

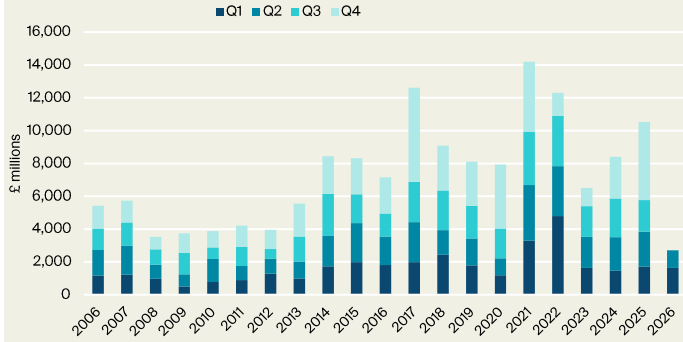
UK Logistics Market Dashboard



June 2026

Investment market

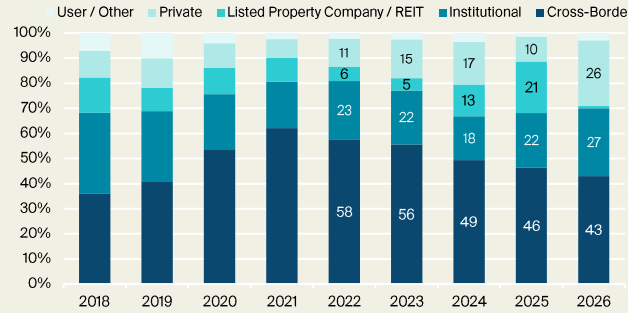
Industrial & logistics - Investment total



*Q2 2026 investment volumes are incomplete

Source: Knight Frank Insight, RCA

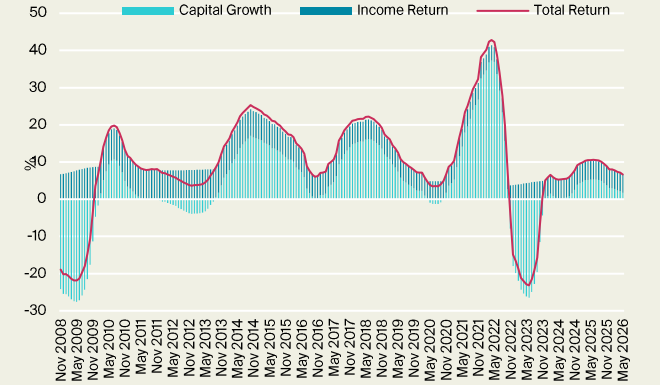
Capital composition (%)



Source: Knight Frank Insight, RCA

Performance

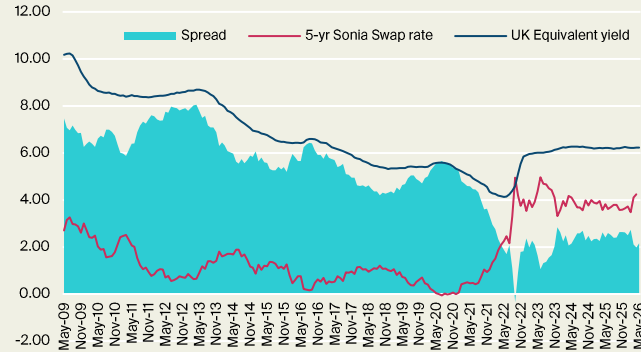
Industrial Total returns – annualised



Source: Knight Frank Insight, MSCI

Yields

Industrial yields %



Source: Knight Frank Insight, Macrobond, MSCI

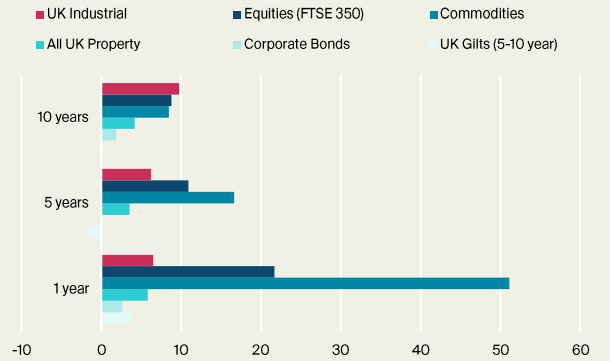
Knight Frank Prime yield guide (%) - June 2026

