

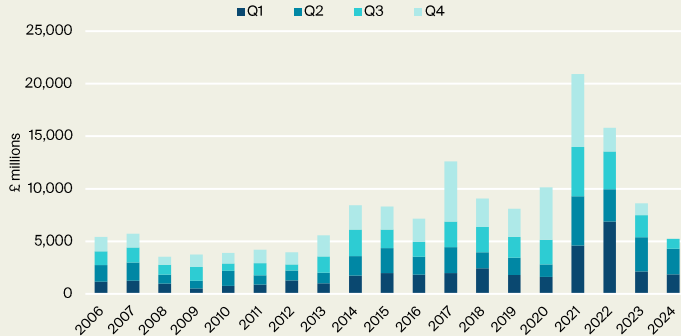
UK Logistics Market Dashboard



September 2024

Investment market

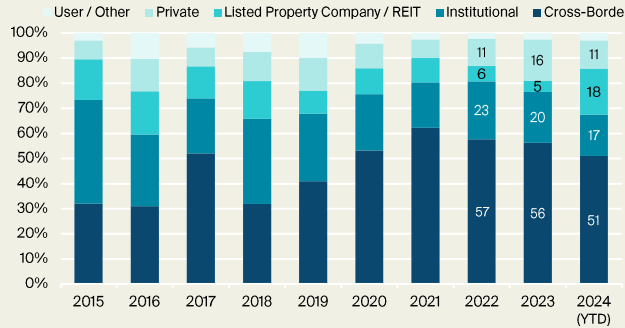
Industrial & logistics - Investment total



*Q3 2024 transaction volumes are incomplete

Source: Knight Frank Research, RCA

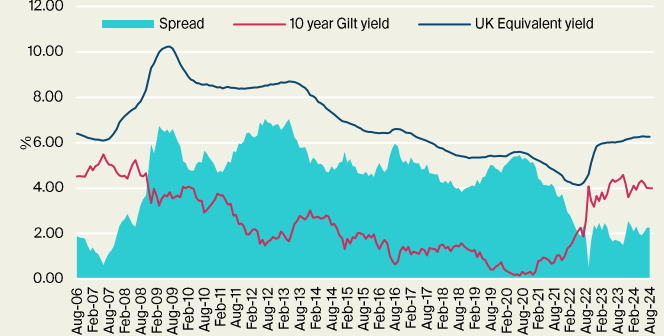
Capital composition (%)



Source: Knight Frank Research, RCA

Yields

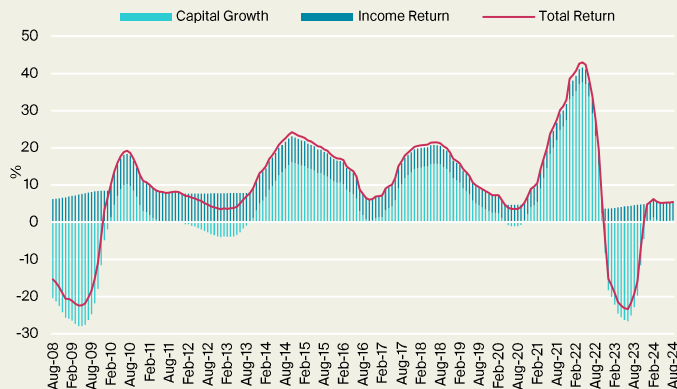
Industrial yields



Source: Knight Frank Research, Macrobond, MSCI

Performance

Industrial Total returns - annualized (all assets)



Source: Knight Frank Research, MSCI

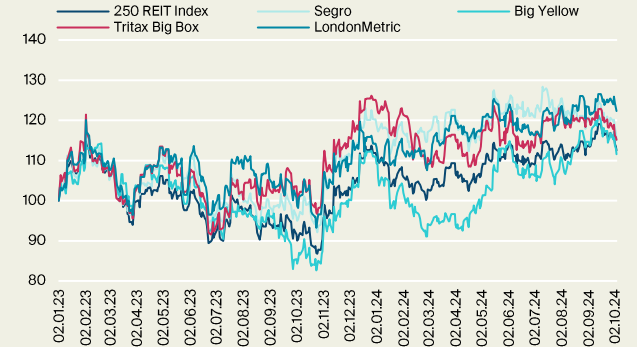
Total Returns forecast (%) -Q2 2024

	2024	2025	2026	2027	2028	2024-28 CAGR
Industrial	6.9	9.1	8.7	7.6	7.1	8.1
Office	1.1	6.4	8.0	7.5	7.1	7.2
Retail	8.0	8.7	8.1	7.3	6.9	7.8
Other	6.5	8.2	8.0	7.5	7.3	7.7
All Property	5.2	8.1	8.3	7.5	7.0	7.7

