

Unit A, Baytree Dunstable, a speculative unit of 266,947 sq ft

MARCH 2019

Big Shed market view

(New / modern warehouses over 100,000 sq ft)

- Record **take-up** of big sheds in the UK amounted to 31.9 million sq ft, 28% up on the five year average of 24.9 million sq ft.
- Strongest demand was in the East Midlands and record levels of activity in Yorkshire and the North East.
- Current **availability** of modern big sheds amounts to 25.8 million sq ft, just over a years' supply based on the five year average take-up rate.
- The supply / demand dynamic continues to put pressure on **rental values**. MSCI average rents for distribution property increased by 3.4% during 2018. We expect this to moderate slightly over the next two years.
- Distribution **investment** volumes reached £4bn during 2018 in line with the five year average, with Tritax Big Box REIT accounting for 16% of volumes.

Occupier demand

Occupier demand achieved record levels during 2018. As online retail sales peak at 21% of all retail sales, big shed deals for ecommerce occupiers contributed to 28% of all take-up. Third party logistics companies accounted for a similar amount of take-up, with many serving online retail contracts.

The largest take-up volumes were in the East Midlands, more than half of which was at East Midlands Gateway and Corby. There was also a record level of take-up outside the traditional prime logistics market in Yorkshire and the North East (where the two largest deals of the year were located).

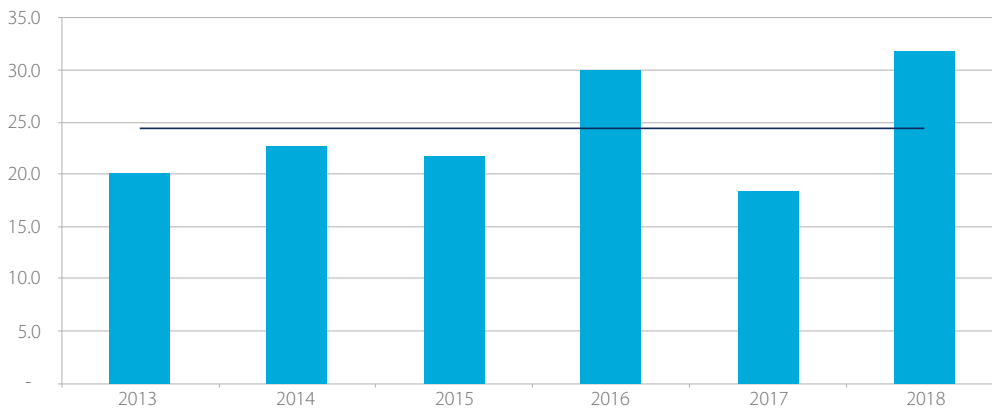
Much of this can be attributed to labour cost and availability increasing in occupiers' priorities, as well as the changes in logistic networks, as the demands on last mile delivery intensify.

Over half of all take-up was design and build, although this is skewed towards the largest deals, with only a fifth of D&B deals in units below 300,000 sq ft.



UK MODERN BIG SHED TAKE-UP (OVER 100,000 SQ FT)

