

MIDLANDS

Logistics and Industrial Commentary

H2 2017 Review



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- Take-up of units above 50,000 sq ft across the Midlands region reached 4.7m sq ft in the second half of 2017. This brings the annual total to 10.2m sq ft, which is 24% below the five-year average. The decline in take-up can be attributed to the start of the year where wider economic influences delayed occupier decision-making.
- B8 occupiers accounted for 75% of take-up in the second half of the year. Key acquiring occupiers include Eddie Stobart (314,000 sq ft at Mountpark Bardon, 158,000 sq ft at J1 Rugby and 143,000 sq ft at Fradley Park, Lichfield), Decathlon (349,000 sq ft at Brackmills Point, Northampton) and Mattel (205,000 sq ft at Optimus Point, Leicester).
- On the supply side, a total of 9.2m sq ft of industrial space stood available at the end of 2017, down 3% on H1. There is a shortage of supply in the sub 100,000 sq ft size band.
- 2.1m sq ft of speculative development was underway across the region as at end 2017. This includes Alpha Conneqt, Cannock (150,000 sq ft – Opus Land / Bridges); Nickel 28, South Normanton (261,000 sq ft - Richardson Capital / Thorngrove) and C172K, Brackmills Point, Northampton (172,000 sq ft – Roxhill / Cabot).
- With land supply diminishing, there is strong competition for sites brought to the market, including those in non-prime locations. New schemes launched in H2 include ProLogis at Hams Hall (887,000 sq ft); Manse Opus LLP at Prospero Ansty (2.3m sq ft); DB Symmetry at Magna Park, Lutterworth (2.8m sq ft) and Mountpark Bardon II (1.3m sq ft). Birmingham City Council are also expected to announce a development partner on the 175-acre Peddimore scheme in 2018.
- A total of £785m of industrial investment transactions took place across the Midlands region during H2. Key investment deals include Tritax Big Box REIT's purchase of Prologis Park Sideway, Stoke on Trent for £78.5m (NIY 5.43%), and SEGRO's acquisition at Dockham Way, Crick for £41.3m (NIY 5.00%)

Q4 2017 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q4 2018

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£7.00 ▲	£6.95 ◀ ▶	£6.75 ◀ ▶
Black Country	£6.25 ▲	£6.25 ▲	£5.75 ▲
Leicester	£6.50 ◀ ▶	£6.25 ◀ ▶	£6.25 ◀ ▶
Northampton	£6.50 ◀ ▶	£6.25 ◀ ▶	£6.25 ▲
Stafford	£5.50 ▲	£5.50 ▲	£5.25 ▲
Stoke	£5.75 ▲	£5.50 ▲	£5.35 ▲
Rugby / Daventry	£6.50 ◀ ▶	£6.25 ▲	£6.50 ◀ ▶



BG87, Burton Gateway 87,716 sq ft let to Hellmann Worldwide Logistics. Knight Frank acted for the landlord, St Modwen.

Selected Midlands leasing transactions, H2 2017

Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Optimus Point, Leicester	Mattel	204,902	£6.00	Dec-17
Unit 2 Mountpark, Bardon	Eddie Stobart	314,500	£5.85	Nov-17
Apollo, Advanced Manufacturing Hub, Birmingham	Salts Healthcare	95,013	£6.50	Sep-17
Hub 69, The Hub, Birmingham	Argos	69,000	£6.75	Jul-17
BG87, Burton Gateway, Burton Upon Trent	Hellmann Worldwide Logistics	87,716	£5.75	Jul-17

Regional outlook

- We anticipate growing demand in areas with strong labour dynamics as occupiers continue to look for ways to reduce their operational costs.
- With increasing automation in industry, we expect to see increased occupier demand for sites / buildings that can accommodate higher power requirements.
- We expect to see increased speculative development below 100,000 sq ft as supply in this size bracket is limited.