



1,059,710 SQ FT PRE-LET TO AMAZON

Market Facts

Post Brexit

Market remains robust

Industrial Sector

Rental growth expected to continue

Design & Build

Accounts for 50% of take-up over past 4 years

On-line Retail

Further demand expected from large parcel hub and last mile units

Rising Rents & Land Values

Constrained supply driving values

2016 Take Up Trumps 2015 by 70% at 13.26 m sq ft

- Total Grade A take-up 13,265,050 sq ft, above 100,000 sq ft, in 54 buildings with an average size of 245,650 sq ft.
- East Midlands - 6,731,572 sq ft
West Midlands - 6,533,478 sq ft
- Average take-up since 2010 has been 8,162,804 sq ft.
- Amazon took 15% of Midlands Grade A take-up in 5 units totalling 2,028,503 sq ft.
- Manufacturers take-up in 2016 stood at 32% (4,180,149) of which 3,078,762 sq ft was in the West Midlands. It is anticipated that the trend will continue.
- Currently 38 units are available totalling 7,170,921 which is equivalent to circa 6 months' supply based on 2016 take-up.
- 21 speculative buildings are available totalling 4,226,615 sq ft (59% of total available space).
- New build take-up has absorbed over 600 acres of land.
- Tight supply is expected to lead to further speculative development activity although the market is constrained by the number of prime, ready to go, sites.
- Retailers and internet e-fulfilment users will continue to expand.
- There will be strong take-up of bespoke units by occupiers with specialist design requirements and those unable to find existing stock.
- Yields and rents will continue to strengthen.

Midlands Big Box Round-up Market Commentary Q1 2017

Current Supply

There is currently 7,170,921 sq ft of Grade A space available across the Midlands in 38 buildings. Of this 59% (21 units) is speculatively built accommodation. This level is expected to remain consistent, where developers will commit to speculative development once stock is taken up.

There have been few business failures which traditionally lead to the release of stock, however where this has occurred these buildings have been quickly acquired.

Quoting rents on modern and speculative warehouse space have risen over 2016 reflecting the lack of availability and limited occupier choice.

New development sites are predominantly on greenfields which require lengthy promotion through the planning system and inevitably involve the introduction of complex infrastructure. This means replacing this year's take-up of 600 acres or more which was developed in 2016 will be challenging.

38 Current and Available Units Under Construction / Built		
No of Buildings	Size	Total Sq Ft
25	100,000 - 199,999	3,492,925
8	200,000 - 299,999	1,858,824
4	300,000 - 399,999	1,407,559
1	400,000 +	411,613
TOTAL GIA (sq ft)		7,170,921



Unit 2 Mountpark, Bardon
317,587 sq ft
Speculative Building



AlcheM1, Crick
195,215 sq ft
Speculative Building

Rental Growth Continues

Rents have generally increased by £0.50 psf across the Midlands over the past 12 months.

We forecast growth of £0.25 psf or more for 2017.

100,000 Sq Ft Plus Prime Rents (£psf)		
Market	Current	Quoting
Birmingham	£6.50 psf	£6.75 psf
Coventry	£6.25 psf	£6.75 psf
Northampton	£6.50 psf	£6.75 psf
Lutterworth	£6.25 psf	£6.75 psf
Leicester	£6.00 psf	£6.25 psf
Stafford / Stoke	£5.50 psf	£5.95 psf



Triton, Stafford
115,185 sq ft
Speculative Build



Optimus Point, Leicester
205,760 & 277,475 sq ft
Development Funding

Midlands Big Box Round-up Market Commentary Q1 2017

Rental Growth Continued

Prime rents for units above 100,000 sq ft have now reached £6.50 psf in Northampton and Birmingham. We expect this level to be firmly established across the Golden Triangle during the year.

Landlords are now starting to quote rents of £6.75 psf for Grade A speculative stock.

10 year and longer leases are now being regularly achieved albeit some landlords will consider a 5 year term certain / lease break, subject to premium rental levels where occupiers offer a robust covenant.

Growth in prime rents has led to a strengthened secondary market for units in prime locations. Fully fitted refurbished 15 year old units are achieving rents of £5.95 psf.

	CURRENT	FORECAST
Grade A Rents:	£6.75	↑
Grade B Rents:	£5.95	↑
Prime Land Price:	£675,000 per acre	↑

Buildings Available / Under Offer



	Available Existing Buildings	Available Existing Buildings U/O	D&B Space U/O
West Midlands	3,353,841 (19)	215,578 (1)	2,422,076 (5)
East Midlands	3,817,080 (19)	230,750 (2)	1,654,000 (3)

Investment & Speculative Funding

The investment and speculative development markets continue to move forward. Whilst there was a pause after Brexit there is still strong demand and overall investment activity in this sector was up on the previous year.

