

Industrial Q3 2020

65.6 M
Availability, SQFT

YoY
Chg12-Mo.
Forecast

16.6 M
Take-Up, SQFT



1.5%
Prime Rent Growth



Average UK Big Box

LATEST INDICATORS

-27

GfK Consumer
Confidence Index
(September)

YoY
Chg12-Mo.
Forecast

54.1

Manufacturing PMI
(September)*



51.6%

Online sales y-o-y
growth (August, SA)



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

Availability Dips 11% Returning to Long Term Average

In the space of a few months the UK logistics market has virtually swung from a position of potential oversupply to one of (localised) near-undersupply. Record take-up caused availability to fall by 11% during the quarter to 65.6 million sqft, roughly where it was a year ago and some 30% below its post-GFC peak. All regions bar the Midlands and the South East are now undersupplied relative to their long term average. Continued speculative development should help alleviate the supply shortage that has emerged across some submarkets and size bands. As at Q3, there was 3.5 million sqft under construction and scheduled for completion in 2021, in what is shaping up as another above-average year for speculative completions. Developers/investors' appetite for well-located development land remains strong and continues to replenish the pipeline.

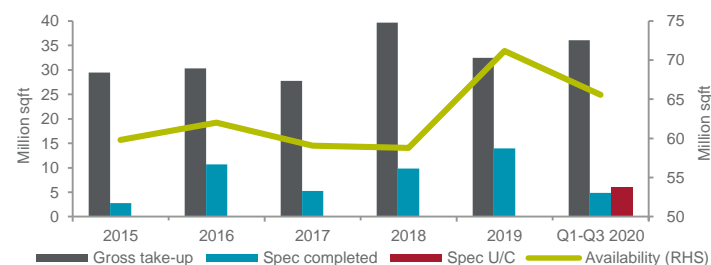
Ecommerce Propels Take-up to Record High

Q3 was the busiest quarter ever recorded, with 16.6 million sqft transacted. At 36 million sqft, take-up in the first nine months of the year is already running well above the annual 10-year average and on track to surpass the record deal volumes of 40 million sqft registered in 2008 and 2018. Amazon recorded again the largest deal of the quarter (2.3 million sqft at Panattoni Park Swindon) as it continued to aggressively expand its UK networks. To date, Amazon has taken (directly or through 3PLs) 11.5 million sqft of space, accounting for a third of take-up. Other e-commerce related sectors including meal-box, parcel delivery, and e-fulfilment companies have also been in expansion mode over the past few months. All in all, e-commerce accounts for nearly 40% of take-up so far this year, an all-time high.

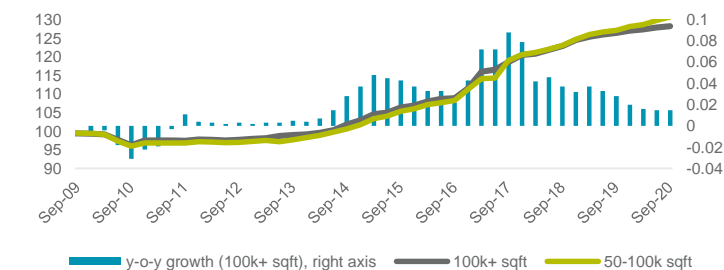
Rental Growth Increasingly Polarised; Capital Values Stabilise

New product continued to push the rental ceiling during Q3, amid a growing divergence in growth trajectories across size bands. Prime rental growth for Big Box (100,000 sqft+) has levelled off around 1.5% y-o-y over the last quarters, while smaller Mid-Box units (50- 100,000 sqft) posted stronger growth of 2.8% y-o-y in Q3. London has been at the forefront of this growth. Logistics capital values turned a corner during Q3 after falling by 2.8% between February and June. In August, MSCI's index for "Distribution Warehouses" rose by 0.2% on previous month. Given the level of unsatisfied demand, some investors will arguably have to realign their return aspirations to the strong market fundamentals in order to compete. As a result, further yield compression cannot be ruled out in prime markets, such as London and Manchester, and for longer term income streams.

TAKE-UP/SPECULATIVE DELIVERIES/AVAILABILITY



C&W PRIME RENT INDEX, Dec 2008=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 | 2,690,968 | 1,400,147 | 84,805 | 316,985 | 555,001 | 15.75 | 4.00% |
| South East & East | 9,450,446 | 6,878,932 | 2,336,512 | 7,064,190 | 1,230,065 | 14.50 | 4.75% |
| West Midlands | 11,792,045 | 4,808,060 | 2,374,261 | 3,592,606 | 0 | 7.25 | 4.75% |
| East Midlands | 12,525,125 | 6,249,509 | 4,775,312 | 7,187,412 | 1,606,979 | 6.75 | 4.75% |
| North West | 8,044,432 | 2,276,420 | 1,418,776 | 3,513,644 | 489,180 | 6.75 | 4.75% |
| Yorkshire & Humber | 4,912,763 | 3,212,822 | 800,836 | 4,970,425 | 1,785,500 | 6.25 | 5.00% |
| South West | 5,911,109 | 983,976 | 3,454,434 | 3,933,947 | 244,800 | 7.35 | 5.00% |
| Wales | 5,281,613 | 195,207 | 847,095 | 1,598,819 | 100,000 | 5.50 | 5.25% |
| North East | 2,217,962 | 132,887 | 515,793 | 3,244,529 | 0 | 5.50 | 5.50% |
| Scotland | 2,757,883 | 0 | 0 | 640,344 | 0 | 5.50 | 5.60% |
| UK TOTAL | 65,584,352 | 26,137,966 | 16,607,824 | 36,062,901 | 6,011,525 | 7.90** | 5.10%** |

* Take-up excluding short-term deals

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

KEY TRANSACTIONS Q3 2020

| PROPERTY/BUSINESS PARK | SUBMARKET | TENANT | SQFT | TYPE |
|---------------------------------------|---------------------------------|---|-----------|------|
| Panattoni Park | Swindon, South West | Amazon | 2,226,500 | BTS |
| Aldi, Interlink South | Bardon, East Midlands | Aldi | 1,300,000 | BTS |
| Stoford, Stafford North Business Park | Stafford, West Midlands | Pets at Home | 670,000 | BTS |
| East Midlands Gateway | Castle Donington, East Midlands | DHL | 649,000 | BTS |
| DC535, DIRFT | Daventry, East Midlands | Supply Chain Coordination (via Clipper) | 405,312 | Spec |

KEY SALES TRANSACTIONS Q3 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SQFT | PRICE/£ PSQFT |
|----------------------|-----------------------|--|-----------|---------------|
| Amazon Swindon | Swindon, South West | Panattoni/L&G | 2,226,500 | £210M/£94 |
| BA Portfolio | Primarily South East | BA Pension Fund/ Exeter Property Group | 1,308,675 | £150.8M/£115 |
| Richardson Portfolio | Midlands, South West | Richardsons Capital JV St Francis Group/Tristan Capital Partners | 707,829 | £68M/£96 |
| Amazon DC | Dunfermline, Scotland | Ramsala Plc/Knight Frank IM OBO KB Securities JV LB AMC | 1,019,935 | £62.9M/£62 |

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