RESEARCH
INDUSTRIAL MARKET 2018

Knight Frank

UK INDUSTRIAL

Structural drivers continued to offset any negativity stemming from political uncertainty in 2018. Industrial take-up of units over 50,000 sq ft registered a 39% increase when compared to 2017 reaching 37.8m sq ft at year-end. The primary factor for the rise was sustained growth in online retailing. The retail sector accounted for 56% of 'big shed' take-up in 2018, up from 39% last year. The Midlands remained the dominant market accounting for 37% of space acquired by occupiers. Even so, six of the nine regions studied in this report registered a year-on-year increase in activity.

Industrial property continued to carry favour with investors in 2018 accounting for 14% of all UK commercial property investment during the year. Industrial investment volumes reached £8.3bn, although less than in 2017, the 2018 total is 53% above the 10-year average. Portfolio deals again featured heavily, with the 39 deals completed accounting for 31% of investment turnover. Sustained investor demand meant yields remained under pressure. Yields on the best long-let prime stock continued at a record low, with single-let, distribution yields at 4.00%. Yields on modern regional estates moved in to 4.5% during 2018 reflecting a shift of -50bps in 2018.

Whilst a conclusion to Brexit is unclear, demand for industrial and distribution space will remain underpinned by structural shift in 2019. Foremost, digital innovation is driving change. This means that the importance of quality, location, power and labour will intensify and narrow the choices available to occupiers. Availability of good quality space is already low and this, coupled with the steady reduction of industrial zoned land, will drive rental growth in 2019.

OCCUPIER TAKE-UP

37.8m sq ft

▲ +6% 10 year average

INVESTMENT VOLUMES

8.3bn £

▲ +53% 10 year average

RENTAL GROWTH (%PA)

8%	7%	6%
<20k sq ft	20k - 50k sq ft	>70k sq ft

Denotes movement in prime rents

PRIME YIELDS %

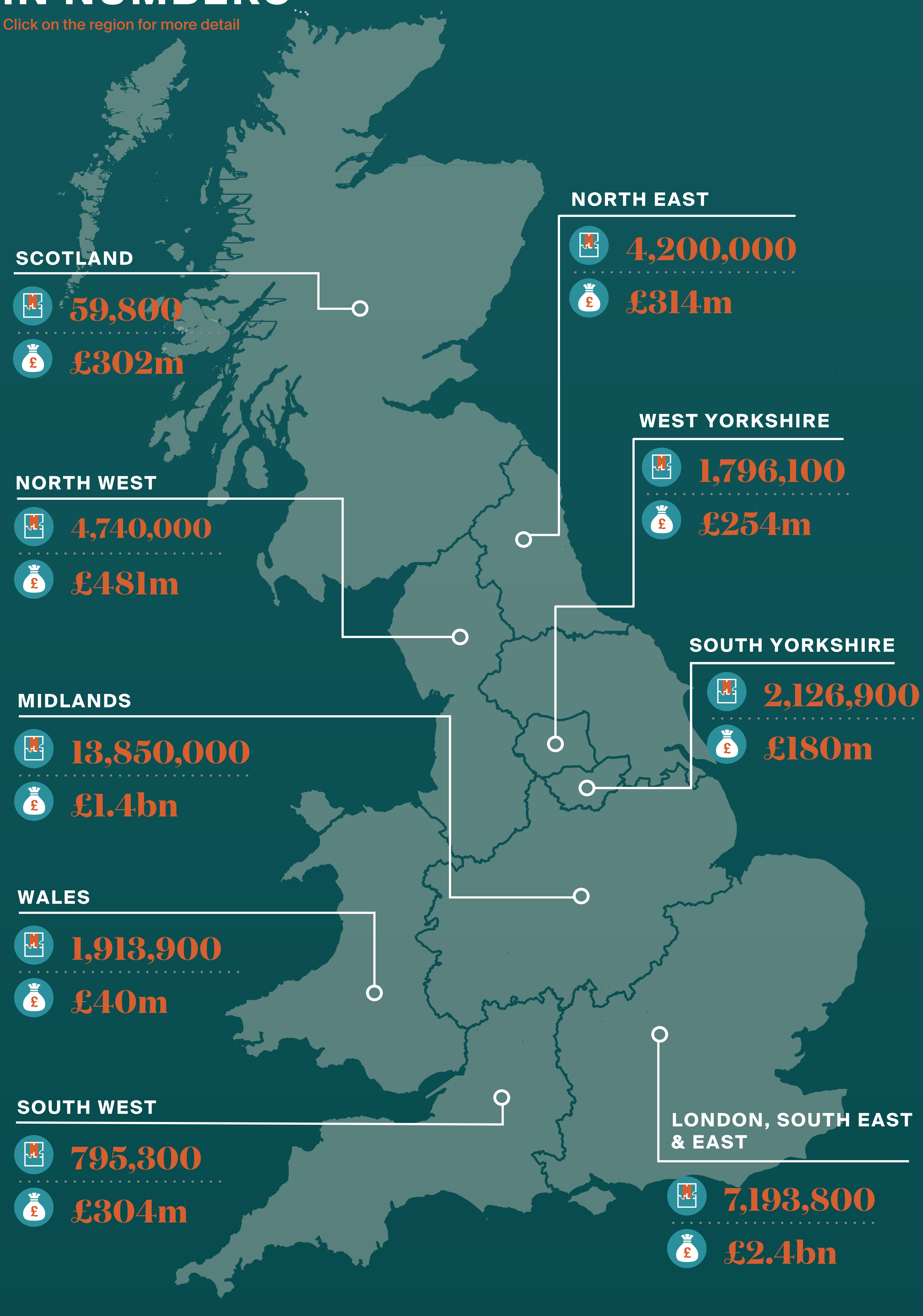
4.00 %	4.25 %	4.50 %
Dist 20 yr ◀▶	Dist 15yr ◀▶	UK Estate ▼ -500bps

Dist: Distribution. Arrows show change from 2017.

