



Hinckley Park development, 532,500 sq ft

INSIGHT

# Big box bulletin

2021 review of distribution activity





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# Occupier market in brief

2021 was another record year for the UK industrial market as take-up of Grade-A space over 100,000 sq ft surpassed 49 million sq ft. In a similar scenario to last year, e-commerce continued to dominate the occupier market. The huge increase in demand has led to a reduction of stock, and a surge in land and rental values.

Take-up of big box grade A warehouses (>100,000 sq ft) increased by 28% compared to 2020. This represented an increase of 57% on the five-year average. Once again, Amazon dominated the market, accounting for almost 9 million sq ft of take-up, however this is a 23% decline compared to the amount of space it acquired in 2020 due to competition intensifying between occupiers. Its two largest deals were design & build (D&B) facilities in Yorkshire and in the North East accounting over 4 million sq ft and are scheduled to complete summer 2022.

There was an increase in demand from non-food retailers, who accounted for 48% of all take-up, compared with 41% in 2020. Key deals included Next's 852,000 sq ft facility in Wakefield and the 670,000 sq ft Pets at Home warehouse in Staffordshire. Third-party logistics accounted for 27% of all market activity throughout the year. Ceva Logistics took up 640,000 sq ft in Leicestershire in addition to the 448,000 sq ft they took in H1 2021 in Staffordshire.

Availability of big box industrial warehouse space totalled 24.2 million sq ft at the end of 2021, which is 6% lower than at the end of 2020 and meaning, for the second consecutive year, there is less than a year's supply of available stock. With D&B developments accounting for almost half of all take-up last year, the market is likely to see a continued rise in the number of speculative developments in order to meet their growing requirements.

This constrained supply picture has put immense upwards pressures on land values, with sites in London commanding up to £10 million per acre. Rents have also increased significantly during 2021, rising by an average 20% across all UK regions.

This trend will continue in 2022 as the competition intensifies, from traditional occupiers looking to increase their warehouse space to accommodate the continued growth in demand from online shopping to new occupiers such as film studios and Q-commerce operators.

The Midlands accounted for 51% of all take-up, a rise from the 40% share of in 2020. Notable deals included JLR's new global distribution park, the UK's largest ever single occupier, D&B transaction, comprising of 5 units, totalling 2.7m sq ft in Ashby de la Zouche as well as JD Sport's 511,820 sq ft warehouse in Derby. There was a slowdown in activity in the South West, as well as Scotland due to a lack of available stock as opposed to diminishing demand.

There is increasing pressure from occupiers, owners, and consumers to improve sustainability credentials and focus on decarbonisation. This presents a challenge for both occupiers and landlords as it is mandatory for all non-domestic buildings to meet EPC Band B by 2030. 63% of existing industrial buildings have been built before the 1990s and will require significant refurbishment. A number of leading developers are setting the pace of change. For example, Segro has created a concept called pocket parks which pushes for greener space around existing and new developments to maintain and preserve the environment, as well as retain talent.

There is unlikely to be a slowdown in demand for big box space across all UK regions in 2022, due to the continued shift in consumer behaviours. With online retail sales forecast to continue growing there will be requirements for even more big box units to meet demand.



