

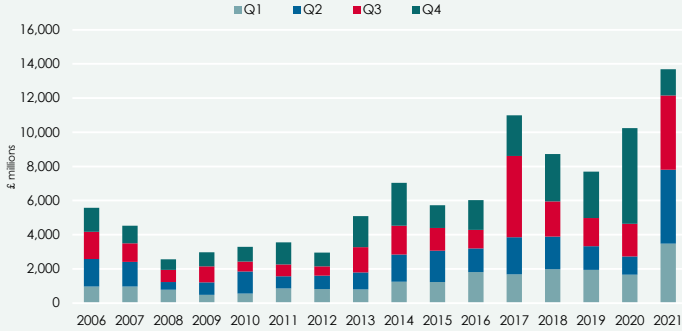
UK Logistics Market Dashboard



November 2021

Investment market

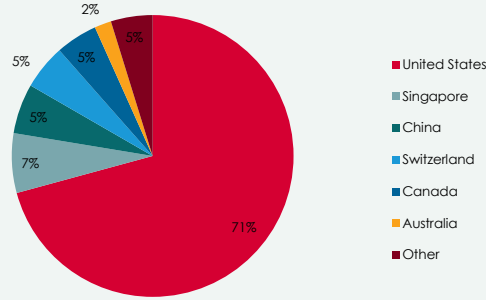
Industrial & logistics - Investment total



* Q4 figure reported as of 29/11/2021

Source: Knight Frank, Property Data

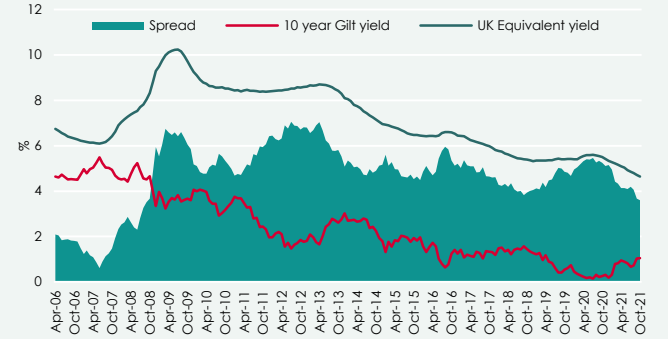
Sources of foreign capital (2021)



Source: Knight Frank, RCA

Yields

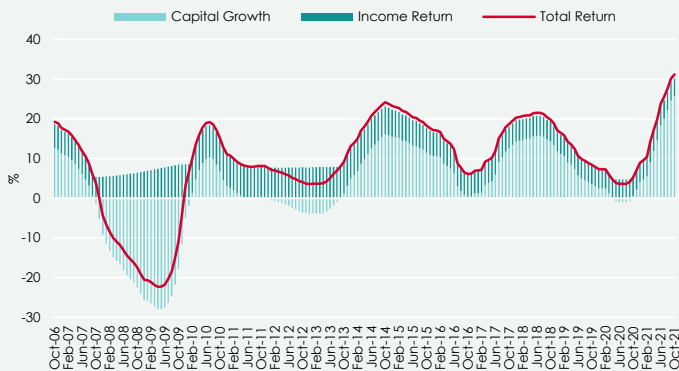
Industrial yields



Source: Knight Frank, MSCI, Macrobond

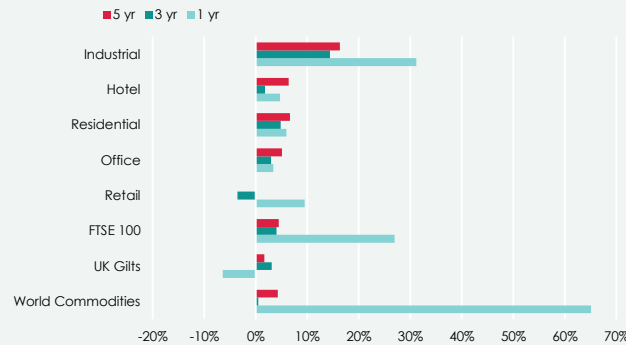
Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

