

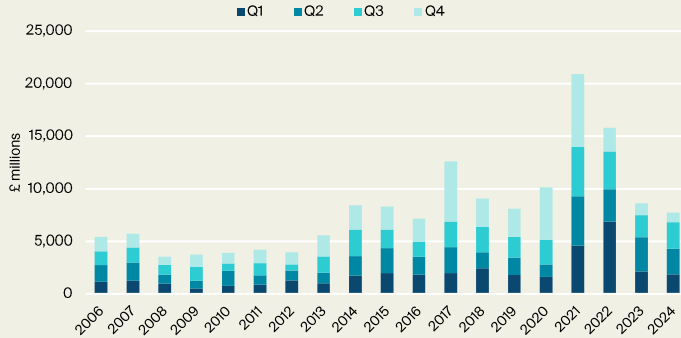
# UK Logistics Market Dashboard



October 2024

## Investment market

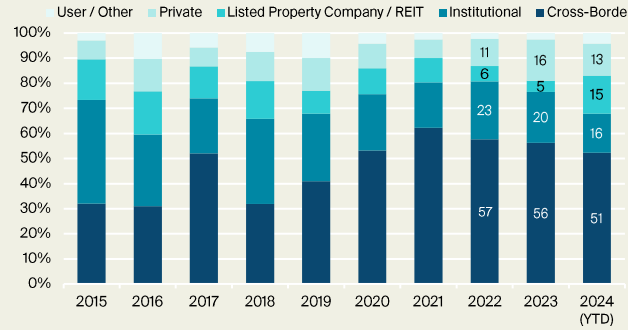
Industrial & logistics - Investment total



\*Q4 2024 transaction volumes are incomplete

Source: Knight Frank Research, RCA

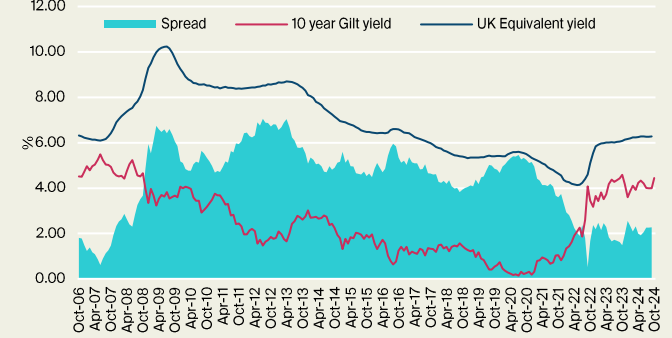
Capital composition (%)



Source: Knight Frank Research, RCA

## Yields

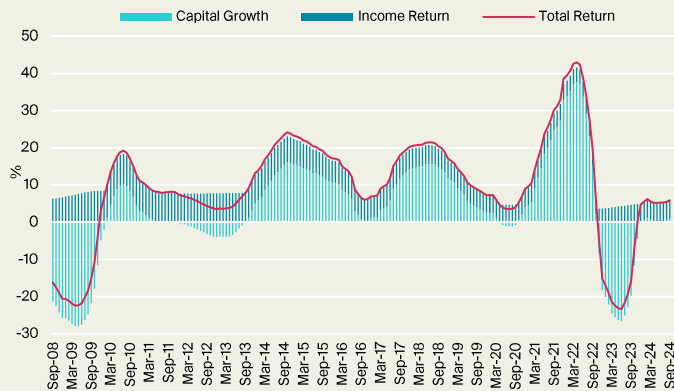
Industrial yields



Source: Knight Frank Research, Macrobond, MSCI

## Performance

Industrial Total returns - annualized (all assets)



