

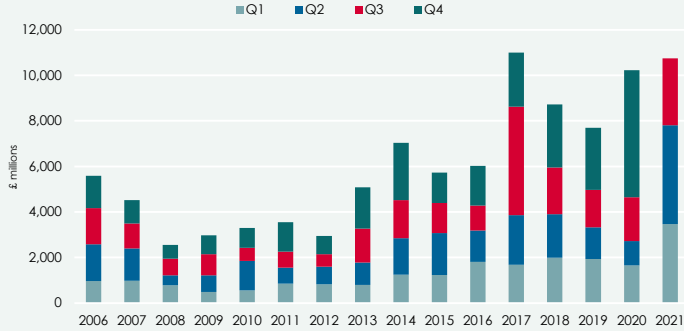
# UK Logistics Market Dashboard



September 2021

## Investment market

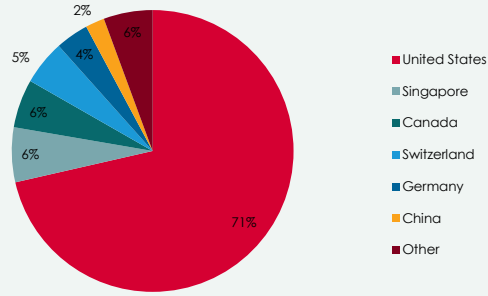
Industrial & logistics - Investment total



\* Preliminary Q3 figure

Source: Knight Frank, Property Data

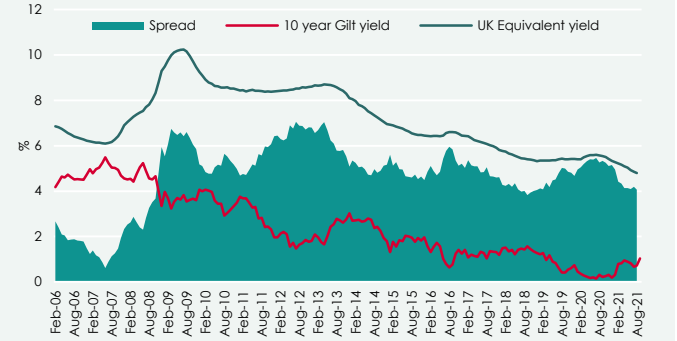
Sources of foreign capital (2021)



