

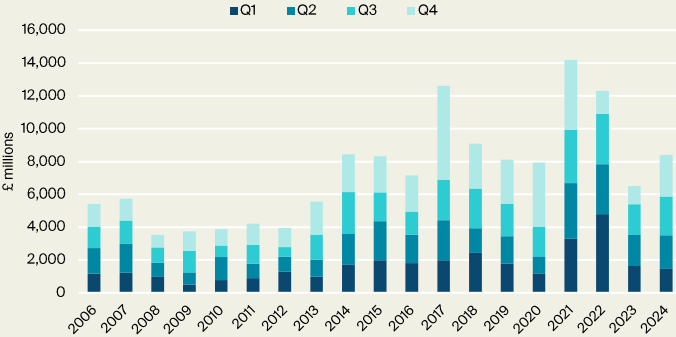
UK Logistics Market Dashboard

January 2025



Investment market

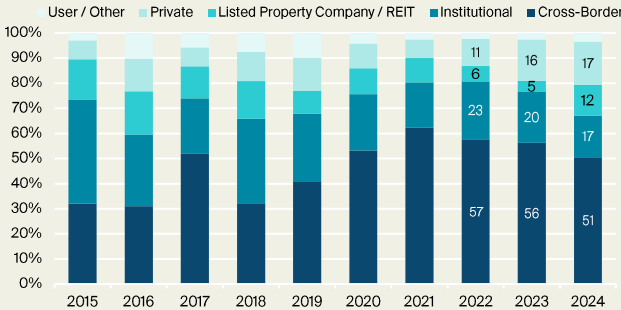
Industrial & logistics – Investment total



*Data reporting change from 2020 onwards

Source: Knight Frank Research, RCA

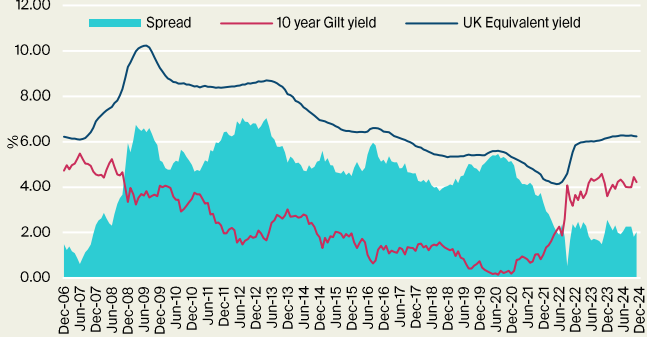
Capital composition (%)



Source: Knight Frank Research, RCA

Yields

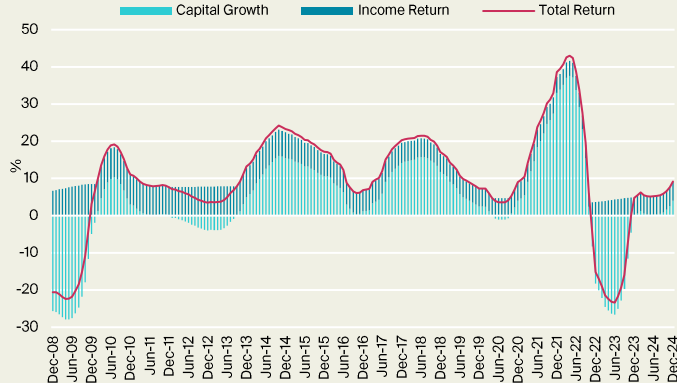
Industrial yields



Source: Knight Frank Research, Macrobond, MSCI

Performance

Industrial Total returns – annualized (all assets)



