PROLOGIS® Research

2024: Market rents reset after years of outperformance

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Introduction

After more than a decade of consistent growth, global logistics real estate rents declined by 5% in 2024 as market conditions normalized after historic growth during the pandemic.[1] An influx of new supply—coupled with positive but subdued demand rooted in economic, financial market and supply chain uncertainty—pushed vacancy rates up in most markets across the globe.

2024 RENT GROWTH

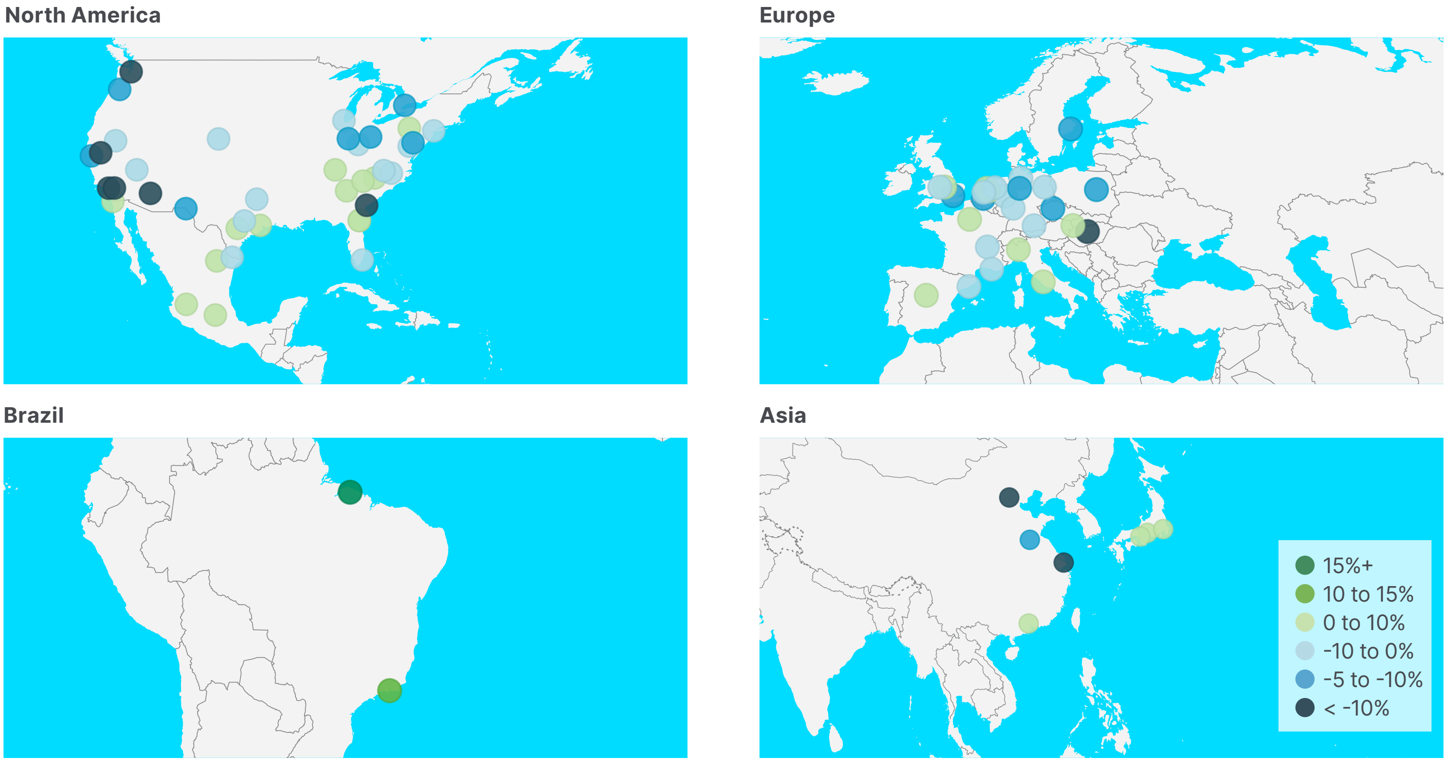
Global	U.S./Canada	Europe
-5%	-7%	-1%

Source: Prologis Research.

The Prologis Rent Index combines expert local market insights with proprietary data to analyze net effective rental growth trends across North America, Europe, Asia, and Latin America. Regional and global rates are weighted by market revenue (market stock multiplied by the average rental rate). Prologis Rent Index is based on taking rents on leases signed, differing from often quoted asking rents; the gap between the two was wide in 2024.

