UK LOGISTICS & INDUSTRIAL OUTLOOK

Q4 2023

Key Findings:

- **Take-up** totalled 10.25m sq ft during Q4 2023, taking the full year volume to **32.5m sq ft throughout 2023, just 2% below the five year pre-pandemic average.**

- Despite the number of units under offer falling, the total volume of space **under offer rose** during Q4, now accounting for **9.7m sq ft**, pointing to a potential recovery in the occupational market during 2024.

- **Availability has continued to increase** rising to 66.4m sq ft, although Q4 stats continue to show a **deceleration in the volume of stock coming to market**. Availability had previously been growing by circa 4m sq ft a quarter since Q2 2022.

- The **volume of grey space available contracted during Q4 2023**, with total space available by way of sub lease now standing at 7.3m down from 7.7m sq ft during Q3.

- **Investment volumes remain muted** totalling £6.4bn during 2023, following £1.2bn transacting during the final quarter of 2023.

CUSHMAN & WAKEFIELD

ECONOMY & OUTLOOK

Performance Indicators & Commentary

GDP forecast Annual Growth	GVA - T&S* forecast Annual Growth	GVA - Manufacturing forecast Annual	Annual Online Sales Growth
0.3% | 0.28% | 0.75%	-1.46% | -7.16% | -2.33%	1.46% | 1.99% | 0.51%	5.11% | -2.72% | -4.86%
2023 2024 2025	2023 2024 2025	2023 2024 2025	2023 2024 2025

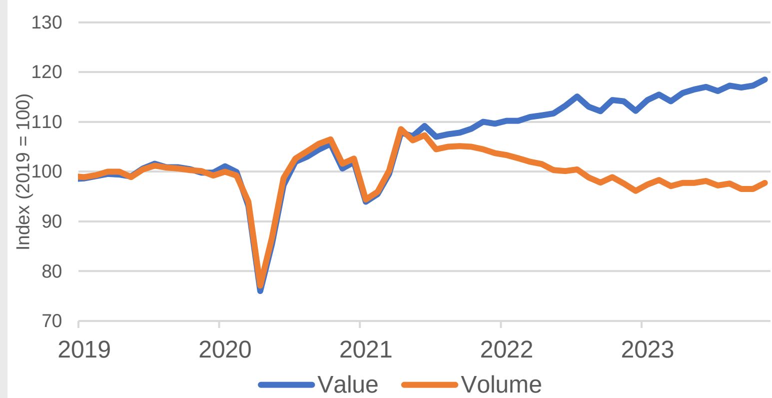
ECONOMY

After consecutive rate hiking the MPC has voted to keep rates stable at 5.25% in the most recent consecutive meetings, with market expectations now that this marks the peak of tightening monetary policy. The consumer price index rose by 3.9% YoY down from 4.6% during October, before a slight uptick in December, whilst core inflation fell from 5.7% to 5.1% over the same period. It is now expected that the economy will undergo a prolonged period of low economic growth with some commentators forecasting a mild technical recession throughout H1 2024. Regardless as to whether the economy meets the academic definition of recession, H1 2024 is likely to be a muted period of further recalibration and low growth. Consumer confidence improved during November rising to -14 from -30, this was largely driven by improvements in the major purchase index and the economic outlook, with households showing signs that they are once again happy to spend and feel that improvement in 2024 is likely. However improvements in consumer confidence will have limited immediate effect on the Logistics and Industrial market given retail sales volumes remain relatively low, as such closer attention will likely be paid to business confidence and supply chain pressures.

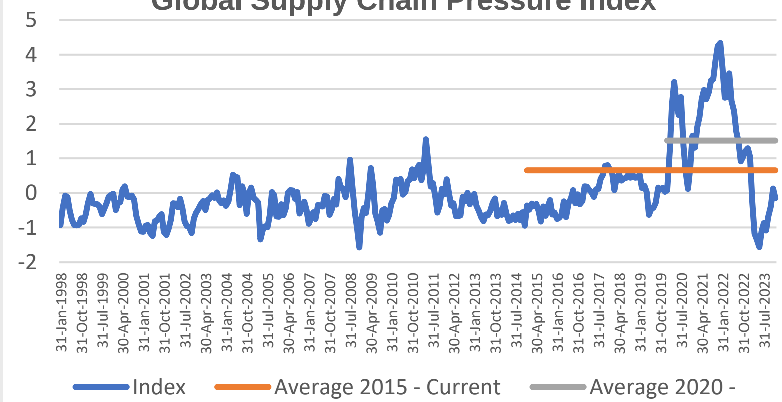
OUTLOOK

As with 2023 the outlook for 2024 remains cautious as the economy remains vulnerable to both external and internal shocks. The broad consensus is that the United Kingdom will undergo a soft landing, flirting with the risk of recession but most likely entering a low growth phase. Although it is anticipated the MPC will begin cutting the base rate in the latter half of the year, it is likely that the process will be relatively modest and drawn out. 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 begin during late H2 2024, before gaining significant momentum in 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 from highs in recent years, some markets will continue to be characterised by pockets of under-supply maintaining upward rental pressure.

Retail Sales Value & Volume Indices



Global Supply Chain Pressure Index



NATIONAL OVERVIEW

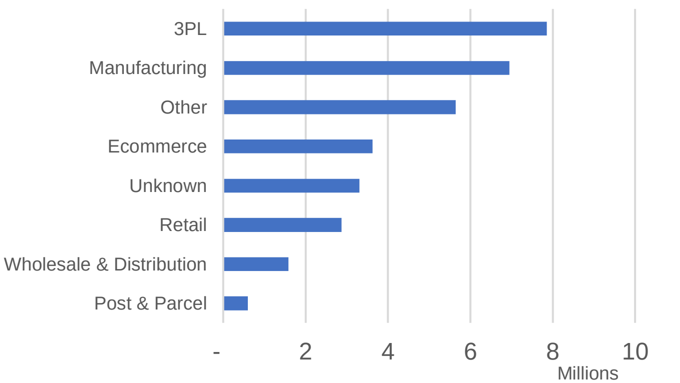
Occupier Market

"Our Q4 take-up figures and the breadth of demand across all markets highlights just how robust and resilient the market can be in the face of economic pressures. Early signs of economic recovery during 2024 will enable businesses to once again invest in their supply chains with confidence."

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

Take-up	Take-up	Availability	Under offer
10.3m sq ft Q4 2023	32.5m sq ft Q1-Q4 2023	66.5m sq ft Q4 2023	9.8m sq ft Q4 2023
+52.8% Q-o-Q	55.3m sq ft Q1-Q4 2022	+2.0% Q-o-Q	8.6m sq ft Built stock
+2.4% Q4 23 vs Q4 22	-41% change vs Q1-Q4 22	+19.1% Q4 23 vs Q4 22	1.2m sq ft Under Constr.
+26.2% vs 10yr Q4 Av		+11.0% Q4 23 vs 10yr av	

Take-up by Sector 2023

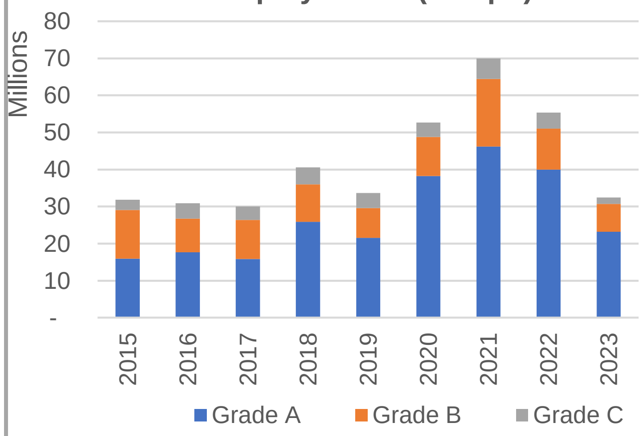


Source: C&W 2023

DEMAND

Occupational demand amounted to 10.2m sq ft during the final quarter of 2023, taking the full year volume to 32.5m sq ft. A strong final quarter means that total demand in 2023 fell firmly back in line with pre-pandemic norms, at just 2% below the 2015-2019 average. In contrast to previous market phases however, both the share of grade A take-up and take-up within units speculatively developed stands at much higher levels than the five years preceding the pandemic +20% and +62% respectively. Geographically demand continues to be focussed around key industrial clusters with the Midlands accounting for over 40% of national take-up, whilst growing demand relative to pre-pandemic levels was recorded in the East Midlands, Yorkshire and Humberside, and Scotland, where markets are rapidly modernising and as such bringing renewed demand, for occupiers searching for high specification space with a degree of affordability. Take-up for Grade C space sits near its record low, as the market transitions towards ESG compliance.