Source: Knight Frank Research, MSCI

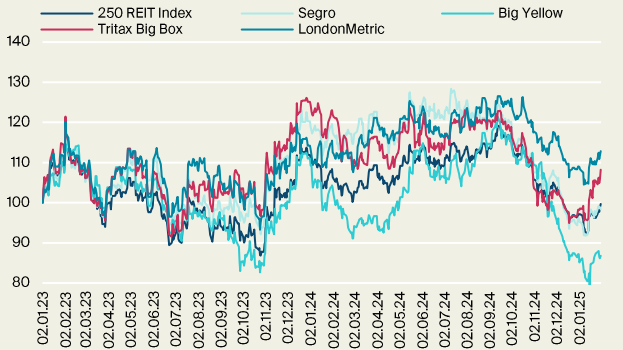
Total Returns forecast (%)
–Q4 2024

	2024	2025	2026	2027	2028	2025-28 CAGR
Industrial	8.4	10.8	9.0	8.0	6.9	8.7
Office	-0.1	7.8	8.6	8.0	7.3	7.9
Retail	8.6	10.1	8.9	7.8	6.7	8.4
Other	5.5	8.4	8.3	8.1	7.5	8.1
All Property	5.8	9.7	8.8	8.0	6.9	8.4

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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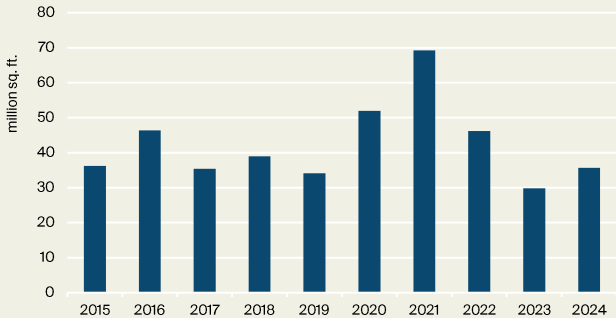
UK Logistics Market Dashboard



January 2025

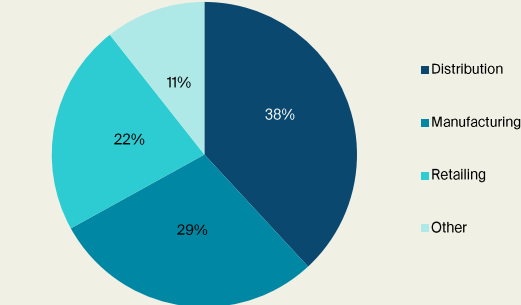
Occupier market

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



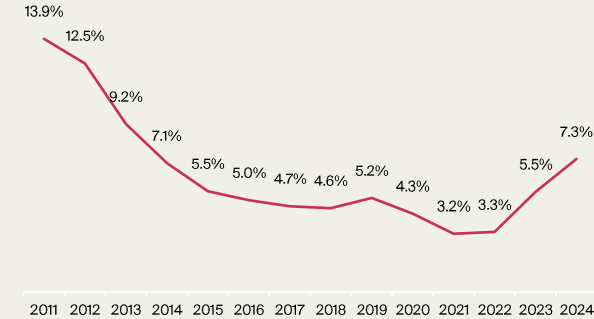
Source: Knight Frank Research

Take up by occupier type – last 4 quarters (to Q4 2024)
(units over 50,000 sq. ft.)



Source: Knight Frank Research

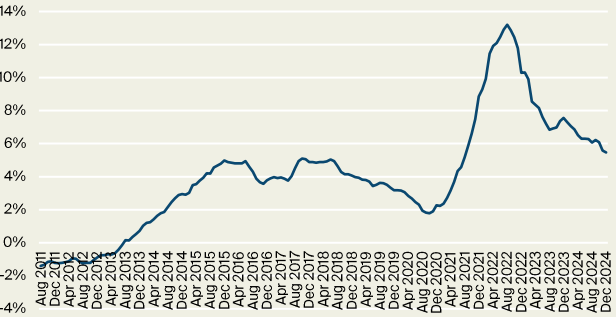
Vacancy Rate (%)