Source: Knight Frank Research, MSCI

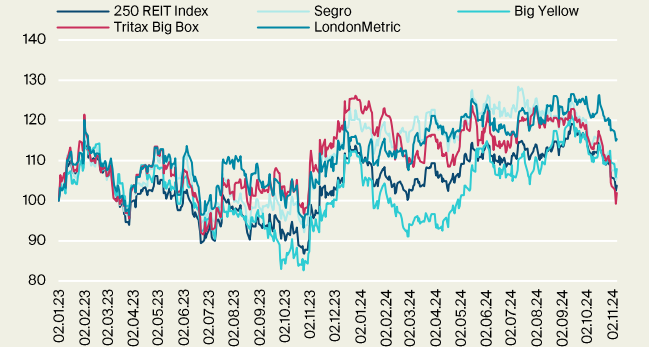
Total Returns forecast (%) -Q3 2024

|                     | 2024 | 2025 | 2026 | 2027 | 2028 | 2024-28 CAGR |
|---------------------|------|------|------|------|------|--------------|
| <b>Industrial</b>   | 7.4  | 9.4  | 9.0  | 8.1  | 7.1  | 8.4          |
| <b>Office</b>       | -0.3 | 6.6  | 8.5  | 8.0  | 7.3  | 7.6          |
| <b>Retail</b>       | 8.2  | 8.9  | 8.8  | 7.8  | 6.7  | 8.1          |
| <b>Other</b>        | 6.1  | 8.1  | 8.5  | 8.0  | 7.2  | 8.0          |
| <b>All Property</b> | 5.1  | 8.4  | 8.8  | 8.0  | 7.1  | 8.1          |

Source: Knight Frank Research, RealFor

## Listed real estate

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



Source: Knight Frank Research, Macrobond

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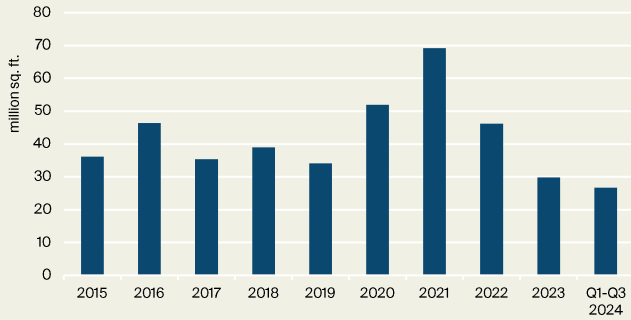
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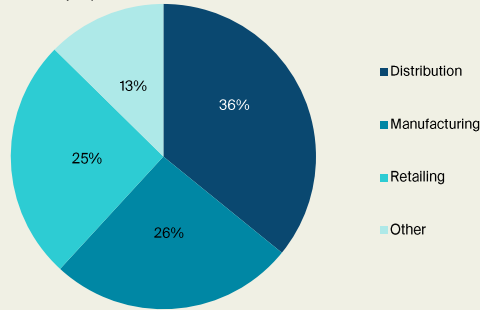
## Occupier market

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



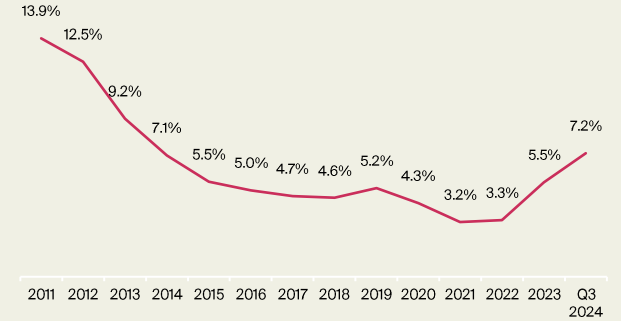
Source: Knight Frank Research

Take up by occupier type – last 4 quarters (to Q3 2024)  
(units over 50,000 sq. ft.)



Source: Knight Frank Research

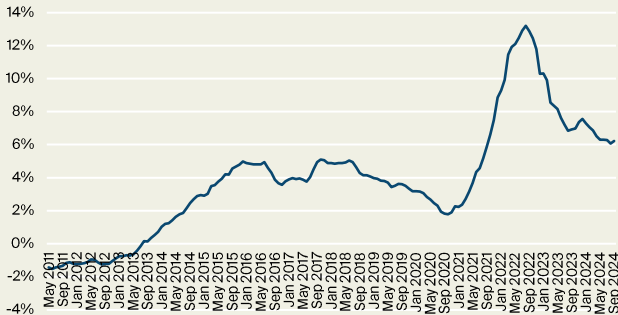
Vacancy Rate (%)