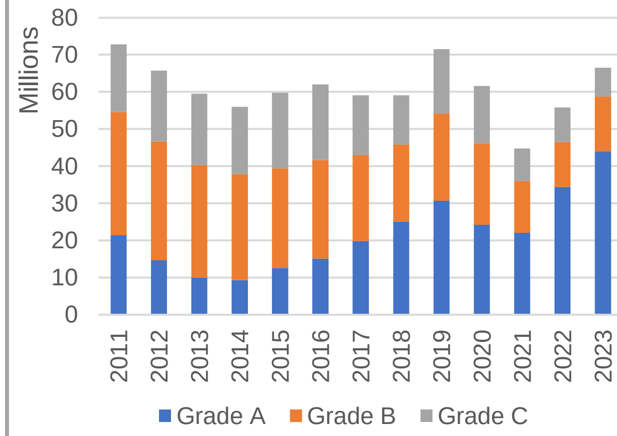
Take-up by Grade (m sq ft)



PIPELINE & AVAILABILITY

Q4 2023 saw a second consecutive quarter of deceleration in the rate at which supply had been increasing. Total availability rose by just 2% to 66.4m sq ft. Of the 66.4m sq ft available, 44m sq ft is comprised of Grade A space, of which 36.1m sq ft is under construction or has recently completed. Supply continues to be bottom heavy, with 350 of the available 464 units being of 50,000-200,000 sq ft, limiting occupier choice for modern large warehousing solutions. The volume of grey space available reduced during the quarter, now standing at 7.3m sq ft down from 7.7m sq ft at the end of Q3 2023, a potential signal of slowing rationalisation. The volume of space under offer increased during the quarter from 8.5m sq ft to 9.7m sq ft, despite the number of units under offer falling slightly. 12m sq ft of space was speculatively under construction at the end of 2023 of which 10.9m sq ft is expected to deliver to market during 2024. Taking into account speculative announcements we expect the spec pipeline to total 17.8m during 2024.

Availability by Grade (m sq ft)



NATIONAL OVERVIEW

Investment Market

"Although 2023 was seen as a year of friction and continuous adjustment, sentiment remains firmly in the sectors favour. There is a significant weight of capital continuing to target the sector and expectations of price stability through H1 2024 is likely to result in improved volumes for 2024."

Ed Cornwell, International Partner, Logistics & Industrial Cap Markets

Volumes	Volumes	Pipeline
£1.2bn Q4 2023	£6.4bn Q1-Q4 2023	£800m Under offer
-44% Q-o-Q	£14.4bn Q1-Q4 2022	£1.4bn Available
-12% Q4 23 vs Q4 22	£9.7bn Q1-Q4 10 yr Av	
-61% Q4 23 vs 10yr Q4 av		

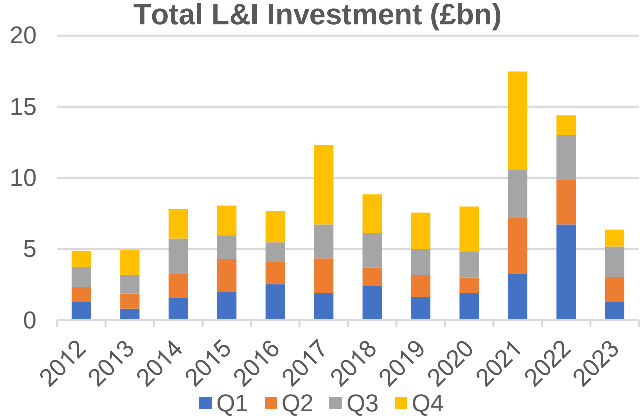
VOLUMES

Total investment into the Logistics and Industrial sector during the final quarter of 2023 amounted to £1.2bn, taking total investment during 2023 to £6.4bn. Macroeconomic pressures and significant structural shifts in financing costs have resulted in a detachment between buyers and sellers expectations, and as such saw the 2023 investment volume fall short of the £8.8bn that was typically invested into the market during the five years prior to the pandemic. During 2023, the volume of portfolios transacted fell by 60% on the previous year, largely driven by a limited supply of willing sellers. Although the single asset market was equally as affected seeing the total number of transactions reach just over 209 during the year, down from almost 400 the year prior. Whilst a significant amount of capital continues to target London and the South East, 2023 saw a widening of investor demand, with the share of capital deployed across the regions growing on previous years, with notable bell weather transactions taking place in the Midlands, and the North West.

PRICING & RETURNS

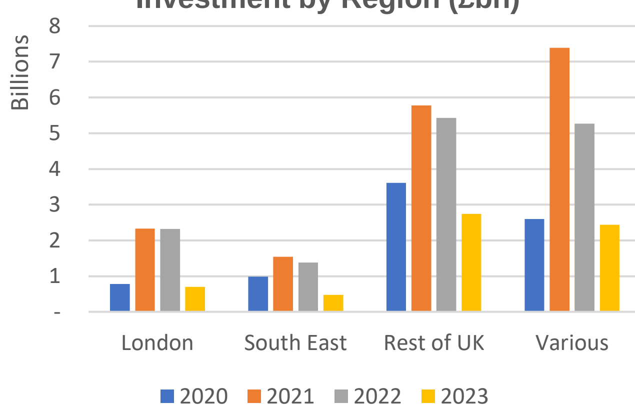
The re-pricing of Logistics and Industrial assets in the UK has now largely run its course, with the average prime yield in the UK currently standing at 5.45%. The keenest pricing can still be found in London and the South East where prime yields are 4.65% and 4.9% respectively, owing to the sustained prospect of rental growt. Nationally some minor contraction had been recorded throughout 2023 as the market sounded out appropriate values, and benefitted from adjustments in secondary markets. Anecdotally, 2023 also saw a further widening in the gap between primary and secondary yields, with functional obsolescence marginalising some poorer quality assets. However, a reduction in transaction levels during H2 2023 has posed challenges for the pricing of Logistics and Industrial assets, particularly in the absence of truly prime rack rented evidence in some markets. With total returns heavily impacted throughout 2023 as a result of movement in pricing, an end to the re-pricing and sustained rental growth is likely to see returns return to positive territory in 2024.

Total L&I Investment (£bn)

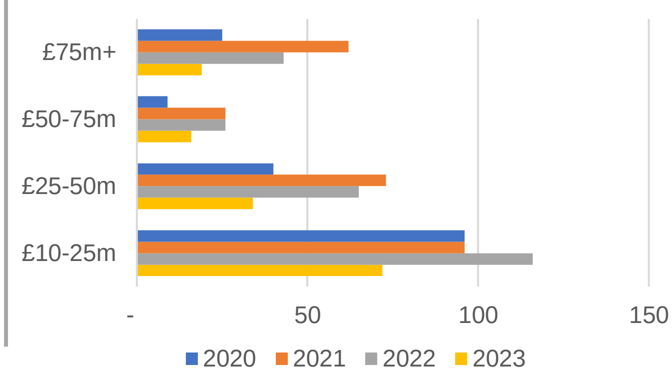


Source: C&W 2023

Investment by Region (£bn)



