

RESEARCH



# INDUSTRIAL SNAPSHOT

GREATER LONDON AND WESTERN HOME COUNTIES  
H1 2017

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## Introduction

Our report provides an insight into the basic trends of H1 2017 and how they compare to H2 2016. Of course, there will always be anomalies in rents and statistics, but we hope to provide you with some interesting trends to assist in making informed business decisions.

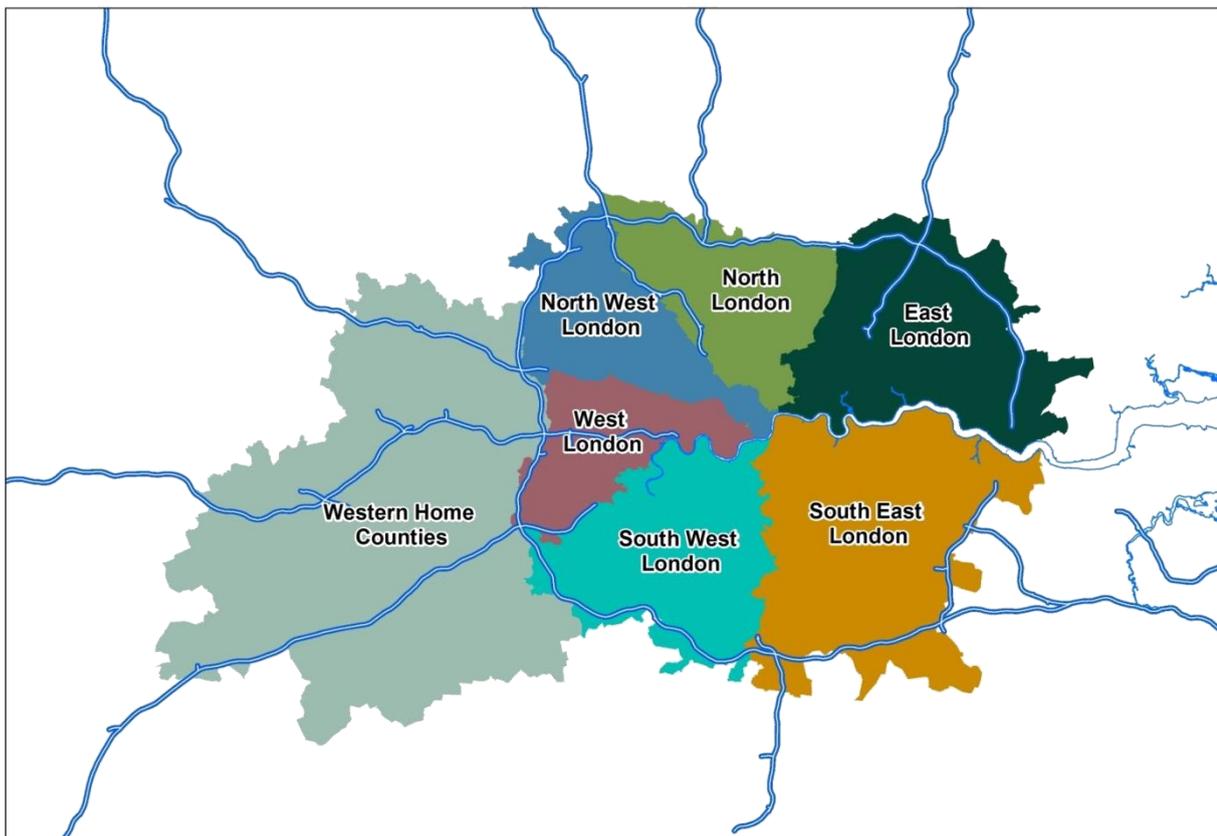
If we can help on any disposal, acquisition or professional work then please do not hesitate to get in touch.

### Key takeaways

1. Data shows that during the first six months of the year there was a notable decline in industrial occupier take-up across all the areas under review - with the exception of North London, where take-up was broadly in line with the five year average.
2. In terms of active requirements, the largest source of demand across the Greater London and Western Home Counties was for smaller units below 25,000 sq ft, with an average of just 12% of requirements for units above 50,000 sq ft.
3. On the supply side, availability across most of the areas under review increased in the first half of the year.
4. Vacancy rates have trended down over the past five years. The South West London area has the lowest rate of 2.1%, compared with an average vacancy rate of 6.0% in the West London area.
5. West and North West London achieved the highest prime rent with both Heathrow and Park Royal at £15.00 per sq ft. This compared with prime rents of £9.50 per sq ft in Thurrock and Dartford.

Kind regards  
Gus Haslam

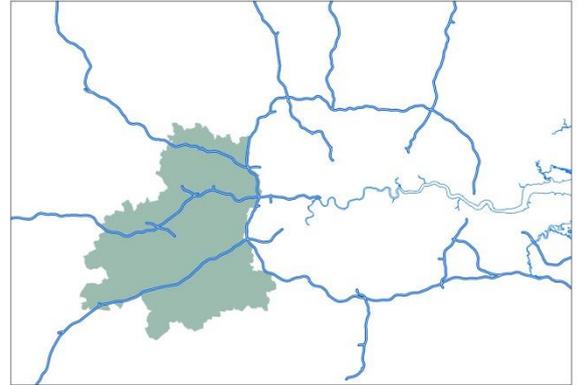
## GREATER LONDON AND WESTERN HOME COUNTIES MAP



# WESTERN HOME COUNTIES

## Summary

- Leasing activity throughout the Western Home Counties slowed during the first half of the year. Total take-up reached 864,494 sq ft in H1 2017. This is below trend and half the level of take-up seen in the previous six months. In terms of deal size, there were fewer large deals and a notable absence of lettings over 100,000 sq ft.
- On the supply side, availability increased to 4.35 million sq ft. This represented an increase of 9% on the previous six months.
- At the end of H1 2017, there was 634,040 sq ft of industrial space under construction.
- Active demand was most pronounced in the 10,000 to 25,000 sq ft requirement bracket, with just under 10% of requirements for larger units of 50,000 sq ft.
- The average vacancy rate across the area now stands at 4.6%. Whilst this is higher than the other areas under review in this report, it is almost half the vacancy rate five years ago.
- Prime rents across the area range from £10.50 per sq ft in Basingstoke to £13.75 per sq ft in Slough.



