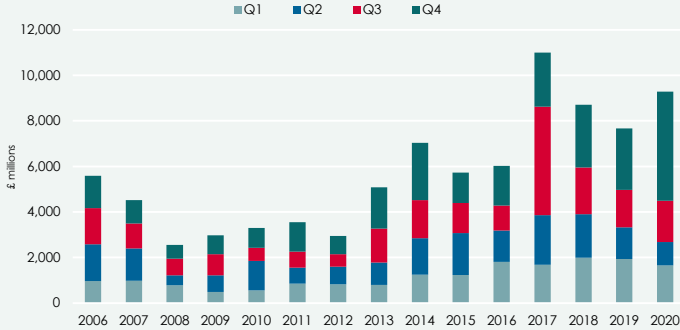


UK Logistics Market Dashboard

January 2021

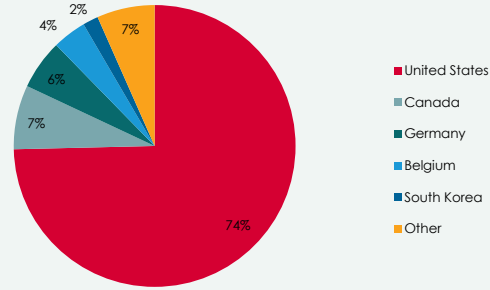
Investment market

Industrial & logistics - Investment total



Source: Knight Frank, Property Data

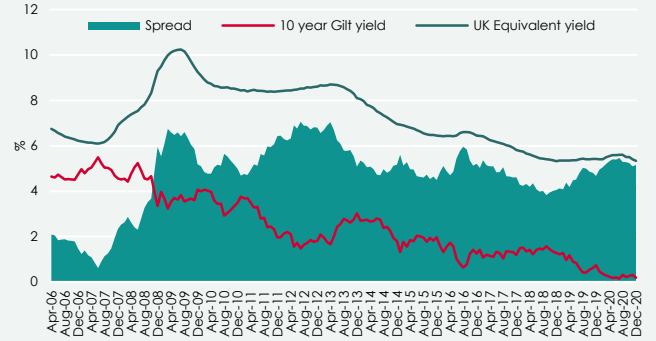
Sources of foreign capital (past 12-months)



Source: Knight Frank, RCA

Yields

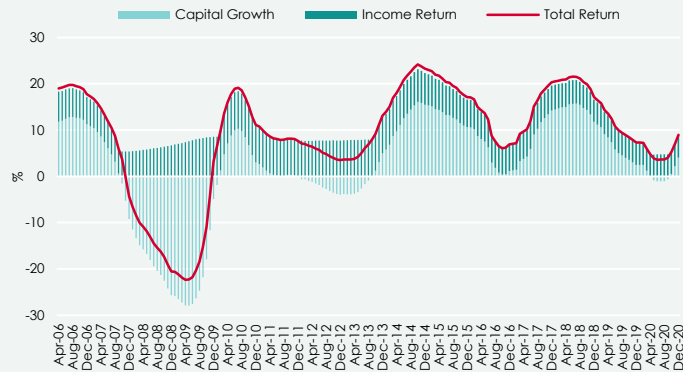
Industrial yields



Source: Knight Frank, MSCI, Macrobond

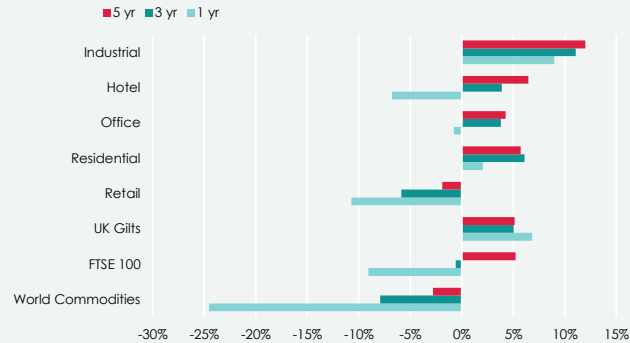
Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

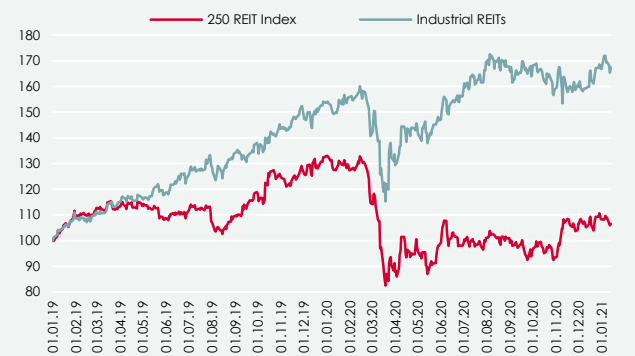
Annualized Total returns by asset class (to December 2020)