Source: Knight Frank Research

## Rents

Annual average market rental growth %



Source: Knight Frank Research, MSCI

Average rental growth forecast (%)  
-Q3 2024

|                | 2024 | 2025 | 2026 | 2027 | 2028 | 2024-28 CAGR |
|----------------|------|------|------|------|------|--------------|
| UK             | 5.5  | 3.7  | 2.8  | 2.8  | 3.0  | 3.5          |
| London         | 5.3  | 4.2  | 3.4  | 3.6  | 3.8  | 4.1          |
| South East     | 5.6  | 3.8  | 2.9  | 3.1  | 3.3  | 3.8          |
| South West     | 8.1  | 4.3  | 2.4  | 2.2  | 2.2  | 3.8          |
| Eastern        | 6.2  | 3.5  | 2.5  | 2.9  | 3.0  | 3.6          |
| East Midlands  | 4.6  | 3.2  | 2.1  | 2.3  | 2.4  | 2.9          |
| West Midlands  | 4.4  | 2.9  | 2.2  | 2.6  | 2.9  | 3.0          |
| North West     | 7.4  | 4.5  | 2.7  | 2.4  | 2.4  | 3.9          |
| Yorks & Humber | 5.9  | 3.6  | 2.2  | 2.2  | 2.5  | 3.3          |
| North East     | 4.1  | 2.8  | 2.1  | 2.3  | 2.5  | 2.8          |
| Scotland       | 4.4  | 2.8  | 1.9  | 2.1  | 2.2  | 2.7          |
| Wales          | 3.0  | 2.4  | 1.8  | 2.4  | 2.7  | 2.5          |

Source: Knight Frank Research, RealFor

## Development

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



Source: Knight Frank Research, Glenigan

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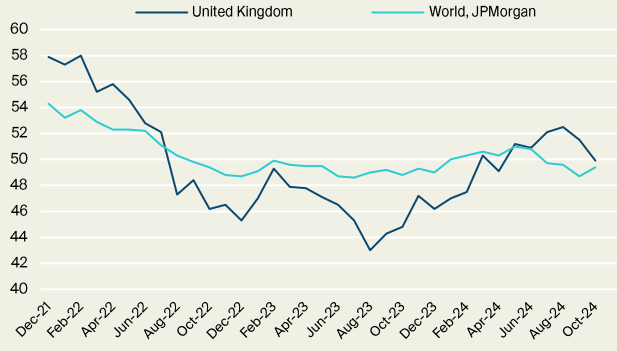
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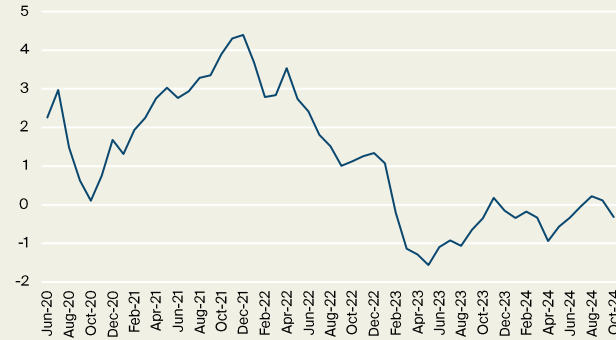
## Industry, trade and manufacturing

Manufacturing PMI Index



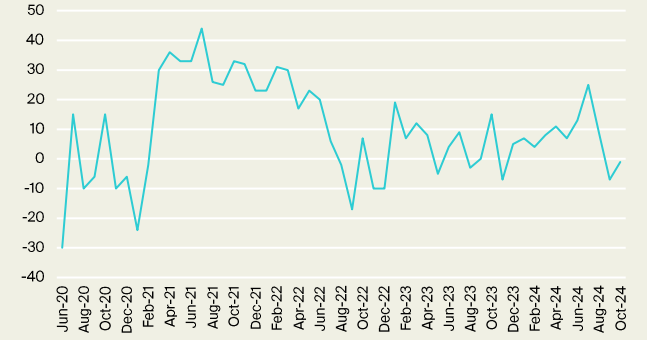
Source: Knight Frank Research, Macrobond

