

RESEARCH

Big box bulletin

2019 review of distribution activity

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The first phase of the 3 million sq ft industrial development, Peddimore, is set to commence in late 2020. Avison Young are letting agents.



ROBERT RAE

Principal & Managing Director

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Now there is a clearer political outlook, we are seeing greater business confidence, a release in pent-up demand and more transactional activity. We expect this to continue, certainly for the first half of 2020

D&B dominates but increased demand for speculative space

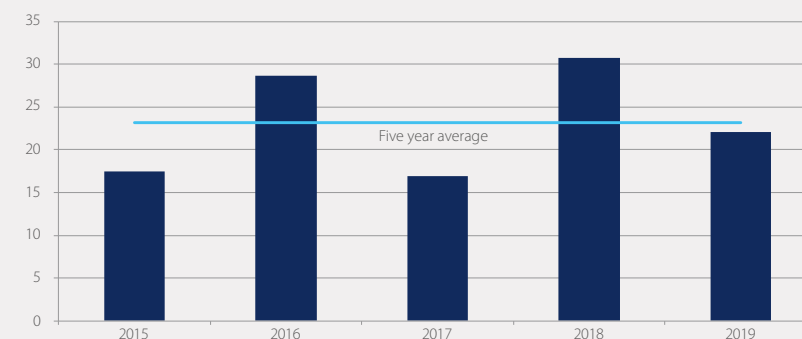
While demand for major distribution units fell from the record levels seen in 2018, there has been an encouraging increase in demand for new speculative units, in a market where design and build dominates. The second half of the year also brought a recovery in activity for sectors and some regions that underperformed during H1.

Take-up of large grade A warehouses (> 100,000 sq ft) amounted to 11.8 million sq ft during the second half of 2019, which lifted the total figure for the year to 22.1 million sq ft, 5% below the five year average. In view of the political uncertainty throughout the year this was an encouraging level of activity.

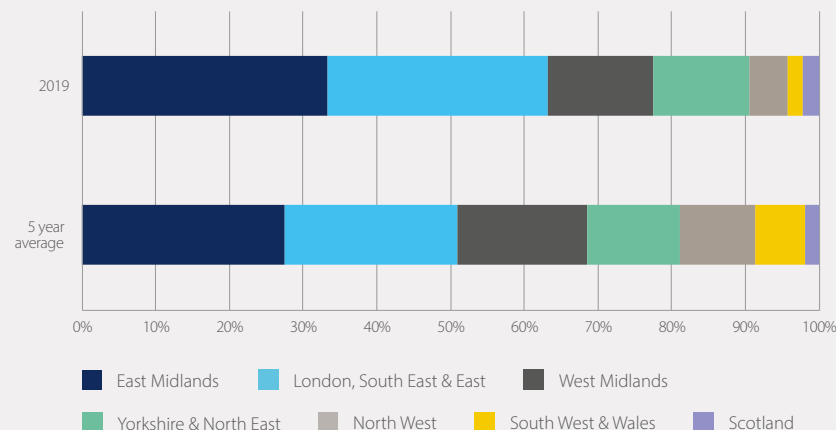
The East Midlands has been the dominant region for the past two years and accounted for 7.4 million sq ft of activity in 2019. This does not include the record 2.9 million sq ft deal to Jaguar Land Rover, which is subject to funding. London, the South East and East had the next busiest year with 6 million sq ft. Both these regions performed well above their respective five year averages and together accounted for almost two thirds of total activity. In the next tier of activity there was around 3 million sq ft of take-up in the West Midlands, which recovered from a slow start to the year and a similar level in Yorkshire & North East.

UK GRADE A BIG BOX TAKE-UP (OVER 100,000 SQ FT)

Million sq ft



TAKE-UP BY REGION



There was activity across a broad range of sectors during 2019, which is similar to the average. Activity was however dominated by non-food retail (35%), third party logistics (26%) and the manufacturing sector (23%). The manufacturing sector accounted for the largest deal during the second half of the year, almost a million sq ft to JLR in Solihull, which is a welcome return for automotive activity. The third party logistics sector was led by two c.500,000 sq ft deals in the East Midlands to DHL in Worksop and to Europa Worldwide Group Ltd in Corby.

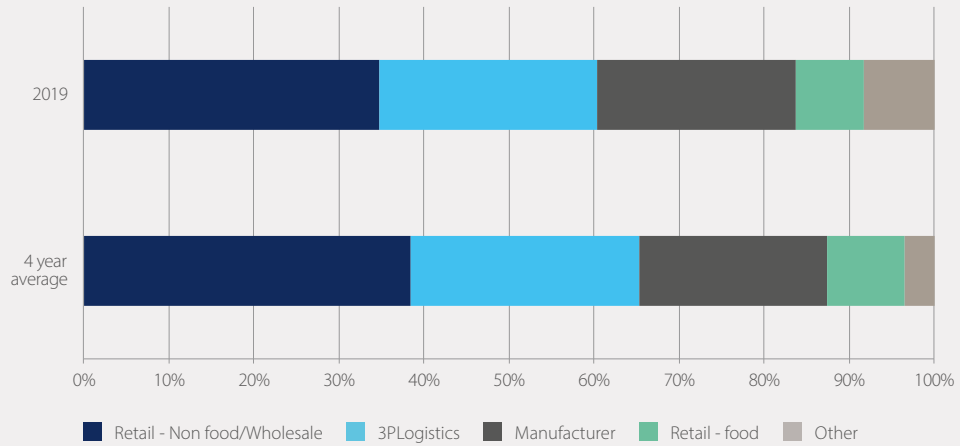
Continuing the trend of the past few years, design and build take-up has accounted for more than 50% of activity and nine of the largest ten transactions in 2019, the largest of which was 1.75 million sq ft pre-let at Summit Park, Mansfield to a retailer. However it is encouraging that speculative take-up accounted for more than 5 million sq ft, its highest level since 2016 and reflective of the higher level of recent speculative completions. Conversely, take-up of secondhand space amounted to 4.6 million sq ft, which is low compared to recent years.

Supply levels have increased to 31.3 million sq ft, up from 29.5 million sq ft in June, attributable mainly to an increase in existing stock. While the overall level of speculative supply (completed and under construction) has remained steady, the amount under construction has fallen 20% to 5.6 million sq ft, reflecting a fall in the number of starts throughout 2019.

