MIDLANDS
LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- Take-up of units above 50,000 sq ft across the Midlands region reached 7.2m sq ft in the second half of 2018. Consequently, the total for the year increased to 13.9m sq ft, the highest total since 2016.
- Occupiers whose primary business is storage and distribution (B8) accounted for 82% of take-up in the last six months of the year.
- Key transactions included Morrisons taking 374,132 sq ft at Prologis Park, Pineham; DPD Geopost at IM Properties Hinckley Park, and BSH home Appliances at Midlands Logistics Park, Corby. The manufacturing sector still remains robust following Meggitt Plc's acquisition of 490,000 sq ft at Manse Opus' Prospero Ansty and Jaguar Land Rover committing to 415,000 sq ft at Prologis Hams Hall.
- On the supply side, a total of 8.3m sq ft of industrial space was available at the end of H2 2018. Of this, 2.9m sq ft is speculatively built stock which is yet to be transacted.
- At the end of H2 2018, there was 3.7m sq ft of speculative development underway across the region. The largest of these were Panattoni (550,000 sq ft, Nottingham 26 and 310,000 sq ft, Northampton), IM Properties (532,500 sq ft, Hinkley Park), and Gazeley (274,536 sq ft, Stoke). There is increasing speculative development in the mid-box market with St Modwen, IM Properties, St Francis Group and Prologis all building sub-100,000 sq ft.
- Strong competition for sites in both core and non-core locations was evident at the end of 2018. Well-funded developers and investors are particularly active in the market as evidenced by Goodmans' acquisition in Nuneaton, and Gazeley at Moulton Park in Northampton.
- With the demand for shorter delivery times and more industries seeking agile operational models to service consumer demands, the Midlands remains an essential location to situate distribution facilities.

REGIONAL OUTLOOK

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We anticipate further speculative development in the mid-size industrial units, as developers and investors look to capitalise on a lack of supply in this bracket, as well as increasing headline rents.

Cash rich developers and investors will continue to underpin market activity as more of the main UK institutions take stock leading up to Brexit.

Greater demand from occupiers looking for short-term leasing arrangements is anticipated, with a preference for buildings retaining racking / fit out.

In addition, those occupiers with bespoke fit out requirements will still be looking to enter into long term agreements in order to maximise landlord contributions to offset some of this capital outlay.

Tetron 141 in Swadlincote let to Jenkins. Knight Frank advised the landlord.

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Prologis Park, Pineham	Morrisons	374,132	c.£6.50	Jul-18
Barberry 65, Birmingham	Mayflex	64,500	c.£6.85	Nov-18
Optimus Point, Leicester	Geodis	276,689	£6.00	Nov-18
Midlands Logistics Park	BSH Home Appliances	946,000	c.£5.00	Sep-18
Prologis Hams Hall	Jaguar Land Rover	415,000	c.£6.50	Dec-18

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Birmingham	£7.50 ▲	£7.50 ▲	£7.50 ◀▶
Black Country	£7.00 ▲	£6.75 ▲	£6.25 ◀▶
Leicester	£7.00 ▲	£6.75 ▲	£6.50 ◀▶
Northampton	£7.50 ▲	£7.00 ▲	£6.75 ▲
Stafford	£5.75 ◀▶	£5.75 ◀▶	£5.50 ◀▶
Stoke	£6.50 ▲	£6.50 ▲	£6.00 ▲
Rugby / Daventry	£7.00 ▲	£6.50 ◀▶	£6.50 ◀▶

“Sustained occupier demand and the lack of good quality stock continues to support rental growth across the Midlands.