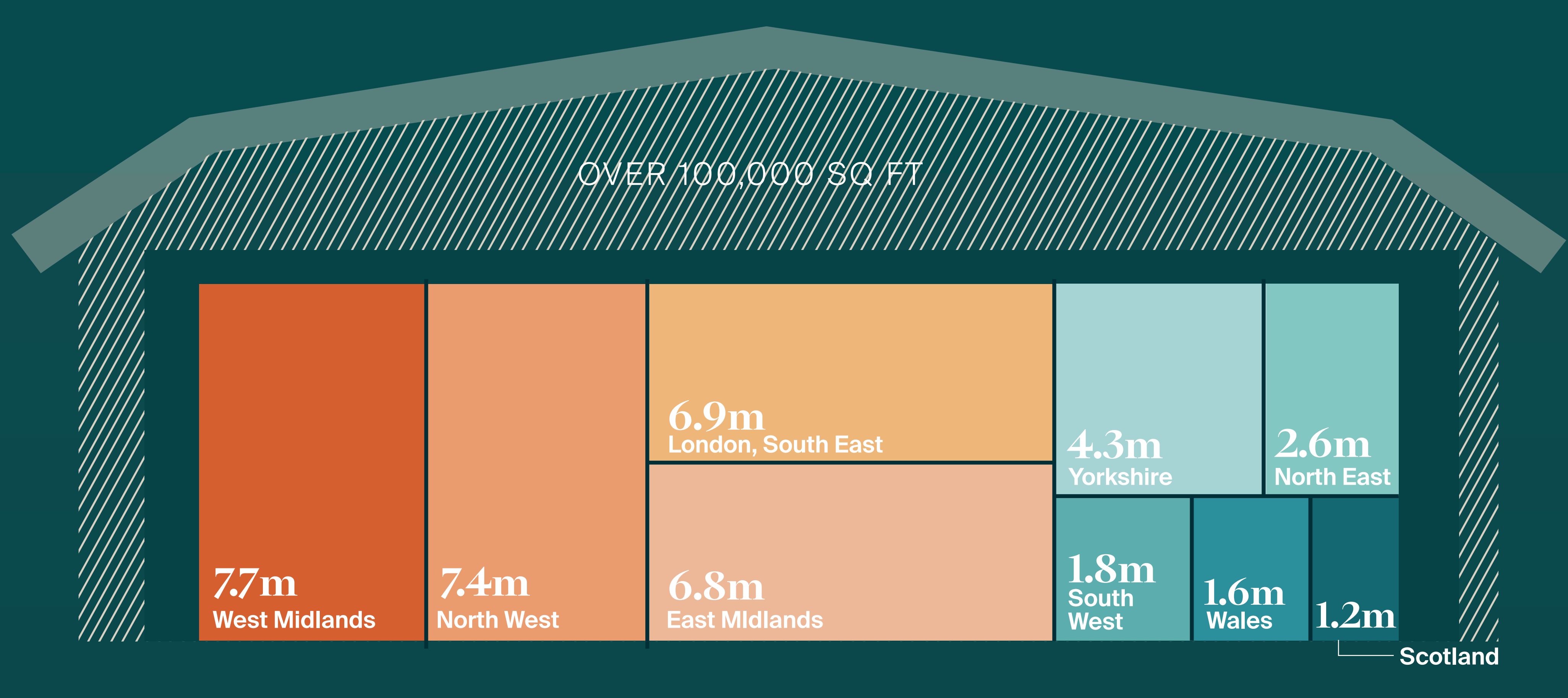
2018 MARKET IN NUMBERS

Click on the region for more detail

TAKE-UP (SQ FT) FOR UNITS 50,000 SQ FT AND ABOVE
INVESTMENT VOLUMES

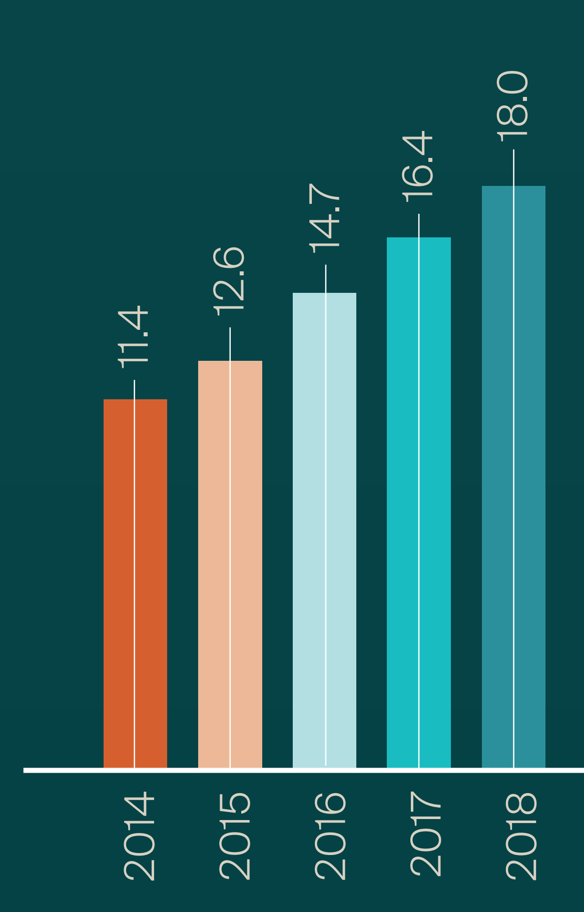


BIG SHED AVAILABILITY BY REGION

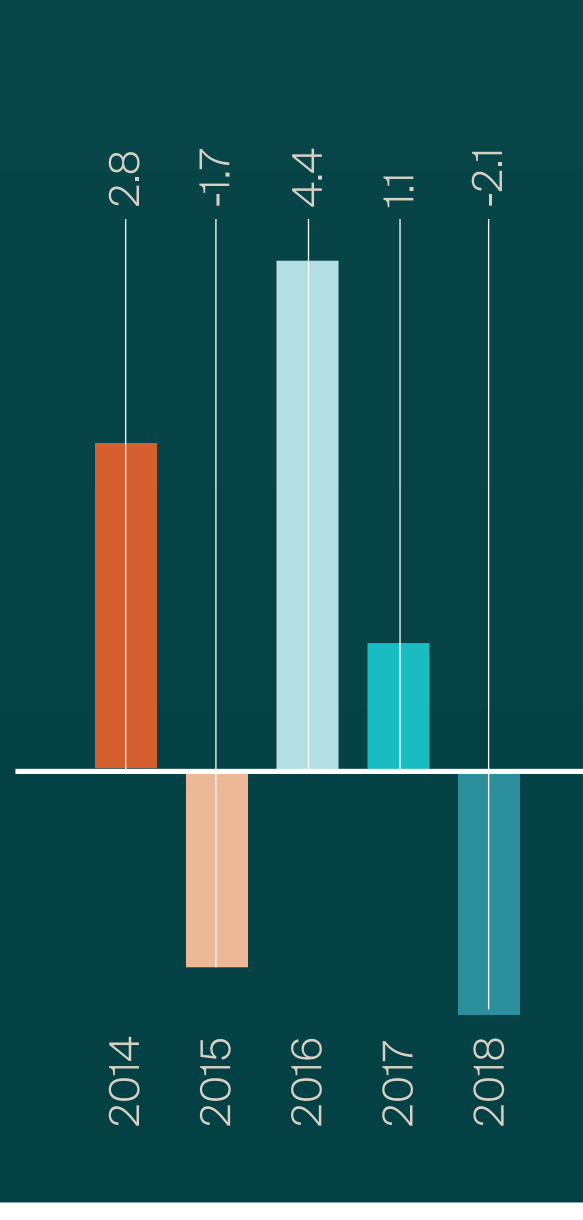


DRIVERS FOR 2019

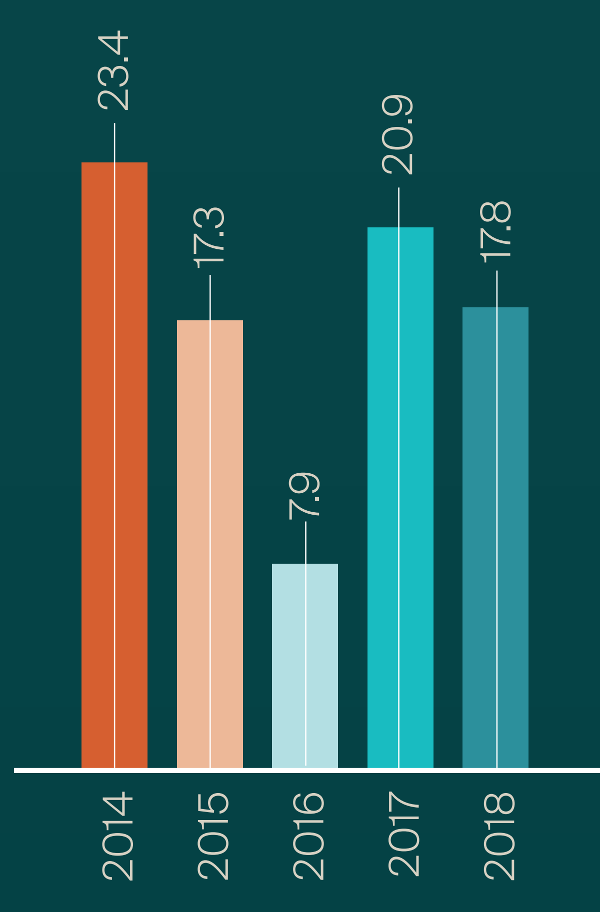
01 ONLINE AS % OF RETAIL SALES



02 UK MANUFACTURING OUTPUT GROWTH %



03 INDUSTRIAL TOTAL RETURN %



LONDON AND SOUTH EAST

LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- It has been another busy six months for the London and South East Logistics & Industrial market. The second half of 2018 registered take-up of units above 50,000 sq ft reach 4.3m sq ft, an increase of 51% when compared to the first half of the year. Consequently, take-up for the year increased to reach 7.2m sq ft, 39% ahead of the total is 2017.
- Closer analysis of take-up reveals that 52% of transactions in H2 2018 involved newly built stock, with second-hand accommodation accounting for just 43% and the remaining 5%, pre-let. Cheaper second-hand opportunities steadily reduced in number through the year. Occupiers have consequently widened their geographical search, competed for the second-hand space available or been forced to accept higher rents at new build options.
- This trend looks set to continue with existing availability at the end of 2018, standing at 4.5m sq ft, where 52% is new build and 48% is second-hand stock. On this basis there is just six months' supply to satisfy demand.
- Despite on-going political uncertainty, occupier demand remains robust going into 2019. Enquiry numbers across the size and geographical spectrum are rising buoyed by the increasing number of speculative industrial schemes in certain parts of the region. The results of which, mean that occupiers will continue to face rising rents and a tightening on incentives.
- E-commerce continues to influence market activity amidst a traditional user base of logistics is storage & distribution, food production, trade counter and builders merchants. This is particularly prevalent in the more urban areas where e-commerce is particularly demanding. This situation will be compounded further by the continuing fall in supply as industrial stock continues to be lost to alternative use, particularly housing and through occupier displacement by largescale infrastructure projects.

REGIONAL OUTLOOK

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The market imbalance of strong demand and low supply will sustain competition amongst developers in the region. In the ultra-urban London area, there will be a stronger emphasis on extracting greater value by way of mixed use and higher density schemes.

