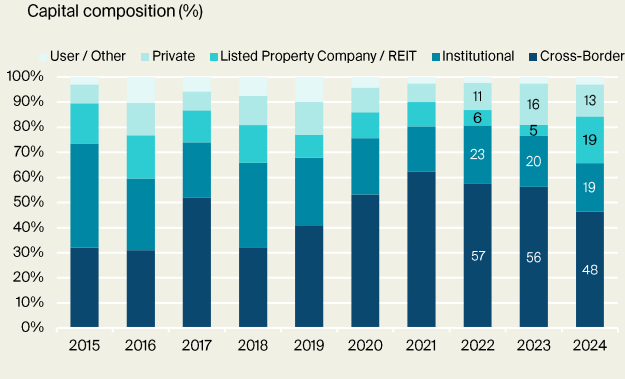
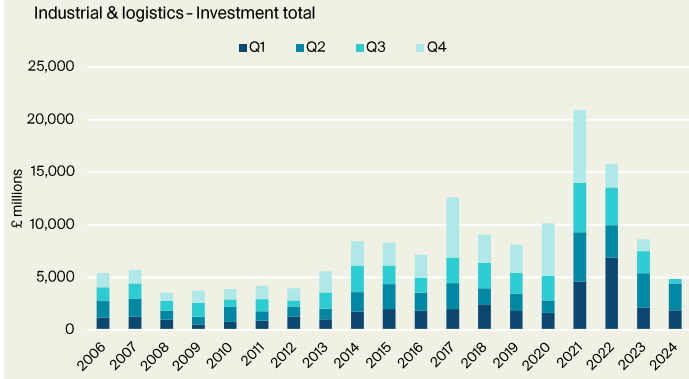


UK Logistics Market Dashboard

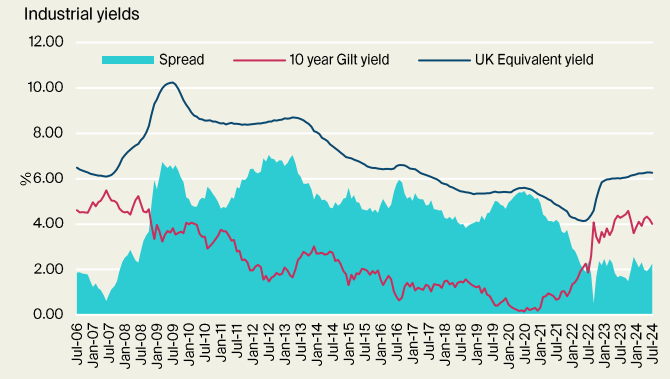


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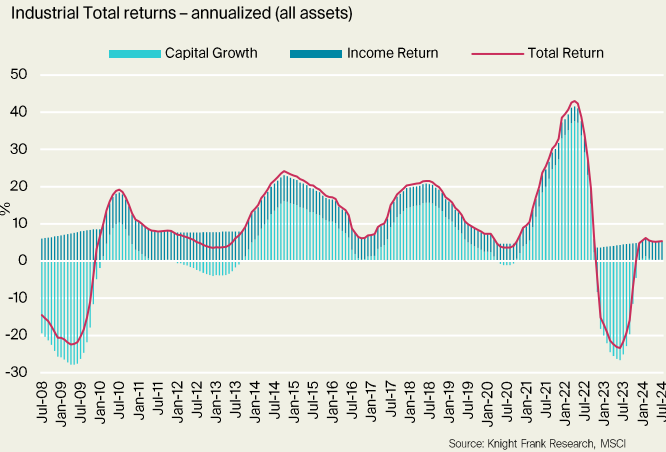
Investment market