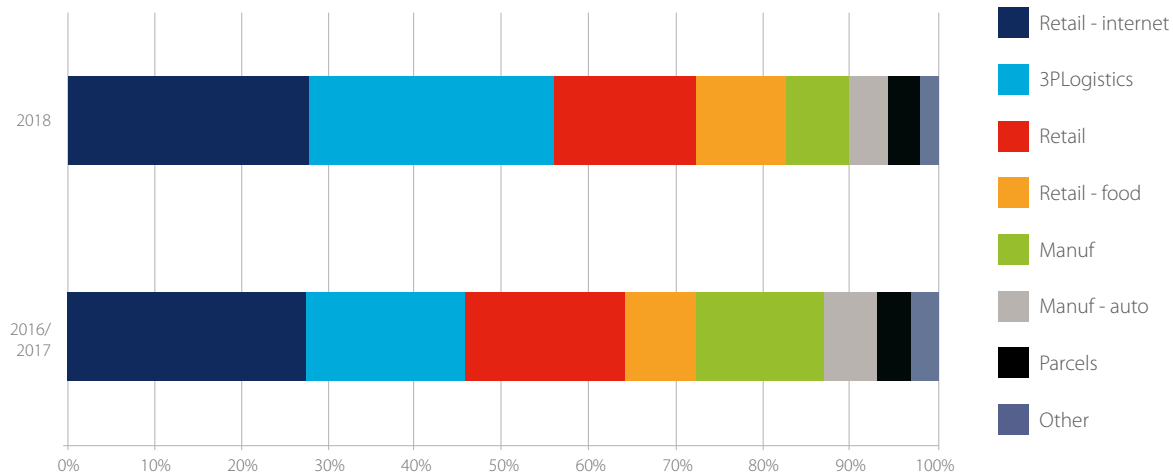
Million sq ft



TAKE-UP BY REGION

	2016	2017	2018
East Midlands	6,731,572	2,638,932	10,539,319
London, SE and East	5,441,321	5,064,022	6,940,973
Y&H and NE	3,767,005	526,940	6,236,432
West Midlands	6,244,103	4,421,747	3,440,039
North West	3,150,311	2,338,200	3,297,433
Scotland	827,296	1,004,011	739,499
South West and Wales	3,689,531	2,369,297	707,548
Grand Total	29,851,139	18,363,148	31,901,243

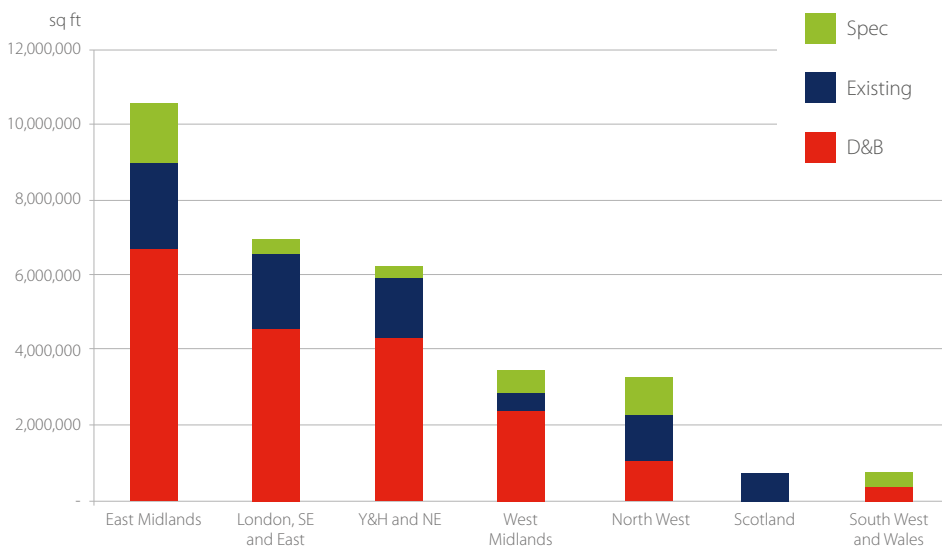
TAKE-UP BY SECTOR



TAKE-UP BY UNIT SIZE - 2018

	East Midlands	London, SE and East	Y&H and NE	West Midlands	North West	Scotland	South West and Wales
100,000-200,000 (sq ft)	1,774,346	2,327,365	942,094	889,634	1,544,728	476,499	115,000
Units	11	16	6	7	11	4	1
200,000 - 300,000 (sq ft)	1,726,488	475,611	215,000	668,472		263,000	217,548
Units	7	2	1	3		1	1
300,000 - 400,000 (sq ft)	690,808	696,997	972,277	350,000	1,752,705		375,000
Units	2	2	3	1	5		1
400,000 - 500,000 (sq ft)	977,951			867,574			
Units	2			2			
500,000 - 1,000,000 (sq ft)	552,000	2,341,000	615,000				
Units	1	3	1				
1,000,000 + (sq ft)	4,817,686	1,100,000	3,492,061	664,359			
Units	5	1	2	1			
Grand Total (sq ft)	10,539,319	6,940,973	6,236,432	3,440,039	3,297,433	739,499	707,548
Units	28	24	13	14	16	5	3

2018 TAKE-UP BY REGION AND BUILDING TYPE



KEY DEALS - H2 2018

Tenant	Address	Town	Size (sq ft)
Confidential	Integra 61	Durham	1,992,061
BSH	Midlands Logistics Park	Corby	1,100,000
Wayfair	Magna Park	Lutterworth	1,000,000
Co-op	Symmetry Park	Biggleswade	661,000
Confidential	Barlborough Links	Chesterfield	502,000
Meggitt plc	Prospero Ansty	Coventry	453,214
Jaguar Land Rover	Faraday Ave	Birmingham	414,360
Wm Morrison	DC372, ProLogis Park	Northampton	372,284
Kammac	M58 Distribution Centre	Skelmersdale	360,000
Confidential	M6 Major	Haydock	360,000

Supply

Availability has risen over the past two years as strong levels of speculative development have continued and large secondhand units have returned to the market. However the strength of demand means supply levels have remained relatively constrained.