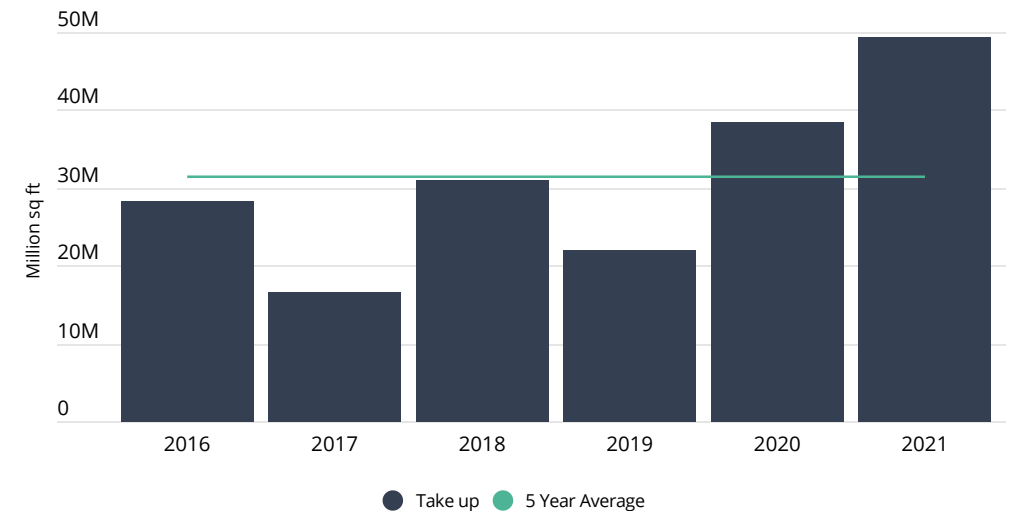
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# Occupier data

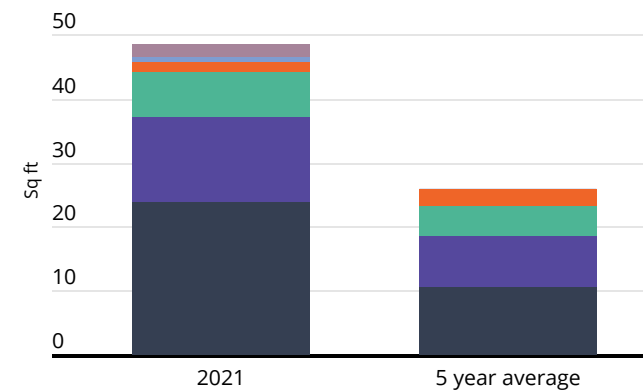
## KEY DEALS - H2 2021

| SCHEME & ADDRESS                                               | SIZE (SQ FT) | TENANT                |
|----------------------------------------------------------------|--------------|-----------------------|
| Wakefield Hub, Wakefield                                       | 2,009,495    | Amazon                |
| Thasmes Valley Science Park Shinfield, Reading                 | 915,000      | Shinfield Studios Ltd |
| South Elmsall, Wakefield                                       | 852,000      | Next                  |
| MPS 1, Magna Park South, Lutterworth, Leicestershire           | 746,478      | Amazon                |
| Redhill Business Park Phase II, Stafford                       | 670,348      | Pets at Home          |
| Segro Logistics Park, E Mids Gateway, Kegworth, Leicestershire | 640,000      | Ceva                  |
| Tectonic 620, Fenny Lock, Milton Keynes, Buckinghamshire       | 617,393      | John Lewis            |
| Derby 515, Plot L, Derby Commercial Park, Derby, Derbyshire    | 511,820      | JD Sports             |

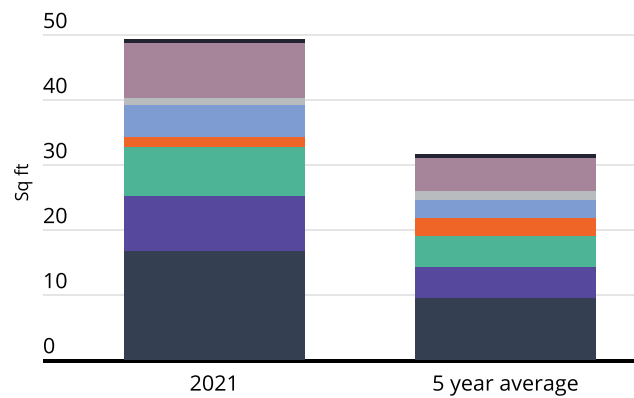
## UK GRADE A BIG BOX TAKE-UP (OVER 100,000 SQ FT)