## AT A GLANCE H1 2017



## RENTS (£ sq ft)

	Prime	Secondary
Basingstoke	£10.50	£9.25
Farnborough	£11.00	£9.25
High Wycombe	£11.50	£10.25
Reading	£11.50	£10.25
Slough	£13.75	£12.00
Woking	£12.50	£11.50

Source: Knight Frank

## MARKET REQUIREMENTS (sq ft)

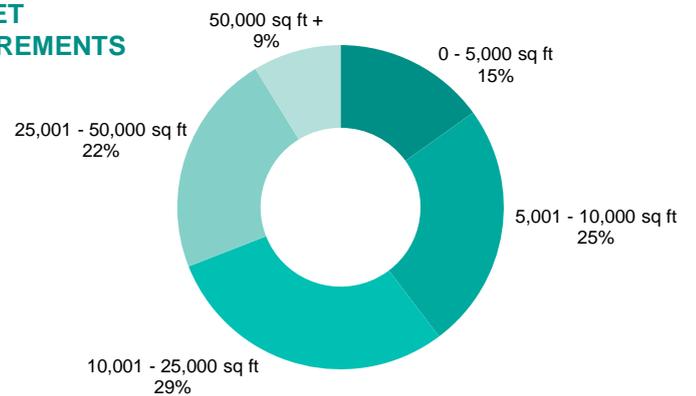
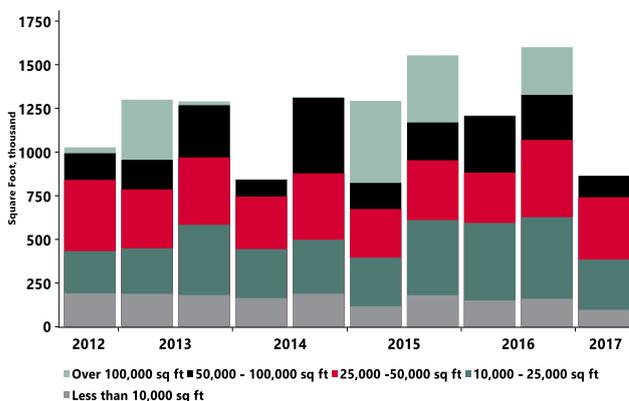
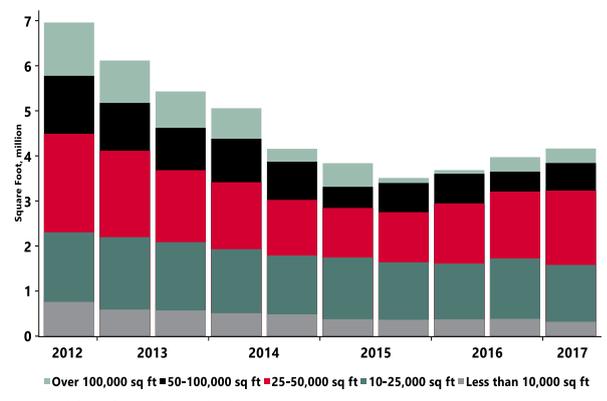


FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)



Source: Knight Frank Research/ Macrobond

FIGURE 2 AVAILABILITY OVER 5 YEARS (END HALF YEAR)

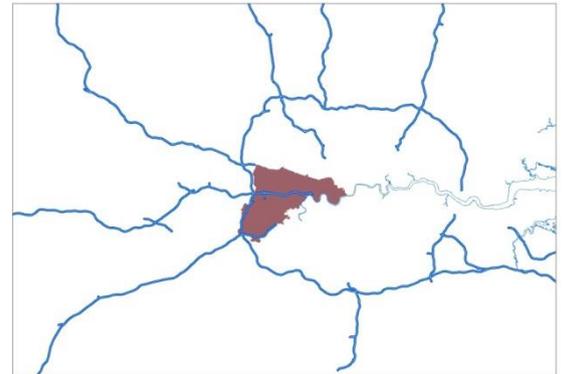


Source: Knight Frank Research/ Macrobond

# WEST LONDON

## Summary

- Take-up across West London slowed below trend during the first six months of 2017, down 45% on the previous six months to 392,723 sq ft.
- Availability stood at 3.83 million sq ft at the end of the period, up 16% on the previous six months.
- 360,314 sq ft of industrial space was under construction in West London at the end of H1 2017.
- In terms of market requirements, over half of the active demand was for smaller units below 10,000 sq ft.
- The average vacancy rate in West London has increased over the six months to June 2017 to 6.0%. This is the highest rate across the markets under review in this report, but lower than five years ago when the vacancy rate stood at 7.8%.
- Prime industrial rents are in double digits with the highest at £15.00 per sq ft in Heathrow.



