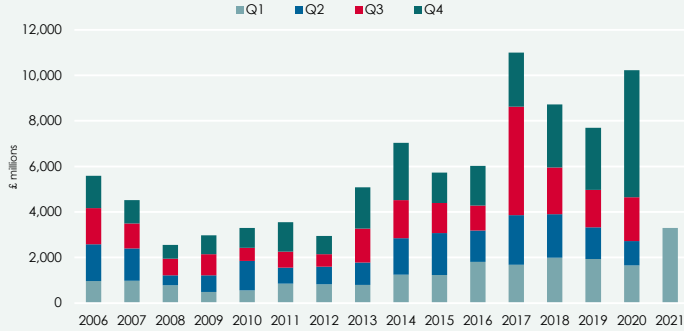


UK Logistics Market Dashboard

April 2021

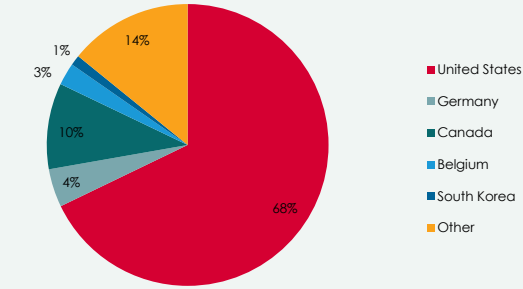
Investment market

Industrial & logistics - Investment total



Source: Knight Frank, Property Data

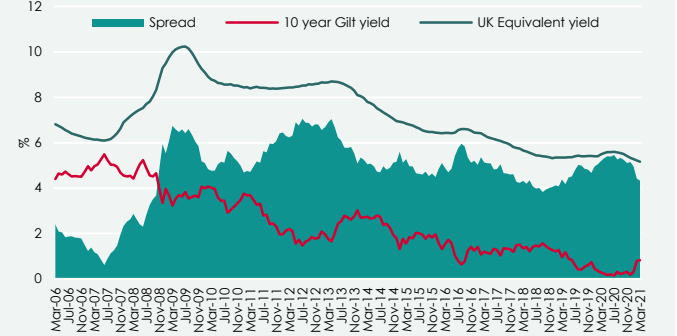
Sources of foreign capital (past 12-months)



Source: Knight Frank, RCA

Yields

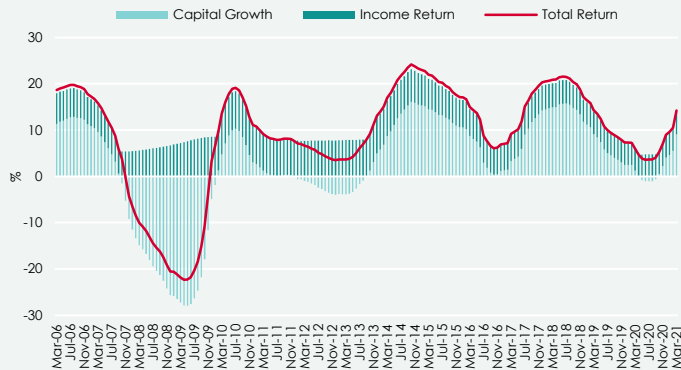
Industrial yields



Source: Knight Frank, MSCI, Macrobond

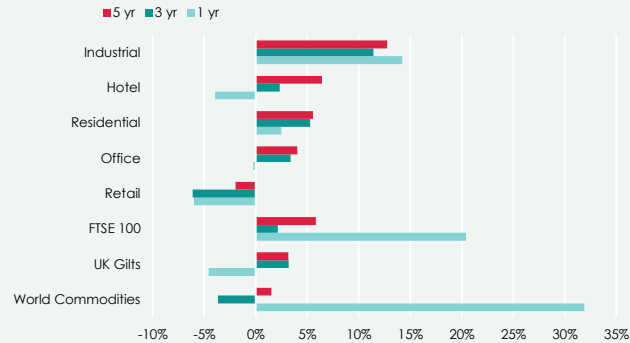
Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

