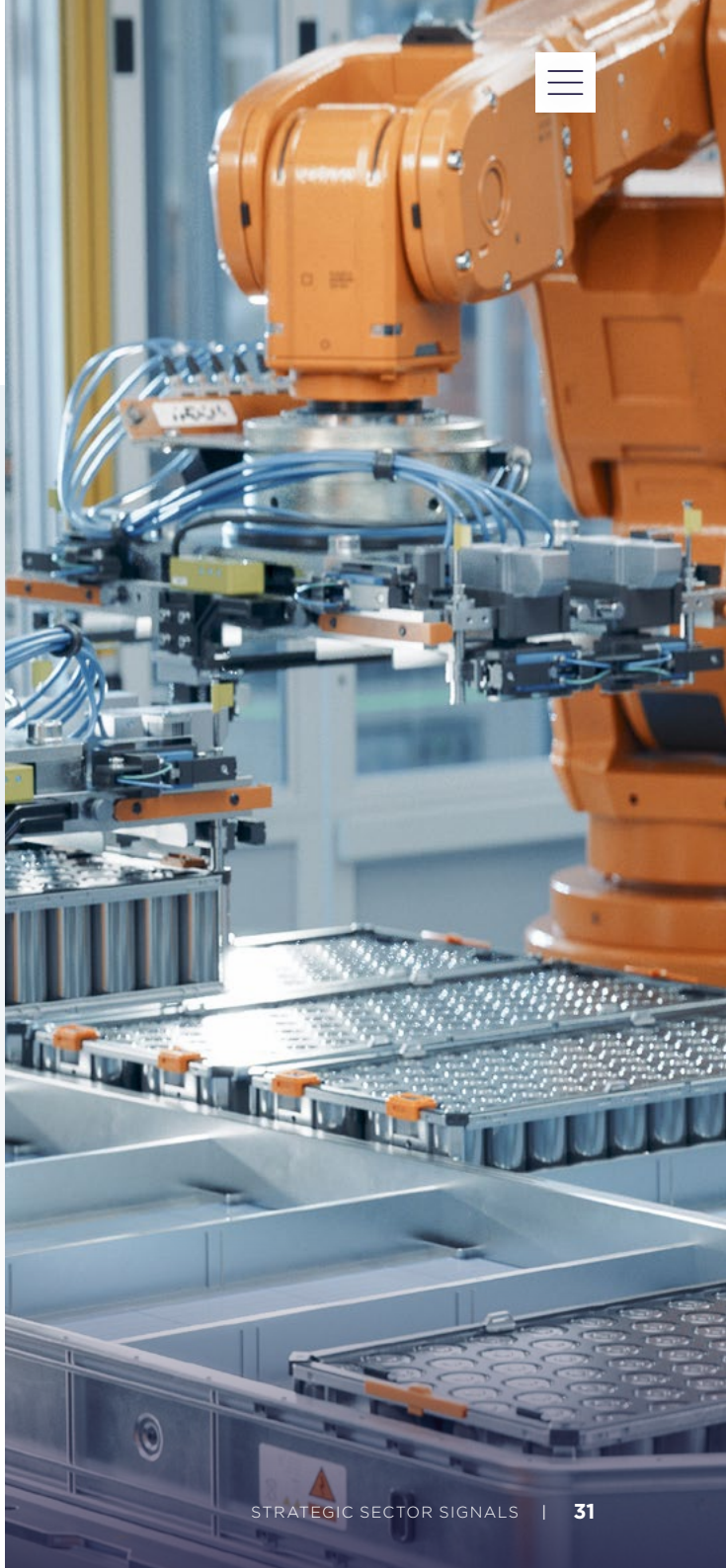
Increased **recycling and recovery** of materials from both end-of-life products and waste/scrap from production sites

Increased **refining and processing** of materials, both of minerals and metals extracted from deposits in the region and from those imported from other location such as Africa and Asia

Mining and extraction activities have already started to ramp up with new facilities planned or under construction across the region. Indeed, with increased demand improving the viability of mining for these critical materials and more public funds available (through initiatives from the EC, the EBRD and the EIB), new extraction has begun and investment in exploration has led to new deposits being discovered.

Investment in **refining** has also increased and new facilities have been commissioned or started construction, processing a wide variety of metals and minerals including lithium, rare earth materials and copper.

Recycling is expected to represent a significant opportunity to create more localised supply of critical raw materials. For example, in the automotive and EV battery ecosystem, first-generation EV batteries are expected to reach end of life in 2030 with huge increases expected as vehicles are retired following years. Indeed, recent projections by Deloitte anticipate that **by 2040, the quantum of cobalt, lithium and nickel content extracted through recycling will exceed the amounted demanded to meet EU targets.**



WHAT DOES IT MEAN TO LOCATIONS?

Mining facilities are of course at the site of mineral deposits which are distributed throughout Europe.

