MIDLANDS

Logistics and Industrial Commentary

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H1 2013 Review

- H1 take-up was relatively robust in the East and West Midlands, with 4.15m sq ft of transactions on buildings of over 50,000 sq ft. While demand from manufacturing and automotive firms remains strong in the Midlands, parcel operators have become an important source of demand, with Hermes Parcelnet leasing 336,646 sq ft in Tamworth and GeoPost currently actively seeking space in the region.
- Enquiry levels within the third party logistics market have also remained robust throughout H1, particularly for units of c.50,000 sq ft. Many businesses are actively looking for space to locate their e-tailing operations.
- Design and Build deals were much less prominent than they were in H2 2012, with just two deals totalling 325,000 sq ft, accounting for 8% of H1 take-up. However, there was considerable movement in the design and build market, with large deals forthcoming at prime sites such as G-Park, Crick, ProLogis Park, Ryton, and RD Park, Hinckley in H2. While this will diminish availability at prime sites in the short-term, we are witnessing developers and property companies readying themselves to bring new sites forward in the next cycle.
- Supply of new-builds is now extremely limited, with only six buildings across the region in excess of 100,000 sq ft available – three of which are understood to be under offer at the time of writing.
- A significant market development was IM Properties' recent commencement of speculative construction on Birch Coppice Business Park, a 334,000 sq ft warehouse development over two units at Junction 10 of the M42. This is the UK's first large format shed scheme to be brought forward speculatively since 2008, with one of the units already pre-let to Bunzl in early July.
- In H1 2013, land values increased slightly in Stoke, Leicester and Rugby/Daventry, reflecting increasing occupier activity and developer interest at some of the Midlands' 'non-prime' distribution markets.

Selected Midlands transactions H1 2013

Address	Occupier	Size (sq ft)	Rent (psf)	Date
Unit 1, The Hub, Birmingham	Komfort	120,125	£4.85	Feb 13
The Duke, Burton-on-Trent	Clipper Logistics	303,047	£5.05	Mar 13
Eagle, Fradley Park, Lichfield	Norgren	104,014	£4.95	Apr 13
Tamworth 594, Tamworth	Hermes Parcelnet	336,646	£5.25	Jun 13
Bracksmills 200, Northampton	Decathlon	189,604	£4.75	Jun 13

Q2 2013 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q4 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£6.00 ◄►	£5.50 ◄►	£5.50 ◄►
Black Country	£5.25 ◄►	£4.95 ◄►	£4.75 ◄►
Leicester	£5.50 ◄►	£5.25 ◄►	£5.25 ◄►
Northampton	£5.75 ◄►	£5.50 ◄►	£5.50 ◄►
Stafford	£4.95 ◄►	£4.50 ◄►	£4.25 ◄►
Stoke	£4.95 ◄►	£4.50 ◄►	£4.25 ◄►
Rugby / Daventry	£5.75 ◄►	£5.25 ◄►	£5.50 ◄►

In February 2013, Komfort leased 120,125 sq ft at The Hub, Birmingham at an agreed headline rent of £4.85 per sq ft. Knight Frank acted for the landlord.

Regional outlook

- The remaining supply of new and good quality stock is likely to decrease considerably in the second half of 2013. Refurbished accommodation will be well-placed to capitalise on demand for Grade A space.
- Despite the activity at Birch Coppice Business Park, speculative development is likely to remain off the agenda, with large requirements fulfilled via pre-let design and build solutions.
- As demonstrated by IM Properties' recent purchase of The Hub, Birmingham from M&G, we expect developers to continue to position themselves for the next cycle by purchasing development sites over the next 12 months.