	June 2025	Apr 2026	May 2026	June 2026	Change
Warehouse & Industrial					
Prime Distribution / Warehousing (20 yr [NIY], higher OMV/index)	5.00	5.00-5.25	5.25	5.25	
Prime Distribution / Warehousing (15 years, OMRs)	5.25	5.25	5.25 + 5.25-5.50		+
Secondary Distribution (10 years, OMRs)	6.00	6.00	6.00-6.25	6.00-6.25	
Greater London Estates	4.75	4.75	4.75-5.00	4.75-5.00	
South East Estates	5.00	5.00	5.00-5.25	5.25	+25bps
Good Modern Rest of UK Estates	5.00-5.25	5.00-5.25	5.00-5.25	5.25	+25bps
Good Secondary Estates	6.50-7.00	6.50-7.00	6.50-7.00	6.50-7.00	

Source: Knight Frank

Returns across asset classes

Annualised total returns by asset class (to end of May 2026) % per annum



Source: Knight Frank Insight, Macrobond

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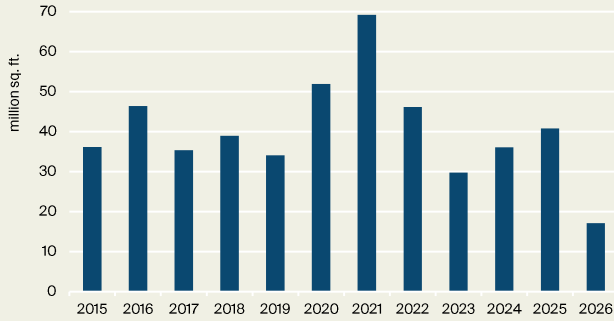
UK Logistics Market Dashboard



June 2026

Occupier market

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



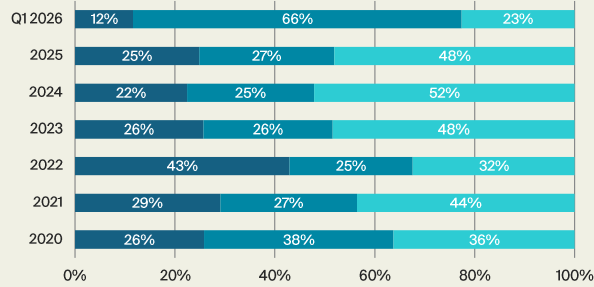
*2026 includes a preliminary Q2 total

Source: Knight Frank Insight

Proportion of take up by type and grade

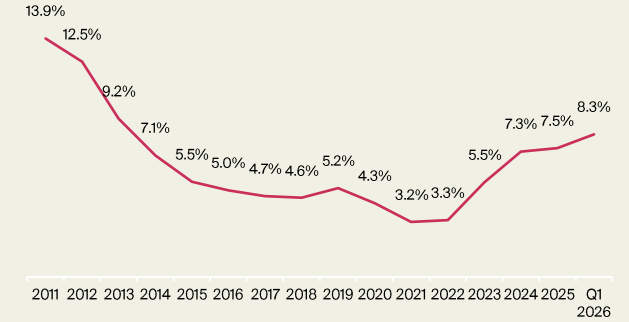
% of total floorspace taken

■ Pre-let or D&B ■ Grade A (new or refurbished) ■ Secondhand (Grade B or worse)



Source: Knight Frank Insight

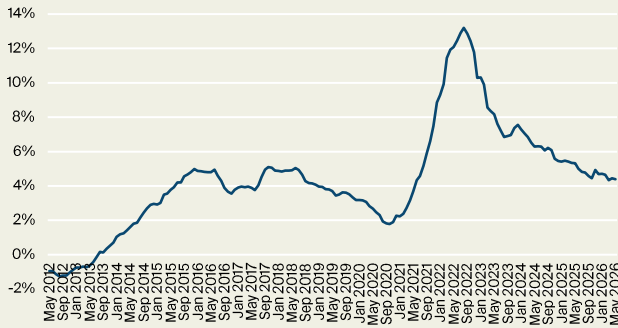
Vacancy Rate (%)



