

### Availability Still Trending Up; Grade A Supply Stabilising

Availability continued its upward trend, driven by a combination of speculative development and second-hand space. Over 72 million sqft was being marketed at the end of Q1, unchanged during the quarter but up by 22% on the year.

The contribution of development to supply growth diminished recently. Grade A availability grew by 12% y-o-y compared to 35% in Q1 2019. Spec construction was slowing regardless of COVID-19, with 2.5 million sqft completed during the quarter and another 4 million sqft underway at the end of March. While this is slightly above the 10-year average of 5 million sqft, it is well below the 14 million sqft delivered last year. On the other hand, recent business bankruptcies/insolvencies have contributed to a 32% surge in available second-hand Grade B/C space over the same period. This trend is likely to continue.

### Take-up Slides; Short-Term Market Benefits

The uncertainty created by the Covid-19 pandemic and the practical implications of the lockdown have had a material impact on demand. While some long-term strategic requirements are still progressing, many have been put on hold. With the market going quiet from mid-March, the number and volume of deals were down during Q1, with 5.5 million sqft transacted across 41 deals. This represents a 32% and 21% decline compared to the 10-year averages for Q1.

The main beneficiary so far has been the short-term market. Several occupiers, including supermarkets and e-commerce, are looking for extra space through three channels: their existing network, 3PLs or "pay-as-you-go" warehousing.

### Rental Growth Slows; Prime more Resilient Amid "Flight to Safety"

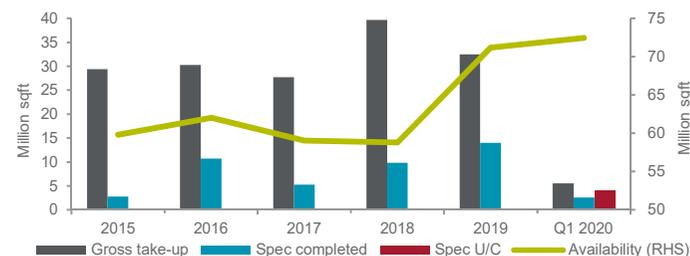
Prime headline rents were largely unchanged during Q1, with the C&W prime rental index rising by 0.3% for both Big Boxes and smaller units between 50-100 sqft. While prime rental growth has slowed, speculative development continues to test headline rents in submarkets with favourable demand/supply dynamics. According to MSC's monthly index, industrial values fell marginally in March (-1.3%). The impact of the crisis on pricing will become clearer in Q2. If anything, the pandemic is likely to accelerate investors' "flight to safety" and the polarisation in pricing between primary and secondary/tertiary assets.

### LATEST INDICATORS



Source: Oxford Economics, Markit, ONS  
\* A score below 50 indicates contraction

### TAKE-UP/SPECULATIVE DELIVERIES/AVAILABILITY



### C&W PRIME RENT INDEX, Dec 2013=100



## MARKET STATISTICS

SUBMARKET	AVAILABILITY (SQFT)	GRADE A AVAILABILITY (SQFT)	CURRENT QTR TAKE-UP (SQFT)	YTD TAKE-UP (SQFT)	SPEC UNDER CNSTR (SQFT)	PRIME RENT (BIG BOX)	PRIME YIELD
London	2,532,565	1,672,521	181,180	181,180	442,159	15.75	4.00%
South East & East	12,056,509	8,692,518	530,193	530,193	1,538,306	14.50	4.75%
West Midlands	13,610,917	6,094,950	672,701	672,701	446,771	7.25	4.75%
East Midlands	12,389,157	6,237,656	589,813	589,813	208,968	6.75	4.75%
North West	9,848,619	3,217,911	1,813,222	1,813,222	415,375	6.75	4.75%
Yorkshire & Humber	5,211,928	2,487,071	745,775	745,775	811,159	6.25	5.00%
South West	6,314,465	1,143,452	66,000	66,000	193,247	7.25	5.00%
Wales	5,430,510	59,880	359,900	359,900	0	5.50	5.25%
North East	2,517,464	234,598	260,090	260,090	0	5.50	5.50%
Scotland	2,527,382	1,672,521	288,898	288,898	0	7.50	5.60%
<b>UK TOTAL</b>	<b>72,439,516</b>	<b>29,840,557</b>	<b>5,507,772</b>	<b>5,507,772</b>	<b>4,055,958</b>	<b>7.85*</b>	<b>5.10%*</b>

\*Unweighted average for the 73 submarkets tracked by C&W

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SQFT	TYPE
Titan	Knowsley, North West	JTI	555,970	Existing
Former Poundworld unit	Normanton, Yorkshire & Humber	The Range	546,970	Existing
525 Haydock	Haydock, North West	Kellogg's	525,300	Spec
Ma6nitide	Middlewich, North West	Swizzels	158,000	BTS
DC2, Prologis Park Stafford	Stafford, West Midlands	Wincanton	128,830	Existing

## KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SQFT	PRICE/£ PSQFT
Cara Portfolio	Various	Clearbell Capital/Blackstone	2,000,000	£120M/£60
Magna Park 1200 & 1300	Lutterworth, East Midlands	M&G Investments/ ERGO Real Estate JV NFU Mutual	464,824	£39.8M/£86
DHL Aston Lane	Runcorn, North West	Atlantic Leaf/Elite Commercial REIT	651,409	£34M/£52

Source: Cushman & Wakefield, RCA

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