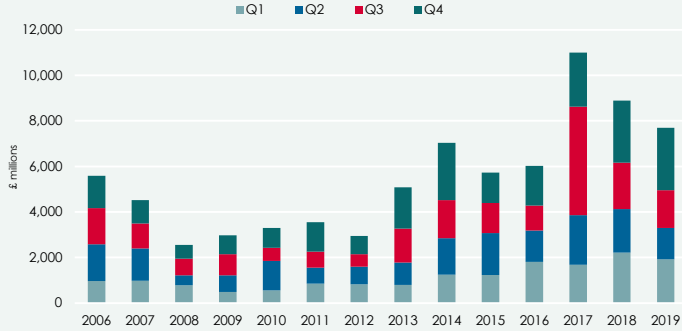


UK Logistics Market Dashboard

April 2020

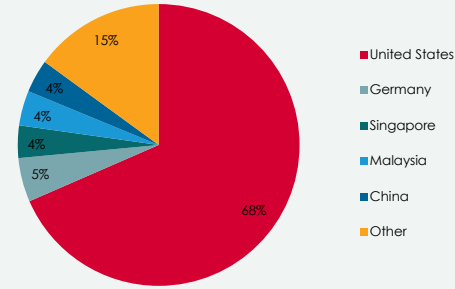
Investment market

Industrial & logistics - Investment total



Source: Knight Frank, Property Data

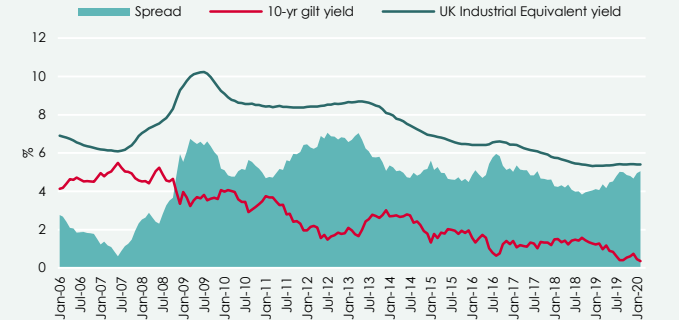
Sources of foreign capital (past 12-months)



Source: Knight Frank, RCA

Yields

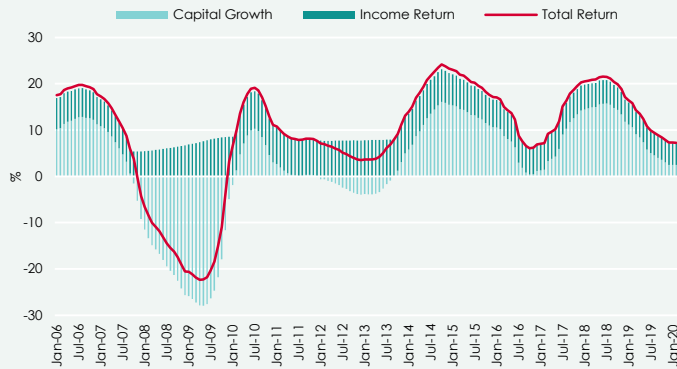
Industrial yields



Source: Knight Frank, MSCI, Macrobond

Performance

Total returns - annualized



Source: Knight Frank, MSCI

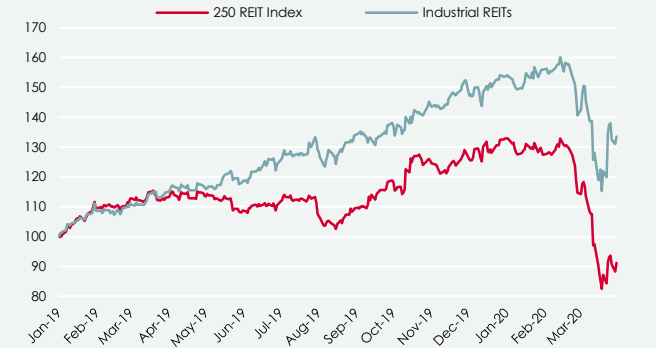
Industrial total returns by currency - February 2020

	Monthly (Feb '20)	Annual	3yr	5yr	10yr	5yr Forecast ('20-'24)
GBP	0.5%	7.3%	14.5%	13.4%	12.4%	6.9%
EUR	-1.5%	7.1%	14.3%	9.7%	12.9%	7.5%
USD	-2.4%	3.2%	15.5%	9.2%	10.5%	7.0%
CNY	-1.7%	7.8%	16.2%	11.6%	10.7%	6.7%
SGD	-0.2%	6.6%	15.5%	9.8%	10.4%	6.9%
MYR	0.6%	6.9%	13.6%	12.7%	12.9%	7.2%
KRW	-1.5%	10.9%	18.2%	11.3%	10.9%	7.5%

