

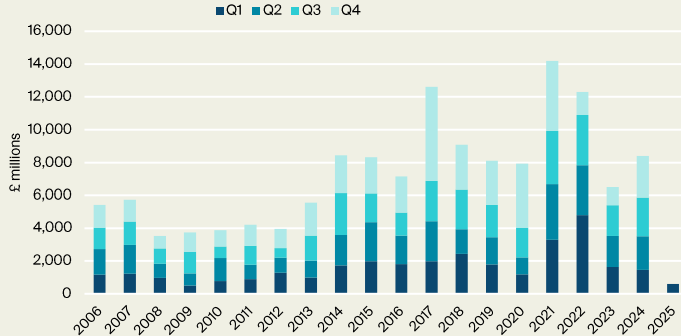
UK Logistics Market Dashboard



February 2025

Investment market

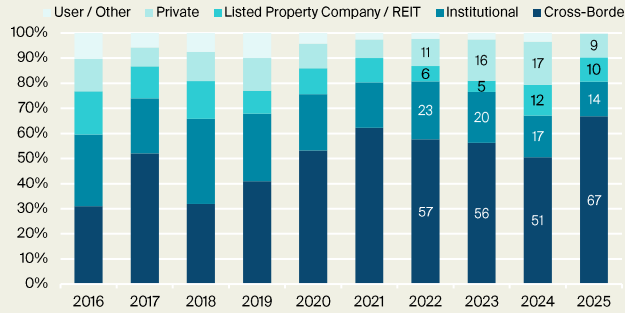
Industrial & logistics - Investment total



*Data reporting change from 2020 onwards. Investment volume for Q1 2025 is incomplete.

Source: Knight Frank Research, RCA

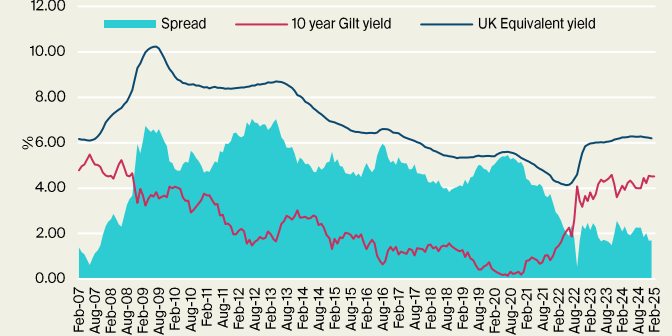
Capital composition (%)



