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Powering the Future of Europe's Last-Mile

A Q&A with Marcus Meijer, CEO and founder of MARK Capital Management and chairman of Crossbay

What qualities underpin the defensive profile of European urban logistics relative to other real estate subsectors?

Crossbay's investment thesis rests on the fact that logistics assets in core urban locations are fundamentally irreplaceable and irreplicable. The creation of new urban logistics hubs across major European metropolitan areas is severely restricted by both physical and policy barriers. Existing facilities are primarily concentrated within inner ring roads of Europe's gateway cities, whether that is the M25 in London, the Périphérique in Paris, or the Tangenziale around Rome. When developable land does become available within these urban perimeters, municipal zoning rules and land economics typically dictate higher-density or value uses, such as multi-storey residential or student housing.

Furthermore, tightening planning regulations across key markets such as Germany, the Netherlands, Italy and Spain make greenfield or perimeter logistics developments logistically and politically punitive. Consequently, forward new supply projections for this sector remain near zero – a situation that has been exacerbated by unstable capital markets and rampant construction costs. This structural gridlock ensures that capital cannot simply build its way out of supply constraints in what are dense urban environments, underpinning long-term occupancy and rental growth.

Meanwhile, structural demand-side drivers continue to accelerate. Proximity to the end consumer has transitioned from an operational preference to a core priority. The acceleration of fulfilment cycles and the systemic shift towards same-day and next-day delivery have dramatically amplified the location premium. In dense metropolitan areas, this proximity yields simultaneous economic and environmental advantages. That is why our acquisition strategy exclusively targets submarkets with a minimum consumer density of one million residents within a 30-minute drive time.

Given that real estate occupancy costs typically represent only 4 percent to 8 percent of a logistics tenant's total cost base, occupiers demonstrate a high willingness to pay a premium for prime urban locations. This compounding supply-demand imbalance underscores the sector's highly defensive profile and is driving investor interest in these volatile times.

Given these supply constraints, how is MARK Capital Management deploying to scale its pan-European urban logistics portfolio?

While we pursue a multipronged approach, our primary focus has been, and continues to be, granular, single-asset aggregation.

Our target assets are typically embedded within historic cityscapes. Ownership of these buildings remains highly fragmented, typically held by local owner-occupiers, private families, or regional developers requiring liquidity. This market fragmentation yields clear competitive advantages: it allows us to bypass formal, highly competitive auction processes to source deals bilaterally off market, enabling acquisitions at a meaningful premium to prevailing prime yields and at a material discount to replacement cost. Furthermore, these ownership dynamics drive consistent deal flow across all phases of the market cycle, as private vendors are typically motivated by personal factors more than by trying to time the market perfectly.

The competitive edge Marco Riva and the Crossbay team bring is in leveraging localised networks to source these assets off market on a bilateral basis. This method requires intensive operational heavy lifting and extensive market coverage, but aggregating these fragmented, irreplaceable individual assets into a single institutional-grade portfolio captures a significant valuation premium. By assembling these disparate sites into institutional-scale portfolios, we deliver immediate benefits to institutional end buyers at exit – specifically depth of scale, geographic diversification, and an income profile that is unachievable via individual asset acquisition.

Post-acquisition, our pan-European platform – comprised of dedicated asset management teams with genuine boots on the ground across six countries, with a focus on Europe's leading economies – actively manages the portfolio. Value creation is driven directly through hands-on lease management, capturing embedded reversionary potential from below-market leases, and optimising internal unit configurations to maximise net operating income (NOI).

Simultaneously, we target strategic repositioning opportunities. Vintage industrial assets from the 1970s and 1980s characterised by poor energy efficiency or suboptimal configurations represent prime value-add potential if situated in the right locations. We execute structured capex programmes to upgrade ESG performance, optimise yard depth, enhance loading infrastructure, and drive substantial reversion towards target Estimated Rental Values (ERVs).

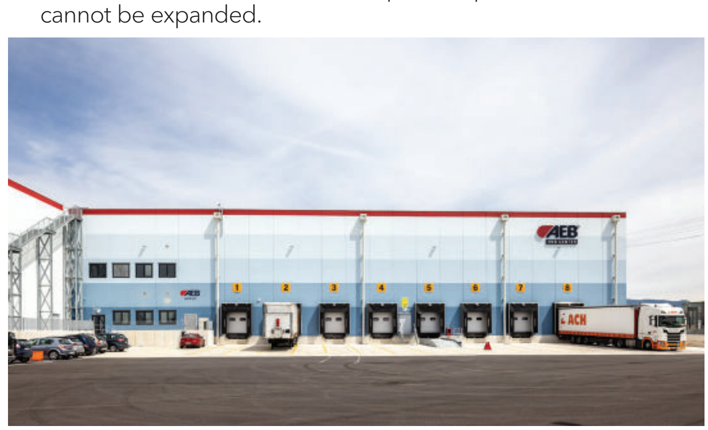
Conversely, we deliberately avoid speculative ground-up development due to the excessive planning risks inherent to the European regulatory landscape, which act as a tailwind to our strategy by putting a handbrake on future supply.

Beyond general location criteria, what metrics are used to evaluate the occupational suitability of a target asset?

We target assets well positioned to capture the broadest possible occupational demand. We actively avoid highly specialised, bespoke configurations to minimise re-leasing friction and rollover risk.