Number of Deals by Lot Size

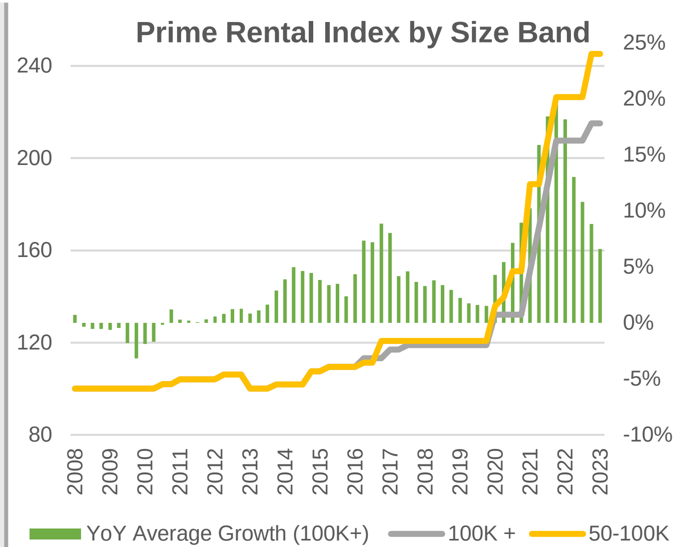


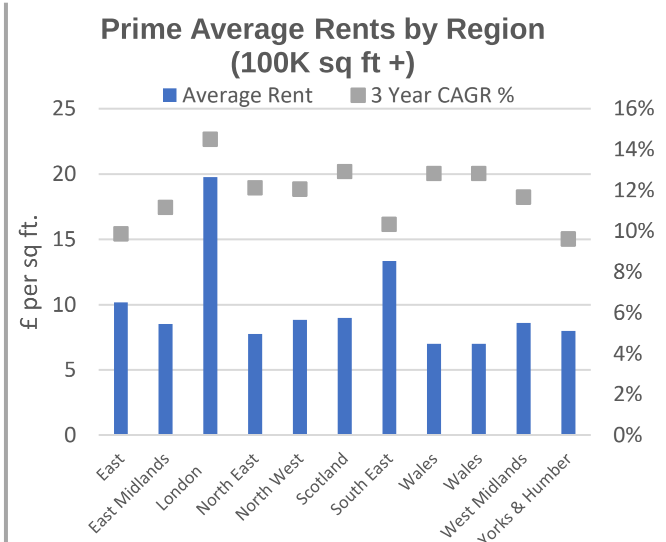
NATIONAL OVERVIEW

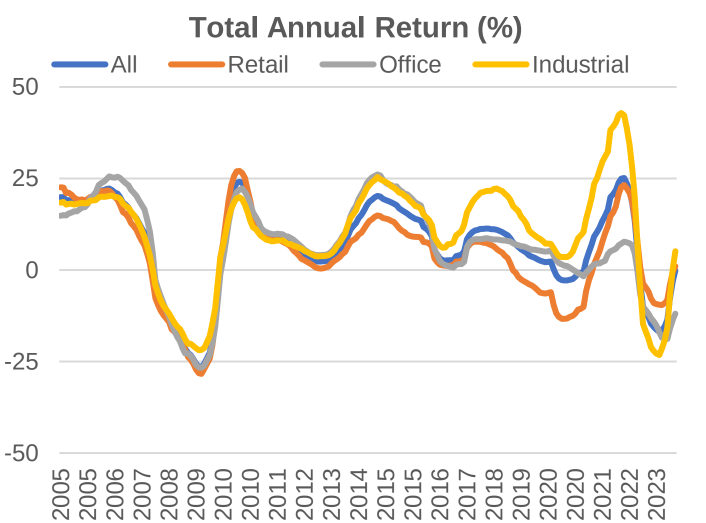
Rents & Yields Trends, Performance

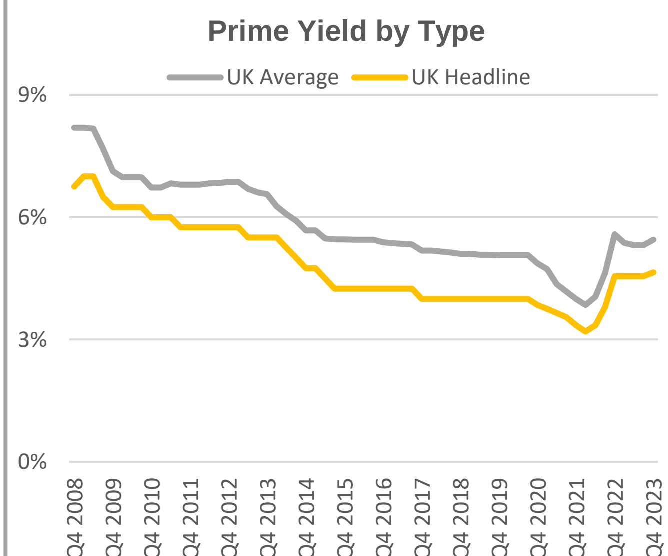
C&W Prime Rent 100+	C&W Prime Rent 50-100k
£11.35 Average	£12.11 Average
0.8% Q-o-Q	1.1% Q-o-Q
6.6% Y-o-Y	8.7% Y-o-Y

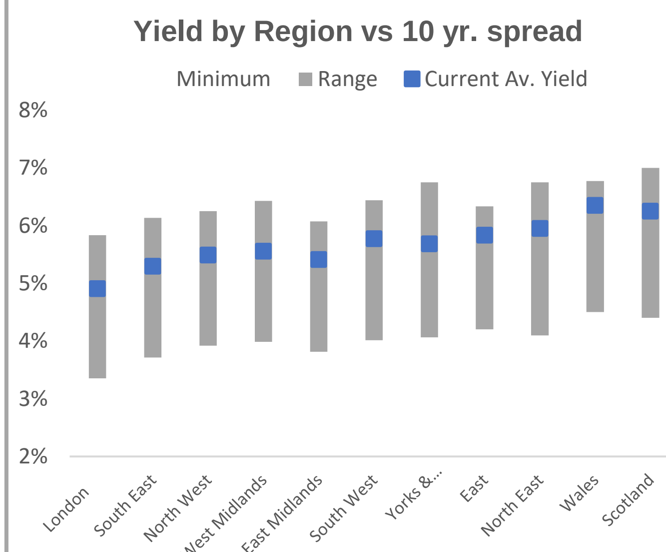
C&W Prime Yield	MSCI Total Return (MI%)
4.65% Headline	-23.2% Annualised to June 2023
5.45% Average	-15.7% Annualised to Sept 2023
13.94bps QoQ Average Yield Shift	+5.1% Annualised to Dec 2023











Source: C&W 2023, MSCI 2024

LONDON & SOUTH EAST/EAST

C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£28.50	+0%	+3.6%	£32.50	+0%	+8.3%	4.65%	+10bp	+10bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"Q4 proved the resilience of the London South East and East market, with demand coming from a wide variety of business types. Greater occupier choice in 2024 is likely to further aid improvement in the occupational market."

Chris Knight, Partner London

Take-up	Take-up	Availability	Under offer
2.1m sqft Q4 2023	5.9m sq ft 2023 YTD	13.9m sqft Q4 2023	2.1m sqft Q4 2022
208% Q-o-Q	10.2m sq ft 2022 YTD	7% Q-o-Q	
-12% Q4 23 vs Q4 22	-42% Change	+20% Q4 23 vs Q4 22	
+13% Q4 23 vs 10yr av		+32.1% Q4 23 vs 10yr av	

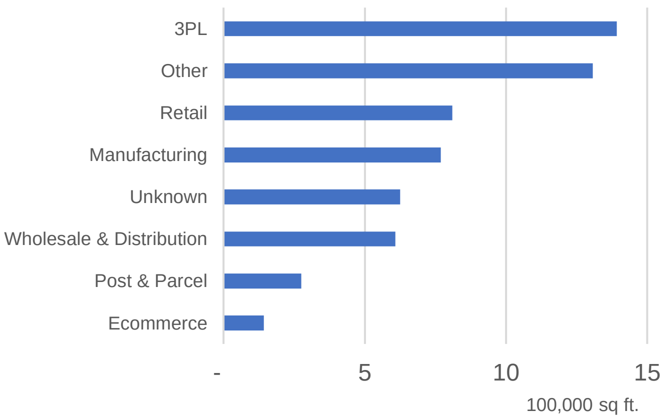
DEMAND

Occupier take-up in London, South East & East recovered during the final quarter of 2023 with 2.1m sq ft signed for. Whilst the full year value of 5.9m sq ft is below the 6.6m sq ft five year pre pandemic average, the region has been hit relatively hard by an absence of large 3PL take-up and retail activity, which have typically been key proponents of demand. More so than in other regions the drive to quality has been particularly noticeable in London, the South East and East with 91% of take-up during 2023 being derived from space in Grade A buildings. Demand in the region for mid box units (50,000-100,000 sq ft) has also remained resilient, 27% above the pre-pandemic five year average, whilst simultaneously demand for larger space has been hit both by a lack of supply, and subdued demand due to concerns around affordability. During 2023 the region also benefitted from a breadth of demand, with demand from "other" occupier types such as health care, entertainment, and equipment hire, accounting for over 1.3m sq ft, well above pre-pandemic norms.