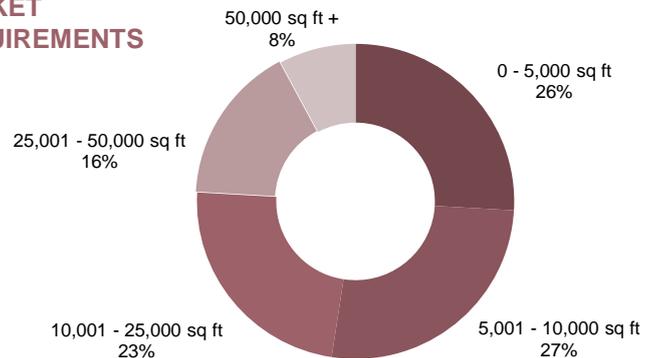
## AT A GLANCE H1 2017



## RENTS (£ sq ft)

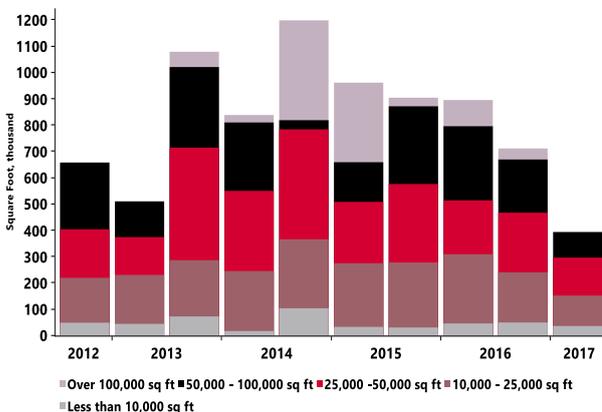
	Prime	Secondary
Hayes	£13.00	£11.50
Heathrow	£15.00	£12.50
Uxbridge	£12.50	£11.25

## MARKET REQUIREMENTS (sq ft)



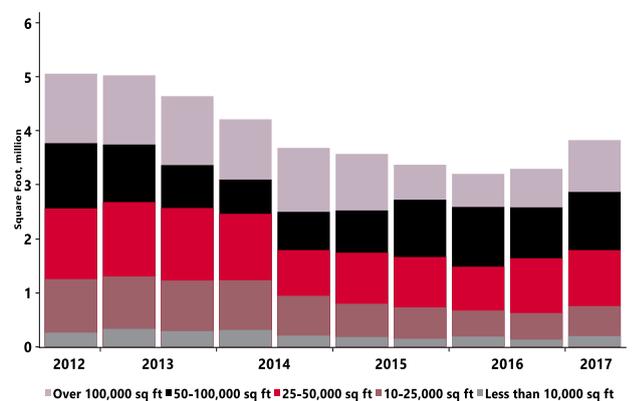
Source: Knight Frank

FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)



Source: Knight Frank Research/ CoStar/ Macrobond

FIGURE 2 AVAILABILITY LAST 5 YEARS (END HALF YEAR)

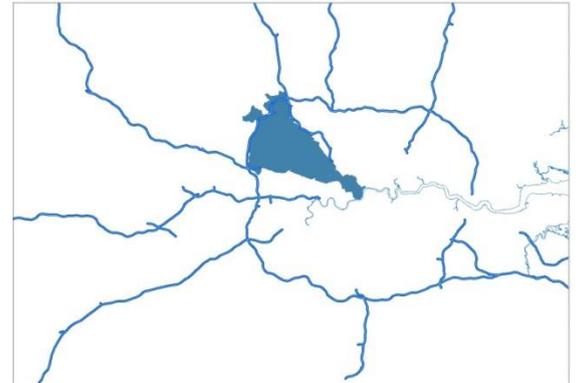


Source: Knight Frank Research/ Macrobond

# NORTH WEST LONDON

## Summary

- North West London saw a decline in letting activity, which brought total take-up down below the five year average to 358,859 sq ft in H1 2017. There were no lettings above 100,000 sq ft in the first half of the year.
- Supply increased by 17% to stand at 2.36 million sq ft at the end of June 2017.
- In terms of active demand, requirements were evenly spread by size with the exception of larger units above 50,000 sq ft, which accounted for 9% of total market requirements.
- Rents at Park Royal reached £15.00 per sq ft for prime distribution units and £13.00 per sq ft for secondary units.
- The vacancy rate across North West London is relatively low at 3.2% compared with other areas and five years ago when it stood at 6.3%.