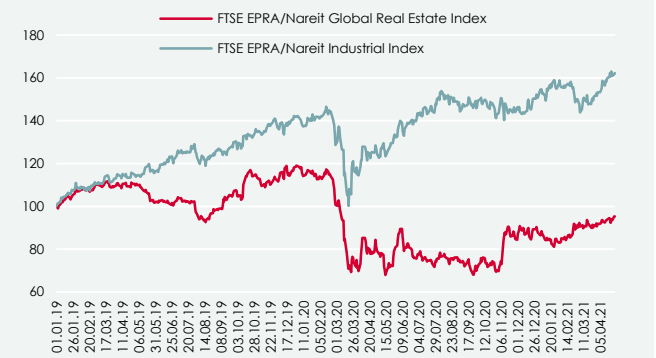
Annualized Total returns by asset class (to March 2021)



Source: Knight Frank, MSCI, Macrobond

Listed real estate

Real Estate Equities - total returns indices
01/01/2019 = 100



Source: Knight Frank, Marcbond

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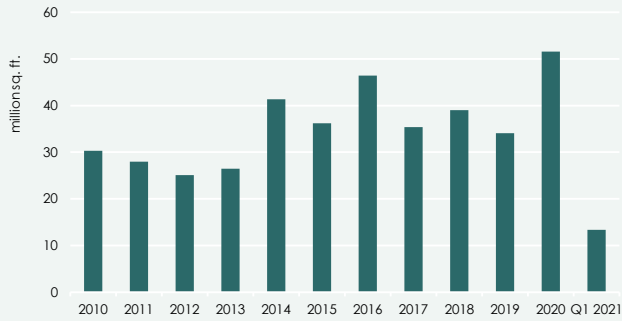
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UK Logistics Market Dashboard

April 2021

Occupier market

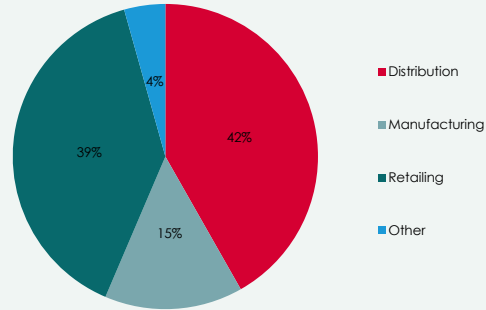
Take up (units over 50,000 sq. ft.)



* Preliminary figure

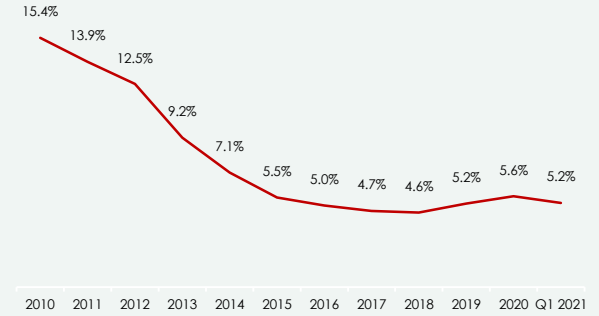
Source: Knight Frank

Take up by occupier type Q1 2021 (units over 100,000 sq. ft.)



Source: Knight Frank, PMA

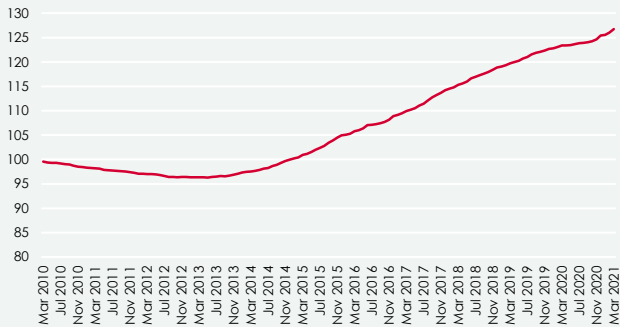
Vacancy Rate (%)