In the South East and Midlands existing buildings represent under half of availability, which reflects the tendency for occupiers to remain in buildings beyond lease expiry. There has also been an increase in the number of larger speculative developments over the past year.

Current supply levels amount to just over a year's take-up based on recent past demand. This balance of supply and demand varies however across the regions and is highest in the North West, although still only amounts to 17 months.

There is a good spread of available unit sizes, with 38% of space below 200,000 sq ft and 18% over 400,000 sq ft. The largest properties on the market are over 600,000 sq ft: Goliath in Coventry (685,000 sq ft) and Tectonic in Milton Keynes (617,000 sq ft).



Current availability of big sheds over 100,000 sq ft amounts to **25.8 million sq ft**

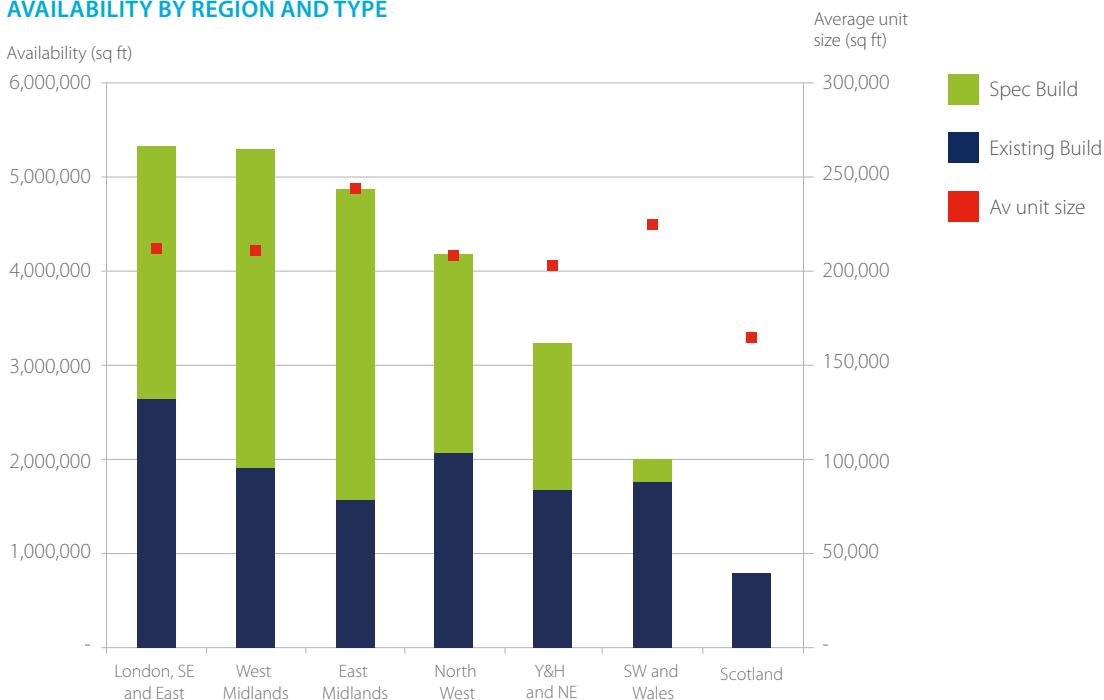


This is just over a year's supply, based on take-up rates of the past five years



Of current availability, 49% is second hand and 51% is speculative

AVAILABILITY BY REGION AND TYPE



CURRENT AVAILABILITY BY UNIT SIZE

	London, SE and East	West Midlands	East Midlands	North West	Y&H and NE	South West and Wales	Scotland
100,000-200,000 (sq ft)	2,176,904	2,274,187	1,100,258	1,667,328	1,365,000	527,707	531,382
Units	16	17	8	12	10	4	4
200,000 - 300,000 (sq ft)	931,951	764,698	1,108,334	918,099	981,661	467,288	291,710
Units	4	3	5	4	4	2	1
300,000 - 400,000 (sq ft)	1,026,800	724,820	1,713,871	1,059,326	335,000	1,018,000	
Units	3	2	5	3	1	3	
400,000 +	1,191,000	1,560,544	961,883	523,500	546,970		
Units	2	3	2	1	1		
Grand Total (sq ft)	5,326,655	5,324,249	4,884,346	4,168,253	3,228,631	2,012,995	823,092
Units	25	25	20	20	16	9	5

