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Market Report

January 2026 | United Kingdom

Market Report

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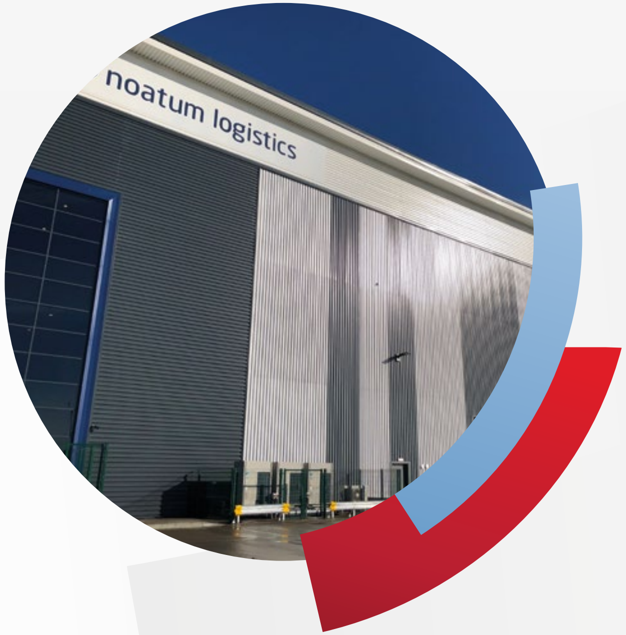


Executive Summary

UK economic conditions are expected to improve gradually through 2026, with GDP growth forecast in the 1–1.5% range as inflation eases and interest rates become less restrictive.

Manufacturing activity has returned to expansion, with PMI data showing the strongest improvement in output and new orders for over a year, supported by firmer domestic demand. Retail indicators are also stabilising: consumer confidence has edged higher, spending has improved modestly, and recent trading periods point to resilient demand despite ongoing cost pressures.

While employment growth remains cautious, the combination of stabilising manufacturing output, improving retail sentiment and easing financial conditions provides a more constructive backdrop for goods-led supply chains entering 2026.

Key Market Trends

Ocean freight

Asia–Europe rates firm on pre-Lunar New Year (LNR) demand and constrained capacity, while transpacific pricing remains volatile amid oversupply and congestion, with global schedule reliability stabilising at low levels.

Air freight

Manufacturing recovery supports volumes, but easing eCommerce momentum and ample capacity are tempering rate growth, leaving air cargo markets stable but less buoyant entering 2026.

Road freight

Tight capacity and seasonal availability support firm pricing, though easing fuel costs and cautious consumer demand are limiting rate acceleration across UK and European road networks.

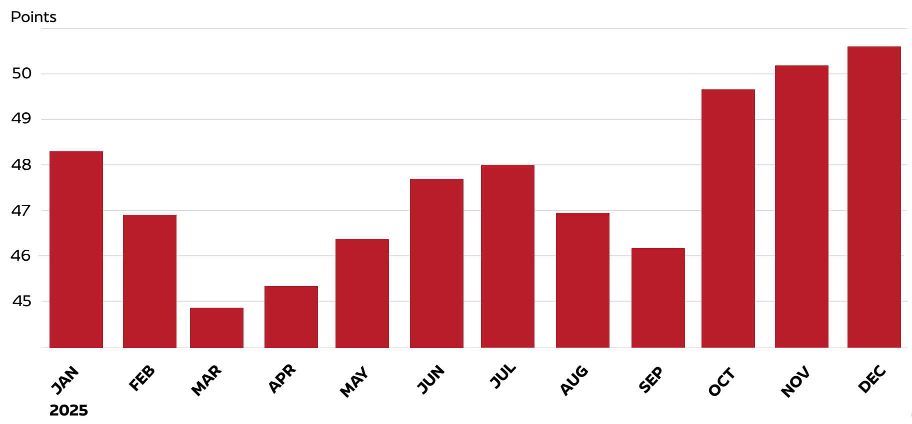
Contract logistics

Long-term outsourcing demand remains resilient as shippers prioritise integrated, automated and ESG-aligned solutions, supporting steady growth despite ongoing labour and operating cost pressures.

Warehousing

Take-up remains above pre-Covid levels, with Grade A space in core locations outperforming, while a shrinking development pipeline supports rental stability despite elevated overall availability.

S&P Global UK Manufacturing PMI



Market Summaries

OCEAN FREIGHT

Container shipping markets enter early 2026 with conditions shaped by pre-LNY demand and ongoing capacity discipline. Asia–Europe volumes remain resilient, supported by front-loaded shipments and constrained effective capacity, while transpacific demand is more volatile following earlier retail-driven surges.