Yields



Performance

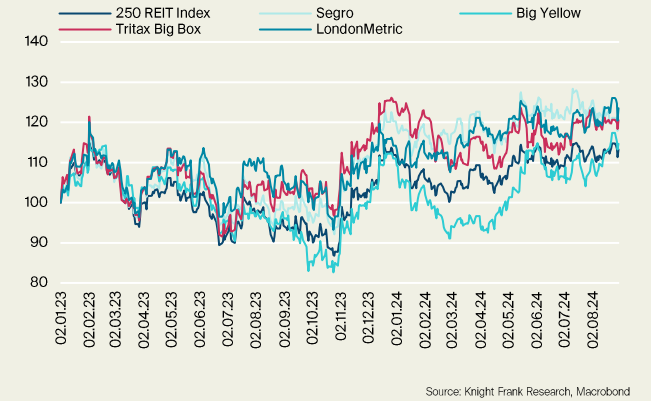


Total Returns forecast (%) -Q2 2024

	2024	2025	2026	2027	2028	2024-28 CAGR
Industrial	6.9	9.1	8.7	7.6	7.1	8.1
Office	1.1	6.4	8.0	7.5	7.1	7.2
Retail	8.0	8.7	8.1	7.3	6.9	7.8
Other	6.5	8.2	8.0	7.5	7.3	7.7
All Property	5.2	8.1	8.3	7.5	7.0	7.7

Listed real estate

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



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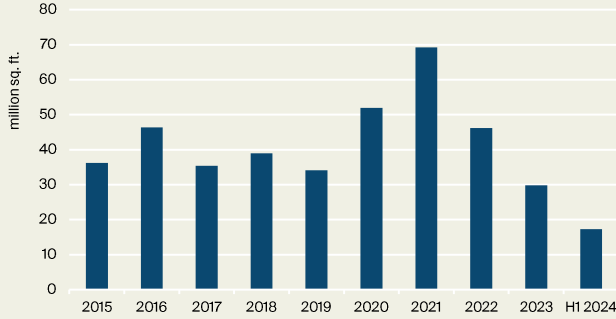
UK Logistics Market Dashboard



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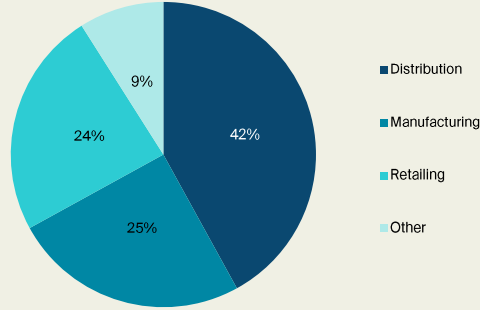
Occupier market

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



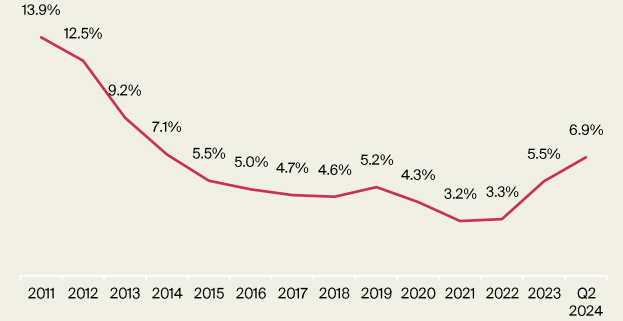
Source: Knight Frank Research

Take up by occupier type – last 4 quarters (to Q2 2024)
(units over 50,000 sq. ft.)



Source: Knight Frank Research

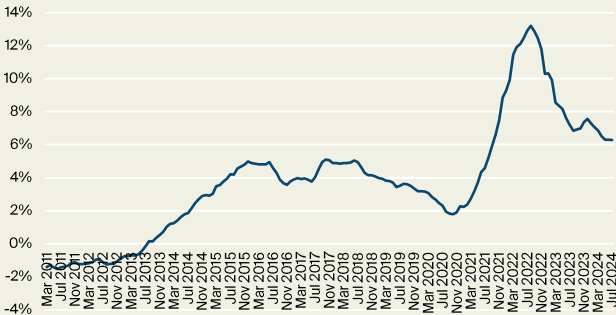
Vacancy Rate (%)