## AT A GLANCE H1 2017



**TAKE UP**  
(sq ft)

**358,859**

-18% ON H2 2016



**AVAILABILITY**  
(sq ft)

**2.36m**

+17% ON H2 2016



**VACANCY RATE**

**3.2%**

2.4% in H2 2016



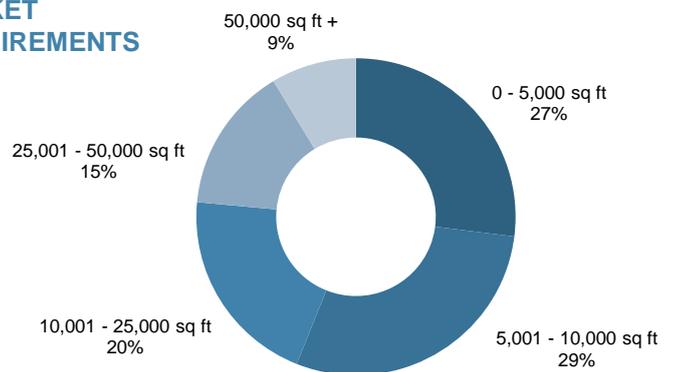
**UNDER CONSTRUCTION**

**194,959 sq ft**

## RENTS (£ sq ft)

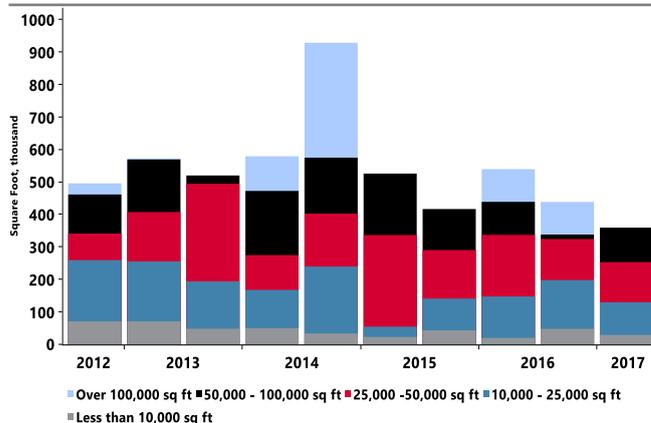
	Prime	Secondary
Greenford	£13.50	£12.00
Park Royal	£15.00	£13.50
Watford	£12.50	£10.25

## MARKET REQUIREMENTS (sq ft)



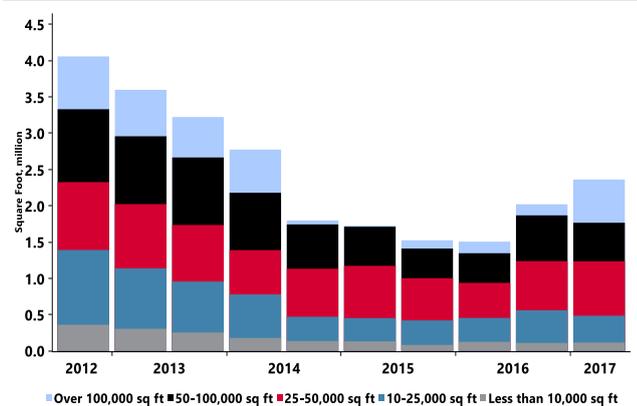
Source: Knight Frank

**FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)**



Source: Knight Frank Research/ CoStar/ Macrobond

**FIGURE 2 AVAILABILITY LAST 5 YEARS (END HALF YEAR)**

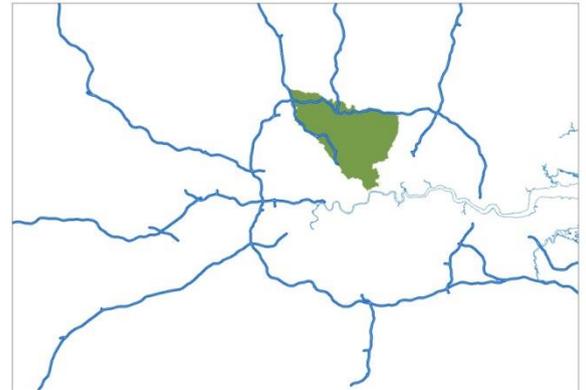


Source: Knight Frank Research/ Macrobond

# NORTH LONDON

## Summary

- Total take-up across North London reached 398,074 sq ft in H1 2017. This is marginally lower than the previous six months but broadly in line with average take-up over the past five years.
- Availability has trended down over the past five years. Mid-2017 it stood at 1.49 million sq ft, down 3% since the start of the year.
- Whilst the vacancy rate is relatively low compared with other parts of Greater London, it has risen slightly since the start of the year. However, at 2.7% it is considerably lower than five years ago when it stood at 4.7%.
- Active requirements are fairly evenly spread across all size ranges.
- Prime rents are within a fairly narrow band, ranging from £11.50 per sq ft in Enfield to £12.50 per sq ft in Tottenham and Edmonton. While secondary rents range from £10.50 per sq ft in Enfield to £11.50 per sq ft in Tottenham and Edmonton.



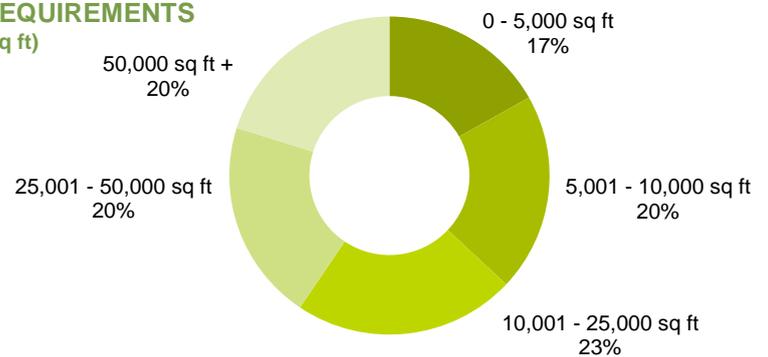
### AT A GLANCE H1 2017



### RENTS (£ sq ft)

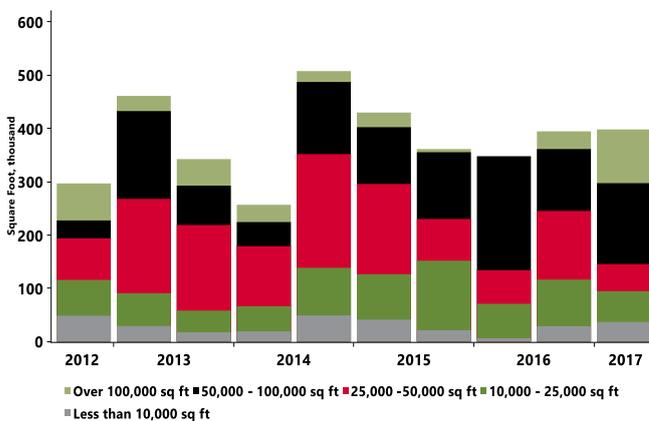
	Prime	Secondary
Enfield	£11.50	£10.50
Tottenham	£12.50	£11.50
Edmonton	£12.50	£11.50

