

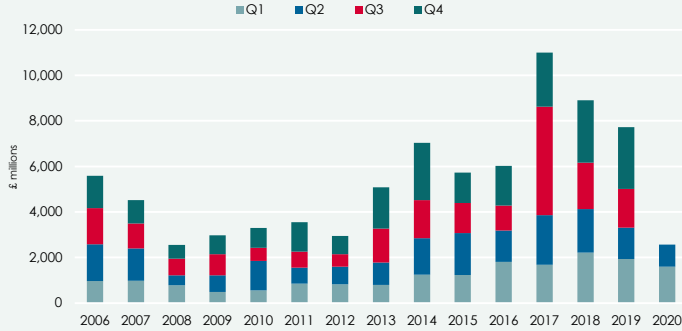
UK Logistics Market Dashboard



September 2020

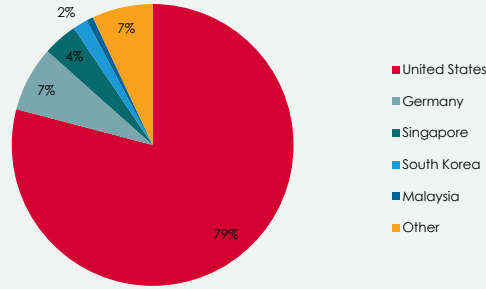
Investment market

Industrial & logistics - Investment total



Source: Knight Frank, Property Data

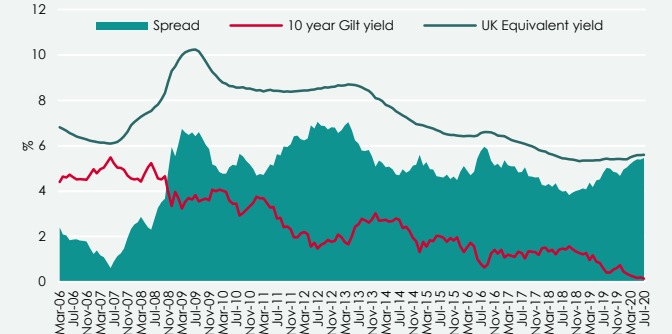
Sources of foreign capital (past 12-months)



Source: Knight Frank, RCA

Yields

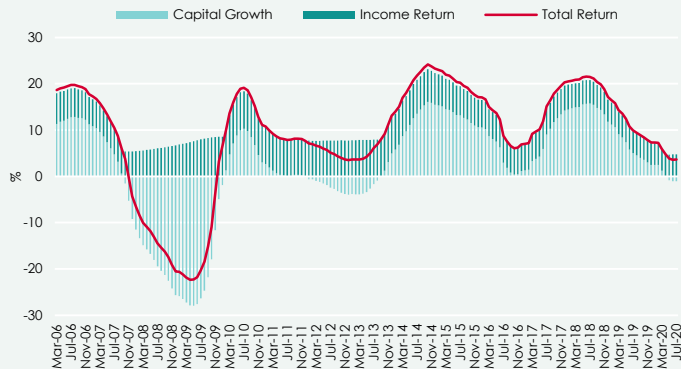
Industrial yields



Source: Knight Frank, MSCI, Macrobond

Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

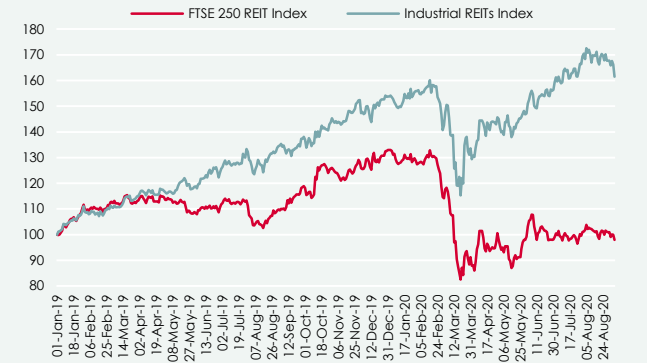
Industrial total returns by currency - July 2020

	Monthly (Jul '20)	Annual	3yr	5yr	10yr	5yr Forecast ('20-'24)
GBP	0.57%	3.63%	11.44%	11.63%	11.81%	4.43%
EUR	1.43%	4.55%	11.17%	6.36%	10.90%	3.43%
USD	6.84%	11.10%	11.29%	7.83%	9.83%	3.66%
HKD	6.83%	9.97%	11.01%	7.82%	9.80%	3.65%
CNY	5.45%	12.55%	12.64%	10.36%	10.14%	2.24%
SGD	4.99%	11.28%	11.66%	7.87%	9.91%	2.44%
MYR	5.74%	14.23%	10.94%	10.08%	13.03%	1.23%
KRW	6.25%	12.05%	13.58%	8.33%	9.91%	2.81%