Refining facilities are either located close to the point of extraction if the source of the primary minerals is domestic or, if the refining is of materials brought from distant locations, are typically close to ports of entry and within areas suitable for heavy industry. For example, **chemical parks** – industrial parks dedicated to chemical and pharmaceuticals uses – with 'plug and play' infrastructure allow businesses to set up quickly and outsource functions like waste treatment to on-site providers.

Recycling facilities are, however, typically located near plants that will ultimately use the materials they are producing so that recovered materials can be easily fed back into manufacture processes. For example, the recycling of EV batteries is typically located close to EV battery production plants as the materials recovered will necessarily be required in the production process for new batteries. This map below shows the location of EV battery production plants and EV battery recycling facilities; unsurprisingly recycling facilities are for the most part located in proximity to battery plants.

EV BATTERY PRODUCTION & RECYCLING LOCATIONS

EV BATTERY GIGAFACTORIES

EV BATTERY & MATERIALS RECYCLING FACILITIES

Source: New Automotive, Faraday Institute, Fraunhofer Institute, ACEA, Cushman & Wakefield Research

WHAT DOES IT MEAN TO PROPERTY?

Real estate demand for **mining** likely to be relatively minimal. It will also be specialised and will be owner occupied as part of the crucial infrastructure for extraction operations.

Real estate for **refining** is likely to similarly be owner-occupied: these are strategic assets with significant fit-out and are critical non-transferrable infrastructure for ongoing business operations. There may be opportunities for sale-and-leaseback over the longer term but this is unlikely to attractive at this point in the development of the sector.

Recycling facilities, however, can be accommodated within relatively standard industrial real estate assets (albeit some may be more bespoke) and may be contracted on a leasehold basis. The processes conducted within the facilities may need special licencing or be subject to specific regulations but are likely to be manageable within buildings in zoned industrial areas. Given the processes and the nature of the materials being handled, buildings used for recycling may need to be located with distance to local communities but technologies and processes are evolving and some are already safely deployable in more populated areas. **Energy use** will be high and so reliable energy supply is vital. Renewable energy is also likely to be more attractive given these businesses' involvement in decarbonisation technologies.

LIFE SCIENCES

WHAT HAS HAPPENED?

With the Covid-19 pandemic highlighting the challenges of securing supplies of critical medicines and medical technologies in times of acute need, much focus has been given by governments on how to encourage and strengthen the life sciences industry.

Public policy around life sciences is critical right now because new discoveries and breakthroughs are happening at pace but businesses need thoughtful government support to enable business growth. Investment in research funding, faster regulatory pathways, and strong talent pipelines can turn cutting-edge science into thriving industries, jobs, and exports. At the same time, policies that ensure global competitiveness—while balancing safety and ethics—will decide which countries lead the next wave of life sciences innovation.

EUROPEAN UNION

IN EARLY JULY 2025, THE EU RELEASED ITS EUROPEAN **LIFE SCIENCES STRATEGY** WHITE PAPER. THE OVERALL OBJECTIVE OF THIS STRATEGY IS TO **POSITION THE EU AS THE WORLD'S MOST ATTRACTIVE PLACE FOR LIFE SCIENCES BY 2030.**

The strategy has three main pillars with key focus on fostering investment in research and innovation, easing and accelerating market access and boosting uptake of life science innovation.

One of the key elements which will impact life sciences manufacturing referenced in the strategy is the forthcoming **EU Biotech Act** which is expected to be released in 2026. The EU Biotech Act will set out policies to helping to 'bring biotech from the laboratory to the factory and then onto the market'. It is expected to include measures to simplify the regulatory landscape that currently challenges investment in the biotech sector, enhancing financing options for start-ups/scale-ups, and ease the process of bringing research discoveries to market.

The Life Sciences Strategy recognises that leveraging the capacities of **bioclusters** will generate major benefits including attracting private capital, spur entrepreneurship and ensure the EU remains competitive. By identifying more centres of excellence, the EU can boost its capacity in life science innovation.

THE UK

IN JULY 2025, THE UK GOVERNMENT PUBLISHED ITS **LIFE SCIENCES SECTOR PLAN** AS PART OF ITS WIDER INDUSTRIAL STRATEGY WITH THE AMBITION TO MAKE THE UK **"THE LEADING LIFE SCIENCES ECONOMY IN EUROPE BY 2030,** AND BY 2035, THE THIRD MOST IMPORTANT LIFE SCIENCES ECONOMY GLOBALLY, AFTER THE US AND CHINA".

The Sector Plan details the UK government's initiatives to encourage growth of what it sees as a strategically important sector, helping to boost not only its contribution to economic strength but also improving the UK's **supply chain resilience** through "onshoring critical elements of the Life Sciences value chain". This includes offering up to GBP 520 million in grants for funding for life science manufacturing capital investment projects under the Life Sciences Innovative Manufacturing Fund.

As part of the wider ten-year Industrial Strategy, the UK government is also implementing interventions to drive growth and innovation across sectors, such as:

The British Industrial Competitiveness Scheme which will **reduce electricity costs** for electricity-intensive frontier manufacturing industries.

