

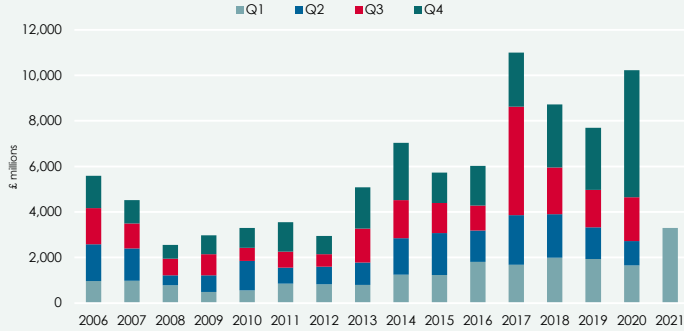
UK Logistics Market Dashboard



May 2021

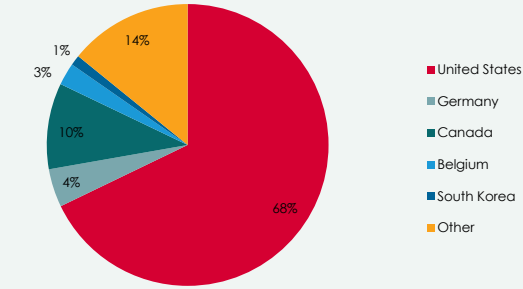
Investment market

Industrial & logistics - Investment total



Source: Knight Frank, Property Data

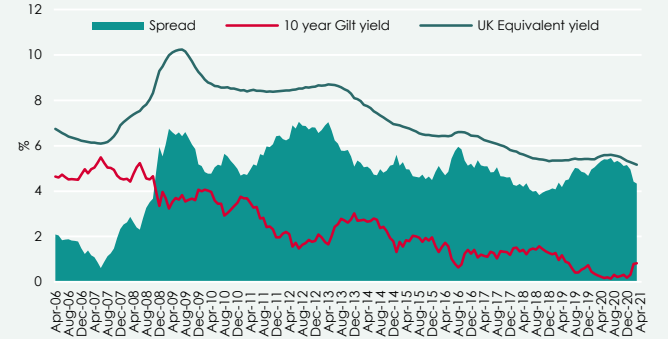
Sources of foreign capital (past 12-months)



Source: Knight Frank, RCA

Yields

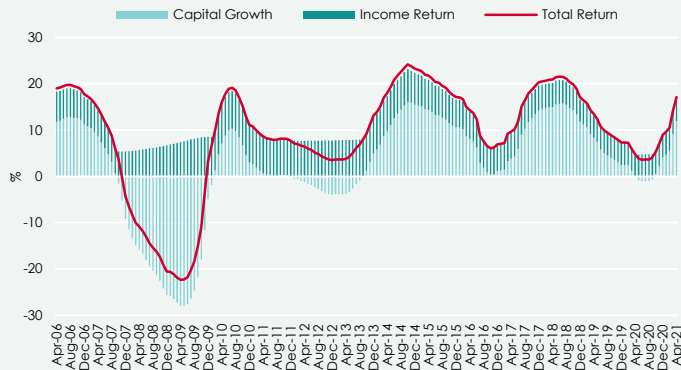
Industrial yields



Source: Knight Frank, MSCI, Macrobond

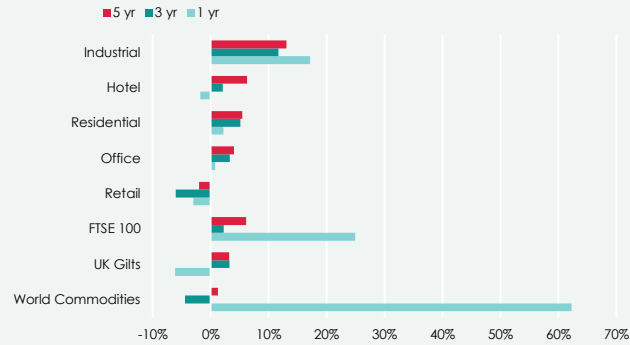
Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