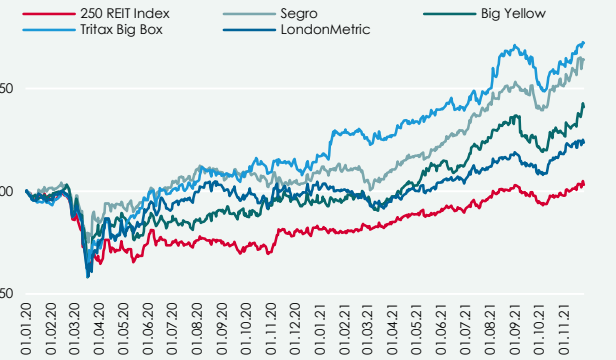
Annualized Total returns by asset class (to October 2021)



Source: Knight Frank, MSCI, Macrobond

Listed real estate

Real Estate Equities - total returns indices 01/01/2020 = 100



Source: Knight Frank, Marcobond

Research

Claire Williams
Industrial and Logistics Research Lead
+44 203 897 0036
Claire.Williams@knightfrank.com

Deirdre O'Reilly
Senior Research Analyst
+44 203 995 0785
Deirdre.O'Reilly@knightfrank.com

Darren Mansfield
Partner, Commercial Research
+44 207 861 1246
Darren.Mansfield@knightfrank.com

William Mathews
Head of Commercial Research
+44 203909 6842
William.Mathews@knightfrank.com

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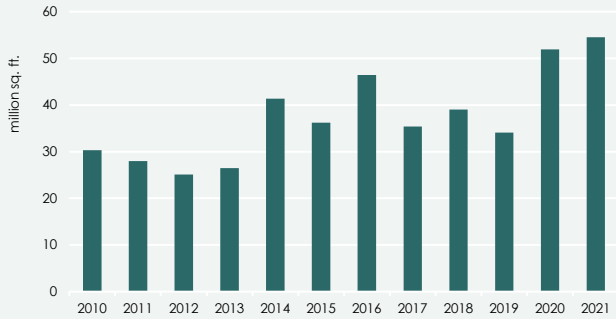
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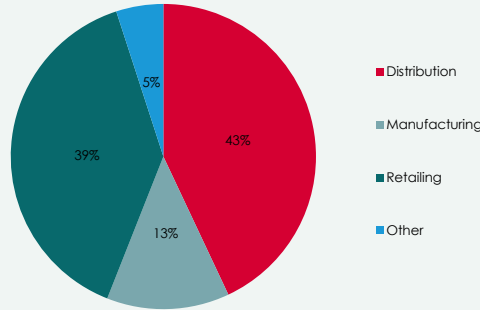
Occupier market

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



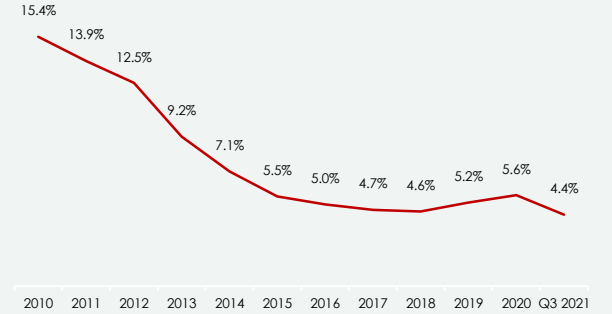
2021 (Q1-Q3) Source: Knight Frank

Take up by occupier type YTD 2021 (units over 50,000 sq. ft.)



Source: Knight Frank

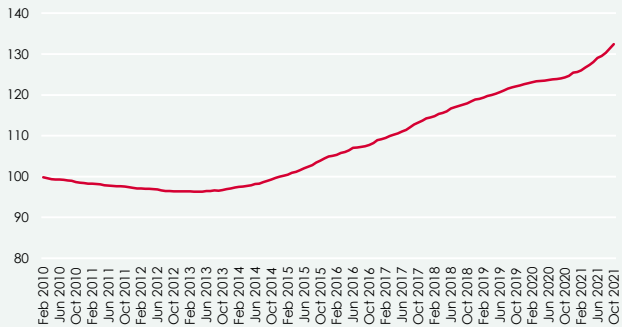
Vacancy Rate (%)



