



Market Report

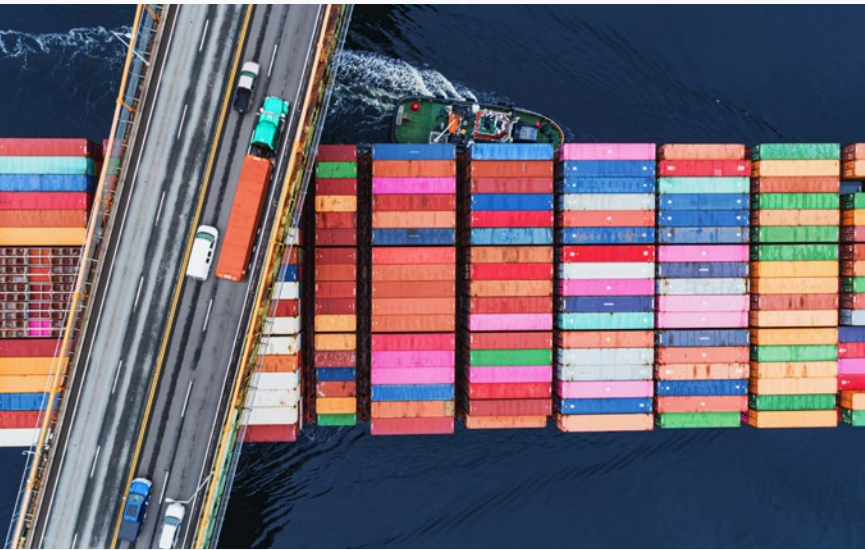
May 2026 | United Kingdom



Market Report

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Executive Summary

Manufacturing activity has rebounded sharply across both the UK and US, with May PMIs rising to 53.9 and 54.0 respectively – the strongest readings seen in four years. However, much of this apparent momentum is being driven by front-loaded ordering and precautionary inventory building as businesses respond to tariff uncertainty, geopolitical instability and the risk of further supply chain disruption.

Continued instability across the Middle East, particularly around the Strait of Hormuz, is disrupting energy flows, sustaining elevated fuel prices and pushing transport costs higher across all major freight modes. As a result, input costs have climbed to their highest levels since 2022, placing renewed pressure on landed costs and supply chain planning.

With more interventionist trade policy, volatile operating conditions and shifting sourcing strategies all reshaping freight demand patterns, integrated logistics planning and coordinated mode selection are becoming increasingly important for maintaining service reliability and controlling costs.

Key Market Trends

Ocean freight

On the main east–west trades, demand growth is now running ahead of available capacity. Asia–Europe services are moving into an early and sharper peak, with carriers applying GRIs, PSS and emergency bunker surcharges on top of already elevated spot levels, leaving all-in costs significantly higher and effective space tighter on front-haul lanes.

Air freight

Global air cargo remains expensive by historical standards. Market indices show average rates more than 30% above last year, with the Gulf still operating with materially less capacity than before the conflict, Chinese exporters bringing forward shipments ahead of EU tax changes, and added Football World Cup-related demand pushing ex-UK prices higher.

Road freight

UK–EU road conditions are steady but underpinned by rising operating costs. May data point to firm pricing supported by fuel surcharges, a gradual tightening in available capacity and early-summer driver shortages, even as underlying haulage demand eased slightly through the month.

Contract logistics

In UK warehousing and contract logistics, occupier demand is increasingly concentrated in modern Grade A space. Q1 activity was skewed toward prime and pre-let facilities, Grade A vacancy remains low and rental growth is still positive, even though headline growth rates have moderated from post-pandemic peaks.

S&P Global UK Manufacturing PMI



Source: S&P Global

Market Summaries

OCEAN FREIGHT

An earlier-than-usual peak season meets constrained effective capacity and a broad wave of surcharges, as ocean markets harden. Asia–Europe volumes expanded by around 15% in Q1 2026 while weekly capacity increased by only 7.5%, keeping ships heavily booked and limiting flexibility.

