



### Market Facts

#### Take Up

Full year take up predicted to be close to 2016 record

#### Speculative Development

Q3 has seen a further 806,000 sq ft get underway

#### Build to Suit

Accounts for 50% of take up over past 4 years

#### Existing Space

Despite high street retail difficulties few units have become available

#### E-commerce

Online demand continues to drive the market

### 2018 Take Up Already Exceeds 2017 at 9.14 m sq ft

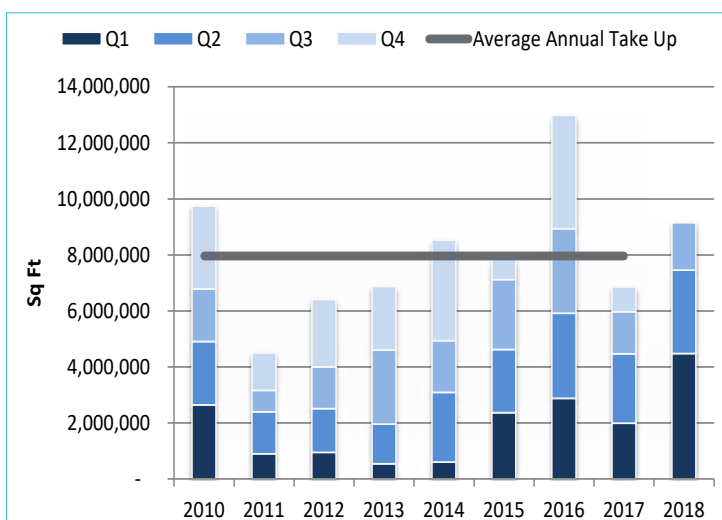
Take up	2018	2017
Grade A Space	9,149,161	6,853,842
Number of Units	31	25
Average Size	295,134	274,154
<b>Average annual take up since 2010 - 7,963,836 sq ft</b>		

- An additional 2,676,998 sq ft of units are under offer. We expect take up at the year end to be circa 12,000,000 sq ft which will be close to 2016's record Midlands take up.

Speculative Supply	Q3 2018	Q3 2017
Speculative Space	7,460,039	5,422,632
Number of Units	35	28
Average Size	213,144	193,665

- Supply of speculative big sheds increasingly led by Panattoni, Prologis, Goodman and Gazeley.

## Take Up



Date	Occupier	Address	Building	Size Sq Ft	Rent Psf
Sep 18	Clipper Logistics	AlcheM1, Crick	Speculative	196,195	£6.25
Sep 18	Parts Alliance Group	Midpoint 105, Birmingham	Existing	105,506	£6.25
Aug 18	Dachser	C172K Brackmills, Northampton	Speculative	172,224	£6.50
Jul 18	Meggitt plc	Prospero Ansty, Coventry	Pre-let	453,214	£6.07
Jun 18	Martin Brower	Dolomite Avenue, Coventry	Existing	210,682	£7.20

## Current Supply

There is currently 10,929,290 sq ft Grade A space available across the Midlands in 48 buildings made up of 35 speculative units (7,460,039 sq ft / 67.4%). Developers such as Panattoni, IM, Goodman, Prologis and Stoford are continuing to develop as stock is taken up. There is good demand for speculative development from investors hungry to increase their exposure to the industrial sector.

Top quoting rents on modern and speculative warehouse space have risen above £7.00 psf 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 often involve the introduction of complex infrastructure. Based on average take up, some 450 acres of land will be required annually which will be challenging to fulfill.

### 48 Currently Available Units Under Construction / Built

No of Buildings	Size	Total Sq Ft
26	100,000 - 199,999	3,614,821
10	200,000 - 299,999	2,411,507
8	300,000 - 399,999	2,807,064
4	400,000 +	2,095,898
<b>TOTAL GIA (sq ft)</b>		<b>10,929,290</b>

Address	Size Sq Ft	Landlord / Developer	Rent Psf	Completion
Panattoni Park, Nottingham	550,270	Panattoni	£6.00	Under construction
Panattoni Park, Northampton	310,000 & 222,000	Panattoni /Centrebridge	£6.75	Under construction
Wolverhampton 450, Four Ashes	448,123	Panattoni	£6.25	Completed
M6DC, Cannock	375,465	Exeter / Graftongate	£6.00	Completed
Prologis Interchange, Birmingham	233,025	Prologis Developments	£7.25	Under construction
Tamworth CLX, Tamworth	160,825	M&G Real Estate	£6.75	Under construction

## Rental Growth Continues

Rents have generally increased by £0.25 psf across the Midlands over the past 12 months.

We forecast continuing rental growth over the next year.

Prime rents for units above 100,000 sq ft have now reached £6.50 psf in Northampton and Birmingham. We expect to see £6.75 psf achieved in both of these markets. Landlords are quoting up to £7.25 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.

100,000 Sq Ft Plus Prime Rents (£psf)		
Market	Current	Quoting
Birmingham	£6.50 psf	£7.25 psf
Coventry	£6.50 psf	£6.95 psf
Northampton	£6.50 psf	£6.95 psf
Lutterworth	£6.50 psf	£6.95 psf
Leicester	£6.25 psf	£6.75 psf
Stafford / Stoke	£5.50 psf	£5.95 psf

Growth in prime rents has led to a strengthened market for secondary units in prime locations. Fully fitted, refurbished 15 year old units are achieving of up to £6.50 psf.

	CURRENT	FORECAST
Grade A Rents:	£6.50 psf	↑
Grade B Rents:	£6.25 - £6.50 psf	↑

## Investment

The investment market remains buoyant with strong demand for prime product. There have been 16 deals in 2018 in the East & West Midlands totalling £508,080,000. This compared with £498,540,000 in the comparable period in 2017.  **1.91% up on 2017**

Major investors in the sector in 2018 include:

-  Liberty Property Trust
-  London Metric
-  Valor Real Estate
-  Lime Property
-  M&G Real Estate
-  Tritax Big Box REIT

We expect demand to continue for the right product in this sector with strong fundamentals. E-commerce continues to drive demand both on the occupational side and in turn fuels the appetite for investment products.

Key investment transactions in the East and West Midlands are:

Date	Address	Size	Tenant	Lease Term	Rent	Price	Yield
Oct 18	Brackmills 192 Northampton	192,288	Uniserve Holdings Ltd	10 years - approx 9.25 years unexpired	£1,086,428 (£5.65)	£19,400,000 (£100.89)	5.25%
Jun 18	Fradley Park Lichfield	213,526	Anixter Ltd	20 year lease	£1,270,000 (£5.85 plus £0.10 psf for enhanced spec)	£26,742,000 (£125.24)	4.45%
Jun 18	Units 1A & 1B Derby Commercial Park Derby	101,901	1A - Vacant 1B - CH Robinson Worldwide (UK) Ltd	15 years - approx 15 years unexpired	£248,175 £421,680.80 (£6.10)	£11,530,000 (£113.00)	5.09%

Speculative development continues to attract investor support with a number of new schemes getting underway. 2018; has seen 15 schemes start on site amounting to 3,376,000 sq ft.



## Recent Avison Young Deals



Brackmills 192, Northampton  
192,288 sq ft  
Investment / Letting - Goodman



AlcheM1, Crick  
196,195 sq ft  
Letting - IPIF



Optimus 205, Leicester  
206,837 sq ft  
Letting - M&G / Wilson Bowden



Tamworth CLX, Tamworth  
160,825sq ft  
Funding - Hodgetts Estates / M&G



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