Benchmark indices show rates rebounding from Q3 lows, though pricing power remains uneven by trade. Port congestion and network disruption continue to absorb capacity, limiting any rapid return to normalised schedules. While Suez transits are emerging, widespread re-adoption is not expected to deliver stability before the second half of the year.

- Asia–Europe demand remains firm.
- Transpacific volumes uneven post front-loading.
- Effective capacity constrained by congestion.
- Rate volatility persists despite recovery from cycle lows.

AIR FREIGHT

Air cargo markets begin 2026 on a firmer footing after stronger-than-expected year-end volumes, driven by manufacturing recovery and resilient retail demand. While peak-season momentum has faded, overall activity remains above early-2025 levels.

Manufacturing output has returned to expansion, supporting time-critical and high-value shipments, while easing inflation and interest rates are improving demand fundamentals.

However, growth is expected to moderate as eCommerce expansion slows and capacity remains ample on several key lanes. Rate pressure has eased from post-pandemic peaks, with pricing stabilising rather than rebounding sharply.

- Manufacturing demand supports volumes.
- eCommerce growth signals softening.
- Capacity broadly sufficient across major lanes.
- Rates stable but below prior-year levels.

OVERLAND

UK and European road freight markets remain finely balanced, with firm pricing supported by constrained capacity and seasonal demand patterns. Carrier availability tightened sharply toward year-end, reinforcing short-term rate increases.

Despite easing fuel costs and lower interest rates, structural pressures persist. New truck registrations remain subdued, limiting fleet expansion, while labour availability continues to exert upward pressure on operating costs. Improving consumer confidence and stabilising retail activity provide cautious support for volumes, though competition remains intense.

- Carrier availability tightened seasonally.
- Fleet growth constrained by lower registrations.
- Labour costs remain inflationary.
- Rates firm but rising below broader inflation.

Market Summaries

CONTRACT LOGISTICS

Contract logistics conditions remain stable, underpinned by long-term outsourcing demand and growing supply-chain complexity. Shippers continue to prioritise resilience, visibility and integration across warehousing, transport and customs services.

Retail, eCommerce and healthcare remain key growth drivers, while automation and ESG investment are increasingly embedded within multi-year contracts. Margin pressure persists due to labour, energy and real estate costs, but long-term agreements support measured pricing progression rather than volatility.

- Long-term contracts dominate activity.
- Retail and eCommerce drive growth.
- Automation and ESG now baseline requirements.
- Low-to-mid single-digit rate growth expected.

WAREHOUSING

UK warehousing markets continue to normalise following a period of elevated volatility. Take-up remains above pre-pandemic averages, supported by build-to-suit activity and renewed occupier confidence.

Net absorption has turned positive, while the development pipeline has contracted sharply from its peak, easing longer-term oversupply risk. Availability remains elevated but is increasingly skewed toward secondary stock, with Grade A space continuing to attract the strongest demand. Rental growth has moderated but remains positive, supported by high-quality assets in core locations.

- Take-up remains above pre-Covid levels.
- Development pipeline has shrunk materially.
- Grade A space dominates demand.
- Rental growth positive but moderating.

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Ocean Freight

Introduction

Ocean freight markets enter 2026 shaped by seasonal demand, carrier capacity discipline and ongoing network disruption. While some trade lanes show strengthening fundamentals, others remain volatile, reinforcing the need for careful planning and execution.

Situation

Ocean freight enters 2026 with capacity and demand broadly balanced but operationally constrained. Global fleet growth of around 4% is offset by an estimated 15% loss of effective capacity caused by Suez diversions and port congestion.

More than 2.5 million TEU remain tied up in congested ports, limiting schedule reliability and absorbing slack capacity. Ship builder order-books remain full, reflecting long-term carrier confidence, but short-term deployment is cautious.

Limited exploratory returns to the Red Sea have begun, yet stable Suez operations are not expected before the second half of 2026, meaning disruption remains embedded into network planning for shippers worldwide today globally.

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Market

Capacity Management Shapes Market Conditions Into New Year

Market conditions are being shaped by strong pre-Lunar New Year demand and uneven trade-lane performance. Global container demand is up around 4% year to date, with growth led overwhelmingly by Asian exports.