A new 'Connections Accelerator Service' will **reduce waiting times for connecting to the national power grid** for strategically important projects.

Enhanced offer for **Industrial Strategy Zones,** extending the benefits of Freeports – including streamlined planning processes, better-targeted investment promotion, support for accessing concessionary finances and coordinated support on skills – to more sites.

Planning reforms which will ensure support for priority sectors, including the fast-tracking of planning for key projects by enabling them to be treated as Nationally Significant Infrastructure Projects.

A new £600 million **Strategic Sites Accelerator,** designed to proactively bring forward more investible sites across the UK through interventions such as land remediation, anticipatory grid capacity, transport improvements and fast-tracked planning approval

Supporting city regions and clusters to attract private investment including access to catalytic financing through various mechanisms such as the British Business Bank, National Wealth Fund, Office for Investment and reforms to the Local Government Pension Scheme

TRADE WITH THE US

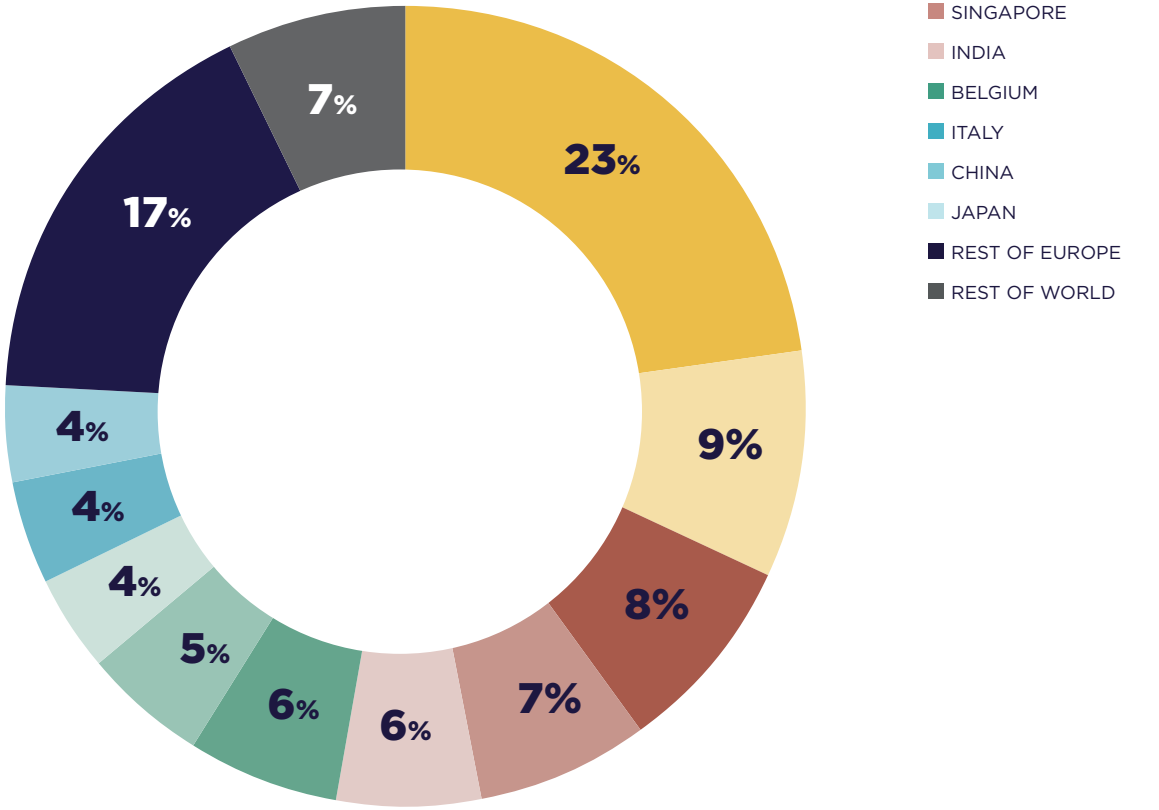
THE US IS THE WORLD'S LARGEST IMPORTER OF PHARMACEUTICALS AND **EUROPE IS A MAJOR SUPPLIER** OF THESE PRODUCTS, WITH IRELAND, SWITZERLAND AND GERMANY THE THREE LARGEST EXPORTERS OF PHARMACEUTICALS TO THE US.

In April 2025, the US Trump administration announced sweeping changes to **tariffs** for imports into the US, raising the levels for many countries across the world, but exempting pharmaceuticals in many cases. In June 2025, the EU and US reached a trade agreement to set a tariff ceiling at 15%, including pharmaceuticals. Whilst lower than threatened rates, it still represents a far higher rate than previously.

In May 2025, the UK and the US agreed the UK–US Economic Prosperity Deal for enhanced trade cooperation between the two countries. Whilst not a full free-trade agreement, a baseline tariff of 10% was agreed for a limited number of automobiles with other sectors seeing specific quota and tariff concessions. A deal was not reached on pharmaceuticals but a commitment to "negotiate preferential rates" was announced.