Source: Knight Frank, MSCI, RealFor, Macrobond, Oxford Economics

Listed real estate

REIT total returns indices 01/01/2019 = 100



Source: Knight Frank, Macrobond

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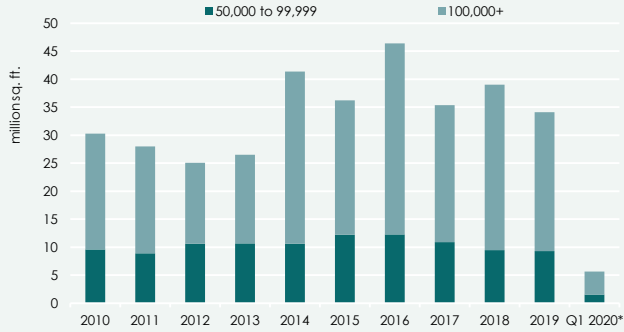
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UK Logistics Market Dashboard

April 2020

Occupier market

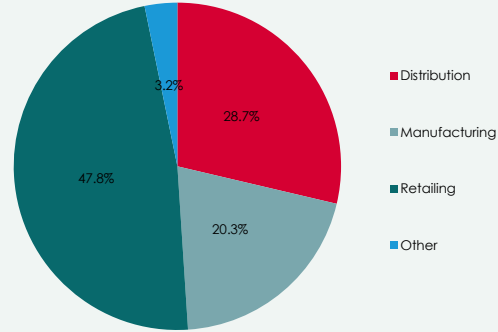
Take up (units over 50,000 sq. ft.)



* Preliminary figure

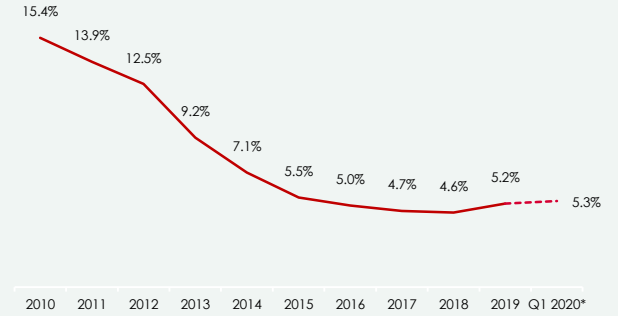
Source: Knight Frank

Take up by occupier type 2018/2019



Source: Knight Frank, PMA

Vacancy Rate (%)



* Preliminary figure

Source: Knight Frank

Rents

Average market rental growth
Jan 2010 = 100



Source: Knight Frank, MSCI

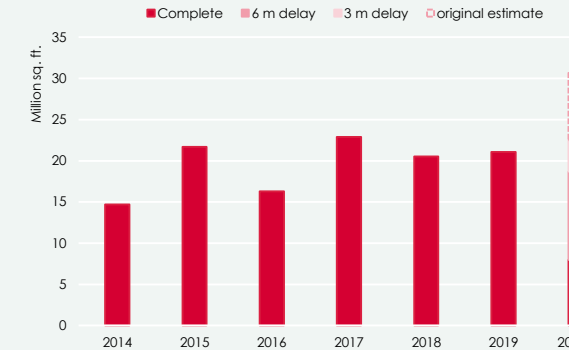
Average rental growth forecast
- Q4 2019

	2020	2021	2022	2023	2024	2020-2024 (annualized)
UK	2.81%	2.54%	2.40%	2.39%	2.52%	2.53%
London	3.53%	3.23%	3.11%	3.25%	3.28%	3.28%
South East	3.21%	2.61%	2.37%	2.39%	2.61%	2.64%
South West	2.17%	1.98%	1.91%	2.05%	2.17%	2.05%
Eastern	2.81%	2.52%	2.42%	2.46%	2.70%	2.58%
East Midlands	2.00%	1.84%	1.66%	1.76%	2.07%	1.87%
West Midlands	1.88%	1.99%	2.14%	2.40%	2.73%	2.23%
North West	2.03%	2.06%	2.25%	2.31%	2.42%	2.21%
Yorks & Humber	2.01%	1.81%	1.93%	2.12%	2.40%	2.05%
North East	1.77%	1.90%	2.13%	2.48%	2.77%	2.21%
Scotland	1.17%	1.32%	1.53%	1.80%	1.96%	1.55%
Wales	2.49%	2.19%	2.10%	2.16%	2.39%	2.27%

Source: Knight Frank, RealFor

Development

Development completions (units over 50,000 sq. ft.)