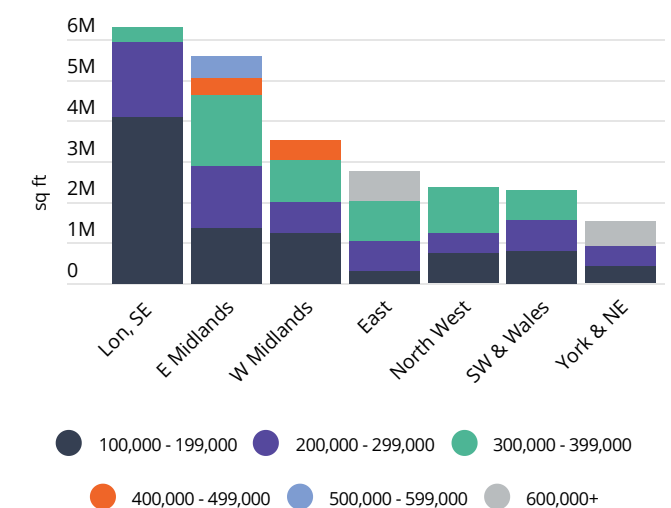
## TAKE-UP BY KEY SECTORS



## TAKE-UP BY REGION



## AVAILABILITY BY REGION & SIZEBAND



● Retail: Non food / Wholesale
 ● 3PL
 ● Manufacturer
 ● Retail: Food
 ● Data Centre
 ● Other

● East Midlands
 ● West Midlands
 ● London / SE
 ● East
 ● North West
 ● SW and Wales
 ● Yorkshire & NE
 ● Scotland

● 100,000 - 199,000
 ● 200,000 - 299,000
 ● 300,000 - 399,000
 ● 400,000 - 499,000
 ● 500,000 - 599,000
 ● 600,000+



**TOM BRIDGMAN**  
Principal, Industrial



**The attractiveness of the UK industrial market drew substantial demand from overseas investors during the year. In total, overseas investment made up of 57% of total volumes, up from the 55% recorded last year, with US investors accounting for the highest share.**

## Investment market in brief

Investment volumes for distribution industrial assets are rivaling the strength of the occupier markets. At the of 2021, total investment volumes surpassed £11 billion across the UK. Blackstone was the largest investor, acquiring industrial assets including Project Alaska, a portfolio of Asda warehouses, which sold for £1.7bn, and the Defender portfolio for £272 million. LondonMetric, one of the UK's largest industrial investors, acquired £435 million of distribution warehouses during 2021 including a portfolio of 15 industrial assets from Savills Investment Management for £122 million.

The attractiveness of the UK industrial market drew substantial demand from overseas investors during the year. In total, overseas investment made up of 57% of total volumes, up from the 55% recorded last year, with US investors accounting for the highest share.

London and the South East saw the highest volume of activity, totaling £2.3bn. There was also a significant level of activity in the East Midlands, where volumes reached over £1.4bn.

The demand for industrial assets from investors has led to a yield-rate compression. According to the latest MSCI monthly index, the average equivalent yield for distribution property decreased by 99bps over the 12 months to 4.35%. Investors continue to be attracted to the industrial sector, as the lack of available products in the occupier market has led to higher rental values. The market fundamentals continue to be strong and resilient and are expected to continue into the new year.

With demand still high from occupiers further rental growth and yield compression in the market is forecast. The UK industrial sector will continue to be attractive to investors driven by the strong fundamentals in the market.

