

# MIDLANDS

## Logistics and Industrial Commentary



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### H2 2016 Review

- Despite the uncertainty following the Brexit vote, the Midlands industrial market remained active during the second half of the year. H2 2016 take-up totalled 8.2 million sq ft, up 36% on H1 2016. This brings take-up for the whole of 2016 to 14.3 million sq ft, up 18% from 2015 and 23% ahead of the 5 year average of 11.6 million sq ft.
- Pre-lets and Design & Build accounted for 58% of total take-up in H2. Second-hand space accounted for a further 25%, and new existing space for 17%. The largest transaction during the second half of the year was the pre-let of 562,000 sq ft to Screwfix at ProLogis Park Fradley, Lichfield, closely followed by the pre-let of 543,000 sq ft to Gestamp Tallent at Four Ashes.
- Distribution dominates the market, accounting for 79% of the market in H2 2016, of which 28% was driven by retailers, 24% came from 3PLs and 21% came from on-line retailers. Manufacturing accounted for 20% of the market in H2 2016, of which just under half related to the automotive sector.
- As a result of a number of speculative developments completing, H2 saw a marginal increase in new built stock up to 2.3 million sq ft across 13 buildings, albeit this is only equivalent to approximately 2 months' supply. Second hand space is down to 4.8 million sq ft across 32 buildings, the equivalent to around 4 months' supply, giving a total available supply of just over 6 months' stock.
- There is approximately 1.3 million sq ft planned to come forward in late 2017 and early 2018, which will improve the future supply.
- One of the major existing schemes with planning consent is Roxhill's East Midlands Gateway, which will provide up to 6 million sq ft with rail connectivity. However, there is still further need for the strategic release of employment land by local authorities around major conurbations such as Coventry and Birmingham. Given the scarcity of land in some of the major cities, occupiers may consider locations with greater availability such as Stoke-on-Trent and Staffordshire to satisfy requirements and obtain value.

Q4 2016 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q4 2017			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£6.95 ▲	£6.75 ▲	£6.50 ▲
Black Country	£6.00 ▲	£6.00 ▲	£5.60 ▲
Leicester	£6.50 ▲	£6.25 ▲	£6.00 ▲
Northampton	£6.50 ▲	£6.25 ▲	£6.25 ▲
Stafford	£5.50 ▲	£5.50 ▲	£5.25 ▲
Stoke	£5.75 ▲	£5.50 ▲	£5.25 ▲
Rugby / Daventry	£6.25▲	£6.25▲	£6.25 ▲



CGI image of Steel & Alloy Processing's new 300,000 sq ft manufacturing facility to be developed at Zenith, Popes Lane, Oldbury by Trebor Developments. Knight Frank acted for the vendor in the disposal.

Selected Midlands transactions H2 2016				
Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Rugby Gateway	Amazon	290,000	£6.25	Dec-16
Discovery Way, Ashby de la Zouch	United Biscuits	127,000	£5.65	Oct-16
ProLogis Park, Fradley, Lichfield	Screwfix	562,000	£5.30	Oct-16
Wellesbourne Distrubtion Park	Amethyst	210,000	£6.00	Sep-16
Bericote, Four Ashes	Gestamp Tallent	543,000	£5.25	Aug-16

### Regional outlook

- We expect the current demand and supply imbalance to persist.
- Rental growth will continue in all markets, with prime rents of £6 to £7 per sq ft being achieved in more prime locations, depending on size.
- The industrial market is still in vogue with investors, albeit they are cautious about new speculative development, with funders really only favouring the prime locations and sites. This could present an opportunity for well-funded property companies in the region and those who may consider small to mid-sized schemes.