KEY AVAILABILITY (Q1 2019)

Scheme	Town	Size (sq ft)
Goliath, Cross Point Business Park (former Toys R US)	Coventry	685,000
Tectonic 620 (former Tesco)	Milton Keynes	617,000
Panattoni Park, Eastwood (speculative)	Nottingham	550,270
Premier Way North (former Poundland)	Normanton	546,970
DC535 Prologis DIRFT III (speculative)	Daventry	534,744
Hinckley Park (speculative)	Hinckley	532,500
M6 Major (speculative)	Haydock	523,500
Wolverhampton 450, Gravelley Way (speculative)	Wolverhampton	448,123
DC1, Castle Mound Way, Central Park (former Pearson)	Rugby	446,077
Matrix 420 (speculative)	Chorley	421,810
Quantum, Magna Park (former Primark)	Lutterworth	411,613

Investment

Investment activity of distribution warehouses amounted to £4bn in 2018, in line with the five year average. Tritax Big Box REIT took 16% of all transactions and dominated the largest single-let transactions: £147m Integra 61 in Durham and £121m Link 66 in Darlington. There was twice the level of activity in the South East than in any other region but these large Tritax deals significantly increased the share of Yorkshire and the North East compared to previous years.

The impact of overseas money has diminished over the past year. However the two largest portfolio deals were purchased by Singapore's Ascendas REIT, the £205 million Owl Portfolio from Oxenwood Real Estate/Catalina Holdings in July and £257m from Griffen UK Logistics Fund in October.

Industrial assets continue to attract strong investor interest although there has been a sentiment shift and more moderate activity is likely in the first half of this year until a clearer picture of Brexit becomes apparent.



Distribution volumes reached **£4bn during 2018**, down from the record £6.8bn in 2017 but in line with the five year average

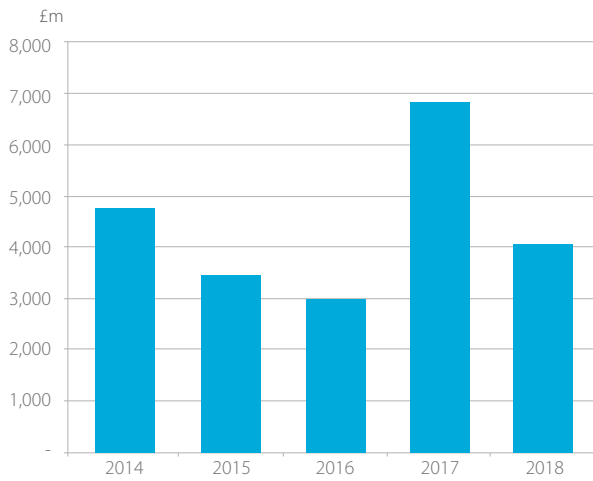


Domestic purchasers were dominant in 2018, evenly split between institutions and property companies. Overseas investors accounted for **23% of investment volumes**, compared to the five year average of 27%



The average equivalent yield for distribution property fell 34 basis points during 2018 to 5.42% (MSCI)