Carriers have already implemented June GRIs and are adding peak season surcharges, while emergency bunker surcharges in the USD 150–265 per TEU range reflect Brent trading close to USD 90–91 per barrel. The Shanghai Containerised Freight Index now sits around 56% above its level at the same point last year.

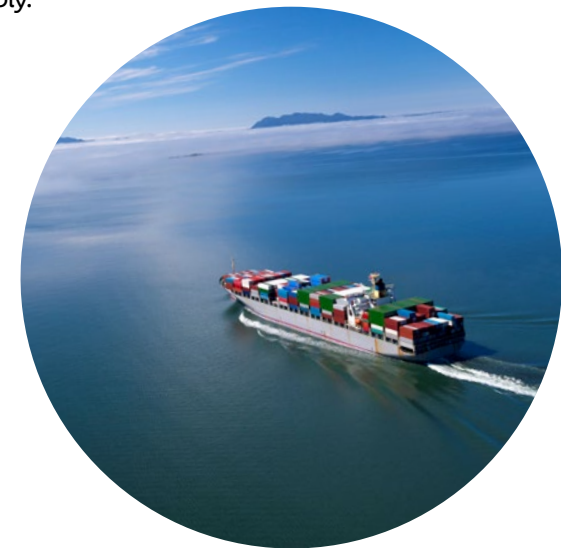
- Emergency bunker surcharges approaching USD 300 per TEU
- Asia–Europe demand up 15% in Q1 2026
- Weekly capacity at 542,074 TEU, up only 7.5% YoY
- GRI + PSS adding from USD 1,200 per TEU from June

AIR FREIGHT

In early June, the Baltic Air Freight Index gained close to 3% week-on-week and stood more than 30% above prior-year levels, while broader spot rate benchmarks indicate global prices around 50% higher than a year ago.

Gulf capacity remains materially below pre-war norms, jet fuel costs are volatile, and Chinese export flows are being accelerated ahead of new EU de minimis rules taking effect on 1 July. Football World Cup-related flows are adding an extra layer of demand, with ex-UK rates to the US climbing sharply.

- Global spot rates 50% above year-ago levels
- Gulf and MESA capacity still materially below pre-conflict levels
- BAI up 3% WoW and 30% Yo
- Ex-UK to US rates up 30% WoW on World Cup demand



Market Summaries

OVERLAND

Domestic and UK–EU road freight heads into June in relatively stable condition but with persistent cost pressure. The TEG Road Transport Price Index edged up 1.2% in May to 134.2, even as overall haulage demand slipped 2.8% and softer consumer spending weighed on heavy vehicle utilisation.

Diesel prices remain well above last year, underlining the importance of fuel surcharge mechanisms, and early-summer driver leave is beginning to tighten capacity on some core lanes.

- Haulage demand down, but carrier availability also fell 10%
- Diesel costs remain significantly higher year-on-year
- TEG Road Transport Price Index up 1.2% in May to 134.2
- June holidays affect operations in Ireland, Croatia, Luxembourg and Slovenia

CONTRACT LOGISTICS

Around 9 million sq ft of contract logistics space was taken up in Q1 2026, roughly 11% higher than a year earlier, with about 77% of demand focused on Grade A, pre-let or design-and-build facilities. Overall vacancy is now 8.3%, but that figure is heavily influenced by secondary stock; Grade A vacancy is only 4.2% and drops below 1% in some key regions.

Rental growth has come off the extraordinary highs seen immediately after the pandemic but remains positive, led by northern markets, while elevated build and finance costs are limiting speculative development and supporting pricing for modern, energy-efficient space.