Source: Knight Frank Research

Rents

Annual average market rental growth %



Source: Knight Frank Research, MSCl

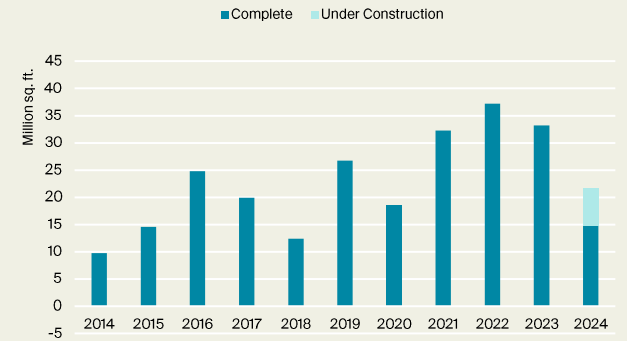
Average rental growth forecast (%)
-Q2 2024

	2024	2025	2026	2027	2028	2024-28 CAGR
UK	4.7	3.4	2.7	2.8	3.0	3.3
London	6.0	4.4	3.5	3.5	3.7	4.2
South East	4.4	3.3	2.7	2.9	3.1	3.3
South West	6.2	3.6	2.3	2.0	2.1	3.2
Eastern	4.8	3.5	2.9	3.0	3.3	3.5
East Midlands	4.3	3.2	2.3	2.3	2.4	2.9
West Midlands	5.3	3.5	2.6	2.6	2.7	3.3
North West	5.5	3.6	2.7	2.7	2.8	3.5
Yorks & Humber	4.6	2.9	2.1	2.2	2.3	2.8
North East	4.1	3.0	2.4	2.4	2.5	2.9
Scotland	4.2	2.6	1.9	2.0	2.2	2.6
Wales	4.0	2.6	2.0	2.2	2.4	2.6

Source: Knight Frank Research, RealFor

Development

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



Source: Knight Frank Research, Glenigan

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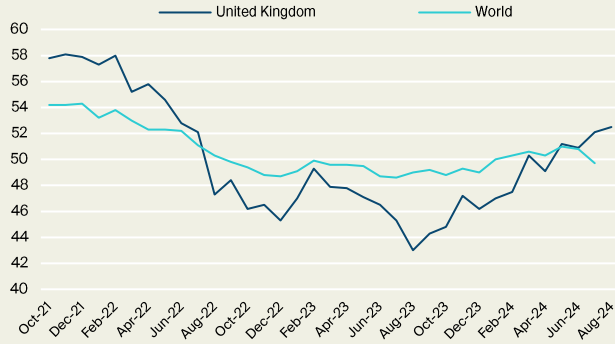
UK Logistics Market Dashboard



August 2024

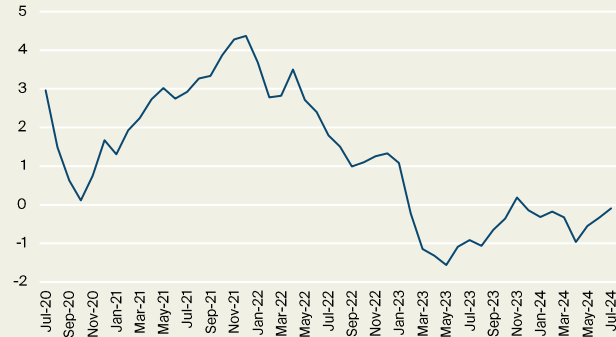
Industry, trade and manufacturing

Manufacturing PMI Index



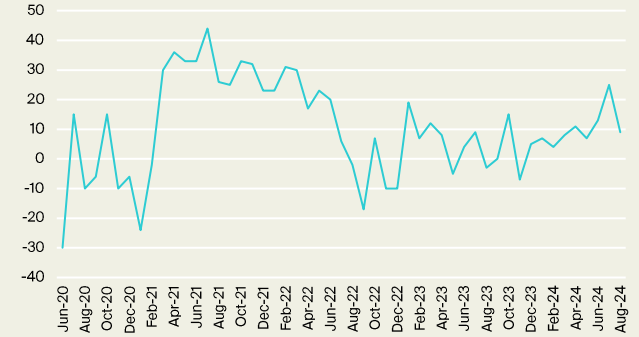
Source: Knight Frank Research, Macrobond