Given the EU and UK's exposure to pharmaceuticals exports to the US, the **potential effect of elevated tariffs on European export competitiveness** is likely to have a significant impact on European businesses (who will face higher costs) and US consumers (who will thus pay higher prices).

US PHARMACEUTICALS IMPORTS BY EXPORTING COUNTRY, 2024



Source: ITC

WHAT DOES THIS MEAN?

RECENT AND IMMINENT POLICIES AND STRATEGIES FOCUS PARTICULARLY ON ENCOURAGING RESEARCH AND INNOVATION, SIMPLIFYING THE REGULATORY ENVIRONMENT AND IMPROVING ACCESS TO FINANCE AND ACCESS TO MARKETS.

They also look to create pathways for businesses to develop and scale up. All of these lead indirectly to strengthening manufacturing in the region.

Strategies also **double down on clusters** and focused areas for investment. This includes creating **Centres of Excellence** which will strengthen ecosystems in specific locations as well as Investment Zones where businesses can enjoy attractive financial benefits and easier conditions for developing new properties.

Important to this will be **easier planning and permitting for new buildings.** Improved finance availability, including grants and other incentives, is also important. Whilst much is focused on encouraging investment in research and innovation, financing is also being ringfenced for **capital investment** including in manufacturing facilities and even logistics networks.

THE **SPECTRE OF TARIFFS** IN THE IMPORTANT EXPORT MARKET OF THE US IS CURRENTLY GIVING BUSINESSES PAUSE TO CONSIDER THEIR POSITION, ESPECIALLY WITH REGARD TO INVESTMENT IN OPERATIONS IN EUROPE AND THE UK.

The uncertainty over exports to the US is having an **impact on business planning,** especially investment. The tariff situation threatens to **tilt new investment toward the US.** For example, major pharmaceuticals businesses including AstraZeneca, Roche, Novartis and Johnson & Johnson have all announced plans to open new facilities in the US in recent months. This will create **competition for European CDMOs and suppliers** and will draw production for the US market away from European locations and into the US itself. This could threaten the viability of operations in some European locations, particularly those heavily exposed to US exports and those heavily exposed to generics (where margins are much tighter) and the **possibility of scaling back production at European sites.**

HOWEVER, **PHARMACEUTICALS MANUFACTURING RELOCATION IS EXPENSIVE AND TIME-CONSUMING,** ESPECIALLY IN THIS HIGHLY REGULATED MARKET. INVESTING IN NEW PRODUCTION SITES IN THE US AND REDUCING SCALE AT EUROPEAN ONES IN RESPONSE TO A POLITICAL SITUATION WHICH MAY WELL BE SHORT-LIVED IS **NOT A DECISION BUSINESSES WILL TAKE LIGHTLY.**

WHAT DOES IT MEAN TO LOCATIONS?

LIFE SCIENCES CLUSTERS HAVE DEVELOPED ACROSS EUROPE, OFTEN AROUND UNIVERSITIES AND RESEARCH INSTITUTES WHERE TALENT AND KNOWLEDGE CAN BE SHARED AND OFTEN WITH PROXIMITY TO MAJOR HOSPITALS OR CLINICAL TRIAL NETWORKS.

They are supported by an **ecosystem of specialised suppliers and providers** including contract development and manufacturing organisations (CDMOs). These clusters also benefit from **specialised infrastructure** including start-up innovation centres and multi-let lab buildings as well as excellent data connectivity.

Europe's world-leading life sciences clusters will benefit from government support and expansion by private companies. Some are focused more on R&D whereas others have strong manufacturing capabilities. Traditional areas of manufacturing capacity in **Ireland, Germany, Switzerland, Belgium, Northern Italy and North West England** are being joined by burgeoning areas of manufacturing development around **Warsaw, Rome and North East Spain.**