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



Source: Knight Frank, Macrobond

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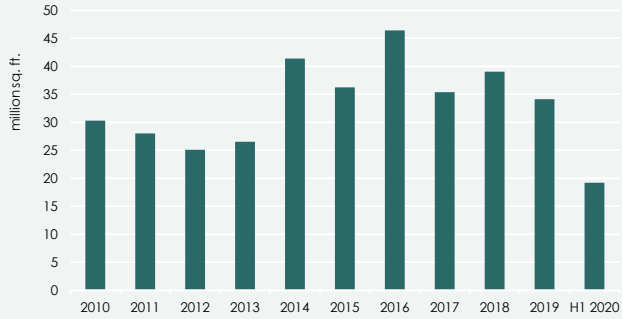
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UK Logistics Market Dashboard

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Occupier market

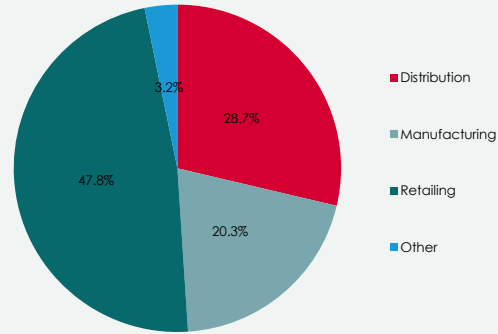
Take up (units over 50,000 sq. ft.)



* Preliminary figure

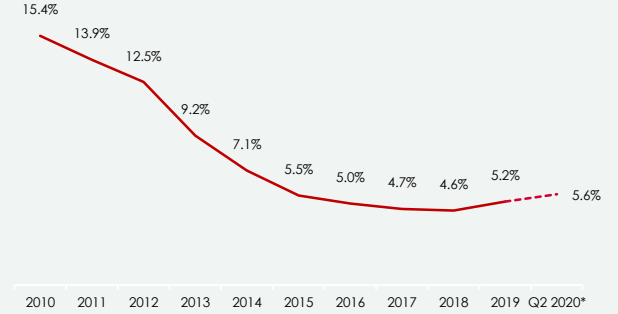
Source: Knight Frank

Take up by occupier type 2018/2019



Source: Knight Frank, PMA

Vacancy Rate (%)

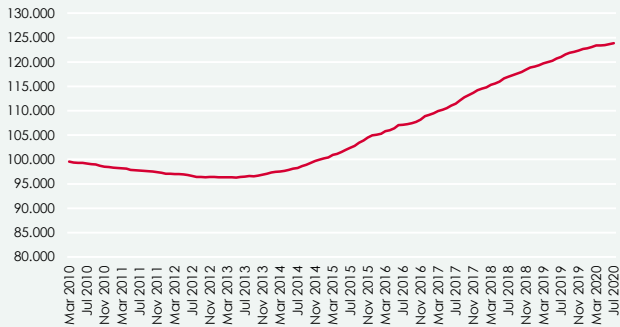


* Preliminary figure

Source: Knight Frank

Rents

Average market rental growth
Jan 2010 = 100



Source: Knight Frank, MSC1

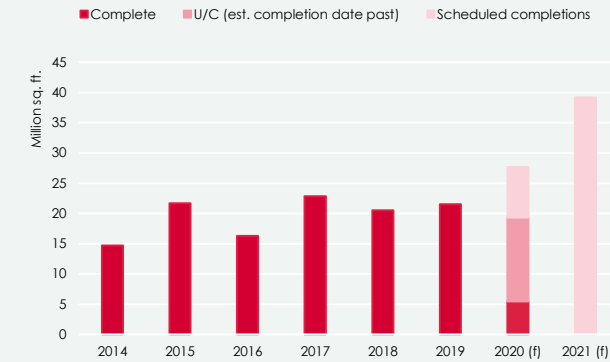
Average rental growth forecast
- Q2 2020