DISTRIBUTION INVESTMENT VOLUMES

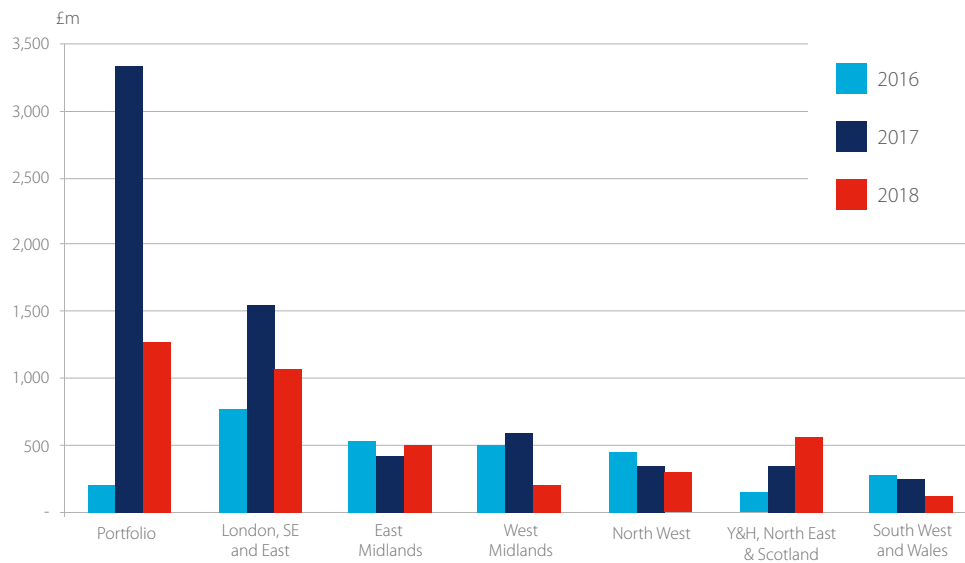


Source: Property Data

UK 2018 VOLUMES (INCL PORTFOLIOS)

Fund	Value (£m)	Value (%)
Tritax Big Box REIT Plc	648	16%
Ascendas REIT	465	11%
M7 Real Estate	175	4%
M&G Real Estate	167	4%
LondonMetric Property Plc	118	3%
Liberty Property Trust	114	3%
Aberdeen Standard Invest	108	3%

REGIONAL DISTRIBUTION INVESTMENT



SINGLE-LET DEALS 2018

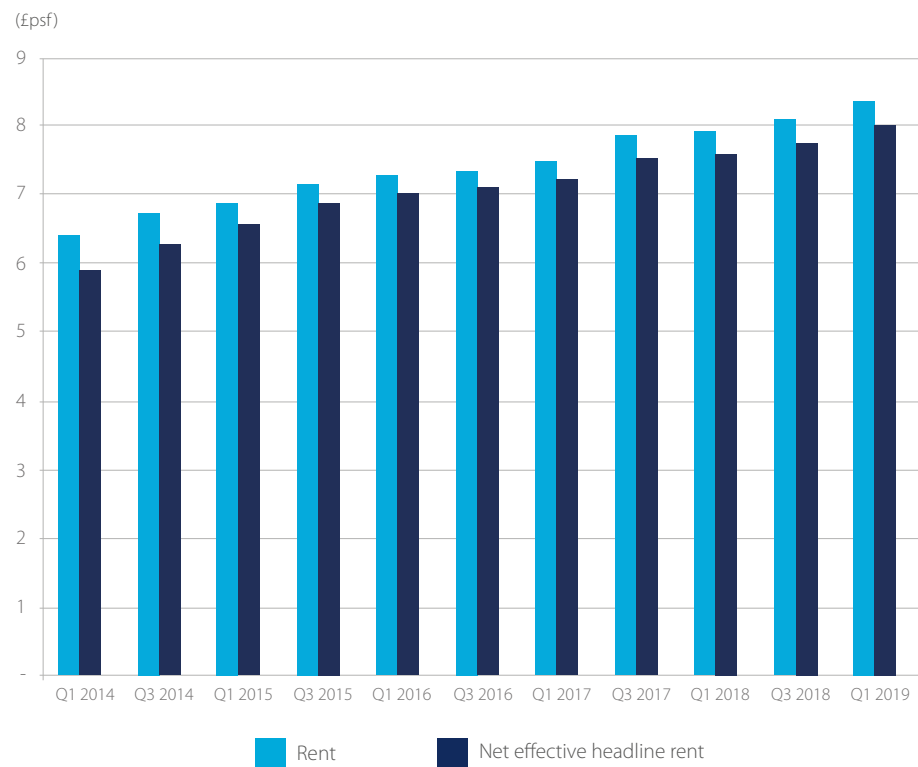
Date	Property	Town	Purchaser	Tenant	Price £m	Yield %
Dec-18	Integra 61	Durham	Tritax Big Box REIT Plc	Confidential	147.3	5.25
Jun-18	Link 66	Darlington	Tritax Big Box REIT Plc	Confidential	120.7	5.00
Oct-18	Midlands Logistics Park	Corby	Tritax Big Box REIT Plc	BSH	89.3	5.20
Feb-18	Midlands Logistics Park	Corby	Tritax Big Box REIT Plc	Eddie Stobart	81.8	5.00
Aug-18	Ansty Park	Coventry	Lime Property Fund	Meggitt	73.4	3.40
Jan-18	Warth Park	Raunds	Tritax Big Box REIT Plc	Howdens	71.2	5.00

Headline rents and land values

The supply / demand dynamic continues to put pressure on rental values for industrial property. Average net effective prime rents for the 13 locations we monitor have increased by 5.4% over the past 12 months.

