



Hinckley - 532,000 sq ft

Avison Young advise on major new speculative development

Market Facts

Take-up

Despite political and economic uncertainty 2018 saw a 104% increase in Grade A take-up over 2017

Speculative Development

3,672,485 sq ft (16 units) of new development started on site

Build to Suit

Accounted for 65% of take-up over the year (5 year average 57%)

Existing Space

Despite high street retail difficulties few units have become available

East Midlands

Take-up at 10,540,000 sq ft trumps West Midlands take-up at 3,440,000 sq ft by 7,100,000 sq ft.

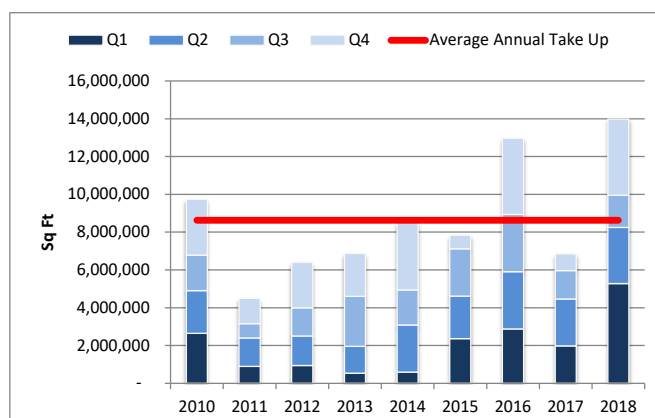
2018 Exceeds 2016 Record Take-up of Grade A Space Above 100,000 sq ft at 12,975,675 sq ft

Take up	2018	2017
East Midlands	10,539,319 (28 units)	2,432,095 (10 units)
West Midlands	3,440,039 (14 units)	4,421,747 (15 units)
Total	13,979,358 (42 units)	6,853,842 (25 units)
Average annual take-up since 2010 - 8,632,227 sq ft		
East Midlands Average Unit Size	376,404	243,209
West Midlands Average Unit Size	245,717	294,783

Speculative Supply	2018	2017
East Midlands	3,293,333 (14 units)	2,634,658 (13 units)
West Midlands	3,396,317 (18 units)	2,759,600 (16 units)
Total	6,689,650 (32 units)	5,394,258 (29 units)
East Midlands Average Unit Size	235,238	202,666
West Midlands Average Unit Size	188,684	172,475

Midlands Big Box Round-up Market Commentary

Take-up



KEY DEALS

Occupier	Address	Building	Size Sq Ft	Rent Psf
Wayfair	Magna Park, Lutterworth	Pre-let	1,064,314	TBC
BSH	Midlands Logistics Park, Corby	Pre-let	945,375	£5.03
Meggitt Plc	Prospero Ansty, Coventry	Pre-let	453,214	£6.07
Geodis	Optimus Point, Leicester	Speculative	277,475	£6.25
Dachser	C172K Brackmills, Northampton	Speculative	172,224	£6.50
TPN	Brackmills 163, Northampton	Existing	163,907	£6.50

Despite weaker economic growth the market saw a high level of activity in 2018 fuelled by continuing expansion of e-commerce which accounted for 20% of retail sales in November. We expect e-commerce to drive demand through 2019 although there is the prospect of increased existing stock availability given the difficulties faced by some retailers.

Current Supply

There is currently 10,208,595 sq ft of Grade A space above 100,000 sq ft available across the Midlands in 45 buildings including 32 speculative units (6,689,650 sq ft / 65%). Developers such as Panattoni, IM, Goodman, Prologis, Gazeley and Stoford are continuing to develop as stock is taken up.

Top quoting rents on modern and speculative warehouse space have risen above £7.00 psf reflecting limited availability.

New development sites are predominantly on greenfields which require lengthy promotion through the planning system and often involve the introduction of complex infrastructure. We estimate that some 700 net acres of land has been required to meet the combined build to suit and speculative development over the year.

45 Currently Available Units Under Construction / Built

No of Buildings	Size	Total Sq Ft
25	100,000 - 199,999	3,374,445
8	200,000 - 299,999	1,873,032
7	300,000 - 399,999	2,438,691
5	400,000 +	2,522,427
TOTAL GIA (sq ft)		10,208,595

MAJOR SPECULATIVE DEVELOPMENTS


Address	Size Sq Ft	Landlord / Developer	Rent Psf	Completion
Hinckley Park	532,000	IM Properties	£6.75	Completion Q4 2019
Panattoni Park, Nottingham	550,270	Panattoni	£6.00	Completion Q1 2019
Panattoni Park, Northampton	310,000 & 222,000	Panattoni / Centrebridge	£6.75	Completion Q4 2019
Wolverhampton 450, Four Ashes	448,089	Panattoni	£6.25	Completed
M6DC, Cannock	375,465	Exeter / Graftongate	£6.00	Completed
Prologis Interchange, Birmingham	233,025	Prologis Developments	£7.25	Completed
Tamworth CLX, Tamworth	160,562	M&G Real Estate	£6.75	Completed

Midlands Big Box Round-up Market Commentary

Rental Growth Continues

Prime quoting rents for units above 100,000 sq ft have now reached as high as £7.25 psf. We expect to see £6.75 - £7.00 psf achieved in the best locations during 2019.

