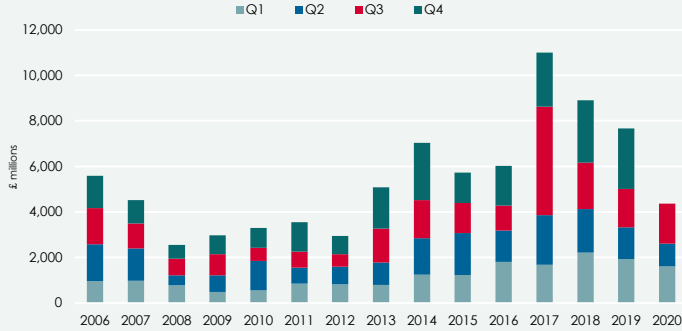


UK Logistics Market Dashboard

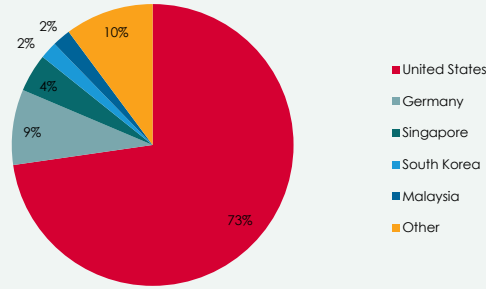
October 2020

Investment market

Industrial & logistics - Investment total

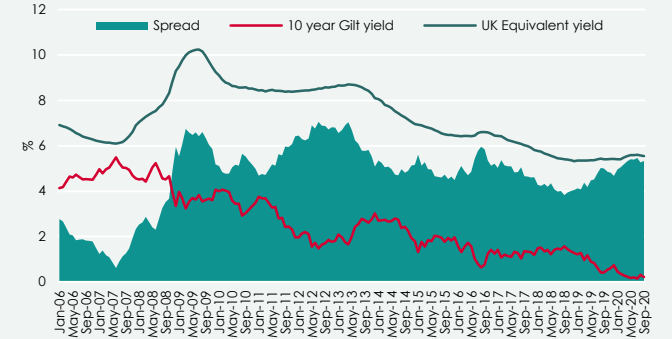


Sources of foreign capital (past 12-months)



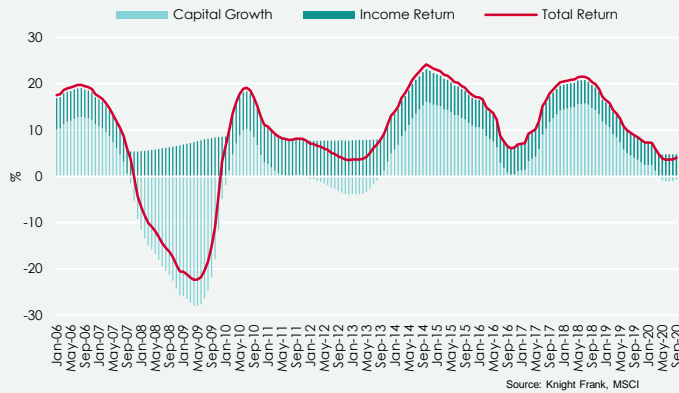
Yields

Industrial yields



Performance

Industrial Total returns - annualized



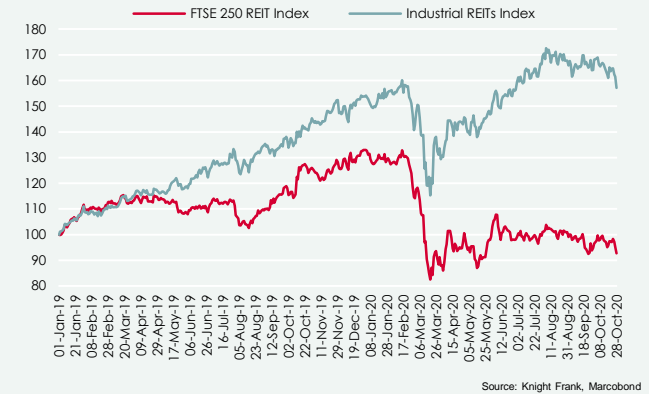
Industrial total returns by currency - Sept 2020

