Knight Frank

MIDLANDS

Logistics and Industrial Commentary

H1 2017 Review

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- Take up for the Midlands region in the first six months of 2017 has been robust with 5.25m sq ft transacted. These figures are particularly encouraging given the snap general election and uncertain economic environment, albeit the overall transactions are down slightly by 13% on the same period last year, although up 4% on the 5 year average.
- B8 occupiers accounted for 68% of take up in H1 2017, with around half of this from 3PLs. The B2 sector accounted for a further 28%, of which the automotive sector was a major contributing sub-sector. Areas with a good labour supply remain a key consideration for occupiers.
- Although stock is limited, there is 1.78m sq ft of speculative development under way across the region, including Zorro at Ashby-de-la-Zouch (235k sq ft) and Carbon 103 at Coventry (103k sq ft), with a further 3.54m sq ft of completed speculative space available. Another 1m sq ft of planned space is likely to come to the market in the next 18 months.
- With land supply diminishing, there is strong competition for sites brought to the market, even in fringe locations. ProLogis have been active with the acquisition of a 15 acre site at Birmingham Business Park in Solihull and have plans for 40 acres at Hams Hall, Coleshill. Henry Boot recently completed the purchase of Imperial Tobacco's 48 acre site in Nottingham, and in Birmingham a new development partner is being sought for the 175 acre Peddimore site.
- The market has not yet topped and headline rents are expected to show further marginal growth, with a number of new schemes targeting rents in the high £6s and pushing towards £7 per sq ft in the most prime of locations, such as Birmingham and Coventry.
- Investor demand for property in the Midlands remains strong with prime yields now in the order of 4.75% for a 15 year income and 5.00% for a 10 year income. Examples of recently traded stock include The Works at Hams Hall, Coleshill (183k sq ft) at 4.85% to Royal London and Molson Coors at Centrum Business Park, Burton on Trent (484k sq ft) at 5.01%.

Q2 2017 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q2 2018

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Birmingham	£7.00 ▲	£6.95 ▲	£6.75 ▲
Black Country	£6.25 ▲	£6.25 ▲	£5.75 ▲
Leicester	£6.50 ▲	£6.25 ▲	£6.25 ▲
Northampton	£6.50 ▲	£6.25 ▲	£6.25 ▲
Stafford	£5.50 ▲	£5.50 ▲	£5.25 ▲
Stoke	£5.75 ▲	£5.50 ▲	£5.35 ▲
Rugby / Daventry	£6.50▲	£6.25▲	£6.50 ▲

Faraday Point, Hams Hall Distribution Park, Coleshill 90,220 sq ft let to IAC. Knight Frank acted for the Landlord

Selected Midlands transactions H1 2017

Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
FP126, Fradley Park, Lichfield	Geodis	126,993	£5.50	May-17
Tamworth 594, Tamworth	XPO Logistics	645,000	Undisclosed	Apr-17
DC2, Fort Dunlop, Birmingham	Jaguar Land Rover	556,157	Undisclosed	Apr-17
Zone B, Apex Park, Daventry	Gardman	414,051	£5.50	Mar-17
Faraday Point, Hams Hall Distribution Park, Coleshill	IAC	90,220	£6.00	Feb-17

Regional outlook

- There are still a number of major requirements in the Midlands to be satisfied including Nissan, JLR, Mattel and new entrant to the UK market Alibaba, which will translate into future take-up.
- We anticipate further rental growth, particularly in less core logistics locations such as Staffordshire and the Black Country, which haven't yet caught up historically.
- We expect to see more Design and Build activity to satisfy current occupier requirements.