### MARKET REQUIREMENTS (sq ft)



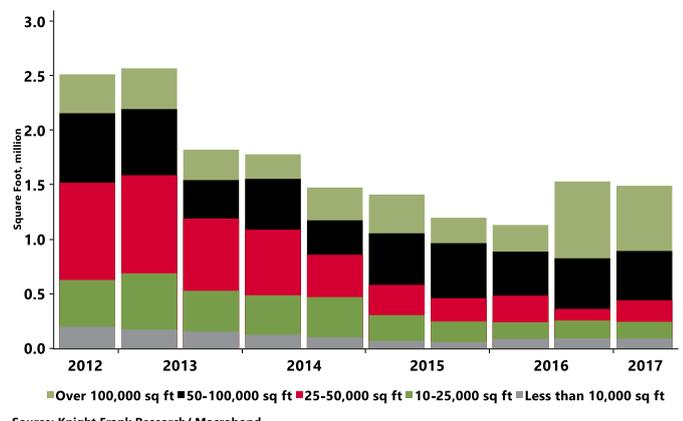
Source: Knight Frank

FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)



Source: Knight Frank Research/ Macrobond

FIGURE 2 AVAILABILITY LAST 5 YEARS (END HALF YEAR)

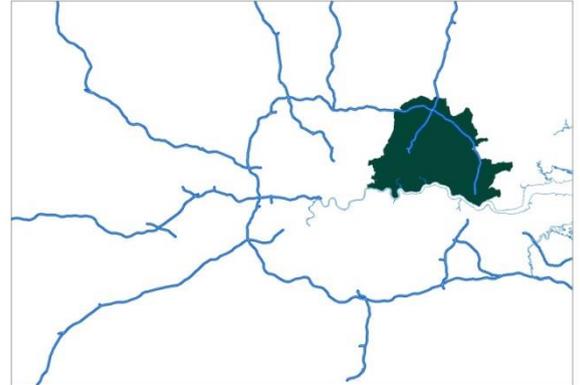


Source: Knight Frank Research/ Macrobond

# EAST LONDON

## Summary

- East London saw below average take-up of 571,557 sq ft in H1 2017, this compared to 2.7 million sq ft in H2 2016. However, the previous six months' take-up figures had been skewed by the 2.2 million sq ft letting to Amazon at St Andrew's Tilbury.
- Availability has continued to decline, down to just over one million sq ft built and under construction supply at the end of H1 2017, of which 300,000 sq ft was under construction. With take-up at c.571,000 this means there is less than two years' of supply, on average, taking account of all unit sizes. There are size bands where it is less than one year/six months.
- The majority of market requirements are for lot sizes below 50,000 sq ft.
- H1 saw the vacancy rate increase from 1.9% to 2.9%; still lower than other areas and significantly lower than five years ago when it stood at 4.8%.
- Prime rents range from £9.50 per sq ft in Thurrock to £13.00 per sq ft in Beckton.



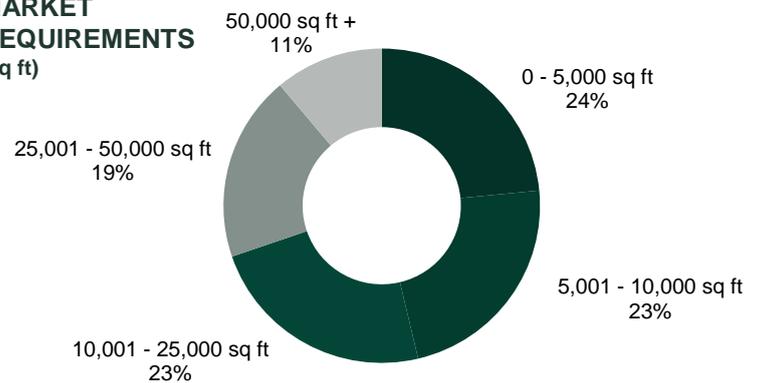
## AT A GLANCE H1 2017



## RENTS (£ sq ft)

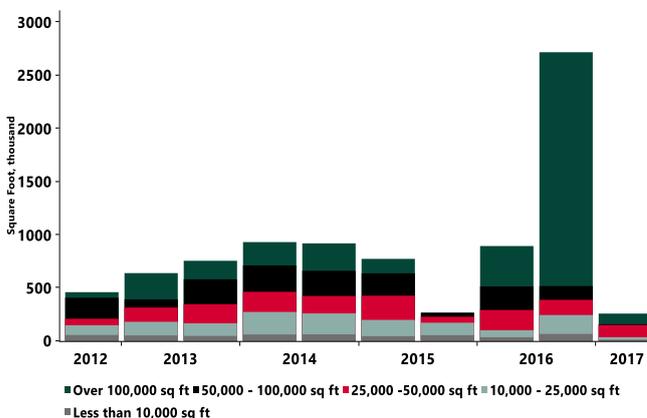
	Prime	Secondary
Beckton	£13.00	£12.00
Dagenham	£10.00	£9.00
Thurrock	£9.50	£8.50

