

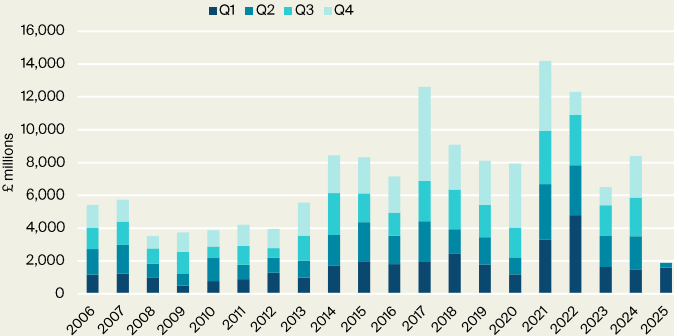
# UK Logistics Market Dashboard



April 2025

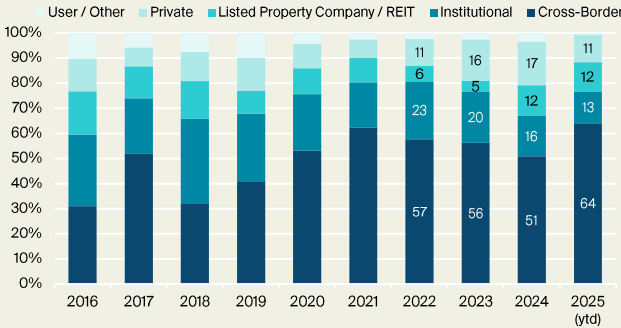
## Investment market

Industrial & logistics – Investment total



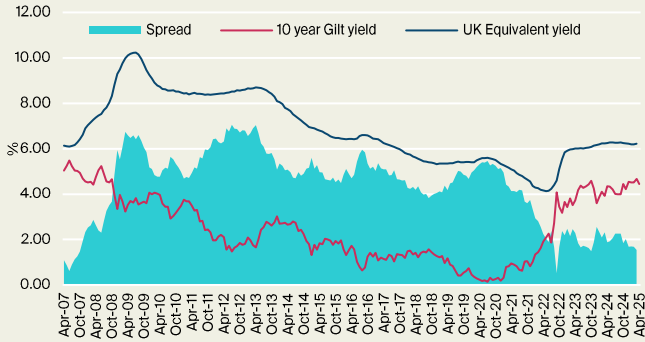
Source: Knight Frank Insight, RCA

Capital composition (%)



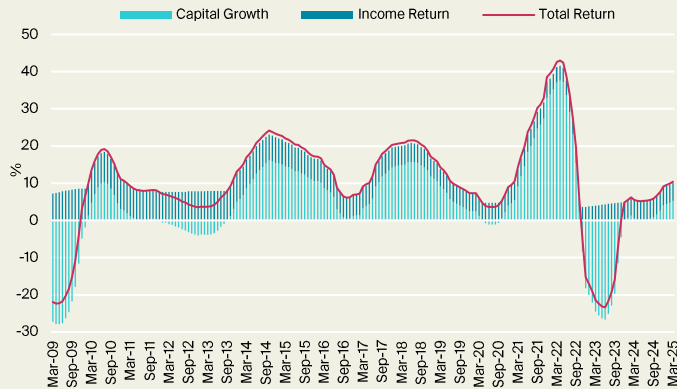
## Yields

Industrial yields



## Performance

Industrial Total returns – annualized



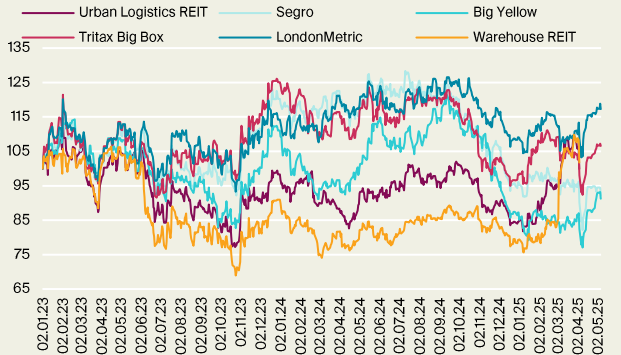
Total Returns forecast (%)  
-Q4 2024

	2024	2025	2026	2027	2028	2025-28 CAGR
Industrial	8.4	10.8	9.0	8.0	6.9	8.7
Office	-0.1	7.8	8.6	8.0	7.3	7.9
Retail	8.6	10.1	8.9	7.8	6.7	8.4
Other	5.5	8.4	8.3	8.1	7.5	8.1
All Property	5.8	9.7	8.8	8.0	6.9	8.4

