Logistics Real Estate Market Q3 2025: Pushing Through Challenges

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Finland is a country of long distances, where smart and efficient logistics provide a crucial competitive edge. Industrial properties – including logistics and warehouse facilities – play a key role by enabling large-scale handling, centralized storage, and full-load transport, reducing the need for dispersed warehouses. Advanced forecasting, automation, and AI improve inventory, transport, and delivery efficiency, making logistics faster, more accurate, and cost-effective — a foundation of solid profitability.

In the real estate investment market, the main subsectors of industrial properties include logistics and warehouse facilities, whose popularity and position have strengthened in recent years. The long lease agreements typical of the sector have provided investors with predictable cash flow even amid uncertainty. In 2024, industrial properties were the most actively traded real estate sector and the only one whose transaction volume increased compared to 2023. With a total return of 4.9% in 2024, industrial properties were also the most profitable real estate sector for the fourth consecutive year. The sector's appeal is underpinned by strong fundamentals, one of the most important being the growth of e-commerce.

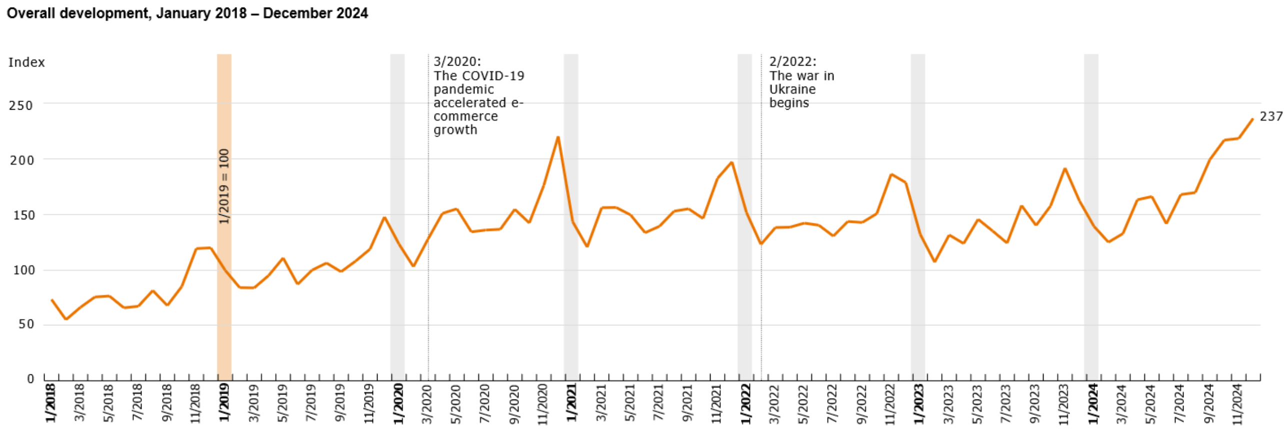
Posti's stock market listing has brought the warehousing, logistics, and e-commerce markets into the spotlight. According to Posti, these markets hold significant growth potential, driven by e-commerce expansion and the trend toward outsourced logistics — developments that are expected to increase demand for logistics properties.

Weak economic environment has posed challenges for the industrial property market. Slowing economic growth and consumer uncertainty have increased vacancies, although occupancy rates remain relatively high.

In the long term, the risk–return profile of industrial properties remains attractive. According to KTI statistics, income returns in the sector have consistently been significantly higher than in other real estate sectors throughout the 2000s.

"Posti's stock market listing has raised awareness of the warehousing, logistics, and e-commerce markets, even among private investors. Posti (Finland's national postal and logistics company, providing mail, parcel, and logistics services) sees significant growth potential in these segments, driven mainly by e-commerce expansion and the trend toward outsourced logistics. These developments would directly increase demand for logistics properties. While short-term market conditions remain volatile, strong fundamentals make the logistics real estate sector attractive for investors with a long-term perspective," summarizes **Anton Takkavuori**, real estate analyst at **Retta Management**.