## MARKET REQUIREMENTS (sq ft)



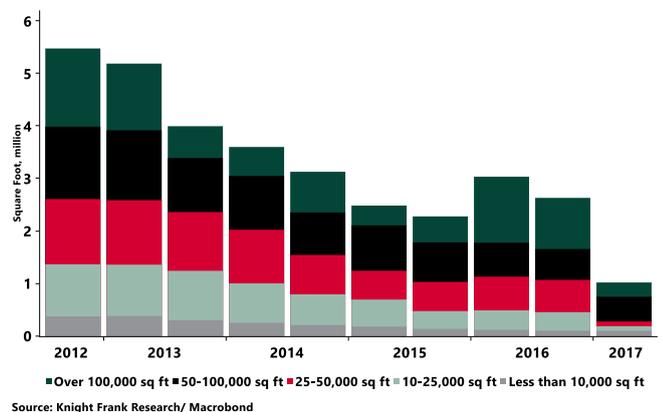
Source: Knight Frank

FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)



Source: Knight Frank Research/ Macrobond

FIGURE 2 AVAILABILITY LAST 5 YEARS (END HALF YEAR)

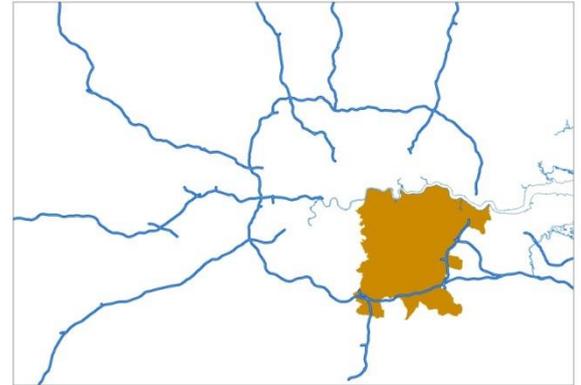


Source: Knight Frank Research/ Macrobond

# SOUTH EAST LONDON

## Summary

- Industrial take-up across the South East London area continued to decline below the five year average to 380,879 sq ft in H1 2017. This is 22% lower than the level of take-up seen over the previous six month period.
- In the six months to June 2017, availability rose by 15% to 2.17 million sq ft. This is a third of the supply seen five years ago when availability stood at 6.1 million sq ft.
- The vacancy rate is relatively low compared with five years ago when it was 8.3%, but at 2.8% is on par with both North and East London.
- Occupier requirements are fairly evenly spread with fewer requirements for units over 50,000 sq ft.
- Prime rents are mostly above the £10.00 per sq ft mark, with the exception of Dartford where rents are marginally lower at £9.50 per sq ft.
- There was 212,046 sq ft of industrial space under construction as the end of June 2017.



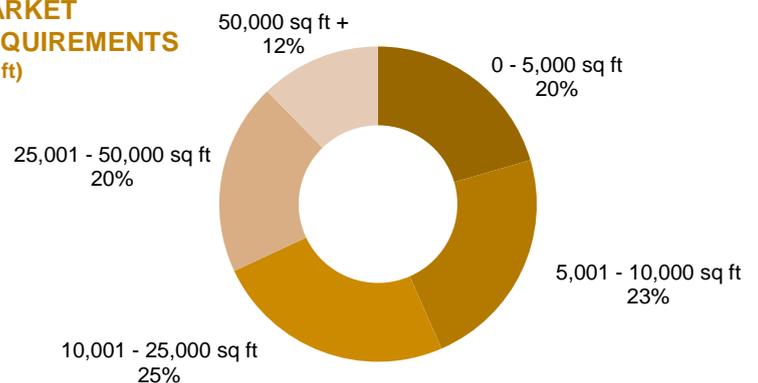
## AT A GLANCE H1 2017



## RENTS (£ sq ft)

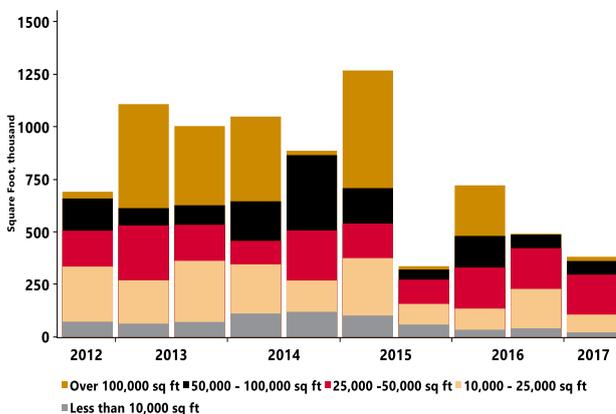
	Prime	Secondary
Belvedere	£10.00	£9.00
Croydon	£11.00	£9.50
Dartford	£9.50	£8.50
Woolwich	£12.00	£10.00

## MARKET REQUIREMENTS (sq ft)



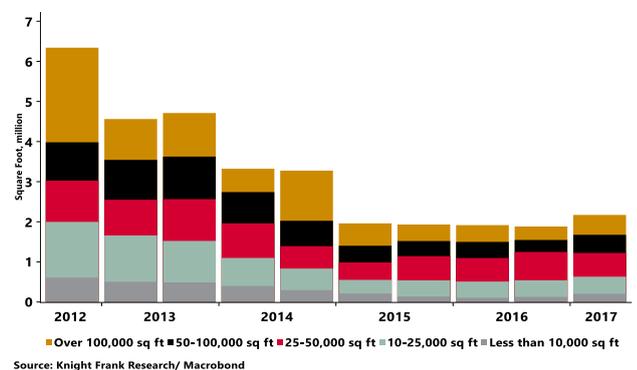
Source: Knight Frank

FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)



Source: Knight Frank Research/ Macrobond

FIGURE 2 AVAILABILITY LAST 5 YEARS (END HALF YEAR)