Source: Knight Frank Research, RealFor

Listed real estate

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



Source: Knight Frank Research, Macrobond

Key Contacts

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Johnny Hawkins
Head of Logistics & Industrial
+44 20 7861 1519
Johnny.Hawkins@knightfrank.com

Will Gubb
Head of Industrial & Logistics Capital Markets
+44 20 7861 1595
Will.Gubb@knightfrank.com

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
Charles.Binks@knightfrank.com

Important Notice

© Knight Frank LLP 2024 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

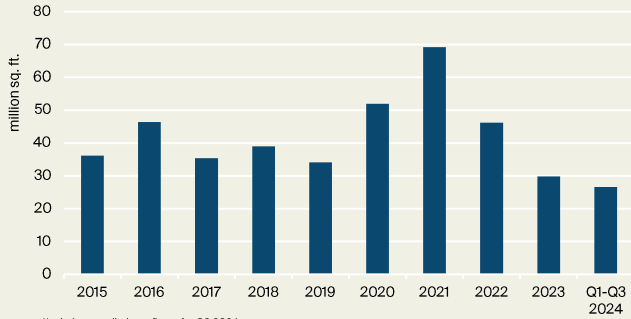
UK Logistics Market Dashboard



September 2024

Occupier market

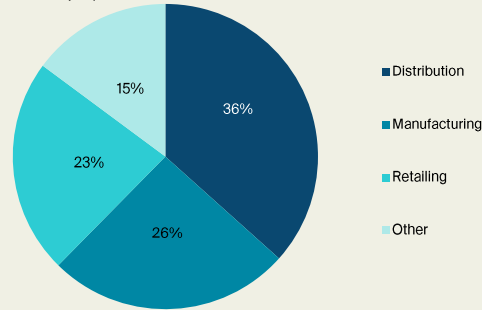
Take up (units over 50,000 sq. ft.)



*Includes a preliminary figure for Q3 2024

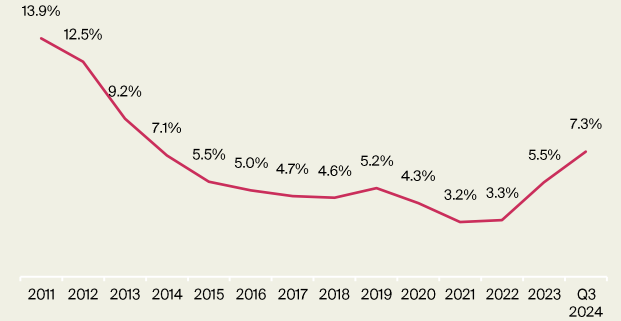
Source: Knight Frank Research

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



Source: Knight Frank Research

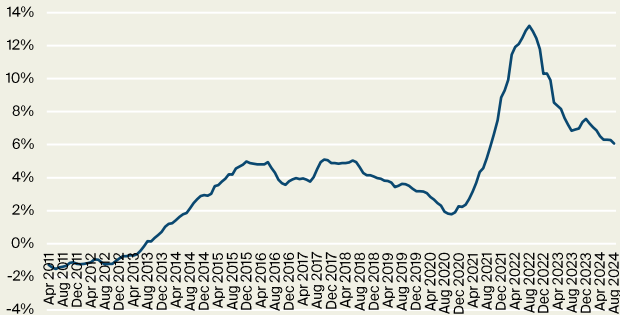
Vacancy Rate (%)