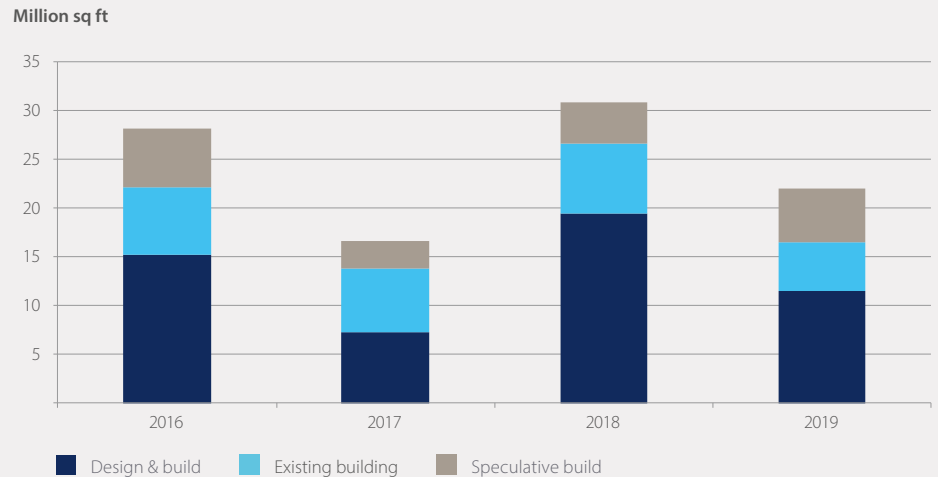
Despite an increase in supply, overall levels are still constrained, equating to 1.3 years' supply based on average annual demand for the past five years. While there is some regional variation, all regions have between one to two years' supply.

Now there is a clearer political outlook, we are seeing greater business confidence, a release in pent-up demand and more transactional activity. We expect this to continue, certainly for the first half of 2020. A number of companies will bring forward their property plans which we expect to be reflected in healthy take-up figures.

TAKE-UP BY SECTOR



TAKE-UP BY BUILDING TYPE



East Midlands

West Midlands

London, South East & East

North West

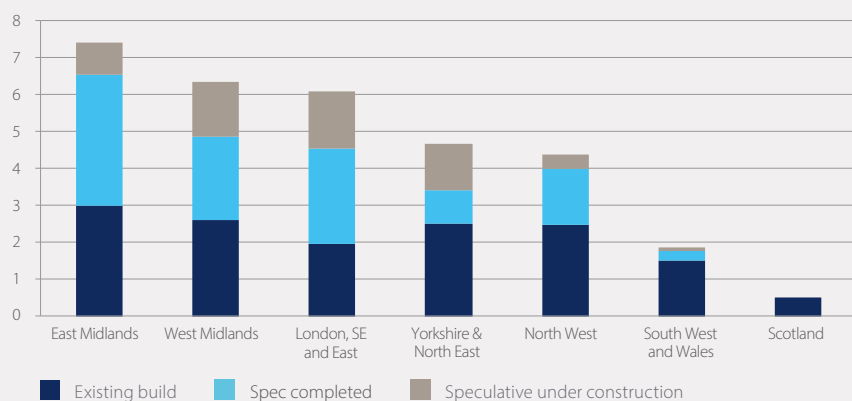
South West & Wales

Yorkshire & North East

Scotland

SUPPLY BY REGION AND BUILDING TYPE (END OF 2019)

Million sq ft



2019 KEY OCCUPIER DEALS

Scheme	Sq ft	Occupier	Deal
Summit Park, Mansfield	1,750,000	Confidential	D&B
Damson Parkway, Solihull	988,126	JLR	D&B
iPort, Doncaster	731,000	Confidential	D&B
Land at Didcot	700,000	Cloud HQ	D&B
Mountpark, Bardon	579,000	VF Corporation	D&B
Altitude, Magna Park	574,000	Confidential	Spec Build
Manton Wood, Worksop	538,280	DHL	D&B
Midlands Logistics Park, Corby	525,000	Europa Worldwide Group Ltd	D&B
Belvedere Wharf	500,000	Lidl	D&B
Apex Park Phase IV, Daventry	433,387	Cummins Diesel	D&B



1.75 million sq ft pre-let at Summit Park, Mansfield to an internet retailer. Avison Young were letting agents

East Midlands

West Midlands

London, South East & East

North West

South West & Wales

Yorkshire & North East

Scotland

GRADE A TAKE-UP 2019



22.1 million sq ft

▼ 5% DOWN ON 5 YEAR AVERAGE

KEY DEALS

INTERNET RETAILER
SUMMIT PARK, MANSFIELD

1.75 million sq ft



DAMSON PARKWAY, SOLIHULL

988,126 sq ft

INTERNET RETAILER
IPOINT, DONCASTER

731,000 sq ft



MOUNTPARK, BARDON

579,000 sq ft

TAKE-UP BY BUILDING TYPE



52%
DESIGN & BUILD



25%
SPECULATIVE



23%
EXISTING BUILDINGS

TAKE-UP BY KEY SECTOR

35%
RETAIL - NON-FOOD



26%
THIRD PARTY LOGISTICS

23%
MANUFACTURING



8%
RETAIL - FOOD

TWO REGIONS DOMINATE TAKE-UP



EAST MIDLANDS 34%

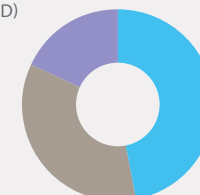
LONDON, SOUTH EAST AND EAST 28%

SUPPLY

31.3 million sq ft

(16 MONTHS' SUPPLY BASED ON PAST DEMAND)

47% SECONDHAND
18% UNDER CONSTRUCTION
35% COMPLETED SPECULATIVE BUILD



DISTRIBUTION RENTAL GROWTH



(MSCI MONTHLY INDEX)
3.1%
2019

FORECASTS (REAL ESTATE FORECASTING)
2.6% 2020
2.4% 2021

DISTRIBUTION INVESTMENT

2019
£3.22 billion

1% DOWN ON 5 YEAR AVERAGE

DISTRIBUTION YIELD

5.64%
(MSCI MONTHLY INDEX - DECEMBER)

5.66% IN JULY

KEY PURCHASERS

Morgan Stanley Gazeley



East Midlands

The East Midlands has dominated big box demand for the past two years. Take-up for H2 2019 totalled 3.8 million sq ft, maintaining the high level of activity observed in the first half of the year. This brings the total annual take-up figure for the East Midlands to 7.3 million sq ft, which although down on the record levels reported in 2018, is 15% above the five-year average.