- Annual industrial rental growth at 4.45%
- 2026 rental growth forecast at 2.4%
- Q1 logistics take-up 9 million sq ft, and up 11% Yo
- Grade A vacancy at 4.2%, below 1% in some regions





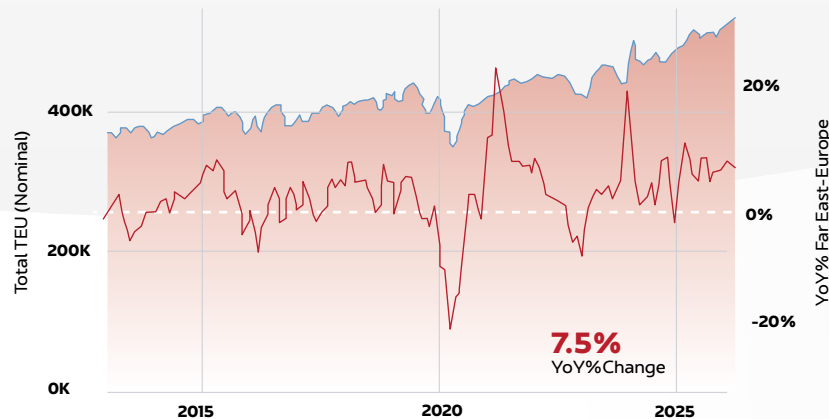
Ocean Freight



Introduction

Container shipping is now moving into a more compressed and front-loaded peak season than in recent years. Asia–Europe demand growth is running ahead of capacity expansion and carriers are actively rolling out additional surcharges, while only a limited number of services have re-routed back through Suez, keeping most transit times and routings unchanged.

Far East - Europe Weekly Capacity (TEU)



Situation

On Asia–Europe, the supply-demand balance has tightened. Q1 2026 saw demand increase by about 15%, against only 7.5% growth in weekly deployed capacity, which has left vessels heavily booked and space harder to secure. June GRIs from several carriers are set at around USD 500 per TEU, with further PSS of USD 500 or more per TEU expected, and emergency bunker

surcharges have been added across the major alliances as Brent crude trades above USD 90 per barrel.

The SCFI now stands roughly 56% above its late-May 2025 level and close to half again above the start of 2026, underlining how quickly spot benchmarks have moved.

Market

Surcharge layering defines a higher cost floor across front-haul trades

Conditions vary sharply by corridor. For Asia–Europe, full ships, tighter booking windows and the layering of fuel and peak season surcharges are creating an effective cost environment that is higher than headline indices alone might suggest. Carriers have reduced the number of blank sailings to maximise utilisation, but that has not translated into looser conditions; effective space on front-haul routes remains tight.

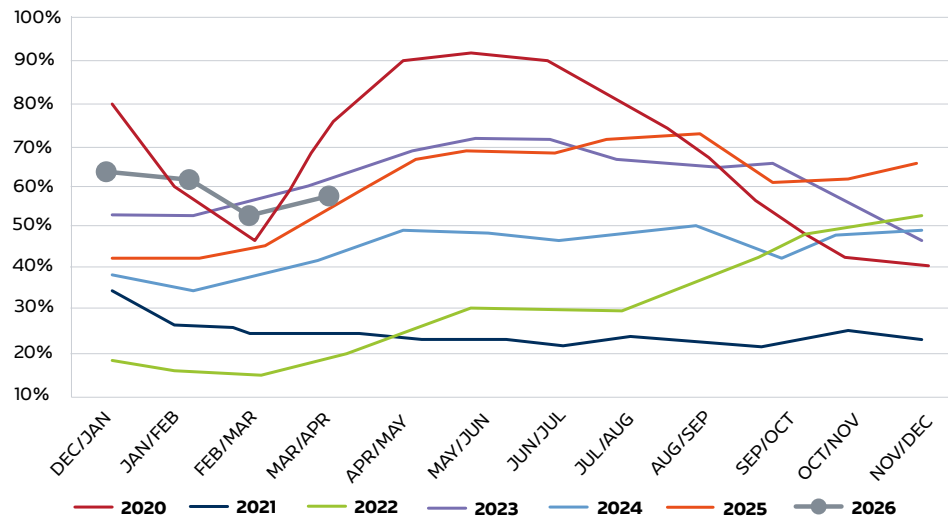
Schedule reliability has improved on paper but remains fragile in practice. On Asia–Europe, reliability rose to 57.2% in March/April, yet average delays lengthened to 6.14 days. Indian Subcontinent–Europe services show a similar pattern, with reliability at 52.3% and delays of just under six days, reflecting ongoing operational strain. CMA CGM’s decision to reintroduce Suez routings on its Ocean Rise Express ex-China and westbound EPIC ex-India offers