2015 - £804,000,000
2016 - £1,061,000,000



Investment
31.97% up on 2015

Source: Property Data

Major investors in the investment sector included Tritax Big Box REIT (£478,000,000), South Korean investors (£126,000,000), and M&G Real Estate (£50,000,000).

The funding market paused after Brexit, although since the Autumn various parties have commenced speculative development including Liberty (Worcester 162,000 sq ft), Prologis (Kettering 156,670 sq ft) and Exeter (Cannock 372,000 sq ft).

There are currently 21 vacant speculative units either completed or under construction totalling 4,226,615 sq ft with the largest being 372,000 sq ft and the smallest being 115,185 sq ft.

We envisage the speculative market will gain momentum during the course of 2017. Prime yields are likely to strengthen during the course of 2017 as the distribution sector continues to appeal to many investors with its outperformance.

2016 Grade A Stock Take Up



	2016	2015
West Midlands	6,533,478 sq ft (inc 3,848,899 D&B)	3,203,096 sq ft (inc 1,849,996 D&B)
East Midlands	6,731,572 sq ft (inc 4,352,159 D&B)	4,632,186 sq ft (inc 2,125,316 D&B)
Total	13,265,050 sq ft (inc 8,201,058 D&B)	7,835,747 sq ft (inc 3,975,312 D&B)

Midlands Big Box Round-up Market Commentary Q1 2017

Midlands Speculative Supply - totalling 21 Units including:

Address	Size Sq Ft	Landlord / Developer	Rent Psf	Completion
M6DC Cannock	372,000	Exeter / Graftongate	£6.00	Under construction
Mountpark Bardon	317,587	Mountpark	£6.25	Completed
Birch Coppice Tamworth	282,000	Aberdeen	£6.50	Completed
Optimus Point Leicester	277,475 & 205,760	M&G / WBD	£6.00	Completed
AlcheM1 Crick	195,215	IPIF / Graftongate	£6.50	Completed
Triton Stafford	115,185	Rockspring / Trebor	£5.75	Completed

2016 Key Letting Deals

Date	Occupier	Address	Building	Size Sq Ft	Rent Psf
Nov 16	Allport Cargo Services Limited	Interlink 130, Interlink Park Bardon	Speculative	130,679	£6.25
May 16	Wayfair.com	4400 Manga Park Lutterworth	Second hand	258,873	£6.35
Mar 16	DHL	Chrome 102 Minworth	Speculative	102,750	£6.50
Feb 16	Amazon	Mountpark Bardon	Pre-let	1,059,710	£5.75
Jan 16	Ted Baker	Angle 325 Derby	Speculative	323,895	£5.75

2016 Key Investment Deals

Date	Address	Size	Tenant	Lease Term	Rent	Price	Yield
Dec 16	GP2 Grange Park, Northampton	210,303	Yusen Logistics	25 years approximately 8 years unexpired.	£1,205,884 (£5.73)	£20,540,000 (£97.66)	5.50%
Dec 16	Zone A DC551 Prologis Park Lichfield, Fradley	551,996	Screwfix	10 years approximately 10 years unexpired.	£2,980,778.40 (£5.40)	£52,700,000 (£95.47)	5.50%
Dec 16	Hams Hall Distribution Park Coleshill	183,436	The Works Stores Limited	20 years approximately 19.5 years unexpired.	£1,155,646 (£6.30)	£22,310,628 (£121.62)	4.85%
Oct 16	Cosford Lane Valley Park Rugby	145,989	DHL	10 years approximately 10 years unexpired. Break in year 5.	£868,634.55 (£5.95)	£15,000,000 (£102.74)	5.42%
Apr 16	Mountpark Bardon Beveridge Lane Coalville	1,059,710	Amazon	15 year lease approximately 15 years unexpired.	£6,093,332 (£5.75)	£126,000,000 (£118.90)	4.50%

Midlands Big Box Round-up Market Commentary Q1 2017

Recent Avison Young Deals



Prologis Park, Ryton
327,730 sq ft
Letting - Prologis



Valley Drive, Rugby
145,989 sq ft
Investment Sale - Gramercy Europe



GP2, Northampton
210,303 sq ft
Off Market Investment Acquisition - Segro



Centrum 260, Burton Upon Trent
258,370 sq ft
Investment Funding / Pre-let - Goodman



Boden, Glenfield, Leicester
275,220 sq ft
Off Market Funding Acquisition - Aberdeen



Mountpark, Bardon
1,059,710 sq ft
Letting - Mountpark



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