Source: Knight Frank, Glenigan

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UK Logistics Market Dashboard



April 2020

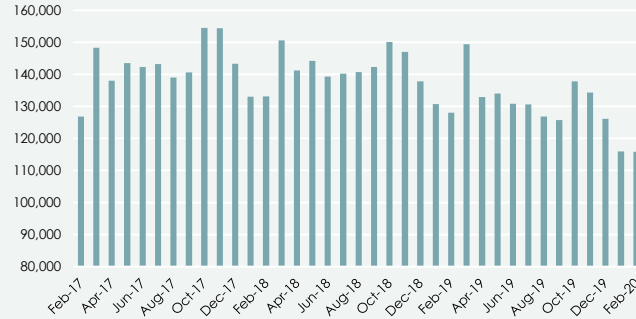
Industry, trade and transport

UK Imports and Exports (goods and services)



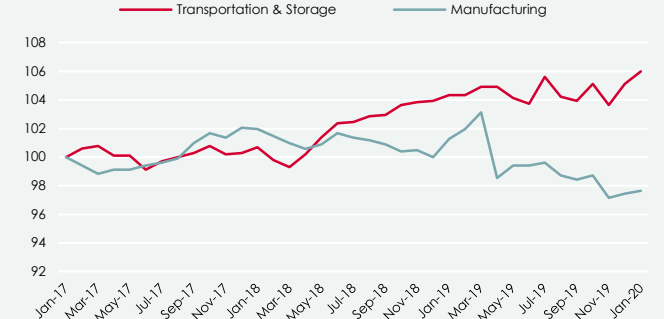
Source: Knight Frank, Macrobond

Heathrow Air Cargo (tonnes)



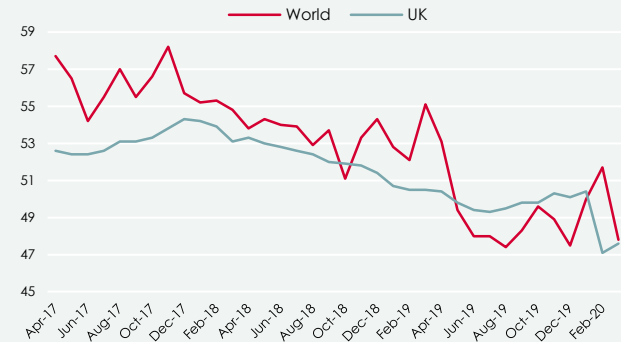
Source: Knight Frank, Macrobond

GDP Monthly Estimates Indices (01/01/2020 = 100)



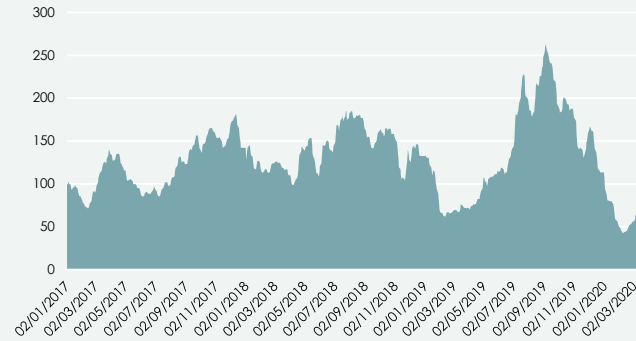
Source: Knight Frank, Macrobond

Manufacturing PMI Index



Source: Knight Frank, Macrobond

Baltic Dry Global Shipping Index (1st Jan 2017 = 100)



Source: Knight Frank, Macrobond

Key comments

- Air cargo volumes have been relatively low in the first two months of 2020. Heathrow has recorded volumes of 232,000 tonnes in January and February; down 10.5% on last year. A contraction in global manufacturing outputs has resulted in a slow in UK imports and air cargo freight.
- The world PMI (Purchaser Manufacturing Index) shows a sharp decline in February 2020, from 50.4 to 47.1. It subsequently moved up to 47.6 in March 2020. Further declines are expected in April.
- While manufacturing GDP has been trending downwards over the past couple of years, the opposite is true of GDP from Transportation & Storage. This trend is expected to accelerate over the coming months; with several large-scale manufacturing plants having suspended operations, while online retail and grocery shopping is driving (and shifting) transportation and storage requirements.

