Overview
The UK logistics market remains resilient despite the uncertainty surrounding Brexit and the economy in general. The leasing market had a record-breaking year thanks to e-commerce, while investor demand remains strong and transactions volumes in line with the five-year average as a result.

Occupier focus
Q4 take-up totalled 11.1 million square feet, taking the annual tally to 35.9 million square feet, the highest level since 2008. Despite 2018 having as many deals as 2017, take-up rose by 30%, with a number of mega BTS deals by retailers contributing to skew the average deal size (191,000 square feet). eRetailers were the most active group, accounting for 26% of annual take-up, with Amazon alone taking 5.3 million sq ft. While larger requirements continue to be primarily satisfied by BTS, the share of speculative space is increasing (24% of deals vs. 18% last year) and so the number of XL units of 400,000 sq ft+ being built speculatively. For 2019, there is 17% more space under construction (6.9 million sq ft) than the five-year average, with more schemes likely. This new product will continue to test prime rents, with record rents recently achieved in many submarkets.

Investment focus
Investor sentiment around the logistics sector remains positive, with £6.7 billion transacted last year, just above the five-year average of £6.5 billion (excluding the acquisition of Logicor by CIC last year). Prime assets continue to see strong interest from domestic and overseas investors alike and achieve keen yields. However, a widening spread between bids shows that investors are generally more cautious with their underwriting assumptions, particularly for non-prime assets.

Outlook
Given the flurry of deals in 2018 and with still little clarity on Brexit, 2019 may see a pause in activity, although enquiries remain at a high level. The volume of new supply will help rebalance a market where the structural tailwinds of e-commerce and supply chain modernisation show no sign of easing. As such, there are reasons to be optimistic about the logistics sector in these uncertain times, although a return to more “normal” rates of growth is likely.