Source: Knight Frank Insight

Rents

Annual average market rental growth %



Source: Knight Frank Insight, MSCl

Average rental growth forecast (%)

- Q2 2026

	2026	2027	2028	2029	2030	2026-30 CAGR
UK	2.7	2.5	2.7	3.0	2.9	2.8
London	2.5	2.8	2.9	3.4	3.4	3.0
South East	3.3	3.2	3.4	3.6	3.5	3.4
South West	3.4	3.1	3.3	3.6	3.4	3.4
Eastern	3.5	3.1	3.4	3.7	3.6	3.5
East Midlands	2.1	1.6	1.9	2.1	2.1	2.0
West Midlands	2.5	2.1	2.4	2.6	2.4	2.4
North West	3.2	2.5	2.7	3.0	2.8	2.8
Yorks & Humber	2.4	1.9	2.1	2.4	2.3	2.2
North East	3.6	3.0	3.2	3.4	3.3	3.3
Scotland	2.2	2.0	2.1	2.3	2.2	2.2
Wales	1.9	1.5	1.7	1.9	1.8	1.7

Source: Knight Frank Insight

Development

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



Source: Knight Frank Insight, Glenigan

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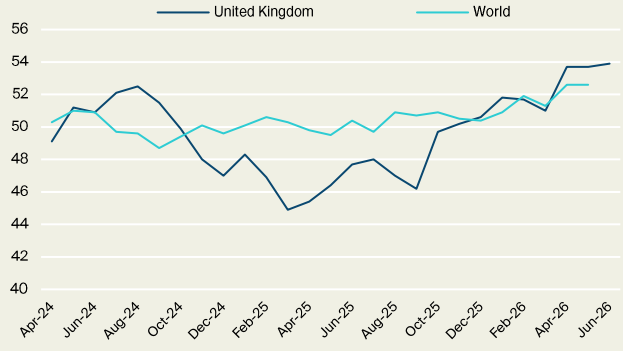
UK Logistics Market Dashboard



