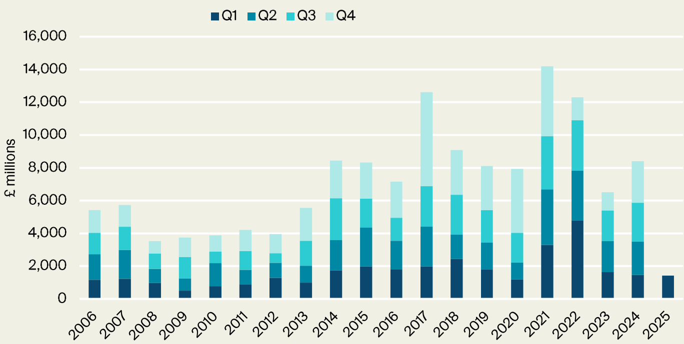
UK Logistics Market Dashboard

March 2025

Investment market

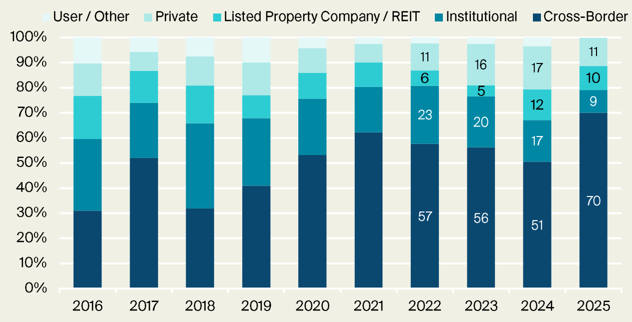
Industrial & logistics - Investment total



* Preliminary Q1 2025 figures

Source: Knight Frank Insight, RCA

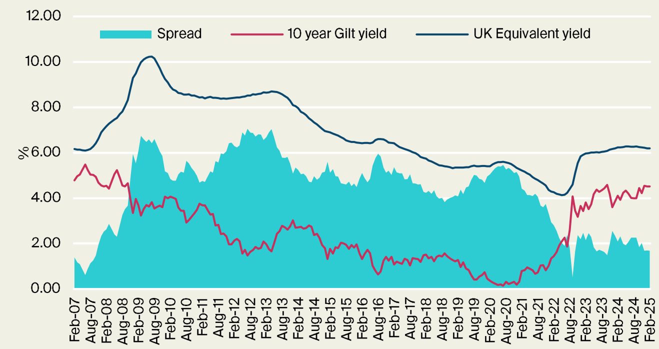
Capital composition (%)