EXHIBIT 1

2024 RENT GROWTH BY MARKET, TOP 75 LOGISTICS CLUSTERS GLOBALLY (%)



Source: Prologis Research. Note: weighted by estimates of market NOI.

Takeaways

1. **Annual rent growth in the U.S. and Europe was negative for the first time since the global financial crisis of 2007-2009,** offsetting just a portion of pandemic-driven outperformance. Year-end 2024 market rents were 59% higher in the U.S. and 33% higher in Europe than year-end 2019, so leases rolling in 2025 still face a significant increase in most locations.
2. **Excess supply pressured net effective rents in specific markets** (e.g., Phoenix, Dallas, Hungary, Poland, Juarez) as lease-up times lengthened. Concessions, such as free rent, trended back toward prepandemic norms in U.S. and Europe.
3. **A wide gap between market rents and replacement cost rents (15% in the U.S., varying globally) curtailed new construction starts,** which fell by an estimated 30% in 2024.
4. **New leasing activity favored high-quality properties,** widening the difference by around 100 bps between Class A, Class B and Class C rents, particularly for properties with sustainable features and robust power access.
5. **Global market rents decreased 2% in 2024, excluding Southern California.** This rent cycle is still a story of concentrated effects. The Southern California market recorded improved leasing activity in 2024, but rents continued to correct following substantial outperformance in 2020 to 2022.

EXHIBIT 2

LOGISTICS SPACE VACANCY

REGION	Q4 2024	CHANGE Y/Y
U.S.	7.1%	+130 bps
Europe	4.8%	+100 bps

Source: CBRE, C&W, JLL, Colliers, CBRE-EA, Fraunhofer, Gerald Eve, Prologis Research.

EXHIBIT 3

TOP 10 GLOBAL RENT GROWTH MARKETS

1. São Paulo
2. Rio de Janeiro
3. Mexico City
4. Nashville
5. Guadalajara
6. Houston
7. Bratislava
8. Utrecht
9. Paris
10. Rome

Source: Prologis Research.

Global Trends and Outlook

Trend #1: Uncertainty pushes decision-making into 2025.

Cautious decision-making amid elevated interest rates and persistent economic uncertainties slowed leasing activity in 2024. Global net absorption fell 13% below pre-pandemic levels, with declines of 30% in the U.S. and 20% in Europe.[2] Delayed decisions, consolidation efforts, limited capital access and ongoing supply chain uncertainties suppressed absorption rates as users leveraged existing capacity, moderating rent growth. Additionally, evolving consumer preferences and shifting trade policies added complexity to distribution strategies. As excess space is absorbed and consumption stays steady, leasing activity is expected to improve in 2025, driven by rollover demand from 2024 and structural supply chain needs.

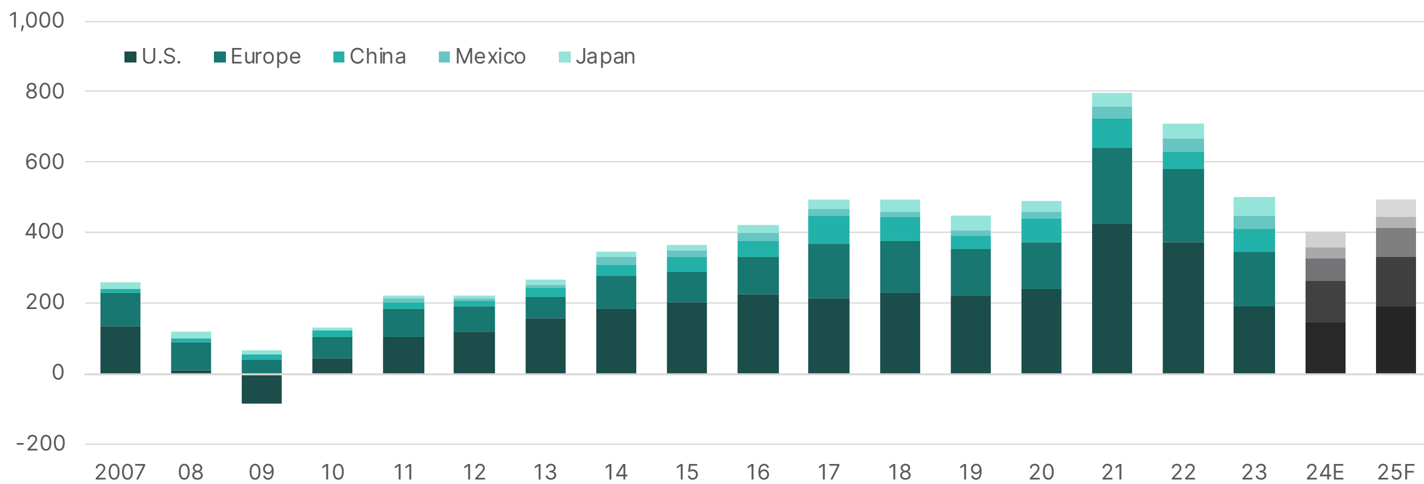
Trend #2: Flight-to-quality boosts Class A rents.