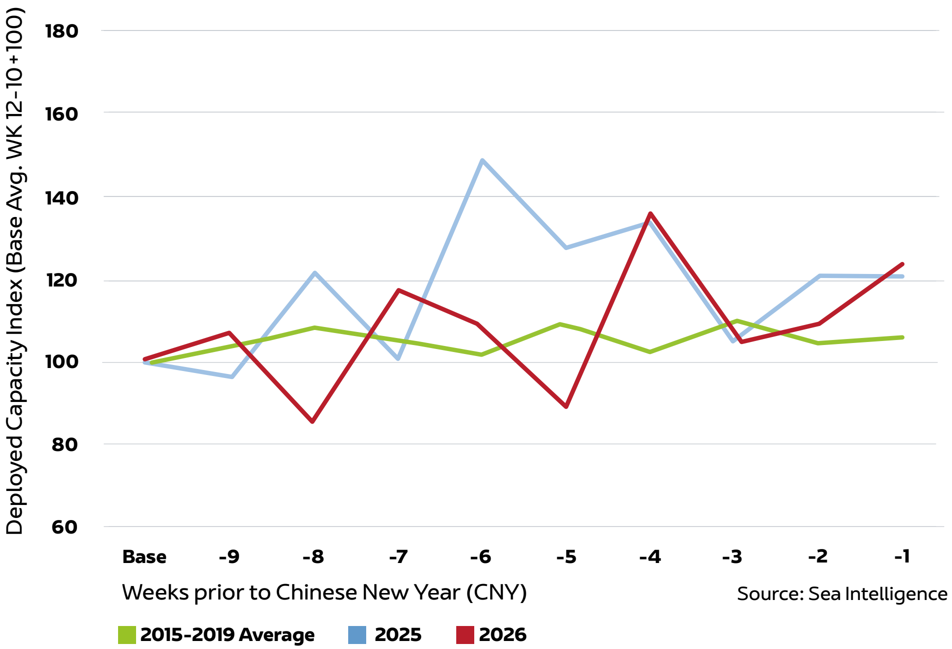
Secondary trades from Asia to the Middle East, Indian Subcontinent, Africa and Oceania are outperforming traditional east–west lanes, reinforcing ongoing trade diversification.

Sea-Intelligence data shows unprecedented front-loading ahead of LNY 2026, with Asia–Europe deployed capacity rising close to 50% above baseline, far exceeding historical norms. This early surge reflects longer transit times, tighter networks and heightened execution risk.

Capacity remains tight on many Asia-origin lanes due to blank sailings, weather disruption and congestion, while conditions are looser and more volatile on some transpacific trades.

Overall, demand strength is expected to persist into February before easing gradually post-holiday. Ramadan overlap and carrier capacity discipline further support near-term volumes despite rising operational complexity across global networks during early 2026 period.

Asia-NEUR Deployed Capacity



Source: Sea Intelligence

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Rates

Rate Stability Driven by Carrier Discipline Rather Than Demand

“Carrier capacity control is now the primary driver of rate stability.”

Freight rates are rising sharply into early 2026 as carriers push increases ahead of Lunar New Year. Drewry’s World Container Index climbed to $2,557 per 40ft in early January, up 16% week on week, with Asia-Europe lanes posting double-digit gains. Shanghai-Genoa rose 13% and Shanghai-Rotterdam 10%, while Xeneta data shows month-on-month spot increases of 20-40% across key Asia-Europe and transpacific routes.

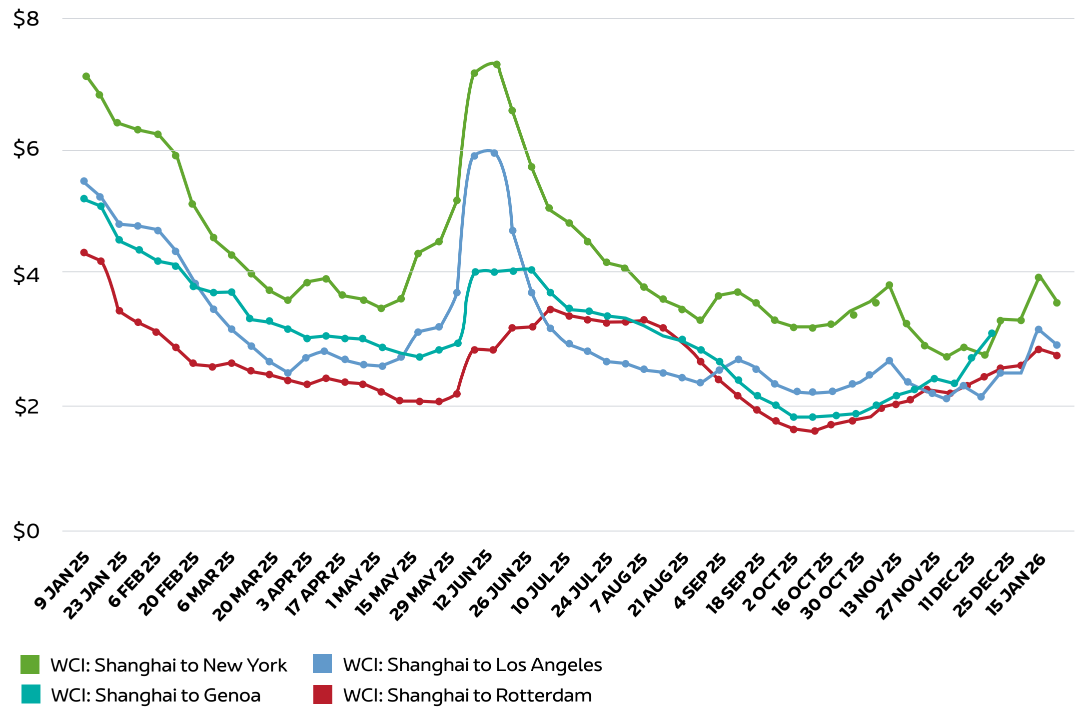
Despite this rebound, global rates remain roughly 40% below year-earlier levels, confirming that Q3 2025 marked the cycle low.