Source: Knight Frank

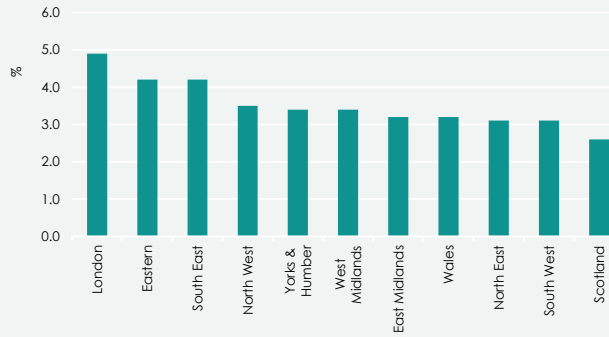
Rents

Average market rental growth Jan 2010 = 100



Source: Knight Frank, MSCI

Average rental growth forecast per annum (2021-25) - Q3 2021



Source: Knight Frank, RealFor

Development

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



Source: Knight Frank, Glenigan

Research

Claire Williams
Industrial and Logistics Research Lead
+44 203 897 0036
Claire.Williams@knightfrank.com

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Senior Research Analyst
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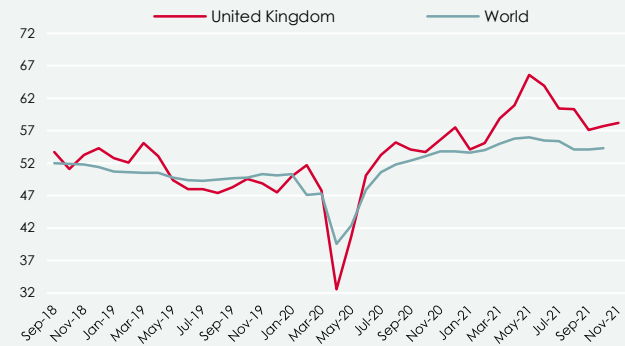
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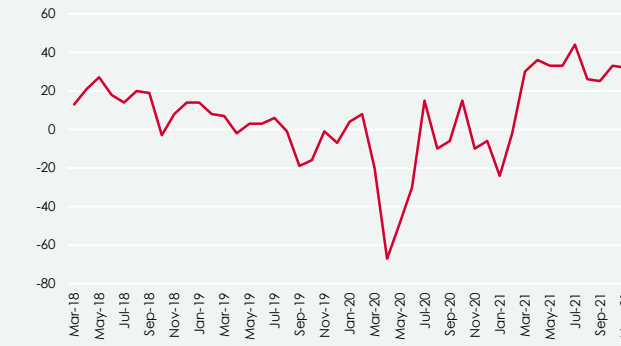
Industry, trade and manufacturing

Manufacturing PMI Index



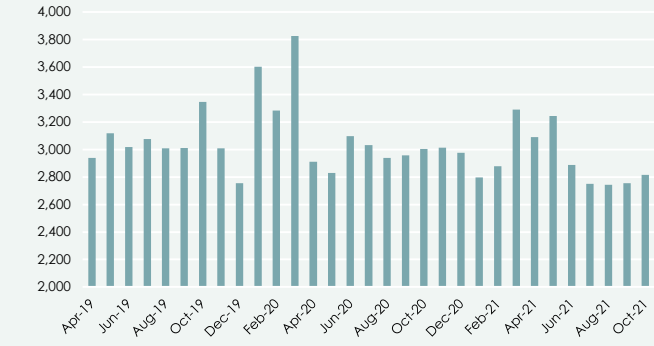
Source: Knight Frank, Macrobond

UK Manufacturing Output Next 3 months (balance)