Source: Knight Frank, RCA

## Yields

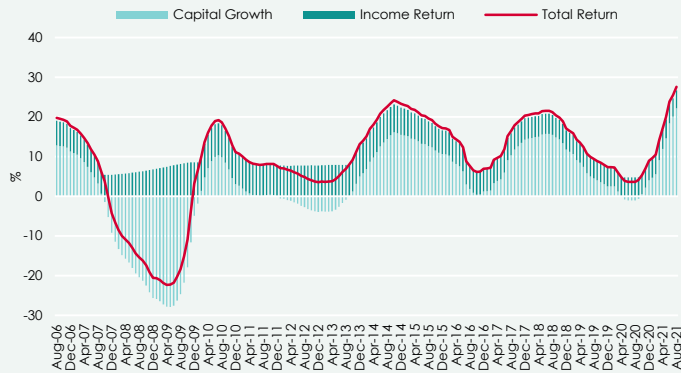
Industrial yields



Source: Knight Frank, MSCI, Macrobond

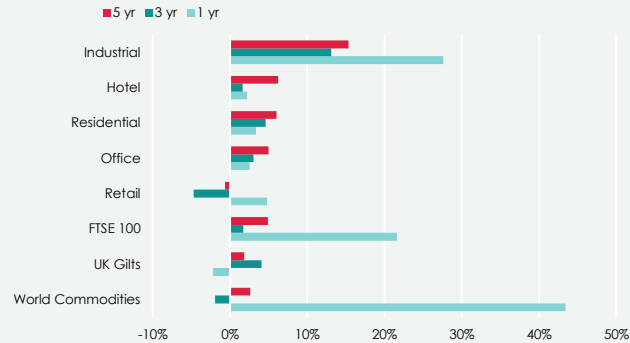
## Performance

Industrial Total returns - annualized



Source: Knight Frank, MSCI

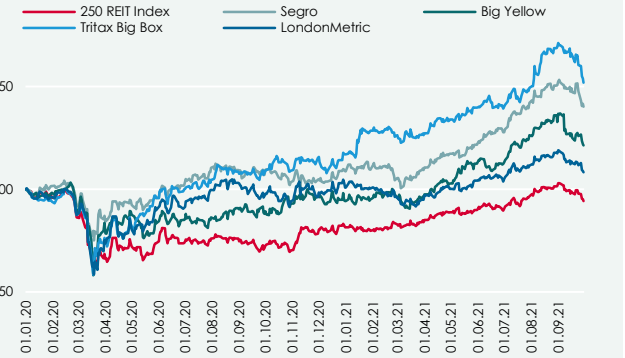
Annualized Total returns by asset class (to August 2021)



Source: Knight Frank, MSCI, Macrobond

## Listed real estate

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



Source: Knight Frank, Marcobond

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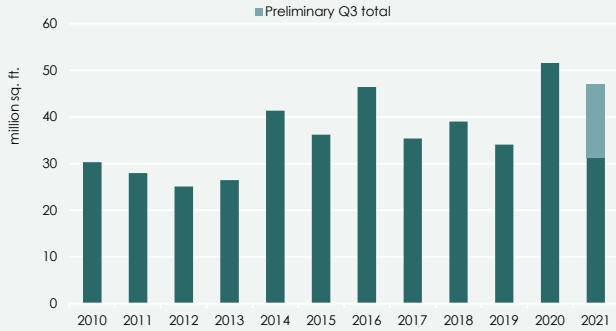
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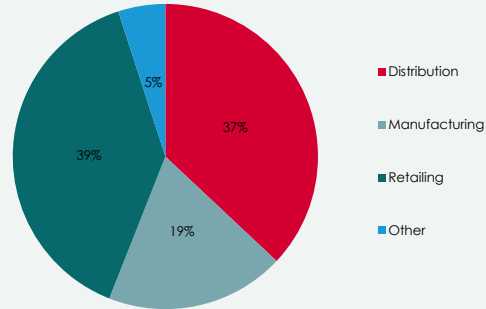
September 2021

## Occupier market

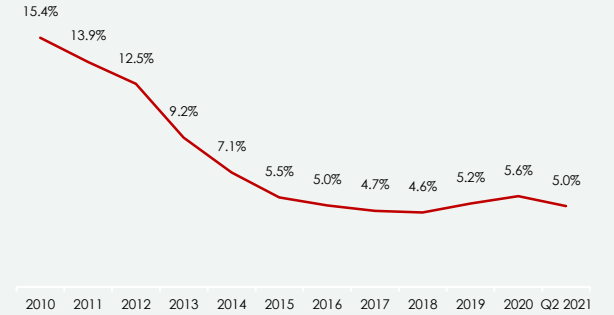
Take up (units over 50,000 sq. ft.)



Take up by occupier type H1 2021 (units over 50,000 sq. ft.)

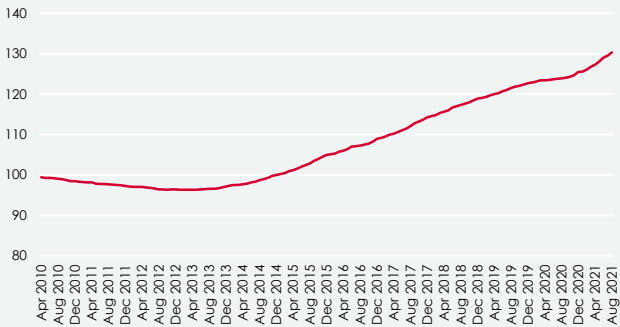


Vacancy Rate (%)