However these figures do not include the record 2.9 million sq ft deal to Jaguar Land Rover at Appleby Magna, as it is subject to funding. In a statement of faith for the automotive sector, the deal will consolidate 10 depots into four new buildings for the global distribution of automotive parts. The buildings are expected to complete throughout 2021.

The retail sector led activity in 2019 with the largest deal, a 1.75 million sq ft pre-let at Summit Park, Mansfield. There were also key deals in excess of 500,000 sq ft to third party logistics companies DHL at Worksop and Freight forwarder Europa Worldwide at Midlands Logistics Park in Corby, which is due to complete in June. These contributed to the 1.5 million sq ft transacted by the third party logistics sector in H2.

Supply of grade A units in the East Midlands stands at 7.4 million sq ft, an increase of 10% on the first half of 2019 and equivalent to 14 months' supply based on the level of demand for the past five years. The increase in availability is a combination of increased speculative supply (4.4 million sq ft in total) and a number of occupiers continuing to take large design and build units.

In terms of longer term development, the Northampton Gateway rail depot was granted planning permission in October and Gazeley have recently announced that they will be undertaking work to almost double the size of Magna Park.

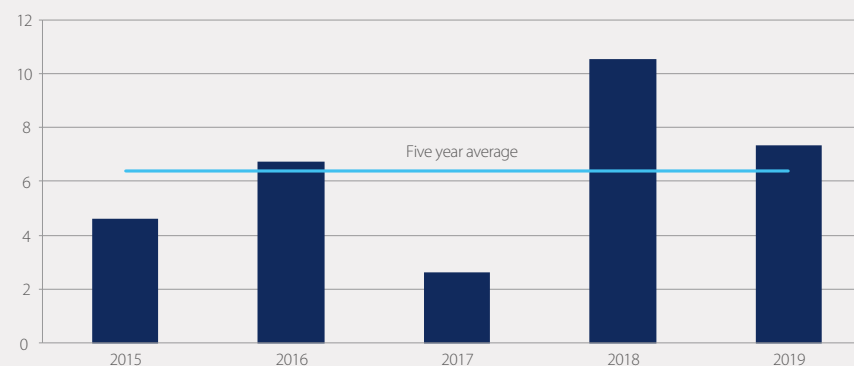
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Spec Build	Nottingham 550, Panattoni Park	Nottingham	551,031
Spec Build	DC535 Prologis DIRFT III	Daventry	534,744
Spec Build	Hinckley 532, Hinckley Park	Hinckley	532,500
Spec Build	EMDC 525	Castle Donington	521,520
Existing Build	Quantum, 5320 Magna Park	Lutterworth	411,613

BIG BOX TAKE-UP

Million sq ft



532,000 sq ft Hinckley 532, Hinckley. Avison Young are letting agents.

TAKE-UP



2019
7.34 m sq ft



5-year average
6.38 m sq ft

SUPPLY



7.4 m sq ft
(29 units, average 255,317 sq ft)
12%
Under construction

NORTHAMPTON
HEADLINE RENT
(100,000 SQ FT)

£6.75 psf

LAND VALUE PER ACRE
(10 ACRES)

£1.2 million



West Midlands

The West Midlands had a very active second half of 2019, with take-up amounting to 2.7 million sq ft across eight deals. This was far more than the 459,800 sq ft of activity in the first half of the year and is the highest half-year result since H1 2017. Interestingly, all eight deals were either design & builds or speculative builds, with no deals agreed on second-hand space.

Key to such a successful half year was Jaguar Land Rover agreeing 988,000 sq ft at Damson Parkway in Solihull. This design and build deal was the largest in the region in a period that saw a number of deals in excess of 200,000 sq ft. These included third party logistics firm Super Smart Services taking 375,000 sq ft in Cannock, Staffordshire and Amazon agreeing 366,000 sq ft at Redditch Gateway in Worcestershire.

The level of availability remains similar to the first half of the year with 34 buildings currently, totalling 6.4 million sq ft. Of this, 41% are existing builds including the largest available space, the 666,044 sq ft cross docked warehouse 'Goliath' at Cross Point Business Park, Coventry.

The remaining 3.7 million sq ft is speculative space of which 40% is under construction. The largest project being built is the 431,700 sq ft Fradley 432 in Lichfield, Staffordshire, which will complete in March 2020. Staffordshire has much to offer those requiring larger spaces, with four of the six largest available spaces, all above 270,000 sq ft being in the county. This is in contrast to the broader regional market where the vast majority of available buildings (25) are in the 100,000 to 200,000 sq ft category.

In the development pipeline, the first phase of the significant 3 million sq ft industrial development, Peddimore, is set to commence in late 2020, bringing 91 acres of commercial space to the market in 2021.

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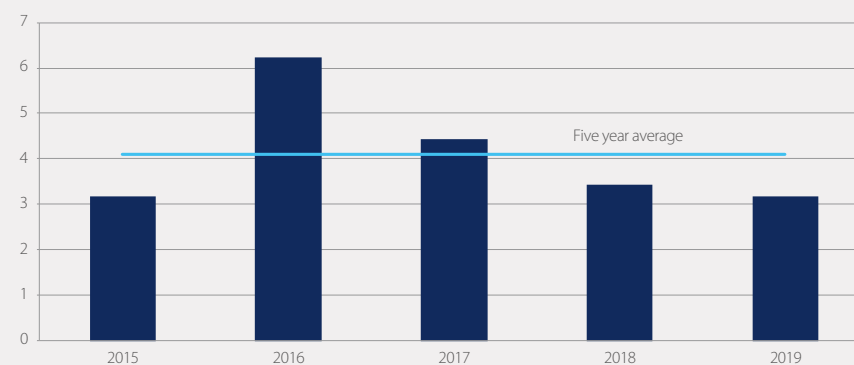
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Existing Build	Goliath, Cross Point Business Park	Coventry	666,044
Spec Build	Wolverhampton 450, Gravelly Way	Four Ashes	448,089
Spec Build	Fradley 432, Fradley Park	Lichfield	431,700
Existing Build	DC1 Prologis, Central Park	Rugby	376,563
Spec Build	T318 St Modwen Park	Tamworth	318,500

BIG BOX TAKE-UP

Million sq ft



The first phase of the 3 million sq ft industrial development, Peddimore, is set to commence in late 2020. Avison Young are letting agents.