shorter transits on those particular services, but this is the exception rather than the rule

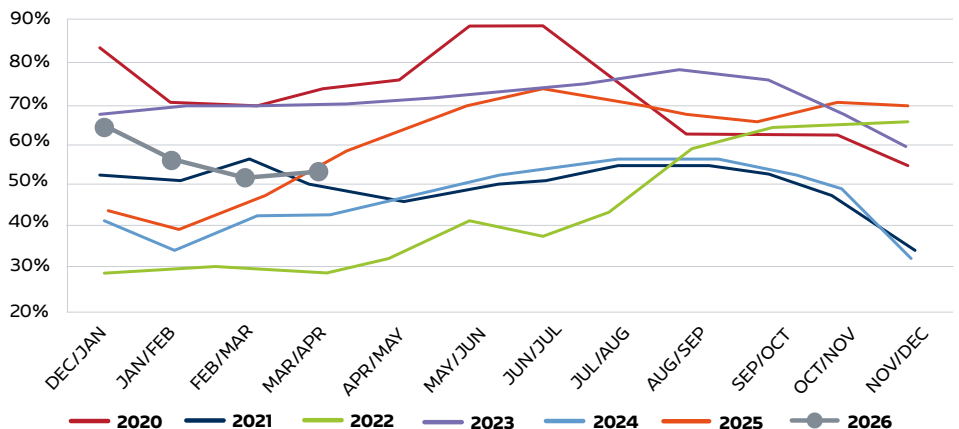
On other trades, Middle East and Red Sea lanes are still heavily oversubscribed and priced at a premium. Latin American services face congestion risk after ONE dropped its UK call on the LUX service, and US East Coast and Gulf routes are tightening on loop adjustments, with additional GRIs and PSS in the USD 300–550 range expected early July.

Global Schedule Reliability

Asia - North Europe



India Sub. - Europe



Rates

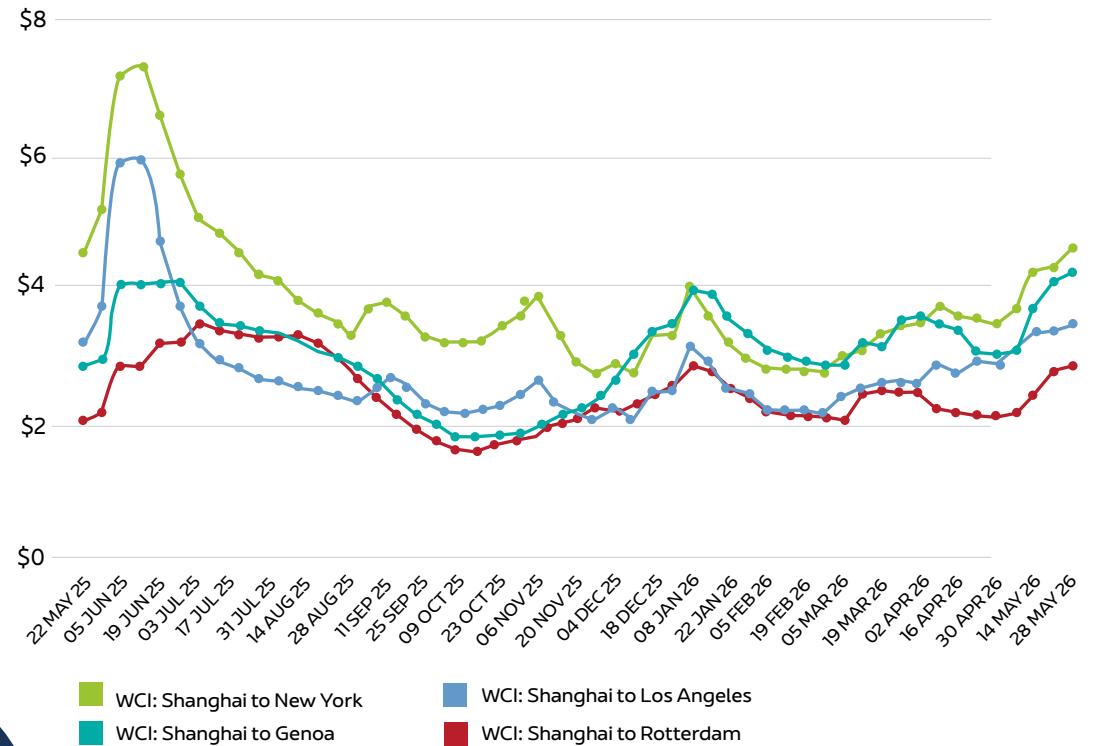
Front-loading, fuel and surcharges drive a higher cost base