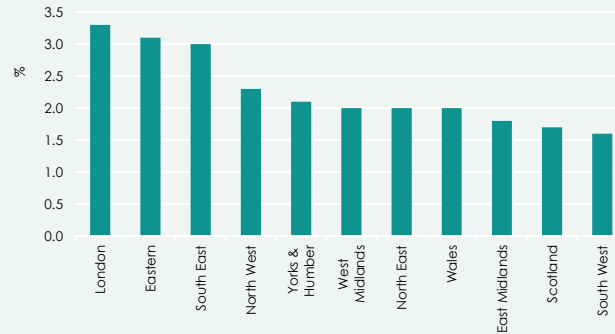


## Rents

Average market rental growth  
Jan 2010 = 100

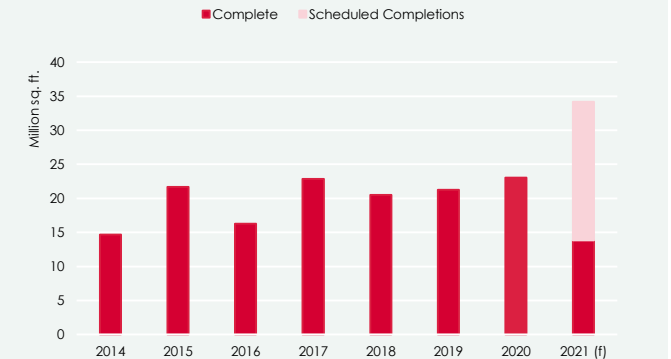


Average rental growth forecast per annum (2021-25)  
- Q1 2021



## Development

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



## Research

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September 2021

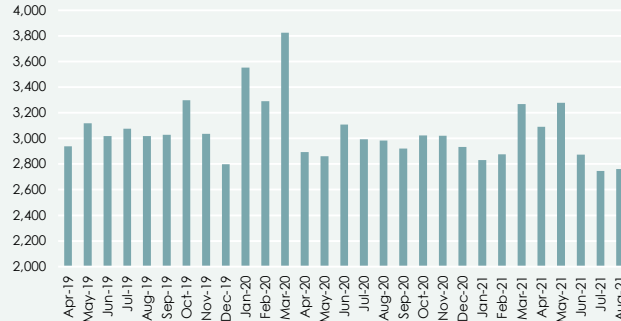
## Industry, trade and manufacturing

### UK Imports and Exports (goods)



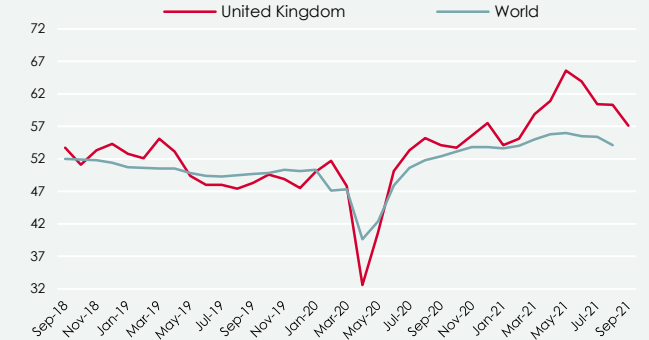
Source: Knight Frank, Macrobond

### Cargo & Tanker Visits to UK Ports (per month)



Source: Knight Frank, Macrobond

### Manufacturing PMI Index



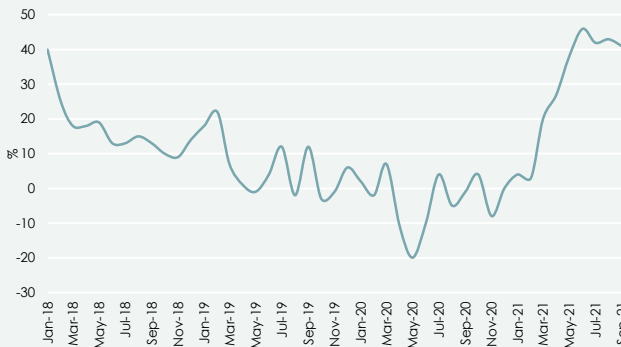
Source: Knight Frank, Macrobond

### 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 edged further down to 57.1 in September of 2021, a seven month low. Supply chain delays, slowing new order growth and rising material and labour shortages all constrained the UK manufacturing sector in September.
- Manufacturing production increased for the 16<sup>th</sup> consecutive month. However, production schedules were disrupted due to materials shortages, longer supplier lead times and capacity constraints due to labour / skills shortages. Lead times have lengthened significantly due to delays to air, land and sea freight along with staff shortages, COVID-19 and Brexit disruptions and a lack of delivery drivers and port delays.
- UK manufacturing total order books in September improved to their highest on record (since 1977), according to the latest monthly CBI Industrial Trends Survey.
- Stock adequacy picked up slightly, but nonetheless remained close to last month's record low.
- Output prices dipped slightly, but remain elevated and expectations for output price growth in the fourth quarter remain strong.

