

# UK LOGISTICS & INDUSTRIAL OUTLOOK

## Key Findings:

- **Demand for Logistics and Industrial property fell to 6.2m sq ft during Q3, taking 2024 take-up to 26.3m sq ft 15% ahead of 2023.**
- Although recovery stalled during the quarter, demand from key occupier groups such as manufacturing retail and 3PLs remains robust, accounting for over 60% of total demand.
- **Availability increased for the first time during 2024 to 64.2m sq ft a modest increase of 1.64% driven predominantly by a rise in existing Grade B space coming back to market.**
- The development pipeline continues to contract, with new starts falling to 2.2m sq ft, down from 2.6m sq ft during Q2 2024.
- **Investment volumes remain muted** totalling £1.4bn during Q3 2024, and taking YTD volumes to £4.5bn 13% behind the volume recorded at this point in 2023.

Q3 2024

# ECONOMY & OUTLOOK

## Performance Indicators & Commentary

**GDP forecast Annual Growth**  
 1.75% | 1.37% | 1.61%  
 2024            2025            2026

**GVA – T&S\* forecast Annual**  
 4.52% | -3.18% | 5.32%  
 2024            2025            2026

**GVA - Manufacturing Annual Growth**  
 0.07% | -1.22% | 0.41%  
 2024            2025            2026

**Annual Online Sales Growth**  
 5% | 0% | 0%  
 2024            2025            2026

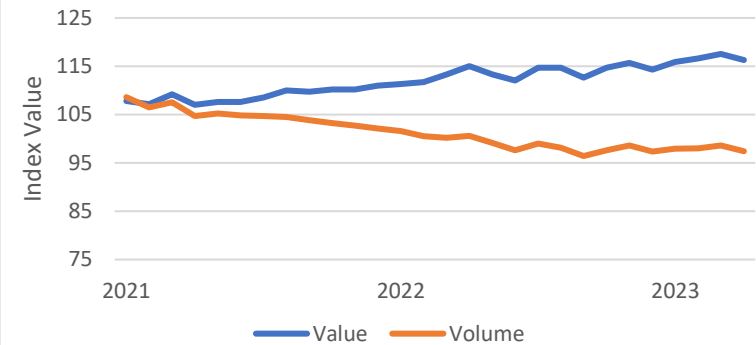
### ECONOMY

The UK economy has had a strong first half of the year, with recovery now underway. During the first half of the year, GDP increased by 1.3% as a result of consumer spending and an increase in business investment. More recently, annualised growth had been closer to ~2% enabled by a significant easing in global inflationary pressures, although there remain some domestic pressures and an air of caution from both consumers and businesses alike. Consumer confidence took a large knock during September falling to -20 from -13 during August. This fall was attributable to a worsening in consumers economic outlook, a product of caution around what is expected to be a contractionary although fiscally responsible Autumn budget. Geopolitical tensions and ongoing conflict has also meant that supply chain pressures are once again rising, along with elevated prices for major shipping routes. The UK Manufacturing PMI contracted during September but remains at an expansionary score of 51.5.

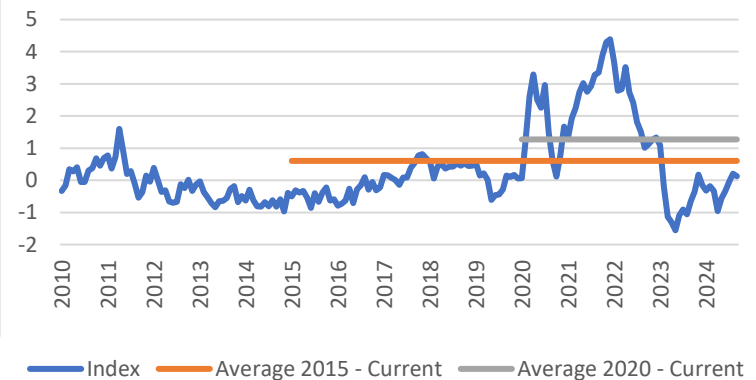
### OUTLOOK

As with 2023 the outlook for 2024 remains cautious as the economy remains vulnerable to both external and internal shocks. Through the third quarter of 2024 sentiment towards economic recovery has continued to improve, although it is widely felt that downside risk is again rising. It is anticipated that the MPC will enact a second base rate cut at November's meeting. The transition to a recovery and growth mindset will result in improvements in both the occupational and capital markets, however material impact on the market is likely to be gradual with momentum returning during late H2 2024 and with a growing chance that consumer market recovery may now take place during Q1 2025. The Logistics and Industrial sector will continue to actively monitor the ongoing conflict in the middle east, as key shipping routes continue to be impacted, affecting lead times and cost and resulting in increased demand for space. As the speculative pipeline reduces some markets will continue to be characterised by pockets of under-supply maintaining upward rental pressure.