Source: Knight Frank Research

Rents

Annual average market rental growth
%



Source: Knight Frank Research, MSCI

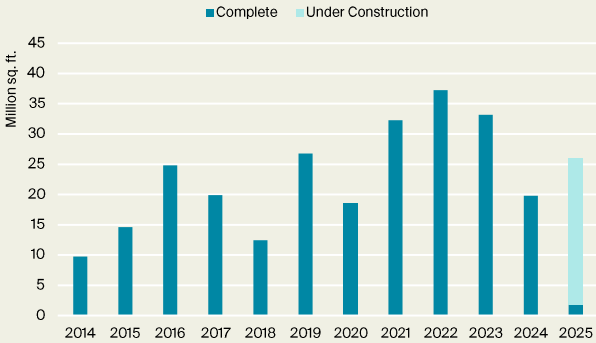
Average rental growth forecast (%)
-Q4 2024

	2025	2026	2027	2028	2025-28 CAGR
UK	4.0	2.9	2.7	2.8	3.1
London	4.4	3.7	3.5	3.5	3.8
South East	4.6	3.3	3.0	3.1	3.5
South West	3.8	2.4	2.0	2.1	2.6
Eastern	4.2	3.1	2.8	2.9	3.3
East Midlands	3.4	2.4	2.1	2.2	2.5
West Midlands	3.6	2.5	2.3	2.5	2.7
North West	4.5	2.8	2.3	2.3	3.0
Yorks & Humber	3.8	2.4	2.0	2.1	2.6
North East	3.0	2.2	2.2	2.3	2.4
Scotland	2.8	2.0	1.9	2.1	2.2
Wales	3.1	2.2	2.1	2.4	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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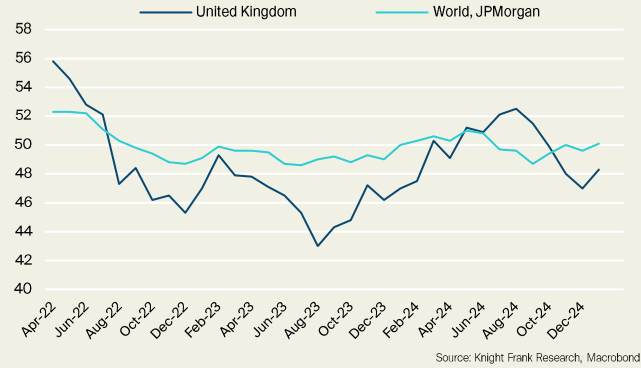
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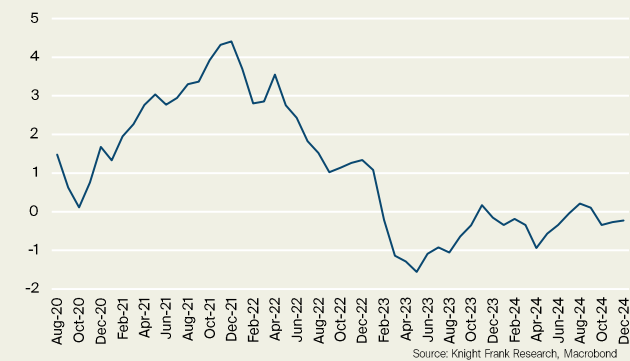
January 2025