“Pay-to-play dynamics are returning on key front-haul lanes, with premiums determining which unsupported shippers get space.”

For the near term, the rate trajectory on key front-haul corridors remains upward. GRIs, PSS and universal emergency bunker surcharges are being widely implemented and are holding, pointing to all-in costs well above recent averages. Drewry’s World Container Index shows composite rates up on both a weekly and annual basis, and forward indicators suggest that Asia–Europe spot levels could move into the USD 6,000–7,000 per 40ft range as June progresses.

BAF changes from 1 July are encouraging some BCOs to bring shipments forward, further compressing the peak and reinforcing carrier pricing power. By contrast, some backhaul trades such as Asia eastbound and Oceania continue to see relatively soft rates and ample equipment availability, offering an opportunity for UK exporters to secure competitive pricing.

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



56%
SCFI UP
YEAR-ON-YEAR

Air Freight



Introduction

Airfreight has entered the summer period with high rates firmly established and capacity still uneven across regions. Spring increases that were only partially visible in May are now clear in market indices, Gulf capacity is rebuilding from a low base and a mix of regulatory, seasonal and event-driven factors is keeping pressure on key corridors.

Situation

In the first week of June, the Baltic Air Freight Index (BAI) rose 2.8% week-on-week and now sits 32.7% higher than a year earlier, while WorldACD data indicate that global spot prices remain roughly 50% above prior-year levels. Gulf carriers have restarted a number of services, but overall capacity in the region is still about 48% below pre-conflict norms, and the use of smaller aircraft on some routes is limiting

belly-hold space even where frequencies are returning.

Fuel remains a major driver. Although Brent eased slightly during May, the volatility has kept jet fuel surcharges in place and in many cases rising. At the same time, Chinese exporters are pushing cargo out ahead of the new EU de minimis tax regime from 1 July, adding further to demand.



Market

Regulatory deadlines, seasonal events and fuel costs tighten June capacity

Baltic Air Freight Index data shows firmer spot levels out of Hong Kong, India and Korea, with Hong Kong up 4% week-on-week and almost 40% year-on-year, and Shanghai rates edging higher to stand roughly 30% above last year. The combination of pre-deadline EU tax shipments, Dragon Boat Festival volumes and early peak season preparations is tightening available space on Asia-Europe and Asia-North America lanes.

The UK is experiencing an especially sharp move. Outbound rates from London Heathrow to the US surged by around one-third week-on-week and are now more than 70% above last year, driven primarily by World Cup-related freight. US carriers report very strong utilisation on ex-UK flights, and sea-air routings via the US West Coast and Canadian gateways are attracting more interest as shippers look for hedges against direct air capacity constraints.