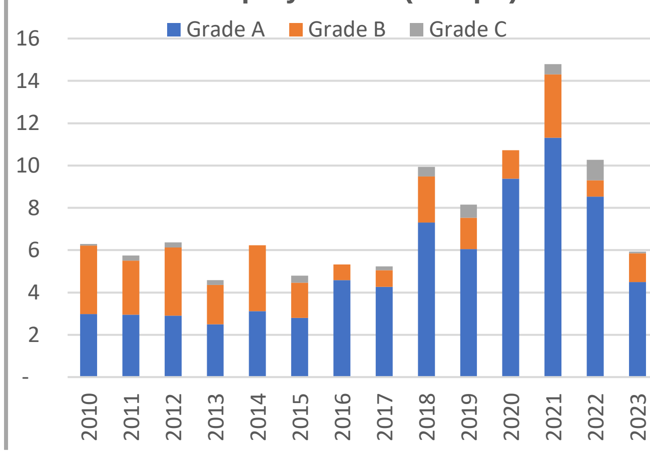
PIPELINE & AVAILABILITY

Availability in London, the South East & East rose to 13.8m sq ft at the end of 2023, driven primarily by an increase in the supply of space within the South East & East. Following a prolonged period of low levels of supply the Q4 2023 value sees supply levels in the region return to levels last seen in early 2021. Supply outside of the M25 rose by 8% during the quarter taking the total to 11.5m sq ft, whilst supply levels in London rose by just by 4% accounting for 2.3m sq ft of space. Supply in the region continues to be concentrated within units of smaller sizes, with 7.8m sq ft readily available within units of 50,000-200,000 sq ft. Particularly for larger units, a shortage of suitable development land has limited developer response through the last cycle, particularly in the capital where the sector faces fierce competition from other uses. 7.4m sq of the 13.8m sq ft available is a result of new development, whilst 6.5m is available in existing buildings. As such approximately over a third of available logistics space in London is within poorer quality existing units.

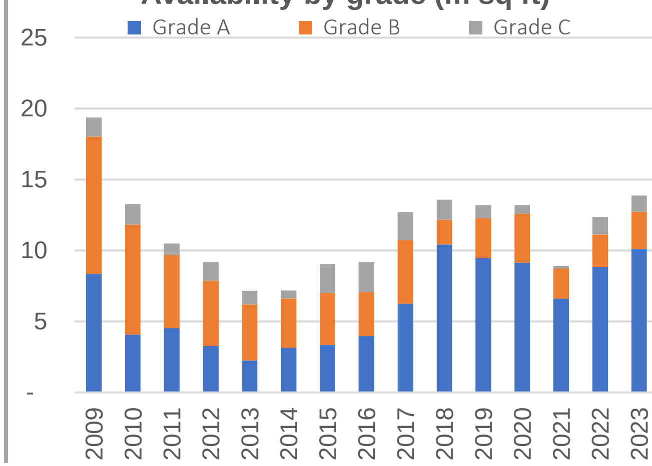
Take-up by Sector 2023



Take-up by Grade (m sq ft)



Availability by grade (m sq ft)



WEST MIDLANDS

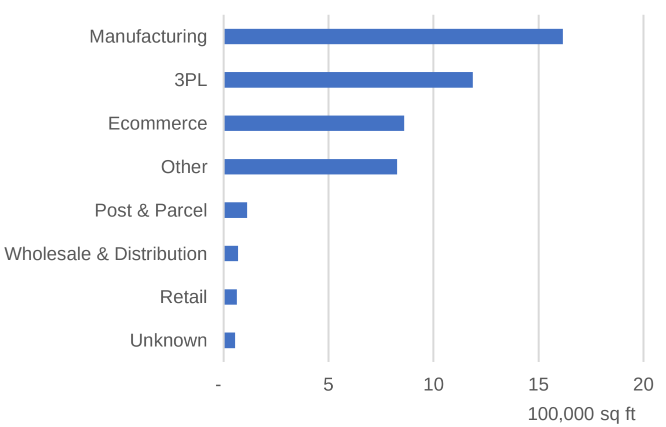
C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£11.00	0%	+10.0%	£12.00	0%	+11.6%	5.10%	+10bp	+15bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"2023 was a challenging year for the West Midlands, with the region affected by macroeconomic conditions. Despite this we expect 2024 to see a significant improvement in demand, particularly as the consumer market improves and 3PL sector becomes more active."

David Binks, International Partner, Birmingham

Take-up	Take-up	Availability	Under offer
691k sqft Q4 2023	4.8m sq ft 2023 YTD	9.6m sqft Q4 2023	1.1m sqft Q4 2023
-51% Q-o-Q	9.1m sq ft 2022 YTD	+7% Q-o-Q	
-74% Q4 23 vs Q4 22	-48% Change	+29% Q4 23 vs Q4 22	
-51.7% Q4 23 vs 10yr av		+15.94% Q4 23 vs 10yr av	

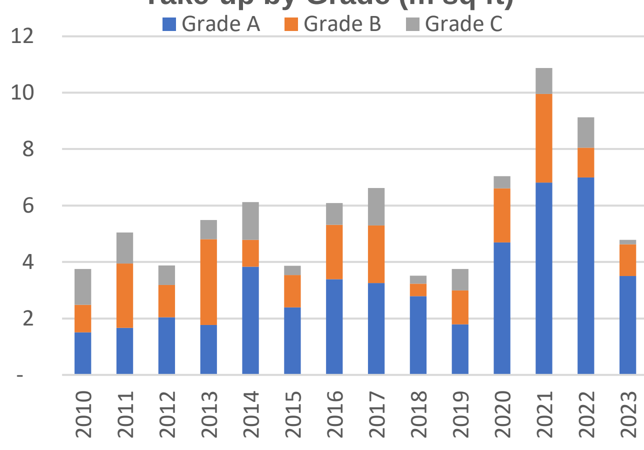
Take-up by Sector 2023



DEMAND

Occupational demand in the West Midlands remained muted throughout 2023, 700,000 sq ft of take-up in Q4 taking the full year value to 4.7m sq ft. 2023's total take-up volume takes the region firmly back in line with the pre-pandemic average, although a much greater proportion of demand is now attributable to Grade A quality space. A reversion towards lean inventories, and muted consumer market owed to the cost of living crisis saw take-up from retaillers and 3PL operators reduce nationally, which had a disproportionate affect on the West Midlands, given its strategic location. Take-up in 2023 as such drew from a wider mix of occupiers than had been seen in previous years, with the manufacturing sector accounting for over a third of demand, an increase in pre-pandemic levels. As such preference for smaller sized units was also noted during 2023 with demand for units of 50,000-100,000 sq ft accounting for 50% of total demand in the region. The share of space taken within new build facilities also increased, mirroring the drive to quality seen nationally.

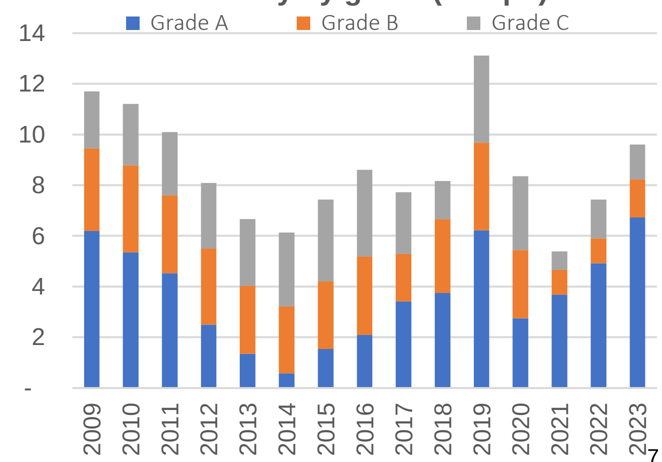
Take-up by Grade (m sq ft)



PIPELINE & AVAILABILITY

Availability continued to rise in the West Midlands, an increase of 5% quarter on quarter sees availability now stand at 9.6m sq ft. The quarters increase was solely driven by a rise in the volume of Grade A space available which currently accounts for 70% of total supply in the region. Supply has continued to tick up gradually since, reaching lows of 4.5m sq ft during Q2 2022, and availability now stands at its highest level since Q3 2020. The rise in available space is partially attributable a strong developer response to market conditions over recent years, which has meant that 5.5m sq ft of current supply is available in units currently under construction, or within those that have recently complete. Despite this, occupier choice for larger units remains limited with a notable absence of units of 500,000 sq ft and above. Although the development pipeline has cooled relative to the last 12 months, further deliveries are expected at Ansty Park, Redditch Gateway, and Total Park Telford in 2024, which will help to aid the current lack of occupier choice in the region.

