

(Y)OURSPACE

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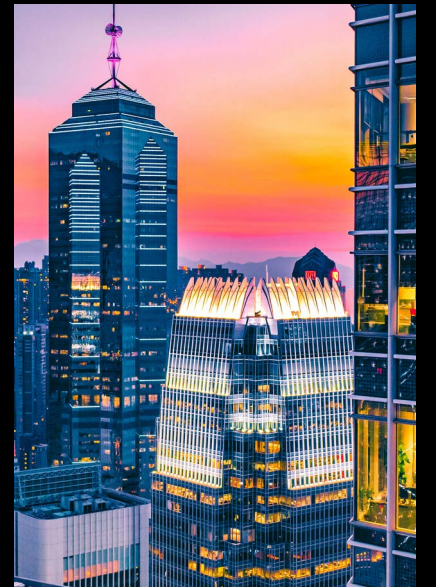
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Foreword

Industrial, Reclassified

Industrial real estate has always been where work happens. What has changed is that the strategy has become visible here. In a world where volatility has stopped behaving like an event and become a condition, the industrial footprint is no longer simply the “back of house” that supports the enterprise — it is the system that determines whether the enterprise can keep moving.

Across the pieces collected in this anthology, a few signals keep reappearing — sometimes loudly, sometimes only as background hum:



Dr. Lee Elliott

Head Of Global
Occupier Research
Knight Frank

First, networks are replacing sites as the unit of advantage.

When tariffs shift quickly, when legal mechanisms rotate, and when trading partners pause and reassess, the core business challenge isn’t cost — it’s reversibility. Companies can adapt to a known tariff regime; they struggle when policy becomes procedural whiplash. The industrial response is rarely a single dramatic relocation. It is a cascade of smaller moves: staged commitments, buffer capacity, alternative routing, and “swing” space that can be activated without rewriting the whole map.

Second, energy is no longer an input - it is a constraint.

The clean-power build-out, grid upgrades, battery storage, data centre loads, electrification of fleets, and the scale of new infrastructure are turning “power-secure” locations into the new industrial corridors. This is why industrial demand increasingly follows not just ports and labour, but electricity, permitting, and the ability to scale. In this collection, energy is not treated as a backdrop; it is treated as geography.

Third, the industrial estate is becoming cyber-physical.

Resilience used to mean solidity: spare parts, backup generators, alternate sites. But modern disruption flows through systems and code. Smart buildings and automated facilities bring performance - and new points of failure. The implication for industrial assets is stark: the more connected the operation is, the more resilience must be built into both the physical shell and the digital spine. In this anthology, resilience is framed less as endurance and more as conductivity: the ability to reroute, recover and keep functioning when a component fails.

Fourth, sustainability has matured from narrative to discipline.

What once lived in annual reports is becoming operational practice - measurable, auditable, and tied to efficiency, compliance and credibility. In the industrial world, where energy intensity and process emissions concentrate, “rational sustainability” becomes less about ambition statements and more about control systems: data, metrics, and proof.

Finally, corporate structure itself is moving - and footprints move with it.

Activist pressure, deconglomeration, regulatory

shifts and capital realignment are changing not just where facilities sit, but how liabilities are allocated, how quickly identity is established, and how quickly portfolios are re-rated by markets, lenders and counterparties. Industrial strategy no longer responds only to markets; it responds to corporate plate shifts.

Threaded through all of this is a quieter but decisive shift: industrial real estate is now where trust is operationalised. Whether through resilience under stress, certainty of power and data, credibility in sustainability performance, or speed of reconfiguration during corporate change, the industrial estate has become a visible expression of reliability – to customers, regulators, employees, and investors alike.

Taken together, these themes explain why industrial real estate has emerged from the shadows. The modern industrial portfolio is asked to do several things at once: protect continuity, enable transformation, satisfy rising stakeholder expectations, and preserve option value in an environment that refuses to sit still.

This anthology is an invitation to look at the industrial landscape as it is becoming - not simply bigger, but more strategic; not simply faster, but more deliberate; not simply “logistics”, but an operating architecture. If the essays that follow have a single shared proposition, it is this: industrial is where uncertainty becomes design.

Resilience Keeping The Circuit Alive

01



Dr. Lee Elliott

Head Of Global
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The Surge and the Flicker

Last week’s Amazon Web Services outage lasted only a few hours, yet its tremors were felt across the global economy. Retailers could not process orders. Airlines saw check-in systems freeze. Smart buildings went temporarily dark as cloud-dependent access control and occupancy systems went offline. The silence was instructive: a hum suddenly absent from the background of daily business.

It followed Jaguar Land Rover’s cyberattack, which forced the temporary shutdown of several UK production sites and disrupted operations across its supply chain. For weeks, production schedules slipped, suppliers were idled, and analysts calculated losses in the hundreds of millions. Two different events - one digital, one deliberate - yet both revealed the same truth: that the modern enterprise is a live circuit. When one part fails, the current stops everywhere.

Technology has become the electricity of the modern economy: omnipresent, invisible, and

instantly consequential when disrupted. The AWS outage wasn’t just a systems glitch; it exposed how entwined corporate life has become with a handful of critical infrastructure providers. JLR’s experience demonstrated that the vulnerabilities of a factory floor are now as much digital as mechanical. Together, they highlight that resilience today is no longer about endurance alone. It is about conductivity - the ability to absorb a surge, reroute power, and keep functioning when others go dark.

The Changing Nature of Resilience

Resilience once meant solidity - companies designed for stability: backup generators, spare sites, emergency plans locked in drawers. The crises were tangible - fire, flood, strike, storm - and could be met with tangible safeguards. But as operations have migrated into the digital and the distributed, resilience has become fluid. Disruption now flows through systems and code. It moves invisibly across supply chains, data centres, and devices, striking multiple locations at once. The corporate playbook must therefore evolve. The goal is no longer to prevent disruption, but to adapt through it. Business continuity is being redefined as dynamic

capacity - the ability to flex, reconfigure, and recover without losing coherence. The modern enterprise must behave like a power grid: anticipating overloads, isolating faults, and maintaining flow through alternative channels.

For corporate real estate leaders, this change is profound. The portfolio is no longer a static backdrop but an active element of this grid. When the lights flicker, the response now depends as much on spatial flexibility and occupancy strategy as on IT recovery. The office that once represented the anchor of corporate identity is now part of a constantly shifting circuit – a connected environment of people, platforms, and places that must operate seamlessly even under stress.

Findings from the 4th edition of (Y)OUR SPACE underscored this shift. Four in ten occupiers ranked operational efficiency and resilience as the primary objective of their corporate real estate strategy over the next five years. Operational efficiency has always been at the heart of the modus operandi of CRE functions, but resilience is a relatively new point of emphasis. The language around resilience has also changed: they no longer speak only of crisis response, but of systemic readiness.



The Corporate Real Estate Dimension

Corporate real estate has entered the resilience equation in ways unimaginable even five years ago. Smart buildings once promised seamless integration - IoT sensors, automated HVAC, cloud-based access, predictive maintenance. Those same advances now represent potential points of failure. The more connected the asset, the more it relies on systems beyond its own walls. A single outage can disrupt lighting, heating, entry, and environmental controls; a cyberattack can cascade through an entire estate in seconds.

Many occupiers are now auditing and reassessing their smart -building ecosystems rather than simply expanding them. A mid-2025 RICS report found that more than a quarter of UK businesses had experienced a cyberattack targeting building systems over the previous year - from HVAC controls to access management - underscoring how the built environment has become a frontline in digital risk. In response, corporates are conducting detailed resilience reviews of their smart infrastructure: probing vendor dependencies, software patching, and fallback protocols for local control when cloud networks fail. Industry specialists note a marked shift toward modular system architecture and on-premises safeguards designed to ensure continuity if central networks of cloud providers are compromised. This isn't a retreat from smart technology, but a recalibration – an acknowledgement that intelligence without independence is fragility by another name.

Resilience is also reshaping procurement. Leading occupiers now conduct due diligence not only on a landlord's financial stability or ESG credentials, but on their digital posture. How resilient is the building's IT backbone? How diversified are its data feeds? What's the recovery protocol if a building management system goes down? Landlords who can answer these questions confidently

are finding themselves preferred partners in lease renewals and relocations. The workplace, too, is being re-engineered for resilience. Hybrid models brought newfound flexibility but also new fragility - more devices, more endpoints, and more potential interruptions. A resilient workplace must now operate across modes: digital, when possible, and analogue when necessary. That means ensuring people can work offline for short periods, that space can switch function quickly, and that communication channels remain open through multiple platforms.

Culturally, CRE functions are becoming conveners of resilience. Property, IT, risk, HR, and operations are beginning to operate as a single circuit board, sharing live data on space, systems, and continuity scenarios. In many leading firms, this takes the form of a “resilience charter” - an internal framework defining roles, responsibilities, and recovery sequences. The outcome is not control in the traditional sense, but confidence: the ability to act decisively when the lights flicker.

Building a Live Circuit

Building a live circuit means designing portfolios that can carry current through multiple paths. The lesson from every outage and cyberattack is that concentration kills - concentration of systems, suppliers, or sites. A resilient network distributes its load. In CRE terms, that means diversified geographic presence, flexible leasing models, and data architecture that allows remote control and local override in equal measure.

Hybrid working has given occupiers the blueprint for such redundancy. The distributed network of hubs, satellite offices, and co-working partnerships built during the pandemic has quietly evolved into a resilience infrastructure. When a main site fails, these nodes can be powered up to absorb displaced teams and sustain operations. The next phase will formalise that capability: pre-

agreed fallback sites, digital twin simulations of outage scenarios, and live dashboards tracking occupancy and capacity across the network.

This also changes the economics of space. Historically, unused capacity was treated as inefficiency. Now it is viewed as strategic headroom - the spatial equivalent of surge protection. The same is true for system redundancy. The cheapest network may not be the most resilient one. CRE leaders are learning to balance operational efficiency with what engineers call fault tolerance - the ability of a system to continue functioning when a component fails. Governance is the other half of the equation. A resilient circuit requires clear rules for re-routing power. That means cross-functional decision-making structures, live rehearsals, and clear escalation paths. Some firms are using AI-enabled monitoring to predict failure before it occurs, combining occupancy analytics, sensor data, and network diagnostics into an early-warning system for operational stress. The idea is to move from reactive recovery to preemptive continuity - not just surviving the surge but anticipating it. For CRE teams, the call is to think more like systems designers. When a building, business, or city loses power, what are the alternative routes that keep work flowing? What's the sequence of fallback? What is the threshold between inconvenience and outage? These are new questions for real estate, but they are quickly becoming the measure of strategic maturity.

Regional Currents

Asia Pacific

Nowhere is the resilience debate more urgent than in Asia Pacific. The region's digital transformation has been extraordinary: from AI-driven manufacturing in South Korea to the fintech ecosystems of Singapore and the data centre boom in India. Yet the infrastructure beneath this transformation is uneven. Many markets remain reliant on single providers for energy or connectivity, exposing corporations to systemic risks.

Occupiers are responding by building regional circuits - distributed networks that balance high-resilience cities such as Tokyo, Sydney, and Singapore with scalable secondary hubs in Vietnam, Malaysia, and Indonesia. Some are experimenting with modular workspace solutions that can be activated at short notice, effectively “plugging in” additional capacity when disruption hits. Others are negotiating resilience-linked lease terms that guarantee power and connectivity redundancy or allow temporary relocation in the event of major outages.

Resilience is also becoming a board -level issue for APAC corporates. Japan's manufacturing giants are integrating cyber-physical resilience planning into site selection; Australian resource firms are pairing decarbonisation efforts with microgrid development to secure operational continuity. Across the region, the watchword is decentralisation - a recognition that the world's most dynamic growth market must also be its most adaptable.

Europe, the Middle East and Africa

In EMEA, the resilience debate is gaining legal and strategic traction. The EU's NIS2 Directive requires companies to demonstrate cyber-readiness across their operations, including physical facilities. The UK's Corporate Sustainability Disclosure Standards now include risk -resilience as part



of operational reporting. Energy transition is another dimension: Europe's grid is being rewired in real time, and energy reliability has become as strategic as energy reduction.

Corporate occupiers are responding by investing in self-balancing properties - offices equipped with on-site generation, energy storage, and AI-driven energy management systems. In Germany and the Netherlands, large occupiers are exploring shared microgrids to ensure collective resilience in dense urban districts. In the Middle East, sovereign efforts to build digital and data sovereignty are reshaping location strategy; hyperscale data centres and smart campuses are being designed with multiple layers of cyber and physical redundancy. And in Africa, the emphasis is on leapfrogging - using renewable mini-grids and mobile connectivity to deliver resilience without replicating legacy vulnerabilities.

In short, EMEA is defining resilience through its structures and regulations. Where APAC innovates through necessity, EMEA codifies through governance - a regional circuit designed for reliability over speed.

The Americas

In the Americas, resilience is being redefined by exposure. North America features the densest concentration of digital

infrastructure on the planet - cloud clusters, AI compute farms, hyperscale campuses - but this density creates fragility. The AWS outage struck hardest here because so many global businesses draw from the same grid. And physical disruption is equally real: wildfires, hurricanes, and extreme heat events are testing the limits of energy and logistics networks alike.

Corporate responses are becoming more deliberate. Financial institutions are distributing data workloads across regions; tech giants are diversifying data-centre locations beyond the western seaboard; manufacturers are establishing “mirrored” production lines across state lines to mitigate risk. In the property sector, new resilience standards are emerging that assess not only structural integrity but network redundancy and digital security.

In Latin America, the story is one of creative adaptation. Companies in Mexico, Brazil, and Chile are designing mobile operations that can shift between facilities within hours, supported by cloud-agnostic IT architecture and flexible labour models. Multinationals are insisting that landlords provide multi-grid energy feeds and alternative connectivity routes. The most successful firms see resilience not as compliance but as competitive differentiation - proof that they can operate continuously in markets where volatility is a constant.

The Live Wire

Resilience has become the invisible metric of modern business performance. It defines credibility, continuity, and trust. Stakeholders no longer ask whether disruption will happen, but how long recovery will take - and how visibly the organisation can stay composed while it happens.

For corporate real estate, this represents a shift in purpose. The portfolio is not simply an operational footprint; it is a living system of capability and continuity. Buildings that can maintain autonomy when digital systems falter - that can revert to local control, that provide safe space for regrouping and communication

- are becoming strategic assets. The best portfolios are those that function like a live wire: flexible, responsive, and capable of redistributing energy instantly.

This mindset also reframes leadership. Resilience is not an act of defiance against change but an embrace of it. It is the connective tissue between transformation and stability - the capacity to move fast without losing control. As AI, automation, and digital dependency deepen, resilience will become the defining corporate advantage. The next generation of CRE leaders will be measured not by how efficiently they cut space, but by how confidently they keep their circuits live.