Elsewhere, flows are mixed. Many regional markets are stable week-on-week, but an 18% jump in intra-Asia Pacific chargeable weight points to strengthening regional trade and potentially tighter conditions if the trend continues.

“Rates had flattened, but the combination of regulatory deadlines and seasonal events has restarted the upward move.”

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		+0%	+4%		+6%	-1%		-6%	+37%
Asia Pacific		+1%	+8%		+9%	+6%		-2%	+34%
C & S America		-8%	-0%		-13%	+6%		-5%	+10%
Europe		+2%	+1%		+0%	-6%		-1%	+38%
M East & S Asia		+6%	-3%		+4%	+1%		-3%	+56%
North America		-0%	+4%		-2%	+3%		+2%	+26%
Worldwide		+1%	+3%		+3%	+2%		-0%	+36%

Source




Introduction

Domestic and UK–EU road freight headline conditions look broadly stable, but the underlying picture is one of gradually rising costs and reduced flexibility. Fuel indexation, seasonal driver availability and scattered public holidays across Europe are all shaping how capacity and pricing evolve through June.

Situation

TEG data for May show the Road Transport Price Index increasing modestly, up 1.2% to 134.2. Overall transport demand grew only 2.2%, well below the double-digit gains seen in the same month last year and in 2024, and haulage demand specifically fell 2.8% as weaker consumer spending on big-ticket items fed through into freight volumes.

Despite softer demand, carrier availability dropped by more than 10%, as bank holidays and early-summer leave took drivers and equipment out of circulation. Diesel prices remain significantly higher than a year ago, keeping fuel surcharge clauses active across most contracts and limiting the scope for meaningful rate reductions.



Market

Soft demand and tightening capacity create a deceptively stable pricing environment

“The market isn’t getting dramatically more expensive, but the floor is higher and flexibility is reducing.”

Rather than sharp demand spikes, it is structural costs and seasonality that are shaping the current overland market. The start of the European holiday season is now visible in reduced driver availability and slightly longer planning lead times, particularly on busy UK–EU corridors. For many shippers, the impact is subtle, with fewer late booking options and tighter windows around weekends and peak days, but it is likely to become more pronounced as summer progresses.

Across Europe, contract rates rose about 9% year-on-year in Q1, reflecting higher fuel, toll and labour costs, while spot rates have been subdued by weaker underlying demand. Persistent driver shortages, with around 12% of roles unfilled, and more expensive vehicle finance are constraining fleet renewal and keeping cost bases elevated.

Public holidays add further complexity. National holidays in Ireland (1 June), Croatia (22 June), Luxembourg (23 June) and Slovenia (25 June) can cause localised disruption to loading, unloading and cross-border movements, so time-sensitive flows touching these markets should build in at least one additional working day around each date.

Nationwide Average Fuel Price Per Litre (Pence)



