UK LOGISTICS & INDUSTRIAL OUTLOOK

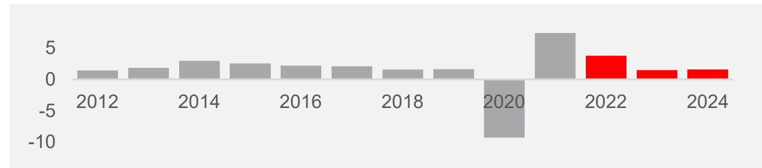
Q1 2022

CUSHMAN & WAKEFIELD

ECONOMIC DATA
Annual Indicators & Forecasts

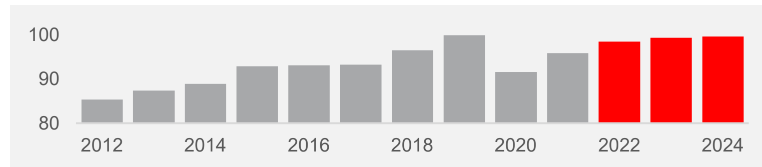
GDP growth (YoY%)

7.4	3.8	1.5	7.4	-9.3
2021	2022(f)	2023(f)	10yr Min	10yr Max



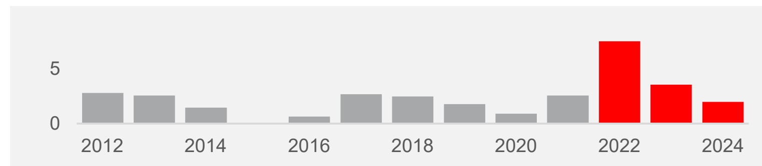
Industrial production index

96.0	98.5	99.4	85.3	100.0
2021	2022(f)	2023(f)	10yr Min	10yr Max



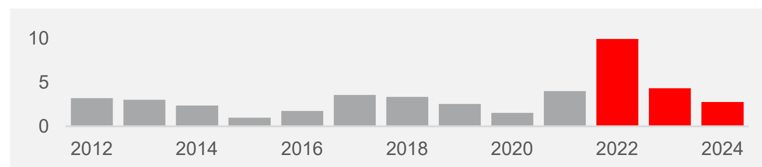
CPI (%)

2.6	7.5	3.5	0.1	2.8
2021 average	2022(f) average	2023(f) average	10yr Min	10yr Max



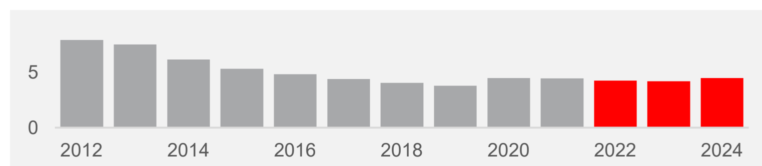
RPI (%)

4.0	9.9	4.3	1.0	4.0
2021 average	2022(f) average	2023(f) average	10yr Min	10yr Max



Unemployment rate (%)

4.5	4.3	4.2	3.8	8.0
2021 average	2022(f) average	2023(f) average	10yr Min	10yr Max



Source: Moody's Analytics
April 2022 forecasts

ECONOMIC DATA

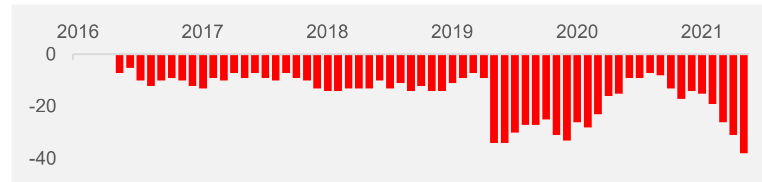
Monthly Indicators

	Last update	Last 5 years trend

Consumer Confidence

-38	-31	-15	-38	-5
This month	Last month	Same month in 2021	5yr Min	5yr Max

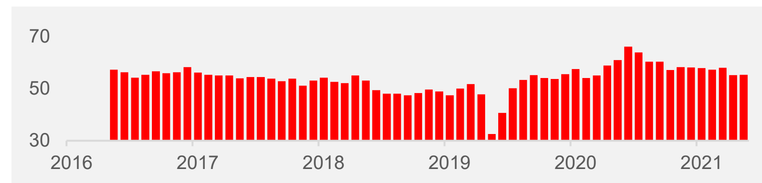
April 2022



Manufacturing PMI

55.3	55.2	60.9	32.6	66.1
This month	Last month	Same month in 2021	5yr Min	5yr Max