The Knight Frank View

“Resilience has become the decisive marker of leadership. The most progressive occupiers aren’t waiting for the next outage or breach; they are hard-wiring resilience into every decision about space, technology, and supplier engagement. That means diversifying cloud platforms, securing energy and network redundancy, designing flexible lease structures, and creating governance frameworks that unite real estate, IT, and risk management. The goal is simple but demanding - portfolios that can stay live, secure, and productive in any circumstance.

At Knight Frank, we see this as the next great transformation of corporate real estate. Our role is to help occupiers embed resilience not as a defensive posture but as a design principle — built into the architecture, culture, and cadence of their organisations. Those who act now will not only survive disruption but harness it as a driver of innovation and growth. The future belongs to those who keep the current flowing.”



Philipp Ueberschaer
Head of Occupier Strategy and Solutions, EMEA

INDUSTRIAL INSIGHT 2

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Green Horizons: Sustainability In 2025 And Beyond 02



Matt Hayes
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Seeing the Bigger Picture with Rational Sustainability

Businesses are learning to see the world through a sharper lens. The clouds of rhetoric that surrounded ESG in its early years have started to disperse, allowing real estate decision-makers to focus on what can be measured, improved and proven.

As a result, the discourse surrounding sustainability has evolved from a language of intent to a framework of control. Occupiers are increasingly prioritising efforts and investments that enable them to take control of their resource consumption, operational efficiency, and brand reputation. The central question is no longer if sustainability matters, but which levers will deliver the greatest, most holistic value, and how fast and how effectively they can be pulled.

This evolution is rooted in experience. Executives recognise that credibility depends on proof, not promise. Where early-stage programmes were often symbolic, today’s sustainability agendas are shaped by measurable outcomes: energy-use intensity, verified carbon pathways, and auditable environmental and social metrics. Additionally, due to the overlap of concerns, ESG ambitions are becoming inseparable from the operational goals that determine productivity, brand strength and talent retention. In this context, sustainability is both a moral constant and a managerial variable, governed by strategic priorities,

data, regulation and cost.

The macro environment reinforces this transition. Global regulatory regimes are tightening, stakeholders are demanding transparency, and the cost of inaction is becoming uncomfortably tangible. At the same time, new digital innovations are giving organisations tools that allow them to track and manage their performance in real time. Artificial intelligence (AI) and sensor-based analytics are transforming ESG from an annual reporting concern into an operational KPI that demands continuous management. These developments are empowering businesses to optimise their portfolios, energy systems and workforce wellbeing

simultaneously.

This week’s edition of Talking Points traces how this ‘rational sustainability’ (a term coined by Alex Edmans from London Business School) is reshaping corporate real estate demand and occupier needs. Join me as I look through the latest data on ESG sentiment and strategies, and dive deep into what this means for the future of global occupiers’ real estate footprints. As we progress through these findings, we will find a common thread running through the latest research: the workplace is no longer just a cost centre, but simultaneously a manifestation of organisational purpose, and a critical strategic tool that must be used to drive performance and enable sustainable success.



Corporate Sustainability
Sentiment: What the Data
Says

Corporate sustainability in 2025 has entered a new phase of maturity. Rather than debating its necessity, organisations are refining how ESG principles translate into measurable performance.

Survey data shows strong alignment between sustainability and business value. In its latest A World in Balance report, Capgemini reveals that 82% of surveyed executives plan to increase environmental sustainability investment over the next 12 to 18 months, while two-thirds face growing pressure to demonstrate progress toward Net Zero goals. However, in addition to fulfilling their ESG commitments, 67% of Capgemini’s respondents reported that their sustainability investment plans are being driven by aspirations to elevate business value, with respect to concerns regarding resilience, profitability and operational efficiency. This is echoed by Bain & Company: in its 2025 CEO Sustainability Guide, the management consultancy reports that two-thirds of business leaders link ESG to profitability and resilience. This reflects how boards are increasingly reframing sustainability as an operational discipline aligned with efficiency priorities, and how ESG is emerging as an essential consideration not only for regulatory compliance but also for holistic business performance.

This sentiment is translating into strategic action and capital allocation. The Science-Based Targets initiative (SBTi) now lists over 9,000 companies with validated decarbonisation targets, and more than 2,000 are committed to net zero. Additionally, the results of Verdantix’s 2025 Global Corporate Survey, published in October, indicate that organisations’ sustainability budgets are expanding. With Bain’s assertion that almost half of executives report having already achieved positive returns on their

sustainability initiatives, we can anticipate that success stories will inspire further and more widespread capital allocation for business-accretive ESG programmes.

But what exactly are organisations investing in? New research by the Abu Dhabi National Oil Company (ADNOC) and Microsoft indicates that 88% of surveyed business leaders across various sectors believe that AI is essential to energy transformation. There are a number of noteworthy examples of this sentiment driving tech investment, particularly across industrial sectors where energy savings will have the biggest impact on margin. Airbus, for instance, has recently announced a new partnership with Siemens to decarbonise four of its sites in the US and UK using digital twin technology and advanced controls, aiming to reduce energy use by 20% and cut Scope 1 and 2 emissions by 85% by 2030. The US retail giant Walmart also reports that it has started deploying millions of Internet-of-Things (IoT) sensors across its supply chain, streaming temperature, humidity, and location data into its AI systems to optimise efficiency and support compliance. These kinds of investments, and the holistic benefits realised from them, will not only put pressure on industry

peers to follow suit to ensure they can remain competitive, but also inspire innovations and investments further afield as corporate ESG sentiment continues to shift from a prioritisation of reporting concerns to the pursuit of performance optimisation.

Nevertheless, a focus on global momentum could mask meaningful regional contrasts and nuances. In Europe, for example, while some scope is being limited, regulatory frameworks such as the EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD) have embedded ESG into corporate governance, with some countries, such as Spain, taking it further. Meanwhile, North American businesses are generally more selective with their engagement in sustainability concerns, focusing on operational efficiency and brand resilience amid political debate over regulation. In Asia Pacific, industrial transition and access to renewable energy, driven by world-leading regional economic expansion, are spurring investment in cleaner production and workplace electrification. These regional adaptations suggest that, while ESG is universal in direction, it is local in expression, shaped by policy environment, infrastructure maturity and stakeholder expectations.

The Occupier Lens: What it
Means for Corporate Real
Estate

If sustainability is evolving from a boardroom principle to an all-encompassing anchor of operational strategy, the fundamentals of what distinguishes a “high-performance” workspace are set to change. While regional nuances will result in varied priorities, across Knight Frank’s global surveys, it is clear that environmental and social goals are now embedded in everyday and workspace planning, procurement, and facilities management, alongside their financial and organisational growth strategies. As a result, the prime offices of the future will need to address occupiers’ needs at the intersection of sustainability and business performance.

Portfolio Transition

ESG priorities are reshaping how organisations configure and renew their office portfolios. Many are pursuing retrofit and relocation strategies to meet net zero trajectories, recognising that secondary stock risks rapid obsolescence. Still, businesses are reassessing how sustainability investments fit within tighter financial parameters and, as a result, energy performance standards are increasingly guiding leasing decisions. Benchmarks such as energy use intensity (EUI), together with green building certifications from the likes of BREEAM and NABERS, provide occupiers with measurable pathways and external standards they can use to align their operational emissions with widely recognised targets, which will aid their pursuit of emissions ambitions and improved cost efficiency.

Operational Discipline

With the evolving regulatory landscape, the era of symbolic sustainability pledges is yielding to one of quantitative accountability. What gets measured gets managed.



EUI has emerged as a shared metric linking ESG ambition with operational execution. The UK Green Building Council defines “Paris-proof” EUI targets as 55 kWh/m² per year, with an interim threshold of 90 kWh/m² for 2025-30. Knight Frank research highlights the importance of consistently tracking and understanding this metric, as it is essential for both cost control and compliance. This new environmental discipline is therefore not defined by rhetoric, but by the importance of accurate measurement and the urgent need to realise positive outcomes rather than just announce intentions.

People, Purpose and Place

Sustainability goals are also human-focused. Occupiers increasingly use the workplace as both a symbol of corporate purpose and as a strategic tool, aligning wellness, inclusion and community engagement with environmental performance priorities. Knight Frank’s latest (Y)OUR SPACE survey found that nearly one in five CRE professionals see the delivery of meaningful amenities and services among the biggest challenges they face. This reflects how occupier demand is evolving beyond an appetite for gimmicks and ‘amenity for amenity’s sake’, in favour of informed solutions that effectively address user wellbeing needs, aid productivity, and catalyse connection. As a result, biophilic design, air-quality monitoring, the provision of high-quality sanctuary space, and wellness certifications are

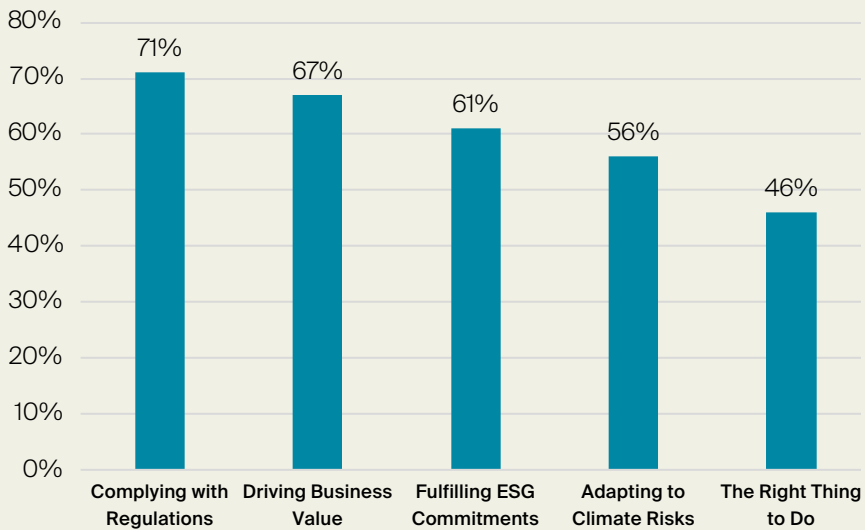
becoming mainstream and critical elements of occupiers’ employee experience and support offerings, ensuring they can both attract and retain talent in competitive labour markets. This convergence of environmental and social priorities underscores how ESG is redefining the qualitative experience of the workplace as well as its quantitative performance.

Financials in Focus

Ultimately, ESG is being internalised as a financial variable. Efficient, low-carbon buildings support operational cost reduction: Knight Frank research has calculated that improving a 100,000 sq ft office from “typical” to “good-practice” performance can reduce annual energy costs by £60,000–£110,000. Green real estate portfolios also improve access to finance and reinforce corporate credibility with clients demanding demonstrable sustainability credentials. Equally, workplaces that deliver elevated employee experiences can aid productivity, talent attraction and retention strategies, and, in turn, help optimise business outcomes. Additionally, occupiers view resilient, energy-efficient offices as safeguards against business disruption: data from Capgemini reveals that nearly one-third of respondents to its latest A World in Balance survey have had direct exposure to climate-related operational losses. In this context, sustainability is not an external reporting obligation, but an enabler of financial success, and a hedge against climate risk.

What is Driving Sustainability Investments?

(Percentage of executives that rate the following as strong drivers)



The Outlook: What Comes Next for Corporate Sustainability

The next phase of the corporate sustainability drive will be defined by action rather than words, and by quantifiable returns rather than vague ideals. Still, three macro forces are converging to test how firmly ESG strategies are embedded within business models.

Regulatory Acceleration

Disclosure frameworks are moving from voluntary to mandatory, with previously announced changes now coming into effect. Across Europe, with the introduction of the CSRD, as well as in major Asian economies such as Greater China, Australia and Singapore, carbon reporting and due diligence requirements are tightening, compelling occupiers to quantify performance at the building level. This shift will amplify the value of robust data infrastructures and verifiable energy metrics, such as EUI. For corporate occupiers, sustainability compliance is no longer a compliance function: it is the foundation of brand integrity, stakeholder confidence and financial success.

Energy Volatility

Energy security and grid decarbonisation remain twin concerns. As nations expand renewable capacity, access to clean, reliable power will shape location strategy as decisively as labour or transport connectivity. Occupiers are increasingly factoring renewable supply guarantees, onsite generation potential and energy price resilience into lease negotiations. Landlords with aligned energy priorities and offices capable of operating effectively on low-carbon energy will become central to occupiers’ business strategies and corporate resilience planning. Read this article by our Head of ESG Research, Flora Harley, for more information about the procurement of renewable power.

Capital Discipline

The cost of capital is recalibrating ESG ambition. While organisations are still investing, with Capgemini data indicating that more than four-fifths of executives are increasing their sustainability-related expenditure, elevated long-term borrowing costs, together with persistently sticky inflation rates in many parts of the world, will result in a prioritisation of initiatives with near-term payback and credible measurement. The implication for occupiers is clear: retrofits and certifications must make financial sense and align with sustainability priorities.

The Corporate Balancing Act

The current business environment favours selective rewards. Amid shifting regulatory requirements, volatile geopolitical and macroeconomic conditions, and rising business costs, corporate ESG investments can no longer be driven solely by high-minded ideologies. Sustainability is increasingly an existential concern for occupiers worldwide. However, in addition to fulfilling regulatory commitments, more and more organisations’ sustainability strategies are increasingly embedded in their wider strategic models, as key decision-makers become increasingly cognisant of the broad-based benefits to be realised from investments that enhance operational efficiency, brand credibility and employee strategies, while supporting cost control. Over the years to come, we should expect occupiers’ real estate portfolios to be leaner, smarter, and more resilient, supporting business continuity and sustainable success.

In short, ESG risk management will no longer be an optional extra for corporate real estate strategies: it will be a financial necessity.

The Knight Frank View

“Sustainability goes beyond the environment. As defined by the UN, it means “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” For businesses, this translates to ensuring long-term operational and financial resilience.

Achieving this requires identifying and managing material risks and opportunities across environmental and social dimensions, with good governance ensuring that this is practically embedded into strategy. While regulation has helped build momentum, the business case is now clear: many stakeholders – from investors to customers and lenders – are scrutinising not just sustainability targets, but how they’re being delivered.

Real estate plays a pivotal role in this transition. As both a significant source of emissions and a foundation for business operations, it is and will continue to be seen to support resilience and sustainable performance across the value chain.”



Flora Harley
Head of ESG Research

INDUSTRIAL INSIGHT 3

This paper was first published on the 22nd September 2025.

The New Power Play: Six Trends Reshaping The Energy Sector & Its Real Estate

03



Jennifer Townsend
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The energy industry is reinventing itself, as are the workplaces and facilities that power it. In 2025, global spending on clean energy will hit a record \$2.2 trillion, roughly double the investment in oil, gas and coal. From the shift to renewables to AI-led transformation and changing workforce demographics, six seismic shifts are redefining how energy companies use real estate. These trends transform everything from offices and R&D labs to wind farms, manufacturing plants, and distribution hubs. CRE leaders in the energy sector must take note and act.