Rates

Cost-led pricing persists as fuel and capacity constraints offset softer demand

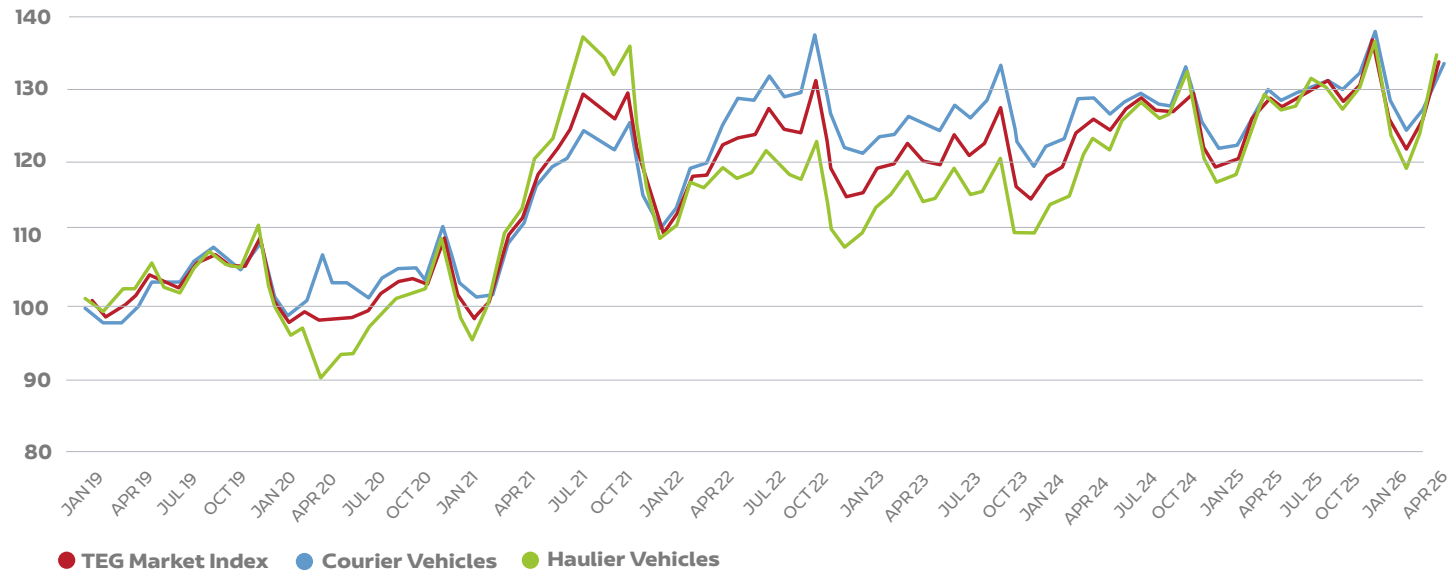
Pricing on UK–EU road lanes is therefore expected to remain firm rather than move sharply higher. May’s TEG data underline that overall index growth is modest, but fuel-linked surcharges continue to adjust in line with diesel, and any renewed rise in oil prices would pass quickly through to haulage costs.

Seasonal tightening in driver capacity and reduced access to agency labour through June will make it harder for rates to move materially lower, especially on higher-utilisation corridors. At the same time, subdued demand and cautious consumer sentiment are restraining more aggressive increases. The net effect is a market where

significant cost relief appears unlikely in the short term, but broad-based spikes are also not currently in view.

The overall picture is a market where costs are unlikely to fall meaningfully in the near term, but where broad-based rate spikes also remain

TEG Road Transport Index



+1.2%
TEG PRICE INDEX UP



Introduction

The UK contract logistics sector is operating in a mixed macro environment with a relatively robust underlying market. Operating demand is increasingly focused on modern, well-located Grade A facilities that can support omnichannel fulfilment, higher inventory levels and tighter compliance requirements, while rising energy, labour and transport costs are reshaping network design and service models.

Situation

In Q1 2026, contract logistics take-up totalled around 9 million sq ft, an increase of about 11% on the same period a year earlier, with roughly three-quarters of activity targeting Grade A, pre-let or design-and-build space. Overall vacancy has edged up to 8.3%, mainly due to weaker secondary units coming back to market, but Grade A vacancy stands at just 4.2% and dips below 1% in several core regions.

New development is being held back by higher borrowing costs and rising construction prices, which are limiting speculative starts and reinforcing the value of existing high-quality stock. ONS survey data show more than 41% of UK warehousing and logistics operators planning price increases in May, more than double the proportion in April, highlighting how cost inflation is feeding through into customer pricing.