TOTAL FOR 2021

**£11 billion**

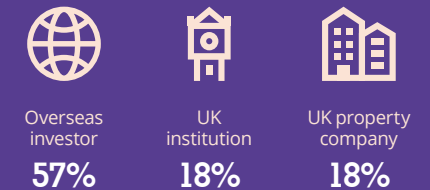
**▲ 199%**

Up on the five-year average

VOLUMES BY CITY



VOLUMES BY INVESTOR TYPE

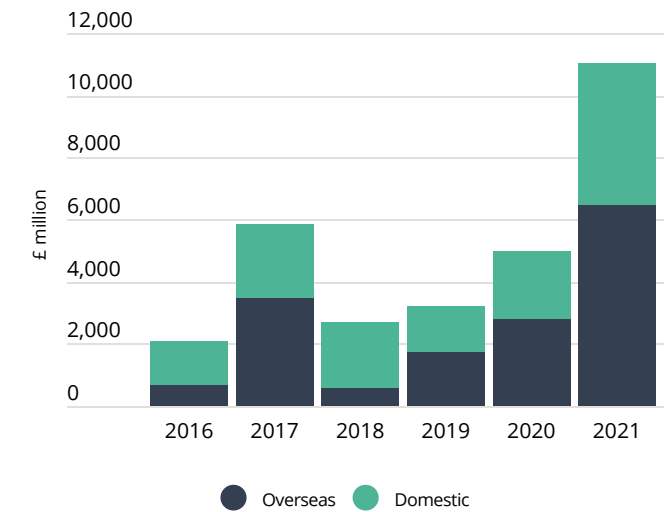


# Investment data

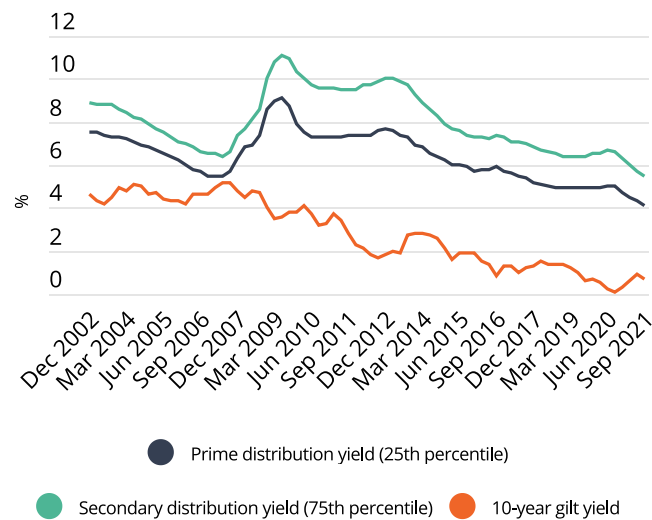
## KEY BIG BOX DEALS - 2021

| DATE   | PROPERTY                  | TOWN      | PURCHASER                | VENDOR                    | PRICE £M | YIELD (%) |
|--------|---------------------------|-----------|--------------------------|---------------------------|----------|-----------|
| Jul-21 | Project Alaska            | Portfolio | Blackstone Real Estate   | Asda                      | 1,700    | 3.27      |
| Oct-21 | Defender Portfolio        | Portfolio | Blackstone Real Estate   | Cabot Properties          | 272      | N/A       |
| Nov-21 | XK Portfolio              | Portfolio | Blackstone Real Estate   | Westbrook Partners        | 200      | 4.5       |
| Sep-21 | Mulberry Logistics Park   | Corby     | GLP UK Management Ltd    | Mulberry Developments     | 192.4    | N/A       |
| Nov-21 | Urban Logistics Portfolio | Portfolio | St Modwen Ltd Blackstone | ARGO Real Estate Ltd      | 180      | N/A       |
| Sep-21 | Doncaster Logistics Park  | Doncaster | BentallGreenOak          | Mulberry Developments     | 140      | N/A       |
| Aug-21 | Titan Portfolio           | Portfolio | Pictet Alternative       | AEW UK                    | 132      | 5.86      |
| Aug-21 | Huntingdon Road           | Thrapston | EQT Exeter               | LondonMetric Property Plc | 102      | 4.1       |