	Monthly (Sep '20)	Annual	3yr	5yr	10yr	5yr Forecast ('20-'24)
GBP	1.1%	4.1%	10.9%	11.4%	11.9%	5.6%
EUR	-0.5%	1.5%	9.8%	6.8%	11.4%	5.1%
USD	-2.4%	9.2%	9.5%	7.9%	9.7%	7.0%
CAD	0.1%	10.2%	12.0%	7.8%	12.6%	7.7%
HKD	-2.4%	7.9%	9.3%	7.9%	9.7%	7.0%
CNY	-3.1%	3.8%	10.3%	9.3%	9.8%	6.2%
SGD	-2.0%	7.8%	9.7%	7.0%	10.1%	5.7%
MYR	-2.6%	8.4%	9.0%	6.7%	13.0%	4.5%
KRW	-4.1%	6.1%	10.2%	7.5%	9.9%	6.1%

Source: Knight Frank, MSCI, RealFor, Macrobond, Oxford Economics
*Returns are annualized except for the monthly figures

Listed real estate

REIT total returns indices 01/01/2019 = 100



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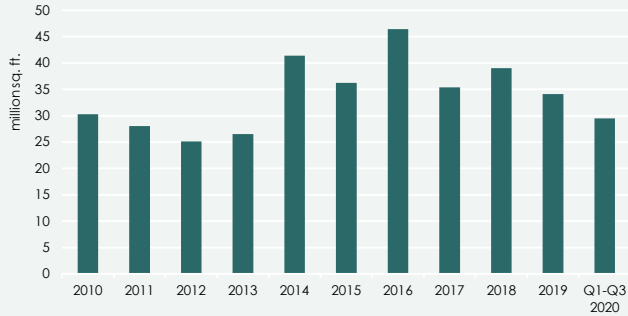
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UK Logistics Market Dashboard

October 2020

Occupier market

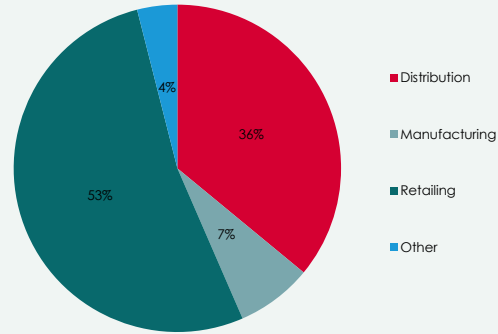
Take up (units over 50,000 sq. ft.)



* Preliminary figure

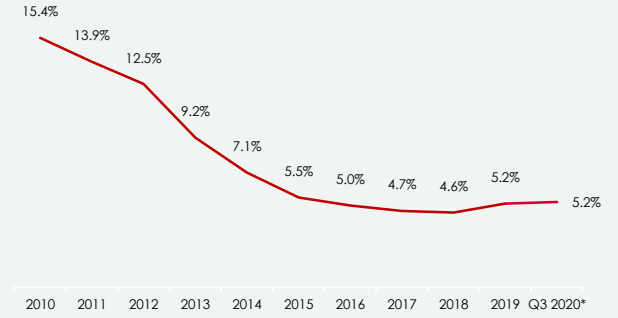
Source: Knight Frank

Take up by occupier type 2020 (YTD)



Source: Knight Frank, PMA

Vacancy Rate (%)

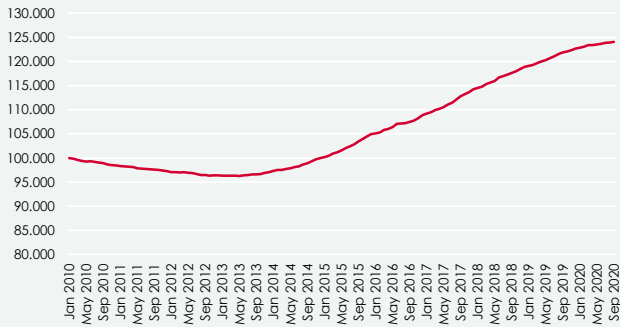


* Preliminary figure

Source: Knight Frank

Rents

Average market rental growth
Jan 2010 = 100



Source: Knight Frank, MSCI

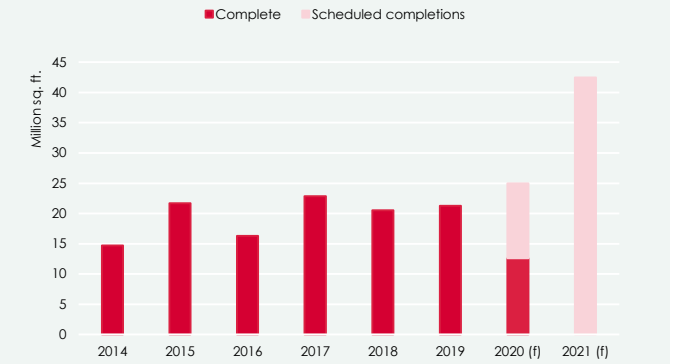
Average rental growth forecast
- Q3 2020