Market

Automation, resilience and Grade A facilities define expectations

Demand is becoming more polarised between prime and secondary space. Operators and occupiers are consolidating into higher-quality facilities that can accommodate automation, omnichannel flows and complex value-added services, while older, less efficient warehouses are seeing thinner enquiry levels. Recent large deals underline

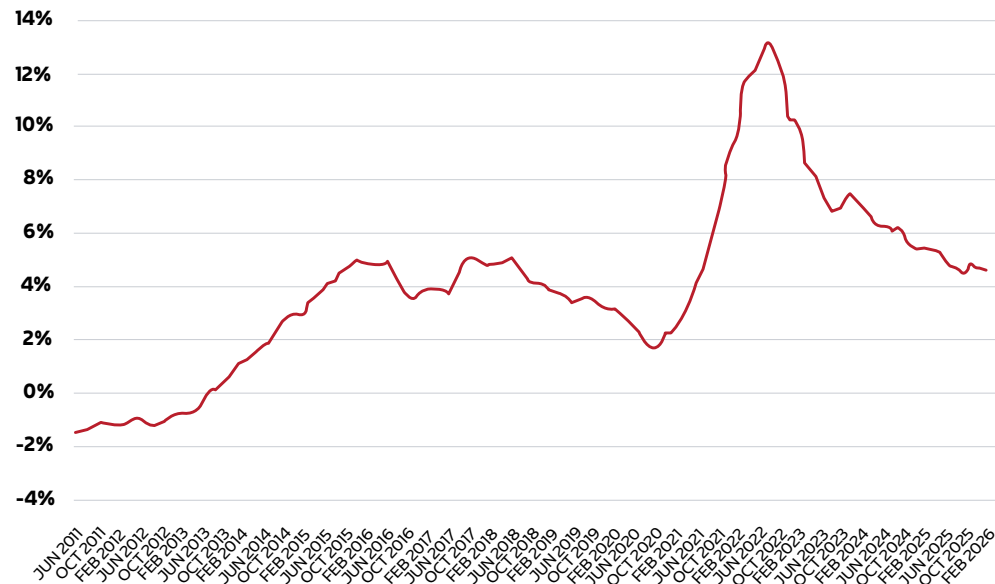
the role of e-commerce and automation investment in setting the pace for prime logistics demand.

Inventory strategy is another key driver. Many retailers, manufacturers and consumer goods companies are holding structurally higher stock levels as a hedge against longer international freight lead times and recurring

supply chain disruption. This is sustaining demand for flexible contract logistics capacity beyond traditional peak seasons and encouraging multi-node, resilient network designs.

At the same time, cost inflation has become the dominant operational concern. A majority of contract logistics providers report higher input costs, particularly in energy, transport and staffing, and an increasing share of the sector now cites economic uncertainty as a significant risk factor, with the proportion at its highest in recent years.

Annual Retail Growth %



SOURCE: KINIGHT FRANK INSIGHT, MSCl

4.2%
GRADE A VACANCY
NATIONALLY

Rates

Moderated rental growth masks a structurally elevated and tightening cost base

Average UK industrial rents increased by around 4.45% in the year to April 2026, with forecasts suggesting slower but still positive growth of approximately 2.4% during 2026 as the market normalises from post-pandemic extremes, while remaining biased towards rental increases in the strongest locations.

Prime logistics yields have softened to roughly 5.25%, yet higher swap rates and rising build costs are keeping new development pipelines tight and supporting the premium commanded by energy-efficient, well-specified assets. Alongside this, labour remains a key cost: warehouse wages continue to trend higher in major logistics regions. With Grade A supply constrained, operating costs elevated and occupiers still prioritising resilient, modern facilities, the overall contract logistics cost base is unlikely to ease materially through 2026.



4.45%
INDUSTRIAL
RENTAL GROWTH
YOY





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SOURCES

Baltic Air Freight Index | CBRE | Drewry's | Hargreaves Lansdown | JoC | Knight Frank | Lambert Smith Hampton | PMI | Savills | Sea Intelligence
S&P | TAC Index | TEG Trans.info | Transport Intelligence | WorldACD | Xeneta

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