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



Source: Knight Frank Research, Macrobond

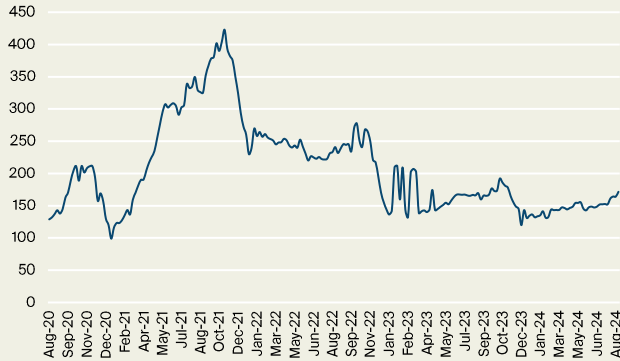
Expectations for future manufacturing output
CBI Industrial Trends Monthly Survey
% balance expecting improvement/deterioration



Source: Knight Frank Research, Macrobond

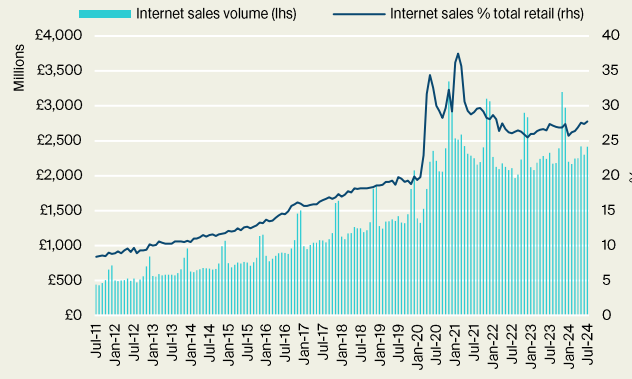
Online retail sales

Job Vacancies Index - Transport/Logistics/Warehouse



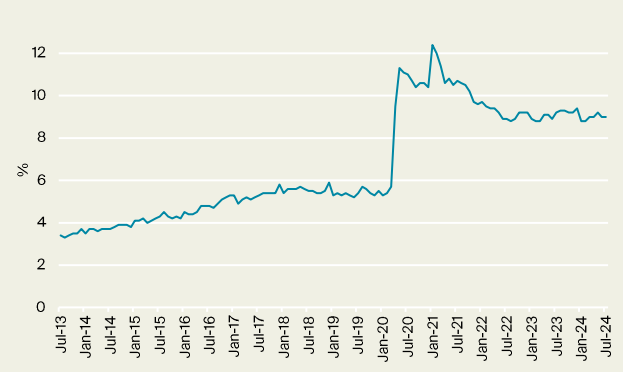
Source: Knight Frank Research, ONS

UK Internet Retail Sales (monthly)



Source: Knight Frank Research, ONS

UK grocery market - proportion of online retail (%)



Source: Knight Frank Research, ONS

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August 2024

Market commentary

Investment

- According to data from Real Capital Analytics, industrial and logistics sector transactions totalled £2.5 billion in Q2 2024. This is 31% higher than last quarter, when investment of £1.9 billion was recorded. Though down compared with Q2 last year when £3.3 billion transacted, it is marginally higher than the 10-year average for Q2 investment (£2.4 billion).
- REITs and Listed property companies have been far more acquisitive so far this year, accounting for 18% of investment, compared with just 5% in 2023.
- The equivalent yield compressed slightly in July, from 6.27% in June to 6.26%. However, it is 25bps softer than a year ago.
- Ten-year gilt yields hardened in July, at 4.01% (month end), compared with 4.21% a month prior. Gilt yields hardened further throughout the first half of August following the MPCs rate cut, but this trend reversed in the second half of the month, with 4.00% recorded at the end of August. The hardening of gilt yields meant the spread between gilts and industrial equivalent yields widened, to 226bps at the end of July, up from 206bps in June.
- Significant transactions in August include ICG Real Estate completing their acquisition of a 540,000 sq ft Amazon fulfilment centre in Chesterfield for £45m from Warehouse REIT. Amazon have approximately ten years remaining on their lease.
- Meanwhile, Essar Energy Transition have agreed to purchase Thornton Science Park, a 66-acre site from the University of Chester for around £120m. Thornton Science Park is said to be at the forefront of scientific and industrial research and development and is a “key asset” to the Cheshire Science Corridor – linking Liverpool and Manchester. EET has said it plans for Thornton Science Park to serve as an energy transition hub, as well as their UK headquarters.