This could mean a further shift towards, multi-storey industrial accommodation, "sheds & beds" both side by side, multiple storey and industrial facilities going underground. As developers move away from conventional building layout, the adaptation of operational models will quicken as occupiers look to take advantage of new efficient space.

Valor Park, Heathrow

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Hovis limited, Wyatt road, Stratford	Hendy Group Ltd	148,319	£9.00	Dec-18
Unit C, Logistics City, West Thurrock	Marstons Brewery	54,913	£9.95	Sep-18
Oxbox, Oxford Business Park, Oxford	Oxford BioMedica PLC	85,249	£8.75	Sep-18
Diamond Point, Crawley	CAE UK Plc	114,710	£10.25	Jul-18
330 Magna Park, Milton Keynes	HMRC	186,443	£7.20	Sep-18
Southgate Way, Peterborough	E-Leather	215,280	£6.00	Sep-18

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
West London Park Royal Heathrow	 £17.50 ▲ £15.50 ▲	 £16.50 ▲ £15.00 ▲	 £16.00 ▲ £14.50 ▲
East London	£15.00 ▲	£14.50 ▲	£13.50 ▲
North London	£15.00 ▲	£13.50 ▲	£12.00 ▲
South London	£16.00 ▲	£15.50 ▲	£15.00 ▲
Crawley	£14.00 ▲	£13.75 ▲	£13.00 ▲
Southampton / Portsmouth	£10.00 ▲	£10.00 ▲	£9.50 ▲
Maidstone/ Aylesford	£11.00 ▲	£10.00 ▲	£9.00 ▲
Milton Keynes	£9.50 ▲	£9.00 ▲	£7.50 ▲
Hemel H'stead	£12.50 ▲	£11.50 ▲	£10.00 ▲
Reading	£14.00 ▲	£13.00 ▲	£11.50 ▲
Dartford	£12.00 ▲	£11.00 ▲	£9.50 ▲
Thurrock	£10.50 ▲	£10.00 ▲	£9.50 ▲
Dagenham	£10.00 ▲	£9.50 ▲	£9.25 ▲

MIDLANDS
LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- Take-up of units above 50,000 sq ft across the Midlands region reached 7.2m sq ft in the second half of 2018. Consequently, the total for the year increased to 13.9m sq ft, the highest total since 2016.
- Occupiers whose primary business is storage and distribution (B8) accounted for 82% of take-up in the last six months of the year.
- Key transactions included Morrisons taking 374,132 sq ft at Prologis Park, Pineham; DPD Geopost at IM Properties Hinckley Park, and BSH home Appliances at Midlands Logistics Park, Corby. The manufacturing sector still remains robust following Meggitt Plc's acquisition of 490,000 sq ft at Manse Opus' Prospero Ansty and Jaguar Land Rover committing to 415,000 sq ft at Prologis Hams Hall.
- On the supply side, a total of 8.3m sq ft of industrial space was available at the end of H2 2018. Of this, 2.9m sq ft is speculatively built stock which is yet to be transacted.
- At the end of H2 2018, there was 3.7m sq ft of speculative development underway across the region. The largest of these were Panattoni (550,000 sq ft, Nottingham 26 and 310,000 sq ft, Northampton), IM Properties (532,500 sq ft, Hinkley Park), and Gazeley (274,536 sq ft, Stoke). There is increasing speculative development in the mid-box market with St Modwen, IM Properties, St Francis Group and Prologis all building sub-100,000 sq ft.
- Strong competition for sites in both core and non-core locations was evident at the end of 2018. Well-funded developers and investors are particularly active in the market as evidenced by Goodmans' acquisition in Nuneaton, and Gazeley at Moulton Park in Northampton.
- With the demand for shorter delivery times and more industries seeking agile operational models to service consumer demands, the Midlands remains an essential location to situate distribution facilities.

REGIONAL OUTLOOK

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We anticipate further speculative development in the mid-size industrial units, as developers and investors look to capitalise on a lack of supply in this bracket, as well as increasing headline rents.

Cash rich developers and investors will continue to underpin market activity as more of the main UK institutions take stock leading up to Brexit.

Greater demand from occupiers looking for short-term leasing arrangements is anticipated, with a preference for buildings retaining racking / fit out.

In addition, those occupiers with bespoke fit out requirements will still be looking to enter into long term agreements in order to maximise landlord contributions to offset some of this capital outlay.

Tetron 141 in Swadlincote let to Jenkins. Knight Frank advised the landlord.

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Prologis Park, Pineham	Morrisons	374,132	c.£6.50	Jul-18
Barberry 65, Birmingham	Mayflex	64,500	c.£6.85	Nov-18
Optimus Point, Leicester	Geodis	276,689	£6.00	Nov-18
Midlands Logistics Park	BSH Home Appliances	946,000	c.£5.00	Sep-18
Prologis Hams Hall	Jaguar Land Rover	415,000	c.£6.50	Dec-18

H2 2018 PRIME HEADLINE RENTS
(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Birmingham	£7.50 ▲	£7.50 ▲	£7.50 ◀▶
Black Country	£7.00 ▲	£6.75 ▲	£6.25 ◀▶
Leicester	£7.00 ▲	£6.75 ▲	£6.50 ◀▶
Northampton	£7.50 ▲	£7.00 ▲	£6.75 ▲
Stafford	£5.75 ◀▶	£5.75 ◀▶	£5.50 ◀▶
Stoke	£6.50 ▲	£6.50 ▲	£6.00 ▲
Rugby / Daventry	£7.00 ▲	£6.50 ◀▶	£6.50 ◀▶

“ Sustained occupier demand and the lack of good quality stock continues to support rental growth across the Midlands.