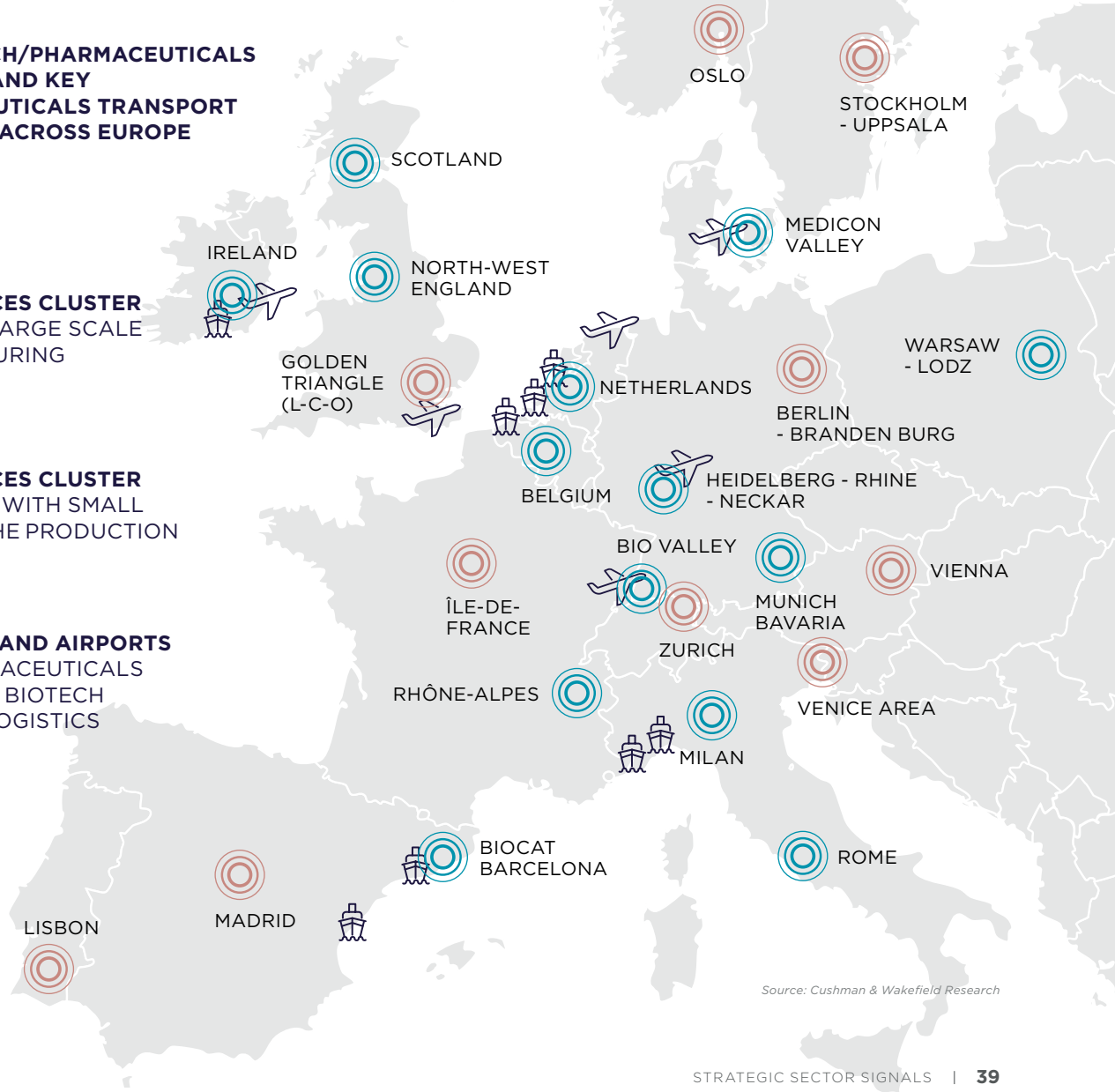
Logistics space is required to move product safely and securely, not only in manufacturing areas but in **major transport gateways** such as airports and seaports. Life sciences manufacturers tend to **outsource their logistics requirements** and so major players such as DHL, Geodis, Maersk, CEVA, Dachser, UPS and Arvato as well as specialist healthcare logistics providers have been actively investing in new space in Europe for biotech and pharmaceuticals logistics contracts.

KEY BIOTECH/PHARMACEUTICALS CLUSTERS AND KEY PHARMACEUTICALS TRANSPORT GATEWAYS ACROSS EUROPE

LIFE SCIENCES CLUSTER
INCLUDES LARGE SCALE MANUFACTURING

LIFE SCIENCES CLUSTER
R&D FOCUS WITH SMALL SCALE/NICHE PRODUCTION

KEY PORTS AND AIRPORTS
FOR PHARMACEUTICALS AND OTHER BIOTECH PRODUCT LOGISTICS



Source: Cushman & Wakefield Research

WHAT DOES IT MEAN TO PROPERTY?

THE TYPE OF INDUSTRIAL SPACE REQUIRED BY LIFE SCIENCES BUSINESSES FALLS INTO TWO KEY CATEGORIES:

PRODUCTION

Given the strict regulatory standards for manufacturing – including compliance with **Good Manufacturing Practices (GMP)** regulations – space required is of **high quality, often new build.** There may be specialist requirements including chemicals handling spaces, sterile and 'clean room' spaces and cold-chain storage. Production lines, chilled and frozen areas and operating systems mean that **energy** requirements can be high. Buildings are **more likely to be owner occupied** given their bespoke, strategic nature but **leasing can be attractive for some** manufacturers, especially fast-growing businesses or CDMOs producing on contract and where capital is required for other expenses like R&D.

When building space either speculatively or as build-to-suit, to ensure that space meets GMP standards, an **enhanced shell** is required. The tenant will then typically fit out space according to their requirements in close negotiation with landlords. This typically commands **longer lease** terms as a result: research from Life Sciences Real Estate shows that lease length for life sciences production space in Europe is on average 15 years, reflecting the high financial investment in bespoke fit-out by tenants.