Availability by grade (m sq ft)



EAST MIDLANDS

C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£10.00	+2.6%	+11.1%	£10.25	+2.5%	+13.9%	5.05%	+10bp	+10bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"The occupational market in the East Midlands continued to prove its resilience during 2023. The region has seen occupiers continue to target the region in order to access well connected best in class spaces at relative affordability"

Tom Kimbell, International Partner, Northampton

Take-up	Take-up	Availability	Under offer
3.4m sqft Q4 2023	8.8m sq ft 2023 YTD	11.1m sqft Q4 2023	1.2m sqft Q4 2022
+84% Q-o-Q	9.2m sq ft 2022 YTD	+1% Q-o-Q	
+74% Q4 23 vs Q4 22	-3% Change	+67% Q4 24 vs Q4 22	
+100% Q4 23 vs 10yr av		+25.7% Q4 23 vs 10yr av	

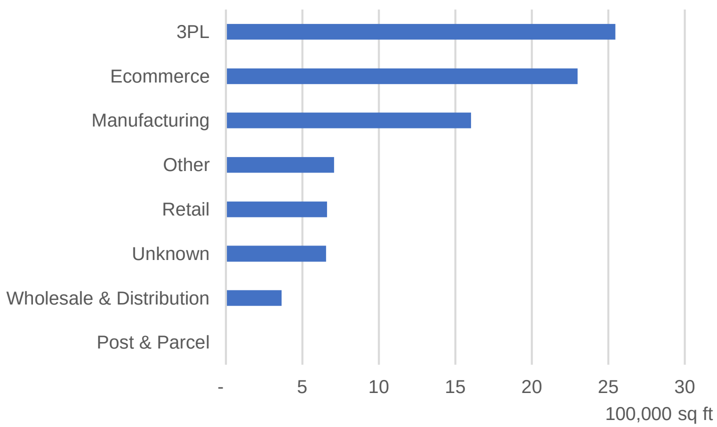
DEMAND

Occupier demand in the East Midlands amounted to 3.3m sq ft during the final quarter of 2023, the highest volume on record since Q4 2021. However, a significant portion of this was attributable to a large freehold development purchase that was recorded in Northamptonshire, which account for well over 50% of the quarters volume. The Q4 volume takes total demand in the region to 8.8m sq ft, which despite being a reduction on the 2022 full year value sits well ahead of the pre-pandemic five year average of 5.6m sq ft. The region has benefited from the modernisation of its stock, with demand in for Grade A space accounting for circa 90% of total activity when excluding the large build to suit deal, up from 75% prior to the pandemic. Demand has proven particularly resilient for smaller sized units, mirroring the national trend, with units of 50,000 sq ft to 200,000 sq ft almost doubling. In contrast to the West Midlands, 3PL activity continued in the region accounting for over 2.5m sq ft during the year.

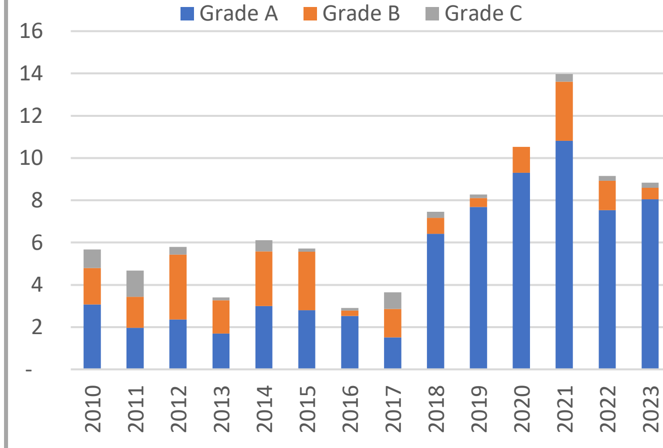
PIPELINE & AVAILABILITY

Supply in the East Midlands contracted during the final quarter of 2023, due to a significant reduction in the supply of Grade A space. Total availability in the region stands at 11.1m sq ft, but had peaked at 13.2m sq ft during Q3. Similar to its neighbouring West Midlands the market has seen a significant developer response following elevated levels of demand and strong rental growth in recent years, as such the lions share of current availability sits within buildings currently under construction (4.1m sq ft) or those recently completed (4.4m sq ft). Owed to the regions location, a greater availability of land has enabled the market to deliver a range of unit sizes, which has resulted in a relatively well balanced supply of units across the size spectrum. Looking forward to 2024 further supply of big box space is expected at Magna Park Lutterworth, Hinkley Park, and Horizon Bolsover, whilst Phase II of St Modwen's Derby scheme is expected to deliver additional mid box accommodation.

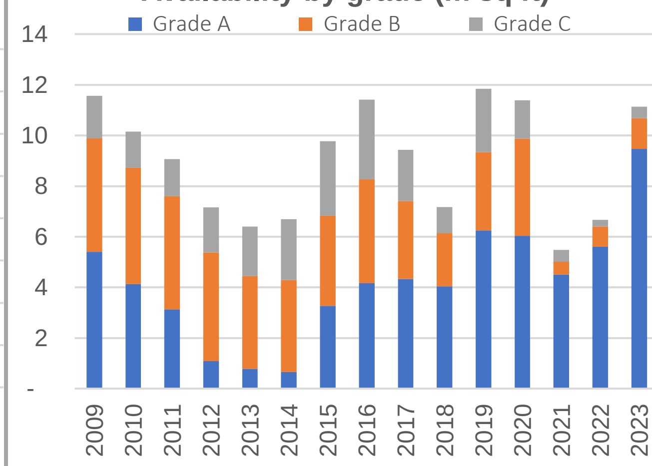
Take-up by Sector 2023



Take-up by Grade (m sq ft)



Availability by grade (m sq ft)



NORTH WEST

C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£10.50	+7.7%	+27.3%	£11.50	+9.5%	+15.0%	4.90%	+10bp	+10bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"Although 2023 saw a reduction in demand following a number of stellar years, the North West continues to attract a broad range of occupiers. However, a consumer market recovery in 2024 will strengthen demand in a region already home to national distribution centres for a number of retailers."

Rob Taylor, International Partner, Manchester

Take-up	Take-up	Availability	Under offer
1.5m sqft Q4 2023	4.0m sq ft 2023 YTD	8.7m sqft Q4 2023	899k sqft Q4 2023
+88% Q-o-Q	8.3m sq ft 2022 YTD	+20% Q-o-Q	
+12% Q4 23 vs Q4 22	-52% Change	+4% Q4 23 vs Q4 22	
+11% Q4 23 vs 10yr av		+2% Q4 23 vs 10yr av	

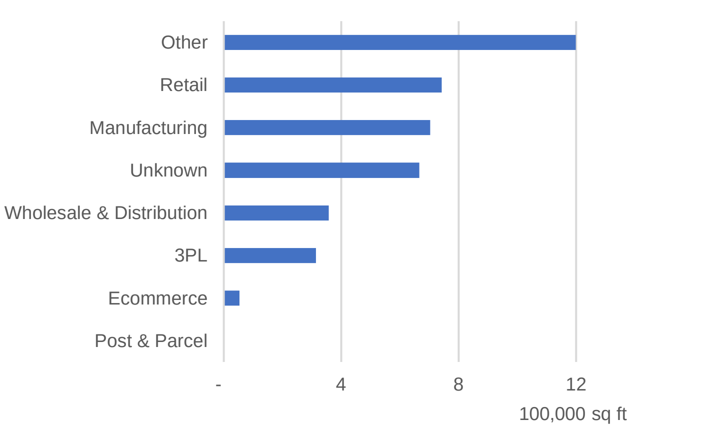
DEMAND

The North West recorded 1.5m sq ft of occupational demand during the final quarter of 2023, taking the full year figure to 4m sq ft. Falling circa 10% below the pre-pandemic five year average, the market has been constrained by a persistent shortage of available space. Of the 4m sq ft signed for, 2.6m sq ft was within Grade A units, representing 65% of total take-up a significant increase on the typical 45% share that had been recorded prior to the pandemic. Demand in the region has been particularly robust for units of 100,000 sq ft – 150,000 sq ft, which outperformed the pre-pandemic average by 15%, accounting for 9 of the 30 deals during the year. The region has seen growing demand from Wholesale and Distribution businesses as well as from large retaillers. 2023 saw TK Maxx and Montirex added alongside B&M, Castore, and Farmfoods, who had all signed during the previous year. Whilst the MOD committed to the development of an 800,000 sq ft facility towards Carlisle.

