

2019

INDUSTRIAL OVERVIEW

SCOTLAND: Town/Area	*ERV - Prime Rents	**LV
Aberdeen	£8.50	£450,000
Edinburgh	£6.00	£325,000
Glasgow	£7.50	£225,000

NORTH: Town/Area	*ERV - Prime Rents	**LV
Bradford	£6.00	£300,000
Doncaster	£6.00	£325,000
Leeds	£6.75	£375,000
Liverpool	£6.00	£325,000
Manchester	£7.00	£525,000
Newcastle-upon-Tyne	£6.50	£300,000
Sheffield	£6.50	£300,000
Skelmersdale	£5.75	£300,000

WALES: Town/Area	*ERV - Prime Rents	**LV
Cardiff	£6.50	£275,000
Swansea	£5.75	£250,000

SOUTH WEST: Town/Area	*ERV - Prime Rents	**LV
Bath	£12.00	£650,000
Bristol	£9.25	£600,000
Cheltenham	£6.50	£475,000
Exeter	£7.50	£375,000
Gloucester	£7.00	£375,000
Plymouth	£7.00	£300,000
Swindon	£7.50	£400,000



MIDLANDS: Town/Area	*ERV - Prime Rents	**LV
Birmingham	£7.00	£750,000
Coventry	£7.25	£850,000
Derby	£6.25	£400,000
Didcot	£7.50	£700,000
Leicester	£6.50	£550,000
Northampton	£6.75	£600,000
Nottingham	£6.25	£425,000
Oxford	£10.50	£1,000,000
Rugby	£6.50	£600,000
Stafford	£5.50	£275,000
Stoke-on-Trent	£5.50	£275,000

EAST OF ENGLAND: Town/Area	*ERV - Prime Rents	**LV
Bury St Edmunds	£6.00	£500,000
Cambridge	£12.50	£800,000
Colchester	£6.75	£500,000
Felixstowe	£5.50	£300,000
Ipswich	£6.50	£400,000
Norwich	£6.00	£400,000
Peterborough	£7.25	£500,000

SOUTH EAST: Town/Area	*ERV - Prime Rents	**LV
Brighton	£13.00	£1,350,000
Chelmsford	£8.50	£900,000
Croydon	£14.75	£3,000,000
Dagenham & Barking	£10.75	£1,600,000
Dartford	10.25	£1,550,000
Enfield	£13.25	£2,850,000
Guildford	£12.00	£1,800,000
Heathrow	£16.00	£3,500,000
Luton	£9.25	£1,400,000
Park Royal	£18.75	£3,750,000
Portsmouth	£9.50	£900,000
Reading	£11.50	£1,600,000
Slough	£14.00	£2,600,000
Southampton	£10.00	£1,000,000

*ERV Estimated Prime Rents
Based on 10,000 (GIA) sqft brand new unit in a prime location, with 45-50% site cover and 10% office content, and a lease term of 5-10 years.

**LV Land Value
Based on land with an unrestricted B1(c), B2, & B8 planning consent with a 45-50% site cover and in a prime location.

Also based on no abnormal cost for any environmental issues, site levelling or s.106 (CIL) commitments etc.

All data correct as at March 2019.

WHILST RENTAL GROWTH WILL DECELERATE, INDUSTRIAL WILL STILL CONTINUE TO OUTPERFORM THE OTHER COMMERCIAL SECTORS IN 2019

Industrial take-up remains buoyant as retailers and their third party logistics partners adapt to growing online demand. Indeed, online sales reached 21.5% of total sales for the first time in the run-up to Christmas, up from 15.5% three years ago.

The online retail distribution sector now requires highly bespoke warehousing solutions, and this is leading more occupiers to purchase sites and develop their own buildings. Developers are therefore cautious about large speculative schemes, although less so for small to medium-sized schemes. However, there were some significant starts in 2018, and developer interest for speculative new build is becoming more evident across a number of markets.

There is a severe shortage of well-located sites for distribution use, and also urban sites suitable for last mile delivery, waste recycling and open storage. Overall, it remains hugely challenging to satisfy occupier demand, creating strong upward pressure on values.

Our prime industrial rental index reflects this, revealing strong rental growth in some

parts of the UK during 2018. The South East (outside the M25) saw the strongest rate of growth at 6.9%, with London/M25 also performing strongly at 4.3%, and the Midlands seeing growth of 3.2%. This compares against CPI inflation of 2.1%.

However, there were clear regional disparities, as the chart illustrates. The East of England and the South West/Wales saw below-inflation growth of 1.6% and 0.5% respectively. Overall, prime industrial rents for the UK as a whole increased by an average of 2.8%.

Industrial land values increased sharply in 2018, by an average of 8.2% across the UK. This was driven by strong competition for prime sites and also urban sites being taken for higher value residential uses. Pressure on land is strongest in London/M25, and land values rocketed by nearly 23%. The Midlands also saw a rapid rise in land values (+18%), with the Birmingham and Coventry markets a particular hotspot.

Industrial investment transactions totalled £8.5 billion in 2018, the second-highest figure on record (although some way below the exceptional £10.9 billion

recorded in 2017). Overseas buyers accounted for 18% of the total value purchased, with UK and Far Eastern buyers particularly active, and there were several major portfolio transactions.

Industrial yields have shifted downwards more rapidly than overall commercial property over the last five years, as the sector has taken centre stage in the retail revolution. This trend continued in 2018, with average equivalent yields moving down by 30 basis points, to stand at 5.25% at the year-end (MSCI Quarterly Index). This puts the average industrial yield below that for all property (5.5%) for the first time.

The combined effect of downward yield movement and above-inflation rental growth produced an industrial total return of 16.4% in 2018, compared with 6.2% for all property (MSCI). We expect only a modest deceleration in rental growth this year as supply and demand pressures remain high across many key markets. Total returns will be lower than in 2018 as yield movement eases, but industrial should still comfortably outperform the other main commercial sectors.

For further information, please get in touch:



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