

*Occupier and investment market trends in the London & South East logistics and industrial sector.*



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# LOGIC: London & South East Q1 2022

Research, May 2022



CGI Image: SEGRO Park, Hayes  
By courtesy of SEGRO

# MARKET OVERVIEW

*Strong start to the year for the London and the South East occupier market, with 2.8 million sq ft of industrial and logistics space taken up.*

**14.4 million sq ft**  
Occupier take up  
(last four quarters)

**£6.5 billion**  
Investment total  
(last four quarters)

**25%**  
Prime annual rental  
growth

## Annual take up ahead of five-year average

The first quarter of 2022 saw 2.8 million sq ft of industrial and logistics space taken up in London & the South East region (units over 50,000 sq ft), 22% higher than the opening quarter last year. This brings the total for the twelve months to end-March 2022 to 14.4 million sq ft, 0.7% higher than the comparable period the previous year and considerably ahead of the five-year average.

A large proportion of the space taken up in London & the South East in Q1 was new, speculative space, 69%, while pre-lets were also a key feature, comprising 23%.

Distribution occupiers, in particular third-party logistics companies (3PLs), were the most active in the first quarter, comprising 41% of take up. As more and more retailers are outsourcing their distribution and fulfilment to 3PLs, demand from this type of occupier is increasing. A significant deal in the quarter included Bleckmann taking 394,454 sq ft at SP870, Fortress Way,



JAMES MASKEY, PARTNER  
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“We are seeing an increase in both the volume and average size of active requirements in the market. Requirements have increased by almost 50% since the beginning of the year, as occupiers compete for the ever-diminishing stock of 50k sq ft+ units available.”

Bury St Edmunds, in February. On an annual basis, retail occupiers have taken the largest share of space.

## Speculative development levels at new heights

Supply levels of units over 50,000 sq ft in London and South East declined by 11% annually to Q1, to stand at 6.5 million sq ft, the majority of which are smaller, second hand units. This results in a 3.0% vacancy rate.

Reflecting the increasing commitment amongst developers to deliver large-scale industrial product to the London & South East market, the volume of speculative development has almost doubled over the past year. Approx. 9.2 million sq ft of speculative space was under construction at end-March, across 53 schemes, though Gateway 14 at Stowmarket accounts for over a quarter of this space.

## Investment in industrial product driving continued yield compression

Investment into the sector totalled £1.4 billion in the first quarter of 2022. While this is slightly lower than Q1 2021 volumes, the total for the twelve months to end-March 2022 was £6.5 billion, 75% higher than the four-quarter rolling total to Q1 2021.

A key investment deal this quarter was ICON Harlow, comprising 370,000 sq ft of floorspace across four industrial units. Mirastar purchased these units for £160 million at a net initial yield of 3.05%.

The average weighted yield for assets transacted across London & the South East region over the past twelve months was 3.25%. This compares to an average of 4.35% in the same period last year and 5.30% five years previous, demonstrating the ongoing gradual yield compression taking place across the market at present.

## Rental growth & Outlook

There has been a strong growth in prime rents over the past year across all size units, with West London and East London seeing the sharpest growth rates of 25% and 29% respectively (for prime units over 50,000 sq ft). Looking ahead, London and the South East regions are forecast to see average rental growth, of 13.1% and 8.6%, respectively for 2022 (RealFor).

# OCCUPIER MARKET

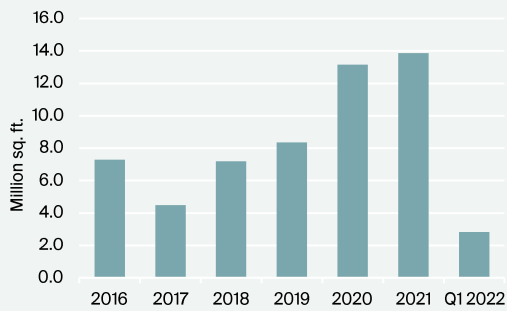
**2.8 m sq ft**  
Occupier take up  
Q1 2022

**45%**  
Retail take up  
(last four quarters)

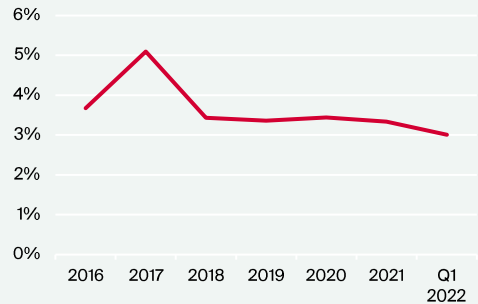
**£25.00 psf**  
Prime rents

**3.0%**  
Vacancy rate

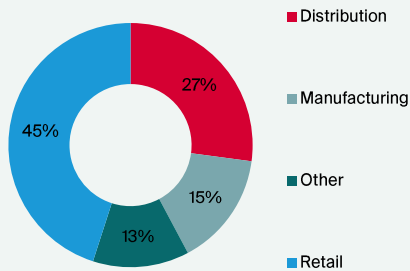
Take up (sq ft)



