

*Occupier and investment market trends in the Midlands logistics and industrial sector.*



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# LOGIC: Midlands Q1 2022

Research, May 2022



# MARKET OVERVIEW

*Shortage of industrial stock in the Midlands has led to 25% annual growth in prime rents, as speculative and build to suit development activity continue to rise.*

**20.5 million sq ft**

Occupier take up  
(last four quarters)

**£3.8 billion**

Investment total  
(last four quarters)

**25%**

Prime annual rental  
growth

## Lack of stock hampering occupier take up

The opening quarter of 2022 saw a total of 3.6 million sq ft of industrial space occupied in the Midlands (units over 50,000 sq ft), one-third lower than Q1 2021 take up. The total for the twelve months to end-March 2022 stood at 20.5 million sq ft, marginally lower than the comparable period the previous year but considerably ahead of the five-year annual average of 15.1 million sq ft. The reduction in activity in quarter one is a reflection of the lack of stock available on the market at present, with 35% of take up in Q1 made up of pre-lets or build to suit industrial units.

Distribution occupiers remain the most active, accounting for 86% of take up in quarter one and 65% of activity over the past year.

## Vacancy rate at an acute record low

The Midlands region is experiencing an acute shortage of immediately available space across all size ranges.



JAMES CLEMENTS, PARTNER,  
BIRMINGHAM COMMERCIAL

“Availability is at critically low levels which is encouraging speculative development and sharp rental increases across the region. Occupiers with requirements will need to act quickly to secure buildings which are suitable for requirements as they will likely be in competition.”

A total of 5.1 million sq ft of space was available at the end of March 2022 (units over 50,000 sq ft), 38% lower annually. This has resulted in the vacancy rate falling to an acute record low of 1.5%. Of this available space, 26% was under offer at quarter end.

## Strong pre-let activity for speculative development

Occupiers in search for existing buildings at the very large end of the market are faced with limited options, with only one 500,000 sq ft+ unit and two units in the 250-500,000 sq ft size band immediately available across the East and West Midlands.

Given the shortage of existing stock available, the rising volume of speculative development is positive for the region. At the end of quarter one, there was just under 9 million sq ft of speculative space under construction, more than double the level recorded just one year previous. Of this, 6.6 million sq ft is available, 68% in the East and 32% in the West. The remaining 2.4 million sq ft of space is already under offer.

## Investor confidence remains high amidst strong rental growth

Industrial investment volumes in the Midlands show a total of £844 million in Q1 2022, 14% higher annually. This brings the total for the twelve months to March 2022 to £3.8 billion, up from £2.7 billion in the same period last year. Investors are continuing to see lucrative returns on industrial units amidst robust occupier demand and strong rental growth. The weighted average yield for assets transacted across the Midlands region over the past twelve months was 4.9% and has contracted from an average of 5.2% against the comparable period last year.

## Rental levels & Outlook

Prime rents for units over 50,000 sq ft in Birmingham have increased by 25% over the past year, to stand at £10.00 psf at the end of March. We expect that the supply/demand dynamics of the Midlands market will drive further growth this year. Average rents in the East and West Midlands are forecast to grow by 9.0% and 8.7%, respectively, while average growth of 8.4% is expected for Birmingham (RealFor).

# OCCUPIER MARKET

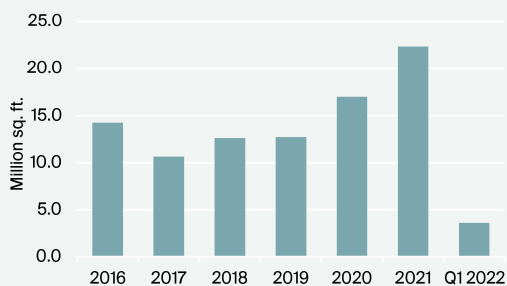
**3.6 m sq ft**  
Occupier take up  
Q1 2022

**65%**  
Distribution  
take up  
(last four quarters)

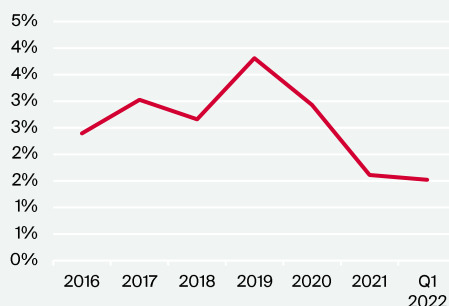
**£10.00 psf**  
Prime rents

**1.5%**  
Vacancy rate

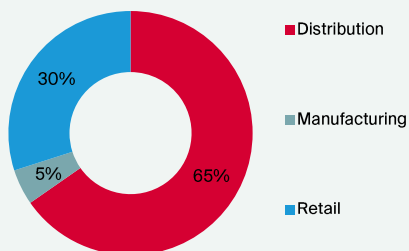
Take up (sq ft)