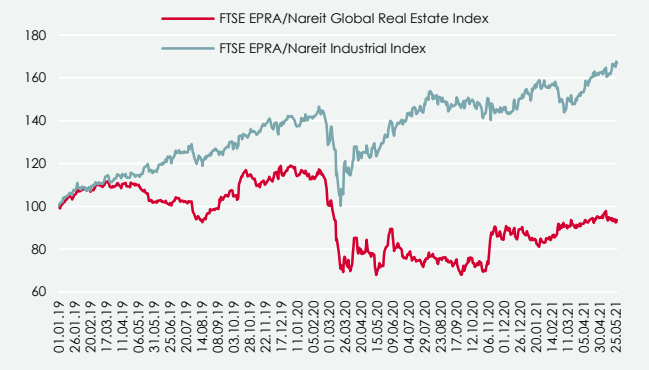
Annualized Total returns by asset class (to April 2021)



Source: Knight Frank, MSCI, Macrobond

Listed real estate

Real Estate Equities - total returns indices 01/01/2019 = 100



Source: Knight Frank, Marcobond

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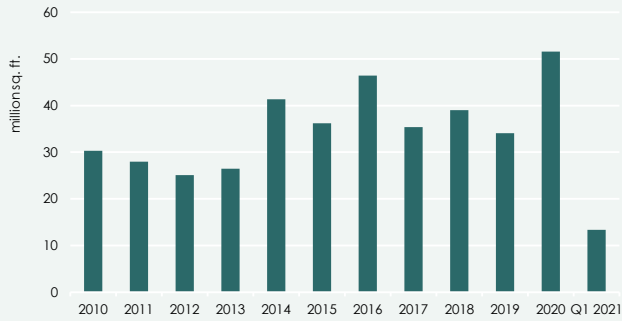
UK Logistics Market Dashboard



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Occupier market

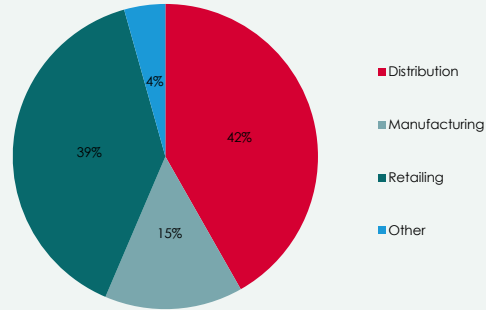
Take up (units over 50,000 sq. ft.)



* Preliminary figure

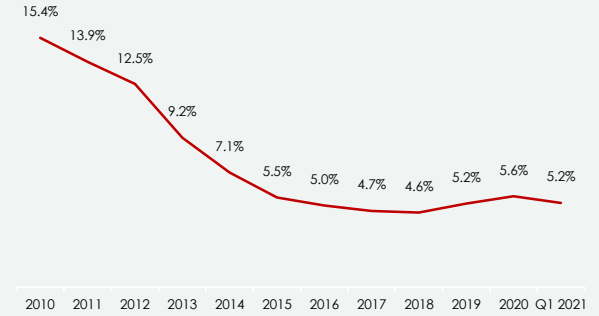
Source: Knight Frank

Take up by occupier type Q1 2021 (units over 100,000 sq. ft.)



Source: Knight Frank, PMA

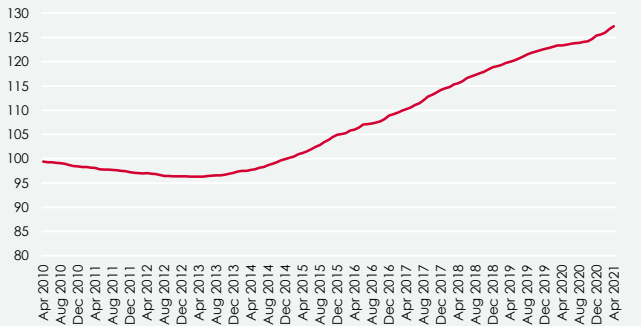
Vacancy Rate (%)