Source: Knight Frank

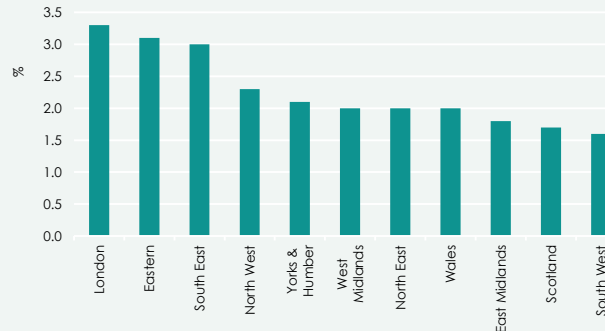
Rents

Average market rental growth
Jan 2010 = 100



Source: Knight Frank, MSCI

Average rental growth forecast per annum (2021-25)
- Q1 2021



Source: Knight Frank, RealFor

Development

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



Source: Knight Frank, Glenigan

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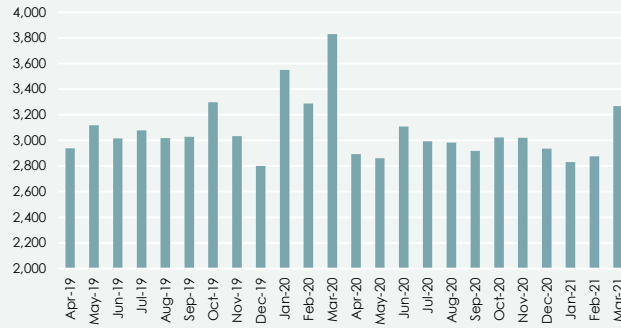
Industry, trade and manufacturing

UK Imports and Exports (goods)



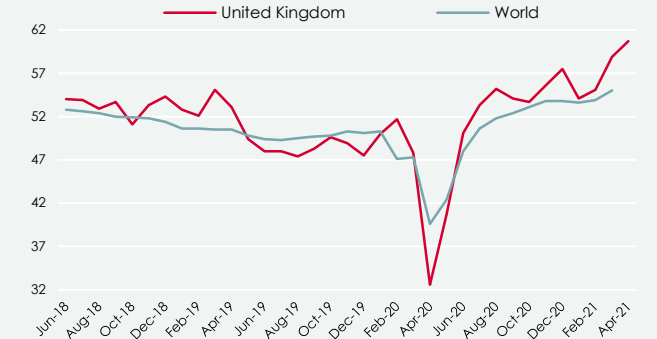
Source: Knight Frank, Macrobond

Cargo & Tanker Visits to UK Ports (per month)



Source: Knight Frank, Macrobond

Manufacturing PMI Index



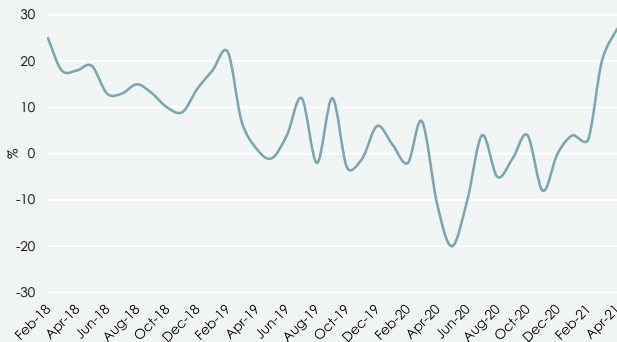
Source: Knight Frank, Macrobond

Export Order Books and Stocks Balance – CBI Monthly Survey



Source: Knight Frank, Macrobond

Manufacturing Output Prices – CBI Monthly Survey



Source: Knight Frank, Macrobond

Key comments

- The IHS Markit/CIPS UK Manufacturing PMI rose to 60.7 in April of 2021 from 58.9 in March, the highest level recorded since 1994. There were positive contributions from output, new orders and employment and there was also another rapid lengthening of suppliers' delivery times. Production volumes increased to the greatest extent since last August, with particularly strong growth for food and drink manufacturers.
- Imports and exports of goods to the EU partially rebounded in February, driven by increasing trade in machinery and transport equipment and chemicals, particularly cars and medicinal and pharmaceutical products.
- The April CBI industrial trends survey indicates markedly improved manufacturing optimism, fuelling hopes of an economic rebound in Q2 as lockdown restrictions ease. Manufacturers are optimistic, the balance of companies expect output to rise over the next three months.
- The CBI reported that rising costs are an increasing concern for many businesses and seem to be putting upward pressure on prices as firms seek to protect their profit margins. A balance of +27% of manufacturers expect to raise prices over the next three months.
- Business investment is expected to gain momentum throughout 2021 as the economic outlook and business confidence levels improve; this should be supported by the tax incentive to invest in the Budget.