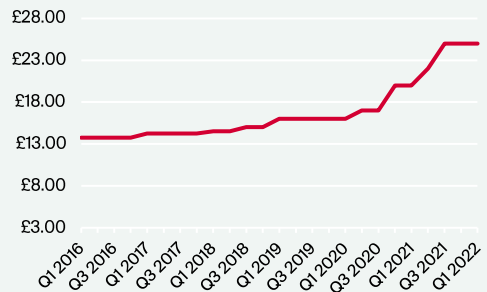
Vacancy rate (%)



Take up by sector (sq ft)  
Q2 2021 - Q1 2022



West London - Prime rents (£psf)



## KEY OCCUPIER DEALS Q1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Delta 231, Delta Park, Peterborough	625,000	Crowns	-	Freehold purchase / Speculative build
SP870, Fortress Way, Suffolk Park, Bury St. Edmunds	394,454	Bleckmann	-	Speculative build
Units 1-3, St Modwen, Basingstoke	186,340	Leverton Lithium	£11.50 psf	Speculative build
LG150, DP World London Gateway Logistics Park, Stanford-le-Hope	150,000	Transmec UK Ltd.	£11.25 psf	Pre-let
Unit E, ICON, Connex Park, Harlow	111,478	Wincanton	£12.00 psf	Speculative build

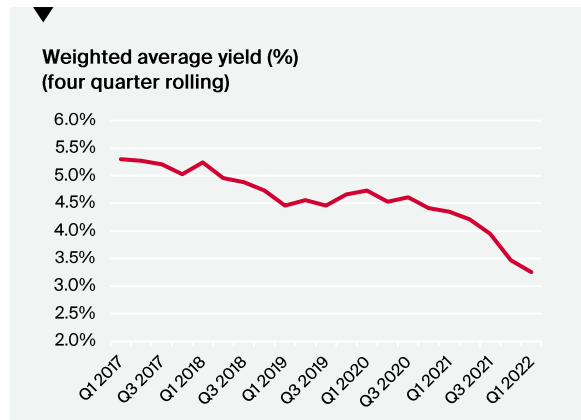
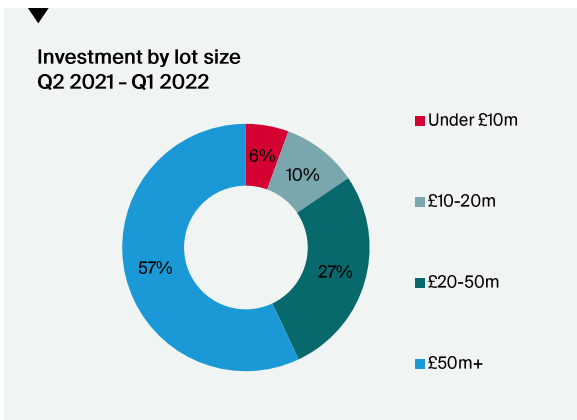
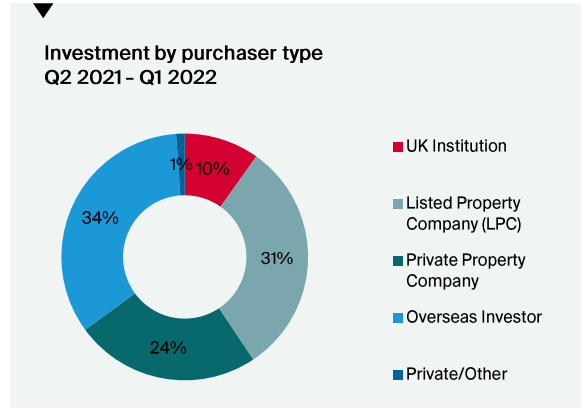
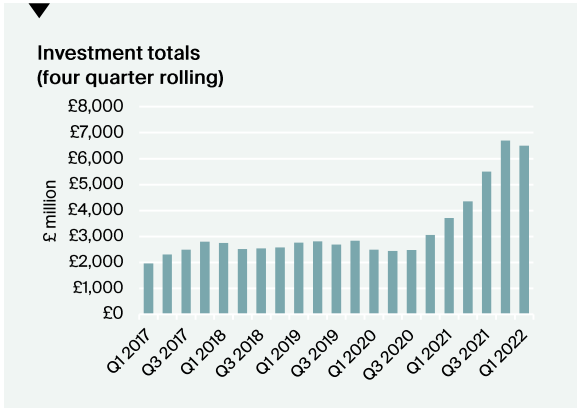
# INVESTMENT MARKET

**£1.4 billion**  
Investment total  
Q1 2022

**£31 million**  
Average lot size  
(last four quarters)

**34%**  
Overseas capital  
(last four quarters)

**3.25%**  
Average yield  
(last four quarters)



## KEY INVESTMENT DEALS Q1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
ICON Harlow	Harlow	4 units £160m	3.05%	Mirastar	TPG Real Estate / Stoford
Hannah Close Wembley	Wembley	£157m	2.15%	British Land Plc	Carey Group
Nucleus, Park Royal, Central Way	London NW	£108m	1.83%	Boreal	abrdn
West London Data Centre Portfolio	Slough	£100m	-	Kao Group	Barclays

Source: Knight Frank, Property Data

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#### Methodology

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.

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