The strongest growth was in the South East, followed by the North West and Yorkshire. According to MSCI average rents for distribution property increased by 3.4% during 2018. Given the increased supply levels we expect this rental growth to moderate.

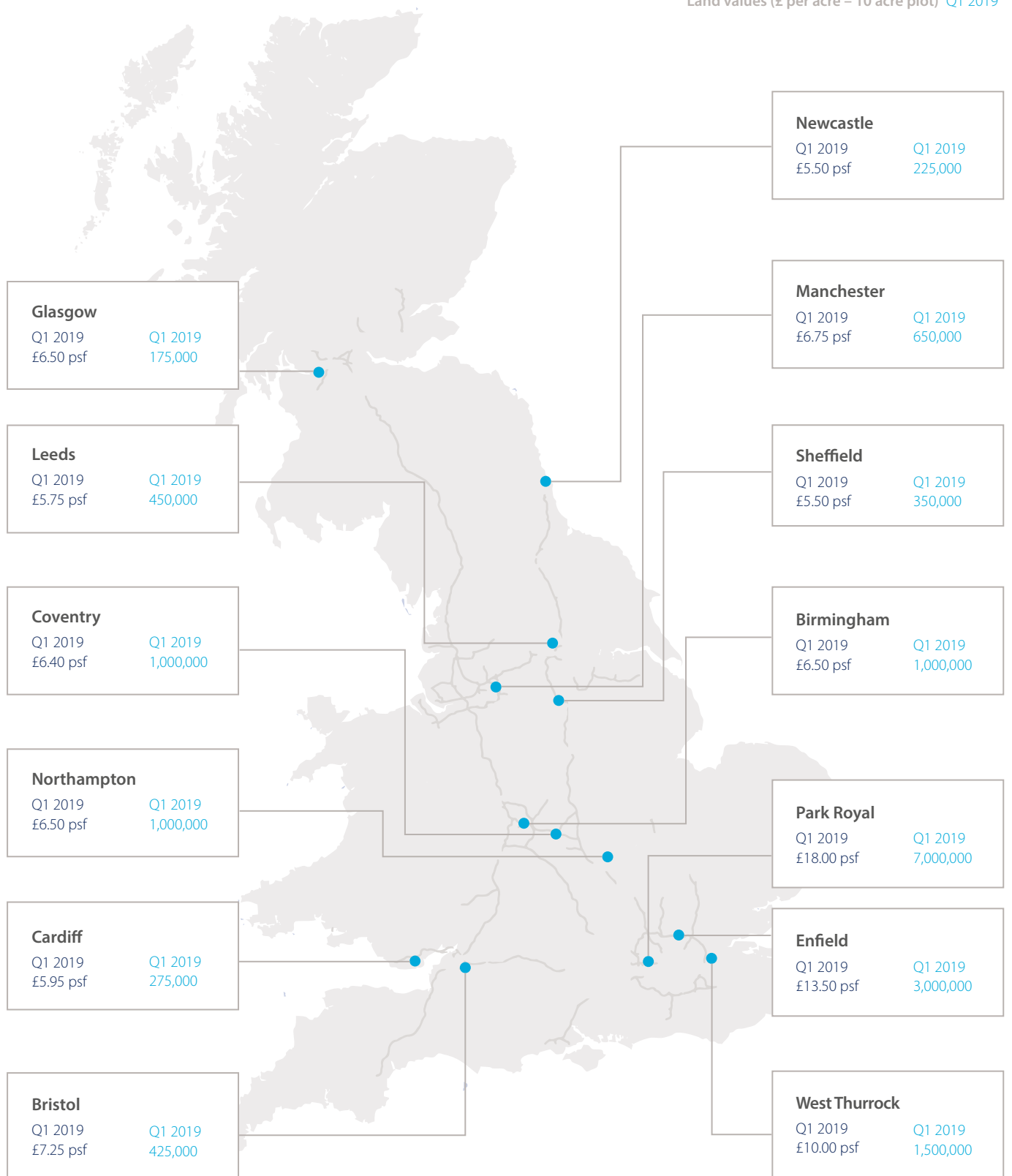
AVERAGE HEADLINE RENTS



HEADLINE RENTS AND LAND VALUES

Headline Rents (100,000 sq ft unit) Q1 2019

Land values (£ per acre – 10 acre plot) Q1 2019



Should you wish to discuss any details within this report please get in touch.

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