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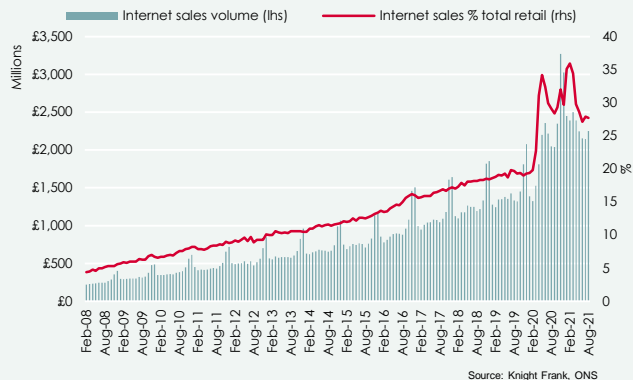
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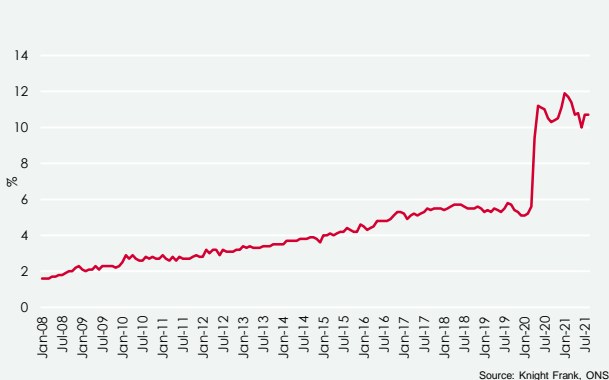
September 2021

## Online retail

### UK Internet Retail Sales (monthly)



### UK grocery market – proportion of online retail (%)



### Online Retail Sales – August 2021 Sales value, seasonally adjusted

	Year-on-year growth %	Month-on-month growth %	Online sales % total retail August 2021	Online sales % total retail August 2020
<b>All retailing</b>	-4.1	1.5	27.7	28.1
<b>All food</b>	0.0	-1.9	10.7	10.4
<b>All non-food</b>	-3.3	1.2	24.8	24.5
Dept. stores	-14.3	-1.7	26.7	29.3
Clothing and footwear stores	2.3	-0.9	29.1	29.2
Household goods stores	0.3	1.2	24.0	23.0
Other stores	-3.1	5.8	20.9	19.2
<b>Non-store retailing</b>	-6.1	2.9	80.2	81.9

Source: Knight Frank, ONS

## Market outlook

### The need for greater supply chain resilience is driving new sources of demand

The proportion of retail sales online rose to 27.7% in August 2021 from 27.1% in July, substantially higher than the 19.7% in February 2020 before the pandemic. Although online retail penetration rates have declined since their peak in March 2021, when non-essential stores were closed, compared with last month and with August last year, penetration rates are broadly stable at c.27-28%.

Total (both online and in-store) food store sales volumes fell by 1.2% in August 2021, with some evidence to suggest that the further easing of hospitality restrictions had led to increased spending on eating and drinking at restaurants and bars. However, the proportion of grocery sales online remained the same as last month; 10.7%

In the first half of 2021, distribution firms and retailers have dominated the take up of logistics space, accounting for 76% of take-up in units over 50,000 sq ft. However, the manufacturing sector has also been more active in taking space so far this year, accounting for 19% of take-up (units over 50,000 sq ft) in the first half of the year.

Food manufacturing and indoor farming are some examples of other occupiers taking space recently. The COVID-19 pandemic and Suez canal blockage earlier this year have highlighted the need for simplified, shorter supply chains and shorter more direct routes to consumers. Consumers are also increasingly looking at the sustainability of the goods and food they consume.

Segro have recently agreed to build a £300m high-tech Smaparc food campus in Derby, offering manufacturing facilities, start-up units and a Food Manufacturing Technology Centre of Excellence. Work has recently started on the world's largest vertical farm at Lydney, Gloucestershire, build from Ocado-backed Jones Food Company, it will be their second in the UK. Infarm are set to begin production at their Bedford vertical farming facility later this year.

## Market sentiment survey (monthly)

### Leasing Market

Inspections	Under offers	Availability

### Investment Market

Availability	Under offers	Deals Aborted

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