Returns

- Annual UK Industrial capital growth (all assets) accelerated further in July, 0.36% growth was recorded, up from 0.33% in June 2024 (MSCI).
- Annual total returns rose to 5.31% in July, from 5.26% in June 2024 (MSCI).
- Positive monthly capital growth was recorded for the fourth consecutive month in July, with 0.20% (MSCI), down from 0.31% in June 2023.
- Monthly total returns dipped slightly in July, with a reading of 0.61% down from 0.72% in June (MSCI).

Occupier Market Activity

- Take up in Q2 2024 totalled 9.5 million sq ft. This is the highest quarterly total since Q3 2022 and 21% higher than last quarter.
- The vacancy rate at the end of Q2 was 6.9% across the UK, up from 6.5% at the end of Q1 2024. However, some regions saw declines, including Wales, West Yorkshire and Scotland.
- Notable occupier take up in August include parcel carrier EVRI taking two units in Sheffield and Avonmouth. They took 10-year leases at both Newhall 130, a scheme near Junction 34 of the M1 Motorway in Sheffield and at a 113,573 sq ft building at Central Approach, Avonmouth, Bristol which was built by Trebor on a speculative basis. These new facilities will support the ongoing expansion of their logistics network.
- Another notable occupier transaction in August involved Scarborough retailer Boyes purchasing a 132,000 sq ft logistics unit in the Eastfield Industrial Estate, Scarborough. Boyes plan to redevelop the site into a new distribution centre.

Rental Growth

- Average rents for UK Industrial continue to grow. The rate of annual growth in the year to July is 6.3%, the same rate recorded in the previous two months (MSCI). Monthly rental growth of 0.38% was recorded (MSCI).
- According to the latest Q2 2024 forecasts from RealFor, UK industrial rents are expected to increase by 4.7% this year, slowing to 3.4% growth in 2025, with a CAGR of 3.3% (2024-28). Rental growth expectations for 2025 and beyond have been revised up from last quarter.
- The South West region is expected to see the strongest rental growth this year, with 6.2% growth forecast. London leads in terms of rental growth expectations for the five-year forecast, with 4.2% CAGR.

Development

- We anticipate that approximately 22 million sq ft will complete in 2024, with c.15 million sq ft already completed this year. This figure includes both available space and that already committed, on either a build-to-suit or pre-let basis.
- Recent development news includes Henley Investment Management securing financial backing and completing the purchase of a prime 2.1 acre site in Fulham. The investment will enable the redevelopment of Albert and Swedish Wharf. The consented mixed-use scheme will provide a 55,000 sq ft last mile logistics facility alongside a 276-apartment scheme on a site next to Wandsworth Bridge on the north bank of the Thames. Construction work is expected to begin early next year.

Industry/Trade

- The UK Manufacturing PMI rose to 52.5 in August, up from 52.1 in July 2024, a 26-month high. The upturn is broad-based across manufacturing and reflects solid expansions in output and new orders and the strongest jobs growth for over two years.
- Supply chain issues worsened in July but remained in negative territory. The GSCPI rose to -0.09 in June, up from -0.33 in June. Ongoing issues in the Red Sea continue to hamper container trade between Asia and Europe with many shipping companies continuing to re-route via the Cape of Good Hope (a 4-5 day detour).
- According to the CBI Industrial Trends survey in August 2024, more manufacturers thought that output would rise over the next three months than thought it would fall. The difference was +9% of manufacturers, this is lower than the 25% in June.
- Job vacancies in the transport, logistics and warehouse sector have risen steadily throughout the year. Job vacancies over the last four weeks are broadly in line with levels recorded a year ago.
- Online retail penetration rates (excl. auto fuel) rose slightly to 27.8% in July, from 27.4% in June 2024. The amount spent online, rose by 2.5% during July 2024, and by 3.6%, compared with July 2023, with rises recorded for most main sectors.
- Online grocery retail penetration rates remain stable month-on-month, with 9.0% recorded in July, the same proportion as June.

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