TAKE-UP



2019
3.17 m sq ft



5-year average
4.09 m sq ft

SUPPLY



6.36 m sq ft
(34 units, average 187,171 sq ft)
24%
Under construction

COVENTRY
HEADLINE RENT
(100,000 SQ FT)

£6.75 psf

LAND VALUE PER ACRE
(10 ACRES)

£1.1 million



London, South East & East

The eleven deals across London, the South East and East in H2 2019 totalled 2.7 million sq ft. While this was lower than during the first half of the year, it pushed the total for 2019 to 6.6 million sq ft, up 22% on the 5-year annual average.

The largest deal over the period was the information technology company CloudHQ agreeing a land purchase for a 700,000 sq ft design and build unit in Didcot. Interestingly, out of the largest 13 big box deals in this region during the last four years, this was the only deal not for the retail sector. The next largest deal was to third-party logistics firm Westcoast Holdings, who took 341,602 sq ft at Centric 341, Andover Business Park.

The other nine deals over the second half of 2019 were let to occupiers across a variety of sectors, consisting of secondary, speculative and build to suit deals. Of particular interest is a film studio agreeing 300,000 sq ft at Access 300, Park Royal in London.

Total supply currently stands at 6.1 million sq ft across 32 buildings/projects. Almost one third of this, 1.9 million sq ft, is in ten existing buildings with the largest being 617,393 sq ft at Techtonic 620 in Milton Keynes. The rest of the total supply comprises 4.2 million sq ft of speculative space, 38% of which is under construction.

The largest project underway is 312,000 sq ft being built at Magnitude 312, Magna Park in Milton Keynes. Of interest, four of the five biggest projects in the region are by the developer Gazeley, with three of these being built in Bedford and all due to be completed by October 2020, quoting a rent of £7.95 psf.

In addition to the current pipeline, there continues to be very strong demand for land in London and prime sites in the South East, especially from developers and investors seeking an increase in weighting in the region. For example Panattoni has recently bought a 100-acre site in Aylesford for £75 million (£750,000 per acre) to develop 1.6m sq ft of warehouse space.

Andrew Jackson

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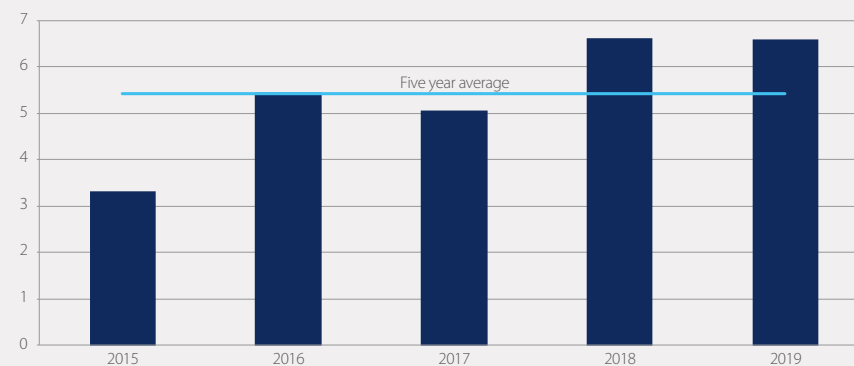
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Existing Build	Tectonic 620	Milton Keynes	617,393
Spec Build	Bedford 405	Bedford	405,312
Existing Build	MK360	Milton Keynes	360,214
Spec Build	Panattoni Park	Luton	344,599
UC Spec	Magnitude 312, Magna Park	Milton Keynes	312,000

BIG BOX TAKE-UP

Million sq ft



266,947 sq ft at Baytree Dunstable where Avison Young are letting agents.

TAKE-UP



2019
6.59 m sq ft



5-year average
5.41 m sq ft

SUPPLY



6.08 m sq ft
(32 units, average 190,013 sq ft)
25%
Under construction

PARK ROYAL
HEADLINE RENT
(100,000 SQ FT)

£20.00 psf

LAND VALUE PER ACRE
(10 ACRES)

£7,000,000



North West

The North West reported 909,000 sq ft of take-up for the second half of 2019, which is a marked improvement from the low take-up observed in H1. Among the six transactions which occurred in H2, the 238,000 sq ft taken by Boughy Logistics at 240 Jack Mills Way, Crewe, was the largest and represented the strong demand from the third party logistics sector, followed by Honeywell which acquired 211,000 sq ft at Ellesmere Port.

Due to the subdued H1 activity, total take-up for the North West in 2019 was just 1.2 million from eight deals. This is half of the five year average, with the subdued performance being attributed to the political uncertainty that has characterised the year.

Many businesses held off committing to large spaces in 2019, but with the strong finish to the year, we expect this release in pent up demand to prolong into 2020 as the election and Brexit progress have provided some clarity for the future. It remains to be seen how much this is tempered by continuing uncertainty as to what a Brexit deal will look like. Significant requirements additional to those already being sought are likely to come to the market early this year, bringing expectations for further rental growth, with rents currently headlining at £6.75 psf.

The substantial speculative completions which came to the market in 2018 lifted availability to 5.7 million sq ft in June last year. However, the limited recent development pipeline meant this figure fell 24% by the end of 2019. This is forecast to fuel greater growth in land values in the North West over the next year particularly as the availability of new stock declines.

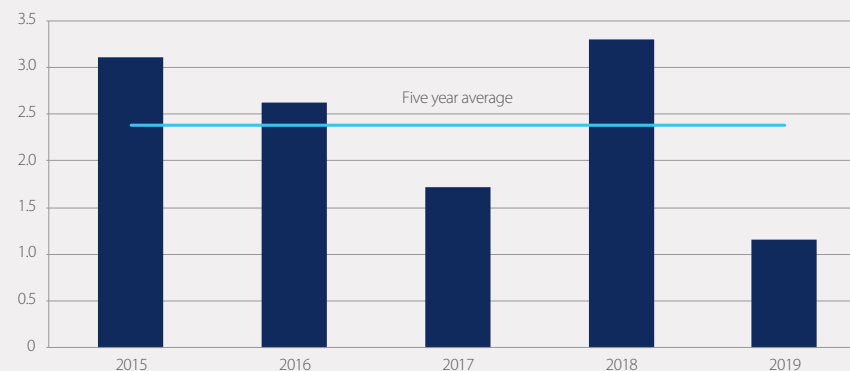
Mike Rooney
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Existing Build	Matrix 420	Chorley	421,810
Spec Build	375 Logistics North	Bolton	375,170
Existing Build	MWDC Midpoint 18	Middlewich	373,947
Existing Build	Onyx 35, Manor Park	Runcorn	350,000
Existing Build	Martland 350 Challenge Way	Wigan	346,526

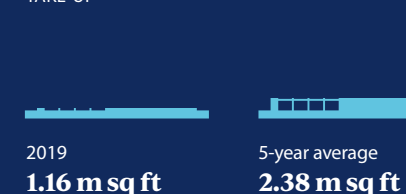
BIG BOX TAKE-UP

Million sq ft

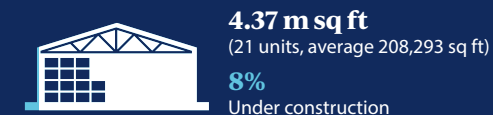


525,000 sq ft Haydock 525, St Helens. Avison Young are letting agents.

