



MIDLANDS

Logistics and Industrial Commentary H1 2012

Knight Frank



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H1 2012 market commentary

- The Midlands saw take-up of 3.94m sq ft in H1. While this is 24% down on H2 2011, it was nevertheless relatively robust compared with H2 2010 and H1 2011. The largest deal in H1, totalling 427,834 sq ft, saw furniture retailer & manufacturer Steinhoff purchase Hydro, at Magna Park, Lutterworth, for their own occupation.
- Across all size brackets, availability has eroded further over the last 6 months due to an absence of speculative completions and relatively little secondhand stock coming to the market. Indeed, secondary stock is now increasingly competing with what little prime stock that remains available.
- The growing lack of choice means occupiers are having to decide between staying at their existing premises (and negotiating competitive terms) or pursuing a design and build option. However, occupiers are finding it difficult to plan so far in advance and put the necessary approvals in place for a D&B.
- There are a number of readily available sites in the Midlands. For example, The HUB, Birmingham can provide up to 750,000 sq ft of industrial / warehouse space. The site, owned by PruPIM, is available for immediate development following completion of remediation and infrastructure works.
- Prime headline rents across the West Midlands have been broadly stable over the last 12 months, supported by the steady erosion of supply. However, to achieve the desired headline rental levels and to retain occupiers at their existing accommodation, landlords continue to offer generous incentive packages.
- Increased production at Jaguar Land Rover & BMW has stimulated an increase in automotive related enquires in the West Midlands, primarily in the wider Birmingham area. However, beyond DHL's 149,383 sq ft lease at Stirling 150 in Solihull, many of these are yet to bear fruit.

Q2 2012 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2013			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£6.00 ◀▶	£5.50 ▲	£5.00 ▲
Black Country	£5.25 ◀▶	£4.75 ◀▶	£4.75 ◀▶
Leicester	£5.50 ◀▶	£5.25 ◀▶	£5.00 ▲
Northampton	£5.75 ▲	£5.50 ▲	£5.25 ▲
Stafford	£4.95 ◀▶	£4.50 ◀▶	£4.25 ◀▶
Stoke	£4.95 ◀▶	£4.50 ◀▶	£4.25 ◀▶
Rugby / Daventry	£5.75 ◀▶	£5.25 ◀▶	£5.25 ▲



In March 2012, Steinhoff purchased Hydro, Magna Park, Lutterworth from the receiver for their own occupation. Knight Frank acted for the LPA receiver.

Regional outlook

- The next 12 months may well see the last of the region's new sheds being taken-up, leaving availability restricted to secondhand accommodation. This is likely to kick the design and build market back into life, as occupiers will have no other means to acquire new space.
- The notable rise in automotive enquiries suggests that this sector will replace the retailers & e-tailers as the most significant driver of activity in Midlands over the next 12 months.
- In certain markets, evidence suggests that some developers are now ready to consider developing new units speculatively. However, due to prevailing economic conditions, developers are still unwilling to consider large-scale speculative development.

Selected Midlands transactions H2 2011

Address	Tenant	Size (sq ft)	Rent / Price (psf)	Date
Hydro, Magna Park Lutterworth	Steinhoff	427,784	Undisclosed	Mar 12
Alto 415, Newcastle Under Lyme	Smyths Toys	414,877	£3.95	Mar 12
Stirling 150, Solihull	DHL	149,383	£5.15	Apr 12
Athena Point, Birmingham	Aggmore Datacentres	101,582	£50.00*	May 12
Unit B, Eddision Rd, Hams Hall	Davis Turner	72,556	£70.00*	May 12

* Freehold purchase