LONDON, SOUTH & EAST

Logistics and Industrial Commentary

H1 2016 Review

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- Take-up of units over 50,000 sq ft throughout London and the South East totalled 2.5m sq ft across 23 deals in H1 2016. This is 30% down on the previous six month period, when the total volume of transactions reached 3.5m sq ft across 38 deals.
- Since the start of the year there has been a notable absence of large pre-lets, which had supported the take-up figures for some time prior to this.
- In terms of demand drivers, there has been a significant increase in occupier demand from companies involved in the food sector - both the manufacturing and wholesale side - as the restaurant market within central London has continued to perform well.
- Given the fall in take-up, availability has increased. Total available space across London and the South East stood at 13.4m sq ft at the end of June 2016; 1.5m sq ft of which was new space. There is also an additional 560,000 sq ft currently under construction.
- Despite lower overall availability, there are still pockets of the South East that are under supplied and, where this is the case, multiple companies are competing. In other areas even good quality refurbished space appears to not be letting as quickly as the market had envisaged it would.
- Current developments on site include Kier's Logistics City and Trade City in Thurrock on 10 acres, along with Graftongate & L&G's Thurrock 162. Graftongate are also soon to complete the construction of Heathrow Logistics Park which comprises four logistics facilities just south of Heathrow airport.
- Prologis are constructing Prologis Park West London in West Drayton providing two speculative units totalling 192,000 sq ft, which will complete in Q3 2016.
- There continues to be fierce competition for development sites around the South East. We foresee this market cooling slightly given the changing market circumstances, especially for developer traders who rely on real estate retail funds for development finance.
- Rents have continued to push ahead in certain prime areas such as Enfield and Milton Keynes, but have begun to stagnate in other areas.
- Incentives have barely changed over the last six months.
- There are significant requirements in the market; including Ikea (1m sq ft) and Aldi (600k sq ft) that have yet to find a home.

Q2 2016 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q2 2017

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
West London	£15.00 ▲	£14.50 ▲	£13.75 ▲
East London	£13.00 ▲	£12.50 ▲	£11.00 ▲
North London	£10.50 ▲	£10.00 ▲	£9.75 ▲
South London	£11.50 ▲	£11.00 ▲	£10.50 ▲
Crawley	£12.00 ▲	£11.75 ▲	£11.25 ▲
Southampton / Portsmouth	£8.25 ▲	£8.25 ▲	£8.00 ▲
Maidstone	£7.50 ▲	£7.25 ▲	£6.75 ▲
Milton Keynes	£7.50 ▲	£6.50 ▲	£6.50 ▲
Hemel H'stead	£9.50 ▲	£9.50 ▲	£9.25 ▲
Reading	£11.00 ▲	£10.50 ▲	£10.25 ▲

Logicor let Logic 233 in Dagenham to Coca Cola on a 5 year lease, achieving a rent of £8.50 psf.

- In light of uncertainty in the wider economy post Brexit, we anticipate that take-up levels will continue to reduce, unless a large pre-let occurs to maintain take-up levels. As a result of this and reduced competition for units, we believe that rental growth will begin to slow.
- Occupiers seeking space in particular South East locations are going to have to pre-let once more given market uncertainty and unwillingness by many funds to finance new speculative development.

Selected London, South and East transactions in H1 2016

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Prologis Marstongate	DFS	150,000	£6.65	Jun-16
Logic 233 Dagenham	Coca Cola	233,000	£8.50	May-16
Unit 1 Western Avenue BP Acton	Sofa & Chair	81,000	£13.50	May-16
Unit 4 Greenford Park	K&N	57,000	£13.50	April-16