	2021	2022	2023	2024	2021-2024 (annualized)
UK	-1.6	0.8	3.2	3.7	1.5
London	-1.4	1.4	4.0	4.6	2.2
South East	-1.0	1.1	3.5	4.1	1.9
South West	-1.8	0.5	2.7	2.9	1.0
Eastern	-1.2	0.9	3.0	3.3	1.5
East Midlands	-2.4	0.3	3.0	3.5	1.1
West Midlands	-2.2	0.3	2.9	3.2	1.0
North West	-1.3	0.9	2.9	3.1	1.4
Yorks & Humber	-2.7	0.1	2.7	3.1	0.8
North East	-2.7	0.1	2.6	3.0	0.7
Scotland	-2.1	0.4	2.3	2.6	0.8
Wales	-1.9	0.5	2.9	3.3	1.2

Source: Knight Frank, RealFor

Development

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



Source: Knight Frank, Glenigan

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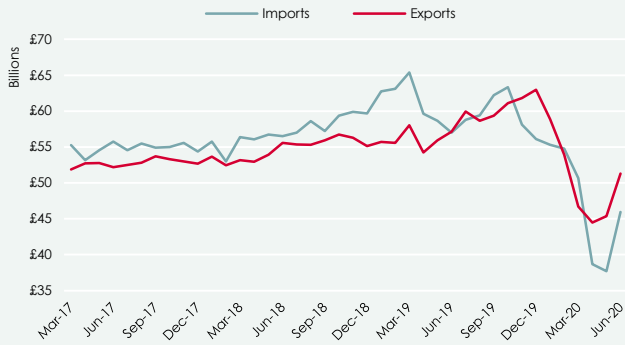
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UK Logistics Market Dashboard

September 2020

Industry, trade and transport

UK Imports and Exports (goods and services)



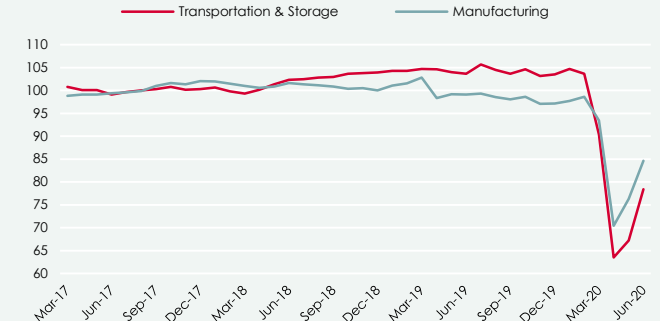
Source: Knight Frank, Macrobond

Heathrow Air Cargo (tonnes)