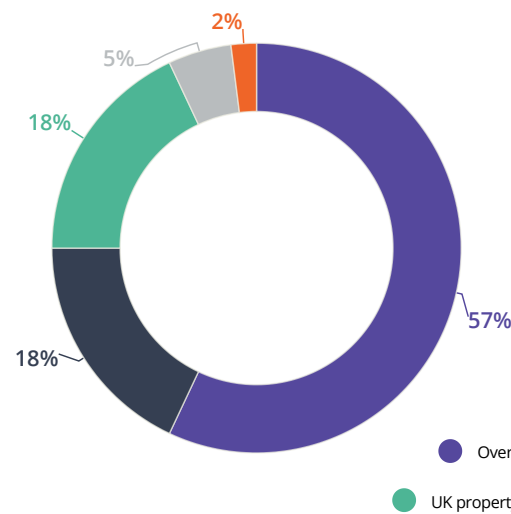
## DISTRIBUTION INVESTMENT VOLUMES



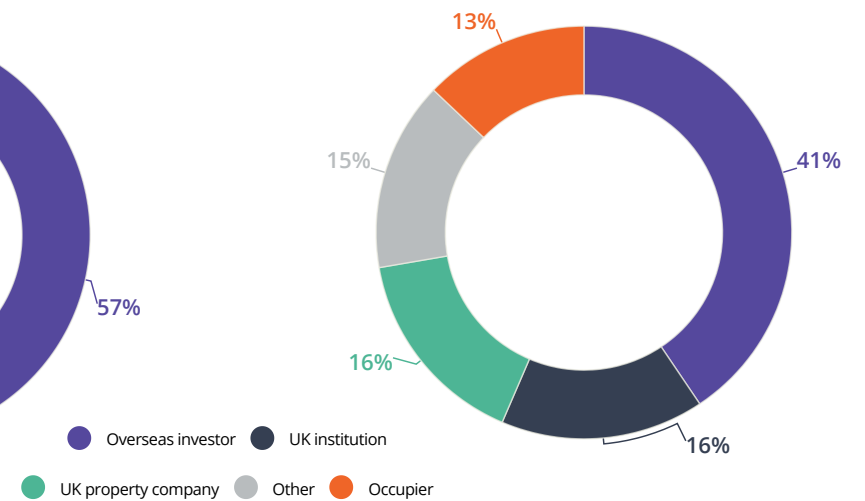
## DISTRIBUTION YIELDS VS 10 YEAR GILTS



## INVESTMENT VOLUMES BY INVESTOR TYPE - 2021



## INVESTMENT VOLUMES BY INVESTOR TYPE - FIVE-YEAR AVERAGE



# Key stats

## GRADE A TAKE-UP 2021



49.3 million sq ft

**▲ 57%** Up on the five-year average

## KEY OCCUPIERS

**amazon**

8.7 million sq ft

**ceva**  
LOGISTICS

2.9 million sq ft



2.9 million sq ft

**SHINFIELD**  
STUDIOS

750,000 sq ft

## TAKE-UP BY BUILDING TYPE



**50%**

Design & Build



**32%**

Speculative



**18%**

Existing buildings

## TAKE-UP BY SECTOR



**46%**

Retail - Non food



**27%**

Third party logistics



**14%**

Manufacturer

## REGIONAL TAKE-UP



**34%** East Midlands

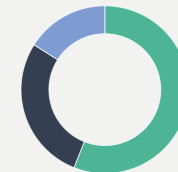
**17%** Yorkshire & North East

**17%** West Midlands

## SUPPLY

**24 million sq ft**

(9 months' supply based on past demand)



**56%** Under construction

**28%** Secondhand

**16%** Completed speculative build

## DISTRIBUTION AVERAGE RENTAL GROWTH

(MSCI MONTHLY INDEX)



**9.1%**

12 months to December 2021

## DISTRIBUTION INVESTMENT

2021

**£11 billion**

**▲ 199%**

Up on the five-year average

## DISTRIBUTION YIELD

**4.35%**

(MSCI monthly index - December 2021)

**5.64%**

(December 2020)

## KEY PURCHASERS

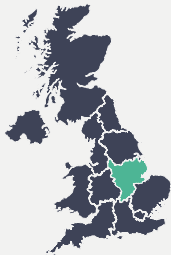
**Blackstone**

**LONDONMETRIC**  
PROPERTY PLC


BentallGreenOak

# Regional data

## East Midlands




### TAKE UP

 2021  
**16,668,036 sq ft**

Five-year average  
**9,525,784 sq ft**

### SUPPLY

 22 units, average 251,963 sq ft  
**5,543,181 sq ft**

Under construction  
**80%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Northampton  
**9.0 £psf**

12 month change



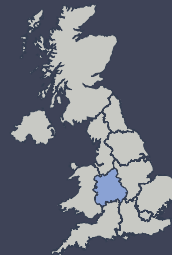
**VALUE PER ACRE**  
(10 acres)