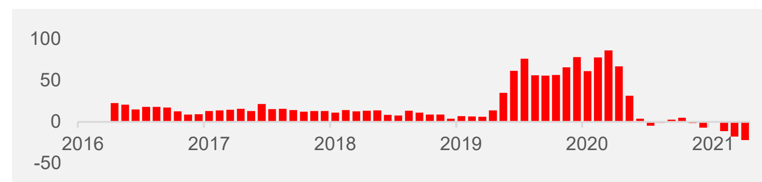
April 2022



Online Sales Growth

-21.8	-17.6	66.9	-21.8	86.4
This month	Last month	Same month in 2021	5yr Min	5yr Max

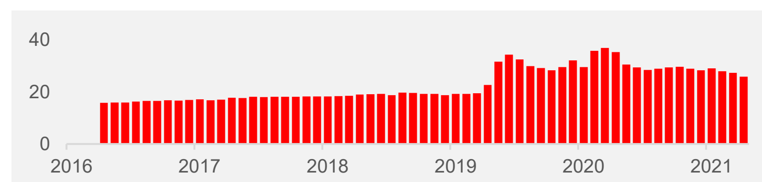
March 2022



Share of Online

26.0	27.5	35.5	15.9	37.1
This month	Last month	Same month in 2021	5yr Min	5yr Max

March 2022



Source: Office for National Statistics, S&P Global (IHS Markit), GfK
Online sales growth is based on comparison to same month in previous year
Online retail sales are analysed on a seasonally-adjusted basis

NATIONAL OVERVIEW

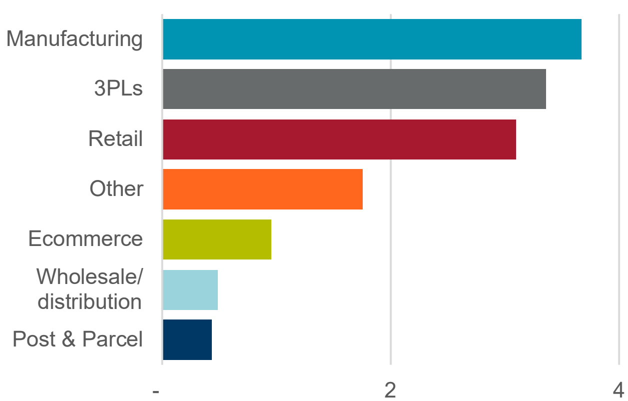
Occupier Market

The level of activity in Q1 shows that, despite some challenges ahead for occupiers and developers, there is still healthy appetite – and need – to acquire and build more space.

Richard Evans, International Partner, Head of UK Logistics & Industrial

Take-up	Take-up	Availability	Under offer
15.9m sqft Q1 2022	15.9m sq ft 2022 YTD	48.6m sqft Q1 2022	24.8m sqft Q1 2022
-14% Q-o-Q	13.3m sq ft 2021 YTD	+9% Q-o-Q	10.8m sqft Stock
+19% Q1 22 vs Q1 21	+19% Change	-19% Q1 22 vs Q1 21	14.0m sqft BTS/pre-let
+61% Q1 22 vs 10yr av		-21% Q1 22 vs 10yr av	

Take-up by sector (m sq ft)

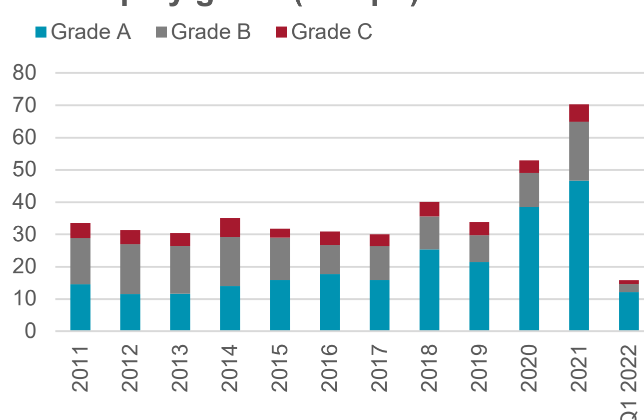


Source: Cushman & Wakefield Research

DEMAND

Occupier take-up has yet again set new records in Q1 2022: at 15.9 million sq ft, take-up for units of 50,000 sq ft or more was the strongest Q1 on record and is the eighth consecutive quarter to exceed 13 million sq ft. 98 transactions completed in the quarter, up 45% on the pre-pandemic quarterly average number of deals. Manufacturers took the largest volume of space in Q1, accounting for 23% of total floorspace, followed closely by 3PLs (21%) and retailers (20%). Ecommerce operators had a quieter quarter in Q1 but, with plenty of space under offer, we anticipate that they will be more acquisitive in Q2. High-quality space continues to command the most attention with Grade A accounting for 12.1 million sq ft (76%). Occupiers committed to 6.9 million sq ft of built-to-suit buildings in Q1, accounting for over 43% of total take-up, but with immediately/imminently available standing stock still attractive with speculative and existing space accounting for 28% apiece across all sizebands.