TAKE-UP



SUPPLY



MANCHESTER
HEADLINE RENT
(100,000 SQ FT)

£6.75 psf

LAND VALUE PER ACRE
(10 ACRES)

£900,000



South West and Wales

It has been a quiet year for big shed activity in the South West and Wales, with take-up totalling 422,000 sq ft. In the final quarter of the year Ocado/M & S took 150,000 sq ft at Access 18 in Avonmouth, which was speculatively built by St Modwen. This will be Ocado's first 'mini' robotic warehouse which will deliver more than 30,000 orders per week once it goes live in late 2020/ early 2021. Another key big shed deal was in South Wales where the NHS Trust purchased the 271,000 sq ft IP5 at Imperial Park in Newport earlier in the year.

We expect the level of activity to pick up significantly in 2020 as there are a number of potential large enquires from ecommerce and food retailer sectors.

The availability of big sheds currently stands at 1.9 million sq ft. The majority of this is within a handful of secondhand units between 250,000 sq ft and 390,000 sq ft, detailed in the table opposite. In addition there are several new speculative logistics schemes such as the recently completed 137,300 sq ft 'The Junction' at Central Park in Bristol and 106,000 sq ft at Chippenham Gateway (J 17, M4), which is being built by St Modwen.

The region also has a number of well-progressed serviced strategic sites such as Mountpark's 75 acre Bristol XL plot and Panattoni's 60 acre site in east Swindon. In one of the largest commercial land deals in the UK this year, the former Scottish power site in Avonmouth, Severnside has been sold by Avison Young to Walters Land for logistics development and direct leasing. Severnside, Bristol is now a major logistics hub with occupiers such as The Range, Lidl and Amazon, taking advantage of the new motorway junction on the M49.

Paul Hobbs

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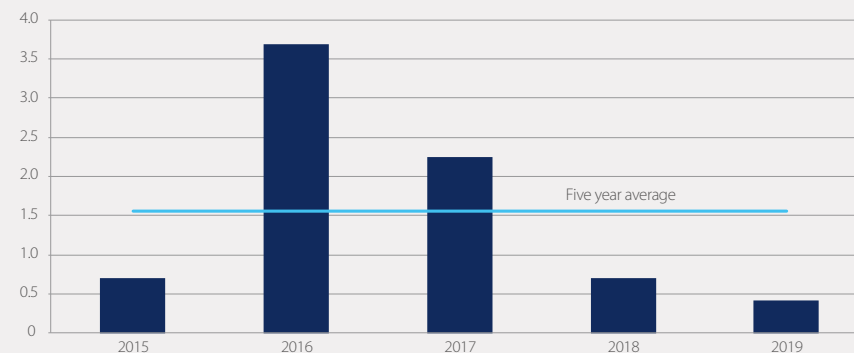
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Existing Build	Former Range RDC	Cribbs Causeway	384,000
Existing Build	WA316, Western Approach	Bristol	316,128
Existing Build	Former Lidl RDC	Weston-Super-Mare	314,000
Existing Build	Great Western Business Park	Yate	255,686
Existing Build	WA248 Western Approach	Bristol	248,137

BIG BOX TAKE-UP

Million sq ft



The former Scottish power site in Avonmouth (100 acres) has been sold by Avison young to Walters Land.

TAKE-UP

2019

0.42 sq ft

5-year average

1.55 m sq ft

SUPPLY



1.87 m sq ft

(8 units, average 233,723 sq ft)

6%

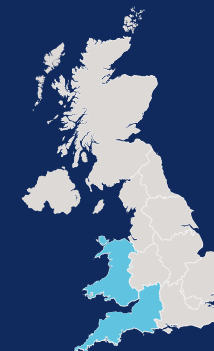
Under construction

BRISTOL
HEADLINE RENT
(100,000 SQ FT)

£7.25 psf

LAND VALUE PER ACRE
(10 ACRES)

£425,000



Yorkshire & North East

Take-up of 952,000 sq ft in the second half of 2019 took the annual total to 2.9 million sq ft in Yorkshire and the North East, which is in line with the five year average.

There were five key deals during the second half of the year, involving the full range of design and build, new speculative and secondhand units, with the retail and manufacturing sectors continuing to dominate activity.

The largest of these key deals was at Glasshoughton, where Tungsten Developments secured a letting of the 263,000 sq ft speculative Super G to Puma, which will enable them to consolidate from 4 units. This was followed by chemicals company Croda who committed to a design and build of 232,000 sq ft at Capital Park, Goole.

There is currently some imbalance in the Yorkshire market. In West Yorkshire on the M62 and upper M1 corridors, supply is very thin but demand is strong, particularly in the 100-200,000 sq ft range; whereas there are several units available in South Yorkshire, along the M18 and A1 corridors, where demand is not as robust. In the larger size bands solid requirements are relatively thin across the whole region with 3PLs and most retailers, Amazon aside, not in expansive mood.

Three speculative schemes totalling over 1.2 million sq ft have recently commenced construction and are all expecting to complete at the end of 2020. The largest is 515,000 sq ft Wakefield 515 by Panattoni / AEW / Caddick Developments. This has lifted current availability (including space under construction) to 4.7 million sq ft, which is 18 months' supply based on demand for the past five years.

The first half of the year was busiest in the North East with activity in H2 fairly muted. The largest transaction was Sonoco taking 105,000 sq ft in South Tyneside. There continues to be a lack of availability of grade A stock in the 100,000 sq ft plus size range and developers with sites capable of delivering units in this size range will be well placed for D&B opportunities. Large automotive related requirements have fallen away, but this is likely to be temporary. Other sectors such as wind energy are growing in the region.