June 2026

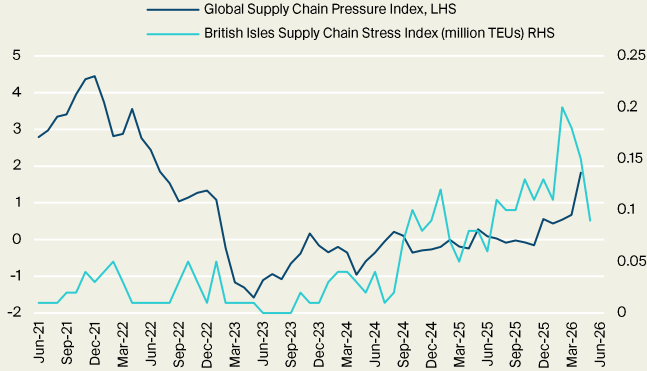
Industry, trade and manufacturing

Manufacturing PMI Index



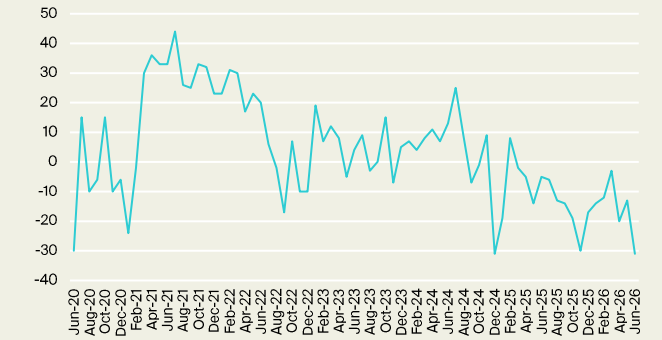
Source: Knight Frank Insight, Macrobond

British Isles - Supply chain Stress Index



Source: Knight Frank, World Bank, Macrobond

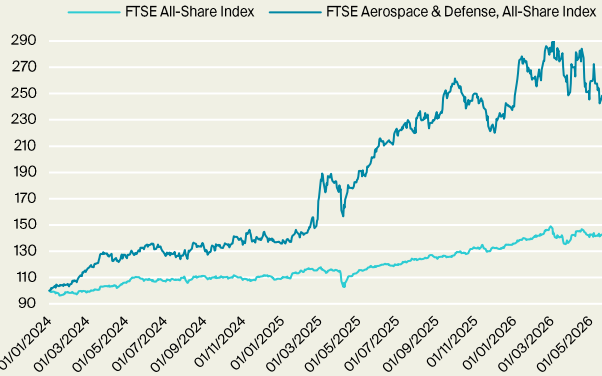
Expectations for future manufacturing output
CBI Industrial Trends Monthly Survey
% balance expecting improvement/deterioration



Source: Knight Frank Insight, Macrobond

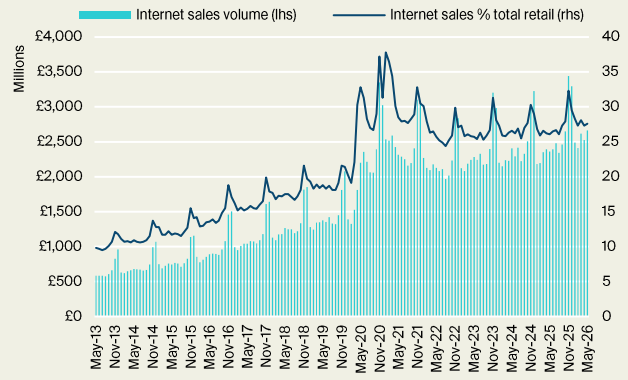
Online retail sales

Total Returns – Defence and Aerospace
01 Jan 2024 = 100



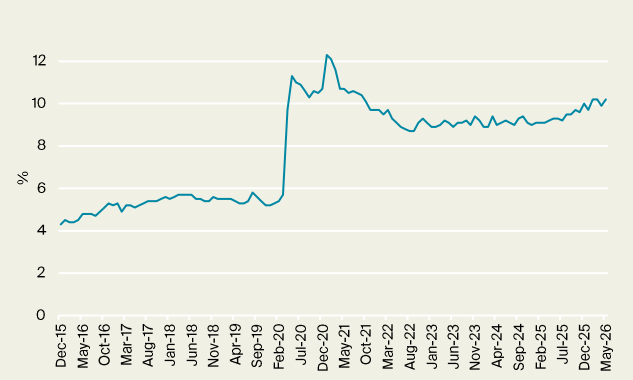
Source: Knight Frank Insight, Macrobond

UK Internet Retail Sales (monthly)



Source: Knight Frank Insight, ONS

UK grocery market – proportion of online retail (%)



Source: Knight Frank Insight, ONS

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UK Logistics Market Dashboard



June 2026

Market commentary

Investment

- A total of £1.64 billion transacted in Q1 2026, approximately 5% below the Q1 2025 total. The conflict in the Middle East, which began at the end of February, has led to a repricing of alternative assets and borrowing costs in the second quarter of the year. This has created some uncertainty around real estate pricing, and protracted transaction negotiations have hampered activity levels in Q2. Despite this, there is currently just over £1 billion of transactions recorded in Q2, with further transaction details still being collated. Heightened uncertainty and volatility have become the backdrop to the market, and investors are becoming more accustomed to navigating these volatility spikes.
- Five-year SONIA swap yields ended May at 4.08%, with the latest reading also at 4.08% (22nd June), compared with 3.67% a year ago (23rd June 2025). At the same time, 10-year gilt yields have risen to 4.81% (from 4.46% a year ago), narrowing the spread between logistics and the “risk-free” rate. This is causing investors to question pricing, particularly at the core end of the market.
- There has been some repricing of yields in the UK logistics market during Q2. The June edition of the Knight Frank yield guide reports a 25 bps softening in the yield for prime distribution/warehousing with a 20-year income, with sentiment softening across several other segments of the market.
- The UK industrial equivalent yield was 6.23% at the end of May, broadly stable y/y, compared with 6.22% in May 2025. At the end of May, the yield spread over the five-year swap was 215 bps, up from 198 bps in April, and compares with a ten-year average of c.376 bps.
- The second quarter has recorded some notable transactions, demonstrating continued investor appetite. For instance, EQT Real Estate has acquired six logistics assets from Tritax Big Box REIT for £199 million, while ICG Real Estate acquired the Springbox portfolio from Equites for around £200.5 million. The portfolio comprises five distribution centres, and the purchase price represents a NIY of 5.5%.