Volatility persists on Asia-Americas trades, where GRIs are repeatedly introduced and withdrawn.

Post-LNY, rates are expected to soften into early summer, with 2026 pricing broadly tracking late-2025 levels absent further geopolitical shocks.

EU ETS cost increases and sustained congestion will continue to influence carrier pricing behaviour and shipper budgeting across Europe-linked trades through mid-year planning cycles and contract negotiations ahead.

Drewry WCI: Trade Routes from Shanghai (US$/40ft)



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Air Freight

Introduction

Air freight conditions reflect a transition from peak-season momentum toward steadier trading. Manufacturing recovery and stabilising retail demand are supporting volumes, although capacity availability and softer e-commerce growth are moderating rate momentum.

Situation

Air freight entered 2026 on a firmer footing after a stronger-than-expected finish to 2025. Global chargeable weight rose around 7% year on year in December, delivering full-year growth of roughly 4%. Capacity expanded by about 5%, allowing airlines to meet peak demand while keeping rates broadly stable. Asia Pacific remained the primary growth engine, with double-digit December increases, while Europe also strengthened.

However, post-peak normalisation was swift: late December to early January volumes fell sharply, capacity was reduced, and rates eased. This confirms that momentum is moderating rather than accelerating as the market moves beyond peak conditions overall into 2026.

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Market

Demand Holds Firm Despite Expectations

Looking ahead, air cargo market growth is expected to slow in 2026. Consensus indicators point to volume growth of around 2-3%, well below the post-pandemic rebound years. Demand patterns are shifting geographically, with Southeast Asia continuing to gain share while China-U.S. flows weaken. China-Europe volumes remain positive but are decelerating, reflecting softer eCommerce momentum.

Low-value eCommerce, a key driver of recent air cargo growth, is losing pace as U.S. de minimis restrictions bite and new EU customs charges on parcels under €150 take shape for mid-2026. Airlines are responding by reallocating freighter capacity toward lanes offering stronger yields, particularly into Europe.

Procurement behaviour is also changing, with shippers favouring spot and short-term contracts over long-term commitments, increasing market sensitivity to short-term demand shifts and regulatory developments. This shift reduces visibility for carriers and heightens volatility around seasonal peaks, policy changes and sudden capacity redeployment decisions across global networks.

> "Air cargo is being used proactively to protect service and inventory."

Global Origins

Last 2 to 5 weeks

	Capacity[1]			Chargeable weight[1]			Rate[1]		
	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY
Africa		-11%	+3%		-20%	-5%		+2%	+8%
Asia Pacific		-7%	+5%		-17%	+6%		-7%	-1%
C & S America		-6%	+10%		-15%	+7%		-1%	-4%
Europe		-8%	+9%		-38%	-6%		-3%	+2%
M East & S Asia		-2%	+8%		+1%	+14%		-4%	-16%
North America		-4%	+3%		-15%	+4%		+1%	-2%
Worldwide		**-6%**	**+5%**		**-20%**	**+4%**		**-4%**	**-1%**