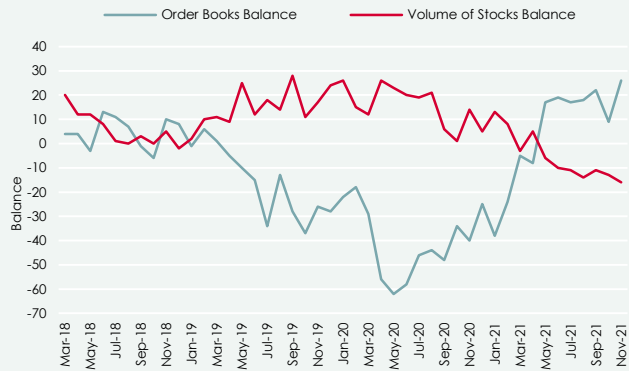
Source: Knight Frank, Macrobond

Cargo & Tanker Visits to UK Ports (per month)



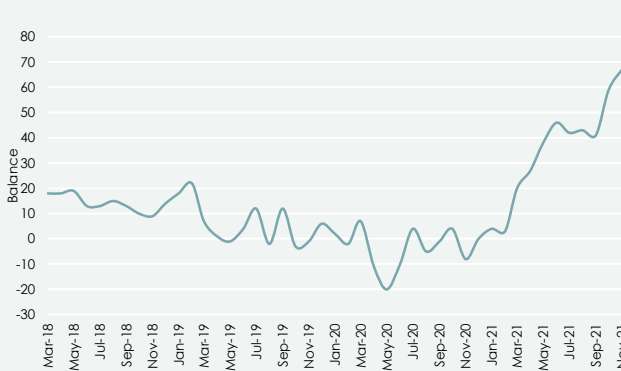
Source: Knight Frank, Macrobond

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 increased to 58.2 in November of 2021 from 57.8 in October, pointing to the strongest growth in factory activity in 3 months.
- New orders rose significantly but the supply chain crisis shows little sign of easing and severe shortages of materials and staff are holding back growth, and led to escalating input prices, with the rate of cost inflation the fastest since the survey began in January 1992.
- Rising costs were passed on by manufacturers to their customers, with prices charged by factories increasing at their fastest rate since the index was first compiled in 1998. Manufacturers' expectations for output price growth in the next three months rose sharply in October, to a record high of 67% up from 59% in October.
- Export sales decreased slightly and manufacturers noted that long lead times and Brexit trade frictions had held back sales to customers in the EU. Some companies reported cancelled or postponed orders due to port delays and freight capacity problems.

Research

Claire Williams
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+44 203 897 0036
Claire.Williams@knightfrank.com

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Senior Research Analyst
+44 203 995 0785
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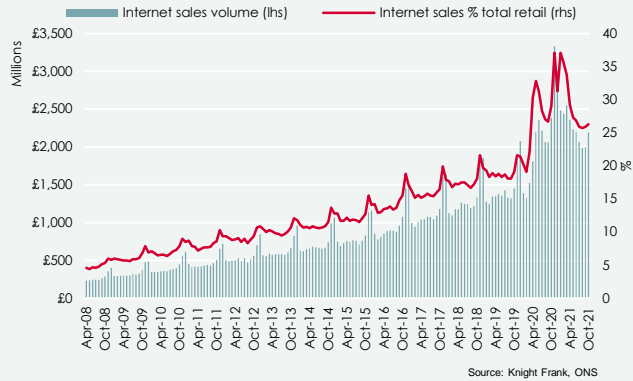
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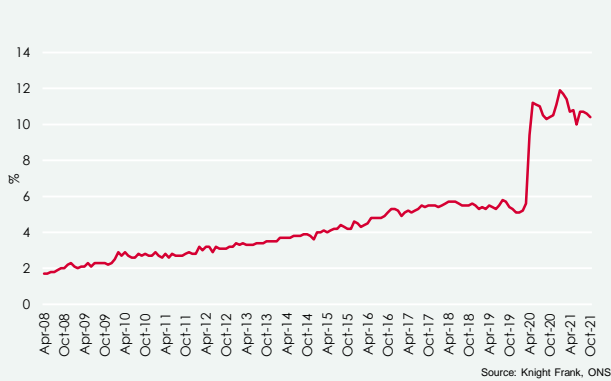
November 2021

Online retail sales

UK Internet Retail Sales (monthly)