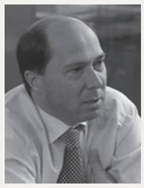
NORTH EAST

LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- Take-up of units over 50,000 sq ft across the North East region reached a 3m sq ft in H2 2018, more than double the total registered in H1. This meant that at year-end, take-up in the North East had reached 4.2m sq ft. Take-up was dominated by new build pre-lets with Amazon's 1.5m sq ft unit at Darlington being the largest, but supplemented by Snop UK's 194,000 sq ft unit at Washington and Tor Coatings 135,000 sq ft unit in Gateshead.
- Although not in 2018's figures, Amazon have just signed up for a further 2m sq ft, three level warehouse at Integra 61, Durham, which has been forward funded by Tritax Big Box REIT. This means that Amazon is committed to 3.5m sq ft in the region since mid 2018.
- Notable deals of existing units included the sale of Walker's Crisp factory in Peterlee (180,000 sq ft) to Vbites Foods owned by Heather Mills-McCartney and Wincanton's former warehouse at Billingham (280,000 sq ft) to local business Magnum Packaging. The NHS also leased Unit 5 Greenfinch Way, Newburn (58,665 sq ft) at a rent of £5.37 per sq ft.
- Due to the high level of take-up in H2, supply has fallen from 3.95m sq ft to 2.83m sq ft. The largest available space was the former Coty Cosmetics factory in Seaton Delaval comprising 370,000 sq ft. However there were only two large modern industrial units available out of this total which were the Barbour Warehouse at Follingsby Park, Gateshead (118,259 sq ft) and Foxcover 9 at Seaham (132,311 sq ft) and it is reportedly under offer.
- The development pipeline of new builds of over 50,000 sq ft under construction has registered a sharp decline. Langley Holdings are developing a £6m scheme at Baltic Park, Gateshead comprising 11 industrial units ranging in size from 2,375 sq ft to 48,500 sq ft.
- Serviced land supply is increasing at a much greater rate, as the Local Enterprise Partnership (LEP) part funds infrastructure works on some of the region's most significant land allocations. The largest is Sunderland's International Advanced Manufacturing Park (370 acres), but Richardson Barberry's 130 acre Forrest Park scheme at Newton Aycliffe , the 200 acre Integra 61 site at Bowburn, Durham and the 62 acre Follingsby Max site at Gateshead have also benefitted from significant LEP funding.
- In the North East, enquiry levels at the end of 2018 were higher than most expected, even though this is a traditionally busy time of the year. A number of companies were seeking to protect their material stocks as a result of Brexit uncertainty and this has generated short term storage requirements.

REGIONAL OUTLOOK



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Political turmoil continues to undermine general business confidence whilst the decline in automotive sales, particularly diesel, is affecting Nissan one of the region's largest employers and exporters. This is going to have an increasing impact on their suppliers and their presence or investment in the area, which for a long time has generated many of the new build projects.

Amazon's domination of the 'big shed' market has now spread to the North East and they will have 3.5m sq ft by the end of 2019 serving a population of only 2.6m people. It's positive news for the region generating many jobs, but perhaps as importantly, they are providing the launch pad for two major new employment sites. This could prove the catalyst for others to follow.

Unit 5 Greenfinch Way, Newburn Riverside, Newcastle.

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Unit 5 Greenfinch Way, Newburn, Newcastle	NHS	58,665	£5.37	Sep-18
Bowburn North Ind Estate, Durham	Electrolux	98,446	£3.05	Oct-18
Former Walkers Crisp, North East Ind Est, Peterlee	VBites Foods Ltd	180,641	Freehold Sale	Nov-18
J1 Tyne Tunnel Trading Estate, North Shields	Howdens	12,300	£6.67	Aug-18
2 Kings Park, Team Valley, Gateshead	Templeman Retailing	36,760	Freehold Sale	Nov-18

H2 2018 PRIME HEADLINE RENTS
(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Newcastle / Gateshead	£7.75 ◀▶	£7.45 ◀▶	£6.50 ◀▶
Sunderland / Washington	£7.50 ▲	£6.50 ▲	£6.00 ▲
Durham	£6.00 ◀▶	£6.00 ◀▶	£6.00 ▲
Middlesborough / Stockton	£5.00 ◀▶	£4.50 ◀▶	£4.00 ◀▶

“

Brexit uncertainty is generating short-term storage requirements.

SOUTH WEST
LOGISTICS AND INDUSTRIAL COMMENTARY

Knight Frank

H2 2018 REVIEW

- Take-up of industrial units over 50,000 sq ft reached 574,339 sq ft in H2 2018. Although this is double the total registered in H1 2018, the H2 total is 46% below the long-term average.
- The South West industrial market is about to enter a period of unprecedented development, which will result in the delivery of over 1.48m sq ft in Bristol alone. An additional, 850,000 sq ft is planned in Swindon, and the pre-let market will deliver over 200,000 sq ft in Exeter. Industrial warehouses from 6,000 sq ft – 600,000 sq ft will be completed, providing the occupier with a level of choice in all size ranges that has never been available in the South West.
- Early market movers such as St Modwen in Avonmouth, St Francis in Bristol and Canmoor in Swindon have already benefitted from the growth in rents throughout the small and mid-box markets with new rents at £8.50 per sq ft. Prime developments in North Bristol by Chancerygate are likely to see smaller units achieving £9.50 per sq ft during H1 2019.
- The long awaited new motorway junction on the M49 at Severnside is on course for completion in Q4 2019, and Barwood have taken the lead on providing amenities to this area of the city. With over 5,000 new jobs in the area it is essential that the Local Authorities support employers to be able to attract the best talent by improving the surrounding areas.
- The second-hand multi-let market continues to see rental growth for those units that are very well refurbished. Occupiers remain very "choosy" despite the very low levels of supply. The margin between strong second-hand rents and new rents is down to £1 per sq ft in many locations, and it seems as though this needs to be wider. The provision of new units should help prove the "value" between the two options for occupiers.

REGIONAL OUTLOOK

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There is a further 1m sq ft in the planning system or consented for 2020. This will continue to grow supply, an uptick which should generate an increase in market activity. The majority of scheme completions are set for H1 2019.