Source: Knight Frank Insight, RCA

Yields

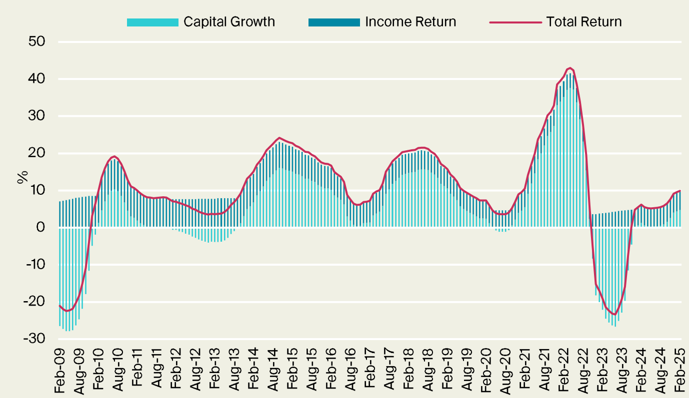
Industrial yields



Source: Knight Frank Insight, Macrobond, MSCI

Performance

Industrial Total returns – annualized



Source: Knight Frank Insight, MSCI

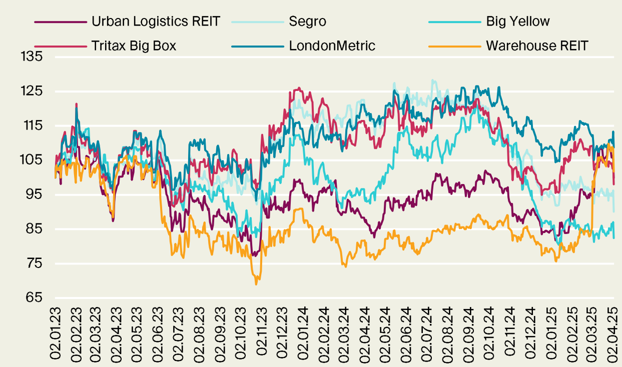
Total Returns forecast (%) -Q4 2024

	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 Insight, RealFor

Listed real estate

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



Source: Knight Frank Insight, Macrobond

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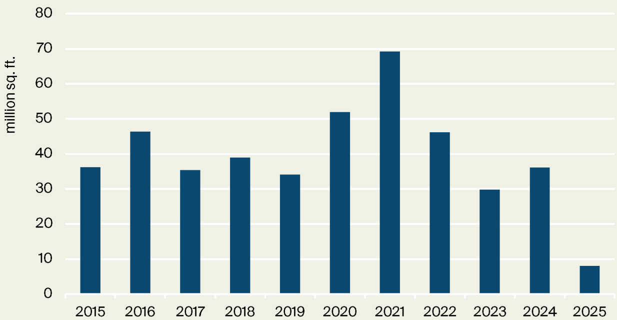
Occupier market

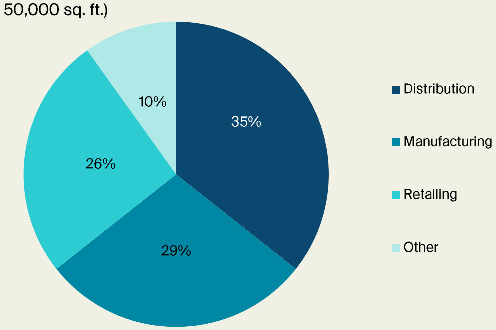
Take up (units over 50,000 sq. ft.)



* Preliminary Q1 2025 figures

Source: Knight Frank Insight

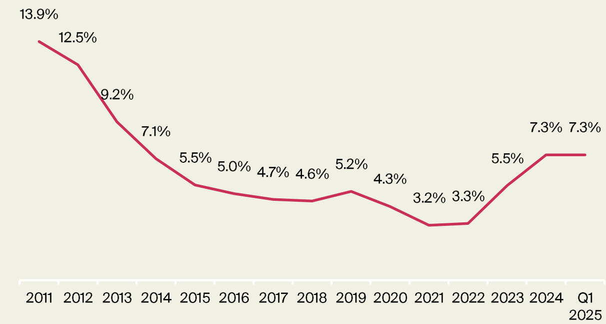
Take up by occupier type – last 4 quarters (to Q1 2024)
(units over 50,000 sq. ft.)



* Preliminary Q1 2025 figures

Source: Knight Frank Insight

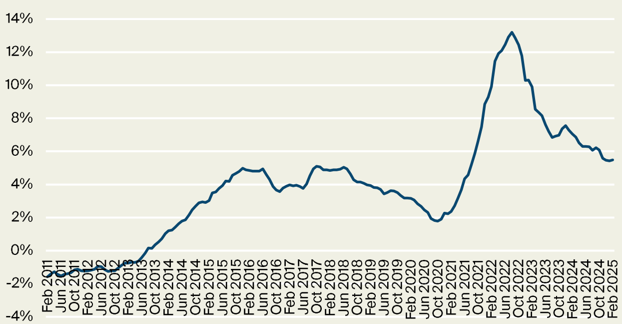
Vacancy Rate (%)



Source: Knight Frank Insight

Rents

Annual average market rental growth
%



Source: Knight Frank Insight, MSCI

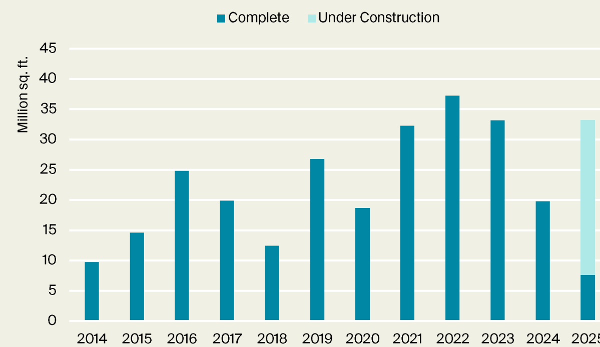
Average rental growth forecast (%) -Q4 2024

	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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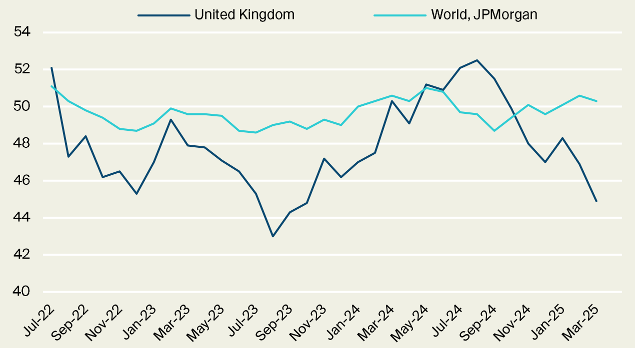
UK Logistics Market Dashboard

