2017 INDUSTRIAL OVERVIEW

SCOTLAND: Town/Area	*ERV - Prime Rents	**LV
Aberdeen	£9.25	£550,000
Edinburgh	£8.00	£275,000
Glasgow	£7.50	£225,000

NORTH: Town/Area	*ERV - Prime Rents	**LV
Bradford	£5.75	£300,000
Doncaster	£5.75	£325,000
Leeds	£6.25	£350,000
Liverpool	£6.00	£325,000
Manchester	£6.75	£450,000
Newcastle-upon-Tyne	£5.75	£300,000
Sheffield	£6.00	£325,000
Skelmersdale	£5.75	£300,000

WALES: Town/Area	*ERV - Prime Rents	**LV
Cardiff	£6.25	£250,000
Swansea	£5.75	£225,000

SOUTH WEST: Town/Area	*ERV - Prime Rents	**LV
Bath	£10.00	£650,000
Bristol	£8.50	£600,000
Cheltenham	£6.50	£475,000
Cheltenham	£6.50	£475,000
Exeter	£7.50	£375,000
Gloucester	£6.50	£350,000
Plymouth	£7.00	£300,000
Swindon	£7.50	£450,000

MIDLANDS: Town/Area	*ERV - Prime Rents	**LV
Birmingham	£6.50	£550,000
Coventry	£6.50	£575,000
Derby	£5.75	£350,000
Didcot	£7.50	£650,000
Leicester	£6.25	£450,000
Northampton	£6.25	£525,000
Nottingham	£5.95	£375,000
Oxford	£10.00	£750,000
Rugby	£6.25	£550,000
Stafford	£5.50	£275,000
Stoke-on-Trent	£5.25	£250,000

EAST OF ENGLAND: Town/Area	*ERV - Prime Rents	**LV
Cambridge	£10.00	£700,000
Colchester	£6.50	£500,000
Felixstowe	£5.50	£250,000
Ipswich	£6.50	£350,000
Norwich	£5.50	£325,000
Peterborough	£5.50	£375,000

SOUTH EAST: Town/Area	*ERV - Prime Rents	**LV
Brighton	£11.00	£1,250,000
Chelmsford	£8.00	£800,000
Croydon	£11.50	£1,700,000
Dagenham & Barking	£10.50	£1,350,000
Dartford	£10.00	£1,000,000
Enfield	£11.00	£1,900,000
Guildford	£11.00	£1,500,000
Heathrow	£16.00	£2,500,000
Luton	£9.00	£950,000
Park Royal	£17.00	£2,500,000
Portsmouth	£8.00	£750,000
Reading	£11.50	£1,500,000
Slough	£13.00	£2,000,000
Southampton	£9.00	£850,000

*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.

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THE AVAILABILITY OF GOOD QUALITY SPACE REMAINS TIGHT AND RENTS ARE SEEING AN UPWARD TREND

The general sentiment in the industrial sector at the start of 2017 continues to remain confident despite some uncertainty since the referendum decision to leave the European Union last year. The occupier market remains strong with users requiring additional accommodation with greater efficiency and modernisation, focusing on locations in more strategic areas in order to meet the needs of the evolving world of retail and online demand. Indeed, Amazon signed one of the largest leasing deals of 2016, 2.2 million sqft. (multi-storey) at Roxhill's and Port of Tilbury's 70 acre London Distribution Park in Essex.

While retail remains the most active sector, there are other notable requirements from manufacturing which has stemmed from the weak pound and shows the foundation of a recovery in this sector particularly as the UK's relations with Europe and the world changes. Waste recycling has seen increased demand for city fringe locations fuelled by the construction industry. In the energy sector, there are ongoing smaller infill requirements for battery storage facilities (STOR) aimed at reducing the volatility in electricity supply and the self-storage operators also remain active on the back of growing consumer demand for such services. There are a number of large infrastructure projects in the pipeline including; HS2 and the additional Heathrow runway which could see CPO driven displacement demand in both the South East and Midlands regions.

Despite an increase in development activity, the availability of good quality space remains tight and rents have seen an upward trend which has been enhanced by the residential growth and gentrification of brownfield sites to residential putting further pressure on London's industrial market with headline rents in parts of London peaking at £17.95 per sq ft. Rent free periods are tighter than a year ago and non existent in prime locations. With the exception of some "design & build" schemes. Lease terms remain reasonable, with landlords of existing stock still considering five-year terms. The forthcoming changes to the Energy Performance Certificates have had no significant impact as yet but, as 2018 approaches, and together with the deferred rating revaluation coming in April 2017, the next couple of years could see higher costs for occupiers and landlords.

In the investment market, demand for good quality logistics stock has been robust and yields remained stable - prime logistics assets ending the year at 4.25%. The largest transaction of 2016 in London and the South East was Capital Industrial's £79.5 million acquisition of the Heston & Airlinks Industrial Estate from Segro, reflecting a yield of 5.08%.

Looking forward, while the industrial market in London and the South East is unlikely to remain completely immune from Brexit uncertainty, it is better placed to withstand any potential slowdown than many other parts of the market. Also the growing structural change in the logistic sector could see more Greenfield sites released near major transport links along the South East and Midlands in particular.

While yields may soften marginally, occupier demand is generally outstripping supply which is likely to see continued rental appreciation in selective locations.

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