1. Renewable Build-Out Goes Big

The world’s pivot to clean power is visibly altering landscapes and corporate footprints. Solar farms are carpeting deserts, and wind turbines are sprouting across plains and coastlines. Solar and wind now deliver roughly 15% of global electricity (up from 4% ten years ago) and are scaling fast. In fact, solar is expected to attract more investment this year than any other energy source. Hydrogen projects are also gaining traction, with over \$110 billion invested in more than 500 projects worldwide. Governments are fuelling the boom with aggressive targets (from the EU’s Green Deal to China’s 2060 carbon-neutral pledge) and



streamlined permits. Germany, for example, saw onshore wind project approvals jump 150% after 2022 due to policy reforms.

For energy companies, this renewables surge is fundamentally a real estate story. “Mega-projects” are the new norm: giant solar parks, offshore wind farms, and battery storage sites requiring vast land or ocean acreage. The supply chain behind them demands its own real estate, from new factories to assemble solar panels and wind turbine blades, to logistics centres for moving massive equipment, and battery gigafactories popping up from the U.S. Midwest to the German auto belt.

Traditional office and R&D spaces are shifting, too. To tap into talent, energy firms cluster their clean energy innovation teams in hotspots like Berlin, Shanghai, and Silicon Valley. These locations also offer the specialised spaces and university/research/startup links that help accelerate clean energy development. According to Deloitte, over half of all new energy jobs in 2023 were in clean energy roles, underscoring the need for workplaces geared toward this

growing workforce.

2. Fossil Fuels Evolve: Resilience Meets Transition

The age of oil and gas isn’t over yet, but it is changing. Global investment in oil and gas hit \$1.5 trillion in 2024 (a 6% year-on-year rise), driven by energy security concerns and OPEC+ boosting output. Even as renewables surge, demand for fossil fuels remains strong, though it is marked by volatility and significant regional variation.

Many oil and gas producers are adjusting capital allocations between renewables and oil and gas projects while maintaining a strong emphasis on cost discipline. This means new pipelines, LNG terminals and petrochemical plants are still being built, each a massive real estate undertaking requiring ports, acreage and specialised facilities. At the same time, oil & gas majors are hedging for a low-carbon future by retrofitting and repurposing assets. Carbon capture units are added to refineries, hydrogen production pilots are launched at legacy sites, and old tank farms are turned into biofuel

hubs.

U.S. oil and gas majors, in particular, have leaned heavily on mergers and acquisitions to access oil and gas reserves. In July 2025, Chevron completed its acquisition of Hess Corporation. This deal granted Chevron access to the prolific Stabroek Block offshore Guyana, which is one of the largest oil discoveries of the decade. Such transactions inevitably reshape the built environment, either through the trimming and consolidation of existing portfolios or, in some cases, by generating fresh demand in the guise of a new joint headquarters. Portfolios must also reinforce identity in a period of change as firms are brought together.

3. Electrification Sparks an Infrastructure Boom

From EVs to AI, everything is going electric, turbocharging the need for new infrastructure. The electrification wave is crashing in from all sides: surging sales of electric vehicles (over 17 million EVs were sold worldwide in 2024, more than 20% of new cars), the proliferation of energy-hungry cloud data centres, and electrified public transport and heating. All this is driving massive upgrades to power grids and industrial capacity. In 2024 alone, governments worldwide spent about \$390 billion to strengthen grids and transmission lines. Utilities are racing to build substations and high-voltage lines to connect new renewable generation and meet rising demand.

In the U.S., data centre power needs are expected to roughly double by 2030 (from 29GW in 2020 to 75GW), potentially reaching 9% of national consumption, a startling statistic with utilities and tech giants snapping up land for electrical infrastructure near their facilities. Energy companies are finding themselves both suppliers and customers in the data centre boom. Saudi Aramco, for example, has backed Cognite and other AI ventures and, through its digital arm, has been building high-

performance computing data centres in the kingdom.

For energy companies, “electrifying everything” is an unprecedented construction spree. They find themselves developing or partnering on battery gigafactories, large-scale energy storage sites, and EV component plants. These facilities often rival automotive factories and require vast real estate and proximity to supply chains for lithium and other inputs. Oil companies, too, are getting in on the act by transforming parts of their retail networks into EV charging hubs. Shell, BP, and TotalEnergies have collectively announced plans to deploy hundreds of thousands of EV chargers.

Logistics and distribution networks are electrifying, too. Major fleet operators are adopting electric vans and trucks, prompting the need for depot charging infrastructure and upgraded warehouse power supplies. Some energy companies are stepping in to provide depot charging as a service, effectively adding electrical equipment and even solar canopies to warehouse real estate.

4. From Oil Rigs to Algorithms

In the energy sector, digital and AI are the new wildcatting. Big oil is hiring data scientists and building AI teams, utilities are deploying AI for grid management, and companies are transforming themselves into technology enterprises. The latest form of AI, “agentic AI,” is being deployed in multiple ways. Agentic AI is being applied in “virtual power plants.” AI agents manage fleets of thousands of such assets, deciding when to charge, discharge, or bid into wholesale markets. In upstream oil and renewables, agentic AI is starting to run drilling and maintenance operations. A recent IBM survey found that 56 per cent of energy executives believe AI will enable new business models, and 64 per cent are already revamping workflows with AI and automation tools.

One of the clearest effects on real estate is the rise of AI hubs within energy companies’ property portfolios. BP has built a digital innovation centre in Pune, India, employing hundreds of software engineers and data specialists. In California, PG&E has partnered with Plug and Play, a Silicon Valley start-up, to create an AI centre of excellence in downtown San Jose, complete with an incubator, exhibition halls, and a training space for students and small firms. And in Houston, Schneider Electric has opened what it touts as one of the world’s largest energy-innovation hubs.

Energy firms are also turning AI inward to run their estates more efficiently. In offices and industrial sites, AI systems already adjust heating, cooling, and lighting in real time, anticipate equipment failures, and monitor how space is used. In refineries, digital twins and computer vision enhance performance, extend asset lifespans, and bolster safety. At the same time, AI helps sustainability efforts by tracking emissions, benchmarking building efficiency, and modelling routes to decarbonisation.

5. A New Energy Workforce & the Workplace Revolution

The people powering the energy transition and their expectations for the workplace are changing. Demographically, the sector faces a twin challenge: a wave of veteran oil & gas engineers nearing retirement and an influx of younger talent in renewables and tech fields. In the U.S. alone, an estimated 400,000 oil and gas workers will retire by 2034, while in cutting-edge areas like hydrogen, the workforce is so new that 80% of workers have under 5 years’ experience. This generational turnover means energy companies must appeal to a new cohort while supporting the needs of older employees.

Workplace strategies in the energy sector have tilted towards hybrid models and employee-centric flexibility. Recruitment pages show

the trend. Ørsted allows staff to work remotely or up to three days a week, while BP lets employees agree to informal or formal arrangements on how, where, and when they work, provided the role allows it. Not all, however, are so permissive. A handful of firms, echoing broader corporate fashion, have reimposed stricter office mandates, insisting that innovation and culture flourish best when colleagues are under the same roof.

Inside these offices, it’s all about experience and employee-centric design. Energy companies are adding functional amenities such as wellness centres, training labs for upskilling in new technologies, and interactive digital equipment so colleagues can work seamlessly with remote teammates. Spaces are being tailored to support multiple generations. There’s also a strong push for visible sustainability, with features like solar panels on the roof and timber or recycled materials in decor, so the workplace itself reflects the company’s changing climate values. All of this not only boosts recruitment and retention but also aligns with broader ESG commitments.

6. The Cost Crunch & Supply Chain Upheavals

Profits remain under pressure, particularly amongst oil and gas companies, putting a premium on efficiency. Oil prices have been volatile, and renewable projects are grappling with rising costs that squeeze margins. This “cost crunch” is forcing energy companies to scrutinise every dollar and every square foot. Many are embarking on belt-tightening plans while also undergoing business transformation. BP launched a \$5 billion cost-cutting program, Shell saved \$800 million in the first half of this year through efficiencies, and utilities like Duke Energy are trimming O&M budgets by hundreds of millions. Real estate is a prime target for savings. Occupiers are reviewing portfolios for consolidation opportunities.

At the same time, supply chain upheavals are prompting a

rethink of where to locate critical facilities. Trade tensions and import dependencies have led some firms to invest in domestic manufacturing, with government incentives adding impetus. The U.S. Inflation Reduction Act, for example, unleashed a clean energy manufacturing construction boom. While rare, some political decisions can stop projects in their tracks. Ørsted famously had to halt an almost-finished offshore wind farm project as a result of U.S. government policy. Real estate strategy has become a trade policy playbook. Site selection is now shaped as much by tariff exposure and geopolitical risk as by any other factor.

A Once-in-a-Century Reset

The energy industry is undergoing a once-in-a-century reset. Renewables are scaling, oil and gas are reshaping, and electrification is demanding vast new infrastructure. AI is becoming the unseen operating system of plants, grids, and offices, while demographic shifts are redefining what workers expect from the workplace. Supply chain upheavals and geopolitics add yet another layer of complexity.

For corporate real estate, the message is clear. Portfolios are no longer simply collections of assets to be managed. They are platforms for transition, innovation, and resilience. The winners will be those who anticipate disruption, design spaces that attract and retain scarce talent, and invest in infrastructure that is both digital and sustainable.



The Energy Sector in Numbers

\$3.2 trillion USD

Forecast global energy sector spend in 2025, a record high.

\$400 billion USD

Value of energy sector M&A in 2024, a three -year record high.

9%

Share of US electricity projected to be consumed by data centres by 2030, up from around 2% today.

59%

Oil and gas executives who expect AI to significantly boost revenues within three years.

400,000

Oil and gas workers in the US expected to retire by 2034, creating a generational talent challenge.

\$2.2 trillion USD

Forecast global investment in clean energy in 2025, double the spend on oil, gas and coal.

Key Considerations for Real Estate Decision Makers in the Energy Sector

1. Enable transformation

Portfolios must be optimised to unlock transformation, ensure success in mergers and acquisitions, adapt to changing business models, and reinforce identity and culture amid rapid change.

2. Embed AI

To support AI-led transformation and investment, real estate must double as training grounds for existing staff, talent magnets for new staff, and bridges to universities, startups, and technology firms. Bricks and mortar will also be expected to house their own intelligence, with embedded AI systems and adequate infrastructure.

3. Prioritise talent

Workplaces should create a compelling employee experience that fosters productivity, continuous learning, and wellbeing. They must also be designed to support diverse demographics, attract new talent, and enable evolving ways of working.

4. Embed adaptability & cost discipline

Flexible leases, reconfigurable layouts, and agile capital deployment will allow portfolios to adapt rapidly to cost pressures, supply chain disruptions, and organisational transformation. Early involvement of corporate real estate leaders in major business decisions, supported by scenario planning and data-driven insights, will be essential to building resilience.

5. Locate for resilience & innovation

Site selection must factor in geopolitical risk, tariff exposure, and supply chain resilience for operational assets, while R&D facilities should be located where talent is abundant and research ecosystems are strong.



INDUSTRIAL INSIGHT 4

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Rewired Asia: Hong Kong, Ho Chi Minh City & The New Corporate Map

04



Dr. Lee Elliott

Head Of Global
Occupier Research
Knight Frank

I've just spent two amazing weeks travelling across Hong Kong and Ho Chi Minh City – two places often mentioned in the same breath in discussions about Asia's economic trajectory, but rarely understood in terms of how they work together. A walk through Central's corridors of private capital and then through District 9's new logistics hubs in HCMC reveals that both cities are quietly – and profoundly – reshaping their roles within a changing world order. What they offer isn't dichotomous, but complementary: one is orchestrating capital and confidence; the other is building capability and production scale.

From a corporate real estate perspective, this pairing offers both opportunity and instruction. In an age where supply chains are becoming geographic networks – and capital flows are being strategically recast - the ability to combine functions across distinct markets is emerging as the pivotal differentiator. This is not the story of successor cities and sunset cities. It's about how Hong Kong and Ho Chi Minh City, together, are defining the new choreography of global value.

My five key takeaways from this extraordinary trip are:

1. Hong Kong's role has narrowed but deepened.

It is now a highly specialised centre focused on capital orchestration, Chinese wealth flows, regulated finance, and high-trust digital infrastructure – with premium Grade A assets and strategic occupiers driving recovery.

2. Ho Chi Minh City has moved beyond 'workshop' status.

It is now a regional manufacturing and logistics super-node, with rising office demand from engineering and supply-chain functions, and a capital markets upgrade that puts it on the emerging markets map.

3. The office and industrial markets in both cities are diverging internally.

Prime space in Hong Kong is benefiting from flight-to-quality, while decentralised stock suffers. Industrial parks in HCMC are nearly full, while new office supply needs to align with industrial clustering to sustain absorption.

4. CRE strategy must now follow role, not geography.

Occupiers who treat Hong Kong and HCMC as complementary nodes – rather than either/or bets – will better navigate tariffs, regulations, talent pipelines, and capital positioning.

5. The window for advantage is open but narrowing.

Both markets offer tenant leverage, but only for those who can move now: Hong Kong before valuations harden, and HCMC before capacity narrows and costs realign.





Hong Kong: From ‘Global Financial Centre’ to Strategic Interface

Hong Kong is a city caught between perceptions. To some, its political evolution and pandemic impact have broken the core ingredients of its success. To others – particularly those running regional businesses, managing Chinese wealth, or structuring complex financial flows – Hong Kong remains not only relevant but vital for a very specific set of reasons.

Capital's Conduit is becoming a Trust Machine.

A record HK\$99bn in insurance policies were purchased in Hong Kong by mainland Chinese customers in the first half of 2025. That headline, reported by the Financial Times, tells a bigger story. Wealth isn't fleeing China – it's being realigned, wrapped in US\$-HK\$assets, and placed in structures that still rely on Hong Kong for legal, regulatory, and market integrity. That's why private banks and asset managers are refitting their Hong Kong offices today – not for headcount growth, but for capital architecture and trusted client interface.

At the same time, the ganglion of global finance is twitching again. After years of retrenchment, banks like Deutsche Bank, JPMorgan Chase, and Standard Chartered have begun rebuilding their Hong Kong teams, driven by rising deal activity, the resurgence of cross-border listings, and a shift toward regulated offshore capital restoration. And while some IPO flows have been lost to New York or Shanghai, Hong Kong has adapted its listing framework to attract new

capital sources – from loss-making biotech firms to China's consumer-tech and AI startups.

This is the microclimate that is now beginning to stabilise Hong Kong's office market. Knight Frank's latest market insights show Grade A vacancy falling modestly to 14.5% in Q3 2025, with several of the city's landmark towers recording positive absorption for the first time since 2019. The big deals are concentrated in prime core assets – not in volume, but in symbolic quality.

The recent multi-floor lease signed by Jane Street for over 220,000 sq ft in Hong Kong's Central district – at over HK\$30m per month – is both a headline and a signpost. It signals that high-trust ecosystems still command a premium in a world where economies are becoming less open, and data connectivity – not just physical occupancy – drives locational decisions.