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



Source: Knight Frank Research, Macrobond

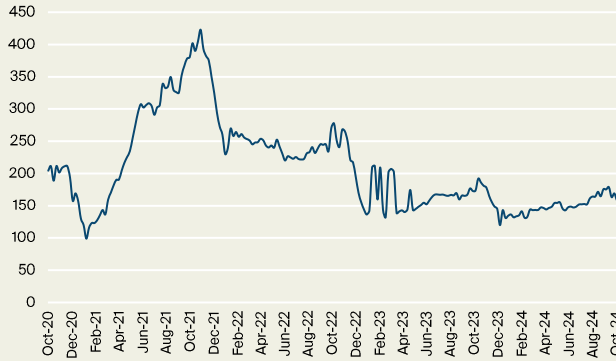
Expectations for future manufacturing output  
CBI Industrial Trends Monthly Survey  
% balance expecting improvement/deterioration



Source: Knight Frank Research, Macrobond

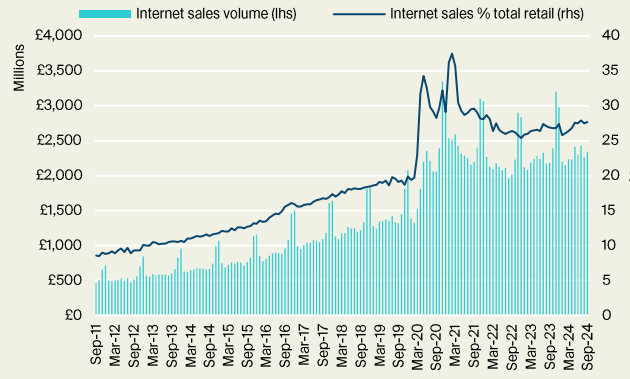
## Online retail sales

Job Vacancies Index - Transport/Logistics/Warehouse



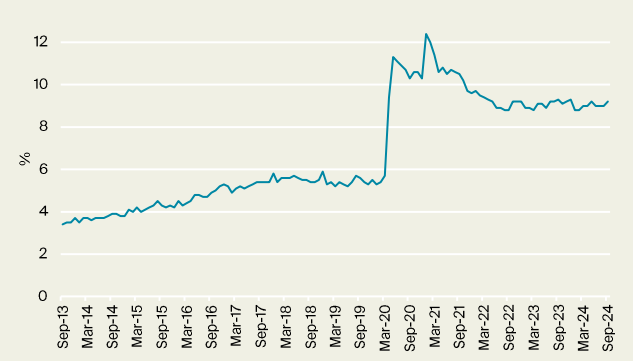
Source: Knight Frank Research, ONS

UK Internet Retail Sales (monthly)



Source: Knight Frank Research, ONS

UK grocery market - proportion of online retail (%)



Source: Knight Frank Research, ONS

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# UK Logistics Market Dashboard



October 2024

## Market commentary

### Investment

- According to data from Real Capital Analytics, investment into the industrial and logistics sector totalled just over £2.5 billion in Q3 2024, higher than the £2.1 billion recorded in Q3 last year and just above the £2.4 billion transacted in Q2 2024.
- The total for the year (to end of Q3 2024) now stands at £6.8 billion, close behind the £7.5 billion recorded in the first three quarters of last year. We expect a higher level of activity in Q4 this year relative to last year, thus the 2024 annual total is likely to be above the 2023 total.
- REITs and Listed property companies have been more acquisitive so far this year, accounting for 15% of investment, compared with just 5% in 2023. Meanwhile, institutional investors have accounted for just 16% of the market this year, compared with 20% last year.
- Ten-year gilt yields remained stable (month-on-month) in September, at 4.0% (month end). Despite reaching below 3.8% during September, gilt yields were back to 4.0% at the end of the month and have continued to soften since, reaching 4.4% at the end of October and a latest reading of 4.5%.
- The equivalent yield softened marginally in September, to 6.27% from 6.26% in August, ending a three month run of consecutive compressions. It is 22bps softer than a year ago, and represents a 227bps premium over gilt yields (September).
- Recent softening in gilt yields (in October and early November) are likely to put upward pressure on industrial equivalent yields, with further softening expected to materialise.
- Significant transactions in October include M&G acquiring the 197,000 sq ft, 20-unit Premier Park in Trafford Park, Manchester from Lothbury for around £47 million. The asset sale reflects a NIY of c.3.3%. M&G also owns The Ark located opposite.
- Another notable transaction in October was the purchase of the Victoria Industrial Estate in Park Royal, Ealing. Imperial College London acquired the 10-acre site for £115 million from SEGRO. Imperial said it will "operate the site to provide commercial science innovation facilities to early-stage companies with interests aligned with the university's academic mission as part of the WestTech Corridor."