Source WORLD ACD

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Rates

Rates Remain Elevated as Capacity Tightens on Core Lanes

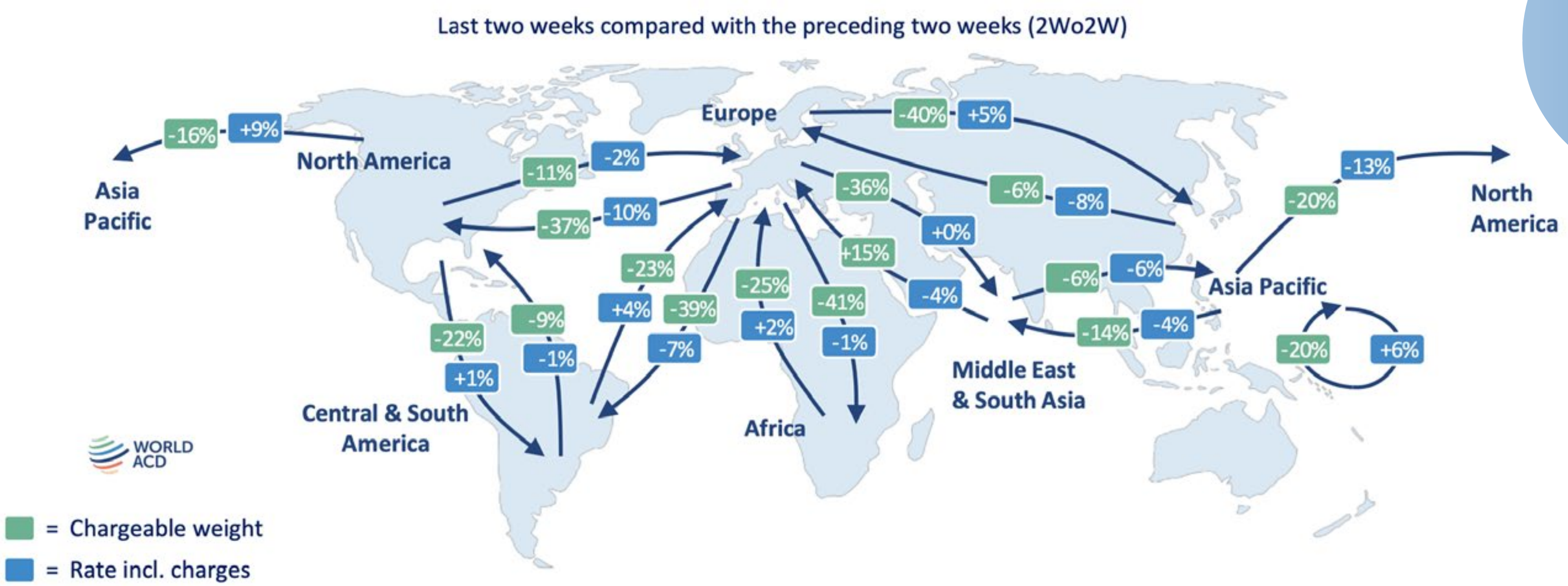
Air freight rates ended 2025 under pressure despite strong volumes. Average global rates in December stood around $2.8 per kg, down about 4% year on year, reflecting capacity growth and competitive pricing outside peak weeks. Spot rates softened after Christmas, falling roughly 5% in the final two weeks of the year as demand normalised and airlines trimmed capacity.

Regional performance varied: Asia Pacific rates proved more resilient, declining only modestly year on year, while Europe, the Middle East and the Americas recorded steeper spot-rate falls. Short-term month-on-month increases were seen on some lanes as passenger belly capacity tightened seasonally, but these moves remained limited.

Looking into 2026, slower demand growth and softer eCommerce signals point to continued rate pressure, with volatility driven by capacity redeployment rather than sustained pricing power. Contract negotiations are increasingly cautious, favouring flexibility over fixed pricing commitments.

7% YoY
GLOBAL CHARGEABLE WEIGHT GROWTH

Region to region last 2 weeks



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Overland

Introduction

Road freight across the UK and Europe remains finely balanced, with constrained capacity supporting pricing while cost pressures and competitive conditions limit acceleration. Seasonal demand patterns and improving consumer fundamentals are influencing short-term dynamics.

Situation

UK and European road freight conditions remain tight but controlled. The TEG Price Index reached a record 135.4, rising almost 5% month on month, reflecting seasonal pressure and reduced carrier availability.

December availability fell 23%, tightening short-term capacity. At the same time, EU truck registrations declined 10%, with heavy trucks down 9.0% and medium trucks 13.5%, constraining fleet renewal.

Fuel costs are comparatively stable, with EU diesel averaging €1.57 per litre, 3.49% below year-ago levels. Inflation has eased, with CPI at 3.2% in the UK and 2.1% in the Eurozone, while interest rates have started to fall, improving demand fundamentals but leaving operators reliant on efficiency to protect margins.

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Market

Improving Network Stability Brings Greater Predictability

Market balance is reflected in closely aligned pricing benchmarks. The Ti, Upply & IRU index shows contract and spot rates both around 134 points, separated by just 0.3 points, indicating disciplined capacity management. Quarter on quarter, both contract and spot indices rose 1.7 points, while year on year contract rates increased 3.1 points and spot rates 1.9 points.

The TEG Haulage Index climbed to 134.6 (+5% MoM), while the Courier Index reached 136.2, over 4%. Demand signals are improving: UK retail footfall rose 3.9% YoY in December, BRC reported 3.2% YoY spending growth, and 46% of UK businesses expect higher turnover in the next 12 months.