### Retail Sales Value & Volume Indices

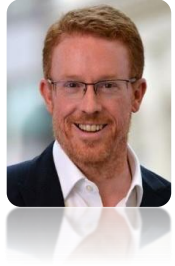


### Supply Chain Pressure Index



# NATIONAL OVERVIEW

## Occupier Market



“Q3 proved to be a quiet quarter for the market, with take-up falling markedly. Despite this activity levels are largely in line with pre-pandemic norms and vastly improved on this time last year. This in itself is a remarkable achievement and points to the resilience of our sector. Economic recovery and improving sentiment is likely to materialise into recovery in 2025”

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

## DEMAND

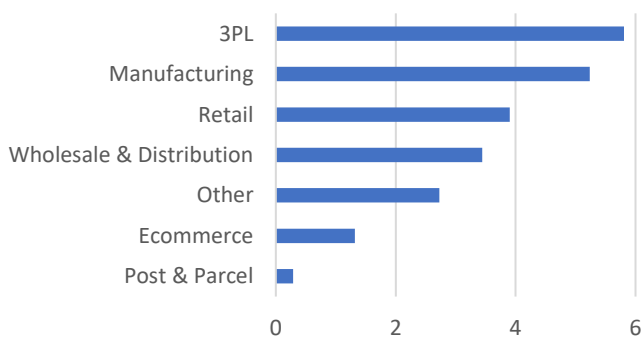
Occupational demand fell to 6.2m sq ft during the third quarter of 2024, primarily as a result of a lack of large deals that had previously helped to keep occupancy statistics buoyant earlier in the year. Despite the drop off in the Q3 volume, volumes year to date remain 5% above the pre-pandemic average and 15% ahead of the same period last year. Although no deals were recorded for e-commerce occupiers during the quarter, the return of the post & parcel sector comes as welcome news, with four deals being signed in the quarter marking the sectors first significant activity since Q2 2023. Interestingly the food manufacturing, wholesale and distribution sector has proven particularly active in 2024, with bakeries alone signing for 1.1m sq ft of space during 2024 so complimenting a host of food related 3PL contracts also being placed within modern stock during 2024. From a regional perspective, the Midlands and the North West continue to prove particularly active accounting for 65% of all activity.

## PIPELINE & AVAILABILITY

Total availability increased during Q3 2024, rising by a modest 1.7% quarter on quarter, driven by an uplift in the volume of Grade B space available. The volume of Grade A space remained largely unchanged, and accounts for 70% of total supply, this stability is owed to a slowing of new starts during the quarter twinned with lower take-up volumes. The volume of Grade C space has continued to contract as a result of assets being withdrawn for redevelopment or refurbishment, as the risk of functional obsolescence rises. Despite this pockets of under-supply remain prevalent across the United Kingdom, with notable markets affected by a lack of choice including the South West, Wales, and the West Midlands. The supply outlook remains stable with no significant structural changes anticipated. The development pipeline has continued to moderate with new starts falling to 2.2m sq ft down from 2.4m sq ft last quarter. Despite this land banking, and planning applications have continued at pace in primary markets, likely pointing to an uplift in Grade A space from 2026 onwards.

