

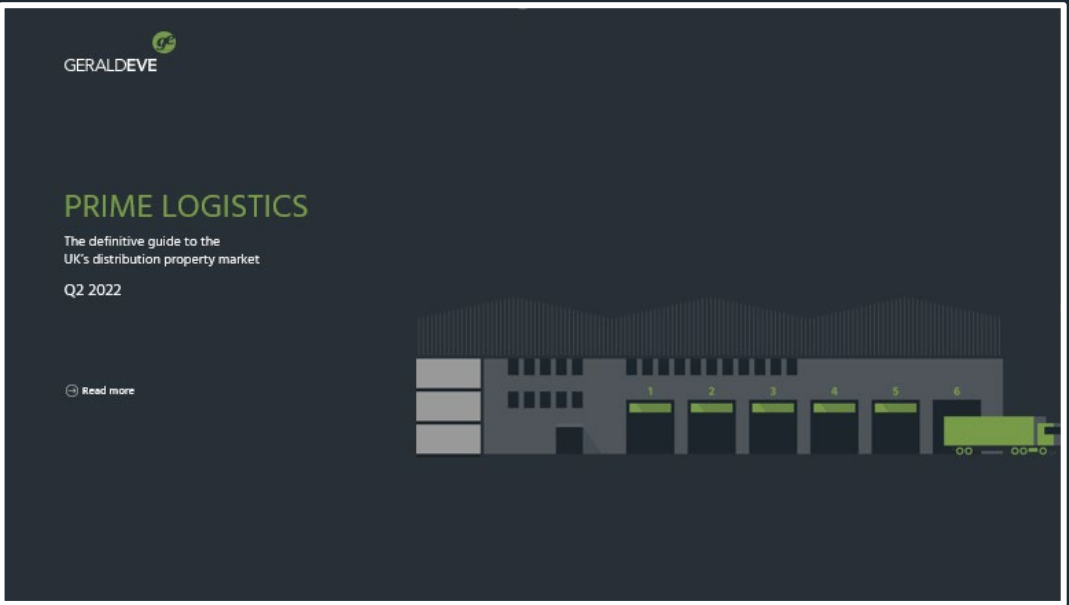
PRIME LOGISTICS

The definitive guide to the
UK's distribution property market

July 2022

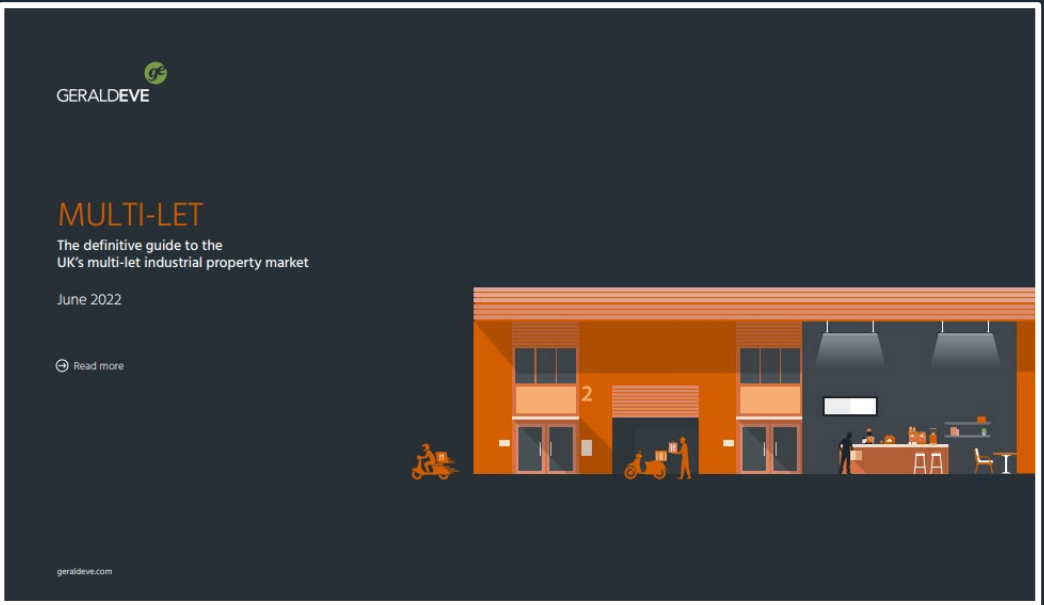


INDUSTRIAL AND LOGISTICS MARKET - RESEARCH



PRIME LOGISTICS

- Big sheds over 50,000 sq ft
- Total market coverage
- 26 regions and 53 centres
- 16 years of quarterly data