Capacity remains constrained by falling vehicle registrations and persistent driver shortages, supporting a firmer market outlook.

"Network stability is improving, but cost recovery remains uneven."

Rates

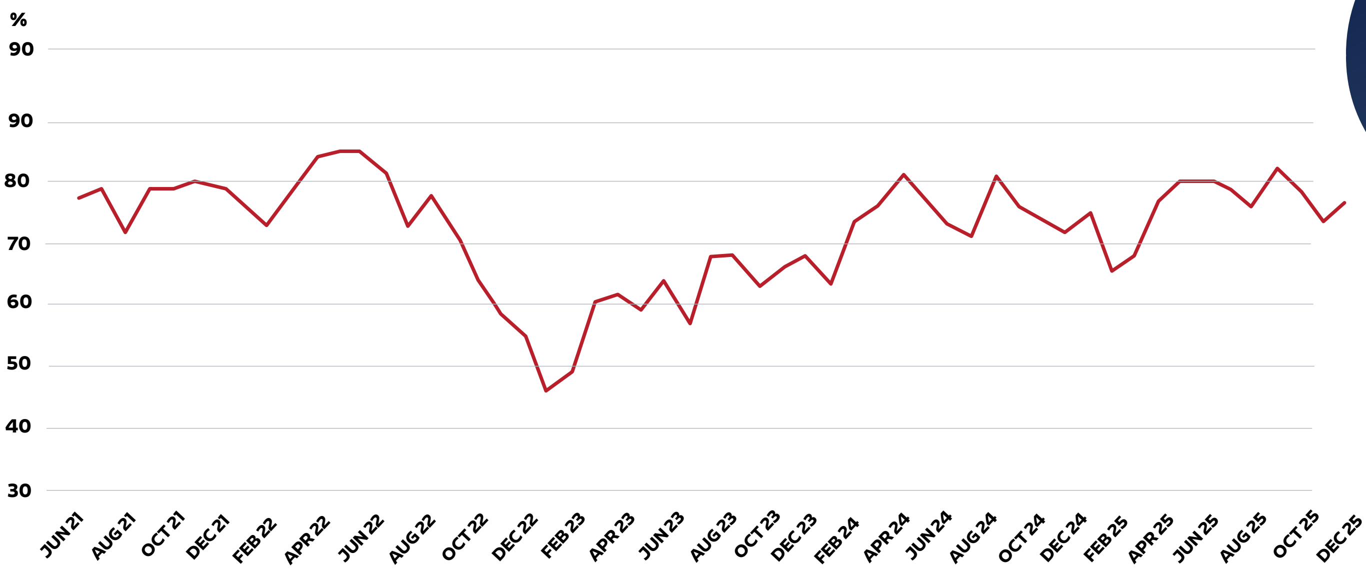
Cost Pressures Limit Rate Softening Despite Weaker Volumes

Road freight rates continue to rise incrementally but remain below broader inflation trends. Year on year, the TEG Index increased 2.3%, compared with 3.2% CPI inflation, while the Haulage Index rose just 1.89% and the Artic Index 1.12%, indicating limited cost recovery.

Cost pressures remain uneven. Diesel prices rose 2.18% in 2025 but are expected to remain stable short term, with OPEC forecasting slower diesel demand growth. Labour remains inflationary: average HGV salaries increased over 8% during 2025, though December saw a modest dip to £42,838.

Tolling is a growing rate driver, with Austria planning a 7.7% increase and the Netherlands moving to distance-based charging that could raise annual toll costs sevenfold for high-mileage EURO VI vehicles. Overall, rates are expected to firm gradually, driven by structural costs rather than fuel.

European freight transport barometer



Source: Knight Frank, Timocom

Contract Logistics

Introduction

Contract logistics continues to benefit from long-term outsourcing trends as shippers seek resilience, visibility and integrated solutions. Investment in automation, sustainability and technology is increasingly central to contract structures and service differentiation.

Situation

Contract logistics remains a critical pillar of the UK logistics economy, supporting a sector generating around £170bn annually and employing more than 8% of the national workforce. The UK contract logistics market is estimated at approximately £38bn, with medium-term growth of around 4-5% expected.

Structural demand is being driven by eCommerce, which accounts for over 25% of UK retail sales, alongside increased supply-chain complexity and resilience requirements.

Labour availability, energy costs and real estate inflation continue to pressure margins, while investment in automation, digital visibility and low-emission operations has become a baseline requirement rather than a differentiator. Overall conditions point to steady, capability-led expansion rather than rapid volume-driven growth.