Take-up	Take-up	Availability	Under offer
6.2m sq ft Q3 2024	26.2m sq ft Q1-Q3 2024	64.2 sq ft Q3 2024	6.4m sq ft Q3 2024
-42.5% Q-o-Q	22.4m sq ft Q1-Q3 2023	+1.7% Q-o-Q	3.2m sq ft Existing stock
-10.8% Q3 24 vs Q3 23	+15% 2024 YTD vs 2023 YTD	-1.5% Q3 24 vs Q3 23	3.2m sq ft Spec Built / UC
-24% vs 10yr Q3 Av		+7% Q3 24 vs 10yr av	

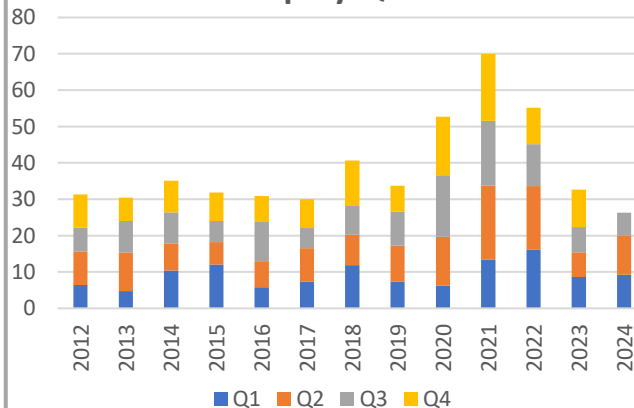
### Take-up by Sector Q1-Q3



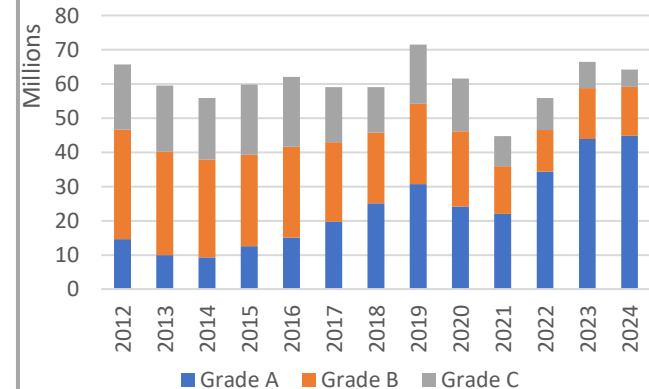
Source: C&W 2024

Millions

### Take-up By Quarter



### Availability by Grade



# NATIONAL OVERVIEW

## Investment Market



“Although investment volumes have remained muted through 2024, positive sentiment remains. The depth of demand and competitive tension synonymous with the sector is still prevalent. We expect this continue throughout the rest of the year and the sector to trend towards yield compression in 2025”

Charles Howard, Partner, Logistics & Industrial Cap Markets

### Volumes

£1.4bn  
Q3 2024

-16%  
Q-o-Q

-32%  
Q3 24 vs Q3 23

-34%  
Q3 24 vs 10yr Q3 av

### Volumes

£4.5bn  
Q1-Q3 2024

£5.1bn  
Q1-Q3 2023

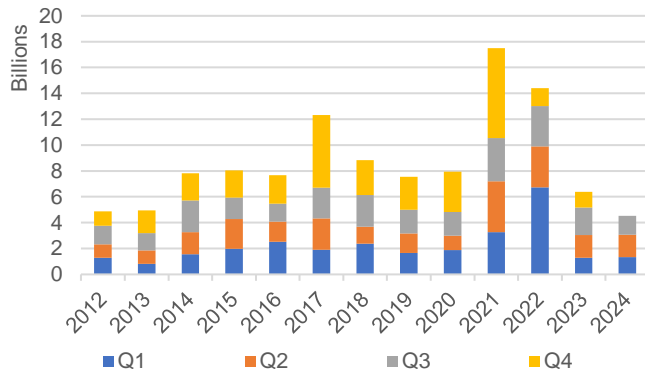
£6.7bn  
H1 10 yr Av

### Pipeline

£730m  
Under offer

£1.1bn  
Available

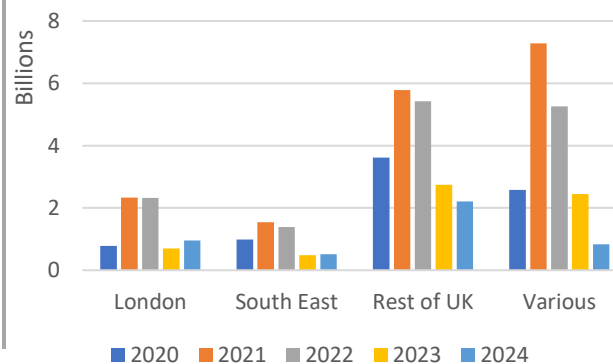
### Total L&I Investment (£bn)