Returns

- Annual UK industrial capital growth slowed to 1.72% in May, down from 2.14% in April 2026 (MSCI).
- Annual total returns reduced by 44 bps, reaching 6.67% in May 2026 (MSCI).

Occupier Market Activity

- Preliminary data for occupier take-up in Q2 shows a total of 8.1 million sq ft of space taken up. This is down from 9.0 million sq ft in Q1 and brings the half-year total to 17.1 million sq ft. This compares with 20.9 million sq ft in the first half of last year, or 18.1 million sq ft in the first half of 2024.
- Despite heightened geopolitical and economic uncertainty, occupiers continue to push ahead with their real estate planning, and a number of sizeable transactions took place during Q2 2026.
- Notably, ID Logistics has agreed a five-year lease on Rugby 673, a 673,270 sq ft warehouse, while Shein has taken M1 XL, a 645,000 sq ft unit in Derby. With several sizeable transactions taking place in the Midlands this quarter, availability in the largest size bracket is becoming increasingly constrained.
- The vacancy rate rose in Q1, reaching 8.3%, up from 7.5% at the end of 2025. Preliminary estimates put the Q2 2026 vacancy rate at c.8.0%. However, while occupier demand is increasingly focused on new, Grade A facilities, rising vacancy has been driven largely by lower-quality, second-hand units returning to the market. Grade A vacancy was just 4.2% at the end of Q1, with some regions recording rates at or below 1%.

Rental Growth

- Average UK industrial rents continued to rise, with annual growth of 4.39% in the year to May 2026, down slightly from 4.45% in April.
- Rental growth is forecast to slow in 2026; however, the latest June 2026 forecasts mark an upward revision compared with the previous March forecasts. Annual growth is projected at 2.7%, revised up from 2.4%. The strongest rental growth in 2026 is forecast for the North East and Eastern regions.

Development

- Around 8.1 million sq ft is estimated to have been completed so far in 2026, with a further c.9.1 million sq ft under construction and expected to complete this year. This should bring the annual total for development broadly in line with last year.
- At the end of Q1 2026, 8.3 million sq ft of speculative space was under construction across 56 units. Speculative development activity is expected to remain suppressed, particularly in light of new inflationary pressures and increased risk to exit yields.

Industry/Trade

- The UK Manufacturing PMI eased to 53.1 in June 2026, according to flash data, compared with 53.9 in May. Despite the decline, manufacturing output improved, with the index rising to 53.6, its highest level in 21 months. The increase was supported by a temporary boost from customer stockpiling as businesses prepared for potential price increases. However, the slowdown in new order growth to a six-month low suggests that this demand boost may be fading. Manufacturing employment increased, although some firms noted that recent hiring was largely a short-term response to stronger order books. Supply chain conditions deteriorated again, with more manufacturers reporting longer delivery times.
- Global supply chain pressures eased in May, following a spike in readings in March and April due to the conflict in the Middle East. The British Isles Supply Chain Stress Index has trended upward since early 2025, peaking in March 2026. Although there was a notable decline in April and May, it remains elevated, with approximately 90,000 TEUs of stalled capacity.
- UK defence and aerospace firms have outperformed in recent years. This year, the defence segment of the FTSE All-Share Index has risen 14.4%, versus 6.7% for the wider index. While UK defence spending is rising, it is forecast to grow by just 3% this year—below other European markets, including Germany at 35%. The Defence Investment Plan (DIP), originally expected in the autumn, is now due to be released ahead of a NATO summit early next month. The sector is also driving notable demand for industrial and logistics space. For example, in June, the Ministry of Defence (MoD) leased a 545,000 sq ft unit (S545) at Panattoni Park in Swindon to establish Europe’s largest indoor uncrewed systems and drone testing facility.

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