Source: Knight Frank

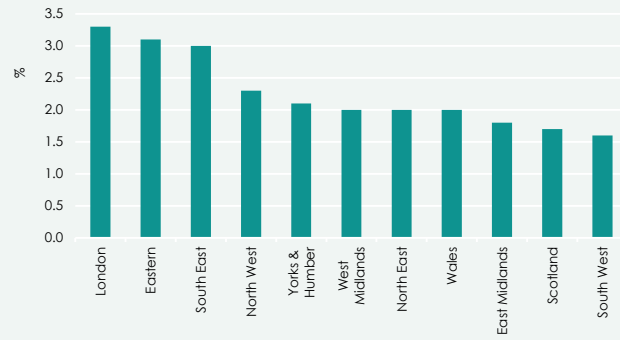
Rents

Average market rental growth
Jan 2010 = 100



Source: Knight Frank, MSCI

Average rental growth forecast per annum (2021-25)
- Q1 2021



Source: Knight Frank, RealFor

Development

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



Source: Knight Frank, Glenigan

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UK Logistics Market Dashboard



May 2021

Industry, trade and manufacturing

UK Imports and Exports (goods)



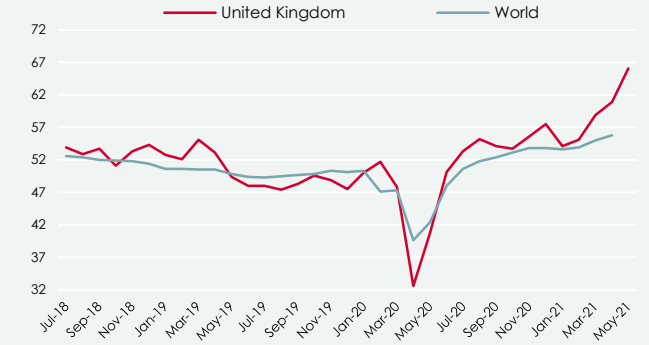
Source: Knight Frank, Macrobond

Cargo & Tanker Visits to UK Ports (per month)



Source: Knight Frank, Macrobond

Manufacturing PMI Index



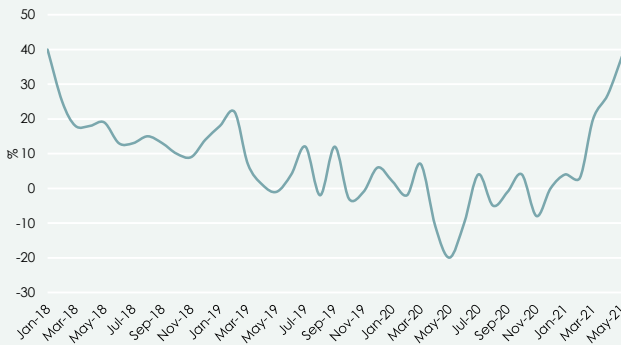
Source: Knight Frank, Macrobond

Export Order Books and Stocks Balance – CBI Monthly Survey



Source: Knight Frank, Macrobond

Manufacturing Output Prices – CBI Monthly Survey



Source: Knight Frank, Macrobond

Key comments

- The IHS Markit/CIPS UK Manufacturing PMI rose to 66.1 in May of 2021 from 60.9 in April. The reading pointed to a record growth in factory activity amid loosening coronavirus restrictions. Steep increases in output, new orders and employment, alongside a return to growth for the stocks of purchases component drove the reading to record levels. Manufacturers noted a sharp improvement in demand from the US and China, alongside an easing in Brexit-related difficulties with exporting to EU clients.
- Severe delays continued across global supply chains in May, as signalled by a steep lengthening of vendors' delivery times.
- The CBI reported that rising costs are an increasing concern for many businesses and seem to be putting upward pressure on prices as firms seek to protect their profit margins. A balance of +38% of manufacturers expect to raise prices over the next three months.
- The Confederation of British Industry's order book balance jumped to +17 in May 2021, the highest level since December 2017, while the gauge for export order book edged up to an over year high of -17.
- Manufacturers anticipate output to accelerate further in the next three months. Manufacturers also reported the weakest stock adequacy since July 2017.