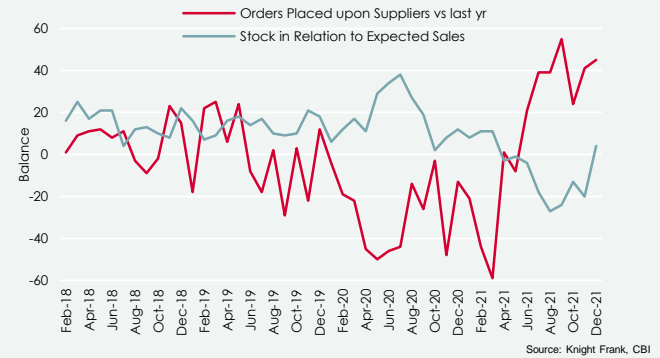


UK grocery market – proportion of online retail (%)



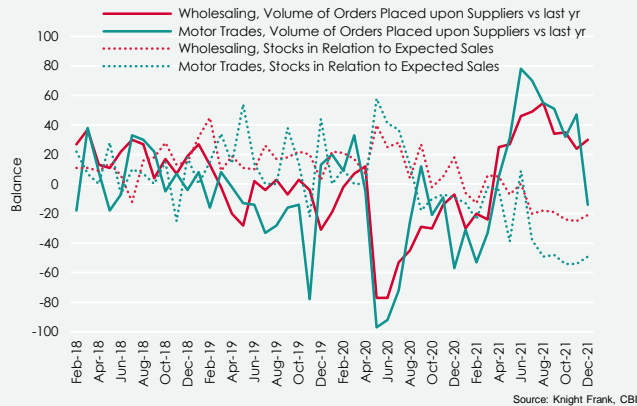
Retail distribution

Retailing – stock volumes and supplier orders (expected) CBI – Distributive trades monthly survey



Other distribution

Wholesalers and Motor Trades Stock volumes and supplier orders (expected)



Market commentary

Supply chain resilience is key to maximising opportunities this seasonal peak

Brexit uncertainty, Covid-19, strained supply-chains and rising prices are casting uncertainty over peak season this year. Labour shortages could also impact on retailers ability to keep up with demand and deliver goods in time for Christmas. Retailers and distribution firms are putting in place contingency plans to overcome these challenges and maintain resilience during this season of peak demand. Multi-modal fulfilment operations and temporary pop-up, or micro-fulfilment centres across various locations (including in-store) are some examples. Spreading stock and shortening the supply chain can improve shipping times, reduce uncertainty around delivery times, and avoid increased transportation costs. Operators are seeking distribution facilities that can support their supply-chain strategies.

The latest ONS figures point to a seasonal uptick in online retail sales in October, but they remain below those recorded in October last year. Online penetration rates were 25.9% in October 2021, compared with 29.0% in October last year, though there were greater restrictions in place last year, the prospect of a lockdown last year may have meant that shoppers brought forward their seasonal purchases and looked to online. Online penetration rates for grocery retail remain above 10% of the market (compared with around 5% pre-Covid).

The November CBI distributive trades survey suggests that retailers should see solid demand during the festive period. Clothing and department stores in particular seeing a big upward swing in sales volumes in November. Sales are forecast to be especially strong in December. Retailers' orders growth eased in the year to November (+30% from +48%; average is +8%) but is expected to pick up again next month (+45%). Stock levels in relation to expected sales were seen as broadly adequate for the first time since April (-2% from -23%) and are expected to be good next month (+4%).

Low stock adequacy remains a concern across the distributive trades. Goods shortages, longer lead times, and uncertainties around delivery timeframes; coupled with rising inflation are driving firms to increase their orders with suppliers to avoid stock-outs and loss of business. Retailers, wholesalers and Motor trades all expect a marginal improvement in stock adequacy in December.

Research

Claire Williams
Industrial and Logistics Research Lead
+44 203 897 0036
Claire.Williams@knightfrank.com

Deirdre O'Reilly
Senior Research Analyst
+44 203 995 0785
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Darren Mansfield
Partner, Commercial Research
+44 207 861 1246
Darren.Mansfield@knightfrank.com

William Mathews
Head of Commercial Research
+44 203 909 6642
William.Mathews@knightfrank.com

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