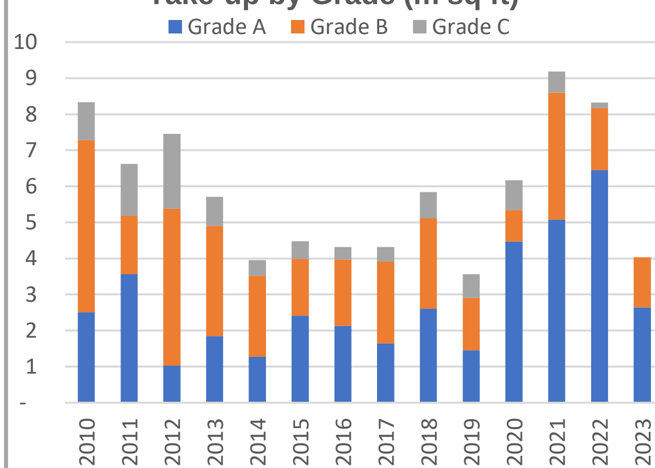
PIPELINE & AVAILABILITY

Availability in the North West at the end of 2023 stood at 8.7m sq ft, an increase of 4% when compared to the end of 2022. The largest increase was recorded in the supply of Grade A space which rose to 6.1m sq ft from 4.8m sq ft a 26% rise quarter on quarter, which now represents 70% of occupier choice. Of the 6.1m sq ft available 5.4m sq ft is available within buildings currently under construction or those that have recently completed. Looking to 2024 the spec market is expected to continue its steady supply of space to the region, with Arc at Royal Merseyside offering a large solution for occupiers, whilst Frontier Park in Burnley offers a number of mid and big box accommodation. The region continues to experience a shortage of space within the 200,000 – 300,000 sq ft bracket, with just one Grade A unit available. Simultaneously the supply of smaller sized units is heavily saturated by buildings of lower quality, again limiting occupier choice.

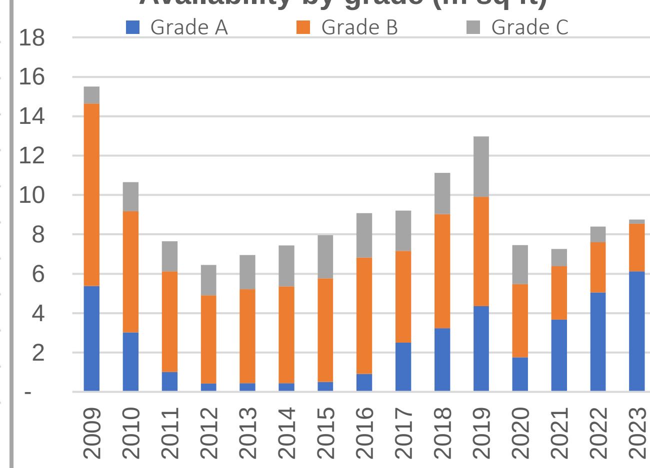
Take-up by Sector 2023



Take-up by Grade (m sq ft)



Availability by grade (m sq ft)



YORKSHIRE & THE HUMBER

C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£8.50	+0%	+3.0%	£9.00	+2.9%	+5.9%	5.15%	+15bp	+5bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"2023 on the whole was a challenging year for the Yorkshire and Humber with market stats hit with an absence of e-commerce demand. However, an uptick during H2 and increasing e-comm requirements gave lots of reason for optimism as we transition to 2024".

Dave Robinson, Partner, Leeds

Take-up	Take-up	Availability	Under offer
721k sqft Q4 2023	3.6m sq ft 2023 YTD	7.8m sq ft Q4 2023	926k sqft Q4 2023
-7% Q-o-Q	7m sq ft 2022 YTD	-2% Q-o-Q	
-42% Q4 23 vs Q4 22	-48% Change	+65% Q4 23 vs Q4 22	
+3% Q4 23 vs 10yr av		39% Q4 23 vs 10yr av	

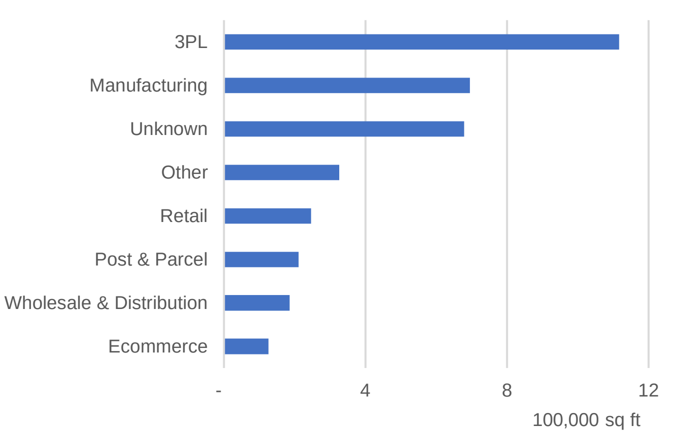
DEMAND

Occupational demand in Yorkshire and the Humber reached 3m sq ft during 2023, following 1.5m sq ft of activity during the second half of the year. The 3m value exceeds the pre-pandemic average for the region by 17%. 2023 bought a notable uptick in activity for units of smaller size in the region, with the 50,000-150,000 sq ft bracket accounting for 60% of all activity with strong activity recorded in and around Sheffield, Doncaster and Leeds. Mirroring the national drive to quality the region has seen a significant uptick in demand for Grade A quality warehousing, with total demand for Grade A units accounting for 72% of activity, up from 58% in the 5 years preceding the pandemic. Demand facilitated in build to suit and freehold facilities account for a fifth of the market, which has reduced following an increase in speculative development in recent years. Demand largely originated from the manufacturing and retail sector during the year, but some e-commerce activity was also noted.

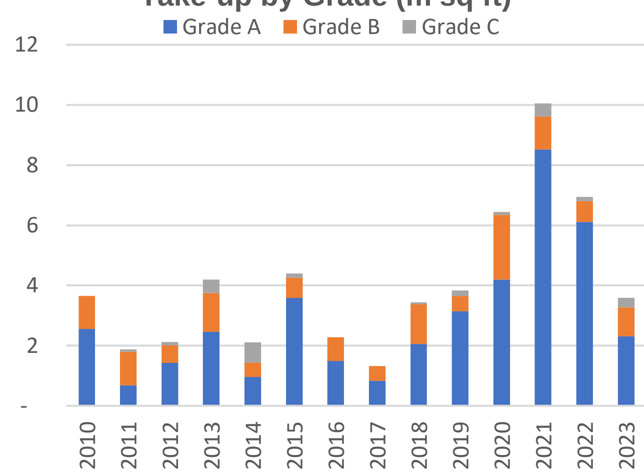
PIPELINE & AVAILABILITY

Encouraged by relatively robust occupier demand the Yorkshire and Humber region has seen supply levels increase accordingly over recent years. Total availability in the region stood at 7.9m sq ft at the end of 2023. At the end of 2022 total availability had reached 4.7m sq ft, but has since increased steadily driven primarily by the delivery of speculative space. Of the 7.9m sq ft currently available, just 3m sq ft is available in existing buildings, meaning the vast majority of occupier choice is provided by modern recently completed or buildings currently under construction. The region also benefits from a wealth of choice for occupiers search for space over 150,000 sq ft with 5.7m sq ft of space available in units of varying quality. Although a significant amount of space has delivered in recent years, further deliveries are expected during 2024 and 2025 with the large space at Panattoni Park Doncaster due to complete early 2024, followed by space at Baytrees development in Leeds and Prism Park Wakefield.

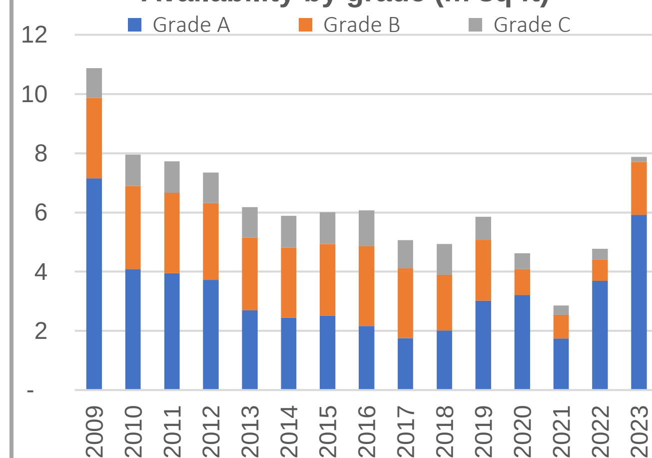
Take-up by Sector 2023



Take-up by Grade (m sq ft)



Availability by grade (m sq ft)



NORTH EAST

C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£7.75	0%	+6.9%	£7.75	+0%	+3.3%	5.95%	+15bp	-5bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"A lack of real occupier choice continues to characterise the North East. As a result much of the activity in the region is owed to the freehold and BTS markets. The delivery of some speculative space during 2024 will likely ease market conditions."