Industry, trade and manufacturing

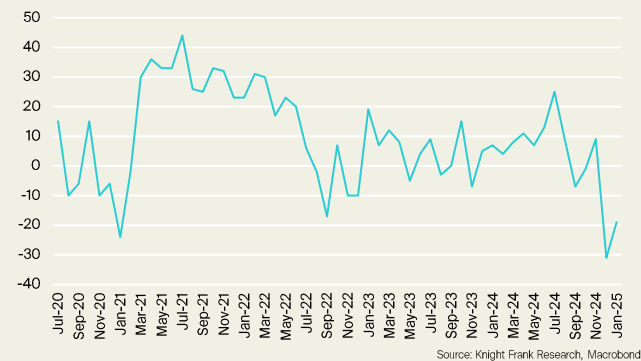
Manufacturing PMI Index



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

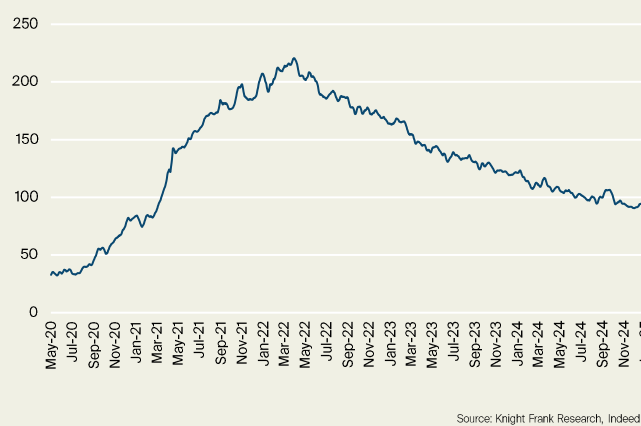


Expectations for future manufacturing output
CBI Industrial Trends Monthly Survey
% balance expecting improvement/deterioration

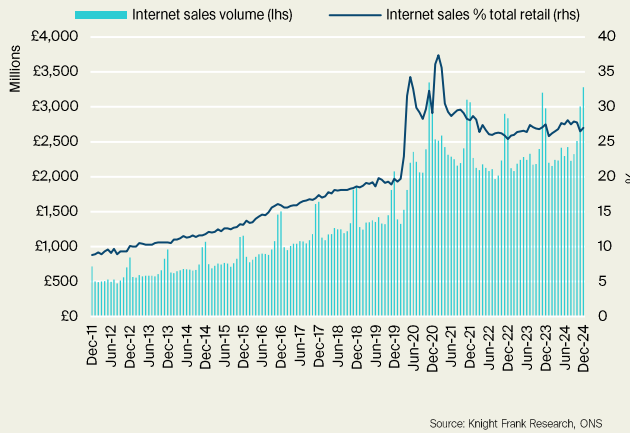


Online retail sales

Job Postings Index - Logistics Support



UK Internet Retail Sales (monthly)



UK grocery market – proportion of online retail (%)



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UK Logistics Market Dashboard



January 2025

Market commentary

Investment

- The investment total for Q4 2024 stands at £2.53 billion. This is significantly higher than the £1.11 billion recorded in Q4 2023 and brings the annual total to £8.4 billion, up from £6.5 billion in 2023*. Despite a weak start to 2024, robust levels of activity in the second half of this year have boosted the annual investment total.
- Over the past couple of years, private capital, as well as REITS and listed property companies have been representing a growing share of the market. In 2024, private capital accounted for 17% of total investment, compared with just 7% in 2021. Meanwhile, overseas and institutional investors have accounted for a shrinking share of total acquisitions. Overseas investment accounted for 62% of the total in 2021, compared with 51% in 2024.
- Ten-year gilt yields softened (month-on-month) in December to 4.55% (month-end) from 4.22% at the end of November. This represents the highest end of month reading since October 2023 (following the UK bond sell-off). Gilt yields have been highly volatile in recent months, due to both international and domestic factors. However, not all movements have had an obvious trigger and the volatility may be due to the perceived fragility of the UK economic outlook and uncertainty around future government policy.
- Having started to rise in early December, gilt yields continued to climb in early January, spiking at 4.9% on the 13th January, its highest since 2008. They have since compressed, reaching 4.5% by end of month.
- While December saw gilt yields soften, the UK industrial equivalent yield moved in the opposite direction. Hardening slightly, from 6.23% in November to 6.22%. This is the second consecutive month of hardening and the equivalent yield represented a 168bps premium over gilt yields (December). This is the narrowest premium over gilts since October 2023.
- Significant transactions in January include Valor and QuadReal purchase of a Purfleet distribution centre in Purfleet, Essex, let to Tesco for around £130 million. Tesco has nine years remaining on its lease at the 630,000-square-foot, cross-docked distribution centre on Dolphin Park, which has 110 loading doors and yard depths ranging from 50-60 metres. Meanwhile, Blackstone has bought a portfolio of 18 last-mile logistics close to Manchester, Birmingham, Reading and Leeds for £200 million from PGIM.