A market splitting, recovering and retooling

The bifurcation is clear. Premium Grade A buildings in Central, Admiralty and Quarry Bay are stabilising and, in some cases, returning to rental growth. Older, secondary, and decentralised stock is still faltering. Vacancy rates in some of these buildings remain over 20%, and landlords with highly leveraged assets are under pressure as financing costs rise. HSBC's recent warning that 73% of its HK\$32bn commercial property loan book is 'higher risk' or impaired, illustrates what is happening in the shadows of the recovery: a structural passing of the baton from weak assets to resilient ones.

For occupiers, this presents an unusually rare moment – the ability to secure flagship space in a global finance hub with strong incentive alignment from landlords. The strategies are not about square footage, but strategic alignment:

- Consolidating legacy floors into higher spec, technology-enabled suites.
- Equipping new space to host confidential client interactions, regulatory reviews, and secure data applications.
- Structuring flexible lease profiles that allow for hybrid teams, nearshored functions, and internal global mobility.

Hong Kong's industrial and logistics story is equally revealing. Traditional port throughput has stabilised, not rebounded. What has grown instead is the specialised market: metals warehousing associated with global commodities trading; crypto-related custody and storage spaces; resilience infrastructure for data and trading operations; and energy-efficient data centres supporting hybrid finance and AI-linked activity. These assets operate on the economic fringe, but the occupancy logic is central: secure, rule-based, tightly regulated, high-trust capacity. A market splitting, recovering and retooling.

The Knight Frank View

“Hong Kong is sharpening its role as a high-trust hub for capital and global finance. The best opportunities today lie in premium Grade A buildings, where occupiers can upgrade strategically and align space with future business priorities. This is a decisive moment for those ready to act.”



Wendy Lau

Executive Director,
Head of Hong Kong
Office Strategy and
Solutions



Ho Chi Minh City: From Factory Floor to Enterprise Ecosystem

The first thing you notice in HCMC is energy – not metaphorically, but literally, in the sense of a city whose power lines, mobile towers, and urban edges are straining to keep up. The second thing you notice is intentionality: HCMC is not stumbling into a post-China role; it is engineering one.

Factory logic has become industrial strategy.

Vietnam's trade surplus with the United States reached US\$125bn last year – an extraordinary figure for a country that was once peripheral to global manufacturing flows. But that success now comes with exposed risks. Proposed US tariffs of up to 40% on certain Vietnamese exports have triggered a new wave of geopolitical anxiety. The Financial Times warned that Vietnam could become 'the trade war's biggest loser' if it fails to diversify both its output and its destination markets. Vietnam knows this – and is now acting accordingly.

What has changed is not just the volume of industrial activity, but also its nature. The ready-built factories and logistics hubs being developed around Binh Duong, Long An and Dong Nai are not generic; they are fully integrated, ESG-oriented, and increasingly capable of hosting advanced manufacturing. For example, next-generation factories are now including rooftop solar, battery-backed grids, worker dormitories, cold storage, robotics, and connectivity mapping built into their specifications.

Knight Frank's Vietnam Research has highlighted that industrial real estate remains the 'shining light' of Vietnam's property market for 2025 and beyond. Registered FDI in manufacturing and industrial parks in the first half of 2025 reached US\$21.5bn, up over 32% year-on-year. In HCMC alone, the total industrial land inventory across the Southern Economic Region is over 34,000 hectares, with occupancy in established parks still above 85%.

These are prevailing rather than typhoon winds. The post-China value chain is now structurally rooted in Vietnam.

The rise of the multi-asset occupier

The more interesting evolution is the emergence of industrial-plus-office occupiers. Multinationals that built factories in Vietnam in the 2010s are now placing engineering teams, design roles, procurement units, finance management, and even regional leadership in HCMC office space – often in proximity to the industrial nodes themselves. HCMC's CBD is seeing a pattern of leasing activity driven not by banks or insurers, but by logistics firms, IT services, and supply-chain control towers of manufacturing-based organisations. The city's office market absorbed over 100,000 sq m in 2024 and is forecast to absorb around 50,000 sq m in 2025 – still significant, given the surge in new supply. Office specification is improving. Developers are designing hybrid environments – with flexibility, ESG compliance, and a clear pitch to occupiers who want to manage workforce development, not just real estate cost. The emerging talent story is critical here: bilingual management

teams, engineering graduates from local universities, and returning overseas Vietnamese professionals are enabling companies to run head-office functions in HCMC rather than simply supporting factories.

Capital markets: from frontier to emerging status

The most underappreciated change is happening in Vietnam's financial infrastructure. FTSE Russell's decision to upgrade Vietnam to 'secondary emerging market' status – pending confirmation in 2026 – is a breakthrough. This unlocks future index-linked flows, widens market access, supports more transparent trading regimes, and signals a shift in how global capital views Vietnam – no longer just as a production hub, but as a market with its own financial architecture.

For corporate real estate leaders, the consequence is straightforward: longer-term capital investment in physical infrastructure is rationalised once confidence in financial infrastructure is established. The upgrade is a credibility moment. It reinforces that industrial and office commitments in HCMC – whether owned or leased – are now supported by policy intent and market trajectory.

The Knight Frank View

“Ho Chi Minh City is emerging as a full-service ecosystem for global occupiers – not just a manufacturing base. It's industrial, and office markets are evolving in parallel, offering scalable, future-ready platforms for companies rethinking their Asia strategy.”



Alex Crane

Managing Director,
Knight Frank
Vietnam

Corporate Real Estate Strategy: It's About the System, Not the Site

In a world where fragmentation is accelerating, the smartest occupiers are not doubling down on any one location; they are designing regional portfolios with complementary roles. Hong Kong and Ho Chi Minh City are textbook examples: Hong Kong for capital, risk, connectivity and regulation; HCMC for production, logistics and rising talent pools.

The best CRE strategies will be portfolio strategies, not pipeline strategies. Instead of asking 'Where do we go next?', they ask 'What role does this city play in the system?' The answer for these two markets looks something like this:

Hong Kong:

Anchor legal, financial, data and governance functions; establish interface for capital and risk; enable client and investor confidence through best-grade workplace environments in prime districts; build core+flex models.

HCMC:

Secure scalable industrial land and logistics stock; co-locate engineering, procurement, service and R&D functions; leveraging emerging office markets for integrated talent; match industrial infrastructure to ESG demands and supply-chain audits; prepare for capital market evolution.

When knit together, these roles create durability and resilience: tariff-proof value chains, capital-secure operating models, human capital proximity, and market access on both sides of the China+1 equation.

As ever, the medium-term advantage lies with those who act before the rest of the market catches up.



INDUSTRIAL INSIGHT 5

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Between Hesitation And Hope: What Global Corporate Sentiment Reveals About 2026

05



Matt Hayes

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The end of the year tends to clarify corporate mood. Plans are being finalised, budgets are locked, strategies are being refined, and leadership teams must make decisions that stretch far beyond the next quarter. Against that backdrop, the closing months of 2025 present a mood that is neither pessimistic nor exuberantly optimistic. Instead, it is grounded, deliberate and alert. Companies are preparing for growth, but in a way that acknowledges volatility as a structural feature of the global economy rather than a passing phase.

This is shaping a quiet recalibration: not a retreat, but a more intentional advance. Across North America, Europe, Asia-Pacific and the Middle East, firms are judging what the year's end is telling them about the shape of 2026. They are adjusting their investments, operational priorities and real estate strategies accordingly. Understanding the current sentiment landscape is essential, not because it predicts the future with precision, but because it reveals how organisations are thinking and what challenges they are preparing to face.



Global Sentiment at Year’s End: An Uneven but Forward-Moving Economy

The late-2025 sentiment data reveal a world economy moving, but at different speeds. Some regions are accelerating, others are pausing, and several are caught in

a cycle of stop-start momentum. Rather than offering a single narrative, the indicators sketch out a global landscape marked by contrast: strong service-sector growth in parts of Europe and Asia, manufacturing hesitation in China and Korea, and confident expansion in the US and the Gulf.

This divergence is shaping how corporates think about investment, operational risk, and real estate decisions. The snapshot below captures these cross-currents at the point where year-end planning meets on-the-ground reality.

Region/ Economy	Key Indicator (Nov 2025 unless stated)	Latest Reading	Interpretation
Global	J.P.Morgan Global Composite PMI Output Index (Oct 2025)	52.9	Solid global expansion; roughly consistent with ~3% global GDP growth
United States	S&P Global US Composite PMI	54.8	Robust private-sector growth; US remains global stabiliser.
Canada	S&P Global Canada Composite PMI	44.9	Private-sector contraction; firms likely to prioritise flexibility and cost control.
Eurozone	HCOB/S&P Global Eurozone Composite PMI	52.8	Fastest expansion in 30 months; services offset manufacturing weakness.
Germany	HCOB Germany Composite PMI	52.4	Growth moderates but remains firmly expansionary.
France	HCOB France Composite PMI	50.4	Marginal expansion; fragile recovery shaped by services.
United Kingdom	S&P Global / CIPS UK Composite PMI	51.2	Modest growth; services lead, but demand softens.
China	NBS Manufacturing PMI	49.2	Continued contraction; weak output and fragile domestic demand.
China	Caixin Services PMI	52.1	Slowing but still-solid services growth.
Japan	au Jibun Bank Composite PMI	~52.0	Sustained private-sector expansion, led by services.
South Korea	S&P Global Manufacturing PMI	49.4	Persistent contraction; export uncertainty and tariff effects visible.
India	HSBC India Composite PMI	~59.7	Among strongest readings globally; domestic demand & services underpin growth
Australia	S&P Global Australia Composite PMI	52.6	Broad-based expansion across manufacturing and services.
ASEAN Region	S&P Global ASEAN Manufacturing PMI	53.0	Third month of expansion; diversification driving regional growth.
UAE	S&P Global UAE Non-Oil PMI	54.8	Strong output and new orders; diversification accelerating.
Saudi Arabia	Riyad Bank PMI	58.5	Very strong non-oil growth, even after easing from previous highs.
South Africa	S&P Global South Africa PMI	~49.0	Second month of contraction; demand and confidence remain weak.
Global CEOs	EY-Parthenon CEO Confidence Index (Sept 2025)	83	Executives more confident in their own firms than in the wider macro environment.

These figures depict a global economy that is not stalling but rebalancing. Momentum exists, but its distribution is uneven. Services are doing the heavy lifting in many markets, while manufacturing continues to grapple with weak international demand, tariff dynamics, and domestic challenges. Crucially, senior leaders remain more confident in their own organisations than in the broader environment - a gap that is driving more careful, more strategic decision-making.

Regional Underpinnings of Corporate Mood

What stands out across the major regions is not dramatic swings in activity, but the contrast in what is driving or holding back momentum.

A Quiet Resilience in Europe

The euro area’s year-end performance offers the clearest sign that the continent has regained a footing. A composite PMI of 52.8, its strongest in over two years, speaks to stable service-sector demand. Germany and France show similar patterns, not a surge, but enough expansion to sustain operational confidence. Companies here are using this stability not to expand their footprints aggressively but to upgrade them: consolidating into prime space, improving energy performance, and increasing workplace quality.

A Moderated Recovery in the UK

The UK’s 51.2 composite PMI underscores a recovery still constrained by weak demand and cautious investment. Yet corporate behaviour is not defensive; it is discerning. Real estate decisions increasingly revolve around productivity, culture, and client engagement, with organisations seeking high-quality, flexible environments that support hybrid working without locking them into long-term scale commitments.

North America’s Divergence

In the US, a composite PMI near 55 reflects genuine strength. Businesses remain confident enough in demand, profitability, and labour-market momentum to make strategic commitments. Canada, by contrast, sits firmly in contraction. This dichotomy is sharpening differences in corporate strategy: US firms continue to invest, while Canadian firms remain in defensive mode, prioritising flexibility, automation, and scenario-based planning.

Asia-Pacific’s Mixed Picture

China’s manufacturing contraction to 49.2 highlights ongoing strain in the world’s largest industrial ecosystem. Services remain in modest expansion, but the overall tone is one of caution. Japan, by contrast, shows steady private-sector growth, while India remains the global outlier, with robust expansion, strong domestic demand, and continued dynamism in services, technology, and manufacturing-light sectors. Australia and ASEAN economies continue to attract companies repositioning regional supply chains and talent strategies.

The Confidence Engines of the Middle East

The UAE and Saudi Arabia stand out among the countries with some of the highest PMI readings globally. Their non-oil sectors continue to post strong growth, driven by diversification agendas and large-scale investment programmes. Corporates in these markets are unapologetically expansion-oriented, fuelling demand for modern office space, logistics infrastructure, and high-quality workplace environments.

A Slower Pulse for South Africa

South Africa’s sub-50 PMI reflects subdued domestic activity and persistent structural challenges. Corporate sentiment here tends to prioritise stability, continuity, and risk management rather than expansion.



Implications For CRE Strategy in 2026

When sentiment is neither euphoric nor alarmed, but sharply attuned to risk, corporate real estate becomes an instrument of resilience - the patterns emerging at year-end point to several defining behaviours for 2026.

Selectivity, not scale

Organisations are focusing on assets that improve productivity, sustainability credentials, and talent engagement. The priority is not ‘more space’ but ‘better space’.

An elevated threshold for ‘fit for purpose’

Expectations for buildings have risen markedly. Companies now require strong energy performance, digital capability and hybrid-work adaptability as baseline conditions, not differentiators.

Flexibility embedded by design

Break clauses, shorter commitments, modular layouts, multi-hub portfolios, and greater use of flexible providers are becoming standard elements of modern portfolio strategy.

Manufacturing divergence is driving industrial decisions.

India, Australia, the Gulf, and parts of ASEAN will continue to see industrial and logistics demand, while China, Korea, and South Africa face a more measured appetite for industrial investment.

CRE is elevated within strategic planning

Real estate is now part of conversations about operational resilience, cost predictability, cultural cohesion, sustainability, and talent strategy.

A Year Shaped by Disciplined Forward Motion

Corporate sentiment at the end of 2025 slots neatly into the broader story we set out in our 2026 Outlook, Balancing Acts. Global business has entered an era where progress is no longer linear, clarity is rarely absolute, and leaders must continually weigh competing demands without the luxury of certainty. What the late-year indicators show is an economy still moving forward but doing so along a tightrope, balancing ambition with caution, transformation with control, and opportunity with rising operational complexity.

Across regions, firms are navigating the same tensions highlighted in Balancing Acts: the need to remain agile while committing to longer-term capability; the imperative to strengthen resilience without stalling innovation; the

requirement to support workforce expectations while managing costs and productivity; and the growing pressure to decarbonise amid shifting regulatory landscapes. These are not contradictions to be solved, but conditions to be managed, and corporate real estate has become one of the primary arenas in which this balancing takes place.