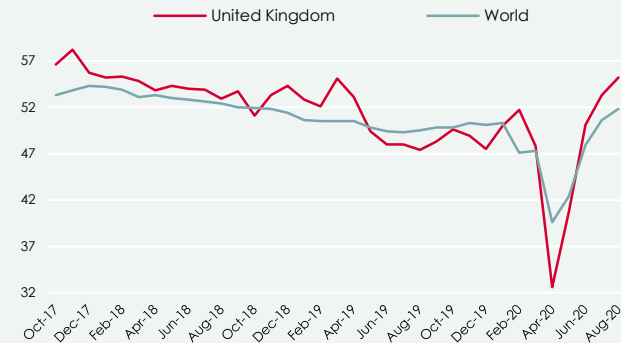
Source: Knight Frank, Macrobond

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



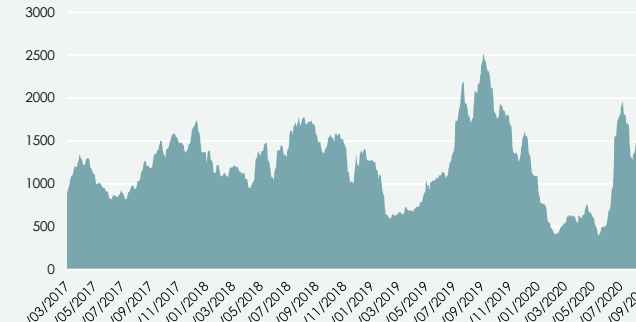
Source: Knight Frank, Macrobond

Manufacturing PMI Index



Source: Knight Frank, Macrobond

Baltic Dry Global Shipping Index



Source: Knight Frank, Macrobond

Key comments

- Output growth in the UK manufacturing industry hit a 32-month high in July, supported by the sharpest rise in new orders since the end of 2018. The UK manufacturing PMI climbed to 55.2 in August, the highest it has been since February 2018. Growth was especially marked in the consumer and intermediate goods industries.
- The growth in manufacturing output has been mainly driven by strengthening domestic demand. New export business fell for the ninth consecutive month. Although restrictions in place to combat the pandemic constrained overseas demand, World manufacturing PMI has been above 50 for the past two months pointing to rising global demand.
- Air cargo volumes have been rising over the past three months, though they remain substantially below pre-Covid levels. The 88,397 tonnes recorded in July is around 36% below that of the previous three years.
- Manufacturing GDP and transportation and storage GDP remain well below pre-COVID levels. However, there was a strong bounce-back in June, as shops began to reopen and factories began ramping up production.
- The Baltic Dry Index which tracks the cost of shipping dry bulk goods has made significant gains since mid-May. This is a led indicator of positive growth in demand for goods such as iron and coal and points to rising manufacturing activity globally.

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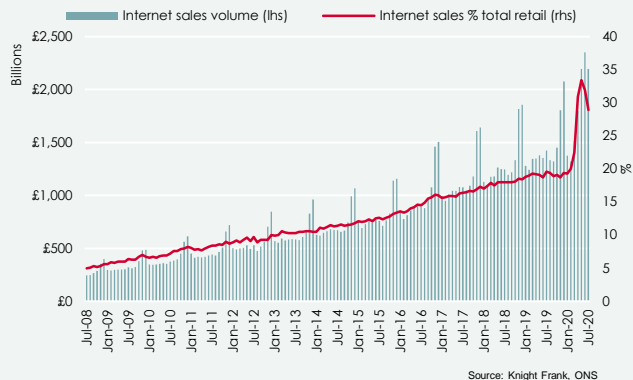
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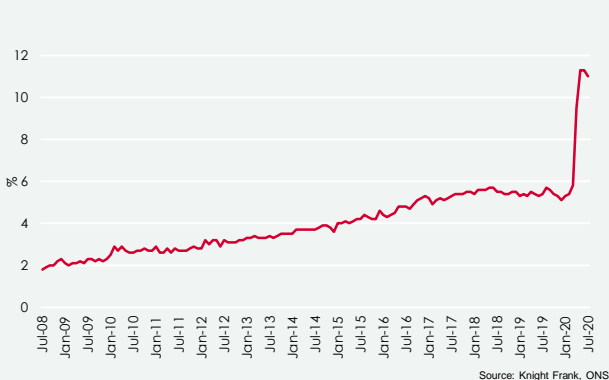
September 2020

Online retail

UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



Online Retail Sales

	Year-on-year growth %	Month-on-month growth %	Online sales %
All retailing	52.9	-7.0	28.9
All food	108.7	-6.0	11.0
All non-food	58.6	-11.7	25.7
Dept. stores	60.0	-18.5	29.7
Clothing and footwear stores	22.7	-11.2	30.9
Household goods stores	79.3	-17.3	22.7
Other stores	94.1	-1.9	22.1
Non-store retailing	37.2	-3.5	77.7

Source: Knight Frank, ONS

Covid-19 – Market outlook

Long term expectations for e-commerce growth are driving demand

In July 2020, as more retail stores began to trade once again, online retail sales volumes decreased by 7.0% compared with June 2020. Online sales as a proportion of all retailing was 28.9% in July, this is down from 33.4% in May; when non-essential shops were closed. When compared with February, when online sales accounted for just 19.9% of retailing, the shift in consumer behaviour is evident. Year-on-year, online retail volumes have risen 52.9%.

In the grocery market, online sales have more than doubled year-on-year, online sales accounted for 11.0% of sales in July compared with just 5.3% in February. Many grocery stores are expanding their operations through increasing headcount, which is unsustainable long-term. Additional warehouse capacity will be needed moving forward to accommodate lasting structural changes and address the quantum leap in online grocery demand. Significantly, online sales as a proportion of all grocery shopping has remained at around 11.0% for the past three months (May-July).

To service this growth, demand for largescale fulfilment and 'near-urban' warehousing will continue. Based on current e-commerce growth rates and our five-year outlook, we would project online sales to account for 32.1% of total retail sales by 2024. This growth in online shopping will have significant implications for the logistics market, with every £ billion of online retail sales estimated to require around 1.4 million sq ft of warehousing space.

Indeed, there has been an uptick in the number of planning applications and permissions in the past few months and our market sentiment indicators show levels of activity rising in both the leasing and investment markets. Requirements for short term space have started to recede as we see the short term impacts of the pandemic subsiding. Current requirement levels are being driven by longer term leasing needs as we start to see the impact of structural shifts in the market.

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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