Source: Knight Frank Research

Rents

Annual average market rental growth %



Source: Knight Frank Research, MSCI

Average rental growth forecast (%)
-Q2 2024

	2024	2025	2026	2027	2028	2024-28 CAGR
UK	4.7	3.4	2.7	2.8	3.0	3.3
London	6.0	4.4	3.5	3.5	3.7	4.2
South East	4.4	3.3	2.7	2.9	3.1	3.3
South West	6.2	3.6	2.3	2.0	2.1	3.2
Eastern	4.8	3.5	2.9	3.0	3.3	3.5
East Midlands	4.3	3.2	2.3	2.3	2.4	2.9
West Midlands	5.3	3.5	2.6	2.6	2.7	3.3
North West	5.5	3.6	2.7	2.7	2.8	3.5
Yorks & Humber	4.6	2.9	2.1	2.2	2.3	2.8
North East	4.1	3.0	2.4	2.4	2.5	2.9
Scotland	4.2	2.6	1.9	2.0	2.2	2.6
Wales	4.0	2.6	2.0	2.2	2.4	2.6

Source: Knight Frank Research, RealFor

Development

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



Source: Knight Frank Research, Glenigan

Key Contacts

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Johnny Hawkins
Head of Logistics & Industrial
+44 20 7861 1519
Johnny.Hawkins@knightfrank.com

Will Gubb
Head of Industrial & Logistics Capital Markets
+44 20 7861 1595
Will.Gubb@knightfrank.com

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
Charles.Binks@knightfrank.com

Important Notice
© Knight Frank LLP 2024 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

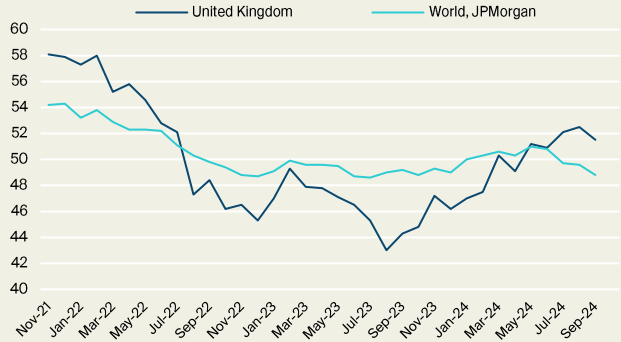
UK Logistics Market Dashboard



September 2024

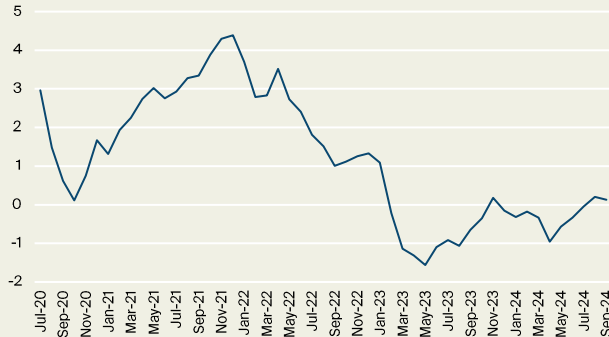
Industry, trade and manufacturing

Manufacturing PMI Index



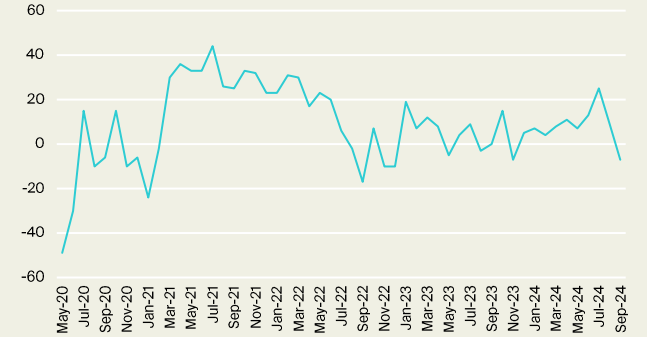
Source: Knight Frank Research, Macrobond