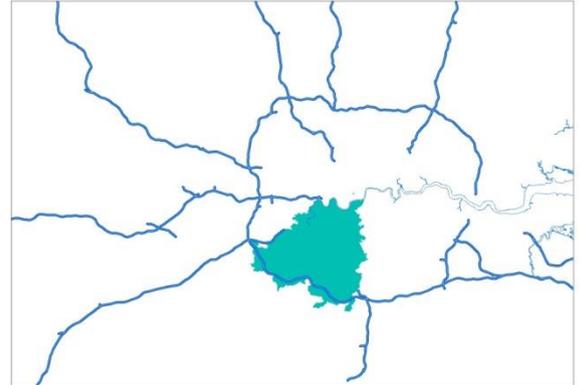


Source: Knight Frank Research/ Macrobond

# SOUTH WEST LONDON

## Summary

- Total take-up across South West London slowed below trend to 192,202 sq ft in H1 2017. This was less than half the level of take-up achieved over the previous six months.
- Although supply has been trending down, there was a 15% increase in the level of availability to just over one million sq ft at the end of June 2017. Total industrial supply across South West London is less than half the level seen five years ago.
- There were fewer large requirements for units over 50,000 sq ft than other size categories in H1 2017.
- The vacancy rate remained unchanged from six months ago at 2.1%. Nonetheless it is considerably lower than the 7.1% seen five years ago.
- There was 155,521 sq ft of industrial space under construction at the end of June 2017.
- Prime industrial rents range from £12.50 per sq ft in Weybridge and Sutton to £13.50 per sq ft in Chessington. Secondary rents range from £10.75 per sq ft in Weybridge to £11.50 per sq ft in Chessington.



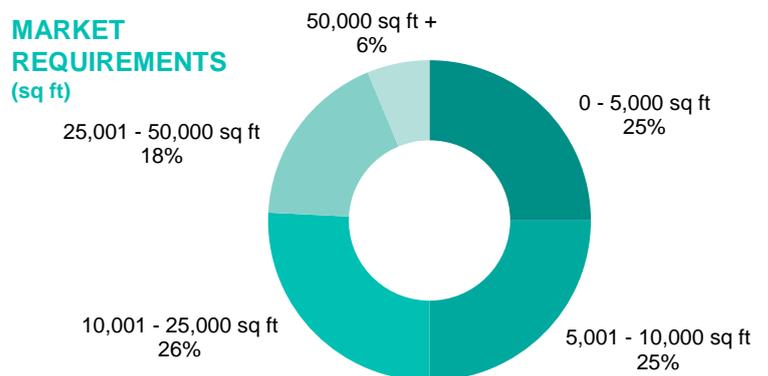
## AT A GLANCE H1 2017



## RENTS (£ sq ft)

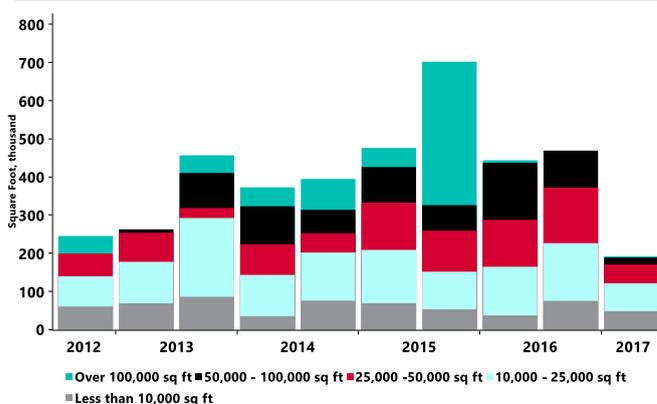
	Prime	Secondary
Chessington	£13.50	£11.50
Weybridge	£12.50	£10.75
Sutton	£12.50	£11.00

## MARKET REQUIREMENTS (sq ft)



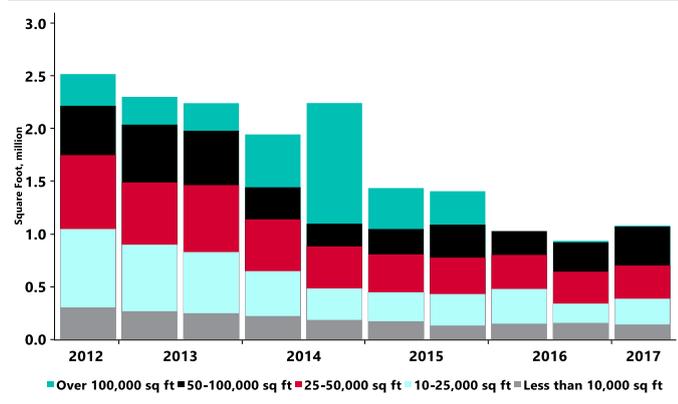
Source: Knight Frank

**FIGURE 1 TAKE-UP OVER LAST 5 YEARS (HALF YEARLY)**



Source: Knight Frank Research/ Macrobond

**FIGURE 2 AVAILABILITY LAST 5 YEARS (END HALF YEAR)**



Source: Knight Frank Research/ Macrobond

# INVESTMENT MARKET OVERVIEW

Market sentiment for the industrial subsector has continued to strengthen, with steady yield compression witnessed for both prime and secondary assets since the start of the year. This has been especially true for those assets deemed under rented or offer mid to long term income streams.

