



LONDON, SOUTH & EAST

Logistics and Industrial Commentary H1 2012

Knight Frank



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H1 2012 market commentary

- On the face of it, transactional activity in the wider South East was relatively robust in H1 2012, with take-up of units in excess of 50,000 sq ft totalling of 3.9m sq ft, a 20% improvement on H2 2011. However, H1's figures were boosted by dairy producer ARLA's two design and build (D&B) pre-lets in Hatfield (230,000 sq ft) and Aylesbury (1.0m sq ft) which taken together accounted for 32% of the total. H1's other D&B deal in H1 saw AR Barr agree to purchase land for a 275,000 sq ft facility at Magna Park, Milton Keynes.
- For the majority of enquiries, particularly at the smaller end of the market, design and builds solutions are not appropriate, with occupiers preferring to take good quality secondhand space which is both cheaper and allows for greater flexibility of lease terms.
- While this market is relatively active, we are seeing many requirements being withdrawn as occupiers choose to remain at their current premises and re-gear their leases on potentially more favourable terms. It is also a reflection of the lack of good quality alternatives available in the wider South East region and the relatively high cost of re-locating.
- Retailer requirements are down from 12 months ago, partly because many of the Supermarket chains have now fulfilled their need to strategically re-align their distribution networks while other retailers delay any move while economic conditions remain highly uncertain. However, third party logistics providers have returned to the market as their levels of grey space have fallen.
- The Greater London area is the only part of the UK where entirely privately funded speculative development is taking place, focused at the small to medium-sized units. For example, Goya Developments and SWIP are now on site with Central Park, a 160,000 sq ft multi-unit scheme at Park Royal, West London, while other schemes include Chancery Gate's 4-40 link in Southall West London (totalling 80,000 sq ft), and Curtis Real Estate's and LaSalle's White Hart Works in Tottenham, North London (totalling 143,000 sq ft, of which 30% is pre-let).

Q2 2012 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q2 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
West London	£12.00 ◀▶	£12.00 ◀▶	£12.50 ◀▶
East London	£9.50 ▲	£9.50 ▲	£8.25 ▲
North London	£8.25 ◀▶	£8.25 ◀▶	£8.00 ◀▶
South London	£8.25 ◀▶	£8.25 ◀▶	£7.50 ◀▶
Crawley	£7.50 ◀▶	£7.00 ◀▶	£7.00 ◀▶
Southampton / Portsmouth	£7.75 ◀▶	£7.25 ◀▶	£7.50 ◀▶
Maidstone	£7.50 ◀▶	£7.25 ◀▶	£6.50 ◀▶
Milton Keynes	£6.25 ◀▶	£6.00 ◀▶	£5.75 ◀▶
Hemel H'stead	£8.25 ◀▶	£7.50 ◀▶	£7.50 ◀▶
Reading	£8.50 ◀▶	£8.00 ◀▶	£7.50 ◀▶



In June 2012, Tradeteam leased 101,000 sq ft at Interlink, Enfield at a headline rent of £7.25 per sq ft. Knight Frank acted for the landlord.

Regional outlook

- While headline rents are likely to remain broadly stable, we anticipate a degree of growth for small to medium-sized stock in East London and in specific locations in West London.
- Pre-lets in the mid-sized market are anticipated to become more prominent over the next 12 months as current availability is relatively tight in this sector.
- Over the next 12 months, a significant proportion of activity will be driven by consolidation and rationalisation. Some activity will also result from displacement, as a number of sites presently used for industrial occupiers are turned over to higher value uses.

Selected London, South and East transactions in H2 2011

Address	Tenant	Size (sq ft)	Rent / Price (per sq ft)	Date
Hatfield Business Park	ARLA	230,000	£7.75*	Feb 12
Former Wincanton, Hoddesdon.	Poundland	210,000	£7.25	Jun 12
Interlink, Enfield	Tradeteam	101,000	£7.25	Jun 12
Connect West, Hayes	Nature Delivered	81,054	£9.50	May 12
Duke 65, Chelmsford	City Link	64,818	£5.09	Jan 12

* Base rent with overage for low site density.