LONDON & SOUTH EAST

Logistics and Industrial Commentary

H1 2017 Review

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- Take up of units above 50,000 sq ft across the region during H1 2017 was 2.48m sq ft. This is down 48% on the previous half, though if one ignores the H2 2016 Amazon deal at Tilbury the decrease is only 5%. Notable larger deals include: 666,000 sq ft let to Aldi in Queenborough, 230,000 sq ft let to Wincanton in Harlow and 242,000 sq ft let to Hachette UK in Didcot. Demand in the region has remained resilient, with little let up in the number of enquiries. Key occupier sectors remain online retailers, builders merchants, trade counter, parcel delivery, food and leisure.
- Supply continues to reduce with limited stock in the region, though it is not even throughout with some areas like East London presenting greater opportunity and others like North West and South London near barren landscapes. Speculative schemes will help to replenish the sector, though the cost to the occupier is higher rents and longer lease commitments.
- Land available for industrial development is tight and fiercely contested. There has been a 34% reduction in industrial land availability within the last 14 years and 268 acres per year being taken out for predominately residential use.
- Headline rents have risen. Notable performers are: Crawley, having achieved £13.00 per sq ft on second hand stock of 20,000 sq ft and expected to achieve in excess of this on new stock; Southampton, achieving £9.50 per sq ft on c.50,000 sq ft and Croydon/South London surging well into double figures due to the acute shortage of prime stock. Enfield, Reading and Rainham are all rising.
- On the investment side, investor sentiment has continued to strengthen through 2017, with steady yield compression witnessed for both prime and secondary assets since the start of the year, especially for those assets that are deemed under rented or which offer mid to long term income streams.

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
West London			
- *Park Royal*	£15.25 ▲	£14.95 ▲	£14.25 ▲
- *Heathrow*	£15.00 ▲	£14.50 ▲	£14.00 ▲
East London	£13.00 ▲	£12.50 ▲	£11.00 ▲
North London	£12.50 ▲	£11.50 ▲	£10.75 ▲
South London	£14.50 ▲	£13.50 ▲	£12.50 ▲
Crawley	£13.50 ▲	£13.00 ▲	£12.50 ▲
Southampton / Portsmouth	£9.75 ▲	£9.50 ▲	£9.25 ▲
Maidstone/Aylesford	£7.50 ▲	£7.25 ▲	£7.00 ▲
Milton Keynes	£8.50 ▲	£8.00 ▲	£7.50 ▲
Hemel H'stead	£10.50 ▲	£9.75 ▲	£9.50 ▲
Reading	£12.50 ▲	£11.50 ▲	£11.00 ▲
Dartford	£10.50 ▲	£10.00 ▲	£9.50 ▲
Thurrock	£10.00 ▲	£9.50 ▲	£9.00 ▲
Dagenham	£10.00 ▲	£9.50 ▲	£9.25 ▲

Selected London, South & East Transactions, H1 2017

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)
Signia Park, Didcot	Hachette UK	242,000	£7.25
Navigation Park, Enfield	UK Mail	68,080	£10.75
Invicta Riverside, Aylesford	DFS	59,346	£7.25
Crown Road, Enfield	DHL	100,833	£8.70
Prologis Park, Hemel Hempstead	Comar Carpets	123,000	£9.00
Unit 3 Tower Oliver Road Thurrock	Co-op	101,000	£8.50

Regional outlook

- The shortage of supply will continue to put upward pressure on rents.
- Infrastructure projects which will affect the market in the future include: Heathrow's third runway (up to 2m sq ft of industrial stock to be lost), Old Oak Common / HS2 (over 350 businesses and 6,500 jobs to be displaced) and the continued race to build more homes to reach government targets, much of which will be at the expense of the industrial sector.
- We anticipate the current strength of investment appetite and the positive sentiment in the market to continue throughout 2017, as real estate remains attractive relative to other asset classes and the fundamentals underlying the industrial sector continue to be attractive to investors.