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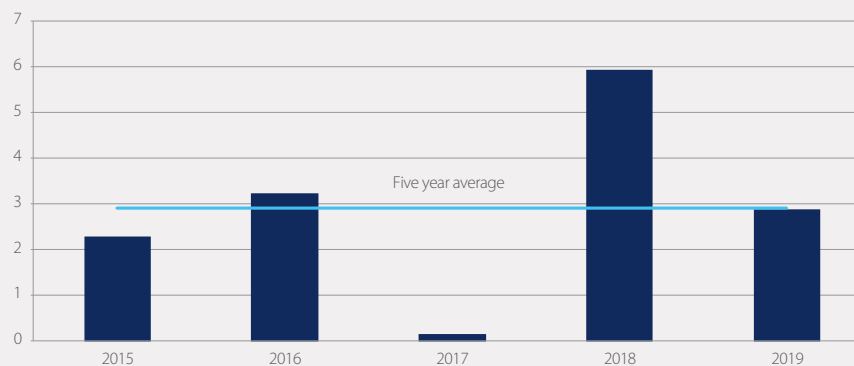
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Existing Build	Former Debenhams Unit	Sherburn	666,000
UC Spec	Wakefield 515	Wakefield	515,000
UC Spec	Gateway 4	Doncaster	409,000
Existing Build	Former Argos Unit	Wakefield	350,000
UC Spec	Smithywood	Sheffield	340,000

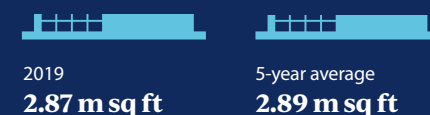
BIG BOX TAKE-UP

Million sq ft

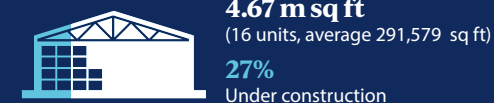


2 million sq ft Integra 61, Durham. Avison Young is the project manager and were letting agents for the pre-let to an internet retailer.

TAKE-UP



SUPPLY



LEEDS HEADLINE RENT (100,000 SQ FT)

£5.95 psf

LAND VALUE PER ACRE (10 ACRES)

£500,000



Scotland

The Scottish industrial market continues to perform well with strong occupier demand and low levels of available stock continuing to push rental levels.

In the big box market, design and build deals remain a continued focus for retailers and large logistics companies trying to meet the ever increasing demand for quick delivery services across the central belt in Scotland.

Parcel delivery company Hermes has recently made moves to expand its Eurocentral distribution hub, having taken an additional 94,500 sq ft at Colossus 2, which is set to be fully operational in summer 2020. The former 292,000 sq ft Lidl distribution centre in Deans Road, Livingston was also sold in Q4 to packaging company Saica Pack.

On the investment side, in November owner-occupier and craft brewery operator Brewdog concluded a sale and leaseback of its 129,000 sq ft distribution centre in Eurocentral, which it acquired in 2018, to CBRE Global Investors.

Prime development land remains in high demand, with pre-lets of new build stock relatively straightforward to obtain. With older industrial stock there is a good opportunity to refurbish and let, as secondary locations have seen drastically reducing voids.

The majority of demand and activity in Scotland remains below the 100,000 sq ft mark, with multi-let schemes continuing to let well. In East Scotland, there are a number of new multi-let schemes which have recently completed, including Livingston Trade Park, and Sevenhills Sighthill, with most existing multi-let developments reporting 100% occupancy.

Paul Broad

Director

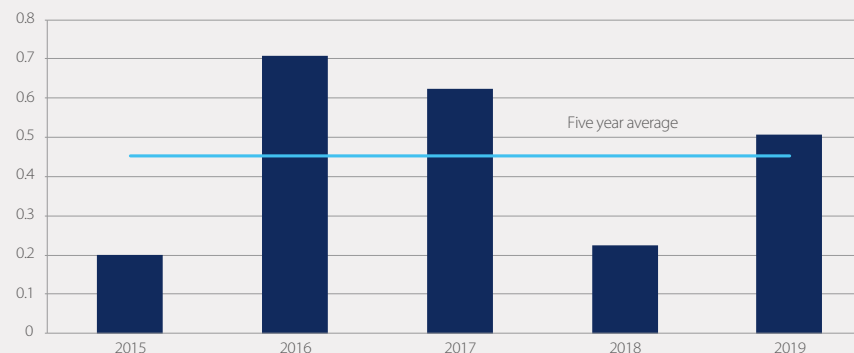
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KEY AVAILABILITY

Type	Scheme & Address	Town	Size (sq ft)
Existing Build	21 Coddington Crescent	Eurocentral	164,782
Existing Build	Westway Park, Porterfield Road	Renfrew	125,000
Existing Build	Titan, Dovecote Road	Eurocentral	122,575
Existing Build	The Faulds Building, Faulds Park	Gourock	100,000

BIG BOX TAKE-UP

Million sq ft



12 Dovecote Road, Eurocentral. Avison Young are acting on behalf of Hermes.

TAKE-UP

2019

0.51 m sq ft

5-year average

0.45 m sq ft

SUPPLY



0.51 m sq ft

(4 units, average 128,089 sq ft)

0%

Under construction

GLASGOW
HEADLINE RENT
(100,000 SQ FT)

£6.50 psf

LAND VALUE PER ACRE
(10 ACRES)

£220,000





PETER KEIR

Principal



Value added remains the favoured investment style, although the proportion has decreased compared to the previous year.

H2 bounce for investment volumes

The total volume of investment for distribution warehouses across the UK amounted to £2 billion during the second half of 2019, which is a significant improvement on the first half of the year. This brings the total for the year to £3.22 billion, just 1% down on the five-year average.

The figures were lifted by the Q4 sale of the Segro portfolio of seven big box assets for £241 million. This follows two £100 million plus deals earlier in the year, RD Park Hoddesdon to M&G Real Estate and Brook Park, Mansfield to a Malaysian investor.

Key to activity were investments between £30 and £90 million, which included Gazeley's purchase of three buildings at Panattoni Park in Northampton for £87 million, but were mainly single unit investments such as Dixon Carphone's unit in Newark, bought for £81 million and Alpha Real Capital's purchase of DHL's building in Worksop for £67 million.