Take-up by grade (m sq ft)

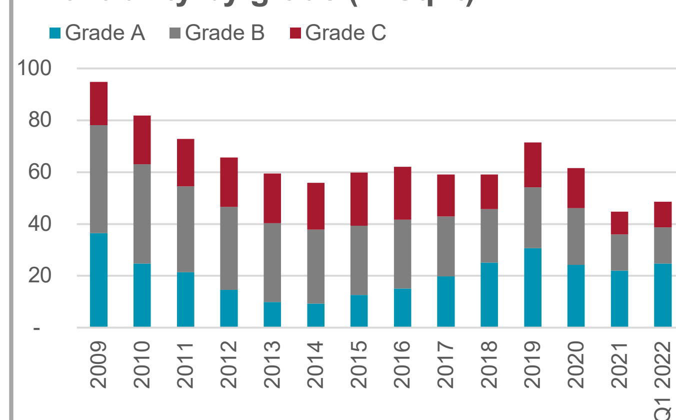


Source: Cushman & Wakefield Research

PIPELINE & AVAILABILITY

Developers commenced construction of over 6 million new speculative space in Q1; there is now nearly 20 million sq ft of speculative space under construction. With developments already completed and more space to commence imminently, we anticipate that 2022 will see over 26 million sq ft delivered speculatively, the highest volume on record with developers such as Prologis, GLP, Panattoni, PLP, Tritax Symmetry and Firethorn all actively ramping up their speculative development programmes in recent months. As a result of these new development starts as well as the return of existing units, availability increased in Q1 for the first time since Q2 2020. However, at 48.6 million sq ft (and with about a quarter of this stock currently being under offer), availability remains constrained: based on the post-pandemic rates of take-up of standing stock, there is just over 13 months supply currently being marketed as available.

Availability by grade (m sq ft)



Source: Cushman & Wakefield Research

NATIONAL OVERVIEW

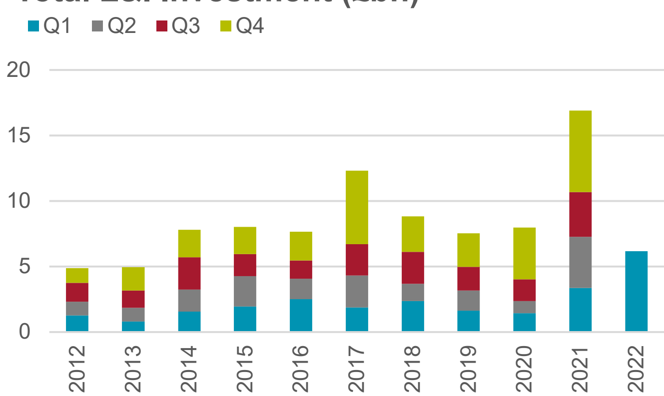
Investment Market

Investors continue to actively target the logistics & industrial sector, driving volumes, pricing and returns – as well as competition for all asset types.

Ed Cornwell, Partner, Head of UK Logistics & Industrial Capital Markets

Volumes	Volumes	Pipeline
£6.2bn Q1 2022	£6.2bn 2022 YTD	£1.2bn Under offer
-1% Q-o-Q	£3.4bn 2021 YTD	£1.9bn Available
+83% Q1 22 vs Q1 21	+83% Change	
+172% Q1 22 vs 10yr av		

Total L&I Investment (£bn)