Source: Knight Frank Research, RCA

Yields

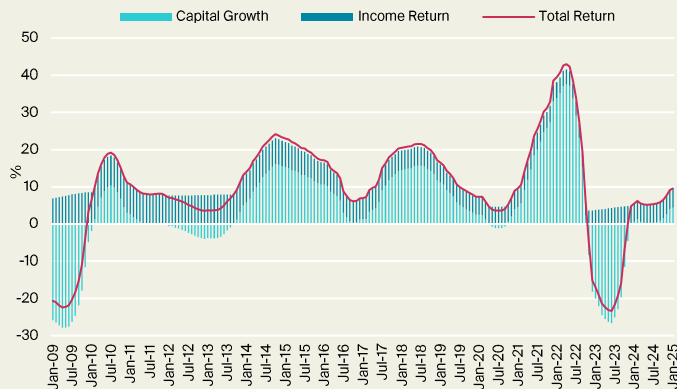
Industrial yields



Source: Knight Frank Research, Macrobond, MSCI

Performance

Industrial Total returns - annualized



Source: Knight Frank Research, MSCI

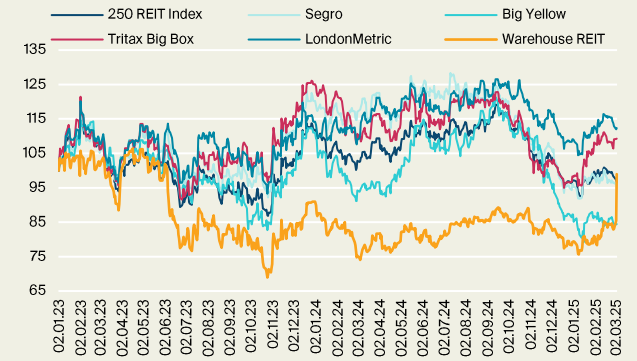
Total Returns forecast (%) -Q4 2024

	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 Research, RealFor

Listed real estate

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



Source: Knight Frank Research, Macrobond

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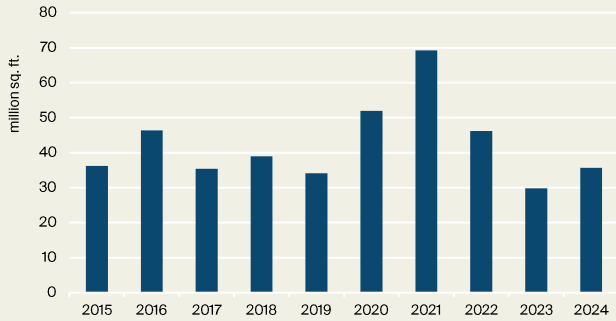
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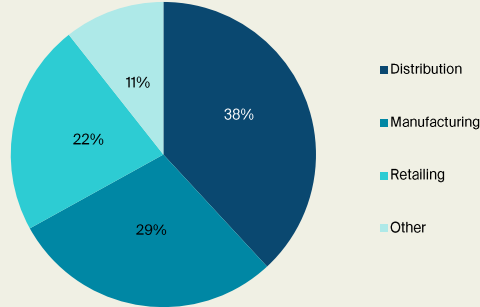
Occupier market

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



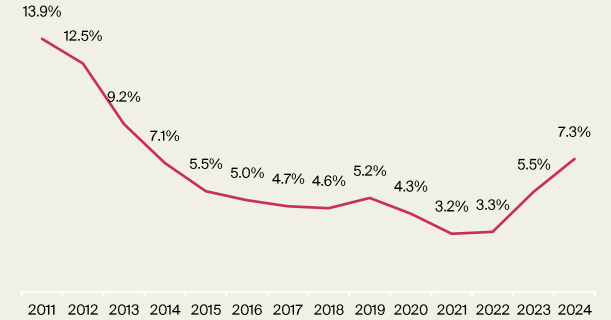
Source: Knight Frank Research

Take up by occupier type – last 4 quarters (to Q4 2024)
(units over 50,000 sq. ft.)



Source: Knight Frank Research

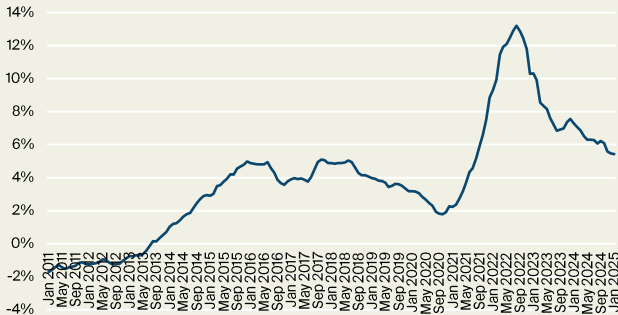
Vacancy Rate (%)



Source: Knight Frank Research

Rents

Annual average market rental growth %



Source: Knight Frank Research, 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 Research, RealFor

Development

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



Source: Knight Frank Research, Glenigan

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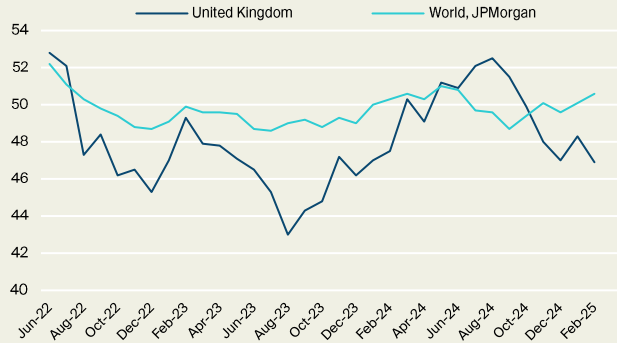
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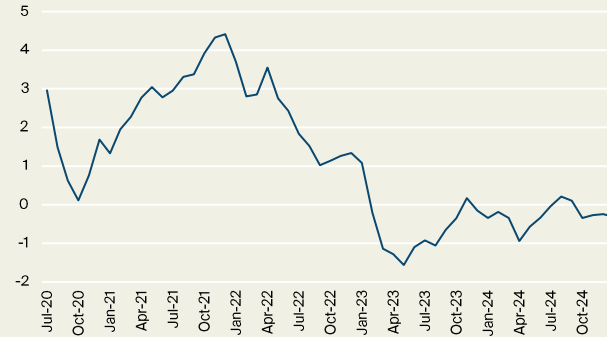
Industry, trade and manufacturing

