LONDON, SOUTH & EAST

Logistics and Industrial Commentary

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H1 2013 Review

- Take-up in units above 50,000 sq ft was 4.15m sq ft in H1 2013, up 54% on H2 2012 and the highest since H2 2010. H1's healthy figures were boosted by two major pre-let deals to retailers totalling 1.63m sq ft.
- In June, DP World secured its first tenant at London Gateway. Marks & Spencer's 900,000 sq ft major commitment marks an exciting start to the UK's new portcentric logistics hub. Other occupiers such as Uniserve are rumoured to be in serious discussions at the site, and it will be interesting to see who else commits prior to the announcement of the shipping lines.
- We are continuing to see more pre-lets as occupiers struggle to find existing buildings which suit their requirements. Two notable examples include Kuehne + Nagel's 60,000 sq ft pre-sale at Orion Park, Dagenham and John Lewis' 675,000 sq ft pre-let at Magna Park, Milton Keynes.
- Reasonable leasing activity is steadily reducing the availability of new and good quality second-hand buildings in the market. Areas which had until relatively recently been oversupplied are now seeing two or three occupiers competing over the same building and, where tenants are relocating, deals are sometimes being struck before the buildings become vacant.
- Retailers continue to drive the larger end of the market. In Didcot, Tesco has secured planning on its seventh darkstore, with construction due to commence shortly, while Poundland is close to agreeing terms for a 350,000 sq ft pre-let in Harlow. Deals involving third party logistics providers continue to take place, but are ultimately backed by retailer demand.
- A number of developers have spent the last few years preparing their sites for new development, so that they are well-placed to attract occupiers as the economy recovers. Although speculative development is taking place with many of the schemes letting well, activity remains focused on prime areas in relatively small unit sizes. The market is yet to see its first post-downturn big box developed speculatively in the South East.

Q2 2013 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q2 2014

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	£10.00 ▲	£9.50 ▲	£8.50 ▲
North London	£8.50 ▲	£8.25 ▲	£8.50 ▲
South London	£8.25 ▲	£8.25 ▲	£7.50 ▲
Crawley	£7.50 ◄►	£7.00 ◄►	£7.00 ◄►
Southampton / Portsmouth	£7.75 ◄►	£7.50 ◄►	£7.50 ◄►
Maidstone	£7.50 ▲	£7.00 ▲	£6.50 ▲
Milton Keynes	£ 6.25 ◄►	£6.00 ▲	£5.75 ▲
Hemel H'stead	£8.25 ▲	£7.50 ▲	£7.25 ▲
Reading	£8.50 ◄►	£8.00 ◄►	£7.50 ◄►

In H1, Kuehne + Nagel agreed a freehold design and build at the first phase of AXA REIM and Roxhill's Orion development in Dagenham. Knight Frank is the disposing agent on the remaining 18 acres.

Selected London, South and East transactions in H1 2013

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Paragon:MK, Milton Keynes	Charles Thewett	138,000	£5.74	Apr 13
Orion Park, Dagenham	Kuehne + Nagel	60,000	£153*	May 13
London Gateway, Essex	Marks & Spencer	900,000	N/A	Jun 13
Lakeside Industrial Estate, London	DX	135,880	£9.32	Jun 13
Bilton Way, Enfield	Hermes	75,000	£8.00	May-13

* Freehold transaction

Regional outlook

- Following incentives falling, we are now starting to see headline rental growth creeping back into the market. We expect the growth already seen in London to filter through to other parts of the South East over the next 12 months.
- Added to the shortage of good quality supply, a particular problem for the London and South East region is the ongoing pressure to release land from employment uses for residential development. This is putting further pressure on rental levels.
- Reflecting the improving developer confidence, we anticipate the first 'big box' speculative development since the downturn to be announced shortly.