

MIDLANDS

Logistics and Industrial Commentary



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H2 2015 Review

- Demand strengthened during the second half of 2015. Total take-up of units over 50,000 sq ft across the Midlands region reached 7.5m sq ft in H2. This is 44% ahead of the five year half-yearly average, and an improvement on the slower start to the year in H1. The retail sector remained the key driver of demand, accounting for 29% of total take-up, while take-up from the manufacturing sector increased to 22% of the total in H2.
- Pre-let/pre-sale transactions accounted for the majority of demand in H2, with 68% of total take-up falling in this category and a further 11% of take-up accounted for by new spec built space. This highlights the lack of supply and growing confidence in the market. Key deals include Amazon at Mountpark Bardon (1.0m sq ft), DHL at Rugby Gateway (237,258 sq ft) and Birmingham Wholesale Markets at The Hub, Birmingham (241,885 sq ft).
- Jaguar Land Rover's decision to expand their engine plant site at i54 by a further 915,000 sq ft has now taken the plant to 2.2 million sq ft. This demonstrates JLR's continued commitment to the region and is expected to have a beneficial spillover effect on the Midlands, whilst also improving the supply chain.
- The increase in take-up has impacted on availability, which currently stands at 7.6m sq ft. This is equivalent to approximately six months' supply of existing space; most of which is second hand (6.8m sq ft), as limited new build is quickly being taken up. However there is a further 3.8m sq ft of speculatively developed space set for delivery in 2016/17.
- Incentives have remained similar to H1 2015, at approximately 0.5 to 1 month per year term certain, subject to covenant strength.
- Headline rents are at £6.50 per sq ft for the West Midlands, with the East Midlands slightly behind at £6.00 per sq ft, while the gap between new build and prime existing stock remains around £0.50 per sq ft.

Q4 2015 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q4 2016

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£6.50 ▲	£6.50 ▲	£6.50 ▲
Black Country	£5.95 ▲	£5.75 ▲	£5.50 ▲
Leicester	£6.00 ▲	£6.00 ▲	£6.00 ▲
Northampton	£6.00 ▲	£6.00 ▲	£6.00 ▲
Stafford	£5.50 ▲	£5.25 ▲	£5.25 ▲
Stoke	£5.50 ▲	£5.25 ▲	£5.25 ▲
Rugby / Daventry	£6.00 ▲	£6.00 ▲	£6.10 ▲



IM Properties scheme at The Hub, Birmingham will be home to the new Birmingham Wholesale Markets (241,885 sq ft). Knight Frank is retained as agent for the development.

Regional outlook

- Retailers and distribution companies will continue to drive demand.
- Despite the fall in oil prices and some uncertainty in overseas markets, there is strong interest from the manufacturing sectors. It remains to be seen whether this situation will change.
- Competition for employment land and forward funding speculative schemes is likely to continue, although there may be some caution as a number of funders are now well exposed to the Midlands market, with 3.8m sq ft under construction across 24 buildings and more set to follow.

Selected Midlands transactions H2 2015

Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Mountpark Bardon, Bardon	Amazon	1,000,000	c. £5.75	Dec-15
Acanthus Park, Redditch	Amco Services	110,836	£6.25	Nov-15
The Hub, Birmingham	Birmingham Wholesale Markets	241,885	Undisclosed	Nov-15
Warth Park, Raunds	Howdens Joinery	670,000	£5.50	Sep-15
Rugby Gateway, Rugby	DHL	237,258	£6.15	Sep-15