Manufacturing PMI Index



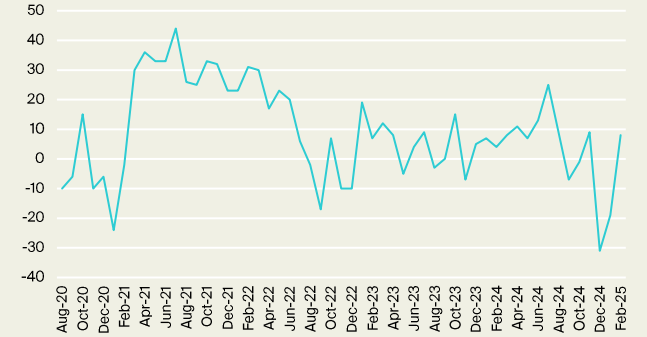
Source: Knight Frank Research, Macrobond

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



Source: Knight Frank Research, Macrobond

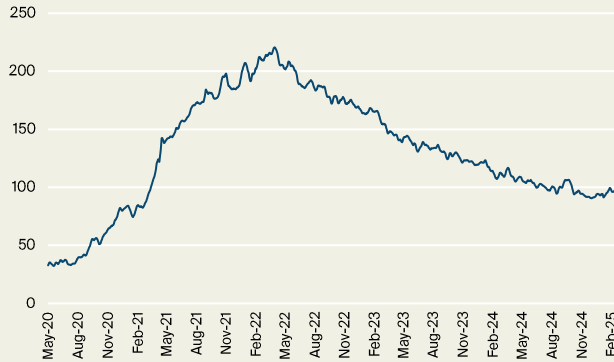
Expectations for future manufacturing output
CBI Industrial Trends Monthly Survey
% balance expecting improvement/deterioration



Source: Knight Frank Research, Macrobond

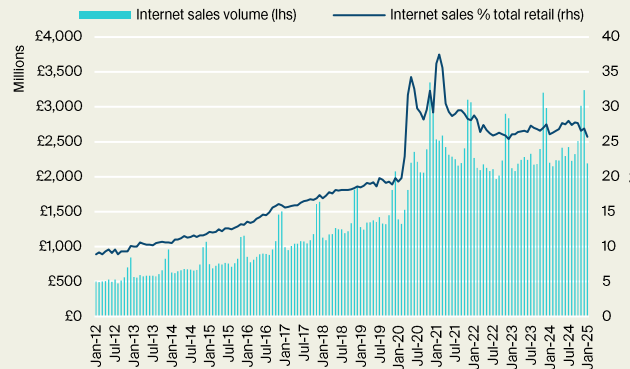
Online retail sales

Job Postings Index - Logistics Support



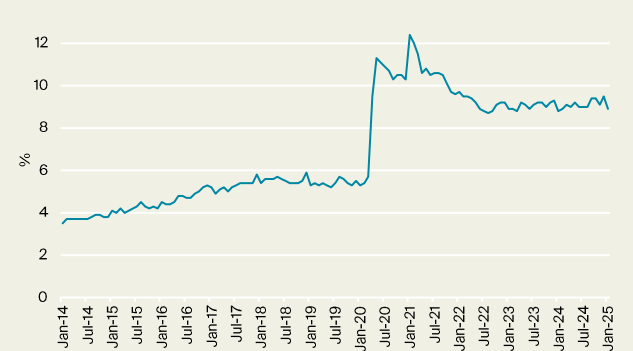
Source: Knight Frank Research, Indeed

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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UK Logistics Market Dashboard