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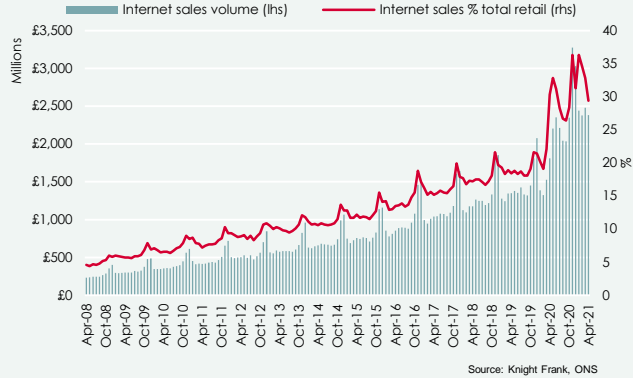
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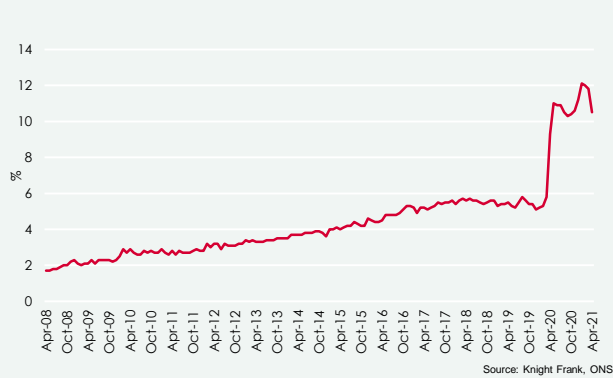
May 2021

Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Online Retail Sales – April 2021 Sales value, seasonally adjusted

	Year-on-year growth %	Month-on-month growth %	Online sales % total retail Apr 2021	Online sales % total retail Apr 2020
All retailing	31.9	-5.6	30.0	30.7
All food	16.5	-11.4	10.5	9.3
All non-food	37.2	-9.8	28.2	44.3
Dept. stores	-1.6	-22.4	25.5	37.1
Clothing and footwear stores	83.6	-6.3	30.0	46.4
Household goods stores	27.4	-7.1	30.8	55.5
Other stores	47.4	-5.9	26.6	42.9
Non-store retailing	33.1	0.3	81.9	74.5

Source: Knight Frank, ONS

Market outlook

Strong occupier demand continues, with rising manufacturing demand spurred by easing restrictions

Online retail sales accounted for 30.0% of all retail sales in April, a slight decrease from 32.8% in March. This will undoubtedly reduce further over the summer months as retail and leisure establishments reopen and the vaccine roll-out permits us greater freedoms. Even though shops have now reopened, e-commerce and online shopping platforms will continue to play a much bigger role in the retail market than they did pre-pandemic and this will necessitate more structural changes in retail supply chains.

Demand for warehousing space has showed no signs of abating, take up in Q1 2021 totalled 13.4m sq ft (units over 50,000 sq ft). Retailers and distribution companies together accounted for 81% of take-up (units over 100,00 sq ft) in Q1 2021. Occupiers are increasingly looking past the immediate impacts of the pandemic and planning their supply chains, distribution models and warehousing requirements for the longer term.

The manufacturing sector has also been more active in taking space so far this year, accounting for 15% of take-up (units over 100,000 sq ft) in the first quarter. Manufacturing outputs and orders are rising on the back of easing COVID-19 restrictions and an uptick in trade with the EU, as firms adapt to the new, post-Brexit trade arrangements.

Warehouse and logistics operators may also need to look at ways of attracting talent post-Brexit. This will become even more critical as the economy recovers post-Covid and unemployment rates fall. With heavy reliance on EU workers, warehouse operators in the UK may also face issues with recruitment due to the new immigration regulations for EU nationals. The UK is to operate a points-based system for EU workers who wish to come to the UK. The system assigns a score according to salary level, education, English language ability and whether the job they are applying for is deemed as in demand. The average warehouse workers in the UK would not fulfil the criteria needed to accumulate the required 70 points.

The number of jobs created in the sector has risen year-on-year. Even before Brexit, the sector faced challenges in attracting and retaining staff and with the labour pool set to shrink further, companies must look at ways to enhance their recruitment prospects or reduce workforce requirements through operational efficiencies. The locations and specifications of warehouses must also be carefully considered in order to ensure good access to local labour pools and retention of staff.

Market sentiment survey (monthly)

Leasing Market

Inspections	Under offers	Availability	Rent holiday requests

Investment Market

Availability	Under offers	Deals Aborted	Sales withdrawn / on hold

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