Dave Robinson, Partner, Leeds

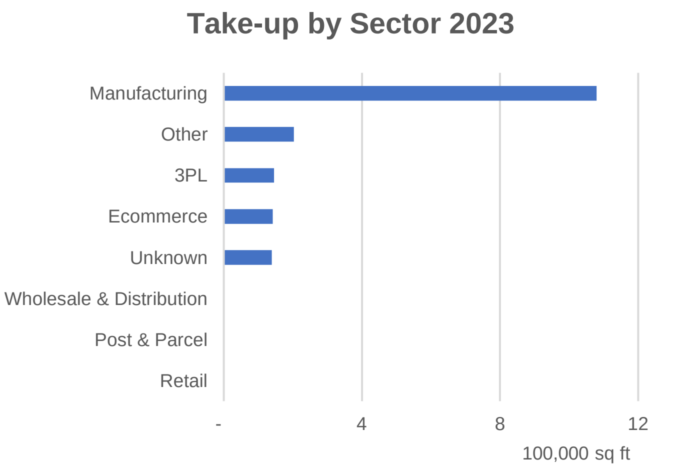
Take-up	Take-up	Availability	Under offer
1.2m sqft Q4 2023	1.7m sq ft 2023 YTD	1.9m sqft Q4 2023	518k sqft Q4 2023
+502% Q-o-Q	2.3m sq ft 2022 YTD	-1% Q-o-Q	
+114% Q4 23 vs Q4 22	-25% Change	-40% Q4 23 vs Q4 22	
103% Q4 23 vs 10yr av		-43% Q4 23 vs 10yr av	

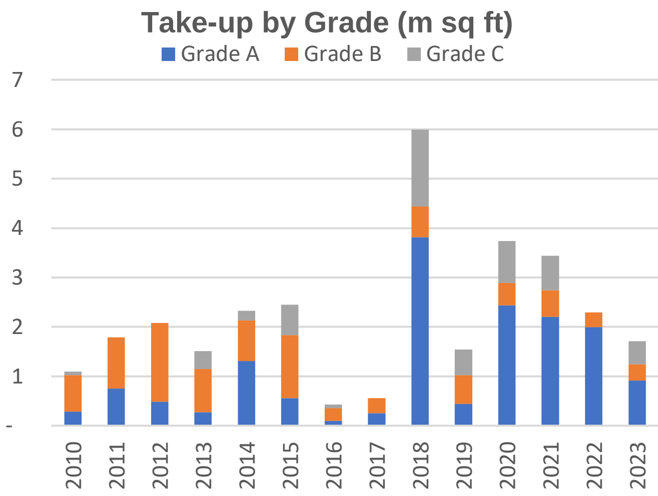
DEMAND

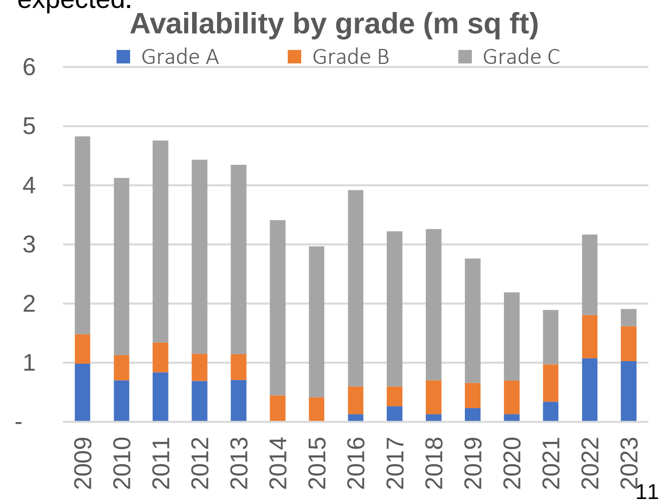
Occupational demand in the North East amounted to 1.7m sq ft during 2023, with 8 deals having taken place within units of 50,000 sq ft and above. Despite a subdued year the occupational market picked up during the second half of the year, accounting for over 80% of annual activity. The 2023 value falls short of the 2.2m sq ft average that was recorded in the five years preceding the pandemic. The drop off is largely attributable to the macroeconomic pressures that have held back demand nationally, the region typically has seen significant demand for larger big box units and thus has been affected more so by economic conditions than some other regions. In previous years the region has also relied on demand for Grade B and Existing space, which has also seen a reduction nationally. Manufacturing continues to account for the lions share of take-up in the region, with 63% of demand in 2023 attributable to the sector.

PIPELINE & AVAILABILITY

Supply in the North East continues to serve as a key challenge for the market, with total supply at the end of 2023 sitting significantly below the levels seen at the end of 2022. This shortage of readily available space has driven the market to primarily rely on the development of freehold and build to suit accommodation. Although recent increases in supply have been driven by growth in the supply of Grade A space, over 45% of supply is comprised of poorer quality Grade B and Grade C accommodation. As of the end of 2023 1.9m sq ft of space is available in the region, 40% below where it had been at the end of the previous year. Whilst a significant proportion of this space is within speculatively developed modern units, supply of grade A space is largely limited to smaller unit sizes and the market continues to offer little choice for occupiers particularly searching for units above 200,000 sq ft. The muted developer response seen in recent years is likely to persist throughout 2024, with limited development activity expected.







SOUTH WEST

C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£8.75	0%	+2.9%	£10.50	2.4%	+16.7%	5.25%	+15bp	+15bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"Under-supply continues to hold back demand in the South West, with a shortage of best in class facilities for some sizes. As better quality space is bought to market through 2024 we will see the return of demand from occupiers looking to modernise their supply chains "

Aric Asbridge, Surveyor, Bristol

Take-up	Take-up	Availability	Under offer
171k sqft Q4 2023	1.1m sq ft 2023 YTD	5.3m sq ft Q4 2023	224k sqft Q4 2023
-44% Q-o-Q	5.4m sq ft 2022 YTD	-4% Q-o-Q	
-61% Q4 23 vs Q4 22	-80% Change	-2% Q4 23 vs Q4 22	
-65% Q4 23 vs 10yr av		-16% Q4 23 vs 10yr av	

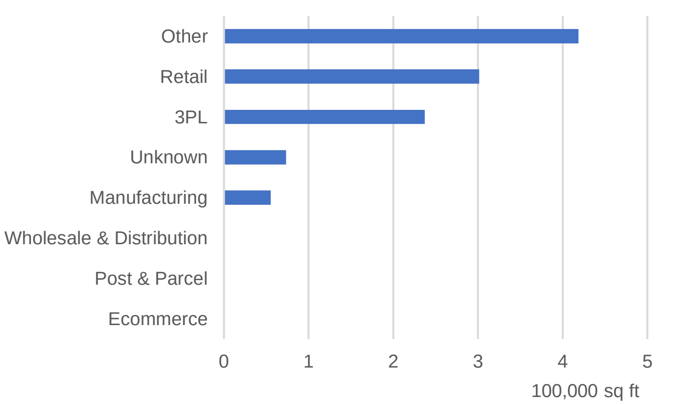
DEMAND

Following a strong year in 2022, take-up in the South West fell to circa 1m sq ft during 2023. The South West market saw a bolster year during 2022, in which 5.3m sq ft transacted, taking it well past the levels recorded in what was a strong 2020. The low volume comprised of 8 transactions, was largely attributable to demand for Grade B space in the region which amounted to over 700,000 sq ft a 65% share. Demand for Grade A space retracted during the year with just 300,000 sq ft transacted comprised of deals in Gloucester and Avonmouth. Demand in the region largely mirrors the national occupier composition, and as such 2023 saw demand from 3PL and Retailers, whilst an absence of e-commerce activity and low manufacturing demand was recorded. Attributable to low levels of speculative development in recent years the region continues to rely on demand being placed within existing standing stock, with 2023 seeing limited activity in the spec and build to suit markets.