New leasing activity highlighted a flight-to-quality with resilient pricing for newer properties across the globe. Class A properties grew their market share of demand, leading to pricing normalization in Class A while Class B/C properties dropped rents to attract customers. Customers seeking cost reductions consolidated into larger modern facilities, often located farther from end-users. In the U.S., annual rent growth in the newest buildings outperformed older buildings by approximately 100 bps. Elevated move-outs from less functional properties were a factor that led concessions to return to pre-pandemic norms after falling to historically low levels during the pandemic. Globally, concessions were responsible for roughly half of market rent movements.[1]

EXHIBIT 4

NET ABSORPTION, GLOBAL

MSF



Source: CBRE, C&W, JLL, Colliers, CBRE-EA, Fraunhofer, Gerald Eve, Prologis Research.

Trend #3: Oversupply risk fades further.

There is limited future downside to rents as supply risk has largely passed. Supply risks diminished in 2024 as globally, starts dropped 33%[1] and deliveries fell an expected 29% y/y.[2] Significant deliveries in 2023 and early 2024 created near-term challenges in supply-heavy markets (e.g., Phoenix, Poland, Hungary). Declining market rents, restricted capital access, elevated construction costs and difficulty accessing critical infrastructure slowed new projects. Fewer completions ahead will allow market conditions to rebalance and allow market rents to narrow the gap with replacement cost rents.

EXHIBIT 5

COMPLETIONS, GLOBAL

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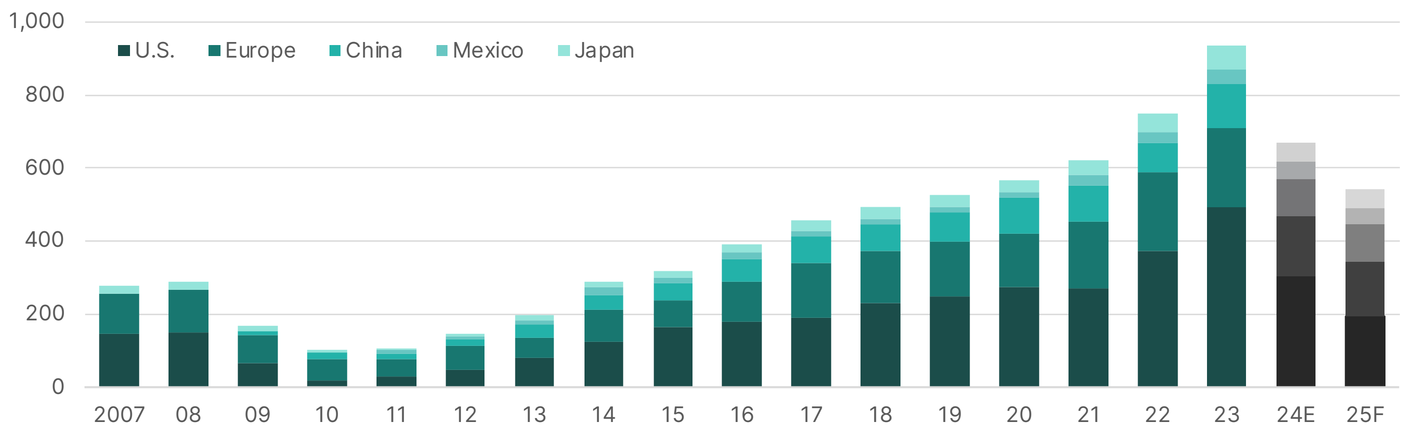


Source: CBRE, C&W, JLL, Colliers, CBRE-EA, Fraunhofer, Gerald Eve, Prologis Research.

Trend #4: Replacement cost rents moved further above market rents.