Source: Knight Frank Insight, RealFor

## Listed real estate

Real Estate Equities – total returns indices  
01/01/2023 = 100



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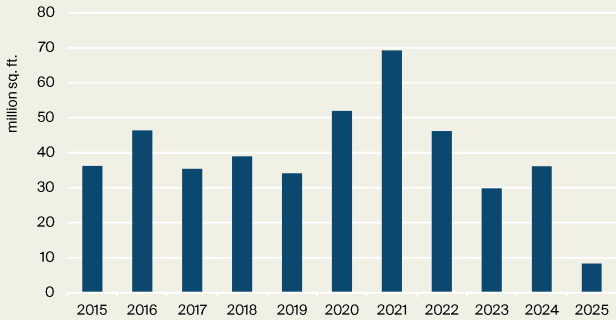
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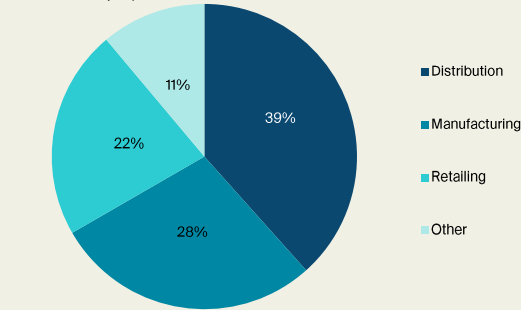
## Occupier market

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



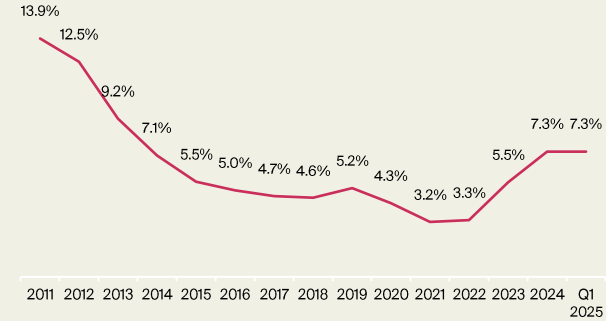
Source: Knight Frank Insight

Take up by occupier type – last 4 quarters (to Q1 2025)  
(units over 50,000 sq. ft.)



Source: Knight Frank Insight

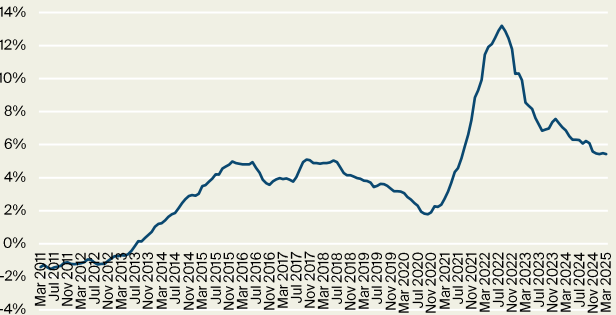
Vacancy Rate (%)



Source: Knight Frank Insight

## Rents

Annual average market rental growth  
%



Source: Knight Frank Insight, MSCI

Average rental growth forecast (%)  
-Q4 2024

	2025	2026	2027	2028	2025-28 CAGR
UK	4.0	2.9	2.7	2.8	3.1
London	4.4	3.7	3.5	3.5	3.8
South East	4.6	3.3	3.0	3.1	3.5
South West	3.8	2.4	2.0	2.1	2.6
Eastern	4.2	3.1	2.8	2.9	3.3
East Midlands	3.4	2.4	2.1	2.2	2.5
West Midlands	3.6	2.5	2.3	2.5	2.7
North West	4.5	2.8	2.3	2.3	3.0
Yorks & Humber	3.8	2.4	2.0	2.1	2.6
North East	3.0	2.2	2.2	2.3	2.4
Scotland	2.8	2.0	1.9	2.1	2.2
Wales	3.1	2.2	2.1	2.4	2.5