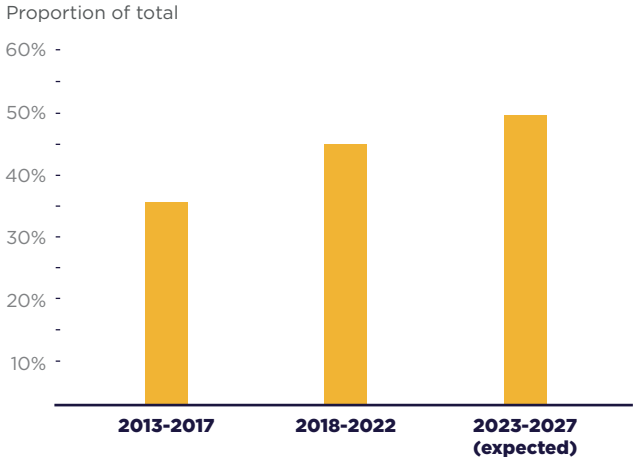
LOGISTICS

Similar to GMP, logistics centres for distribution of medicines must adhere to **Good Distribution Practice (GDP)** regulations. This includes both ensuring the quality of medicines but also speed, security and traceability through the supply chain. Space required includes **cold storage** (many medicines in particular require chilled or frozen storage) as well as ambient space; sterile space is also sometimes required. Buildings may need to have improved fire protection and other environmental controls for product safety and security. Many logistics providers are investing in **advanced automation and warehouse management systems** within their pharmaceuticals distribution centres for higher efficiency and GDP compliance. Many spaces are either **new build or are being heavily improved** to meet these standards. **Leasing is more typical** than ownership as commitment to real estate is likely to be logistics contract-led.

SALE-AND-LEASEBACK CAN ALSO BE AN ATTRACTIVE OPPORTUNITY FOR BOTH INVESTORS AND OCCUPIERS: GIVEN THE STRATEGIC NATURE OF THE ASSETS AND THE CAPITAL COMMITMENT TO FIT-OUT, TENANTS ARE LIKELY TO COMMIT TO LONG LEASES.

In life sciences cluster locations, the **possibility of reletting the space is also enhanced** (albeit landlords should be prepared to make or allow alterations to buildings for new incoming tenants).

PROPORTION OF NEW MEDICINES LAUNCHED REQUIRING COLD CHAIN, BY PERIOD OF PRODUCT LAUNCH



Source: IQVIA Institute

KEY TAKEAWAYS

KEY TAKEAWAYS

GOVERNMENT INTERVENTIONS HAVE BEEN RAMPING UP

Spurred by major global geopolitical and economic developments, the EU and governments across Europe are driving through **major strategy and policy shifts** with focus on defence, sustainability and supply chain security and economic development in an environment of global uncertainty.

PUBLIC POLICY-FUELLED DEMAND GROWTH AND STRENGTHENING DOMESTIC AND REGIONAL SUPPLY SET TO SPUR DEMAND FOR LOGISTICS AND INDUSTRIAL SPACE

These public interventions are set to **spur demand for key products and services** in strategic sectors even further, especially as key target dates draw closer. In addition, public policy including **legally-binding targets for procurement of products** made in Europe are also adding to the need for more production capacity. These boosts to demand and the requirement to source from domestic sources mean that **demand for production and related logistics space will significantly increase.**

BENEFICIARIES WILL BE MAJOR MANUFACTURING LOCATIONS WITH A CLEAR FOCUS ON SPECIALIST CLUSTERS

Many government support initiatives for the growth of strategic sectors are aimed at bolstering the strength of **existing and developing clusters.** Businesses are also choosing to locate in cluster areas to benefit from the synergies of being within supplier and talent ecosystems. Other locations of choice are driven by **proximity to major sources of demand** – such as for defence notably ammunition production, critical minerals recycling to feed into battery production or wind power equipment in coastal areas for movement to offshore locations.

LOGISTICS SPACE AS WELL AS MANUFACTURING

Alongside the growth in manufacturing capacity will be **a need for more logistics space,** especially as for some industries – such as solar PV and some defence products – domestic or regional supply capacity will need to ramp up to meet the upswing in demand and **some products will still need to sourced from abroad in the short term.** Logistics operations at **major ports of entry** will be important and as movement of goods grows across Europe so too will facilities co-located with production and along **major transport corridors,** especially towards the eastern border for defence capabilities.