Replacement cost rents grew while market rents fell in 2024. In the U.S., market rents are 15% below replacement cost rents. Outside the U.S., conditions vary widely with most markets having a gap between market and replacement cost (e.g., Europe, Japan, Brazil), sometimes significantly so (China). In contrast, Mexico's market rents in most markets are now above replacement cost rents, although practical realities around land, labor and power availability still act as governors of new supply. Brazil's elevated bond yields are expected to drive replacement rents upwards, which could curb new supply.

Trend #5: Globally, market rents decreased 2% globally in 2024, excluding Southern California.

The Southern California market recorded improved leasing activity in 2024, but rents continued to correct following substantial outperformance from 2020 to 2022, when market rents more than doubled. Other global regions and U.S. markets also recorded significant rent growth during this period, but at a much slower pace than Southern California. Coupled with positive demand drivers and the broad-based pullback in new supply, markets outside Southern California are likely to outperform again in 2025.[1]

Outlook

Constrained supply, high replacement cost rents and demand for Class A properties are the foundation for the eventual recovery in market rents. A stronger demand resurgence—whether prompted by the need to navigate supply chain disruptions or meet the needs of end consumers—should put upward pressure on a broad range of locations and building types. We expect moderate recovery in market rents in 2025 and stronger gains in 2026.

Regional Highlights

United States/Canada

U.S./Canada rents fell 7% in 2024, pulled down by Southern California, which saw declines of over 20%. Oversupply in the Southwest (Phoenix and North Las Vegas) reversed rental gains while weak demand in the Pacific Northwest also pressured rents. Outside the West, rents fell a modest 1%, with markets in the Southeast showing resilience due to positive demographic trends. Vacancies are expected to decline in 2025 as completions decrease by 38%.[2] Improved economic growth, the need to navigate a shifting trade environment, on/nearshoring, and the need to secure bulk space amid fewer availabilities could drive leasing activity in 2025.

EXHIBIT 6

TOP 10 RENT GROWTH MARKETS, U.S./CANADA

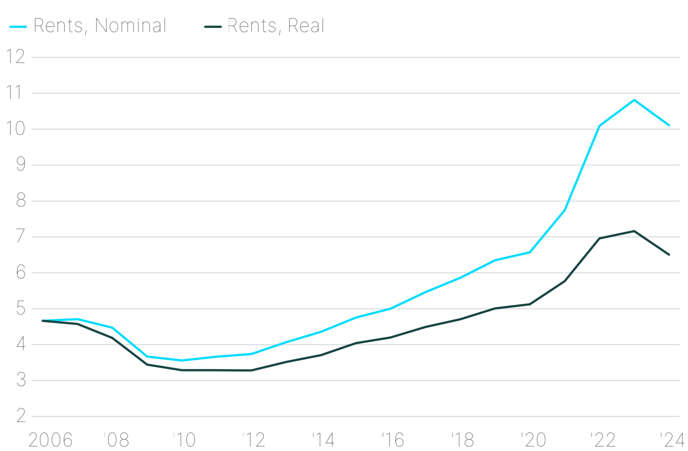
1. Nashville
2. Houston
3. San Antonio
4. Atlanta
5. Pennsylvania
6. Central Florida
7. Charlotte
8. South Florida
9. DC Area
10. Denver

Source: Prologis Research.

EXHIBIT 7

NET EFFECTIVE MARKET RATE, U.S./CANADA

$/sf/yr



Source: IMF, Prologis Research.

Europe

Net effective rents in Europe declined 1% y/y for the first time since 2010. Headline rents remained stable in most markets because recent deliveries started at peak pricing in 2022, incentivizing developers to hold firm to achieve planned margins. But rising vacancies (4.8% as of Q4 2024, up 100 bps y/y), particularly in supply-heavy markets like Poland and Hungary, resulted in increased concessions. Upward movement in free rent reduced net effective rents by 1% (Southern Europe) to 4% (Central Europe) during 2024. High-barrier markets, such as France and Germany, fared better because of low vacancy and constrained supply. Soft demand, influenced by economic headwinds and geopolitical risks, could weigh on 2025 performance. Limited new supply and high replacement costs, however, should support rental rate increases in late 2025.[2]

