

Industrial Q4 2023

66.4 M
Availability, SQFT Q4

YoY
Chg12-Mo.
Forecast

32.5 M
Take-Up, Full Year 2023



6.6%
Prime Rent Growth YoY



Average UK Big Box (Units of 100,000 Sq ft +)

LATEST INDICATORS

-24
GfK Consumer
Confidence Index
(Nov 2023)

YoY
Chg12-Mo.
Outlook

46.2
UK Manufacturing PMI
(December 2023)



30.7%
Online Share of retail.
(Nov 2023).



Source: GfK, S&P Global (IHS Markit), ONS
* A score below 50 indicates contraction

Occupational market holds steady in the face of headwinds

The occupational market continued its steady pace during Q4 2023, albeit at markedly lower levels than had been enjoyed in recent years. Take-up for the fourth quarter amounted to 10.2m sq ft surpassing the Q3 value and takes the 2023 total volume to just short of 32.5m sq ft. This is just 2% below the 5 year pre-pandemic average, signalling a return to typical long-term levels of activity. As a result of easing supply chain pressures and muted retail sales and cost of living crisis, the market experienced a notable shortage of demand from large retailers and 3PL operators, whilst e-commerce demand has remained largely limited to emerging SME's. Despite this, demand for smaller sized units remains resilient with the 50,000-100,000 sq ft and 100,000-150,000 sq ft brackets outperforming their pre pandemic 5 year averages by +16% and +43% respectively, accounting for 46% of total demand throughout 2023.

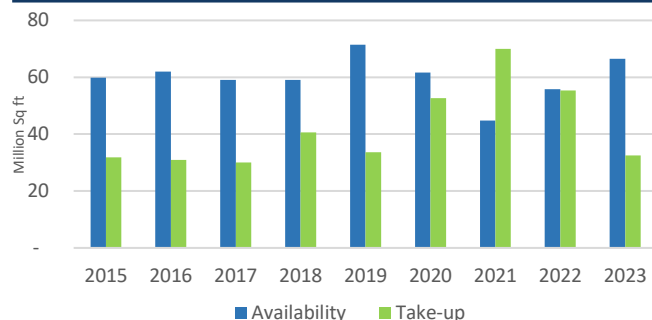
Growth of supply slows

The total availability of logistics and industrial units over 50,000 sq ft reached 66.5m sq ft at the end of 2023, its highest level since the outbreak of the Covid-19 pandemic. Despite a 10.8m sq ft increase when compared to Q4 2022, the Q4 2023 value is just a 2% uplift on the Q3 value, driven by incremental increases in the supply of all grades. It also marks the second quarter of deceleration in supply levels, suggesting the market is likely to avoid any concerns around over-supply. The supply of Grade A space, accounting for nearly 44m sq ft sits at its highest level on record, whilst simultaneously the supply of Grade C space is near its all time low at just 7.7m sq ft. These figures come amidst the backdrop of a strong refurbishment pipeline and a growing focus on the environmental impact of construction which has seen a swathe of functionally obsolete legacy logistics sites re-cycled and re-modelled. The rate at which grey space (available by way of assignment or sublease) has also slowed, and strong demand for fully fitted warehousing has reduced the overall supply which now accounts for 7.3m sq ft.

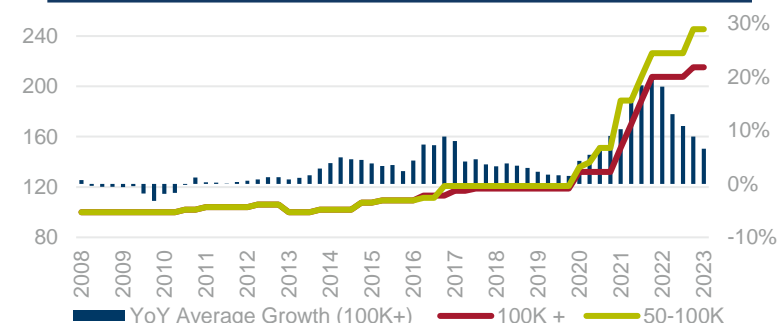
Capital markets weighed down by economic environment

Sentiment around the UK Logistics and Industrial sector remains one of firm conviction and quiet confidence, given the resilience of the occupational market and outlook for moderate rental growth over coming years. Despite this, the market continues to be heavily impacted by economic conditions, the large outward shift in the cost of debt and a wide gap between buyer and seller expectations. As such, total investment volumes fell to £6.4bn during 2023, having seen just £1.2bn transact during the final quarter of the year. The year has been characterised by an absence of large portfolio sales completing, and a downturn in purchases of higher lot sizes. Pricing has moved out marginally during the second half of the year, with the markets opting for gradual adjustments in order to encourage liquidity. However, it is felt that the end of the interest rate hiking cycle, and economic recovery during 2024 may bear fruit and kick start a gradual recovery during H1 2024.

TAKE-UP AND AVAILABILITY



C&W PRIME RENT INDEX, Dec 2008=100



Industrial Q4 2023

MARKET STATISTICS

	Availability (sq ft)	Grade A (sq ft)	Spec Grade A U/C (sq ft)	Current Quarter Take-up (sq ft)	2023 Total Take-up (sq ft)	Prime Rent (£ / sq ft)	Prime Equivalent Yield
London	2,324,459	1,570,981	611,016	217,689	990,020	28.5	4.65%
South East & East	11,539,771	8,516,973	1,731,138	1,931,918	5,009,705	22.5	4.90%
North West	8,748,531	6,125,855	2,867,963	1,528,364	4,035,921	10.5	4.90%
West Midlands	9,604,620	6,720,015	2,632,350	691,258	4,787,190	11	5.10%
East Midlands	11,134,165	9,478,109	5,155,570	3,388,893	8,838,952	10	5.05%
Yorks & Humberside	7,884,450	5,916,047	2,537,825	721,364	3,585,670	8.5	5.15%
South West	5,263,571	3,340,255	319,863	171,754	1,085,505	8.75	5.25%
North East	1,907,387	1,025,411	309,950	1,221,905	1,709,685	7.75	5.95%
Wales	5,232,827	274,582	52,582	237,239	1,031,649	8	6.30%
Scotland	2,847,208	934,199	-	156,734	1,424,731	9	6.25%
Total	66,486,989	43,902,427	16,218,257	10,267,118	32,499,028	11.35**	5.45%**

KEY LEASING/OWNER-OCCUPIER TRANSACTIONS Q4 2023

Property/Business Park	Region	Tenant	Size (sq ft)	Type
Panattoni Ayelsford	South East & East	Tesco	675,000	BTS/Pre-let
Gravelly Point, Birmingham	West Midlands	Alliance	285,158	Spec (Newly completed)
Didcot 190	South East & East	Britpart	189,834	Spec (Newly completed)
177 Castlewood	East Midlands	Alloga	177,000	Spec (Newly Completed)
Botany Bay Chorley	North West	Confidential	100,001	Spec (Newly completed)

KEY INVESTMENT TRANSACTIONS Q4 2023

Property Name	Region	Seller/Buyer	Size (sq ft)	Price
Leicester Distribution Park	East Midlands	Blackrock / Aviva	714,478	£102,500,000
Midlands Logistics Park, Corby	East Midlands	Tritax Big Box / P3 Logistics	850,000	£95,400,000
Artemis Portfolio	Portfolio	IPIF / Eskmuir	427,447	£60,200,000
Bath Road, West Drayton	London	Hermes / Copley Point	216,658	£51,751,378

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