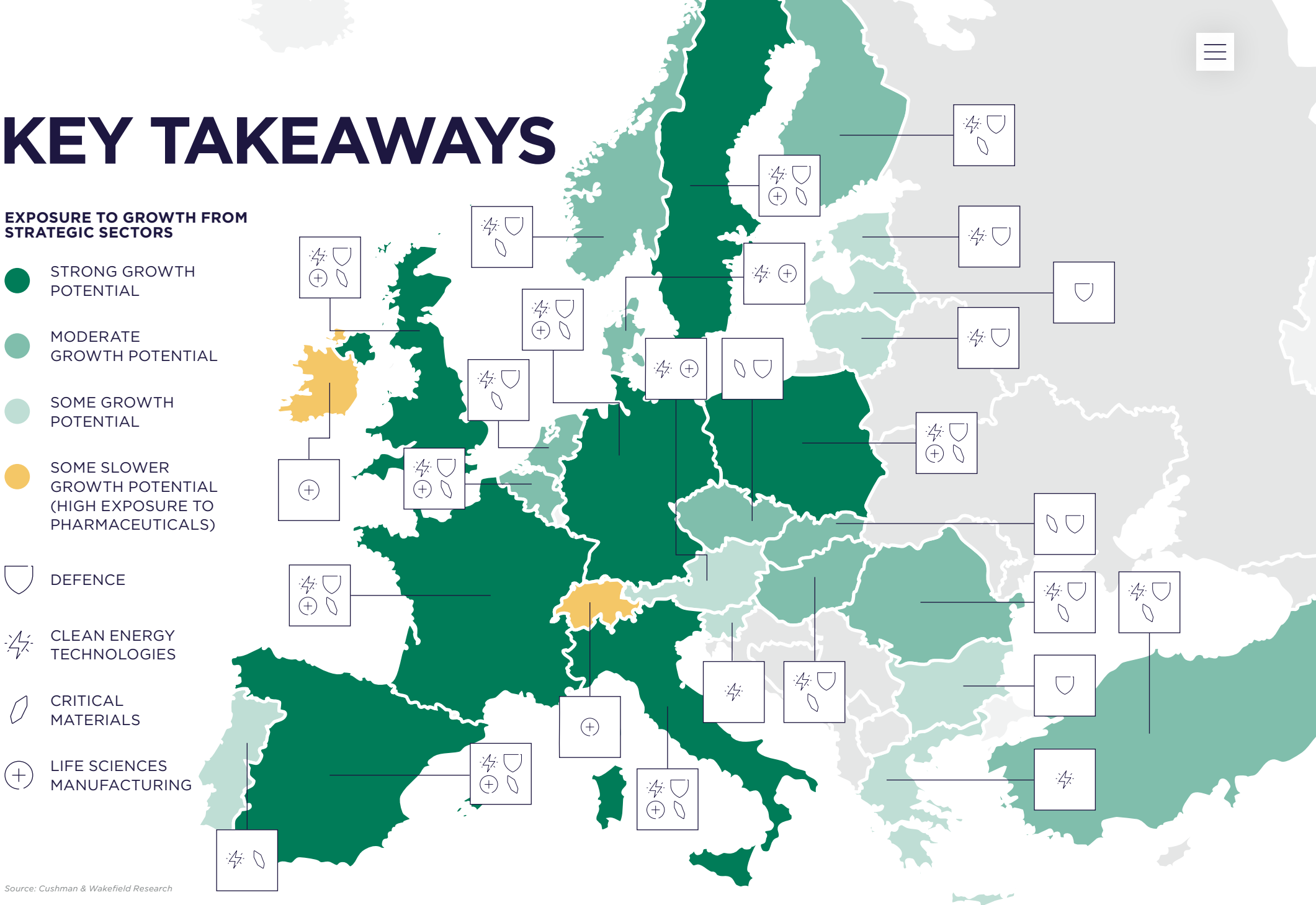
DEMAND FOR REAL ESTATE WILL BE ACROSS THE SPECTRUM OF EXISTING AND NEW-BUILD SPACE

Real estate requirements vary by sector but there will be a wide spectrum of demand including for **existing space** – such as extensions to existing facilities and conversion of former manufacturing plants – as well as **new-build spaces,** notably for high-tech production, secure asset and for very large buildings. Supportive policy and legislation relating to **planning and permitting for strategic sectors** – including Schemes of Strategic Importance programmes – are set to ensure **development will be more swifty and easily delivered.**

REAL ESTATE COMMITMENTS ARE SIMILARLY LIKELY TO BE ACROSS THE SPECTRUM OF OWNED AND LEASED

The requirement for specialist spaces – especially in specialised areas for production of some pharmaceuticals and medtech and precision engineering for defence and alternative energy technologies – will be more likely to be **owner occupied** to secure assets for long-term specific requirements. However, **leasehold** represents opportunity for some manufacturers, especially those where capital is needed for other areas of investment such as R&D. Tenants of manufacturing space are also more likely to commit to longer lease terms, given the strategic importance and capital commitment to production lines and fit-out. **Logistics** assets are also more likely to be contracted on leasehold, even where specialist fit-out is required such as in pharmaceuticals distribution.

KEY TAKEAWAYS



Source: Cushman & Wakefield Research

KEY TAKEAWAYS

DEFENCE

SEGMENTS	OWNERSHIP FOCUS	QUALITY/TYPE OF BUILDING	KEY FEATURES
Production	Specialist products: Own Non-specialist products: Own or lease	Specialist and high tech products: Built-to-suit Other products: New or existing buildings Also extensions to existing buildings for both	Enhanced security & safety
Logistics	Lease	Both new and existing	

CRITICAL MATERIALS

SEGMENTS	OWNERSHIP FOCUS	QUALITY/TYPE OF BUILDING	KEY FEATURES
Mining	Own	Minimal Floorspace	
Refining	Own, possibly lease as market matures	Built-to-suit	Waste treatment requirements Chemical parks attractive for 'plug and play' infrastructure
Recycling	Lease	Conventional industrial buildings, can be existing space	High energy use Temperature and environmental controls.