EXHIBIT 8

TOP 10 RENT GROWTH MARKETS, EUROPE

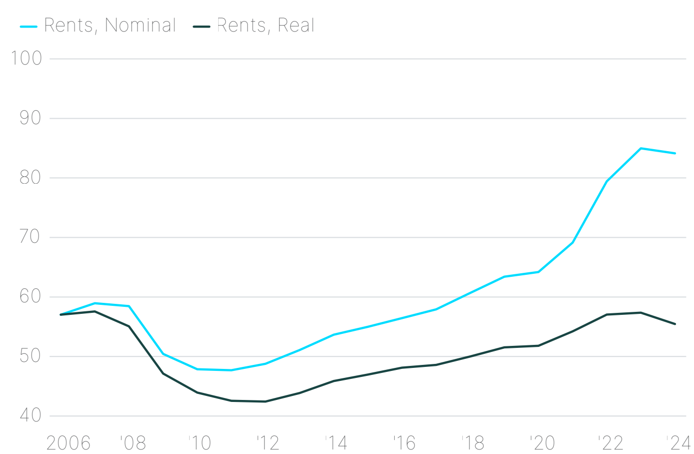
1. Bratislava
2. Utrecht
3. Paris
4. Rome
5. Greater Milan
6. Amsterdam
7. Madrid
8. Greater London
9. Midlands
10. Berlin

Source: Prologis Research.

EXHIBIT 9

NET EFFECTIVE MARKET RATE, EUROPE

$/sm/yr



Source: IMF, Prologis Research.

Asia

China

Market rent declines accelerated in 2024, dropping almost 9% nationally.[1] Significant regional differences emerged: Some cities in the North saw drops up to 30% while the South held steady with resilient demand, helping keep vacancy rates in the single digits. Cost-saving and efficiency-enhancement initiatives limited new demand. Landlords made concessions to maintain occupancy amid fierce competition. Looking ahead, the pace of rental decline is expected to slow as the construction pipeline empties and existing vacancies are gradually absorbed. Uncertainties in economic recovery and tariff negotiations, however, could create short-term volatility.

Japan

Rents increased steadily by 2% in 2024.[1] Performance disparities between areas became evident, with elevated vacancy exerting downward pressure in submarkets, like Ken-O in Tokyo, while core submarkets recorded healthy growth. Labor law changes in 2024, reducing truck drivers' driving hours, prompted tenants to move to more efficient, modern logistics facilities. Rising construction costs reduced new starts, particularly in metropolitan areas. Over time, elevated replacement costs should drive up net effective rental rates.

Latin America

Mexico

Net effective rents in U.S. dollars rose 2% in 2024, normalizing after 20%-plus growth in 2023.[1] National average rents flattened in the second half of the year because of higher vacancies in border markets, slower decision-making, and a weaker peso, reducing revenues for domestic occupiers. Consumption-focused markets, like Mexico City and Guadalajara, outperformed, particularly in infill areas. Looking ahead, national growth is expected to meet or slightly exceed inflation in 2025 as uncertainty related to United States-Mexico-Canada negotiations and elevated deliveries create headwinds. Markets with limited pipelines, such as Tijuana and Guadalajara, are poised to outperform.

Brazil

Class-A net effective rents in São Paulo/Rio grew 15% in 2024, surpassing the prior year's record of 13%. A 300-bps decline in vacancy to 9.3% (a historical low) and rising demand for modern product boosted performance.[1] In São Paulo, submarkets like Castelo and Raposo emerged as viable alternatives to Cajamar/Guarulhos. In Rio, rents within a 30-kilometer radius of the city center continued to outperform, reflecting strong demand for prime locations.

Endnotes

1. IMF, Prologis Research.
2. Source: CBRE, C&W, JLL, Colliers, CBRE-EA, Fraunhofer, Gerald Eve, Prologis Research.

Forward-Looking Statements

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Prologis' Research department studies fundamental and investment trends and Prologis' customers' needs to assist in identifying opportunities and avoiding risk across four continents. The team contributes to investment decisions and long-term strategic initiatives, in addition to publishing white papers and other research reports. Prologis publishes research on the market dynamics impacting Prologis' customers' businesses, including global supply chain issues and developments in the logistics and real estate industries. Prologis' dedicated research team works collaboratively with all company departments to help guide Prologis' market entry, expansion, acquisition and development strategies.

About Prologis

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of December 31, 2024, the company owned or had investments in, on a wholly-owned basis or through co-investment ventures, properties and development projects expected to total approximately 1.3 billion square feet (121 million square meters) in 20 countries. Prologis leases modern logistics facilities to a diverse base of approximately 6,500 customers principally across two major categories: business-to-business and retail/online fulfillment.

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