Real estate decisions are now expressions of strategy: they reflect where a company intends to play, how it intends to operate, and how it plans to adapt when conditions shift. Through this lens, the sentiment of late 2025 is neither a signal to pause nor to surge. It is a prompt to move deliberately: to make choices that preserve optionality, protect resilience, and enable progress even in an environment that offers few guarantees.

As 2026 approaches, the task for organisations is not to resolve the tensions described in Balancing Acts, but to operate confidently within them. The competing pressures of cost, capability, culture, and carbon are not going away. If anything, they are becoming more tightly intertwined. That is why the corporate mood at year-end matters: it shows that leaders are no longer waiting for perfect conditions, nor assuming that volatility will subside. Instead, they are building strategies and real estate portfolios that can absorb tension without losing direction. In this environment, advantage will belong to those who can hold multiple priorities in balance and still move forward with purpose.

INDUSTRIAL INSIGHT 6

This paper was first published on the 15th December 2025

A World In Transition, A Footprint In Motion

06



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Some years feel like a turning point. Others feel like a test. But 2025 felt like something trickier – a year in which the world revealed its working notes, offering early clues about the economic, technological and organisational realities that will define the rest of the decade. It wasn't a year of a single shock or a clean storyline. It was a year of pressurised clarity, of markets and institutions learning in real time that the systems they relied on were changing underneath them.

The global broadsheets reflected this dynamic. Headlines veered from record corporate reinventions to geopolitical ruptures, from AI stabilisation to governance meltdowns. The story was not pessimistic – but it was undeniably serious.

For corporate real estate leaders, this was the year the questions became sharper and the stakes higher. Workplaces, industrial assets, data centres, logistics infrastructure – each became part of a strategic ledger that demanded speed, optionality, resilience, and cultural coherence. If 2020-24 were about coping, recalibrating, and experimenting, then 2025 was about committing.

This is the year in review – a story less about what happened and more about what it all means for corporate real estate.



The Tariff Spiral: When Globalisation Decided to Rewrite Its Own Rules

The dominant business story of 2025 was the tariff spiral – a sequence of decisions, counterdecisions, and retaliatory actions that shifted from surprise to structural reality far more quickly than analysts expected. What began as a disruptive policy manoeuvre became the gravitational force around which corporate strategy reorganised.

The US’s 10% blanket tariff landed with the same thud in every major broadsheet. Markets tumbled, supply chain directors found themselves rerunning models every 48 hours, and CEOs had to explain to shareholders why their carefully calibrated global operating systems suddenly resembled a row of dominoes. China and the EU responded with targeted measures. Meanwhile, supply chain chokepoints – rising shipping costs, semiconductor dependencies – added pressure to systems that were already weakening.

The deeper storyline, though, was the loss of institutional trust.

Companies no longer assumed trade agreements were stable. They no longer believed that tariff regimes were predictable. They no longer expected supply chains to operate smoothly by default. Instead, they embraced the principle that resilience demanded intentional duplication and geographical diversification. And this landed squarely on the desks of corporate real estate leaders.

Industrial demand surged in markets seen as stable, sovereign-aligned, and strategically located. Logistics portfolios expanded towards redundancy, not optimisation. Manufacturers leaned harder into India, Vietnam, Poland and the Czech Republic not as low-cost alternatives, but as resilience anchors. Meanwhile, global operators began mapping energy availability, political alignment, and data governance alongside labour pools and transport corridors.

Rather than treating volatility as an interruption, companies began planning as if instability were now the baseline. The shape of globalisation did not collapse – it simply demanded a different kind of choreography.

AI’s Grown-Up Year: When Infrastructure Becomes the Story

After years of hype cycles and existential debates, 2025 was the year AI became a practical, physical, and operational reality. The news cycle – which in previous years oscillated between utopian optimism and catastrophic fear – stabilised into something more grounded: AI infrastructure.

Enterprise adoption accelerated (albeit from a low base), driven by clearer regulatory frameworks and the very practical need to integrate AI into workflows without destabilising risk, compliance, or culture. Big Tech’s governance struggles – Microsoft and OpenAI’s disentangling, Google’s recalibrated AI map, Nvidia’s supply bottlenecks – showed a sector under pressure to mature. And the press noted a striking trend: AI was no longer living in the ‘innovation’ column. It had migrated to ‘operations’.

This reclassification had extraordinary CRE implications.

Data centre demand moved beyond strategic to existential. Regions with reliable power became the world’s new industrial corridors – not manufacturing hubs, but energy-adjacent digital infrastructure zones. Nordic nations benefited again, but so did the US Southeast, Japan, South Korea, and select Middle Eastern markets.

Within corporate offices, AI reshaped culture and space. Organisations discovered that scaling AI responsibly required new forms of governance, training, oversight, and collaborative sensemaking – activities that did not flourish in purely remote systems. Hybrid didn’t disappear; it matured. The middle of the week became more ‘mission critical’. Workplaces shifted towards high-performance cognitive environments, with quieter deep-work areas, more structured learning zones, and better-treated meeting and project spaces.

The deeper realisation was that

no matter how advanced the tools became, the coordination required to use them well remained resolutely human – and therefore spatial. AI didn’t diminish the need for place; it clarified where place adds value.

The Knight Frank View

“If 2025 taught us anything, it’s that stability isn’t a condition we return to – it’s a discipline we have to create. The organisations that moved forward this year weren’t those waiting for clarity, but the ones willing to make decisions in imperfect conditions and build resilience into every part of their operating model.”



Tim Armstrong

Global Head of
Occupier
Strategy and
Solutions

Banking’s Big Reset: A Sector Confronts Its Own Limits

For more than a decade, banking had been the sector that absorbed shocks without fundamentally changing its relationship to real estate. In 2025, that armour cracked. The broadsheets spent much of the year charting a wave of changes that ran deeper than cyclical cost-cutting: JP Morgan’s new mega-HQ became a symbol of renewed physical presence; Barclays doubled down on office-led culture; HSBC abandoned entire swathes of Western investment banking; UBS continued wrestling with the complexities of integrating Credit Suisse.

This wasn’t tactical tidying – it was strategic repositioning.

Banks finally admitted that the equation that governed their post-pandemic workplace models had shifted. In a sector where reputation, apprenticeship, risk,

and relationship building define competitive advantage, hybrid models proved insufficient for strengthening the fabric of culture. Deals weren’t the only thing being reshaped; the way organisations formed and retained capability was shifting too.

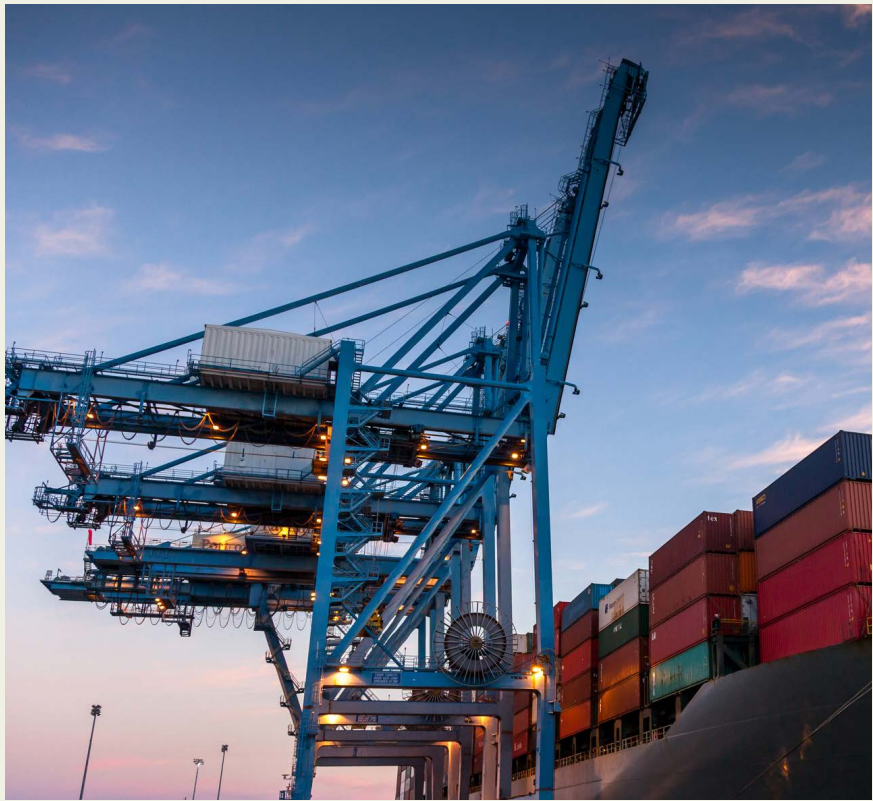
Real estate once again became central to strategy.

Flagship offices were not seen as indulgent but as essential. Client floors became theatre – statement spaces designed to express resilience, stability and long-range confidence. Technology labs, on the other hand, leaned towards flexible, rapid-iteration environments. And risk teams quietly expanded their presence, requiring proximity, oversight and culture. In an industry defined by risk, reputation, and apprenticeship, distributed working models reached their natural limits. Banks weren’t returning to the office – they were returning to the conditions under which their business actually works.

The Two-Speed Global Economy: One World, Diverging Realities

Another major storyline of 2025 was the stubbornly uneven global economy. Month after month, the press chronicled a world moving at multiple speeds. The US – fuelled by productivity gains, strong consumption, and AI-driven enterprise transformation – posted growth numbers that would have been considered improbable just two years earlier. Meanwhile, Europe hovered in a thin band between stagnation and mild recovery, straining under weak manufacturing, tepid investment, and structural demographic challenges. Asia delivered a mixed but generally stronger performance, with India and Southeast Asia attracting significant inbound capital.

For business leaders, this divergence created strategic dissonance. Some markets demanded expansion; others, consolidation; others, optionality.



Investor calls became linguistic puzzles, balancing optimism with caution, resilience with realism.

CRE portfolios reflected this divergence.

Capital flowed disproportionately into high-conviction markets – places offering talent density, regulatory stability, energy

The Knight Frank View

“AI shifted from concept to operational reality this year, and clients realised that place really matters in making that shift work. The office became a setting for alignment, governance, and capability -building – not a backdrop but a catalyst.”



Philipp Ueberschaer
Head of Occupier Strategy and Solutions, EMEA

The Trust Shock: A Year When Reputations Proved Fragile

2025 was punctuated by governance failures, cultural scandals, and corporate missteps – widely covered and heavily analysed by the global press. Tesla endured its most volatile year in a decade. Boeing’s safety and quality crises resurfaced, raising existential questions. OpenAI and other AI firms found themselves pulled into debates over ethics, accountability, and transparency. Cyberattacks ripped through multiple industries, from healthcare to finance. ESG concerns didn’t vanish – they intensified, even amid political polarisation.

What these stories had in common was not scandal but the erosion of confidence. Trust became the scarcest commodity in global business.

CRE’s role became unexpectedly important.

Leaders realised that the physical environment communicates credibility – from the quality of facilities to the transparency of executive spaces to the reliability of data infrastructure. Investor floors were redesigned to project competence; employee spaces were reconfigured to reinforce culture and alignment; sensitive areas were tightened to manage IP risk and workforce trust pressures.

What 2025 revealed is that trust is no longer conferred by statements, but by systems. And those systems are increasingly embodied in the physical environment where decisions are made, risks are managed, and culture is lived.



Labour Market Twists: A Workforce That Refused to Behave Neatly

The labour market narrative of 2025 was one of contradictions. The US added jobs at a pace that defied expectations. Europe, while weaker, avoided mass layoffs. Japan’s demographic challenges reached new heights. The UK continued to grapple with early retirement and labour participation concerns. India added millions of workers to its formal economy. Meanwhile, unionisation surged in sectors once considered immune, including segments of tech.

Hybrid work settled not into stasis but into a dynamic equilibrium. The extremes disappeared. The middle stabilised. Companies became more nuanced in defining

attendance expectations – not chasing occupancy for its own sake, but for capability, culture, and risk alignment. Surveys consistently showed that employees wanted flexibility, but also belonging, mentorship, and professional growth.

Workplaces, therefore, shifted from ‘somewhere to work’ to ‘somewhere to become’.

Onboarding, coaching, apprenticeship, and performance calibration became spatial activities again. Buildings that could support personal development, community coherence, and cross-functional collaboration outperformed. And workplace brand – a concept once dismissed as intangible – emerged as a recruitment lever.

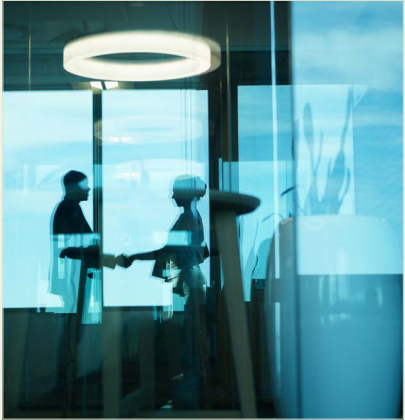
The debate about where people work gave way to a more grounded question: under what conditions do people learn, progress, and perform? The answer was rarely binary – and almost always involved a well-designed physical environment.

The Knight Frank View

“2025 reminded clients that physical environments underpin trust and continuity. The strongest performers were the ones willing to rethink their footprint from first principles, ensuring their space matched the direction of their business.”



Ross Criddle
COO, Occupier Strategy and Solutions



Corporate Break-Ups & Strategic Shape-Shifting: The Reconfiguration Decade Begins

The broadsheets spent much of 2025 tracking a new industrial storyline: corporate restructuring at scale. Disney’s boardroom battle exemplified shareholder pressure. Amazon’s nuclear -powered energy strategy marked the next stage of hyperscale vertical integration. Professional service firms experimented (again) with structural reorganisation. Fortune 500s quietly increased the pace of divestitures.

The logic behind all this activity was coherent: firms wanted to simplify, strengthen and position themselves for the next phase of competition – one driven not by incremental growth but by capability concentration.

CRE, once again, was essential to execution.

Companies leaned into dynamic estates: spinning off assets, trimming legacy portfolios, accelerating campus consolidations, building high-value innovation centres, and expanding into talent-rich secondary markets. HQs played a symbolic role – no longer simply corporate centres, but brand devices designed to communicate the direction of travel.

As companies simplified themselves, their footprints followed suit – less the residue of past organisational structures, more a forward commitment to clarity, focus and strategic intent.

Supply Chains Go Tri-Polar: The Industrial Supercycle Reloaded

Industrial real estate stepped out of the shadows in 2025. The press chronicled the emergence of a tri-polar supply chain structure:

- The US is focusing on industrial sovereignty and strategic tech manufacturing
- Europe is leaning into regulatory-driven resilience and green industrial policy
- Asia is doubling down on capability, scale and cost agility

Shipping costs rose. Energy markets tightened. Battery plants, semiconductor facilities, and robotics clusters multiplied. Tariff regimes accelerated realignment rather than forestalling it.

For CRE, this became a once-in-a-generation moment.