	2020	2021	2022	2023	2024	2021-2024 (annualized)
UK	0.8	0.3	1.9	2.6	2.7	1.9
London	1.4	0.7	2.4	3.5	3.5	2.5
South East	1.2	0.5	2.0	2.9	3.0	2.1
South West	1.1	0.0	1.2	1.9	2.0	1.3
Eastern	1.4	0.7	1.8	2.4	2.5	1.8
East Midlands	0.1	-0.2	1.3	2.1	2.3	1.4
West Midlands	0.2	-0.1	1.3	2.1	2.2	1.3
North West	0.7	0.0	1.3	2.2	2.2	1.4
Yorks & Humber	0.2	-0.2	1.1	1.9	2.1	1.2
North East	-1.0	-0.5	1.0	1.9	2.2	1.1
Scotland	0.3	-0.2	1.1	1.9	2.0	1.2
Wales	0.7	0.1	1.4	2.2	2.3	1.5

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

October 2020

Industry, trade and transport

UK Imports and Exports (goods and services)



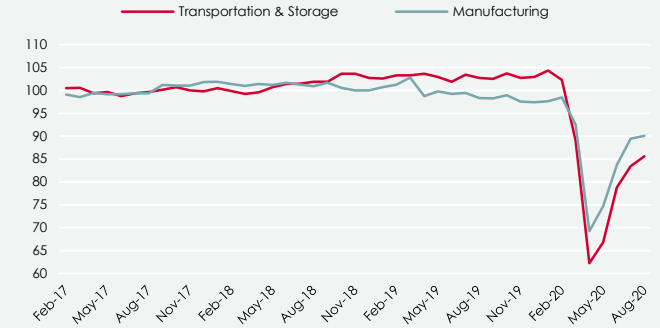
Source: Knight Frank, Macrobond

Heathrow Air Cargo (tonnes)



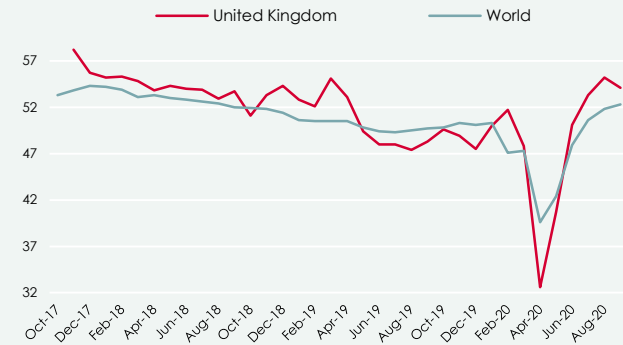
Source: Knight Frank, Macrobond

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



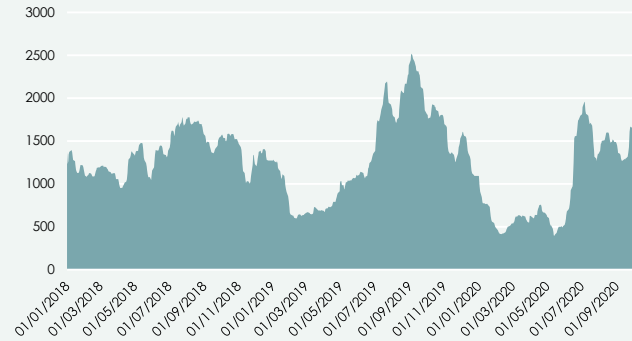
Source: Knight Frank, Macrobond

Manufacturing PMI Index



Source: Knight Frank, Macrobond

Baltic Dry Global Shipping Index



Source: Knight Frank, Macrobond

Key comments

- UK Manufacturing PMI fell to 53.3 in October of 2020 from 54.1 in September. This reflects solid growth in the manufacturing sector although slower than in the previous two months. It reflects weaker rises in output and new orders, alongside a faster decline in staffing numbers across the manufacturing sector.
- New export orders increased at the fastest pace since February of 2018, amid rising demand from clients in China and the United States, alongside a temporary boost from Brexit stock building among clients in Europe. Meanwhile, manufacturers reported the strongest optimism since September 2014, driven by hopes of a sustained recovery.
- Air cargo demand continued its gradual recovery in September with figures heading back towards pre-Covid levels. The 90,247 tonnes recorded at Heathrow in September is around 28% below September last year.
- Manufacturing GDP and transportation and storage GDP remain well below pre-COVID levels. However, there was a strong bounce-back in June/July, as shops began to reopen and factories began ramping up production.

