

MIDLANDS

Logistics and Industrial Commentary

H1 2014 Review



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- The Midlands saw strong levels of activity in H1 2014, with take-up in units over 50,000 sq ft reaching 6.6m sq ft - 59% ahead of the same period last year and 44% above the five year bi-annual average. The retail sector was the main driver of activity in H1, accounting for approximately 33% of total H1 take up, while the automotive sector accounted for 19%.
- With limited availability of good quality existing stock, 45% of H1 take-up was accounted for by pre-let / pre-sale transactions. Key deals include Primark at Thrapston (1.06m sq ft), Screwfix's building extension at Trentham Lakes (from 330,000 sq ft to 630,000 sq ft), H&M at Rugby Gateway (236,000 sq ft), and Vax at Droitwich (235,000 sq ft).
- At the end of H1, availability in the Midlands above 50,000 sq ft stood at 11.86m sq ft (across 48 buildings) of which approximately 4.51m sq ft is under offer (23 buildings). This leaves approximately 5.79m sq ft in the market, equivalent to only eight months of supply based on take-up trends over the past five years.
- The availability figures include five buildings under speculative construction, totalling just over 1m sq ft. Two additional schemes are expected to commence before the end of the year, totalling 240,000 sq ft.
- Landlords are becoming increasingly bullish with regard to headline rents and lease lengths. Incentives have effectively halved since 2012, standing at circa six months rent free per five year term certain (depending on covenant). In some instances we are aware of deals with no rent free to accommodate occupiers' requirements, for example Plastic Omnium at Hams Hall.
- Land is becoming increasingly scarce across the Midlands with pre-recession land costs rumoured to have been paid for prime sites. Key transactions include ProLogis' purchase of circa 40 acres at Ryton, Bericote's purchase of 14 acres in Minworth, and Canmoor's purchase of seven acres on Hams Hall.

Q2 2014 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2015			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£6.50 ◀▶	£5.75 ▲	£5.50 ▲
Black Country	£5.25 ▲	£5.00 ▲	£5.00 ▲
Leicester	£5.50 ◀▶	£5.50 ◀▶	£5.50 ◀▶
Northampton	£5.75 ◀▶	£5.75 ▲	£5.75 ▲
Stafford	£4.95 ◀▶	£4.50 ◀▶	£4.50 ▲
Stoke	£4.95 ◀▶	£4.50 ◀▶	£4.25 ◀▶
Rugby / Daventry	£5.75 ◀▶	£5.50 ▲	£5.50 ◀▶



In January 2014, Knight Frank acquired Emperor Point, Tamworth (179,221 sq ft) for Speedy Asset Services to accommodate their new Midlands Multi-Service Centre (MSC).

Regional outlook

- We expect to see a growing number of investors / developers competing for the best sites, with speculative schemes in mind in order to take advantage of dwindling supply. Mid-sized speculative schemes should start to come forward as supply in the 20,000 to 70,000 sq ft markets begins to tighten.
- Rents on secondhand buildings are also expected to increase as time sensitive occupiers are forced to compete over the diminishing supply of immediately available existing stock.
- While the retailers will continue to dominate the take-up figures we expect heightened automotive-led activity in the Wolverhampton / Staffordshire area as supply chain businesses move to service Jaguar Land Rover's new 1m sq ft manufacturing facility at i54.

Selected Midlands transactions H1 2014				
Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
A14 Centre, Thrapston	Primark	1,060,000	£5.00	Apr 14
Trentham Lakes, Stoke-on-Trent	Screwfix	300,000 extension	Undisclosed	Apr 14
Rugby Gateway, Rugby	H&M	236,000	Undisclosed	Mar 14
Stonebridge Cross, Droitwich	Vax	235,000	£4.60	Jan 14
Birch Coppice, Dordan	Draxelmaier	168,900	£5.75	Jan 14
Black Swan, Northampton	The White Company	190,000	£5.50	Feb 14