Northampton  
**£2.5m**

12 month change



## West Midlands



### TAKE UP

 2021  
**8,545,245 sq ft**

Five-year average  
**4,807,662 sq ft**

### SUPPLY

 16 units, average 219,796 sq ft  
**3,516,737 sq ft**

Under construction  
**93%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Coventry  
**8.50 £psf**

12 month change



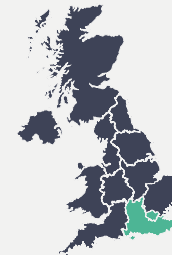
**VALUE PER ACRE**  
(10 acres)

Coventry  
**£2.2m**


12 month change



## London, & South East




### TAKE UP

 2021  
**3,991,436 sq ft**

Five-year average  
**4,758,114 sq ft**

### SUPPLY

 39 units, average 160,396 sq ft  
**7,549,968 sq ft**

Under construction  
**19%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Park Royal  
**25.00 £psf**

12 month change



**VALUE PER ACRE**  
(10 acres)

Park Royal  
**£10.0m**

12 month change



## East



### TAKE UP

 2021  
**1,534,745 sq ft**

Five-year average  
**2,714,600 sq ft**

### SUPPLY

 9 units, average 307,421 sq ft  
**2,766,785 sq ft**

Under construction  
**59%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Manchester  
**7.50 £psf**

12 month change



**VALUE PER ACRE**  
(10 acres)

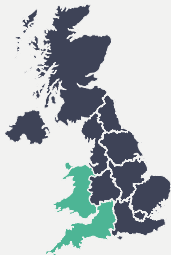
Manchester  
**£1.0m**

12 month change



# Regional data

## South West & Wales




### TAKE UP

 2021  
**1,088,555 sq ft**

Five-year average  
**1,508,558 sq ft**

### SUPPLY

 11 units, average 206,278 sq ft  
**2,269,057 sq ft**

Under construction  
**5%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Bristol  
**9.00 £psf**  
12 month change

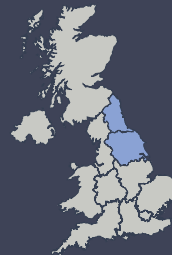


**VALUE PER ACRE**  
(10 acres)

Bristol  
**£1.5m**  
12 month change



## Yorkshire & North East



### TAKE UP

 2021  
**8,531,895 sq ft**

Five-year average  
**4,816,323 sq ft**

### SUPPLY

 6 units, average 208,435 sq ft  
**1,875,911 sq ft**

Under construction  
**59%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Leeds  
**7.75 £psf**  
12 month change

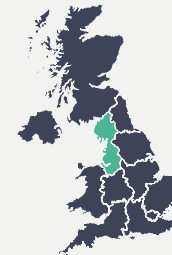


**VALUE PER ACRE**  
(10 acres)


Leeds  
**£1.2m**  
12 month change



## North West




### TAKE UP

 2021  
**4,904,952 sq ft**

Five-year average  
**2,776,363 sq ft**

### SUPPLY

 10 units, average 233,894 sq ft  
**2,338,942 sq ft**

Under construction  
**73%**

**HEADLINE RENT**  
(100,000 sq ft unit)

Manchester  
**8.00 £psf**  
12 month change

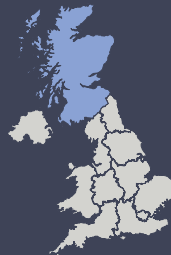


**VALUE PER ACRE**  
(10 acres)

Manchester  
**£2.0m**  
12 month change



## Scotland



### TAKE UP

 2021  
**550,000 sq ft**

Five-year average  
**551,703 sq ft**

### SUPPLY

 0 units  
**0 sq ft**

Under construction  
**0%**

**HEADLINE RENT**

Glasgow  
**8.50 £psf**  
12 month change



**VALUE PER ACRE**

Glasgow  
**£300,000**  
12 month change





## Should you wish to discuss any details within this update please get in touch

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