Demand for industrial land surged. Power-rich sites became competitive battlegrounds. Data centres fused with manufacturing ecosystems. Companies place new value on corridor dynamics – not just individual assets but interconnected networks of capability, logistics, energy, and talent.

What emerged was not a single new supply chain model but several – each shaped by geography, energy, politics and capability.

CRE’s role shifted from site identification to system assembly.



Climate, Energy and the New Operating Reality

The final storyline of 2025 was the least surprising but most consequential: climate and energy constraints continued to define operational reality. Rolling coverage of grid strain, water scarcity, heatwaves, rising insurance premiums, and nuclear investment programmes gave the year its environmental backbone.

For occupiers, this was no longer a sustainability conversation – it was a business continuity conversation. CRE teams found themselves analysing grid reliability, power pricing volatility, water availability, retrofit feasibility, and climate scenario planning. Tenants and landlords collaborated more closely than ever before, not for symbolic ESG progress but for operational stability. Brown-to-green retrofits accelerated. Campuses expanded resilience features. Long-term location strategies now require environmental due diligence that rivals financial analysis.

Companies stopped treating climate as an externality. It became a parameter – as fundamental to the footprint strategy as cost, talent, or tax. The conversation didn’t become simpler, but it finally became honest.

Fault Lines: How Activist Pressure Is Reshaping Corporates And Their Real Estate Maps

07



Dr. Lee Elliott
Head Of Global
Occupier Research
Knight Frank

A new year, but a topic we have covered before within our Talking Points series – corporate fissure. In early 2025, we described a world where sprawling conglomerates began to fracture under strategic and financial stress, creating leaner, more focused entities with distinct real estate needs. That was the first wave of tremors. Over the past year, the needles on the seismograph have traced something more profound: the cracks have aligned into active fault systems, and entire corporate plates are now sliding past each other. The pressure isn't new, what's new is the rate of movement and the clarity of the fault lines. Global activism has reached multi-year highs; boards are responding

with structural change, and, consequently, CRE teams find themselves designing not just buildings, but robust resilience plans for organisations in motion.

The New Tectonics: Where Plates Are Moving

Two events define the map. First, General Electric concluded its historic transition into GE Aerospace, GE Vernova, and GE HealthCare in 2024 – an archetypal rift where a continental conglomerate separated into specialised plates, each moving on its own vector. Second, Honeywell's February 2025 announcement that it would split into three independent, listed companies – Aerospace, Automation, and Advanced Materials – after Elliott disclosed a \$5bn stake. These are not rumours; they are verified, public-domain milestones that have reset expectations across the

industrial landscape.

The pattern extends downstream. Kenvue, spun out of Johnson & Johnson in 2023, settled with Starboard Value in March 2025 – adding three directors – and quickly became the subject of strategic buyer speculation as spin-related constraints expired. Kimberly-Clark have recently acquired the firm. Meanwhile, PepsiCo's late-2025 engagement with Elliott translated into SKU reductions, plant closures and supply-chain changes – operational ruptures with direct real-estate consequences even absent a formal separational event. And in energy technology, Baker Hughes faced a public call to spin its oilfield services arm to surface a clearer valuation profile. These aftershocks confirm that plate motion is sector-wide, not company-specific.

The Knight Frank View

“When you see the fault lines forming, don't wait for the quake. Map your portfolio now, allocate liabilities early, and design for movement. In a world of corporate plate shifts, resilience isn't optional – it's engineered.”



Tim Armstrong
Global Head of
Occupier Strategy
and Solutions



Why the Ground is Shifting: The Geology Beneath the Boardroom

Pressure differentials.

Diversified groups often mask the true elevation of their strongest ridges with the sediment of slower units. Activists exploit this valuation gradient, forcing water to cut a new channel where the drop is steepest. Honeywell's plan is a case study in exposing sum-of-the-parts economics to market scrutiny, with management emphasising 'simplified strategic focus' and 'financial flexibility'.

Strain rates and fault creep.

Strategy requires speed. Legal and governance commentary throughout 2025 stressed that markets reward focus, and that the M&A environment would be fuelled by portfolio reshaping and de-conglomeration. Boards that once preferred slow fault creep are now permitting slip events when conditions align.



Risk segmentation:

Different layers carry different stresses – litigation, regulatory scrutiny, and ESG exposure rarely distribute evenly. Separations let each strata bear its own load: think Kenvue's litigation discussions in parallel with buyer interest, or PepsiCo's operational re-cuts under activist dialogue. The structural logic is to keep one tremor from propagating uncontrollably across the entire plate.

Mechanics of movement:

The universal proxy has altered the fault mechanics: activists no longer need to trigger full earthquakes to reset a direction; board settlements can change course, inject new directors, and redirect capital without immediate break-up announcements – Kenvue again being instructive. This enables more frequent, smaller magnitude events that cumulatively rival a single big rupture.



Verified Epicentre: Honeywell's Three-Way Split

The public record on Honeywell provides a reliable epicentre from which aftershocks radiate. On February 6, 2025, Honeywell announced it would create three independent, listed companies – Aerospace, Automation, and Advanced Materials – with the Aerospace and Automation separations anticipated by H2 2026. Elliott's disclosed \$5bn position had preceded and supported the case for separation; contemporary coverage underscored the strategic intent and execution risks that always accompany plate movement (synergies, leadership bandwidth, transition costs). The facts are verified and widely accessible via CNBC, Investopedia and Reuters/Yahoo Finance – a crucial benchmark for clients who demand public-domain corroboration.

Equally instructive is GE's completed break-up in 2024: three companies now trade independently, allowing Aerospace, Vernova and HealthCare to pursue distinct capital, customer and innovation paths. The geography of leadership and facilities has followed suit –another reminder that when plates separate, coastlines (and corporate footprints) get redrawn.



From Rupture to Building Code: CRE as Seismic Design

In last year’s paper, we outlined the first-order real estate effects of fissure — HQ right-sizing, subleasing, and sector-specific hubs. Twelve months on, the building code has become more stringent.

Identity, fast.

New entities must signal governance and brand quickly: boardrooms, investor-relations suites and leadership floors need to be operational within months, not years. That means modular fit-outs, zoned security, and temporary dual-brand wayfinding where space is shared during transition. This is not cosmetic; it’s structural bracing for the capital markets. (Observe how post-spin GE units and Honeywell’s planned entities align identity with strategy and investor narratives.)

Lease covenant re-ratings.

When leases novate to spinco’s, landlords and lenders re-underwrite credit. Legal playbooks urge early allocation of real estate liabilities and carefully drafted transition service agreements (TSAs). Finance teams often pair separation with sale-leasebacks or shorter, option-rich terms to preserve manoeuvrability. Treat this like base isolation: the structure flexes without failing.

Ecosystem adjacency.

Plates stabilise where they find the right substructure. Aerospace gravitates to OEM and MRO corridors; consumer-health tilts toward regulatory and clinical clusters; automation/software prefers digitally dense hubs. We’re seeing more three-hub models tied to leadership geography — Danone’s 2026 re-architecture across EMEA, APAC and the Americas is a living template for how to align governance, talent and market access.

Adaptability inside the box.

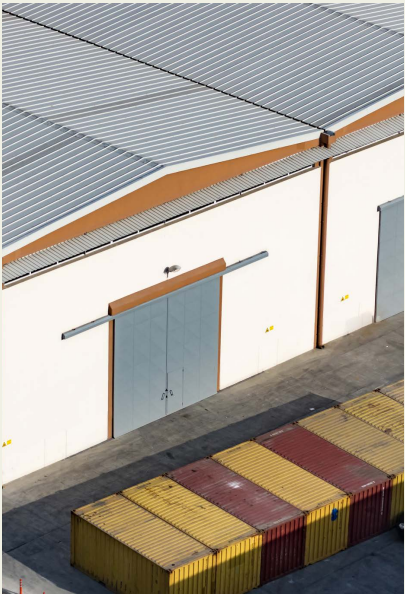
With capex anchoring sites for decades, flexibility now lives inside assets: reconfigurable labs, automated lines and data-layered environments so teams can pivot without relocating. The new standard is to design for change within permanence — a practical way to neutralise aftershocks.

The Knight Frank View

“A corporate split is a tectonic event. The faster you can establish new headquarters and governance spaces, the stronger your foundations will be when the ground moves. Identity isn’t cosmetic — it’s structural.”



Philipp Ueberschaer
Head of Occupier Strategy and Solutions, EMEA



Recent Fault Activity: Propagation Beyond the Epicentre

Kenvue’s 2025 arc from settlement to strategic interest shows how boardroom shifts can invite new owners — and new footprints. Any acquirer will likely prune overlaps (labs, regulatory offices, brand studios), concentrate around preferred regulatory nodes, and rationalise HQ functions. Public reporting details both the mechanics (board additions) and the constraints/opportunities (litigation, tax windows), reinforcing the need for pre-built CRE separation checklists.

At PepsiCo, activist engagement catalysed SKU reductions, plant closures and supply-chain pivots. Even without a formal split, the network geometry moves: warehouse demand shifts, lease terms harden around cost pass-throughs, and contingency clauses become standard in volatile markets. This is fault creep rather than a single quake, but the cumulative displacement is significant.

Baker Hughes illustrates the classic sum-of-the-parts challenge: diverging capex cycles and margin structures argue for independent motion of the plates. For CRE, that implies distinct training centres, field-service hubs and engineering offices calibrated to client proximity and service corridors.

An Action Framework for Occupiers: Engineering for Seismicity

1. Map the faults early.

Keep a live, entity-level register of freeholds, leases, labs and data centres. Draft novation’s and TSAs in parallel with strategy so the corporate split doesn’t bottleneck at the door to Facilities. Leading spin-off guides make real estate a day-1 workstream precisely because it decides whether the building opens when the stock lists.

2. Pre-fabricate identity.

Develop “identity kits” — board suites, IR spaces, press rooms, visitor journeys — that can be landed rapidly in an anchor site. The aim is to avoid seismic retrofit after listing day.

3. Re-rate lease risk with options.

Shorter terms with renewal rights, breaks and change-in-control provisions are your structural dampers. Where balance-sheet relief is needed, sale-leasebacks of non-core assets can fund the transition without locking the plate in place.

4. Choose your bedrock.

Anchor hubs in ecosystems — regulators, OEMs, talent, universities — rather than chasing headline rents. The Danone model is instructive: fewer, stronger regional plates carry load better than many thin fragments.

5. Build adaptability inside.

Prioritise reconfigurable infrastructure (power, data, clean rooms, secure zones) so you can change the function without changing the address. In seismic terms: design for aftershocks you cannot yet measure.

The Knight Frank View

“You can’t stop the plates from drifting, but you can choose your bedrock. Anchor in the right talent ecosystems and build adaptability into every square foot or metre — because aftershocks are inevitable.”



Ross Criddle
COO, Occupier Strategy and Solutions



Why This Matters More Than a Year Ago

In 2025, we wrote that fissure would reshape demand - more subleasing, right-sized HQs, and sector-specific facilities. Today, the slip rate has increased. Activism is not merely calling for reviews; it is installing directors, reframing strategy, and, when necessary, pulling the ripcord — with timelines measured in quarters, not years. For occupiers, the decision is stark: engineer for seismicity — or accept unplanned displacement. The payoff for those who prepare is tangible: focused entities decide faster, hire with intent, and brief their CRE teams with clarity. The risk for those who wait is equally tangible: a scramble for identity, a scramble for space, and higher costs to retrofit resilience after the quake.

Coda: From Fault Lines to Foundations

This is not collapse; it is continental drift. Activists and boards are not simply breaking things apart — they are re-aligning plates so each can move with its own momentum and constraints. Our role as occupier strategists is to read the geologic map, site the structures on bedrock, and install the dampers that keep work, brand and governance intact when the ground moves. In an age of living fault lines, place is not a backdrop. It is the foundation.

Just When You Thought It Was Safe To Go Back In The Water: Trade After The Supreme Court Ruling



Dr. Lee Elliott
Head Of Global
Occupier Research
Knight Frank

There's a reason that the above tagline from Jaws endures - it captures the moment when apparent calm proves temporary. That is exactly what last week's U.S. Supreme Court ruling – and what happened immediately afterwards – did to global trade. The Court struck down the legal basis for many of the U.S. administrations sweeping tariffs under IEEPA. Within hours, the administration announced a new universal 10% tariff under an alternative statutory authority (and subsequently suggested raising it to 15%) - a move that, while time-limited and legally narrower, demonstrated how quickly tariff policy could be reconstituted even after judicial constraint. The sequence of events signalled intent, but also an unmistakable return to whipsaw policy making – the kind that re-prices decisions faster than businesses can adjust.



The Ruling: Constitutional constraint, commercial ambiguity

The Supreme Court's decision is a constitutional marker with immediate commercial consequences. In a 6-3 ruling, the Court constrained the executive's use of the International Emergency Economic Powers Act (IEEPA) for tariff imposition – reinforcing that tariff-setting is fundamentally a congressional taxing power. This removed the administration's broadest route for fast, sweeping duties and, on paper, should have reduced the perceived probability of sudden tariff shocks.

But the ruling also injected a new category of uncertainty: what happens next – legally, operationally and financially. The Court did not resolve refund mechanisms for duties already paid, leaving importers facing a potentially complex, case-specific administrative and legal process.

That combination – legal constraint plus unresolved implementation – is why the ruling doesn't translate neatly into 'stability'. It changes the terrain rather than restoring confidence. Businesses can adapt to a known tariff cost. They struggle when tariff exposure becomes a moving mix of legal contestability, administrative process, and replacement actions under different statutes.

What is the real estate implication of this?

When uncertainty shifts from 'how high?' to 'how imposed, how long, and how reversible?' occupiers become reluctant to make long-lead commitments that can't be unwound. Expect a continued bias towards phased decisions, retrofit over greenfield, and leases structured around breaks, renewal control, and expansion options – the same 'flexibility-first' posture already evident in last year's tariff/trade updates.

The Immediate Response: Intent Confirmed, Uncertainty Amplified

The U.S. administration's response is the single clearest reason this moment is being read as a return to volatility rather than a return to order. Following the Court's decision, Trump announced a new universal 10% tariff, then suggested raising it to 15% within roughly a day, citing a different legal authority (Reportedly relying on Section 122 of the Trade Act of 1974 – a narrow, time-limited authority originally designed for balance-of-payments pressures rather than sustained tariff regimes). The rapid escalation reinforced that tariffs remain central to strategy even after judicial constraint – but it also demonstrated how quickly policy can re-form through alternative routes.

This is where 'intent' and 'instability' become inseparable. A single replacement tariff might have been interpreted as a bridging measure, offering a temporary baseline while legal and political pathways were clarified. Two announcements in quick succession – with a higher rate and limited runway for adjustment – instead reinforced the sense of whipsaw policy making, where costs and assumptions can move faster than procurement cycles, pricing models, or capital committees. Reporting after the ruling highlights exactly that:

companies face 'new unknowns' as the administration seeks to replace struck-down tariffs and as partners consider renegotiation and refunds.