All potential acquisitions are rigorously evaluated against four primary metrics:

1. **Site Coverage and Yard Depth:** We mandate low site coverage ratios, typically targeting 25 percent building footprint to 75 percent asphalted land. This allocation optimises yard depth for heavy goods vehicle (HGV) turning radiuses, van fleet staging, and high-throughput cross-docking. Loading infrastructure can be enhanced post-acquisition, but site area cannot be expanded.



2. **Asset Scale:** Our underwriting specifies a minimum occupier size threshold of 2,000 to 3,000 square meters. While our target occupier base consists primarily of cost-conscious small and mid-box operators, the average footprint across our vehicles scales to approximately 12,000 square meters. We will selectively acquire larger facilities up to 40,000 square meters provided they meet strict urban last-mile criteria.
3. **Clear Heights:** Next-generation last-mile facilities function as high-velocity flow-through hubs rather than long-term storage repositories. Goods are typically cross-docked in the early morning hours and dispatched for final delivery by 9:00 a.m. Clear heights of 8 to 10 meters are therefore entirely sufficient for last-mile throughput.
4. **Power and Infrastructure Capacity:** Grid capacity constraints represent both a systemic risk and major value-creation opportunity in Europe. Secured access to power has transitioned to a premier value driver and a core differentiator of asset quality. We systematically audit power infrastructure during due diligence to ensure assets can support the extensive automation and electric vehicle (EV) fleet charging infrastructure demanded by modern occupiers.

How does MARK Capital Management mitigate technical risks when retrofitting legacy assets to modern ESG standards, and how are power grid constraints capitalised on as a value-add opportunity?

We view environmental sustainability as an operational imperative integrated directly into our deployment strategy rather than a standalone compliance agenda.

Retrofitting legacy urban industrial assets presents higher structural execution complexity than big-box developments, where achieving BREEAM "Excellent" ratings is highly replicable given you are pursuing ground-up development.

From an embodied carbon perspective, the retrofitting model is materially superior to demolition or greenfield construction. By preserving the substructure, concrete foundations, and primary structural steel, we mitigate carbon expenditure and focus capital expenditure on operational enhancements: LED lighting conversions, thermal insulation upgrades, smart sub-metering installations, and EV fleet infrastructure.

At the asset level, we integrate comprehensive sustainability upgrades into every acquisition budget, focusing on asset electrification, EPC rating optimisation, and solar PV deployment where structural loads permit. Given the current macroeconomic energy landscape, occupiers have become highly cost-driven; enhancing energy efficiency has transformed from a theoretical ESG conversation into an immediate operational necessity that dictates tenant retention and leasing velocity. By institutionalising these efficiency improvements, we insulate the portfolio from regulatory headwinds, optimise tenant covenant quality, and de-risk the exit value case for institutional buyers who explicitly underwrite modern energy performance.

Assets fortified with superior power capacity and robust EV charging infrastructure will increasingly command a premium as occupiers densify their urban networks. Consequently, we view localised grid constraints as an active avenue for alpha generation. By developing and upgrading on-site power infrastructure, we can capture ancillary revenue streams, utilising landlord-owned EV charging infrastructure and on-site battery storage systems to arbitrate peak energy pricing back to the grid. Ultimately, elevated energy costs do not undermine our investment thesis; they underscore the need for disciplined capital allocation into highly efficient, urban real estate.

In the current higher interest rate environment, how have your debt-structuring strategies, underwriting assumptions, and return-generation models shifted?

The end of artificially suppressed pricing in debt markets represents a healthy normalisation that favours disciplined, operationally focused managers like us. The current cost of capital has effectively removed highly leveraged, speculative buyers from the market, who relied on yield compression rather than operational value creation to meet return hurdle rates. Macroeconomic shifts in energy and financing costs have directly refined our underwriting parameters, reinforcing the primacy of operational efficiency and intrinsic asset quality.

Returns now must be fundamentally driven by operational performance and income growth – specifically vacancy lease-up, lease restructuring, and the capture of embedded reversionary potential. While institutional lenders have tightened underwriting standards, reduced Loan-to-Value (LTV) ratios, and expanded covenant packages, liquidity remains robust for urban logistics due to strong underlying rental growth that consistently outpaces headline inflation. We maintain conservative leverage structures with a strict focus on debt yield and debt service coverage ratios (DSCR) to ensure portfolio resilience across market cycles.

In short, elevated costs reward well-located, efficient assets and highly disciplined asset management – both of which are fundamental to Crossbay's strategy.

CONTRIBUTOR

Marcus Meijer

Founder and CEO of MARK

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Marcus Meijer is Founder and CEO of MARK and Chairman of Crossbay, with extensive experience in corporate finance, real estate investment and development. He has led transactions across the US, UK, and Europe. Before founding MARK in 2004, he was the CFO of MAB Group, overseeing its restructuring and sale. He began his career at Hines and later joined Goldman Sachs. Marcus holds a law degree from Leyden University and an M.B.A. from INSEAD, and he speaks six languages.

COMPANY OVERVIEW

MARK Capital Management is an independent real estate investment and asset manager that has managed over €20 billion of private real estate since the firm's founding in 2004. Serving a global client base of institutional investors, sovereign wealth funds and family offices, MARK invests through three core verticals – logistics (via Crossbay), residential and retail – supported by Assembly, its integrated development management platform. The firm leverages a boots-on-the-ground presence in its target markets, combining local knowledge with expertise in sourcing, development, asset and portfolio management to create and execute investment strategies that maximise value for investors while aligning with their objectives.

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