Demand for low density units of all sizes across the region remains high. However increasingly the viability of these units is challenging. Landlords who embrace this demand along with the challenges will be rewarded.

Central Park, Bristol; Barberry & Richardsons plan 550,000 sq ft of mid-box units

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Unit G2 Horizon38, Bristol	Apec Brakes	115,000	£7.25	Oct-18
34 Pennywell Rd, Bristol	Investin	89,000	Freehold Sale	Aug-18
Hawkfield BP, Bristol	Kelston Gears	101,339	Freehold Sale	Dec-18
Unit 2 Interplex, Bristol	Post Office	52,000	£6.00	Oct-18

H2 2018 PRIME HEADLINE RENTS
(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Bristol	£9.50 ◀▶	£8.50 ◀▶	£7.25 ◀▶
Swindon	£8.50 ▲	£7.25 ▲	£7.25 ▲
Exeter	£7.25 ◀▶	£6.75 ◀▶	£6.50 ◀▶
Plymouth	£5.75 ◀▶	£5.50 ◀▶	£5.00 ◀▶

> Pre-let opportunities exist in the 'Big Box' market, although the examples of land for purchase are limited in number.

SOUTH YORKSHIRE
LOGISTICS AND INDUSTRIAL COMMENTARY

Knight Frank

H2 2018 REVIEW

- Although deals involving units over 50,000 sq ft were few in H2, overall occupier activity in 2018 registered a 16% year-on-year increase. Take-up had reached 2.1m sq ft at year end. Notably, this total is 20% above the 10-year average for the region.
- Occupational demand remains strong for small to medium sized units (sub 30k), which continues to be underpinned by the lack of new stock entering the market. We have seen rental growth both in respect of new units but also good quality second accommodation and expect this trend to continue.
- We have started to see a developer response to the shortage of supply although viability of small unit schemes continue to prove schallenging.
- The 30-100k sq ft development response is notable, St Modwen are speculatively building at Parkside Doncaster. Trebor Developments are due to build 76,000 sq ft are at Atomic, 31 East, J31 M1 and PLP are on site with the speculative development of two units (44,000 sq ft and 133,000 sq ft) at Bessemer Park , Sheffield J34 M1
- Demand for industrial buildings within the 30k -100k sq ft range is coming from expanding local companies as well as inward investment. Local companies will consider design and build projects meaning a sustained appetite for land.
- Demand is coming from a variety of sectors. Manufacturing across the region continues to be an active sector. The Advanced Manufacturing Park has been successful with headline rents on the park now at £7.75 per sq ft. The parcel carriers and packaging companies are also active in addition to general warehousing. South Yorkshire reflects well in terms of labour and location particularly in respect of road connectivity with the M1 / M18 / A1(M) corridors and links to the East Coast Ports.
- Investor appetite for both single and multi-let industrial assets remains robust. A lack of opportunities and limited development pipeline across all size bands is underpinned by strong occupational fundamentals, with rental growth being fuelled by the exponential growth of e-commerce. Notable transactions include NFU's acquisition of Amazon's distribution facility at First Point Business Park in Doncaster for £37.95m (4.85%) and Cadagan's acquisition of Gateway 36 in Barnsley for £15.807m (4.76%). Local authorities also continue to be attracted to the defence characteristics of the industrial sector as evidenced by Nottingham City Council's acquisition of Thetford's manufacturing facility at Brookfields Park in Rotherham for £7.875m (5.54%).

REGIONAL OUTLOOK

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South Yorkshire continues to see sustained demand across all size ranges and we have seen rental growth and hardening of incentives.

We are anticipating further developer response to the lack of stock, particularly around the 40,000 - 100,000 sq ft size range as developers look to capitalise on this and drive rents forward.

Whilst Brexit has caused caution for some occupiers at the larger end of the market, particularly in respect of large capex projects, we anticipate these requirements to reignite once certainty is in place. On the flip side we have seen increased interest particularly from the 3PL sector in fitted facilities as they look to house short term contracts.

Bessemer Park, Sheffield, J34 M1 - PLP are on site with the speculative development of 44,000 and 133,000 sq ft

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
One Langham Park, Chesterfield	Utopia	167,274	P&C	Dec-18
Aspect, Doncaster	MH Star	123,811	£4.95	Dec-18
Capitol park, Barnsley	NHS	78,000	P&C	Nov-18
R-evolution @ The AMP, Rotherham	Bodycote	26,000	£7.75	Nov-18

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Sheffield	£5.75 ▲	£5.50 ◀▶	£5.50 ◀▶
Doncaster	£5.50 ▲	£5.50 ◀▶	£5.50 ◀▶
Rotherham/ Barnsley	£5.50 ▲	£5.50 ◀▶	£5.50 ◀▶

"On-line retail continues to have a major influence on the scale of market activity. As delivery and supply operations are further refined to improve customer experience, new space requirements will continue to develop

WEST YORKSHIRE
LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- Around 1.76m sq ft of industrial warehouses over 50,000 sq ft was transacted across West Yorkshire in H2 2018. Notably this is 400,000 sq ft more than the annual total in 2017. The upturn in the second half of the year meant that for 2018, just under 2.7m sq ft of industrial space was transacted, an increase of 93% year-on-year.
- Occupier demand has primarily derived from the traditional distribution sector with companies such as Expect Distribution, Panther Logistics and Leman taking space in the region.
- Availability decreased across the region to around 2m sq ft. Furthermore, there are a number of buildings already under offer and due to complete within the first quarter of 2019. Consequently, the continued lack of supply will put upward pressure on rents.
- There are multiple speculative developments underway, which may help to rebalance the lack of supply. At the end of 2018 over 500,000 sq ft of new space was under construction, including Super G in Glasshoughton (259,000 sq ft), Towngate Link, Leeds (118,000 sq ft) and Phoenix Park (67,000 sq ft) in Featherstone.
- Similar to a few of the regions, high quality existing and new build industrial stock in the mid-size range (30-75,000 sq ft) remains in short supply with the exception of the three unit 'Trilogy' @ Logic scheme in east Leeds. The development totals over 100,000 sq ft and was delivered by Muse Developments in June on behalf of Leeds City Council and forms part of the wider Logic Leeds development. Gregory Group are also underway with a speculative four unit scheme (Park 32) at Pontefract located off junction 32 of the M62 totalling around 150,000 sq ft and due to complete in April 19.