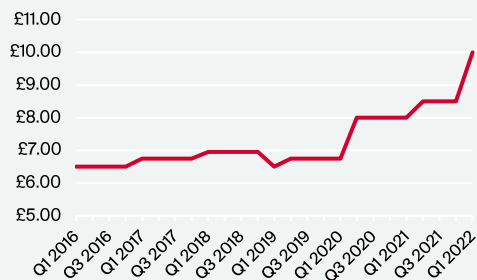
Vacancy rate (%)



Take up by sector (sq ft)  
Q2 2021 - Q1 2022



Birmingham - Prime rents (£psf)



## KEY OCCUPIER DEALS Q1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
MPN2 Magna Park North, Lutterworth	503,216	Iron Mountain	£7.95 psf	Pre-let
Panattoni Park, Northampton	430,000	Hotel Chocolat	£7.95 psf	Speculative build
Tamworth 345, Tamworth	345,414	Maersk	£7.75 psf	Speculative build
Fradley Park, Lichfield	137,500	Cotswold Outdoor	£7.35 psf	Speculative build

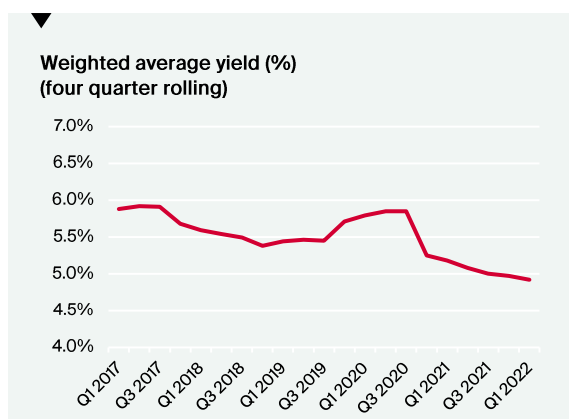
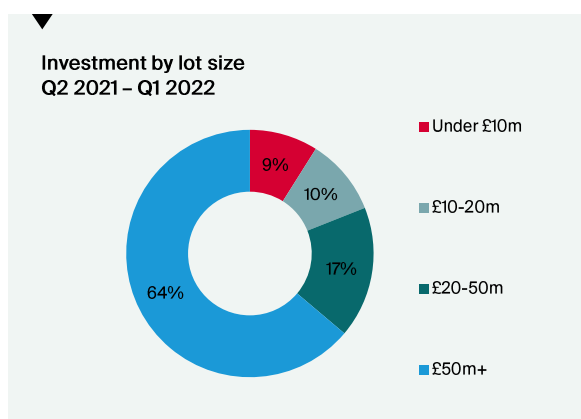
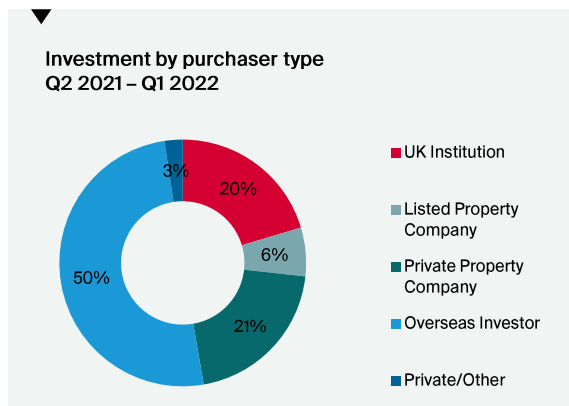
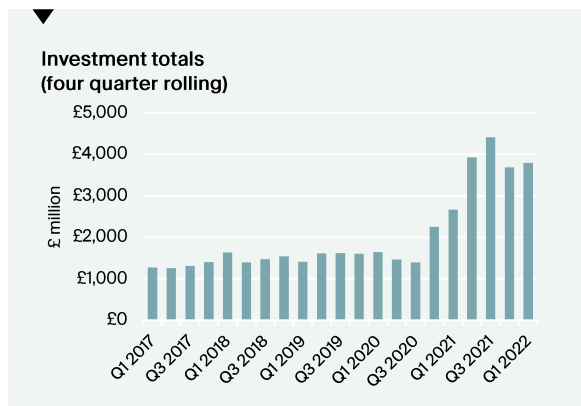
# INVESTMENT MARKET

**£844 million**  
Investment total  
Q1 2022

**£25 million**  
Average lot size  
(last four quarters)

**50%**  
Overseas capital  
(last four quarters)

**4.9%**  
Average yield  
(last four quarters)



## KEY INVESTMENT DEALS Q1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Newell Rubbermaid, Fradley Park	Lichfield	£60.4m	3.38%	Oxford Properties Group	L&G
Alliance Flooring Distribution, Worcester Six	Worcester	£28.3m	3.75%	Frasers Property (UK) Ltd.	Stoford Developments Ltd.
Nene House & Logistics House, Sopwith Way, Drayton Fields	Daventry	£21.1m	4.90%	Urban Logistics REIT Plc	Nene Group Plc
Schneider Electric Ltd., Stafford Park 5	Telford	£17.65m	4.89%	Copley Point Capital Ltd.	Scottish Equitable Plc

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#### Methodology

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.

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