

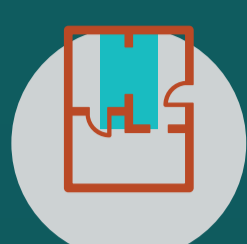
UK INDUSTRIAL

Structural drivers continued to offset any negativity stemming from political uncertainty in 2018. Industrial take-up of units over 50,000 sq ft registered a 39% increase when compared to 2017 reaching 37.8m sq ft at year-end. The primary factor for the rise was sustained growth in online retailing. The retail sector accounted for 56% of 'big shed' take-up in 2018, up from 39% last year. The Midlands remained the dominant market accounting for 37% of space acquired by occupiers. Even so, six of the nine regions studied in this report registered a year-on-year increase in activity.

Industrial property continued to carry favour with investors in 2018 accounting for 14% of all UK commercial property investment during the year. Industrial investment volumes reached £8.3bn, although less than in 2017, the 2018 total is 53% above the 10-year average. Portfolio deals again featured heavily, with the 39 deals completed accounting for 31% of investment turnover. Sustained investor demand meant yields remained under pressure. Yields on the best long-let prime stock continued at a record low, with single-let, distribution yields at 4.00%. Yields on modern regional estates moved in to 4.5% during 2018 reflecting a shift of -50bps in 2018.

Whilst a conclusion to Brexit is unclear, demand for industrial and distribution space will remain underpinned by structural shift in 2019. Foremost, digital innovation is driving change. This means that the importance of quality, location, power and labour will intensify and narrow the choices available to occupiers. Availability of good quality space is already low and this, coupled with the steady reduction of industrial zoned land, will drive rental growth in 2019.

OCCUPIER TAKE-UP



37.8m
sq ft

▲ +6%
10 year average

INVESTMENT VOLUMES



8.3bn
£

▲ +53%
10 year average

RENTAL GROWTH (%PA)



8%

7%

6%

<20k
sq ft

20k - 50k
sq ft

>70k
sq ft

Denotes movement in prime rents

PRIME YIELDS %



4.00
%

4.25
%

4.50
%

Dist: 20 yr

Dist: 15yr

UK Estate

▼ -500bps
Dist: Distribution. Arrows show change from 2017.

2018 MARKET IN NUMBERS

Click on the region for more detail

TAKE-UP (SQ FT) FOR UNITS
50,000 SQ FT AND ABOVE

INVESTMENT VOLUMES

SCOTLAND

59,800

£302m

NORTH WEST

4,740,000

£481m

MIDLANDS

13,850,000

£1.4bn

WALES

1,913,900

£40m

SOUTH WEST

795,300

£304m

NORTH EAST

4,200,000

£314m

WEST YORKSHIRE

1,796,100

£254m

SOUTH YORKSHIRE

2,126,900

£180m

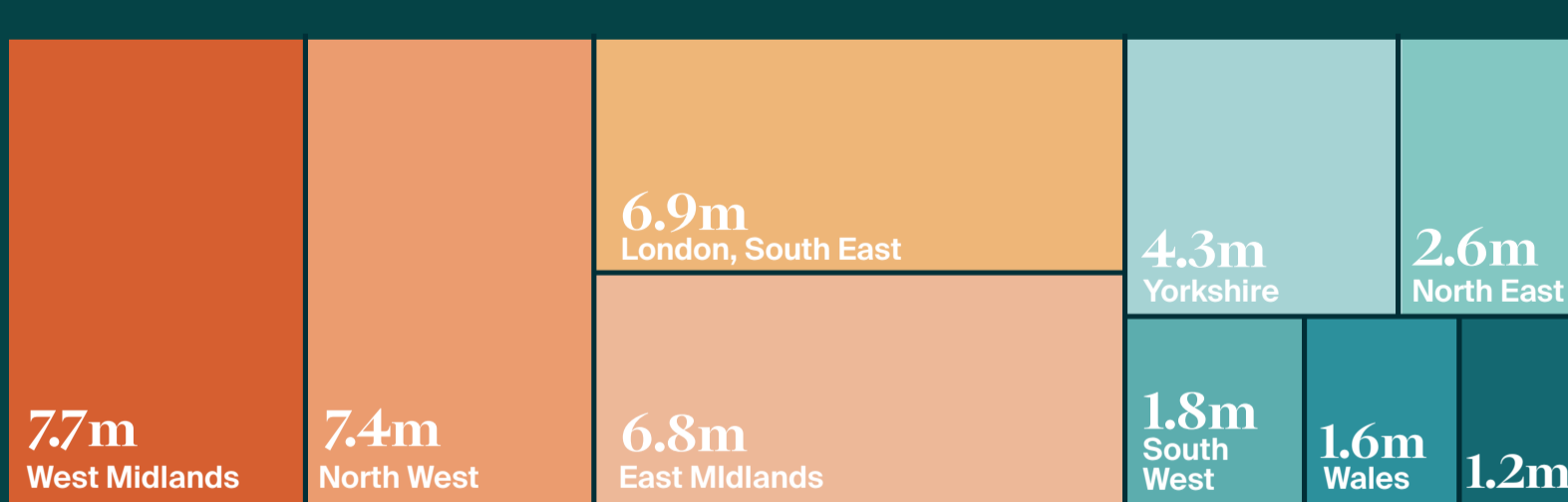
LONDON, SOUTH EAST & EAST

7,193,800

£2.4bn

BIG SHED AVAILABILITY BY REGION

OVER 100,000 SQ FT



DRIVERS FOR 2019



01

ONLINE AS %
OF RETAIL SALES



02

UK MANUFACTURING
OUTPUT GROWTH %



03

INDUSTRIAL
TOTAL RETURN %