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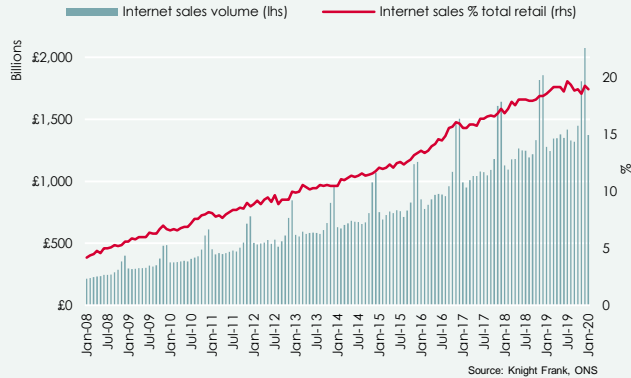
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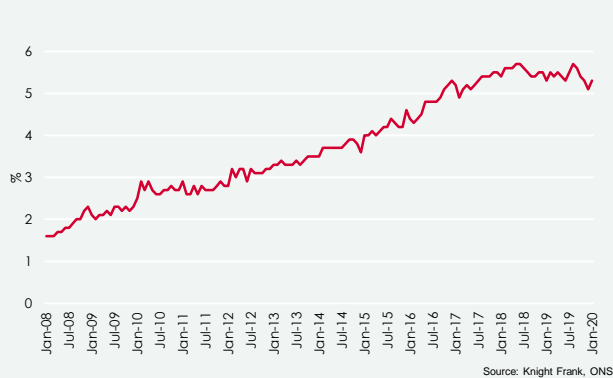
April 2020

Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Retail sales inquiry – online sales - January 2020

	Year-on-year growth	Month-on-month growth	Online sales as a proportion of retailing	Index categories and their percentage weights
All retailing ¹	4.9	0.9	19.0	100.0
All food	1.5	5.7	5.3	13.3
All non-food	-1.4	-6.8	14.2	36.0
Department stores	-14.4	-4.8	15.4	8.7
Textile, clothing and footwear stores	-1.5	-0.7	17.3	12.6
Household goods stores	0.4	-26.7	13.1	6.7
Other stores	11.5	2.2	11.3	8.1
Non-store retailing	9.9	5.1	79.4	50.7

Source: Knight Frank, ONS

Covid-19 – Market outlook

- The recent spike in demand for online shopping has focused firmly on household essentials and food, and perhaps some electronics or home office supplies. Meanwhile, shopping for clothing and footwear is far from the minds of most consumers, who are currently only allowed out for essential shopping and exercise and some fashion retailers have taken the choice to suspend online shopping services, and will be closing their distribution centres.
- Online grocery platforms have been inundated and supermarkets have warned customers they are struggling to cope with demand. Their delivery networks and supply infrastructure do not have the capacity nor flexibility to rapidly scale up their offering and meet demand. Short term, the growth in online grocery retail will be limited by the supply-side response. However, with some suggestions that social distancing regulations could continue for as much as 18 months, supermarkets are keen to scale up their supply networks to capture this rise in demand, both in store and online. In January, the online segment accounted for 5.3% of total grocery sales (Source: ONS). The rate of increase over the next few months will depend upon retailers' ability to scale up their networks to meet demand.
- Grocery stores and 3PLs, along with the NHS and councils have been seeking short term warehouse space to cope with increased infrastructure requirements. While the rise in short term requirements and rising demand for online retail are positives for the logistics sector, much of the business underpinning the sector is dependent on retail. Most retailers have a bricks and mortar store network and the impact of this sector will be felt in the logistics market. Food and household goods currently account for just 20% of the online sales market (January 2020), though this figure will certainly rise, much of the gains in this sector will be offset but the falls in department store and fashion online retailing.
- Many tenants are requesting rent holidays or to pay rent monthly rather than quarterly in order to help with cash flow. Landlords are looking at the covenant strength of their tenants as they look to assess the potential impacts on their income. Smaller, multi-let units tend to have shorter lease terms and weaker covenants and tenants and landlords will likely feel the negative impacts of covid-19, more acutely than in the single-let market.
- The government has so far resisted calls to shut construction sites. Although large scale building work has been allowed to continue, there have been growing concerns regarding worker safety and debate around whether or not the work should be classed as essential. Many firms and contractors have already downed tools and more are expected to follow. Several developments currently under construction will need to push completion dates out into next year and planned speculative developments are likely to be put on hold, this will dampen the level of expected development completions this year.

Market sentiment survey

Leasing Market

Inspections	Under offers	Availability	Rent holiday requests

Investment Market

Availability	Under offers	Deals Aborted	Sales withdrawn / on hold

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