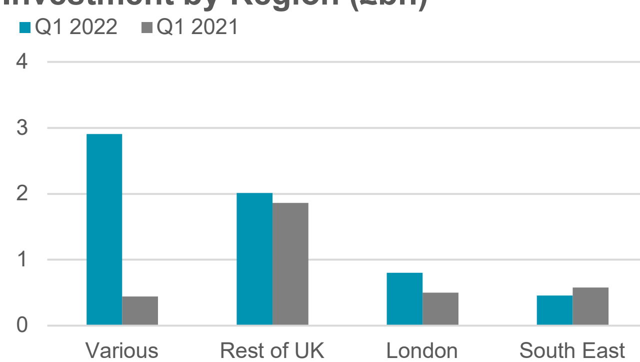


Source: RCA, Cushman & Wakefield Research

VOLUMES

Following a record £17 billion transacted in 2021, investment activity in logistics and industrial property remains high: at £6.2 billion, investment volume in Q1 was the second highest quarterly volume on record. In fact, the Q1 total is only slightly behind the pre-pandemic annual volume average of £7.7 billion. Many investors continue to seek scale and of the 116 transactions in the quarter, the ten largest deals accounted for 56% of total volume. This includes the largest single asset transaction on record with Arrow Capital Partners acquiring a 2 million sq ft logistics facility let to Amazon from Mountpark, who are currently building the unit, for £233 million. Overall, there remains a lot of focus from overseas capital in Q1, notably North American and Singaporean investors who are currently amongst the most active in the market. Overseas buyers represented over 55% of total investment volume in Q1, down slightly on FY2021 at over 60%.

Investment by Region (£bn)



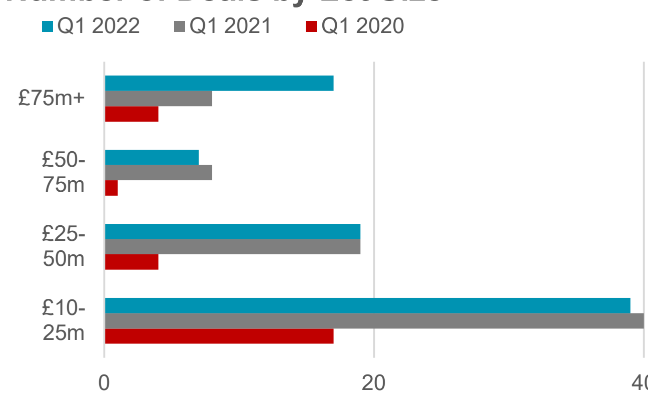
Source: RCA, Cushman & Wakefield Research

Investor interest in pan-UK portfolios continues with 47% of Q1 volume recorded for multi-region portfolios. London & South East assets continue to be a focus for investors and feature in many portfolio transactions as well as single-asset deals; over a third of Q1 volume included properties in the two regions.

PRICING & RETURNS

Prime yields continued to sharpen in Q1 with the weight of capital driving yields to new record lows. In Q1, C&W Average Prime Yield fell by another 16 bps, bring the total yield compression since end-2019 to over 120 bps. The largest shifts in Q1 were mostly in regional locations outside London & the South East as investors seek opportunities and yield 'level up' across the UK. Continuing yield shift and capital growth have driven annualised total return even further to reach a record 42.9% in March according to MSCI's Monthly Index for Distribution Warehouses.

Number of Deals by Lot Size



Source: RCA, Cushman & Wakefield Research

NATIONAL OVERVIEW

Rents & Yields Trends, Performance

C&W Prime Rent 100+

£9.59
Average

6.6%
Q-o-Q

15.9%
Y-o-Y

C&W Prime Rent 50-100k

£10.03
Average

5.4%
Q-o-Q

14.4%
Y-o-Y

C&W Prime Yield

3.84%
Q-o-Q

-16bp
Q-o-Q

-103bp
Y-o-Y

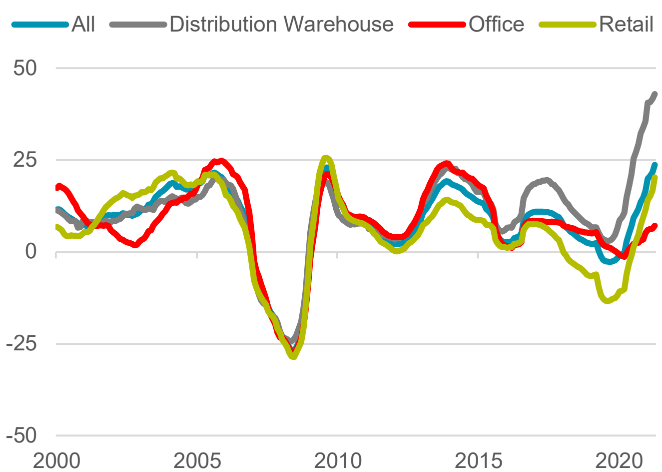
MSCI Total Return (MI,%)

