



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Rental growth has slowed but will continue as new product sets new headline rents.	▼
Prime Yields:	Yields are likely to stabilise at their current level.	▶
Supply:	A rise in speculative development will broaden occupiers' choice in some markets.	▼
Demand:	eCommerce expansion continues to fuel demand that may help mitigate any negative Brexit impacts.	▶

### Prime Industrial Rents – March 2019

LOGISTICS LOCATIONS 50,000-100,000 SQ.FT UNITS	GB£	€	US\$	GROWTH %	
	SQ.FT YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
London (Heathrow)	15.50	195	20.50	3.3	4.0
London (Croydon)	14.00	176	18.52	7.7	7.5
Manchester	7.00	88	9.26	16.7	8.8
Birmingham	6.85	86	9.06	1.5	3.6
Bristol	7.25	91	9.59	3.6	4.7
Leeds	6.25	79	8.27	8.7	4.6
Newcastle	5.50	69	7.27	0.0	5.3
Cardiff	6.50	82	8.60	8.3	3.4
Edinburgh	8.50	107	11.24	0.0	3.2
Glasgow	7.50	94	9.92	0.0	3.7

### Prime Industrial Yields – March 2019

LOGISTICS LOCATIONS 100,000 SQ.FT UNITS (FIGURES ARE NET, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
London (Heathrow)	4.00	4.00	4.00	7.00	4.00
London (Croydon)	4.25	4.25	4.50	7.75	4.25
Manchester	4.75	4.75	5.00	7.75	4.75
Birmingham	4.75	4.75	5.00	8.00	4.75
Bristol	5.00	5.00	5.25	8.00	5.00
Leeds	5.00	5.00	5.25	8.00	5.00
Newcastle	5.50	5.50	5.50	8.50	5.50
Cardiff	5.25	5.25	5.25	8.50	5.25
Edinburgh	5.75	5.75	6.00	8.00	5.75
Glasgow	5.75	5.75	6.25	8.00	5.75

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

## Overview

Leasing and investment activity slowed in the first three months of the year, with many occupiers and investors taking a “wait-and-see” approach in the run up to (the now delayed) Brexit day. However, the market remains fundamentally strong, with rents continuing to rise, and investors’ interest in the sector showing no signs of abating.

## Occupier focus

Take-up slowed marginally in Q1 totalling 6.5 million square feet or a 16% decline relative to the 10-year average of 7.8 million square feet. Once more, E-commerce boosted demand, accounting for a third of Q1 take-up, with Amazon signing the two largest deals during the quarter. Meanwhile, total availability continued its upward trend in Q1, rising annually by 11% to 59.2 million square feet. At current take-up rates, this equates to less than two-year of supply. The surge in availability primarily reflects growing speculative development, with speculative completions for 2019 set to surpass the previous peak of 10.6 million square feet achieved in 2016. However, in a sign that the market is far from over-supplied, prime rents continued to rise, by 3.8% over the year.

## Investment focus

Following 2018’s buoyant level of activity, capital flowing into the UK logistics sector slowed during the first three months of 2019. Concerns over Brexit, coupled with a potential floor for logistics property yields, have stalled investment decisions. The estimated £1 billion in transactions closed during Q1 was 57% below the Q1 2018 volume. While pricing for prime properties remained firm, there appears to be a growing mismatch between buyers’ and sellers’ expectations for assets with shorter leases (below seven years) and/or weaker covenants.

## Outlook

Despite the uncertainty surrounding Brexit, enquiries tracked by Cushman and Wakefield for units of 50,000+ square feet rose to their highest quarterly level since 2016 (266). Subject to a positive resolution of the current Brexit impasse, this high level of enquiries points to activity picking up in the second half of the year. With market fundamentals looking healthy, Cushman and Wakefield forecasts prime logistics rental growth of 2.2% per annum over the next five years, with total returns expected to return to single-digit figures, while continuing to outpace other commercial property sectors.