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

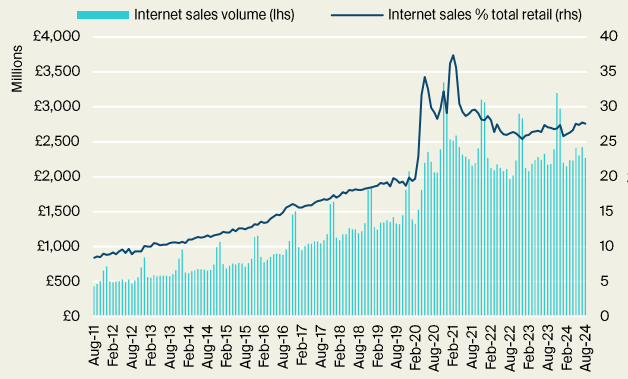
Online retail sales

Job Vacancies Index - Transport/Logistics/Warehouse



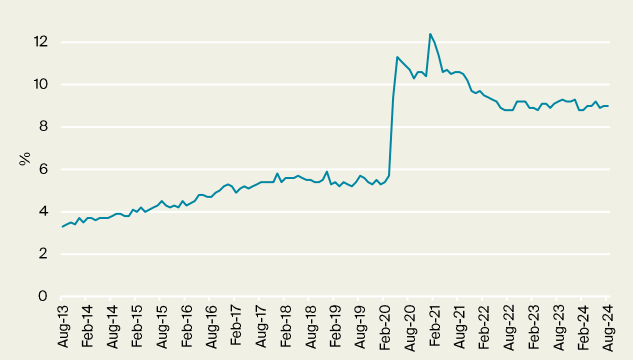
Source: Knight Frank Research, ONS

UK Internet Retail Sales (monthly)



Source: Knight Frank Research, ONS

UK grocery market - proportion of online retail (%)



Source: Knight Frank Research, ONS

Key Contacts

Claire Williams
Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Johnny Hawkins
Head of Logistics & Industrial
+44 20 7861 1519
Johnny.Hawkins@knightfrank.com

Will Gubb
Head of Industrial & Logistics Capital Markets
+44 20 7861 1595
Will.Gubb@knightfrank.com

Charles Binks
Partner, Industrial & Logistics Agency
+44 20 7861 1146
Charles.Binks@knightfrank.com

Important Notice
© Knight Frank LLP 2024 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

September 2024

Market commentary

Investment

- According to data from Real Capital Analytics, preliminary figures for investment into the industrial and logistics sector totalled just under £1 billion in Q3 2024. However, transaction information is still being collated and we expect this figure to be revised upward. The total for the year (to end of Q3 2024) now stands at £5.2 billion, behind the £7.5 billion recorded in the first three quarters of last year. However, we expect activity to pick up in the final quarter of the year.
- REITs and Listed property companies have been far more acquisitive so far this year, accounting for 18% of investment, compared with just 5% in 2023.
- The equivalent yield compressed further in August, marking the third consecutive month of compression. While it is 23bps softer than a year ago, standing at 6.26%, it is 226bps above gilt yields.
- Ten-year gilt yields continued to harden in August, at 4.0% (month end), compared with 4.01% a month prior. Despite reaching below 3.8% during the month, gilt yields were back to 4.0% at the end of September and have softened further since.
- Significant transactions in September include LondonMetric purchasing a portfolio of six single-let urban logistics properties for £78.0 million in an off-market acquisition from a FTSE 100 pension fund. The purchase price reflects a blended NIY of 5.8%, which will rise to 6.9% over the next two years. The properties are leased to tenants including General Electric, EVRI, Thales and Macarthy's Laboratories.
- Meanwhile, Pontegadea, the company that invests on behalf of Spanish billionaire Amancio Ortega, has acquired a 170,000 sq ft warehouse at Heathrow for around £65 million from Segro. The unit, located Segro Park, Heathrow, is leased to airline catering company Do & Co.

Returns

- Annual UK Industrial capital growth (all assets) continued to accelerate in August, with 0.53% growth recorded, up from 0.36% in July 2024 (MSCI).
- Annual total returns rose to 5.49% in August, from 5.31% in July 2024 (MSCI).
- Month-on-month capital growth accelerated in August, with 0.24% growth from 0.20% in July.
- Monthly total returns also rose, with a reading of 0.64%, up from 0.61% in July (MSCI).