Economists quoted in post-ruling coverage underlined the macro consequence: uncertainty dampens investment and expansion because businesses 'don't know what's going to happen next.' That is a direct channel into corporate real estate decisions, which are inherently long-lead and hard to reverse.

Real estate implications:

Whipsaw policymaking penalises inflexibility. The practical CRE response is to buy option value: shorter commitments where possible, staged build-to-suit, modular site strategies, and the retention of 'swing space' (warehouse capacity, secondary sites, and optioned expansion land) that can be activated if trade conditions flip again. This is consistent with the 'reprieve, not resolution' logic and the normalisation of trade-contingent leasing described in our previous Talking Points paper exploring tariffs.



How Countries Have Responded: Delay Reassessment & Pressure for Clarity

International reaction has been defined less by relief than by recalibration. European policy makers signalled caution, pausing elements of trade engagement and implementation while assessing the durability of the post-ruling U.S. tariff framework. The pause is instructive: it indicates that partners are treating the U.S. framework as procedurally unstable – even if officials insist existing deals remain in force.

The U.S. Trade Representative publicly maintained that trade deals with major partners remain in force despite the ruling. That reassurance, however, is itself a signal that counterparties are not assuming continuity by default, and that credibility is now being actively defended rather than actively enjoyed.

China publicly urged the U.S. to cancel unilateral tariffs, while multiple countries were reported to be studying the ruling and subsequent tariff announcements. This matters because ‘study’ often translates into delayed investment decisions, delayed ratification, or a renewed push for exemptions and side-letters. In other words: a slower, more conditional trading environment – precisely the kind that prolongs corporate caution.

Real estate implications:

When counterpart governments pause or delay, corporate location decisions also slow – particularly in trade-exposed sectors.

The result is rarely a collapse in activity: it is a shift toward incremental and reversible commitments: shorter leases, plug-in logistics capacity, and distributed networks that reduce dependence on any single corridor or jurisdiction.

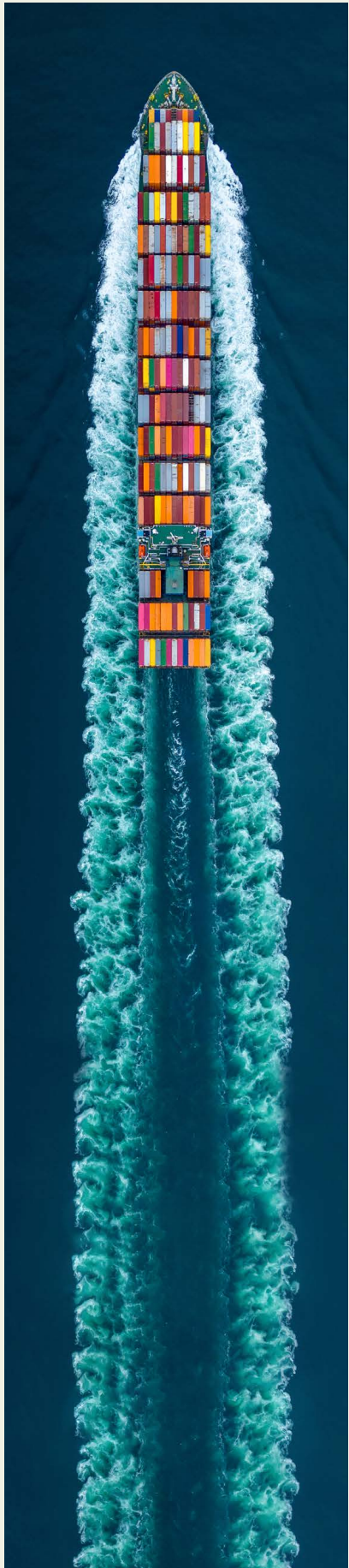
How Have Businesses Responded: Contingency Activation & Shorter Horizons

Businesses do not respond to policy volatility with a single dramatic relocation. They respond with a cascade of smaller, faster actions designed to preserve continuity. Post-ruling reporting emphasised that companies now face an ‘avalanche of unknowns’ as the administration attempts to rebuild tariff policy using different authorities and as questions persist around refunds, renegotiation, and further litigation.

This uncertainty changes behaviour in predictable ways. Firms defer capex that cannot be reversed, shorten approval horizons, and focus on tactical resilience shipment timing, supplier renegotiation, inventory buffering, and alternative routing. Economists cited after the ruling described a broader ‘climate of caution’ in which businesses invest less and become less aggressive in expansion and hiring.

In other words: the post-ruling environment doesn’t need higher tariffs to change behaviour. Volatility alone is sufficient. And when volatility is procedural – driven by statute switching, legal uncertainty, and rapid rate changes – it is harder for businesses to treat it as a one-off shock. It becomes a persistent operating condition.

This is why logistics demand often stays resilient when sentiment weakens. Inventory buffering and contingency routing require space. In practice, that supports demand for short-term warehousing, multi-client space, and well-connected regional nodes, even when long-lead manufacturing decisions slow. This aligns with the dynamics highlighted previously: flexibility repeatedly trumps efficiency when policy becomes fluid.



From Differentiation to Universality – and Back Again: How the Ruling Reshapes Winners & Losers

Before the Supreme Court ruling, global trade operated – unevenly – through differentiation. Tariffs were shaped by bilateral deals, sector carve-outs, exemptions, and proximity. That structure created identifiable winners: countries with preferential access, nearshoring advantages, or the ability to arbitrage exposure through selective relocation.

The ruling, and the administration’s immediate response, disrupted that logic. The move to a universal tariff – first 10%, then 15% - replaced selective exposure with a broad baseline. What mattered most was not the tariff level, but the signal: relative insulation had been, at least temporarily, removed.

However, the universal regime should be understood as an opening position, not a settled outcome. As new legal routes are explored and utilised, the likely trajectory is a return to differentiation by other means – with more punitive, targeted measures emerging on a country-by-country or sector-by-sector basis over time. In effect, universality flattens advantage first: subsequent action is likely to reintroduce it more selectively.

In the near-term, export-dependent economies with high U.S. exposure lose relative ground as prior preferences are neutralised. Nearshoring markets see momentum diluted as proximity no longer guarantees protection. By contrast, large domestic markets and diversification destinations retain relative resilience during the universal phase.

What matters is not the tariff level, but the shift from selective exposure to broad-based application. Universal tariffs compress relative advantage and dilute the value of prior positioning.

Under the pre-ruling system,



countries with negotiated access (notably parts of Europe), nearshoring destinations (such as Mexico), and China-plus-one markets benefited from relative insulation. Firms could still optimise around marginal advantage.

Under a universal regime, those advantages narrow (at least for now). Export-dependent economies with high U.S. exposure lose ground as differentiation disappears. Nearshoring momentum weakens as proximity no longer guarantees insulation. Growth strategies reliant on preferential access become harder to justify.

By contrast, relative advantage shifts to markets less dependent on selective treatment: large domestic economies, diversification destinations in Southeast and South Asia, and institutionally

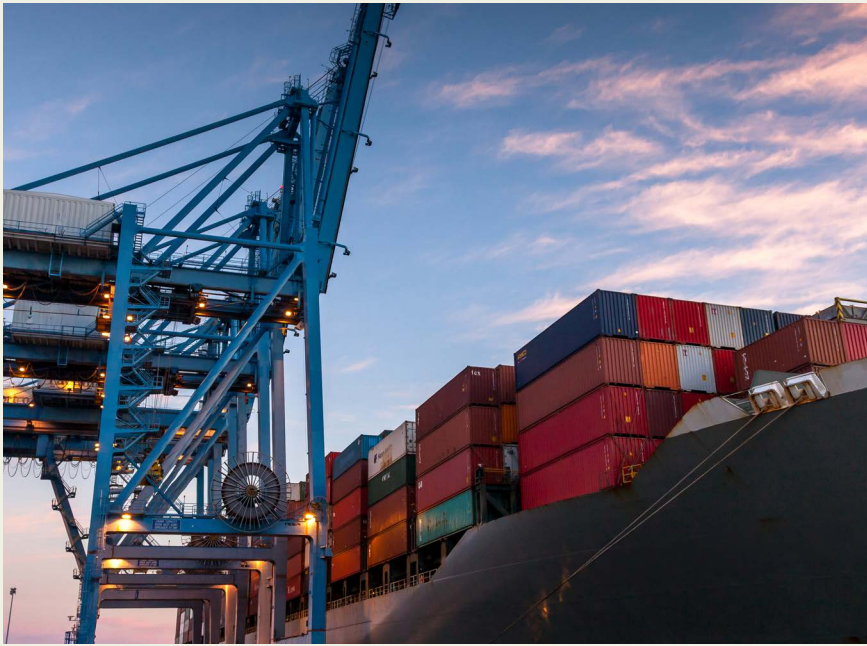
stable jurisdictions where predictability offsets higher baseline costs.

The net effect is not a new set of clear winners, but the removal of old ones. Universal tariffs flatten the trade landscape, turning relative positioning into shared exposure – and reshaping outcomes around resilience rather than preference.

The key point is that the universal tariff should be seen as a temporary baseline, not a destination. It removes differentiation initially, but it does not prevent differentiation from returning. As alternative legal routes are tested, trade policy is likely to evolve toward more targeted, country-specific measures, recreating winners and losers over time. For now, advantage is flattened; next, it will be redistributed again.

Scenario Matrix: The Operating Environments that will shape CRE decisions

The most significant error now is to treat the next phase of global trade as a single-track forecast – ‘tariffs up’ or ‘tariffs down’. The more realistic framing is a set of operating environments defined by (a) how likely they are and (b) how disruptive they become for trade flows and investment timing. The post-ruling sequence – ruling, replacement tariff, rapid escalation – is precisely what makes volatility the primary variable, even before we debate the long-run tariff level.



What CRE Leaders Should Do Now

The lesson of the past few weeks is not that tariffs are back – they never really left – but that policy volatility has accelerated again. The Supreme Court ruling briefly suggested a calmer operating environment; the rapid 10% then 15% tariff reset demonstrated how quickly that calm can be punctured. In this context, the role of corporate real estate shifts decisively: from optimising space for a single forecast to designing portfolios that can keep operating across several plausible futures. The actions below reflect this shift.

Treat trade volatility as a portfolio design input, not a macro backdrop

Trade policy can no longer sit outside CRE decision-making as a ‘macro assumption’. Tariff mechanisms, legal pathways, and enforcement timelines now directly shape the risk profile of locations, lease lengths, and capital commitments. CRE leaders should ensure that trade exposure is explicitly referenced in investment papers, site selection frameworks, and approval thresholds – alongside labour, cost, and demand fundamentals. When volatility is structural, ignoring it is no longer neutral; it is a design choice.

Identify and stress- test single points of failure in the footprint

Many portfolios still carry hidden concentration risk: a single country for a critical input, one dominant gateway, or one oversized hub serving multiple regions. Whipsaw policy environments expose these vulnerabilities quickly. CRE leaders should work with supply chain and procurement teams to map where the physical footprint is overly dependent on one corridor or jurisdiction – and, critically, what it would cost (in time and money) to reroute if conditions changed again.

Buy option value deliberately – and price it consciously

In volatile environments, flexibility

is not a concession, it is an asset. Expansion rights, contraction options, break clauses, renewal control, and phased delivery structures all create option value that allows portfolios to adjust without wholesale disruption. The key is intentionality: understanding where optionality genuinely reduces risk, and where it may be unnecessarily expensive. The question is no longer ‘can we commit for longer?’ but ‘what is the cost of being wrong if we do?’.

Where trade exposure is meaningful, phased strategies consistently outperform one-shot decisions. Modular buildings, staged build-to-suit, and sites with adjacent expansion capacity allow occupiers to respond to policy shifts without rewriting the entire footprint. This is particularly relevant for manufacturing-adjacent real estate, where long-lead investments are hardest to unwind once conditions change.

Strengthen redundancy through network design, not excess space

Resilience does not require carrying large amounts of idle space everywhere. It requires choice. More nodes – not just bigger nodes – reduce dependence on any single trade route or policy outcome. CRE leaders should prioritise locations that offer routing flexibility (multiple gateways, intermodal access, alternative corridors), even if that means slightly higher operating costs. In volatile systems, choice consistently outperforms efficiency.

Bias location strategy toward infrastructure certainty

When policy is unstable, execution risk rises. Locations with dependable power, data capacity, transport redundancy, and predictable permitting timelines become disproportionately valuable because they shorten time-to-operate if plans need to shift. Infrastructure certainty is no longer just an engineering consideration; it is a strategic

hedge against policy disruption.

Build a rolling scenario cadence tied to real decisions

Scenario planning only adds value if it is connected to action. CRE leaders should maintain a small number of live scenarios – refreshed quarterly – that explicitly define what triggers a pause, a relocation, a lease release, or the activation of swing capacity.

The objective is not to predict outcomes, but to reduce decision latency when conditions change.

Maintain an activation list of swing capacity

Short-term warehousing, flexible industrial space, and secondary sites are no longer tactical conveniences; they are operational insurance. Having pre-approved locations, landlords, and terms for swing capacity allows organisations to respond quickly to policy spikes without scrambling in the market. The value lies as much in preparedness as in the space itself.

Align CRE, supply chain, and procurement governance

The most resilient organisations treat real estate, supply chain, and procurement as a single system. CRE decisions made in isolation risk locking in exposure that other functions are actively trying to unwind. Alignment ensures that location strategy reflects real trade risk, not just market availability or historical precedent.

Scenario 1: Whipsaw Patchwork (base case): Tariffs persist, the mechanism rotates

This is the most plausible near-term environment: IEEPA remains closed, but tariffs persist through rotating tools and time-limited measures, with scope for escalation and de-escalation by route rather than by a single coherent framework. The 10% then 15% sequence is a clear signal that policy can move quickly even after legal constraint.

CRE Implications: demand remains, but it becomes more distributed and more cautious. Occupiers favour phased commitments, multi-node logistics, and leases structured around optionality.

Scenario 2: Codification: Stability through legislation (not necessarily lower tariffs)

Codification would not automatically reduce tariffs – but it would reduce procedural volatility by clarifying authority and lengthening time horizons. Businesses can plan around stable (even elevated) tariffs; they struggle to plan around fast-changing tariffs. The value here is not ‘cheaper trade’ but more bankable assumptions.

CRE Implications: longer-date commitments re-enter selectively – particularly build-to-suit and strategic-sector investments – because confidence returns that the framework will still exist when projects deliver.

Scenario 3: Stabilisation: Predictability via deals and reaffirmed commitments

In this scenario, partners push to preserve predictability through reaffirmed agreements and clearer commitments. The existence of pauses and demands for clarity suggests this pathway is possible but fragile – dependent on political alignment and credible enforcement.

CRE Implications: optimisation gradually returns, but redundancy does not disappear. Networks become more efficient, yet contingency capacity remains embedded as insurance.