CLEAN ENERGY

SEGMENTS	OWNERSHIP FOCUS	QUALITY/TYPE OF BUILDING	KEY FEATURES
Production	Specialist products: Own Non-specialist products: Own or lease	Specialist and high tech products: Built-to-suit Non-specialist: New or existing buildings Also extensions to existing buildings for both	Temperature and environmental controls Some 'clean' spaces for selected operations Specialist waste treatment
Logistics	Lease	Both new and existing	

LIFE SCIENCES

SEGMENTS	OWNERSHIP FOCUS	QUALITY/TYPE OF BUILDING	KEY FEATURES
Production	Own, possibly lease	Built-to-suit	Good Manufacturing Practices compliant Chemicals handling spaces, sterile and 'clean room' spaces and cold-chain storage High energy requirements
Logistics	Lease	Built-to-suit or high-quality existing space	Good Distribution Practice compliant Chilled spaces High energy requirements

ACTIONS FOR REAL ESTATE STAKEHOLDERS

OCCUPIERS

GROWTH NEEDS CAREFUL PLANNING

Whether taking new space or expanding existing buildings, businesses will need to **carefully plan the transition of operations.** Expanding existing facilities will require careful programming not only to plan, manage and deliver but also to ensure expansion does not interrupt the smooth operation of existing production lines.

WORK WITH LANDLORDS AND DEVELOPERS TO DELIVER THE RIGHT REAL ESTATE

Businesses' growth plans could create opportunities to partner with investors to enhance assets. **Investors remain keen to commit capital to industrial and logistics real estate,** particularly where occupier commitment is secure and where return profiles are attractive, and so may be willing to expand or improve existing buildings or build new ones on appropriate terms.

WHEN RELEASING REAL ESTATE ASSETS, CREATE A NARRATIVE FOR ALTERNATIVE USES

If a building is no longer required by your business, **consider how it could be appropriate for another user,** particularly manufacturers. Helping them to see how the asset could be made useful to them may help you to release the asset more successfully and even secure a higher value. This strategy will also help when **disposing of assets to developers and investors,** either outright or through sale-and-leaseback, and even with government bodies who may take steps to ensure physical real estate is in place to capture economic development opportunities.

LANDLORDS, DEVELOPERS AND INVESTORS

STAY CONNECTED TO YOUR TENANTS OPERATING IN STRATEGIC SECTORS

Understanding tenants' needs, especially as they look to growth, will ensure you can offer appropriate real estate solutions including **extensions, alterations and improvements** as well as partnering with them to deliver new facilities to facilitate their growth.

DEVELOPMENT OPPORTUNITIES ACROSS THE SPECTRUM

Securing land positions in key locations could position you to capture opportunities as these sectors grow. Whilst retaining ownership may be preferable for investors, **delivering space for owner occupiers** may deliver some attractive development returns and may also unlock opportunities for further collaboration with growing businesses to help with their occupational needs in the near term.

CONSIDER OPPORTUNITIES FOR EXISTING ASSETS

Standing assets, particularly large production facilities that might have recently felt like only major redevelopment could make them market-appropriate, may now be more attractive to some businesses, especially in defence manufacturing. **Sale and leasebacks** of such assets may present opportunities for investors to capture potential demand.

LEVERAGE YOUR CAPITAL POSITION TO UNLOCK OPPORTUNITIES

A key challenge for businesses looking to scale up production is the cost and commitment of capital to real estate projects and infrastructure. By offering real estate as leasehold – even bespoke assets with appropriately long-term commitments from tenants – landlords can help **to deliver solutions for businesses** and secure long term income streams with exposure to strategic growth sectors and companies.

REVIEW YOUR INVESTMENT POLICIES

Some funds are limited in their ability to invest in specific sectors, notably defence. With the potential growth in this sector over the coming years, it is important to have **a clear understanding of what limitations may restrict opportunities,** such as prohibiting landlords from contracting leases with defence manufacturers or other bodies leasing space for defensive purposes.

CUSHMAN & WAKEFIELD

OUTTHINK

FOR MORE INFORMATION PLEASE CONTACT:

SALLY BRUER
Head of EMEA Logistics &
Industrial and Retail Research
sally.bruer@cushwake.com

TIM CRIGHTON
Head of EMEA
Logistics & Industrial
tim.crighton@cushwake.com

MICHAEL CARSON
Head of Supply Chain
& Logistics Advisory, EMEA
michael.carson@cushwake.com

JAMES CHAPMAN
Head of Capital Markets,
EMEA
james.chapman@cushwake.com

CHRIS COLE
Partner, Global Occupier
Services Logistics & Industrial, EMEA
chris.cole@cushwake.com

Better never settles

ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its award-winning culture.

For additional information, visit www.cushmanwakefield.com.