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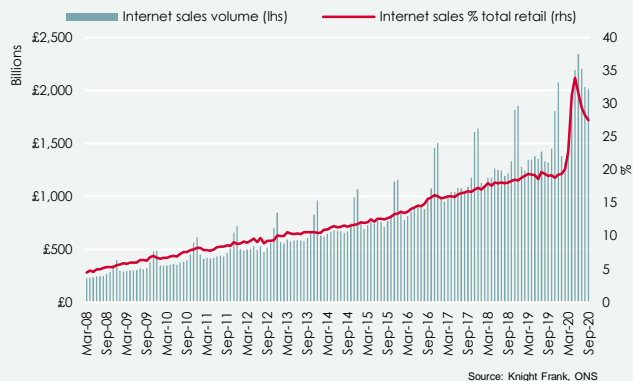
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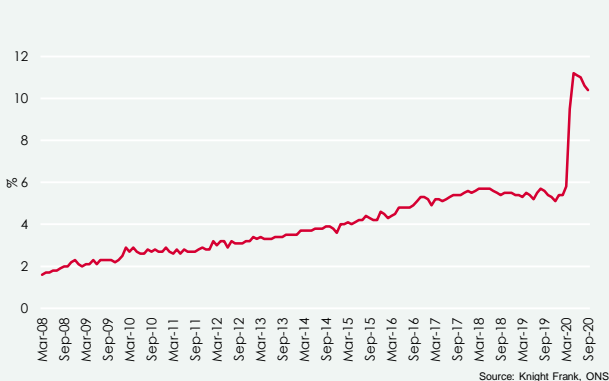
October 2020

Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Online Retail Sales – September 2020

	Year-on-year growth %	Month-on-month growth %	Online sales % Sep 2020	Online sales % Feb 2020
All retailing	53.0	-1.2	27.5	20.1
All food	91.5	-1.5	10.4	5.4
All non-food	61.4	-0.4	23.7	16.1
Dept. stores	88.0	6.0	30.8	16.6
Clothing and footwear stores	27.7	-1.7	27.5	20.7
Household goods stores	61.6	-4.4	22.3	14.5
Other stores	90.9	-1.4	17.9	12.7
Non-store retailing	38.5	-1.8	81.9	84.0

Source: Knight Frank, ONS

Covid-19 – Market outlook

Long term expectations for e-commerce growth are driving demand

In September 2020, online retail sales volumes decreased by -1.8% compared with August 2020, though year-on-year, they are up 38.5%. Online sales as a proportion of all retailing was 27.5% in September, this is down from a high of 33.9% in May, when non-essential shops were closed. With regional lockdowns coming into force across the country and rising cases of Covid-19, shoppers, many consumers will prefer to keep shopping online. There is typically a seasonal uptick in online retail penetration rates in November and December and this seasonal demand, coupled with Covid related factors limiting in-store retail, will lead to a busy season for e-commerce retailers this year. Retailers will need to ensure their online platforms have sufficient capacity to capitalise on demand.

In the grocery market, online sales have doubled year-on-year, online sales accounted for 10.4% of sales in September compared with just 5.6% in September last year. Many grocery stores are expanding their operations through increasing headcount, to handle the expected surge in online orders this Christmas. Waitrose have just announced they are to hire an additional 1,850 new order pickers and delivery drivers. Longer term, additional warehouse capacity will be needed to accommodate lasting structural changes and address the quantum leap in online grocery demand.

To service this growth, demand for largescale fulfilment and 'near-urban' warehousing will continue. Recent analysis by Knight Frank Research shows the growth of ecommerce could drive demand for 92 million sq ft of warehouse space across the UK by 2024. By examining five-year data for online sales, take-up of warehouse space and retailers' warehousing networks, Knight Frank forecasts that for every additional billion pounds of online retail sales, 1.36 million sq ft of warehouse space is required. This model suggests that the spike in online sales in 2020 alone will create demand for an additional 30 million sq ft of space, rising to a total of 92 million sq ft by 2024 when it is forecast that online sales will hit a sustained level of 32% of UK retail sales.

Indeed, there has been an uptick in the number of planning applications and permissions in the past few months and an upward revision in the amount of development completions expected next year. Our market sentiment indicators show levels of activity rising in both the leasing and investment markets.

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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