The e-commerce indicator shows developments from 2018 through the end of 2024. Last year, the number of e-commerce parcels was slightly higher than in 2023



Source: Posti

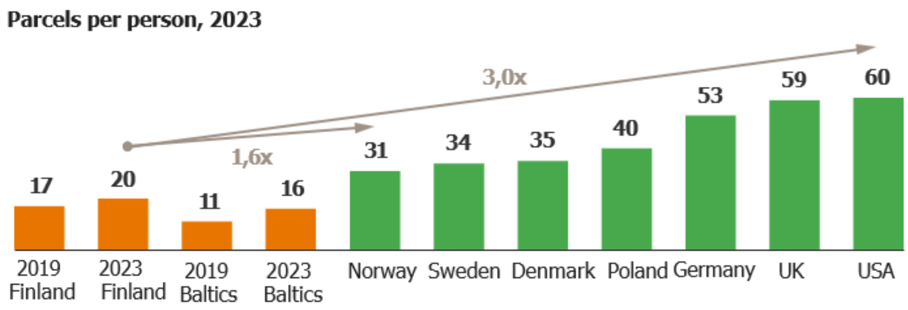
Trend is your Friend

The growth of e-commerce has elevated large warehouses and distribution centers to a critical role in handling orders and ensuring fast deliveries. Without an efficient storage and distribution infrastructure, the entire supply chain would be at risk, making logistics properties practically indispensable today. Consumers also expect increasingly faster deliveries, adding pressure for efficient logistics.

Posti's management identifies three key factors driving the growth of the parcel market in Finland. First, the expansion of e-commerce, both domestically and internationally, strengthens the market and supports its continued development. Second, the rise of secondhand commerce increases the volume of parcels. Third, consumers' frequent, low-value online orders contribute to the number of small shipments, further reinforcing the growth trend.

Parcel volume per capita also offers significant growth potential. According to Posti's management, Finland's parcel numbers are noticeably lower than in many peer countries, leaving substantial room for growth. In 2023, about 20 parcels per capita were delivered in Finland, compared with 16 in the Baltic countries, 31 in Norway, 34 in Sweden, and 35 in Denmark. In more mature e-commerce markets, such as the UK and the US, the figures were 59 and 60, respectively.

If Finland reached Norway's level, parcel volumes would increase roughly 1.6-fold. While reaching US levels would nearly triple the 2023 figures, such a scenario is unlikely; it nevertheless highlights the significant growth potential of the market — a potential that would inevitably boost demand for logistics properties.



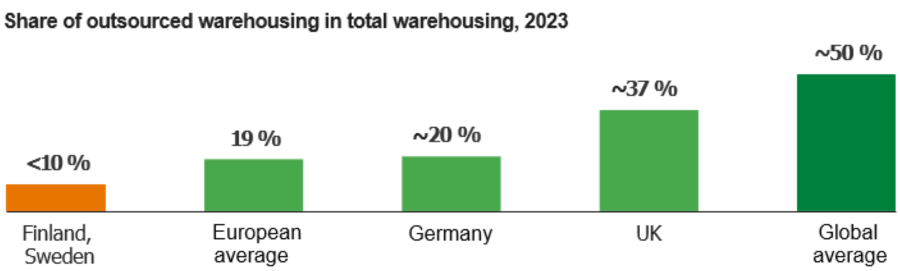
Source: Effigy Consulting; World Bank; Public Utilities Commission of Latvia; Communications Regulatory Authority of the Republic of Lithuania; Eurostat, Posti

Cost savings through outsourcing

In Finland, large retail chains have traditionally relied on their own centralized warehouses, but by outsourcing all or part of their logistics, companies can focus on their core business and increase flexibility. According to Posti's management, outsourcing can deliver 10–40% cost savings by converting fixed costs into variable ones and providing resources and warehouse space as needed. Third-party logistics providers (3PLs) handle warehousing, transportation, and other supply chain operations in modern leased facilities, where location, automation, and efficiency are key.

Finland and Sweden lag behind many European markets in warehouse outsourcing: in 2023, the average share in Europe was 19%, 20% in Germany, 37% in the UK, and around 50% globally, while in Finland and Sweden it was below 10%.

Posti's marketing materials indicate that, according to a third-party survey, logistics customers are increasingly willing to outsource their operations: about 70% of surveyed companies are prepared to outsource more over the next five years, supporting market growth in Finland and Sweden.



