

MIDLANDS

Logistics and Industrial Commentary

H1 2015 Review



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- Following an exceptionally strong H2 2014, take-up of units over 50,000 sq ft slowed to 4.5m sq ft in H1 2015. However, if 2014 is excluded, take-up in H1 2015 was 9% above the five year average. The retail sector was the main driver of activity in H1, accounting for approximately 43% of total H1 take-up, while demand from the automotive sector increased to 12% of total take up.
- 32% of H2 take-up was accounted for by pre-let / pre-sale transactions, a further 11% of take-up was accounted for by new spec built space. Key deals include Dunelm at ProLogis Sideway, Stoke (525,000 sq ft), DC7, Grange Park Northampton (342,795 sq ft) and DC1, Midpoint Park, Birmingham (127,500 sq ft).
- The announcement that the London Taxi Company had committed to a new £150m car plant totalling 262,030 sq ft at Ansty Park, Coventry for development and production of their zero emission taxi, is fantastic news for the Midlands region, with the supply chain set to benefit.
- Recent high levels of take-up have impacted on availability. At the end of H1 2015 total availability stood at 5.8m sq ft across 44 units. This is 6% down on availability six months ago and 51% down on the same period last year. Current availability is equivalent to approximately 6 months' supply. There is approximately 4.6m sq ft of speculative space planned or under construction across 27 buildings for delivery in 2015/16, which takes the overall supply - including existing space - to around 12 months. However, over 2m sq ft of the space available or planned is also under offer, which suggests a continued shortage of supply.
- Incentives have remained similar to H2 2014, at approximately 0.5 to 1 month per year term certain, subject to covenant strength.
- Headline rents are at £6.50 per sq ft for the West Midlands, with the East Midlands slightly behind at £5.95 per sq ft.

Q2 2015 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q2 2016

| Market | under 20,000 sq ft | 20,000 to 50,000 sq ft | 50,000 + sq ft |
|------------------|--------------------|------------------------|----------------|
| Birmingham | £6.50 ▲ | £6.50 ▲ | £6.50 ▲ |
| Black Country | £5.95 ▲ | £5.50 ▲ | £5.50 ▲ |
| Leicester | £5.95 ▲ | £5.95 ▲ | £5.95 ▲ |
| Northampton | £5.95 ▲ | £5.95 ▲ | £5.95 ▲ |
| Stafford | £5.25 ▲ | £5.25 ▲ | £5.25 ▲ |
| Stoke | £5.25 ▲ | £5.25 ▲ | £5.25 ▲ |
| Rugby / Daventry | £5.95 ▲ | £5.95 ▲ | £5.75 ▲ |



CGI image of London Taxi Company's new car plant at Ansty Park, Coventry. Knight Frank are joint agents for the Ansty Park development.

Regional outlook

- Rental growth is expected in the East Midlands, with new speculative development targeting rents of £6.25 per sq ft, whereas the West Midlands is more stable with rents of £6.50 per sq ft achieved and expected to stay around this level. The gap between new build and prime existing stock has narrowed to around £0.50 per sq ft.
- Retailers will continue to drive demand; there is increased activity from the manufacturing sectors and supply chains to automotive and aerospace sectors. 3PLs will also continue strong levels of take up.
- Competition for employment land and forward funding speculative schemes is expected to increase, due to diminished stock levels and lack of investment opportunities.

Selected Midlands transactions H1 2015

| Address | Occupier | Size (sq ft) | Rent (per sq ft) | Date |
|-------------------------------|---------------------|--------------|------------------|--------|
| Brackmills 112, Northampton | Howdens | 112,750 | £5.75 | Feb-15 |
| Ansty Park, Coventry | London Taxi Company | 262,030 | Undisclosed | Mar-15 |
| DC1, Midpoint 2, Minworth | Syncreon | 127,500 | £6.35 | Mar-15 |
| ProLogis Sideway, Stoke | Dunelm | 525,000 | £4.60 | Mar-15 |
| DC7, Grange Park, Northampton | Clipper Logistics | 342,795 | £5.90 | May-15 |