As expected London, the South East and East accounted for the largest investment volumes during the year at £988 million followed by the East Midlands (£759 million) and Yorkshire & North East (£439 million). Many of the larger transactions were to overseas investors, who accounted for 45% of all volumes, above the five year average of 39%. Conversely, the domestic purchasers were quieter, being net sellers in 2019.

Value add remains the favoured investment style, although the proportion has decreased compared to the previous year. Secure income buyers continue to dominate demand, along with properties offering long leases, preferably with fixed or indexed reviews. We expect strong investor demand for prime, well let assets to continue, as the greatest impact on pricing has been on the riskier product.

With increased political certainty we expect to see a bounce back in the first half of 2020 and increased activity from investors. The pound is likely to remain relatively suppressed; therefore we expect interest to continue from overseas buyers. There is also a large weight of money that will drive institutional investors to return to the market.

According to the MSCI monthly index the average equivalent yield for distribution property softened during the first half of 2019 from a low of 5.48% at the end of 2018. However yields have remained broadly stable over the second half of the year, ending 2019 at 5.64% compared to 5.66% in July.

DISTRIBUTION INVESTMENT VOLUMES

TOTAL FOR 2019

£3.22 billion

▼ 1%

DOWN ON THE FIVE YEAR AVERAGE

VOLUMES BY REGION

LONDON, SOUTH
EAST & EAST

£988m



EAST MIDLANDS

£759m

YORKSHIRE & THE
NORTH EAST

£439m

VOLUMES BY INVESTOR TYPE

OVERSEAS
INVESTOR

45%

UK
INSTITUTION

24%

UK PROPERTY
COMPANY

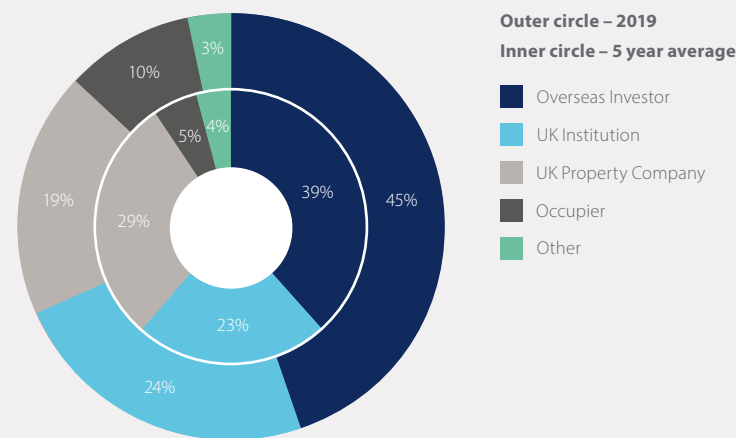
19%

Investment data

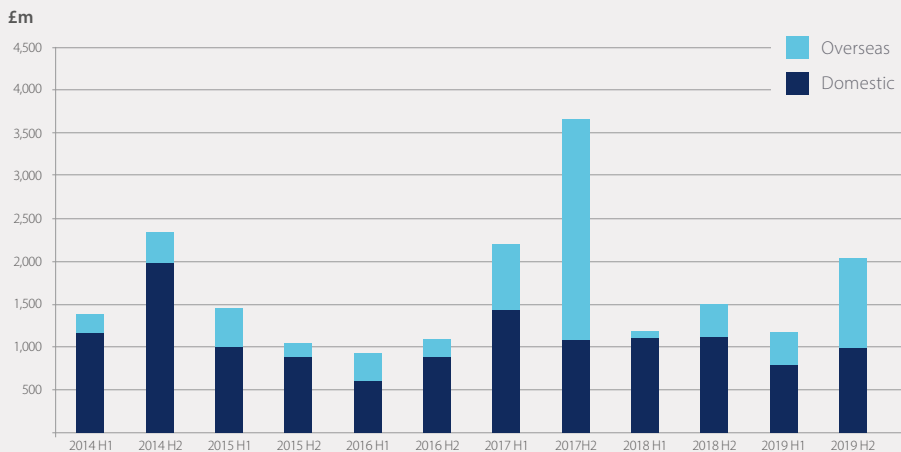
KEY BIG BOX DEALS - 2019

Date	Street	Town	Purchaser	Tenant	Price (£m)
Dec-19	Tudor Portfolio	Various	Morgan Stanley RE / Thor Equities	Various	241
Feb-19	RD Park, Essex Road	Hoddesdon	M&G Real Estate	Various	145
May-19	Brook Park, Shirebrook	Mansfield	Kwasa Logix Sportivo Ltd	Sports Direct	120
Jul-19	Panattoni Park	Northampton	Gazeley	Eddie Stobart	87
Dec-19	Long Hollow Way	Newark	International investor	Dixons Carphone	81
Sep-19	Redditch Eastern Gateway	Redditch	Royal London Asset Man	Confidential	79
Sep-19	Echelon Portfolio	Various	Warehouse REIT Plc	Various	75
Aug-19	Rockware Avenue	Greenford	ProLogis UK Ltd	Royal Mail	70
Aug-19	Manton Wood	Worksop	Alpha Real Capital LLP	DHL	67

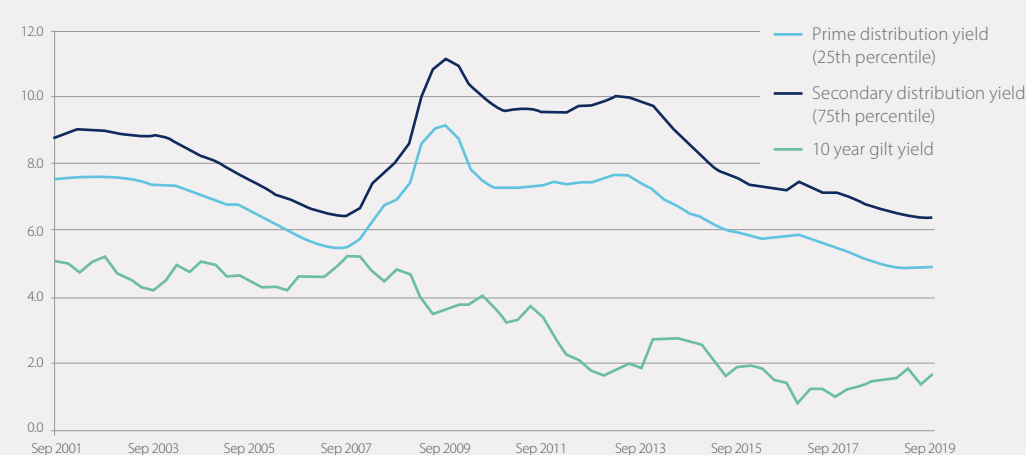
INVESTMENT VOLUMES BY INVESTOR TYPE



DISTRIBUTION INVESTMENT VOLUMES



DISTRIBUTION YIELDS VS 10 YEAR GILTS



[Occupier Market](#)[Occupier Data](#)[Key stats](#)[Investment market](#)[Investment data](#)[Business Rates / Outlook](#)[Map](#)[Contact](#)[East Midlands](#)[West Midlands](#)[London, South East & East](#)[North West](#)[South West & Wales](#)[Yorkshire & North East](#)[Scotland](#)

