

LONDON AND SOUTH EAST

LOGISTICS AND INDUSTRIAL COMMENTARY

H2 2018 REVIEW

- It has been another busy six months for the London and South East Logistics & Industrial market. The second half of 2018 registered take-up of units above 50,000 sq ft reach 4.3m sq ft, an increase of 51% when compared to the first half of the year. Consequently, take-up for the year increased to reach 7.2m sq ft, 39% ahead of the total is 2017.
- Closer analysis of take-up reveals that 52% of transactions in H2 2018 involved newly built stock, with second-hand accommodation accounting for just 43% and the remaining 5%, pre-let. Cheaper second-hand opportunities steadily reduced in number through the year. Occupiers have consequently widened their geographical search, competed for the second-hand space available or been forced to accept higher rents at new build options.
- This trend looks set to continue with existing availability at the end of 2018, standing at 4.5m sq ft, where 52% is new build and 48% is second-hand stock. On this basis there is just six months' supply to satisfy demand.
- Despite on-going political uncertainty, occupier demand remains robust going into 2019. Enquiry numbers across the size and geographical spectrum are rising buoyed by

the increasing number of speculative industrial schemes in certain parts of the region. The results of which, mean that occupiers will continue to face rising rents and a tightening on incentives.

- E-commerce continues to influence market activity amidst a traditional user base of logistics is storage & distribution, food production, trade counter and builders merchants. This is particularly prevalent in the more urban areas where e-commerce is particularly demanding. This situation will be compounded further by the continuing fall in supply as industrial stock continues to be lost to alternative use, particularly housing and through occupier displacement by largescale infrastructure projects.

REGIONAL OUTLOOK



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The market imbalance of strong demand and low supply will sustain competition amongst developers in the region. In the ultra-urban London area, there will be a stronger emphasis on extracting greater value by way of mixed use and higher density schemes.

This could mean a further shift towards, multi-storey industrial accommodation, "sheds & beds" both side by side, multiple storey and industrial facilities going underground. As developers move away from conventional building layout, the adaptation of operational models will quicken as occupiers look to take advantage of new efficient space.



Valor Park, Heathrow

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Hovis limited, Wyatt road, Stratford	Hendy Group Ltd	148,319	£9.00	Dec-18
Unit C, Logistics City, West Thurrock	Marstons Brewery	54,913	£9.95	Sep-18
Oxbox, Oxford Business Park, Oxford	Oxford BioMedica PLC	85,249	£8.75	Sep-18
Diamond Point, Crawley	CAE UK Plc	114,710	£10.25	Jul-18
330 Magna Park, Milton Keynes	HMRC	186,443	£7.20	Sep-18
Southgate Way, Peterborough	E-Leather	215,280	£6.00	Sep-18

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ - movement expected to H2 2019



Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
West London			
Park Royal	£17.50 ▲	£16.50 ▲	£16.00 ▲
Heathrow	£15.50 ▲	£15.00 ▲	£14.50 ▲
East London	£15.00 ▲	£14.50 ▲	£13.50 ▲
North London	£15.00 ▲	£13.50 ▲	£12.00 ▲
South London	£16.00 ▲	£15.50 ▲	£15.00 ▲
Crawley	£14.00 ▲	£13.75 ▲	£13.00 ▲
Southampton / Portsmouth	£10.00 ▲	£10.00 ▲	£9.50 ▲
Maidstone/ Aylesford	£11.00 ▲	£10.00 ▲	£9.00 ▲
Milton Keynes	£9.50 ▲	£9.00 ▲	£7.50 ▲
Hemel H'stead	£12.50 ▲	£11.50 ▲	£10.00 ▲
Reading	£14.00 ▲	£13.00 ▲	£11.50 ▲
Dartford	£12.00 ▲	£11.00 ▲	£9.50 ▲
Thurrock	£10.50 ▲	£10.00 ▲	£9.50 ▲
Dagenham	£10.00 ▲	£9.50 ▲	£9.25 ▲