Scenario 4: Refund Drag: Legal and administrative uncertainty becomes the disruption

Refund and enforcement ambiguity can become disruptive in its own right. The Court left refund pathways unresolved, and legal analysis warns of complex processes for importers. That administrative uncertainty can suppress capex even if headline tariffs don’t rise further.

CRE Implications: Greenfield hesitation persists; flexible warehousing and buffer capacity remain in demand as firms keep inventory and routing options on standby.

Designing for Disruption: Rewriting Industrial Strategy in the UK

09



Jennifer Townsend

Partner, Occupier
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The UK industrial and logistics market is no longer defined by simple expansion. In Future Gazing 2026, the emerging story for occupiers is not about how much space is taken, but how effectively it performs. Rising land values, labour scarcity, automation and planning constraint have quietly reshaped what “good” industrial space looks like. In response, occupiers are rethinking their supply chain footprints not as static estates, but as operating systems designed to deliver resilience, efficiency and long term optionality.

The post pandemic rush to secure space has subsided. What follows is more deliberate and far more strategic. The emphasis has shifted from footprint to function - from scale alone to how intelligently space is used.

From floorspace to cubic capacity

One of the core arguments of Future Gazing 2026 is that traditional real estate metrics no longer reflect how occupiers derive value from industrial buildings. Square footage remains familiar, but it is increasingly insufficient as a proxy for operational performance. For warehouse operators, manufacturers and logistics providers alike, cubic capacity - the usable volume within a building — has become the

critical variable.

The steady rise in clear heights across the UK industrial market reflects this change. For occupiers facing land scarcity, rising rents and margin pressure, building upwards has become a rational response rather than a design flourish. Higher clear heights enable greater storage density, improved throughput and more flexible internal configuration - all without expanding the site footprint. In a land constrained market such as the UK, volume has become a primary driver of operational efficiency.

Automation makes height work

Height alone does not create value. Its relevance is inseparable from the parallel adoption of automation. Future Gazing 2026 makes clear that automation is no longer peripheral to industrial strategy; it is the mechanism that allows occupiers to convert vertical space into productivity.

Automated storage and retrieval systems, high bay racking, autonomous vehicles and mezzanine solutions allow occupiers to extract far more from each cubic metre, while also mitigating labour shortages and rising employment costs. For many operators, automation is no longer a discretionary investment but a necessary response to structural cost pressures. In this context, taller buildings are not just compatible with modern operations — they are often essential.

The limits of building higher

Crucially, Future Gazing 2026 avoids the trap of assuming that more height is always better. The report is clear that vertical expansion has natural limits. Beyond certain thresholds, build costs rise sharply, engineering complexity increases and operational returns begin to diminish.

For occupiers, the question is therefore not “how high can we go?”, but “what height best supports our operation, technology and workflow?” Effective industrial strategy sits at the intersection of building form, automation design and business need. Facilities that push height without regard to operational logic risk inefficiency rather than advantage.



Height as a marker of obsolescence risk

As occupier requirements evolve, clear height is emerging as a key indicator of future relevance. Buildings that cannot accommodate modern racking systems, mezzanine floors or automation infrastructure are increasingly exposed to functional obsolescence. This does not mean older stock lacks a role, but it does mean occupiers must be more forensic in assessing whether existing facilities can evolve alongside their operations.

In this environment, specification matters more than ever. Clear height, floor loading, power availability and internal flexibility now sit alongside location as defining variables in industrial decision making. The implication is not universal migration to “big box” logistics, but a sharpening of what constitutes fit for purpose space.

Regional divergence and intensification

Future Gazing 2026 also highlights growing divergence across the UK’s industrial geography. The

East Midlands continues to play a central role for large scale logistics, while London and the South East increasingly favour intensification strategies driven by land scarcity and planning constraint. Meanwhile, other regions are seeing rising specifications as occupiers pursue more regionalised and resilient distribution models.

For occupiers, this trend reinforces the importance of market specific strategies rather than national assumptions. The optimal building height, size and configuration in one region may be entirely inappropriate in another. Alignment between location strategy and operational design is becoming increasingly critical.

A more strategic relationship with space

Taken together, the UK Future Gazing 2026 narrative points to a fundamental change in how industrial space is regarded. Industrial buildings are no longer passive containers; they are active components of supply chain strategy. Decisions around volume, height and automation increasingly shape productivity, cost structure and resilience outcomes.

Occupiers are therefore approaching property decisions with a longer lens. Rather than chasing near term efficiency alone, they are prioritising adaptability — ensuring that assets can support evolving fulfilment models, technology upgrades and shifts in demand patterns over time.

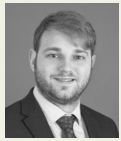
The UK industrial reset

The central message of Future Gazing 2026 is not that the UK industrial market is entering a new boom, but that it is entering a more sophisticated phase. Growth continues, but it is knowledge led, design led and deeply operational in nature. The winners will not simply be those who secure more space, but those who understand how space works harder.

For occupiers, the question is no longer whether to build higher or automate more. It is how to design industrial strategy that remains effective in a world defined by cost pressure, constraint and constant change. In that sense, Future Gazing 2026 is less about predicting the future, and more about setting the rules for navigating it.



Designing for Disruption: Rewiring Industrial Strategy in APAC 10



Matt Hayes

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For occupiers, the industrial and logistics story in Knight Frank's [Asia Pacific Horizons 2026](#) is no longer one of acceleration, expansion and optimisation at scale. Instead, it is a story of recalibration. The structural forces underpinning demand - regional consumption growth, manufacturing diversification, and increasingly complex distribution models - remain firmly in place. What has changed is how occupiers translate those forces into real estate decisions.

Industrial space across Asia Pacific is increasingly treated as part of an organisation's operating model rather than an outcome of growth. Footprint decisions in 2026 are less about adding capacity quickly and more about preserving resilience, maintaining optionality and protecting continuity of supply in a volatile geopolitical environment. This is not a retreat from growth, but a more deliberate, risk aware way of pursuing it.

Read alongside the [Asia Pacific Logistics Highlights](#), Horizons makes clear that occupiers have not stepped away from the market. Instead, they are engaging more cautiously, committing in phases, extending decision timelines and embedding flexibility into their portfolios. The result is a sector characterised by ongoing activity, but with very different behaviour to the post pandemic surge.



From efficiency to resilience: a shift in occupier priorities

A central theme in the 2026 Horizons outlook is the re ordering of supply chain priorities. For much of the last decade, industrial footprints were designed around efficiency: lowest total cost, shortest transit times and highly concentrated production and distribution hubs. Recent shocks - from pandemics to trade policy volatility - have exposed the fragility of that model.

In response, occupiers are now designing networks that prioritise resilience over pure efficiency. Redundancy is no longer viewed as wasteful; it is increasingly regarded as essential. Industrial real estate plays a direct role in this shift. Decisions about where to locate production, storage and fulfilment are now inseparable from questions of operational continuity, regulatory stability and exposure to geopolitical risk.

For occupiers, this means that the real estate conversation has moved closer to the core business. Industrial location strategy is no longer just a CRE or procurement issue; it is a board level operational decision.

From “China+N” to “Asia for Asia”

While the language of “China+N” still frames much discussion, Horizons suggests that occupiers are already operating according to a more evolved reality. Rather than simply reducing exposure to China, organisations are increasingly designing supply chains around Asia Pacific itself - producing, assembling and distributing goods within the region to serve rapidly growing local markets.

This “Asia for Asia” approach reflects the growing scale and sophistication of domestic and regional consumption across Southeast Asia, South Asia and parts of Northeast Asia. For occupiers, the implication is not a single relocation decision, but a layered network of sites performing different functions: manufacturing, component assembly, consolidation, regional distribution and last mile fulfilment.

Importantly, this is no longer seen as a temporary posture adopted in response to tariffs or trade disputes. Horizons positions it as a durable operating model that will shape industrial footprint decisions well beyond the current cycle.



Southeast Asia and India: growth markets with distinct occupier considerations

Southeast Asia continues to feature prominently in occupier plans, particularly markets such as Vietnam and Indonesia, which benefit from competitive manufacturing costs and improving logistics infrastructure. Horizons highlights strong medium term demand for industrial space in these markets, driven by corporates diversifying production and distribution away from single country exposure.

However, the occupier lens introduces important nuance. Policy uncertainty and rapidly shifting trade dynamics have made long term commitment more complex. Rather than large, upfront relocations, many occupiers are adopting phased approaches - securing space that enables near term operation while preserving the flexibility to expand, contract or reconfigure as conditions evolve. This has elevated demand for ready to operate facilities, shorter initial lease commitments and locations where speed to market can be prioritised without locking in long term assumptions.

India presents a different but equally compelling proposition from an occupier perspective. Its scale and depth of domestic demand provide a degree of insulation from global volatility that is attractive to organisations seeking long term stability. While decision cycles can be complex, the size of the internal market and the breadth of workforce availability make India a critical anchor market for regional supply chain strategies rather than a tactical satellite location.

Gateway hubs: reliability, flexibility and second order exposure

Regional gateway hubs such as Singapore continue to play a critical role in occupier strategies. The Logistics Highlights data underscores how these locations retain pricing power and occupational appeal even when broader regional growth moderates. From an occupier standpoint, this resilience reflects the value of reliability: strong infrastructure, predictable regulation, deep labour markets and consistent operational performance.

However, Horizons is careful to recognise that these hubs are not insulated from volatility. Their integration into global trade networks means that they are exposed to second order effects from trade friction elsewhere, which can influence timing and scale of occupier expansion. As a result, occupier behaviour in these markets increasingly combines long term strategic commitment with short term tactical flexibility - using hubs as stable anchors while managing overflow or incremental demand more cautiously.

Living with normalisation after the logistics surge

For occupiers, one of the most important messages in Horizons 2026 is that the exceptional logistics expansion of the early 2020s has passed. Regional rental growth has moderated as supply has caught up and corporate behaviour has become more measured. This environment should not be read as a weakening of the sector, but as a return to a more predictable operating context.

What matters now is not headline averages, but localised market conditions. Some markets face elevated vacancy and increased choice; others remain capacity constrained despite slower growth. For occupiers, this reinforces the importance of micro location analysis, timing discipline and understanding where negotiating

leverage genuinely exists — rather than assuming uniform conditions across the region.

Total cost performance as the organising principle

Perhaps the most significant reframing for occupiers in 2026 is the shift away from rent as the dominant decision driver. Horizons highlights how industrial real estate decisions are now evaluated through a broader total cost performance lens. Factors such as power reliability, transport resilience, labour availability, customs efficiency and regulatory risk increasingly shape footprint decisions alongside headline occupancy costs.

This explains the growing emphasis on flexibility. Shorter leases, expansion rights, adaptable layouts and multi use facilities are no longer secondary considerations; they are central to how occupiers manage uncertainty. The ability to adjust footprints as supply chains evolve is now considered a source of operational strength, not indecision.

Bottom line: how occupiers should read Horizons 2026

From an occupier standpoint, Asia Pacific Horizons 2026 describes an industrial and logistics landscape that has grown more thoughtful and more strategic. Demand remains underpinned by strong structural trends, but success increasingly depends on how effectively organisations align their real estate footprints with their operating realities.

In this environment, the most effective occupier strategies are those that balance commitment with flexibility, resilience with efficiency, and regional scale with local precision. Industrial real estate is no longer simply about accommodating growth; it is about enabling continuity, protecting optionality and supporting long term competitiveness in an increasingly unpredictable world.



The Last Word

From Shed To System: Industrial Space As Operating Infrastructure

Read together, the pieces in this anthology tell a clear story: industrial real estate is no longer a property category. It has become an operating condition. Warehouses, factories, yards and service hubs are no longer simply where work happens; they are the systems through which organisations stay functional while policy, energy markets, technology and corporate structures all shift at once.

Volatility As The Design Brief

The starting point is volatility - not as an episodic shock, but as a permanent feature. Trade policy illustrates this most starkly. What matters is not simply the presence of tariffs, but the speed with which the mechanisms behind them can change. When assumptions can be repriced faster than capital committees can react, the response is rarely a dramatic relocation. Instead, companies adjust through a series of smaller moves: phased commitments, modular development, inventory buffers, alternative routes, and access to swing capacity that can be activated without dismantling the wider network. What can look like hesitation is, in practice, the deliberate purchase of time and optionality.

Energy reinforces this shift. Across the anthology, power does not sit in the background as an ESG narrative; it behaves more like a constraint. The scale of electrification, clean power investment, grid upgrades and data driven operations means that energy reliability increasingly determines where industrial activity can credibly locate. The industrial corridor is no longer defined only by ports and labour. It is shaped by electricity — where it is available, scalable, affordable and certain.

Infrastructure Becomes Strategy

At the same time, industrial risk has become as much digital as physical. Modern industrial estates are tightly interwoven with cloud

platforms, automation systems, sensors and control technologies. When those systems falter — through outage, cyber incident or simple overload — disruption travels instantly. This is why resilience in these papers is framed less as endurance and more as flow: the ability to reroute, isolate failure and keep operating. Resilience is no longer a contingency plan attached to the portfolio; it is a design principle embedded in assets, systems and governance.

Sustainability runs through this story in a more mature register. The language has moved away from aspiration and towards management. What matters now is proof - asset level performance, measurable outcomes and operational control. In industrial settings, where energy use and emissions are concentrated, sustainability increasingly overlaps with efficiency, compliance and credibility. Environmental performance becomes another way portfolios are stress tested rather than a parallel agenda.

Corporate reconfiguration sharpens every one of these pressures. Activism, separation and restructuring introduce their own pressures: liabilities must be allocated, covenants re-rated, identities established and space adapted - often on compressed timelines. Industrial portfolios are being asked to absorb not only external volatility but internal transformation as well.

From Optimisation to Resilience-by-Design

Despite covering different

themes, the articles here converge on a single behavioural shift. Optimisation is no longer the dominant objective. Resilience by design has taken its place. The most effective networks are not the leanest, but the ones with choices. Capacity once labelled inefficiency becomes strategic headroom. Flexibility once treated as caution becomes discipline. Certainty - of power, permitting, governance and execution - begins to outweigh marginal cost advantage.

This is also why the boundary between industrial and office strategy continues to blur. As manufacturing and logistics nodes mature, they pull engineering, procurement, oversight and leadership closer. Competitive advantage increasingly sits not in choosing a single location, but in orchestrating complementary roles across a portfolio.

The conclusion is straightforward, if demanding. Industrial real estate has been reclassified. It is no longer where strategy lands after decisions are made elsewhere. It is where strategy is tested, proven and sometimes rescued.

The direction of travel is clear: more system thinking, more optionality designed in from the start, more energy led location logic, and more portfolios built to function across multiple plausible futures rather than a single forecast.

Industrial is no longer the back of house. It is the operating architecture of the modern enterprise.

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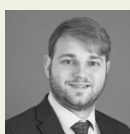
We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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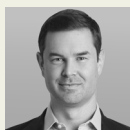
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