42.9%
Annualised to Mar 2022

40.6%
Annualised to Dec 2021

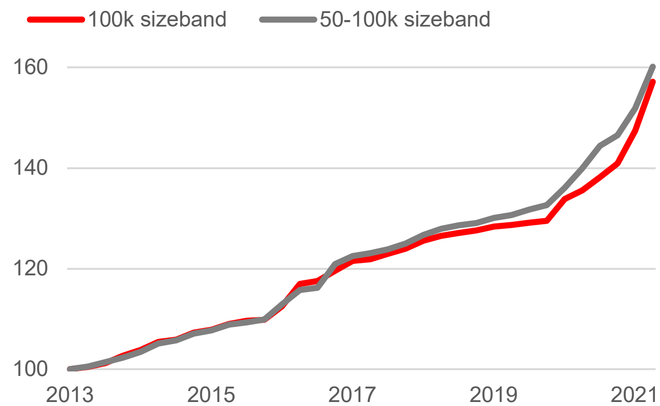
14.9%
Annualised to Mar 2021

Total Annual Return (%)



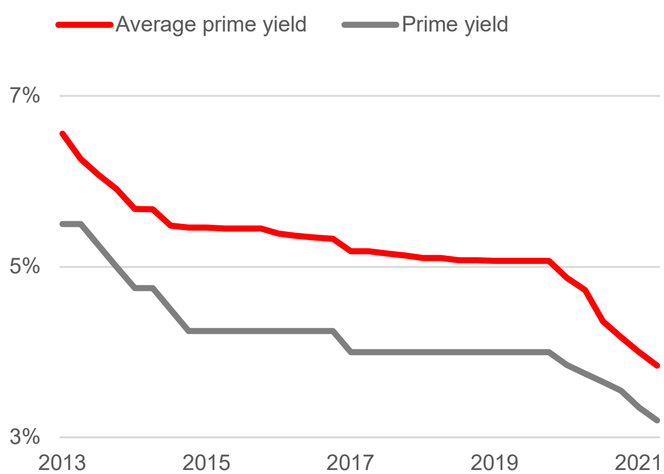
Source: MSCI, Cushman & Wakefield Research

C&W Prime Average Rent Index (Dec 2013 = 100)



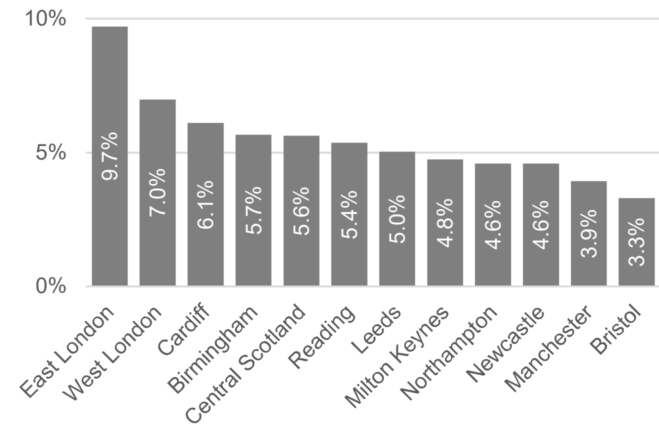
Source: Cushman & Wakefield Research

C&W Prime Yield



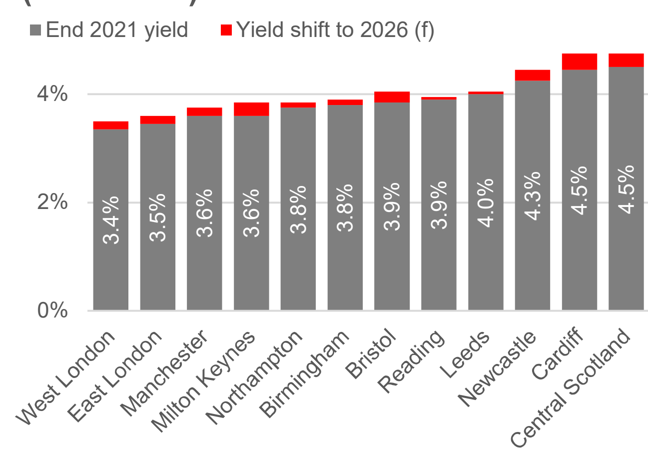
Source: Cushman & Wakefield Research

Prime Rental Growth Forecasts (2022-2026)



Source: Cushman & Wakefield Research

Prime Yield Forecasts (2022-2026)