### Returns

- Annual UK Industrial capital growth (all assets) continued to accelerate in September, with 0.88% growth recorded, up from 0.53% in August 2024 (MSCI).
- Annual total returns rose to 5.87% in September, from 5.49% in August 2024 (MSCI).
- Month-on-month capital growth accelerated in September, with 0.55% growth from 0.24% in August.
- Monthly total returns also rose in September, with a reading of 0.95%, up from 0.64% in August (MSCI).

### Occupier Market Activity

- Occupier take up in Q3 2024 totalled 9.4 million sq ft. On a par with the 9.5 million sq ft recorded last quarter, it takes the year-to-date total to 27 million sq ft, compared with 30 million sq ft for the whole of last year.
- The vacancy rate continues to rise. At the end of Q3, it was 7.3% across the UK, up from 6.9% at the end of Q2 2024. However, lower levels of development should help to curtail any further rises.
- A notable occupier transaction in September involved Tile wholesaler Multi Tile Ltd taking DC2 at Prologis Park Pineham in Northampton, on a 15 yr lease at £9.40 psf. DC2 is a 138,192 sq ft, fully refurbished Grade A distribution unit. Other tenants of this prime logistics park include Morrisons, Sainsburys, ToolStation and Wincanton.
- Another noteworthy occupier transaction in October was Royal Mail taking 121,142 sq ft at Deans Industrial Estate, just off the M8 motorway in Livingston, Scotland. Royal Mail has signed a five-year lease for the facility at a rent of £6.55 psf.

### Rental Growth

- Average rents for UK Industrial continue to grow. The annual growth rate in the year to September is 6.22%; this marks a slight acceleration from August (MSCI). Monthly rental growth of 0.72% was recorded in September (MSCI), up from 0.34% last month.
- The latest (Q3 2024) forecasts from RealFor mark an upward revision since the Q2 projections, with UK industrial rents expected to increase by 5.5% this year, slowing to 3.7% growth in 2025, with a CAGR of 3.5% (2024-28), up from 3.3% projected last quarter.
- The South West region is expected to see the strongest rental growth this year, with 8.1% growth now forecast. London leads in terms of rental growth expectations over the five-year forecast, with 4.1% CAGR.

### Development

- We anticipate that approximately 22 million sq ft will complete in 2024, with just over 15 million sq ft already completed this year. This figure includes both available space and that already committed, on either a build-to-suit or pre-let basis.
- There is a current pipeline of c.15 million sq ft that is under construction and expected to complete in 2025, this figure is likely to be revised as more schemes commence.

### Industry/Trade

- The UK Manufacturing PMI fell to 49.9 in October of 2024 from 51.5 in September. This month's reading was sharply below initial market expectations of 51.4, and indicates the first decline in factory activity since April. New orders fell as clients applied a wait-and-see approach before the delivery of the UK budget. Also, new orders from foreign markets fell for the 33rd month amid lower client intakes from Europe, China, and the US.
- The Global Supply Chain Pressure Index (GSCPI) which measures how readings deviate from historical averages, registered -0.32 in September, as global supply chain pressures continue to ease. Businesses' increasing focus on supply chain resilience is creating new trade corridors, with reshoring and nearshoring happening globally, resulting in a geographical reconfiguration of supply chains.
- According to the CBI Industrial Trends survey in October 2024, output volumes fell in the 3 months to October, although at a slower pace in the equivalent period to September. Expectations for future output were also negative, but slightly improved on expectations in September. Meanwhile, the outlook for hiring and investment remains subdued.
- Job vacancies in the transport, logistics and warehouse sectors have decreased over the past month, following steady growth throughout the year. Job vacancies over the last four weeks are lower than levels recorded a year ago.
- Online retail penetration rates (excl. auto fuel) rose marginally to 27.7% in September from 27.5% in August 2024. The amount spent online rose 3.3% compared with August, while an annual comparison shows a rise of 7.1% on September 2023. Online grocery retail penetration rates ticked up slightly in September to 9.2% from 9.0% last month. Online grocery penetration rates have remained broadly stable (at this level) over the past two years.

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