Source: Knight Frank, MSCI, Macrobond

Listed real estate

REIT total returns indices
01/01/2019 = 100



Source: Knight Frank, Macrobond

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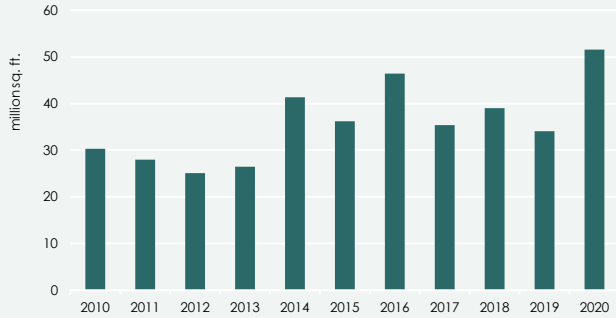
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UK Logistics Market Dashboard

January 2021

Occupier market

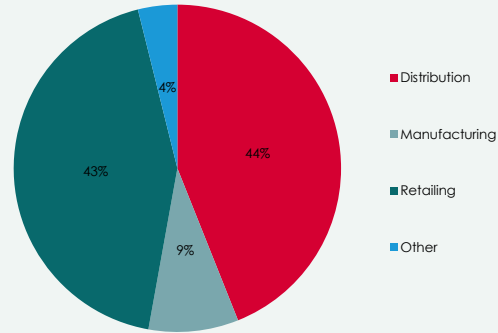
Take up (units over 50,000 sq. ft.)



* Preliminary figure

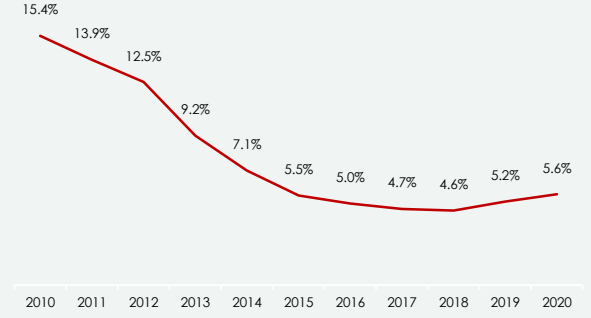
Source: Knight Frank

Take up by occupier type 2020 (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

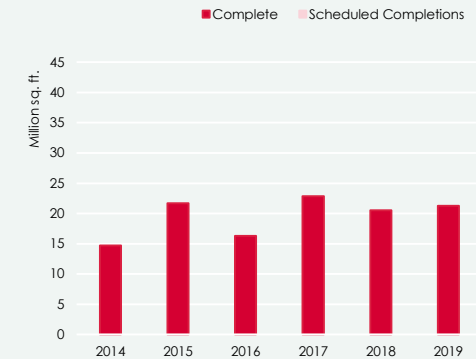
Average rental growth forecast
- Q4 2020

	2021	2022	2023	2024	2025	2021-2025 (annualized)
UK	1.1	2.4	3.1	2.9	2.4	2.4
London	2.1	3.3	3.9	3.5	3.1	3.2
South East	1.5	2.8	3.6	3.3	2.7	2.8
South West	0.5	1.5	2.2	2.2	1.9	1.6
Eastern	1.7	2.8	3.5	3.1	2.8	2.8
East Midlands	0.5	1.5	2.2	2.2	1.9	1.7
West Midlands	0.7	1.8	2.5	2.5	2.3	2.0
North West	1.2	2.0	2.4	2.4	2.2	2.0
Yorks & Humber	0.8	1.7	2.4	2.4	2.1	1.9
North East	0.6	1.7	2.4	2.4	2.1	1.8
Scotland	0.2	1.4	2.2	2.2	2.0	1.6
Wales	0.6	1.7	2.5	2.6	2.3	1.9