March 2025

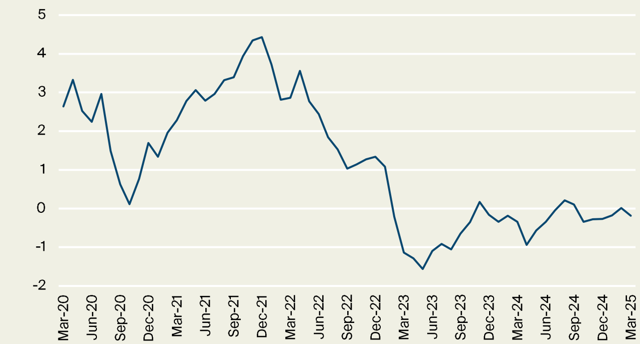
Industry, trade and manufacturing

Manufacturing PMI Index



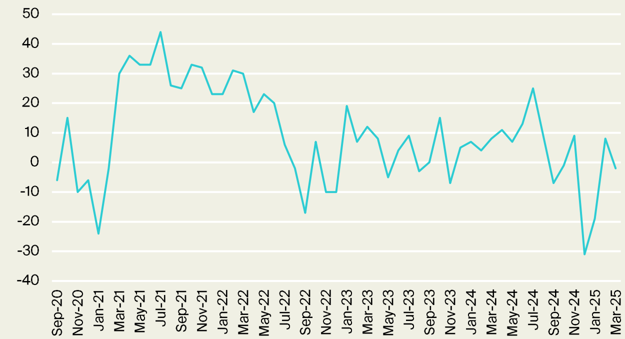
Source: Knight Frank Insight, Macrobond

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



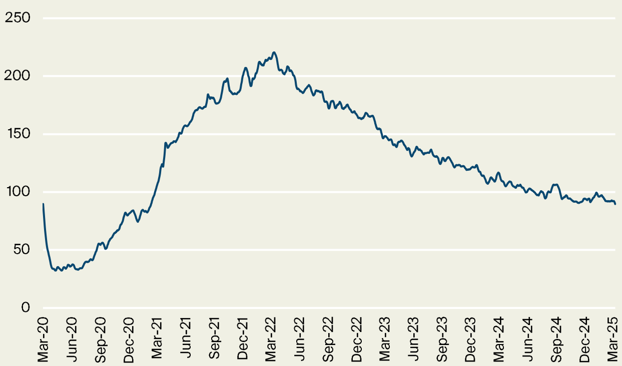
Source: Knight Frank Insight Macrobond

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



Source: Knight Frank Insight Macrobond

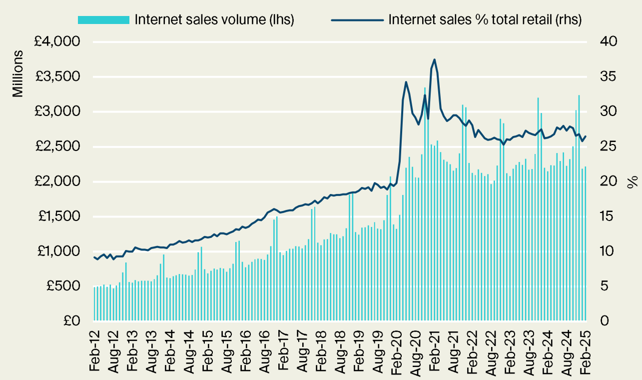
Job Postings Index - Logistics Support



Source: Knight Frank Insight, Indeed

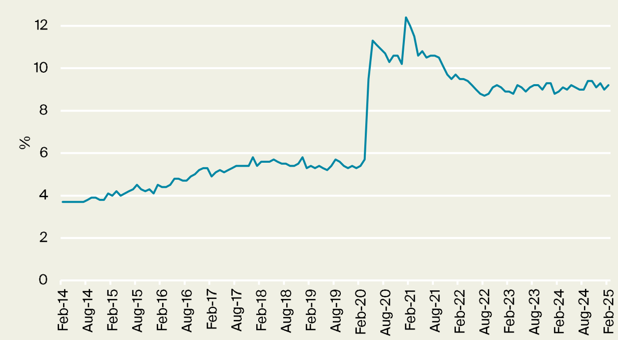
Online retail sales

UK Internet Retail Sales (monthly)



