



# LONDON, SOUTH & EAST

Logistics and Industrial Commentary H2 2012

**Knight Frank**



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## H2 2012 market commentary

- Take-up in units over 50,000 sq ft was 2.69m sq ft in H2 2012, down 30% from H1 2012. However, the market was relatively active in the period, with the fall largely due to the absence of any major pre-let deals as was seen in H1.
- Retailers remain one of the most active sectors in the market, with major requirements from John Lewis (c. 600,000 sq ft), Poundland (c. 350,000 sq ft), Marks & Spencer (900,000 sq ft) and Amazon (c.800,000 sq ft) around the M25. While supermarkets have placed many of their store requirements on hold, they are focusing on improving their distribution networks to gain greater efficiencies, as seen with Tesco's recent 122,082 sq ft pre-let in Erith for their sixth dark store.
- Parcel carriers are also particularly active as they seek to drive efficiencies within their networks. It is likely that we will see further consolidation within the sector in 2013 in response to increased volumes from online retailers.
- There is now a severe shortage of available Grade A stock in the wider London and South East, exacerbated by a lack of speculative development in recent years. The largest shortfall is arguably in the mid-size market, ranging 20,000 sq ft to 70,000 sq ft, a sector which saw relatively little development in the previous cycle.
- However, in contrast with the UK's other regions, speculative development activity is gaining momentum, focused in London and the Thames Valley. For example, Kier is progressing with its two schemes in Hayes and Uxbridge and also recently purchased 4.5 acres at Forest Road, Feltham from SEGRO for B8 development. Elsewhere, Aberdeen Asset Management is underway in Theale while SEGRO is undertaking the first phase of Origin, at Park Royal, West London.
- To the east of London, a number of development sites have been brought forward recently and are being primed for development. These include London Gateway and London Distribution Park which together will provide up to 11m sq ft of port-centric distribution space.

### Q4 2012 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q4 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
West London	£12.00 ▲	£12.00 ▲	£12.50 ◀▶
East London	£10.00 ▲	£9.50 ▲	£8.25 ▲
North London	£8.25 ◀▶	£8.25 ◀▶	£8.00 ◀▶
South London	£8.25 ◀▶	£8.25 ◀▶	£7.50 ◀▶
Crawley	£7.50 ◀▶	£7.00 ◀▶	£7.00 ◀▶
Southampton / Portsmouth	£7.75 ◀▶	£7.25 ◀▶	£7.50 ◀▶
Maidstone	£7.50 ◀▶	£7.25 ◀▶	£6.50 ◀▶
Milton Keynes	£ 6.25 ◀▶	£6.00 ◀▶	£5.75 ◀▶
Hemel H'stead	£8.25 ◀▶	£7.50 ◀▶	£7.25 ◀▶
Reading	£8.50 ◀▶	£8.00 ◀▶	£7.50 ◀▶



Knight Frank is currently marketing the 160,000 sq ft ProLogis unit, Hemel Hempstead,

## Regional outlook

- Despite the wider uncertainty in the economy, the clear shortage of supply is predicted to see a further tightening of incentives. We also anticipate a degree of headline rental growth to occur in a number of market hotspots in 2012, such as Wimbledon and South East London.
- As the supply of available buildings continues to reduce, we anticipate a notable rise in design & build solutions in the mid-sized market in 2013.
- There are a number of sites where bids are to be called shortly and it will be interesting to see which funds have the confidence and the appetite in the market to purchase land.

### Selected London, South and East transactions in H2 2012

Address	Tenant	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit A Triton, Grays	Hermes	52,661	£5.50	Jul 12
Unit 3, Thames Gateway, Dagenham	Monolift UK Ltd	52,023	£7.55	Sep 12
Cross Dox, Erith	Tesco	122,082	£7.40	Oct 12
Orton 130 Peterborough	Caterpillar Logistics	130,000	£3.00	Nov 12
Lightning, Park Royal	Speciality Drinks Ltd	63,862	Confidential*	Nov 12

\* Freehold transaction