Source: Knight Frank, RealFor

Development

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



Source: Knight Frank, Glenigan

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January 2021

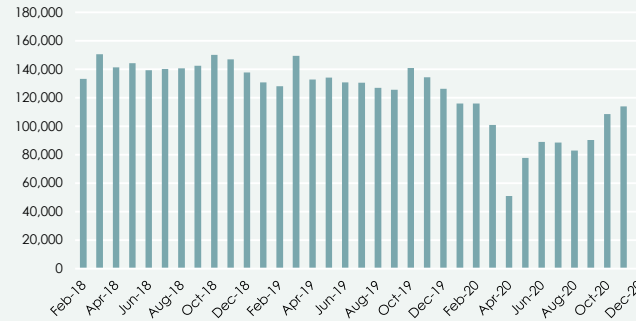
Industry, trade and transport

UK Imports and Exports (goods and services)



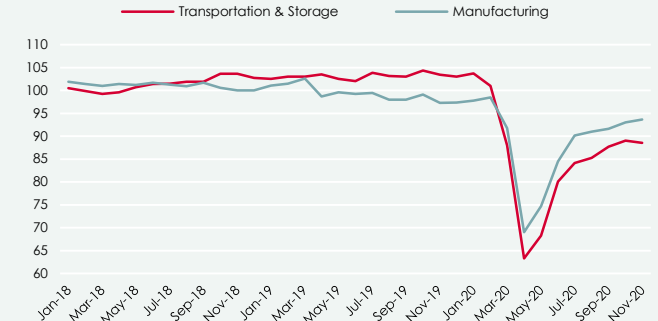
Source: Knight Frank, Macrobond

Heathrow Air Cargo (tonnes)



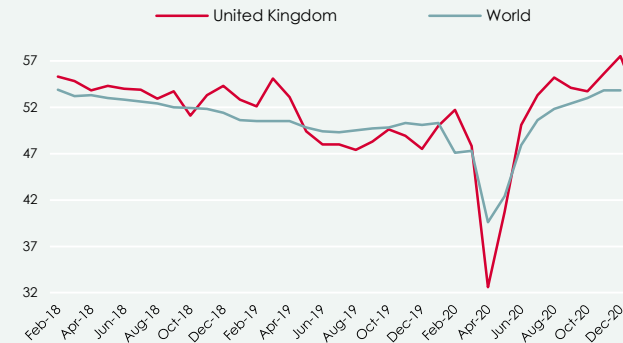
Source: Knight Frank, Macrobond

GDP Monthly Estimates Indices (01/01/2017 = 100)



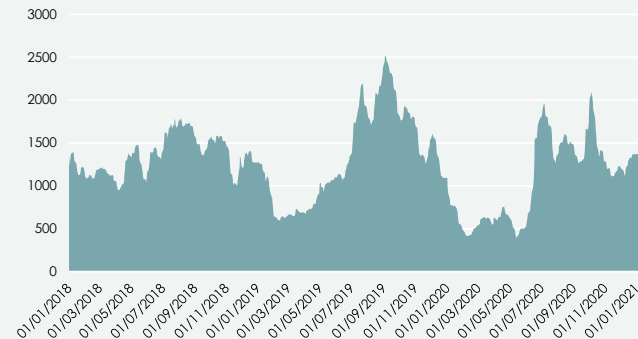
Source: Knight Frank, Macrobond

Manufacturing PMI Index



Source: Knight Frank, Macrobond

Baltic Dry Global Shipping Index



Source: Knight Frank, Macrobond

Key comments

- The IHS Markit/CIPS UK Manufacturing PMI fell to 52.9 in January of 2021 from 57.5 in December. The reading pointed to the slowest growth in factory activity since June amid coronavirus lockdown restrictions. Lower levels of new orders, reduced employment and a swift depletion of pre-production inventories were the main factors weighing on the headline PMI.
- UK Import and Export volumes remain down on pre-Covid levels. Though they are both trending upwards, imports have been accelerating faster than exports.
- In the 12-months to November 2020, UK exports totalled £586.6 billion, this is down -12.9% on the previous 12-months. UK imports totalled £578.7 billion (Jan-Nov 2020), down 18.0% year-on-year. The total trade balance increased by £40 billion, to a surplus of £7.8 billion.
- The UK and EU secured a trade deal at the end of 2020, allowing tariff-free trade, but firms must comply with new rules, causing some confusion, with some goods now being liable for tariffs when they are re-exported back into the EU from the UK. Controls on goods entering the UK from the EU will not be fully introduced until July 2021, as part of the government's phased approach.