## VOLUMES

Total investment into the Logistics and Industrial sector reached £1.4bn during Q3 2024, a 16% contraction on Q2 2024 and 32% below the Q3 2023 volume. Total investment in the Logistics and Industrial sector year to date stands at £4.5bn, 13% below the same period in 2023 and 23% below the 5-year pre-pandemic Q1-Q3 average. Q3 volumes saw reduced single let activity, most notably for lot sizes of £25m+, which saw volumes contract by 26% QoQ. The portfolio market saw volumes increase by 56% QoQ, owed to a number of larger high value portfolios transacting two being in excess of £100m. We have seen an investor shift towards multi let assets offering meaningful and quicker access to reversion. Institutional investors remain dominant for the most prime multi let opportunities across the UK and we expect improved volumes in Q4 driven by larger mixed sector portfolio trades and multi let opportunities.

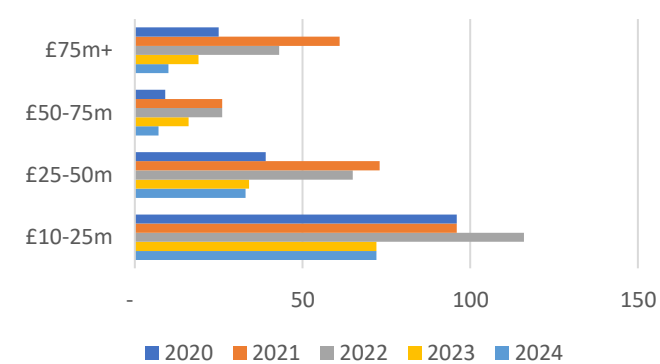
### Investment by Region (£bn)



## PRICING & RETURNS

The re-pricing of Logistics and Industrial assets in the UK now appears to have largely run its course with some evidence coming through that yield recovery is underway. Average prime yields in the UK are currently 5.40%. The keenest pricing can still be found in London and the South-East where prime yields are 4.65% and 4.95% respectively, owing to the sustained prospect of rental growth. Through 2024 pricing has held relatively stable, as sentiment has continued to improve. However, a reduction in transaction levels during 2024 has posed challenges for the pricing of Logistics and Industrial assets, particularly in the absence of truly prime rack rented evidence in some markets. Pricing stability through 2024 and income growth has seen annual total returns enter positive territory according to the latest data released by MSCI. Competitive tension for best-in-class assets is expected to create some yield compression in select prime markets.

### Number of Deals by Lot Size



# NATIONAL OVERVIEW

## Rents & Yields Trends, Performance

### C&W Prime Rent 100+

£11.59  
Average

0.4%  
Q-o-Q

2.9%  
Y-o-Y

### C&W Prime Rent 50-100k

£12.38  
Average

0.1%  
Q-o-Q

3.4%  
Y-o-Y

### C&W Prime Yield

4.65%  
Headline

5.40%  
Average

-0.07 bps  
QoQ Average Yield Shift

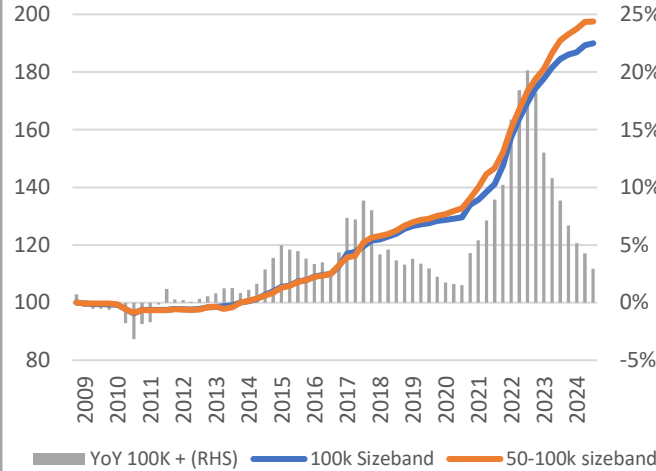
### MSCI Total Return (MI%)