Source: 2024 28th Annual Third-Party Logistics Study: The State of Logistics Outsourcing, Posti

*In this context, "Warehousing" refers to all logistics activities that create value through the management of temporal transfer or order, including storage, buffering, sorting, picking, and packing, taking place in warehouses, distribution centers, terminals, as well as bulk and cross-docking facilities.

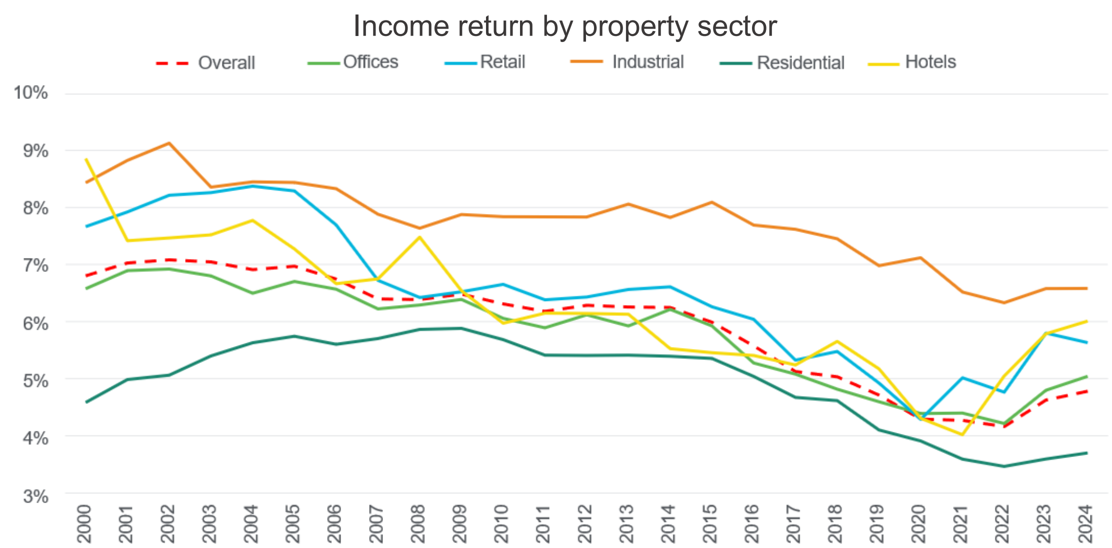
Opportunities go hand in hand with risks

Although the long-term fundamentals of logistics properties remain strong, a weak economic environment has posed challenges for the industrial real estate market. Slowing economic growth and consumer uncertainty have increased vacancies in industrial properties, yet according to Rakli's economic review, occupancy rates remain relatively high. Posti's management expects that macroeconomic recovery – including growth in GDP, industrial production, and retail and wholesale trade – will drive structural growth in logistics outsourcing.

As the economic situation improves, exports recover, and purchasing power strengthens, we anticipate an increase in investor demand and occupancy rates for sector properties. At the same time, companies' need to optimize their supply chains, even during challenging times, persists. To meet this demand, 3PL operators and other market players seek high-quality facilities that support automation, robotics, and smart warehousing. This trend also reinforces market polarization: demand and occupancy rates for prime properties remain high, especially in growth centers.

Alongside quality, strategic location remains crucial, as it determines how quickly, reliably, and cost-effectively goods can reach end customers. Logistics properties are located near transport hubs and consumer centers. In the Helsinki metropolitan area, land is limited, and construction is concentrated in Vantaa and surrounding municipalities near the airport, which is reflected in property transactions and development projects.

"While short-term uncertainty still casts a shadow, long-term fundamentals support stable returns and growth. The industrial property sector is well-positioned to benefit from a gradual recovery in the real estate market and the economy. Moreover, even in the most challenging years for the property market, the industrial and logistics sector has provided investors with stable returns: according to KTI statistics, income return in the sector have consistently been significantly higher than in other real estate sectors throughout the 2000s," summarizes **Takkavuori**.



Source: KTI Property Index

Sources used in the article: Posti's IPO marketing materials, KTI, Rakli, and Kesko's investor blog

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