Source: Cushman & Wakefield Research

C&W PRIME RENTS & YIELDS

Q1 2022

Region	Market	Prime Yield	Prime Rent 100k+	Prime Rent 50-100k
East	Cambridge	3.90%	8.50	9.25
East	Chelmsford	4.20%	10.00	10.50
East	Ipswich	4.50%	7.00	7.25
East Midlands	Corby	3.85%	6.50	6.50
East Midlands	Derby	3.90%	7.35	7.25
East Midlands	Leicester	3.70%	7.75	7.50
East Midlands	Lutterworth	3.60%	8.00	7.95
East Midlands	Northampton	3.60%	8.00	8.00
East Midlands	Nottingham	4.00%	7.00	7.00
East Midlands	Peterborough	3.85%	6.75	6.75
East Midlands	Wellingborough	4.00%	7.00	7.00
London	Croydon	3.30%	17.50	18.00
London	Dagenham/Barking	3.30%	16.50	17.50
London	Dartford	3.40%	11.75	12.50
London	Enfield	3.30%	18.50	20.00
London	Erith/Belvedere	3.40%	11.50	12.50
London	Heathrow	3.20%	20.00	22.50
London	Park Royal	3.20%	22.50	25.00
London	Thurrock	3.40%	11.00	12.00
London	Watford	3.50%	16.00	16.50
London	Weybridge	3.55%	16.50	17.50
North East	Newcastle	4.10%	6.00	6.50
North West	Crewe	4.25%	7.00	7.00
North West	Liverpool	4.15%	7.00	7.50
North West	Manchester	3.45%	7.50	8.25
North West	Runcorn	4.10%	6.50	6.50
North West	Warrington	3.65%	7.50	7.75

Region	Market	Prime Yield	Prime Rent 100k+	Prime Rent 50-100k
Scotland	Central Scotland	4.40%	6.75	7.00
South East	Banbury	3.95%	8.00	8.00
South East	Basildon	3.70%	10.00	10.50
South East	Basingstoke	3.85%	12.50	13.50
South East	Bedford	3.45%	8.75	8.75
South East	Bracknell	3.75%	13.00	14.00
South East	Crawley/Gatwick	3.50%	15.00	15.50
South East	Dunstable/Luton	3.50%	10.00	11.00
South East	Guildford	3.60%	12.00	13.00
South East	Harlow	3.50%	12.00	12.00
South East	Hemel Hempstead	3.50%	15.50	16.00
South East	Maidstone	4.20%	8.75	9.50
South East	Milton Keynes	3.55%	10.25	10.50
South East	Newbury	4.00%	10.00	10.50
South East	Oxford	3.85%	8.50	9.00
South East	Portsmouth	3.95%	10.00	10.50
South East	Reading	3.70%	13.00	14.50
South East	Slough	3.50%	17.50	20.00
South East	Southampton	3.85%	11.00	11.50
South West	Bristol	3.75%	8.00	8.50
South West	Exeter	4.20%	8.00	8.50
South West	Gloucester	4.15%	7.00	7.25
South West	Swindon	3.95%	8.00	8.25
Wales	Cardiff	4.40%	6.75	7.25
Wales	Swansea	4.60%	5.00	5.50

Region	Market	Prime Yield	Prime Rent 100k+	Prime Rent 50-100k
West Midlands	Birmingham	3.60%	8.95	9.00
West Midlands	Cannock	3.95%	6.50	6.50
West Midlands	Coventry	3.90%	8.75	8.25
West Midlands	Daventry	3.95%	7.50	7.50
West Midlands	Redditch	3.95%	8.00	8.00
West Midlands	Rugby	3.95%	7.50	7.50
West Midlands	Solihull	3.90%	9.00	9.00
West Midlands	Stafford	4.00%	6.75	6.75
West Midlands	Stoke on Trent	4.00%	6.95	6.95
West Midlands	Tamworth	3.95%	7.75	7.75
West Midlands	Telford	4.45%	6.50	6.50
West Midlands	Wolverhampton	4.10%	7.50	7.50
West Midlands	Worcester	4.10%	6.75	6.75
Yorks & Humber	Bradford	4.45%	6.75	7.00
Yorks & Humber	Doncaster	4.10%	6.50	6.50
Yorks & Humber	Hull	4.50%	6.00	6.00
Yorks & Humber	Leeds	3.75%	7.00	7.50
Yorks & Humber	Sheffield	3.85%	6.75	7.25
Yorks & Humber	Wakefield	3.75%	7.00	7.25

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