REGIONAL OUTLOOK

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Despite Brexit dominating the news and the continued struggles of the high street, the logistics, online retail and e-commerce sectors are continuing to perform strongly and with several large warehouses under offer. We expect that the first half of 2019 to reflect healthy take-up figures.

Prime rents for mid-sized distribution warehouse units are now established at £6.25 per sq ft which has set a benchmark for new development entering the market this year. The lack of available stock should sustain rents throughout 2019.

Axis 62, Foxbridge Way, Normanton Industrial Estate, Wakefield

Knight Frank's Yorkshire and London teams combined efforts to acquire the former Poundworld distribution facility in a prime logistics location within the Normanton Industrial Estate in Wakefield on behalf of retained client Panther Logistics.

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
S2 Sherburn In Elmet	Cromwell Polythene	50,000	£4.00	Jul-18
Euroway 26	Expect Distribution	193,000	Confidential	Dec-18
Axis 62, Normanton	Panther Logistics	215,000	Confidential	Jul-18
Copperworks, Leeds	Allied Glass	300,000	£3.22	Oct-18
Parkside Lane	Warrens	190,000	£4.95	Oct-18

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Leeds	£6.75 ▲	£6.25 ◀▶	£5.75 ◀▶
Bradford	£6.25 ▲	£6.00 ▲	£5.50 ◀▶
Wakefield	£6.75 ▲	£6.25 ◀▶	£5.75 ◀▶

"Despite Brexit uncertainty, demand for industrial space in West Yorkshire remains strong.

NORTH WEST
LOGISTICS AND INDUSTRIAL COMMENTARY

Knight Frank

H2 2018 REVIEW

- In H2 2018, take-up of units over 50,000 sq ft was 3.42m sq ft, meaning the total for 2018 finalised at 4.74m sq ft. This figure was an increase from the 3.6m sq ft recorded in 2017 and reflects a number of larger deals having been completed in 2018, both on brand new and second-hand accommodation.
- Seven deals were agreed on facilities over 300,000 sq ft in 2018 which underpinned the overall take-up figure, but many of these occurred in H2 including the letting of Middlewich 353 to Go Outdoors, K-333 in Trafford Park to AK Worthington and a pre-let at M6 Major in Haydock to Amazon. The North West has seen some speculative development again in the size range over 300,000 sq ft with units at Logistics North in Bolton and M6 Major in Haydock having been, or being, developed.
- Further speculative development has continued in the region for units over 100,000 sq ft with the completion of brand new facilities at Logistics North in Bolton, Q110 in Crewe and Mountpark at Omega South in Warrington. However, as stock levels dwindle in some key areas of the North West, including along the M60 and M6 corridors, developments have been proposed or are underway in these key locations as well.
- A return to speculative development in the 'mid-box' size ranges has also seen some success, with take-up in the sub 100,000 sq ft bracket continuing to be strong, while headline rents have held firm. There may be some upward pressure on rents in the smaller size range if and when developers start to build multi-let schemes of smaller units in prime locations, but these opportunities remain limited.
- Despite the uncertainty surrounding Brexit, the industrial occupational market remains buoyant, with enquiry levels holding firm and deals still continuing to take place.
- Industrial investment demand remains robust, however transaction volumes have been restricted by scarcity of available stock. Notable investment transactions include Warrington Council's acquisition of Eddie Stobart's distribution facility at Stretton Green Distribution Park in Warrington for £25.83m (4.40% NIY) and Ribston's purchase of Taylor Business Park in Warrington for £19.2m (6.45% NIY). Tritax also forward funded Amazon's design and build fulfilment centre at M6 Major in Haydock for £68.7m (4.90% NIY).

REGIONAL OUTLOOK

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Knight Frank anticipates that take-up for the first half of 2019 to be lower than for H2 2018. This is largely due to the number of deals at the larger end of the scale completed in H2 2018 and the further lack of stock across a number of size bands and locations. Further rental growth remains a possibility in some size ranges and we expect enquiry levels to remain strong, albeit with a caveat of slight caution.

Middlewich 353 was let to Go Outdoors in November 2018. Knight Frank advised Delin Capital.

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Middlewich 353, Ma6nitude, Middlewich	Go Outdoors	353,497	£5.25	Nov-18
Logistics 175, Logistics North, Bolton	MBDA	175,087	£6.75	Dec-18
Link 95, Hareshill, Heywood	McCormick	95,116	£6.35	Nov-18
M6 Major, Haydock	Amazon	360,000	P&C	Oct-18
F1/A Multiply, Logistics North, Bolton	PJH Group Limited	62,952	£8.00	Dec-18

H2 2018 PRIME HEADLINE RENTS
(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Manchester	£7.50 ▲	£7.25 ◀▶	£6.50 ◀▶
Warrington	£7.50 ▲	£7.00 ◀▶	£6.50 ◀▶
Liverpool	£6.50 ◀▶	£6.25 ◀▶	£5.75 ◀▶

"Occupiers continue to adopt a 'business as usual' approach, with key factors such as labour supply, power supply and connectivity continuing to drive decision making.