**Investment volumes reported may differ to previous reporting due to a change in methodology. This change has been implemented for current and historic data*

Returns

- Annual UK Industrial capital growth continued to accelerate in December, with 4.02% growth recorded, up from 2.56% in November 2024 and the highest reading since September 2022 (MSCI).
- Annual total returns rose to 9.16% in December from 7.64% in November 2024 (MSCI).

Occupier Market Activity

- Occupier take up in Q4 2024 totalled 8.0 million sq ft. this is on a par with the 8.1 million sq ft taken up in Q4 last year. This takes the 2024 annual total to 35.7 million sq ft, significantly higher than the 30 million sq ft taken up in 2023, and slightly above the pre-pandemic long-term average.
- At the end of Q4, the vacancy rate was 7.3% across the UK, up marginally from 7.2% at the end of Q3. Despite the quarter-on-quarter increase, vacancy is stabilising.
- A notable occupier transaction in January involved the engineering firm CTDI leasing 184,000 sq ft at Indurent Park Wellingborough in Northamptonshire. CTDI, has agreed a 10-year lease on the unit, which has achieved BREEAM 'Excellent'.

Rental Growth

- Average rents for UK Industrial continue to grow. The annual growth rate in the year to December 2024 is 5.5%; this marks a slight deceleration from November (MSCI). Monthly rental growth of 0.60% was recorded in December, up from 0.48% in November (MSCI).
- Forecasts for rental growth in 2025 have been revised up this quarter, the latest (Q4 2024) forecasts from RealFor project rental growth of 4.0% this year (compared with a forecast of 3.7% growth projected in Q3). Rental growth is anticipated to continue slowing through 2026/27.
- The South East and North West regions are expected to see the most substantial rental growth this year, with 4.6% and 4.5% growth projected. While London is expecting the strongest gains over the next four years.

Development

- In 2024, around 20 million sq ft of new stock completed. This figure includes both available space and space that has already been committed on either a build-to-suit or pre-let basis.
- The current pipeline for 2025 indicates that the level of new supply will increase this year. There is a current pipeline of c.24 million sq ft that is under construction and expected to complete in 2025 (this figure is subject to revision as additional schemes commence and completion dates are revised). Despite relatively high levels of vacancy across the market as a whole, in many locations supply constraints remain, particularly for new, high-quality units, and this, coupled with expectations for rental growth, is helping to give developers the impetus to bring forward new schemes.

Industry/Trade

- The S&P Global UK Manufacturing PMI stood at 48.3 in January 2025, up from December's 11-month low of 47.0. Despite the uptick, the index remained in contraction (below 50) for the third consecutive month and continued to signal deteriorating operating conditions. New orders declined for a fourth straight month amid persistently weak demand in both domestic and overseas markets. Employment levels also fell for the third month in a row, with job losses accelerating to their fastest pace in nearly a year. Additionally, lead times lengthened, reflecting ongoing supply chain pressures. Meanwhile, purchase price inflation reached a two-year high with rises input cost and output charges both accelerating. Business sentiment remained among the weakest recorded in the past two years.
- According to the CBI Industrial Trends survey in January 2025, more manufacturers thought that output would decrease over the next three months than thought it would increase. The difference was -19% of manufacturers, up from -31% in December 2024. The monthly net balance of new orders increased to -34 in January 2025 from a four-year low of -40 in December 2024.
- Online retail penetration rates were 29.3% in December, this is up from 28.1% in December 2023 and 27.1% in December 2022. While November and December tend to have the highest monthly online penetration rates, the year-on-year increases point to online retail growth resuming its growth trajectory post-Covid. The amount spent online in December totalled £3.28 billion, this is the second highest monthly total on record, second only to November 2020 when £3.35 billion was spent, though online penetration rates were a record 37.2% in this month.
- Online grocery retail penetration rates were 9.5% in December, up from 9.3% in December last year. Online grocery penetration rates have not seen the same decline post-pandemic as the broader online retail market. Like the broader online retail market, year-on-year increases point to the market returning to expansion mode, albeit the pace of expansion for online grocery is modest (as it was pre-pandemic).

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