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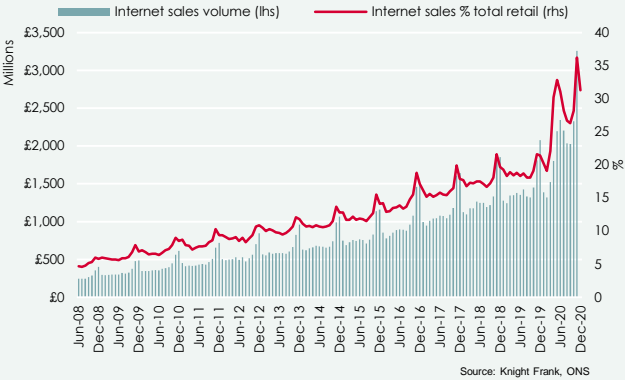
UK Logistics Market Dashboard

January 2021

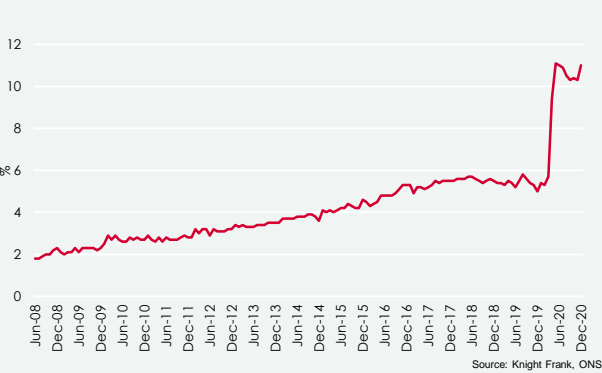


Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Online Retail Sales – December 2020
Sales value, seasonally adjusted

	Year-on-year growth %	Month-on-month growth %	Online sales % Dec 2020	Online sales % Feb 2020
All retailing	61.4	-6.2	29.6	20.1
All food	126.4	2.6	11.0	5.4
All non-food	70.1	-14.8	27.0	16.1
Dept. stores	105.9	-13.1	35.4	16.6
Clothing and footwear stores	49.1	-2.8	31.9	20.7
Household goods stores	52	-27.9	20.9	14.5
Other stores	82.2	-17.5	22.2	12.7
Non-store retailing	42.2	-1.2	80.3	84.0

Source: Knight Frank, ONS

Covid-19 – Market outlook

Online retail continues to drive demand for space

As we enter 2021, with a vaccine roll-out now underway, retailers and distribution companies along with manufacturers are increasingly looking past the immediate impacts of the pandemic and planning their supply chains, distribution models and warehousing requirements to enable their businesses to thrive post-Covid.

In November 2020, online retail accounted for a record 36.0% of total retail spend, this dipped to 31.3% in December, these levels won't be sustained but consumer habits have changed and more shoppers are becoming accustomed to ordering online. E-commerce players have been fighting to grab a share of this growing market, often through short term measures such as increasing headcount. They must now focus their efforts on retaining this new customer base post-pandemic and adapting their distribution model in a sustainable way.

The UK parcel delivery market is changing, with increased competition among courier companies as well as changes in what we are sending. There has been a decline in traditional letter and document volumes due to the rising digital connectivity and growing availability of electronic substitutes. At the same time, demand for parcel delivery services has been rising. A total of 2.8 billion parcels were sent in the 2019/2020 fiscal year. This was an increase of 209 million parcels relative to the previous year.

With non-essential shops closed and families unable to meet over the Christmas period, demand for parcel delivery services surged. Yodel delivered a record number of parcels over the peak period of November 15, 2020, to January 2, 2021, up 37.4% on the previous record set in 2019. Hermes delivered 72 million parcels between Black Friday and Christmas Eve compared to around 42 million in the same period in 2019. Hermes are expanding capacity, custom building a depot in at Wingates Estate, Bolton, Lancashire, due to become operational in autumn 2021.

Retailers and distributors are also navigating changing trade arrangements with the EU, this is having implications for cross-border supply chains and warehouse location choices. Belgian logistics company Weerts Group, recently took 870,000 sq ft at Suffolk Park, Bury St Edmunds. Weerts plan to use this UK based storage and distribution facility in order to help companies minimise administrative and logistical implications of Brexit. The location was chosen due to its closeness to Felixstowe's roll-on, roll-off ferry connection with continental Europe as well as proximity to the A14 and links to the UK motorway network.

Market sentiment survey (monthly)

Leasing Market

Inspections	Under offers	Availability	Rent holiday requests
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Investment Market

Availability	Under offers	Deals Aborted	Sales withdrawn / on hold
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