Occupier Market Activity

- Occupier take up in Q3 2024 totalled 9.3 million sq ft (preliminary). Though this is lower than the 9.5 million sq ft recorded last quarter, it compares favourably with quarterly totals recorded in the past two years, averaging 8.4 million sq ft.
- The vacancy rate at the end of Q3 was 7.3% (preliminary) across the UK, up from 6.9% at the end of Q2 2024. However, a more detailed look at availability reveals supply shortages in some locations and size bands.
- A notable occupier transaction in September involved ID Logistics agreeing a 10-year lease with Prologis for the 342,500 sq ft DC7 distribution centre at Prologis Grange Park in Northampton.
- Another interesting occupier transaction in September occurred in the North East region. The UK Government's Ministry of Defence purchased Coherent's semiconductor fabrication plant in Aycliffe Business Park, Newton Aycliffe, for a reported £20 million. The fabrication plant totals 310,000 sq ft, comprising a 100,000 sq ft manufacturing area and 50,000 sq ft Class 100 cleanroom. The acquisition is described as critical to the UK's defence supply chain.

Rental Growth

- Average rents for UK Industrial continue to grow. The annual growth rate in the year to August is 6.1%; this marks a slight deceleration from July, with 6.3% growth (MSCI). Monthly rental growth of 0.33% was recorded in August (MSCI), down from 0.38% last month.
- According to the latest (Q2 2024) forecasts from RealFor, UK industrial rents are expected to increase by 4.7% this year, slowing to 3.4% growth in 2025, with a CAGR of 3.3% (2024-28).
- The South West region is expected to see the strongest rental growth this year, with 6.2% growth forecast. London leads in terms of rental growth expectations for the five-year forecast, with 4.2% CAGR.

Development

- We anticipate that approximately 22 million sq ft will complete in 2024, with 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.
- Recent development news includes plans from Wrenbridge and Bridges Fund Management for a £50m logistics development following their acquisition of a 5.2 acre site at Boundary Way, Hemel Hempstead. Plans have been submitted, with the delivery of a single 100,000 sq ft unit planned for late 2025. The development aims to be net zero carbon in operation and achieve leading sustainability specifications, including EPC A+ and BREEAM Outstanding.

Industry/Trade

- The UK Manufacturing PMI fell to 51.5 in September 2024 from 52.5 in August. Despite registering a decline, it remained above the neutral 50 mark for the fifth consecutive month, with strong domestic demand and output and new orders rising. Export demand, particularly from Europe, continued to fall, while anticipation of the Autumn Statement led to slower growth in production and a nine-month low in future expectations.
- The Global Supply Chain Pressure Index (GSCPI) measures how readings deviate from historical averages, registered 0.13, down from 0.20 in August. The resolution of a US port strike has positively impacted global supply chains. However, escalating tensions in the Middle East will continue to hamper container trade between Asia and Europe.
- According to the CBI Industrial Trends survey in September 2024, responses (from 275 manufacturers) found that output had fallen sharply in the three months to September (-20% from -9% in the three months to August), and both total and export order books deteriorated. Manufacturers expect activity to decline again in the three months to December, with businesses increasingly cautious ahead of the Budget at the end of next month.
- Job vacancies in the transport, logistics and warehouse sector have risen steadily throughout the year. Job vacancies over the last four weeks are slightly ahead of levels recorded a year ago.
- Online retail penetration rates (excl. auto fuel) dipped slightly to 27.6% in August from 27.8% in July 2024. However, this mirrors seasonal patterns recorded in previous years. The amount spent online declined -6.6% compared with July, but an annual comparison shows a rise of 4.3% on August 2023.
- Online grocery retail penetration rates remain at 9.0%, the same level recorded in July and in line with the average for the past two years.

Key Contacts

Claire Williams

Head of UK & Europe Industrial Research
+44 203 897 0036
Claire.Williams@knightfrank.com

Johnny Hawkins

Head of Logistics & Industrial
+44 20 7861 1519
Johnny.Hawkins@knightfrank.com

Will Gubb

Head of Industrial & Logistics Capital Markets
+44 20 7861 1595
Will.Gubb@knightfrank.com

Charles Binks

Partner, Industrial & Logistics Agency
+44 20 7861 1146
Charles.Binks@knightfrank.com

Important Notice

© Knight Frank LLP 2024 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 6AN, where you may look at a list of members' names.