SCOTLAND
LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- Industrial take-up across all size ranges in Aberdeen reached 640,000 sq ft in 2018, albeit there was only one deal over 50,000 sq ft completed. This total was marginally better than 2017 where 630,000 sq ft of industrial space transacted.
- Westhill proved to be popular for occupiers with large industrial requirements. The largest letting of the year was Proserv who took 59,762 sq ft of industrial space on Enterprise Drive, Westhill in September 2018, which was the only letting above 40,000 sq ft. Technip also extended their footprint within Westhill by agreeing to a new lease of 34,233 sq ft of refurbished stock in Enterprise Drive, which sat adjacent to their office HQ.
- Industrial properties between 5,000 and 10,000 sq ft proved to be the most sought after size bracket by occupiers during 2018. In total there were 26 transactions recorded throughout 2018, which is double what was recorded during 2017.
- Other large transactions included both Power Jacks and Texo Group moving to newly built properties within Kingshill Commercial Park, Westhill, developed by Knight Property Group. Power Jacks and Texo Group leased 22,300 sq ft and 15,500 sq ft of industrial warehousing.
- The majority of demand remains strong for properties sub 10,000 sq ft, which is consistent with the 2018 average transaction size of 8,510 sq ft. Interestingly, take up for properties between 5,000 and 10,000 sq ft was greater than for units sub 5,000 sq ft. This is perhaps an indication of occupiers looking at growth and taking advantage of "the tenant friendly" market conditions.

REGIONAL OUTLOOK

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The industrial market continues to be Aberdeen's most resilient sector with continued demand from occupiers, which has created "cautious optimism" moving forward. Demand is still at a historically high level, however, a lot of the supply would be deemed no longer fit for purpose by the market.

In Glasgow and Edinburgh further erosion of the existing supply is anticipated, particularly at the smaller end of the market (less than 10,000 sq ft) as the last remaining best options are taken.

Moreover, with limited new build supply coming through the development pipeline, we would expect headline rents to continue to rise beyond their current level for existing stock. In addition, we would anticipate secondary locations to continue to benefit from the overspill of demand.

With limited new build supply in the West of Scotland, established locations, including Hillington, continue to see good levels of demand

H2 2018 PRIME HEADLINE RENTS
(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Aberdeen	£9.00 ◀▶	£8.50 ◀▶	£7.00 ◀▶
Edinburgh	£8.50 ▲	£6.50 ◀▶	£4.50 ◀▶
Glasgow	£8.50 ▲	£6.50 ◀▶	£4.50 ◀▶

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Enterprise Drive, Westhill	Proserv	59,762		Sep-18
Unit 7 Minto Commercial Park, Minto Place	Control Valve Solutions	19,486	£17.50	Aug-18
Unit 8 Miller Street	MKM Building Supplies	26,829	£13.00	Dec-18

"Occupiers are demanding properties in good condition and with a high specification.

WALES

LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- Market activity increased in H2 2018 with take-up reaching 1.25m sq ft. Notably, the H2 total was double that of H1 2018 and a similar level to the same period in 2017.
- The H2 2018 total was boosted by two of the largest industrial sales recorded in the last 12 months. Associated British Ports acquired Neptune Works development in Newport, 190,000 sq ft on 10 acres as part of their strategy to develop port facilities around the country and deliver an increased commercial property provision. Whilst Figsand Limited relocated their manufacturing facility to 188,000 sq ft at Merthyr Industrial Park, Merthyr.
- Transcend Packaging committed to their growth in South Wales by agreeing a new lease on the 167,000 sq ft former council facility at Dyffryn Industrial Estate, Ystrad Mynach.
- Of all the transactions in H2 2018, close to 50% were on a leasehold basis which is a shift from the first half of the year where only one leasehold deal over 50,000 sq ft was recorded.
- Local companies expanding their presence within South Wales also continued, with Wild Water Logistics and Owens Road Services acquiring 130,000 sq ft and 101,000 sq ft respectively. These moves highlight the growing demand from operators in the rapidly growing urban logistics market.
- With the abolition of the Severn Bridge Tolls, we expect further warehouse transactions into 2019.
- On the supply side, within Wales as a whole, there is now approximately 3m sq ft available for units above 50,000 sq ft, which is only 300,000 sq ft less than the figure reported at the end of 2017. Grade A space only accounts for circa 5% of this availability and continues to highlight the need for large scale development within the area.
- Notably, demand for industrial properties within the 20,000-50,000 sq ft sizeband continues to be strong, which is generating upward pressure on rents.

REGIONAL OUTLOOK

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Decisions on the M4 Relief Road will be important in supporting new development and increasing activity. There are a number of units over 50,000 sq ft currently under offer to occupiers which, should they complete, will result in a positive start to activity in 2019.

2019 will see three speculative developments within South Wales. St Modwen are progressing two units of 30,000 sq ft and 100,000 sq ft at Celtic Business Park, Llanwern, Welsh Government with 50,000 sq ft in Ebbw Vale and Border Group constructing circa 52,000 sq ft in Oakdale.

Occupiers are increasingly prepared to consider new build options, as opposed to waiting for better quality second-hand stock. With a number of development sites close to the M4 Motorway ready for immediate development, we anticipate that commencement of a number of new projects will be announced in 2019.

Celtic Business Park, Newport – Knight Frank are retained to market the two new speculative units – due to complete in 2020.

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Cardiff	£6.00 ◀▶	£5.50 ◀▶	£5.00 ◀▶
Swansea	£4.50 ◀▶	£3.50 ◀▶	£3.00 ◀▶
Heads of Valleys	£3.50 ◀▶	£2.50 ◀▶	£2.50 ◀▶

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Tenure	Date
Clarion Close, Swansea	Euro Foods	124,000	Sale	Dec-18
Nash Mead, Newport	Urban Myth Films	50,000	Letting	Oct-18
Merthyr Industrial Park, Merthyr	Figsand Limited	188,000	Sale	Sep-18
Neptune Works, Newport	Associated British Ports	190,000	Sale	Aug-18
Dyffryn Industrial Estate Ystrad Mynach	Transcend Packaging	167,000	Letting	Aug-18

“With Grade A space accounting for less than 5% of availability, the need for large scale development is rising.