Outlook

With a future trading deal to be negotiated with the EU, uncertainty will not fall away. Our forecast of 1.1% GDP growth in 2020 is unlikely to change materially, but we expect a short term boost to economic activity at least in the first half of the year. An improvement in sentiment and transactional activity is therefore to be expected. But with the focus shifting to debate over the U.K.'s future trading arrangements with the EU, considerable uncertainty still remains.

Deals in the pipeline in the distribution sector indicate a robust level of activity for 2020. We are aware of a number of large requirements to retailers, particularly discounters such as B&M, Aldi and Lidl, as well as third party logistics operators who are working in conjunction with internet retailing clients for e-fulfillment.

The strong growth in e-commerce and requirement for last mile delivery has generally insulated the sector from political and economic headwinds that have affected other sectors. The resilience of the industrial market has led to a rise in speculative completions across the country. With demand levels remaining robust, we expect the increase in supply coming to the market to be absorbed and there remains a strong appetite from developers and funds for speculative development to meet requirements.

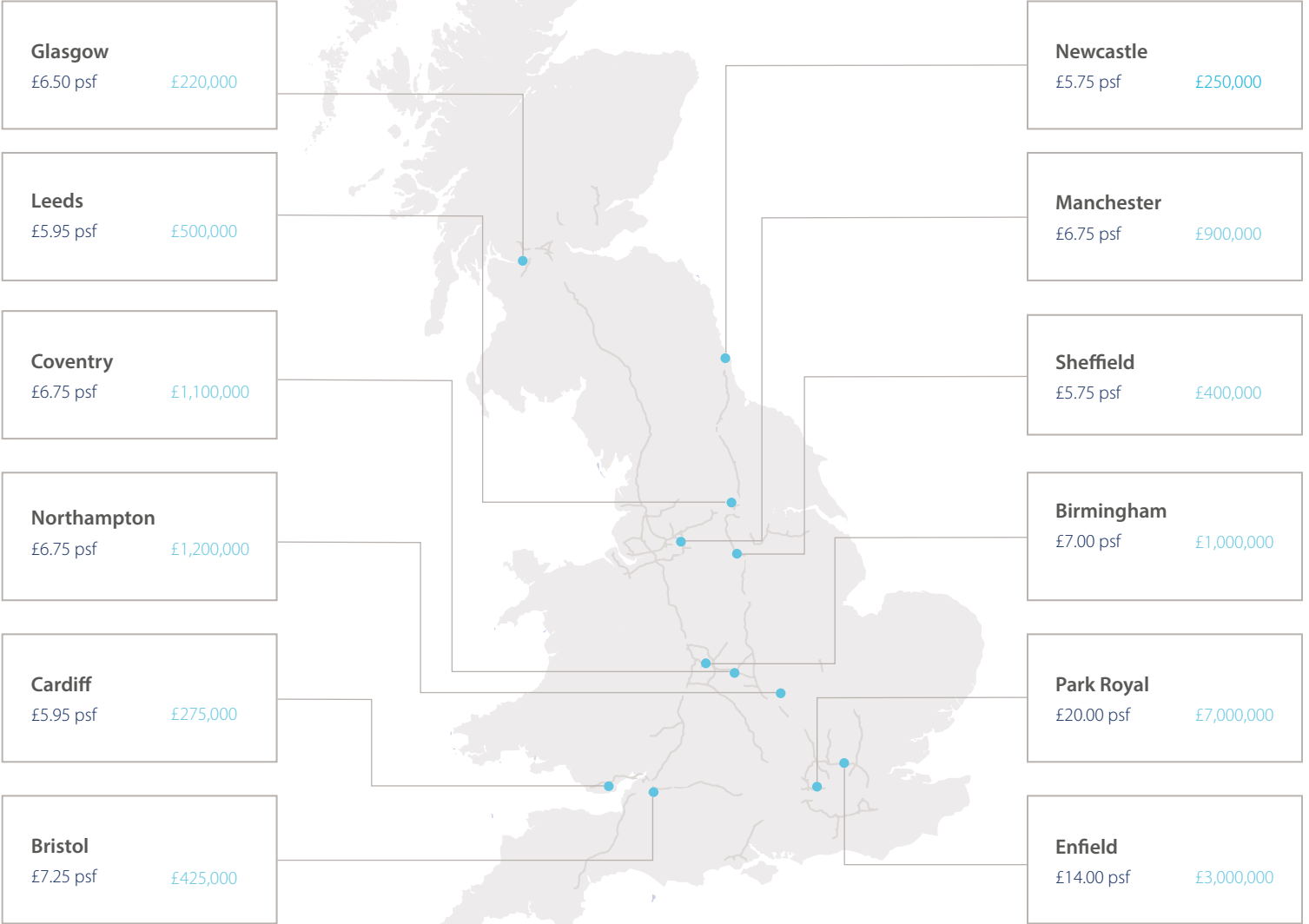
Logistics companies continue to address the shortage of employment by shifting their attention to locations offering cheaper and more available labour, emphasised by the largest deals this year taking place in Mansfield, Barton and Doncaster. This trend is set to continue, as there is greater access to labour as well as greater pre-let property opportunities.

According to MSCI, rental growth over the 12 months to December was 3.1% for distribution property. Rents are expected to continue on an upward trajectory, albeit slower than recent years at around 2.5% pa for the next two years.



Headline Rents (100,000 sq ft unit)

Land values (per acre – 10 acre plot)



Occupier Market		Key stats	Investment market	Investment data	Business Rates / Outlook	Map	Contact
East Midlands	West Midlands	London, South East & East	North West	South West & Wales	Yorkshire & North East		Scotland

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