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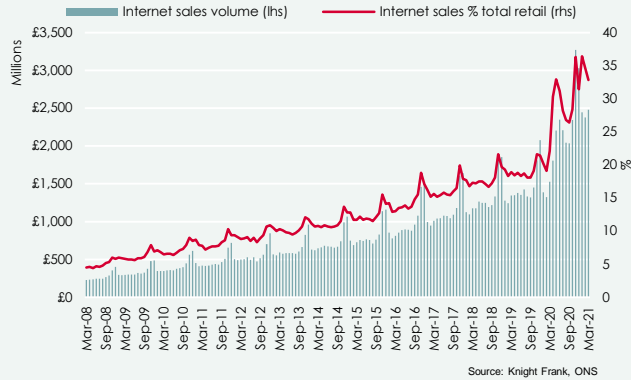
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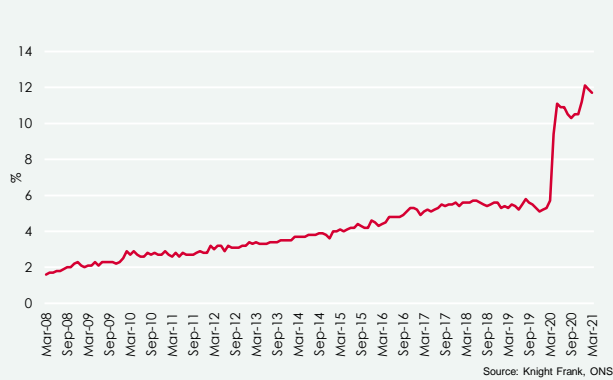
April 2021

Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Online Retail Sales – March 2021 Sales value, seasonally adjusted

	Year-on-year growth %	Month-on-month growth %	Online sales % total retail Mar 2021	Online sales % total retail Mar 2020
All retailing	62.0	0.6	34.7	22.3
All food	105.0	0.2	11.7	5.7
All non-food	79.7	2.8	39.5	21.8
Dept. stores	37.7	-0.3	34.3	23.7
Clothing and footwear stores	78.2	10.9	55.7	26.6
Household goods stores	99.7	-0.7	36.7	21.6
Other stores	112.4	1.2	35.6	16.6
Non-store retailing	38.9	-1.3	83.2	82.4

Source: Knight Frank, ONS

Market outlook

Higher levels of online spend and post-Brexit supply chain restructuring are driving strong occupier demand

Online retail sales accounted for 32.8% of all retail sales in March, a slight decrease from 36.4% in January. This will undoubtedly reduce further over the course of the year, with non essential shops now reopened and the vaccine roll-out continuing apace. However, the demand for space shows no signs of let up. Take up in Q1 2021 totalled 13.4m sq ft (units over 50,000 sq ft). Retailers and distribution companies together accounted for 81% of take-up (units over 100,00 sq ft) in Q1 2021. Occupiers are increasingly looking past the immediate impacts of the pandemic and planning their supply chains, distribution models and warehousing requirements for the longer term.

The manufacturing sector has also been more active in taking space so far this year, accounting for 15% of take-up (units over 100,000 sq ft) in the first quarter. The Covid-19 pandemic and the UK's departure from the EU single market has posed challenges to the sector. However, there is now an opportunity for businesses to review and reshape their supply chains and turn these new dynamics into a competitive advantage. The new rules of origin regulations have important implications both for UK manufacturing trade and retail distribution networks. Companies must carefully assess their supply chains to understand the origin of all the components of their goods. There may now be a requirement to bring UK-destined products back to a warehouse within the UK or to establish a new facility.

The impacts of the new rules of origin regulations are particularly important for the UK car manufacturing sector. 81% of the cars made in the UK are exported, the EU is the main destination market, accounting for 54% of all exports (Source: SMMT). UK carmakers will have to prove that at least 40% of the value of parts in a finished car that is exported to the EU were produced in the UK or the EU. The threshold will climb to 45% from 2023, and to 55% from 2027. This is particularly challenging for EV production because the batteries alone, which are currently mainly imported from Asia or the US, often make up 50% of the total value of a car.

Electric vehicle manufacturer Arrival LTD, has been expanding its presence in Bicester, occupying a total 147,000 sq ft across three units as they look to grow their innovation and manufacturing base. Arrival, is creating highly automated "microfactories" where its delivery vans and buses will be assembled by multitasking robots. London Electric Vehicle Company (LEVC) was another electric car manufacturer taking space in Q1, agreeing a lease on 166,000 sq ft at DC5, Prologis Park Ryton, Coventry. Both Arrival and LEVC focus on the production of electrically-driven vehicles for the commercial sector, with firms increasingly demanding smarter, more sustainable fleet vehicles.

Market sentiment survey (monthly)

Leasing Market

Inspections	Under offers	Availability	Rent holiday requests

Investment Market

Availability	Under offers	Deals Aborted	Sales withdrawn / on hold

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