

# LONDON, SOUTH EAST

## Logistics and Industrial Commentary

### H1 2015 Review

- Take-up across the London and South East region in units of 50,000 sq ft or over was 3.73m sq ft in H1 2015, up 10% on H2 2014. The number of transactions also increased from 26 to 36 over the same period. The average size of unit taken was down from 130,000 sq ft in H2 2014 to 95,000 sq ft in H1 2015. Meanwhile, H1 2015 take-up was down 4% compared with H1 2014.
- The largest transaction of the period saw Amazon taking the new 310,000 sq ft Prologis Dunstable warehouse which was developed speculatively, while UPS exchanged contracts, subject to planning, on the purchase of c. 35 acres at London Gateway for a new facility.
- Availability of units over 50,000 sq ft stood at 11.68m sq ft across 118 buildings in H1 2015, a reduction of approximately 14% compared with the second half of 2014 and down 18% compared with H1 2014. At the time of writing, there were only two units over 50,000 sq ft being developed speculatively. These totalled 543,000 sq ft.
- The number of available buildings over 50,000 sq ft is critically low in certain areas of the M25, particularly in West London.
- Driven by the lack of available buildings, there is currently fierce competition for industrial sites in the South East. We anticipate that this will result in substantially more speculative development during the next couple of years.
- Developers that have constructed speculatively are reaping their rewards. Segro have seen most of their buildings at Origin let, while Prologis Heathrow was also let shortly after practical completion, highlighting the lack of existing grade A stock.
- We continue to witness rises in the transaction prices of land, as developers factor in increased rental levels along with low yields.
- Prime headline rents have increased significantly in a number of prime local markets during H1 2015. Some of the strongest year-on-year increases were recorded in Thurrock, Park Royal and Enfield.



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### Q2 2015 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q2 2016

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
West London	£13.75 ▲	£13.50 ▲	£13.25 ▲
East London	£13.00 ▲	£12.50 ▲	£10.00 ▲
North London	£9.75 ▲	£9.50 ▲	£9.25 ▲
South London	£9.50 ▲	£9.25 ▲	£9.00 ▲
Crawley	£9.25 ▲	£8.75 ▲	£8.50 ▲
Southampton / Portsmouth	£8.25 ▲	£8.25 ▲	£8.00 ▲
Maidstone	£7.50 ◀▶	£7.25 ◀▶	£6.75 ◀▶
Milton Keynes	£ 6.50 ▲	£6.50 ▲	£6.25 ▲
Hemel H'stead	£9.25 ▲	£9.00 ▲	£8.75 ▲
Reading	£8.75 ▲	£8.25 ▲	£8.50 ▲



**Knight Frank is currently marketing 125,000 sq ft, currently available at Hounsdown Business Park in Southampton, on behalf of L&G.**

### Regional outlook

- Driven by the lack of available product and strong competition for industrial buildings, we expect substantially more speculative development to be delivered to the market over the coming years. However, developers will need to carefully consider unit sizing to ensure that local needs are met.
- Following significant rental increases during H1 2015, we anticipate that rental growth will continue during the next 18 months or so, driven by the severe lack of good quality product. However, as the expected tranche of new speculative development comes through, rental growth will eventually slow as supply increases and landlords start competing for occupiers.

### Selected London, South and East transactions in H1 2015

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Thames Gateway Park	Fresh Direct	66,498	£8.25	Q1
Basildon	Kent Foods	72,000	NA	Q2
London Distribution Park	Travis Perkins	108,000	Confidential*	Q2
Prologis Dunstable	Amazon	310,000	£7.00	Q2

\*Freehold purchase