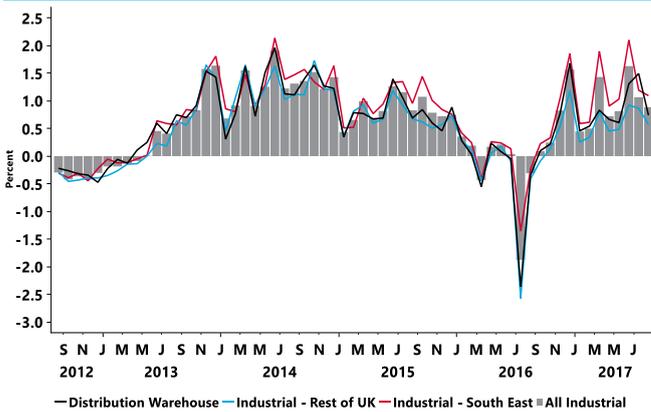
Appetite for industrial stock remains strong, with investors attracted to the positive fundamentals of supply shortages and structural changes in consumption patterns. While strong demand is apparent for each of the main commercial property sectors, the fundamentals relating to the UK industrial market is a key added draw for investors.

This has been supported by continuously improving occupational market dynamics, with stable demand converging with a shortage of vacant units and an absence of sufficient development. This imbalance has become increasingly pronounced, and this in conjunction with a shift in consumer consumption patterns to online retailing and occupier displacement in urban conurbations, offers the backbone to investor rationale and investor appetite for industrial assets.

This growth was originally led by the South East and 'Golden Triangle' markets, however we have seen a 'ripple effect' to the regional distribution markets and regional conurbations over the past 18 months as rental growth, labour supply constraints and a lack of stock open up these markets.

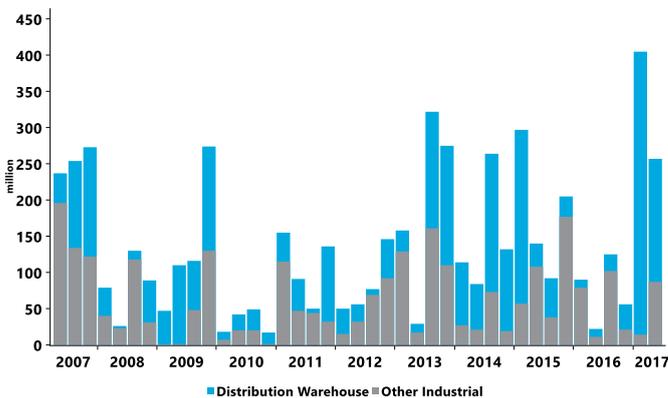
We anticipate the current strength of investment appetite and the positive sentiment in the market to continue through 2017 as real estate as an asset class remains attractive relative to other benchmark asset classes and the fundamentals behind the industrial subsector continue to be an added draw for investors.

FIGURE 1  
IPD UK MONTHLY INDEX: CAPITAL VALUE GROWTH



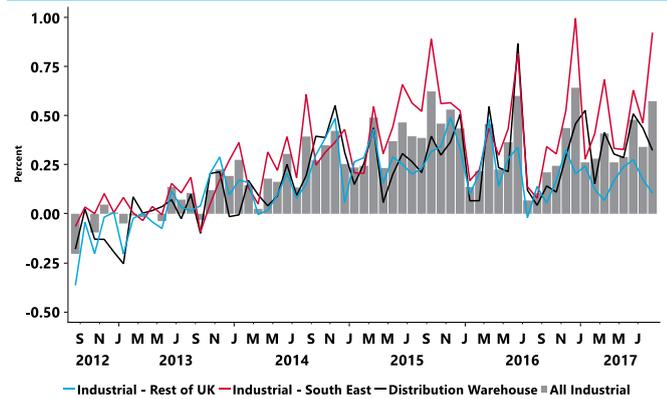
Source: Knight Frank Research/ Macrobond

FIGURE 3  
VOLUME TRANSACTED: INDUSTRIAL ASSETS IN LONDON



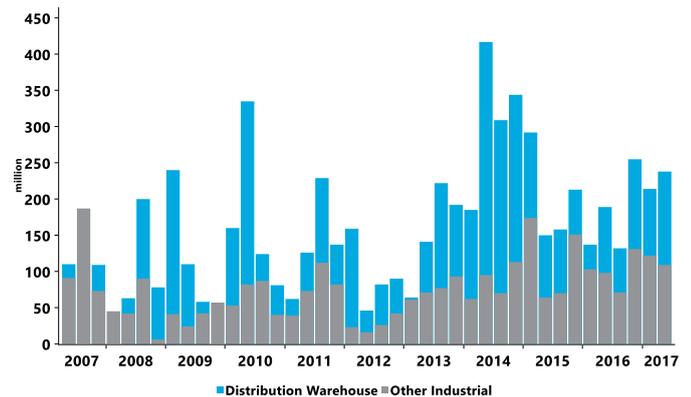
Source: Knight Frank Research/ Macrobond

FIGURE 2  
IPD UK MONTHLY INDEX: RENTAL VALUE GROWTH



Source: Knight Frank Research/ Macrobond

FIGURE 4  
VOLUME TRANSACTED: INDUSTRIAL ASSETS IN SOUTH EAST



Source: Knight Frank Research/ Macrobond

## Glossary

### Take-up / Leasing Activity

The square footage that is committed and signed under a lease obligation in a given time period. This includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in under construction, planned buildings or under renovation.

### Availability

Space that is currently being marketed as available for lease in a given time period. This includes any space that is available regardless of whether the space is vacant, occupied, available for sublease, or available at a future date. It excludes space available in proposed buildings.

### Vacancy Rate

The percentage of vacant space divided by the total amount of existing inventory. Vacant space is space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

### Rents

Prime rent assumes new build, in a prime location and approximately 20-30,000 sq ft.

Secondary assumes second-hand, good location and approximately 20-30,000 sq ft.

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