Source: Knight Frank Insight, RealFor

## Development

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



Source: Knight Frank Insight, Glenigan

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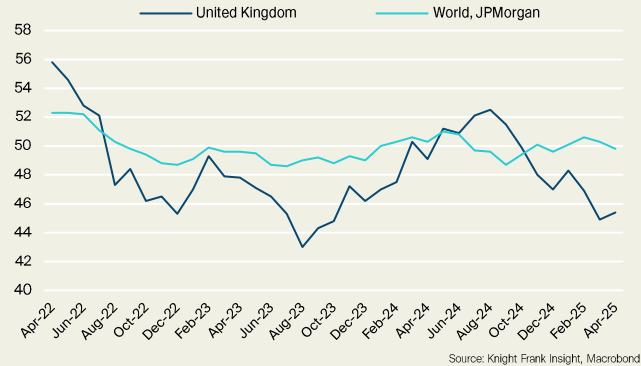
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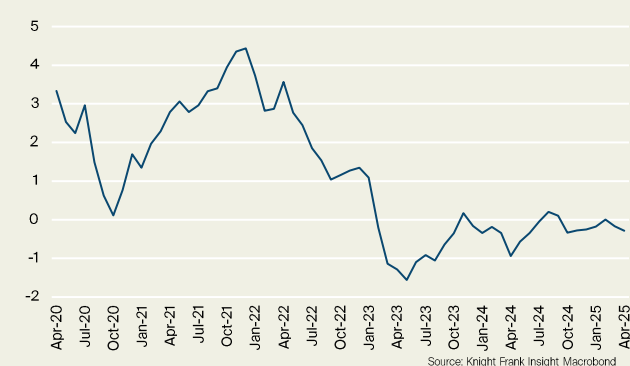
April 2025

## Industry, trade and manufacturing

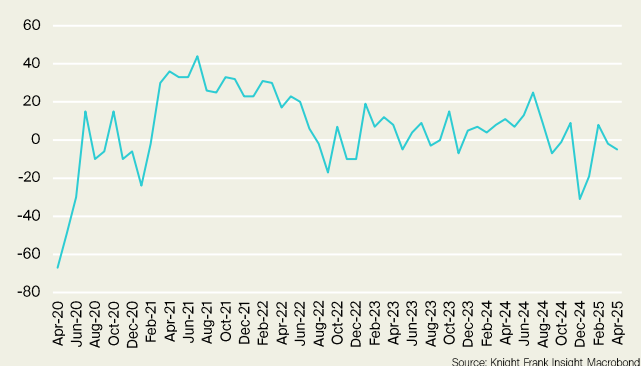
Manufacturing PMI Index



Global Supply Chain Pressure Index (GSCPI)  
Standard deviations from average value



Expectations for future manufacturing output  
CBI Industrial Trends Monthly Survey  
% balance expecting improvement/deterioration