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.

CURRENT FORECAST
Grade A Rents: £6.50 psf 

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 / Rugby	£6.50 psf	£6.95 psf
Leicester	£6.25 psf	£6.75 psf
Stafford / Stoke	£5.50 psf	£5.95 psf

Investment

The investment market remains buoyant with strong demand for prime product. There have been 18 deals transacted in 2018 in the East & West Midlands with values totalling £571,280,000. This compared with £498,540,000 in the comparable period in 2017.

 14.59% up on 2017

Prime investment yields have further hardened in 2018.

Prime 15 year income - circa 4.25%

Prime 10 year income - circa 4.5%

Major investors in the East & West Midlands in 2018 include:

-  Clearbell
-  Lime Property
-  NFU
-  Oxenwood
-  Panattoni
-  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

Address	Size	Tenant	Lease Term	Rent	Price	Yield
Midlands Logistics Park Corby	c.945,375	BSH Home Appliances Ltd	10 year lease	£4,775,236 (£5.03)	£89,300,000 (£94.46)	5.2%
Clipstone Portfolio	909,030 in 5 units	Various	Various	Various	£85,400,000 (£93.95)	5.5%
Prospero Ansty Coventry	453,214	Meggitt	30 year lease	£2,750,000 (£6.07)	£73,400,000 (£161.95)	3.5%
The Hub Birmingham	250,450	Kitchencraft	15 year lease	£1,586,970* (£6.60 psf)	£33,700,000 (£134.56)	4.4%
DC3 Fradley Park Lichfield	213,526	Anixter Ltd	20 year lease	£1,270,480 (£5.95)	£26,742,000 (£125.24)	4.5%

* The rent of £1,586,970 (£6.25 psf plus £0.35 psf for fit-out) is based on a floor area of 240,450 sq ft which excludes second floor showroom of 10,000 sq ft.

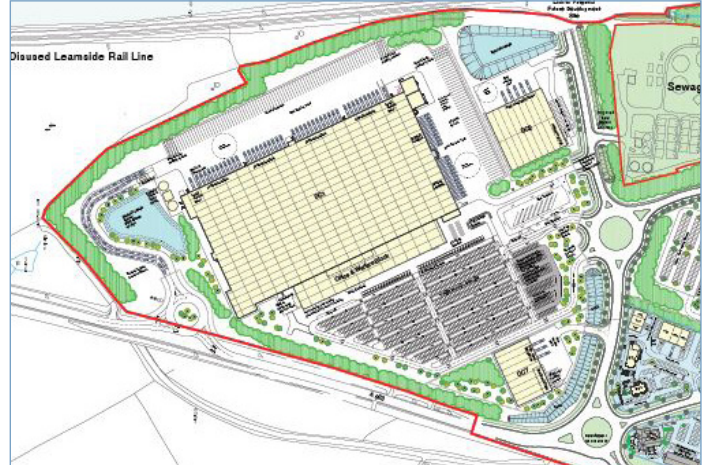
Speculative development continues to attract support from investors who are keen to increase their exposure to the industrial sector. This had led to 16 schemes commencing on site totalling 3,672,485 sq ft in 2018. A number of further projects are expected to commence in Q1 2019.

Midlands Big Box Round-up Market Commentary

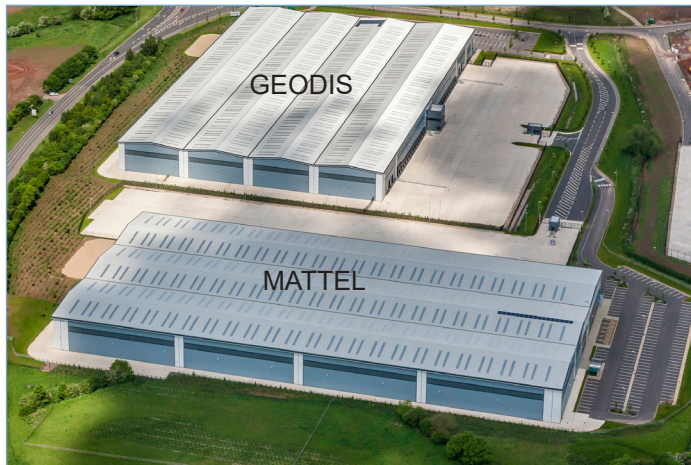
Recent Avison Young Deals



Clipstone Portfolio (5 units)
909,030 sq ft
Investment Purchase - UK Commercial Property REIT
£85.4 million



Integra, Durham
1.99 million sq ft pre-let to world leading retailer
Citrus Developments / Tritax Big Box REIT



Optimus Point, Leicester
208,837 sq ft & 277,475 sq ft
Funding / Letting - M&G / Wilson Bowden



Tamworth CLX, Tamworth
160,562 sq ft
Funding / Letting - Hodgetts Estates / M&G



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