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Market

Operational Resilience Takes Priority Over Pure Cost Efficiency

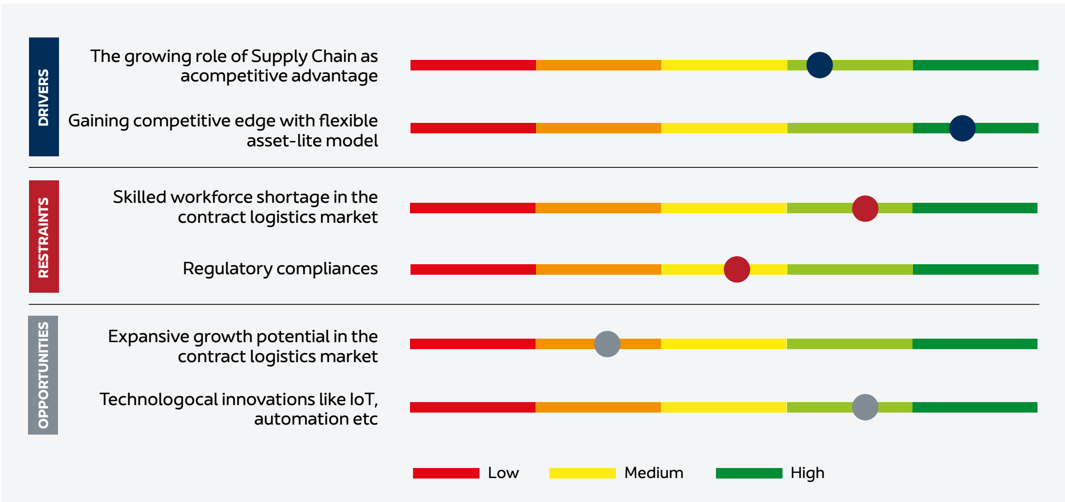
Market structure continues to evolve toward integrated, long-term outsourcing models. Transportation remains the largest service component, accounting for roughly 60% of contract logistics revenue, but warehousing and value-added services are growing faster as shippers seek end-to-end solutions.

Long-term contracts exceeding three years represent more than 60% of revenues, reflecting customer preference for partners able to fund automation, IT integration and ESG investments.

Retail, consumer goods and eCommerce remain the fastest-growing verticals, supported by omnichannel fulfilment and high returns volumes, while pharmaceuticals and healthcare logistics expand at around 4% annually, driven by temperature-controlled and compliant solutions. Manufacturing and automotive demand remains significant but more stable.

England continues to dominate activity, accounting for over 80% of UK contract logistics revenue, underpinned by dense motorway, port and intermodal infrastructure. Competition is intensifying, particularly among mid-tier specialists offering sector-specific expertise rather than pure network scale.

Contract Logistics Market - Impact analysis of key factors



Source: Coherent Market Insights

5% YoY

LOGISTICS OPERATING COST INCREASE

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Rates

Rising Operating Costs Continue to Influence Contract Pricing

Contract logistics pricing continues to rise modestly, supported by multi-year agreements and index-linked cost recovery mechanisms. Across road freight, contract rates increased by around 2–3 index points quarter on quarter, remaining above spot pricing and reflecting a continued premium for capacity security.

Warehousing and integrated logistics rates are also trending higher, with expectations for low-to-mid single-digit annual increases driven by labour, energy and compliance costs.

Unlike spot freight, contract logistics pricing is underpinned by automation investment, IT integration and ESG reporting requirements, allowing providers to defend yields despite customer price sensitivity. Prime logistics assets and automated facilities continue to command firm pricing, with limited discounting in core locations. Overall, rate growth is expected to remain measured, with margins shaped less by volume expansion and more by operational efficiency, technology deployment and the ability to absorb rising fixed costs within long-term contractual frameworks.

“Resilience and flexibility are reshaping contract logistics decisions.”

Warehousing

Introduction

Warehousing markets are normalising after extended volatility, with demand holding above historical averages and supply dynamics beginning to rebalance. Occupier focus remains on high-quality, energy-efficient space aligned to evolving operational requirements.

Situation

UK warehousing conditions continue to normalise following an extended period of volatility. Industrial and logistics take-up remains robust, running around 27% above the pre-Covid average, supported by 6.2 million sq ft currently under offer.

Build-to-suit activity has strengthened to 9.9 million sq ft, up 7% year on year, signalling renewed occupier confidence. Net absorption has turned positive for the first time since late 2022, rising to 3.6 million sq ft by year-end. While overall availability stands at 64.1 million sq ft, the development pipeline has contracted sharply, easing longer-term oversupply risk and supporting a more stable outlook.