Source: Knight Frank Insight, ONS

UK grocery market – proportion of online retail (%)



Source: Knight Frank Insight, ONS

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UK Logistics Market Dashboard

March 2025

Knight Frank

Market commentary

Investment

- The strong levels of investment activity in the final quarter of 2024 have continued into 2025. The total invested in the first quarter of the year currently stands at £1.4 billion. This figure is in line with the first quarter of last year (£1.46 billion) and will likely be revised up as further details come to light.
- So far this year, we have seen strong activity from overseas investors. Institutional capital has so far been underrepresented compared with previous years. However, we expected this to shift as the year progresses. This will see a shift in target assets, with an increase in demand for core assets and locations.
- Ten-year gilt yields hardened (month-on-month) in February to 4.51% (month-end) from 4.52% at the end of January. 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. At the end of March, the gilt yield had softened (15 bps month-on-month) to 4.67%. However, gilt yields fell sharply at the start of April, as global markets braced for a hit to trade and growth from U.S. President Donald Trump's import tariffs, the latest reading is 4.73% (10th April), though it has been extremely volatile in recent days as markets react to US policy changes.
- In February 2025 industrial equivalent yields softened slightly, from 6.19% in January to 6.20%. The equivalent yield represented a 169bps premium over gilt yields (February).
- Significant transactions in March include a £100m off-market disposal by NFU Mutual. The transactions saw a JV between Sixth Street and Copely Point acquire two single-let warehouses at Magna Park, Lutterworth leased to Fowler Welch and Great Bear and a single-let warehouse at First Point, Doncaster leased to Amazon.

Returns

- Annual UK Industrial capital growth continued to accelerate in February 2025, with 4.73% growth recorded, up from 4.40% in January and the highest reading since September 2022 (MSCI).
- Annual total returns rose to 9.88% in February 2025 from 9.56% in January (MSCI).

Occupier Market Activity

- Preliminary figures for Q1 2025 indicate occupier take up of 8.1 million sq ft (units over 50,000 sq ft). Meanwhile, upward revisions to the figures from last quarter took the 2024 annual total up to 36.1 million sq ft. Quarter-on-quarter comparisons show a 5% decline in activity, however, this negative comparison is due to upward revisions to the Q4 figures. The first cut of the Q4 figures was slightly below the latest Q1 figures, at 8.0 million sq ft.
- The vacancy rate continues to stabilise. The vacancy rate was 7.3% across the UK at the end of 2024. Preliminary figures for Q1 indicate remained stable at this level, following nine quarters of consecutive rises.
- Ecommerce has been a weaker driver of occupier demand in recent years. However, with signs that the online retail and distribution has rebased post-pandemic, and Amazon signalling a return to expansion mode, other retailers are seeking to expand their online operations and bolster their fulfilment capabilities. Amazon has submitted plans to modify a warehouse it owns but does not currently occupy in Peterborough so it can fully operate from the site in the future. Online furniture and homeware retailer Dusk recently secured their third Yorkshire warehouse.

Rental Growth

- Average rents for UK Industrial continue to grow. The annual growth rate in the year to February 2025 is 5.5%; this marks a slight acceleration from January (MSCI). Monthly rental growth of 0.38% was recorded in February, up from 0.22% in January (MSCI).
- The latest rental growth forecasts from RealFor (Q4 2024), project rental growth will 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.
- The South East and North West regions are expected to see the most substantial rental growth this year, with projected 4.6% and 4.5% growth. London is expecting the most significant gains over the next four years.

Development

- In 2024, around 20 million sq ft of new stock completed. In the first quarter of 2025, approximately 7.6 million sq ft is expected to have reached PC (the status of some schemes is still to be verified). A further 23 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 and additional schemes commence.

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 44.9, the lowest reading in 17 months, down from 46.9 in February. According to the CBI's latest monthly Industrial Trends Survey (ITS), manufacturing output volumes fell in the three months to March, at a slightly steeper pace than in the three months to February. Looking ahead, manufacturers expect output volumes to be broadly unchanged in the quarter to June.
- Online retail penetration rates were 26% in February, this is comparable with the 25.9% recorded in February 2024 and 25.8% in February 2023. The latest data points to a return to expansion for ecommerce, albeit the pace of growth has slowed. With the market having stabilised post-pandemic, some operators are gaining confidence in pushing forward with future growth plans.
- Online grocery retail penetration rates were 9.2% in February, up from 9.0% last month, or 8.9% in February 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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