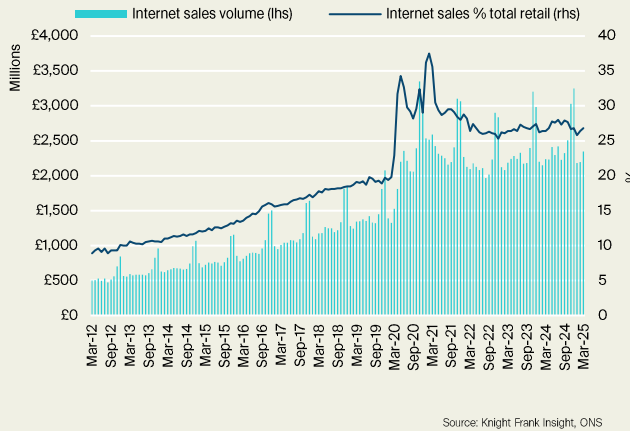


## Online retail sales

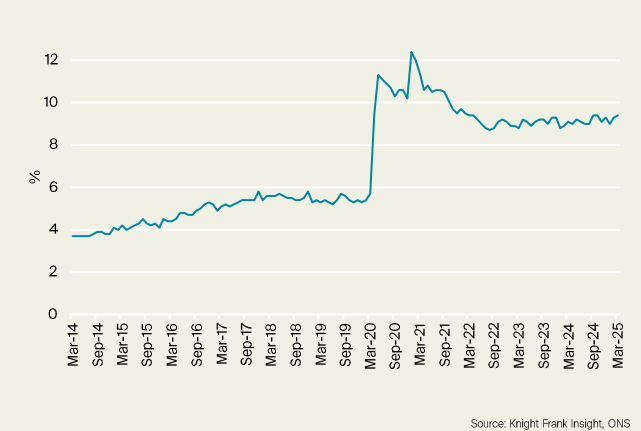
Job Postings Index - Logistics Support



UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



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## Market commentary

### Investment

- The final Q1 2025 investment total reached £1.6 billion, representing a 10% uplift on Q1 last year. Transactions so far this quarter (Q2) have been dampened by heightened levels of uncertainty in global markets. Aggressive US tariff policies have introduced volatility in the markets causing some investors to adopt a cautious approach.
- The US capital has been an important driver of the UK industrial investment market, and accounted for 38% of total investment into the sector last year (and 81% of overseas investment). However, this year, US capital has been less active, accounting for just 27% of the total market and 46% of overseas investment.
- However, given the unpredictability of domestic economic policy in the US, and the heightened risks of stagflation due to trade tariffs, some US investors may be seeking to diversify out of the US, and this could boost investment into the UK. The UK logistics market holds strong appeal for US real estate investors, as well as the ease of doing business in the UK (due to the language, transparency of the market, and robust legal system), the logistics market offers several similarities with the US, including a comparable lease structure (triple net or FRI) and the US e-commerce driven expansion of logistics networks. The UK is also often viewed as a strategic entry market for US investors seeking exposure to the wider European market.
- Ten-year gilt yields softened (month-on-month) in March to 4.67% (month-end) from 4.51% at the end of February. Gilt yields have been highly volatile in recent months, due to both international and domestic factors, and this looks set to continue. By the end of April, the gilt yield had hardened (23 bps month-on-month) to 4.44%.
- In March 2025, industrial equivalent yields softened slightly, from 6.20% in February to 6.22%. The equivalent yield represented a 155bps premium over gilt yields (March).
- Significant transactions in April include a £74 million forward sale of a 390,000 sq ft warehouse to be built at Axis Works at Central Park in Avonmouth, Bristol. LondonMetric acquired the unit from EDC and Stoford, following a pre-lease agreement for M&S to take the unit on a 20-year term. The transaction is the largest forward funding deal so far this year and represents a yield of 5.7%.

### Returns

- Annual UK Industrial capital growth continued to accelerate in March 2025, with 5.23% growth recorded, up from 4.73% in February (MSCI).
- Annual total returns rose to 10.40% in March 2025 from 9.88% in February; this was the first time they had been above the 10% mark since September 2022 (MSCI).

### Occupier Market Activity

- Take up in Q1 2025 totalled 8.3 million sq ft (units over 50,000 sq ft) (revised up from a preliminary figure of 8.1 m sq ft). Compared with recent quarters, occupier activity was relatively weak in Q1, with many occupiers holding off expansion plans given their rising operating costs (due to increased NI contributions and a rise in minimum wage). The rapidly evolving prospects for international trade may also have impacted confidence, particularly for manufacturing firms or logistics firms focused on import/export operations. The UK vacancy rate stood at 7.3% at the end of Q1 2025; stable quarter-on-quarter.
- The UK vacancy rate stood at 7.3% at the end of Q1 2025; stable quarter-on-quarter.
- So far in Q2, there has been some notable activity in the occupier market with a couple of very large buildings under offer and expected to close imminently. These include Panattoni's Avonmouth 885, the largest ever speculatively built warehouse in the UK. These sizeable transactions demonstrate the robust demand for very large warehouses and will contribute to further compressing the already low vacancy rate found in this size bracket.

### Rental Growth

- Average rents for UK Industrial continue to grow. The annual growth rate in the year to March 2025 is 5.4%, slowing from 5.5% in February. Monthly rental growth of 0.49% was recorded in March, up from 0.38% in February (MSCI).
- The latest rental growth forecasts from RealFor (Q4 2024) project rental growth to slow throughout the course of the year, with annual growth of 4.0% expected at year end. Rental growth is anticipated to continue slowing through 2026/27.

### Development

- In 2024, around 20 million sq ft of new stock completed. So far this year, 7.8 million sq ft is expected to have reached PC (the status of some schemes is still to be verified). A further 24 million sq ft is under construction and expected to complete later this year. However, this figure is subject to change as completion dates are revised.

### Industry/Trade

- The UK manufacturing sector continued to face tough operating conditions in March. The S&P Global UK Manufacturing PMI for March 2025 was 45.4, slightly higher than March's 17-month low of 44.9. According to the CBI's latest monthly Industrial Trends Survey (ITS), manufacturing output volumes were broadly unchanged in the quarter to April. Looking ahead, manufacturers expect output volumes to fall marginally in the three months to July. Manufacturers are downbeat about their prospects amid rising costs, an expected decline in new orders and heightened uncertainty around global economic conditions.
- The Global Supply Chain Pressure Index (GSCPI) continues to hover around 0, indicating global supply chain pressures are in line with historic averages. However, shipping costs remain elevated due to the ongoing crisis in the Red Sea. Shipping rates from the Far East to North Europe and Mediterranean have risen by 39% and 68%, respectively due to the current longer route via the Cape of Good Hope. Despite the recent US-Houthi ceasefire deal, major shipping companies are not yet planning a return to the Red Sea route.
- Online retail penetration rates were 26.8% in March, which marks an increase both m/m and y/y. Penetration rates are now in line with their long-term pre-pandemic trend line, with the latest data points demonstrating the ongoing structural growth of the online retail market offering confidence for retailers and logistics operators to push forward with their expansion plans.

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