Market

Demand Normalises as Flexibility Becomes a Key Differentiator

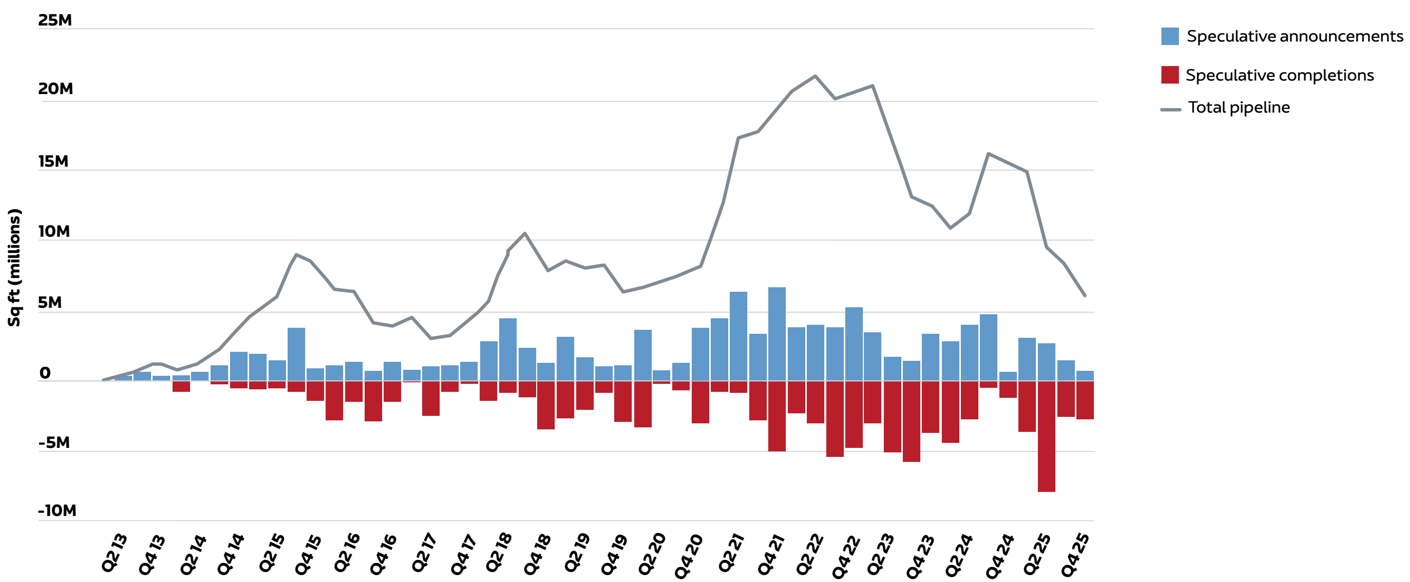
Market activity reflects improving occupier sentiment alongside a gradual rebalancing of supply and demand. Manufacturing-led occupiers account for around one third of take-up, with third-party logistics providers close behind, increasing space taken by more than 50% year on year. Grocery and essential retail demand has also recovered, driven by supply chain restructuring and automation investment.

Grade A space dominates demand, representing nearly four fifths of take-up, well above historical norms, underlining the importance of ESG performance, energy efficiency and future-proofed facilities.

Regionally, activity remains strongest in core distribution corridors, though some areas are experiencing quarterly contractions as occupiers become more selective. While availability has risen due to second-hand stock returning to the market and new speculative completions, construction activity has fallen by around 65% from its peak, pointing to tighter supply conditions ahead.

Overall, the market is transitioning from rapid expansion to steadier, more sustainable growth into 2026.

Warehousing - speculative pipeline



Source: Savills Research

Rates

Rental Growth Moderates but Prime Locations Retain Pricing Power

Warehouse rental growth has moderated but remains positive. Prime mid-box headline rents reached approximately £15.55 per sq ft, representing annual growth of around 4%, while large-format units of 100,000 sq ft and above average close to £11.90 per sq ft.

London continues to command a significant premium, with prime rents approaching £29 per sq ft, while more affordable regions remain closer to £8–9 per sq ft.

The slowdown in rental growth reflects rising availability and a natural rebalancing rather than weakening demand. Investment confidence remains supportive, with transaction volumes expected to rise and prime yields hardening modestly by 25–50 basis points.

However, occupier cost pressures persist, with energy charges, labour costs and regulatory compliance shaping location and space decisions. Overall, rents are expected to edge higher selectively, led by high-quality, well-located assets rather than broad-based market inflation.

<6%

CORE EUROPEAN WAREHOUSE VACANCY

“Flexibility now matters as much as footprint in warehouse demand.”

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SOURCES
Baltic Air Freight Index | CBRE | Drewry's | JoC | Knight Frank | PMI | Savills | Sea Intelligence | S&P | TAC Index | TEG | Trans.Info
Transport Intelligence | WorldACD | Xeneta