5.9%  
Annualised to Sept 2024

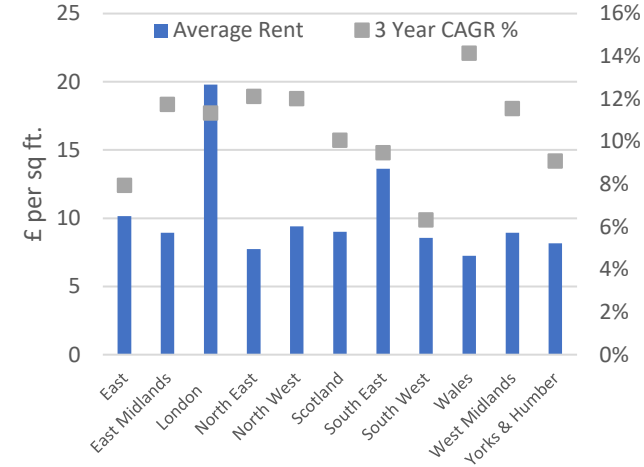
5.3%  
Annualised to Jun 2024

5.9%  
Annualised to Mar 2024

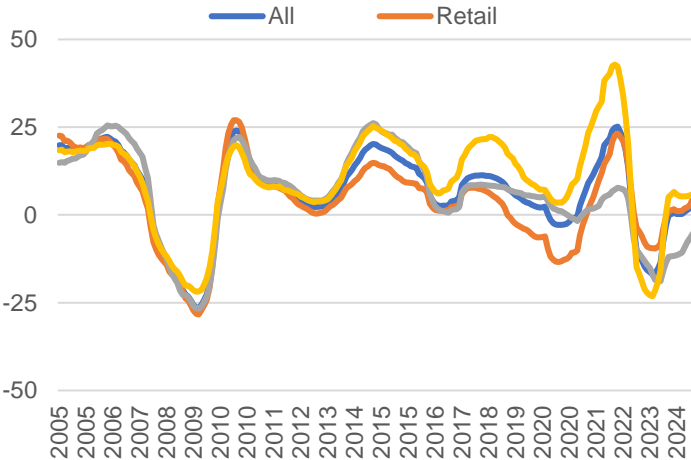
### Rental Growth Indices by Size



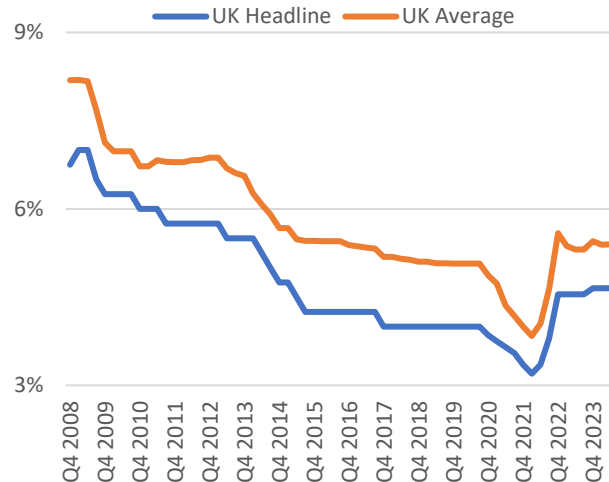
### Prime Average Rents by Region (100K sq ft +)



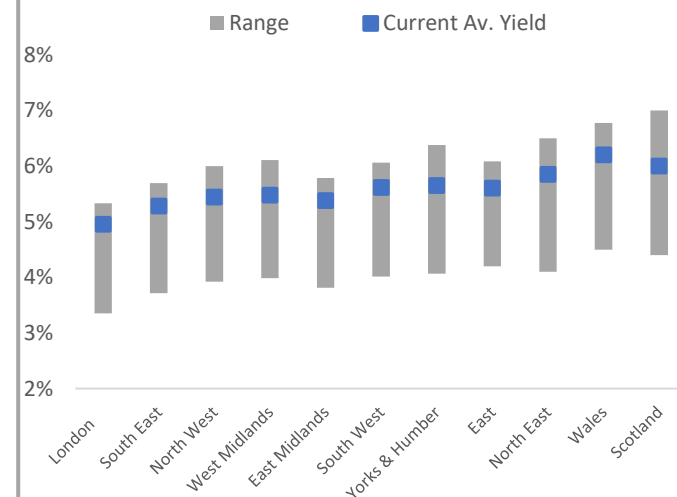
### Total Annual Return (%)



### Prime Yield by Type



### Yield by Region vs 10 yr. spread



Source: C&W 2024, MSCI 2024

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