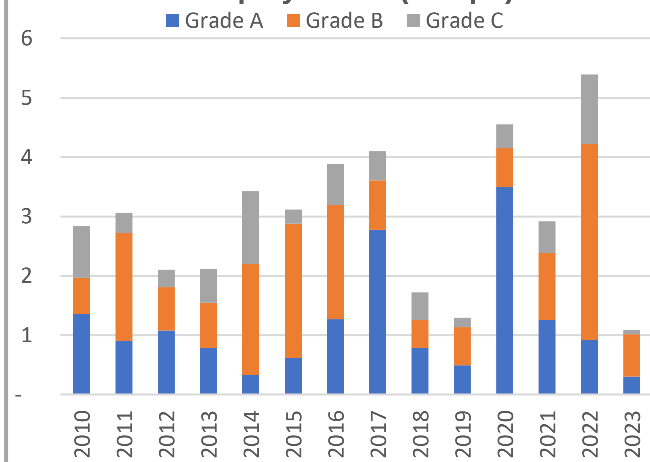
PIPELINE & AVAILABILITY

The supply of space in the South West remained relatively unchanged throughout 2023, with total availability standing at 5.2m sq ft as of the end of 2023. Contractions in the supply of Grade C space, have been offset by marginal increases in the supply of Grade B space coming to market, whilst the supply of Grade A space remains similar to last years position. In contrast to recent years the region has begun to see the delivery speculative space with 2.8m sq ft of space currently available in units recently delivered. The development pipeline however, appears to be cooling with just 200,000 sq ft currently under construction, and limited announcements to suggest any significant development in coming years. The second half of the year saw the completions of significant buildings at Panatonni Park Avonmouth, and Mountpark Bristol, whilst some space remains available at St Modwens scheme in Chippenham. As such the region has a healthy level of supply, which will aid the occupational market throughout 2024.

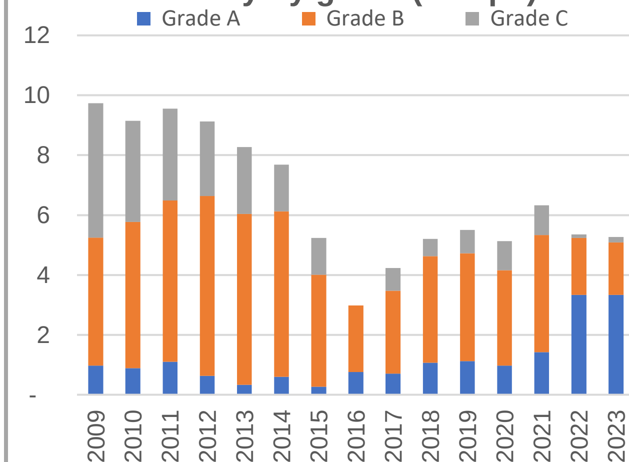
Take-up by Sector 2023



Take-up by Grade (m sq ft)



Availability by grade (m sq ft)



WALES

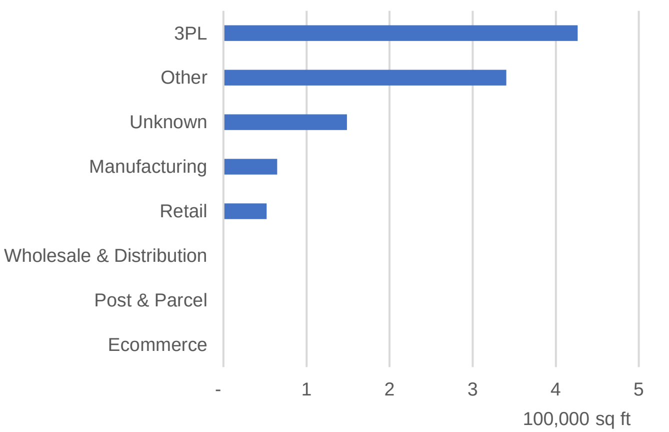
C&W Prime Rent 100k+			C&W Prime Rent 50-100k			C&W Prime Yield		
£8.00	0%	+18.5%	£8.50	0%	+17.2%	6.30%	+15bp	-25bp
Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y	Latest	Q-o-Q	Y-o-Y

"The Welsh industrial market suffered in 2023, as a result of low business confidence and a lack of suitable buildings in the market, with some occupiers forced to acquire Grade B space. Easing inflation will serve the region well, benefitting retaillers and local manufacturers."

Robert Ladd, Partner, Bristol

Take-up	Take-up	Availability	Under offer
237k sqft Q4 2023	1.0m sq ft 2023 YTD	5.2m sqft Q4 2023	2.4m sqft Q4 2023
-56% Q-o-Q	2.1m sq ft 2022 YTD	+22% Q-o-Q	
-70% Q4 32 vs Q4 22	-51% Change	+23% Q4 23 vs Q4 22	
-60% Q4 23 vs 10yr av		-26% Q4 23 vs 10yr av	

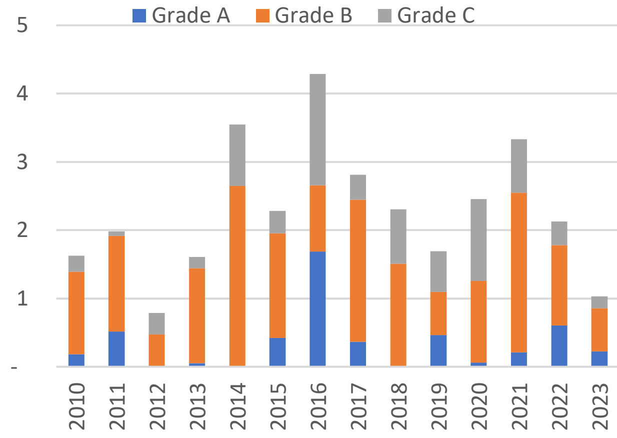
Take-up by Sector 2023



DEMAND

Occupational demand in Wales totalled 1m sq ft during 2023, comprising of 12 transactions in the region. The full year volume is the lowest on record since 2009.and represents a contraction of over 50% compared to the 2022 value, despite the number of transactions falling from 14 to 12. As suggested by the stats above, demand shifted towards units of smaller size during 2023, with 60% of activity taking place within units of 50,000-100,000 sq ft. For the first time on record the market recorded no deals within units of over 200,000 sq ft, highlighting an absence of large requirements in the region. However, 3PL demand in the region increased during 2023, with activity from Owens, who signed for the largest deal during the year taking 173,000 sq ft at Reevesland Industrial Estate in Newport. Walters Group, and Roche Logistics were also active bolstering take-up throughout the year. Circa 900,000 sq ft of space is under offer in the region, pointing to an improvement in the occupational market during early 2024.

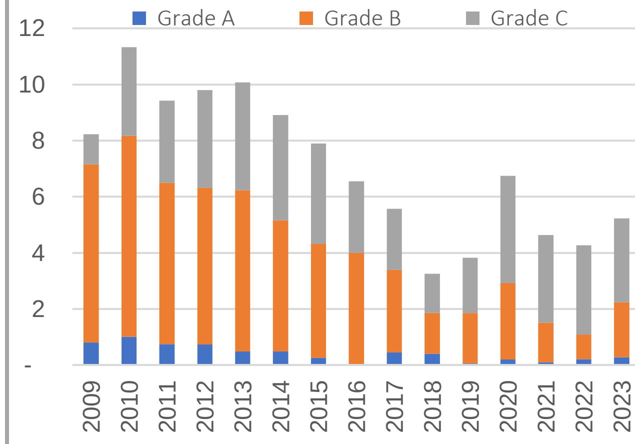
Take-up by Grade (m sq ft)



PIPELINE & AVAILABILITY

The total supply of Logistics and Industrial space in Wales rose during 2023, reaching 5.2m sq ft a the end of the year. This represents a 23% increase year on year, which has been largely driven by growth in the supply of existing Grade B space which accounts for 2m sq ft of space coming back to the market. Grade A supply remains particularly constrained accounting for less than 300,000 sq ft of space, with a lack of new supply limiting the markets ability to place requirements for modern warehousing. Occupiers in particular are faced with a lack of choice for larger units, with just 4 buildings available offering accommodation from 150,000 sq ft to 400,000 sq ft. Meanwhile St Modwens Newport development has gone some way to easing supply constraints in the 100,000-150,000 sq ft bracket. Some further development is expected at Parc Felindre which achieved outlined consent for the development and delivery of speculative space. This will go some way to easing the regions current supply challenges.

Availability by grade (m sq ft)



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