

60.0 M
Availability, SQFT

YoY
Chg12-Mo.
Forecast

12.5 M
Take-Up, SQFT



5.3%
Prime Rent Growth



Average UK Big Box

LATEST INDICATORS

-16
GfK Consumer
Confidence Index
(March)

YoY
Chg12-Mo.
Forecast

58.9
Manufacturing PMI
(March)*



62.0%
Online sales y-o-y
growth (March, SA)



Source: Markit, ONS

* A score below 50 indicates contraction

Leasing Momentum Carries Over into 2021

Following a record year in 2020, there was no sign of leasing momentum slowing down in the first three months of 2021. Transactions reached 12.5 million sqft, a 115% and 55% rise on Q1 last year and the 10-year average respectively. The number of deals (88) was 70% higher than a typical Q1. Most deals (94%) concerned existing stock. Retailers, parcel delivery and 3PLs remained in the driving seat, accounting together for some 70% of quarterly take-up. Interestingly, in London and in South Wales, several recent requirements continue to emanate from film studios. In London, this occupier group has taken nearly 1 million sqft over the last two years. Most regions performed well, with the North West being a stand-out performer as it recorded its strongest Q1 on record (3.1 million sqft). With over 16 million sqft under offer as at end of March, 2021 is shaping up as another strong year for UK logistics.

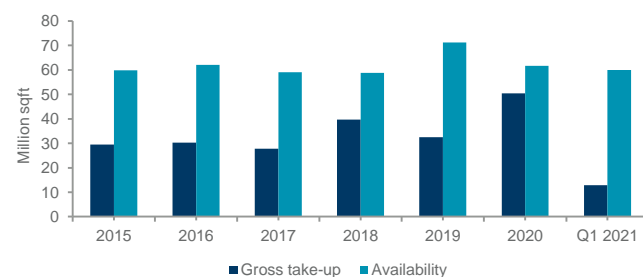
Developers Respond to Lack of Supply

Developers have been quick to respond to the recent surge in demand with some 12.7 million sqft of speculative space already delivered or due to complete later in the year (of which over a million has already been let). The pandemic and ensuing lockdowns have effectively moved forward the peak of the speculative development cycle by one year (prior to 2021, completions peaked in 2016 and 2019). However, this pipeline has had little impact on availability that fell by 17% over the year to 60 million sqft and remains 11% below its long-term average. In Yorkshire and the North West, availability is down by nearly 30% year-on-year, and by over 40% in the West Midlands. Most regions remain historically supply-constrained, with further rental growth expected as a result.

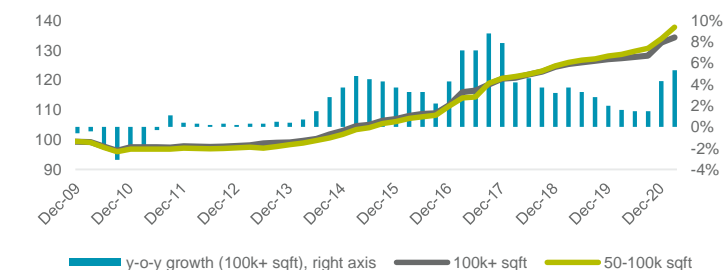
Yield Compression Accelerates as Investment Sets New Record for Q1

The weight of capital targeting UK logistics propelled Q1 volumes to a new high. Some £2.7 billion of logistics/industrial property changed hands during the first three months of the year, compared to £1.5 billion in Q1 2020 (+80%). Overseas investors, led by North American private equity, remained acquisitive and accounted for over 65% of transactions volume. We are also seeing recently formed ventures/vehicles starting to deploy capital, with a focus on shorter term income / development. Fierce competition has evened out the regional risk premium for long-term indexed income, with sub-4% yields not uncommon outside London and the South East. In prime locations (e.g. London, Manchester), short income with reversionary potential is being priced equally sharply. Steady yield compression has bolstered values that rose by 10% in the six months to March according to MSCI's monthly index.

TAKE-UP AND AVAILABILITY



C&W PRIME RENT INDEX, Dec 2008=100



MARKET STATISTICS

SUBMARKET	AVAILABILITY (SQFT)	GRADE A AVAILABILITY (SQFT)	OF WHICH, SPEC SPACE U/C	CURRENT QTR TAKE-UP* (SQFT)	YTD TAKE-UP* (SQFT)	PRIME RENT (BIG BOX)	PRIME YIELD
London	2,345,479	1,121,647	133,000	288,646	288,646	17.50	3.75%
South East & East	11,540,886	8,627,593	3,772,758	1,633,984	1,633,984	15.00	4.35%
West Midlands	7,747,170	2,326,775	330,924	1,605,037	1,605,037	7.25	4.40%
East Midlands	11,302,922	6,843,379	2,638,171	1,952,171	1,952,171	6.75	4.35%
North West	7,002,082	3,097,075	1,673,492	3,214,031	3,214,031	6.95	4.35%
Yorkshire & Humber	3,996,592	2,370,953	951,000	2,370,641	2,370,641	6.50	4.80%
South West	5,405,484	1,118,243	558,031	302,600	302,600	7.50	4.50%
North East	1,900,377	132,887	101,008	520,007	520,007	5.50	4.75%
Wales	6,241,596	196,215	0	624,472	624,472	5.50	5.05%
Scotland	2,535,040	0	0	0	0	6.00	5.35%
UK TOTAL	60,017,634	25,904,773	10,158,384	12,511,589	12,511,589	8.30**	4.70%**

* Take-up excluding short-term deals

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

KEY LEASING/OWNER-OCCUPIER TRANSACTIONS Q1 2021

PROPERTY/BUSINESS PARK	SUBMARKET	TENANT	SQFT	TYPE
K800, Knowsley Business Park	Knowsley, North West	Amazon	762,557	BTS
Next DC	South Elmsall, Yorkshire and the Humber	Next	~760,000	BTS (S&LB)
Hydro, Magna Park	Lutterworth, East Midlands	Primark	422,784	Second-hand
Gateway 385, Gateway Peterborough	Peterborough, East of England	Oatly	385,000	Spec
Derby 370, Derby Commercial Park	Derby, East Midlands	Alloga	370,991	Spec

KEY INVESTMENT TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQFT	PRICE/£ PSQFT
Tudor Portfolio	Primarily Midlands	Morgan Stanley JV Thor Equities/BentallGreenOak	2,180,000	£295M/£135
Bedfont Logistics Park Heathrow	London	BlackRock UK/Blackstone	317,000	£119M/£375
Iron Mountain, Belvedere	London	M&G Real Estate/Realty Income	345,794	£90M/£260
Equites Portfolio	West Midlands	Equites Property Fund/Blackstone	430,278	£43.4M/£101

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