February 2025

Market commentary

Investment

- The strong levels of investment activity in the final quarter of 2024 have continued into the first two months of 2025, with several sizeable transactions. The total invested in the first two months of the year is £592 million, and this figure will be revised as further details come to light. We expect this year's Q1 investment total to exceed that recorded in the past two years.
- So far this year, we have seen strong activity from overseas investors. Investment activity from Listed property companies and REITs appears to have normalised, they accounted for 10% of the total so far, in line with historic averages. Institutional capital has so far been underrepresented compared with previous years. However, we expected this to shift as the year progresses.
- Ten-year gilt yields hardened (month-on-month) in January to 4.52% (month-end) from 4.55% at the end of December. Gilt yields have been highly volatile in recent months, due to both international and domestic factors and this looks set to continue during the course of the year, with forecasts for gilts showing substantial variation. The most recent forecasts from Oxford Economics expect ten-year gilts to be higher (4.57%) at year end, while Capital Economics expect gilt yields to fall to 4.00%. However, beyond 2025, the long-term trend is downwards.
- In January 2025 industrial equivalent yields hardened slightly, from 6.22% in December to 6.19%. This is the second consecutive month of hardening and the equivalent yield represented a 170bps premium over gilt yields (January).
- Significant transactions in February include Tritax Big Box REIT purchasing the 650,000 sq ft Sainsbury's distribution centre in Haydock in an off-market deal for £75 million. The transaction represents a net initial yield of 6.0%.

Returns

- Annual UK Industrial capital growth continued to accelerate in January, with 4.40% growth recorded, up from 4.02% in December 2024 and the highest reading since September 2022 (MSCI).
- Annual total returns rose to 9.56% in January from 9.16% in December 2024 (MSCI).

Occupier Market Activity

- Occupier take up in Q4 2024 totalled 8.0 million sq ft. this is on a par with the 8.1 million sq ft taken up in Q4 last year. This takes the 2024 annual total to 35.7 million sq ft, significantly higher than the 30 million sq ft taken up in 2023, and slightly above the pre-pandemic long-term average.
- At the end of Q4, the vacancy rate was 7.3% across the UK, up marginally from 7.2% at the end of Q3. Despite the quarter-on-quarter increase, vacancy is stabilising.
- Ecommerce has been a far weaker driver of the market in recent years. However, there are signs that the online retail and distribution may have rebased post-pandemic and Amazon are once again in expansion mode. Amazon have some developments underway and are actively seeking additional space, with several live requirements for delivery stations (or last mile facilities) as well as some larger regional distribution centres.

Rental Growth

- Average rents for UK Industrial continue to grow. The annual growth rate in the year to January 2025 is 5.4%; this marks a slight deceleration from December (MSCI). Monthly rental growth of 0.22% was recorded in January, up from 0.59% in December (MSCI).
- Forecasts for rental growth in 2025 have been revised up this quarter, the latest (Q4 2024) forecasts from RealFor project rental growth of 4.0% this year (compared with a forecast of 3.7% growth projected in Q3). Rental growth is anticipated to continue slowing through 2026/27.
- The South East and North West regions are expected to see the most substantial rental growth this year, with 4.6% and 4.5% growth projected. While London is expecting the strongest gains over the next four years.

Development

- In 2024, around 20 million sq ft of new stock completed. This figure includes both available space and space that has already been committed on either a build-to-suit or pre-let basis.
- The current pipeline for 2025 indicates that the level of new supply will increase this year. Around 5.5 million sq ft is estimated to have completed so far this year, with a further c.30 million sq ft that is under construction and expected to complete this year (this figure is subject to revision as additional schemes commence and completion dates are revised). Despite relatively high levels of vacancy across the market as a whole, in many locations supply constraints remain, particularly for new, high-quality units, and this, coupled with expectations for rental growth, is helping to give developers the impetus to bring forward new schemes.

Industry/Trade

- The UK manufacturing sector continued to face tough operating conditions in February, as ongoing concerns about weak demand and rising cost pressures led to deeper downturns in output, new orders and employment. According to the CBI Industrial Trends survey in February 2025, manufacturers are more optimistic about future prospects, expecting a modest rise in volumes in the three months to May.
- Online retail penetration rates were 26.8% in January, this is down marginally from 27.3% recorded in January 2024 and January 2023. However, amount spent online in January was up 0.8% when comparing January 2025 with January 2024.
- Online grocery retail penetration rates were 8.9% in January, up from 8.8% in January last year. Online grocery penetration rates have not seen the same decline post-pandemic as the broader online retail market. While year-on-year increases point to the market returning to expansion mode, the pace of expansion for online grocery is modest (as it was pre-pandemic).

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