MULTI-LET

- Small sheds 500-50,000 sq ft
- Syndicated study
- £30bn capital value
- 15 years of annual data



IN BRIEF

- UK property investment
- Economic analysis
- Monthly updates
- Detailed forecasts

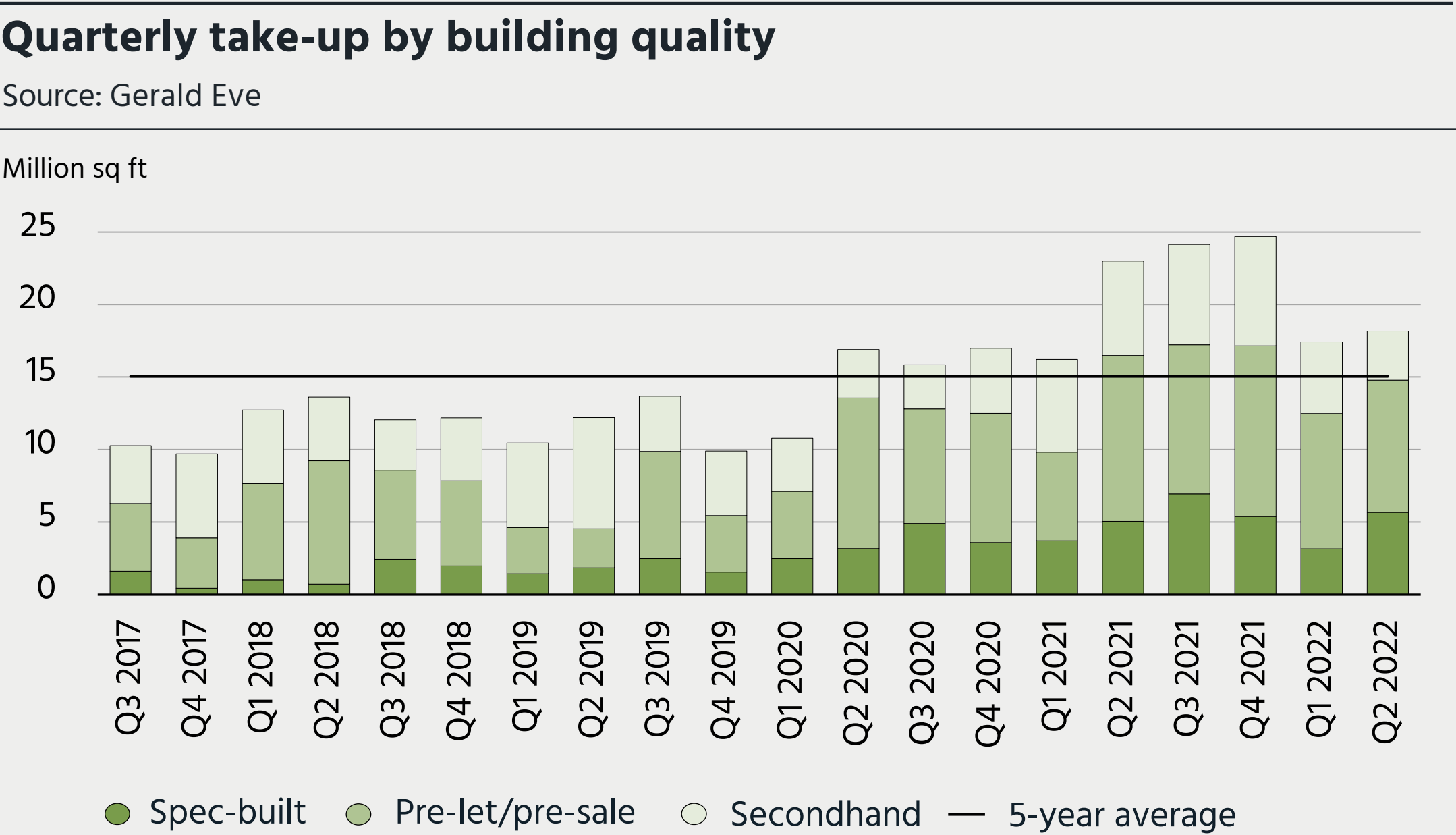
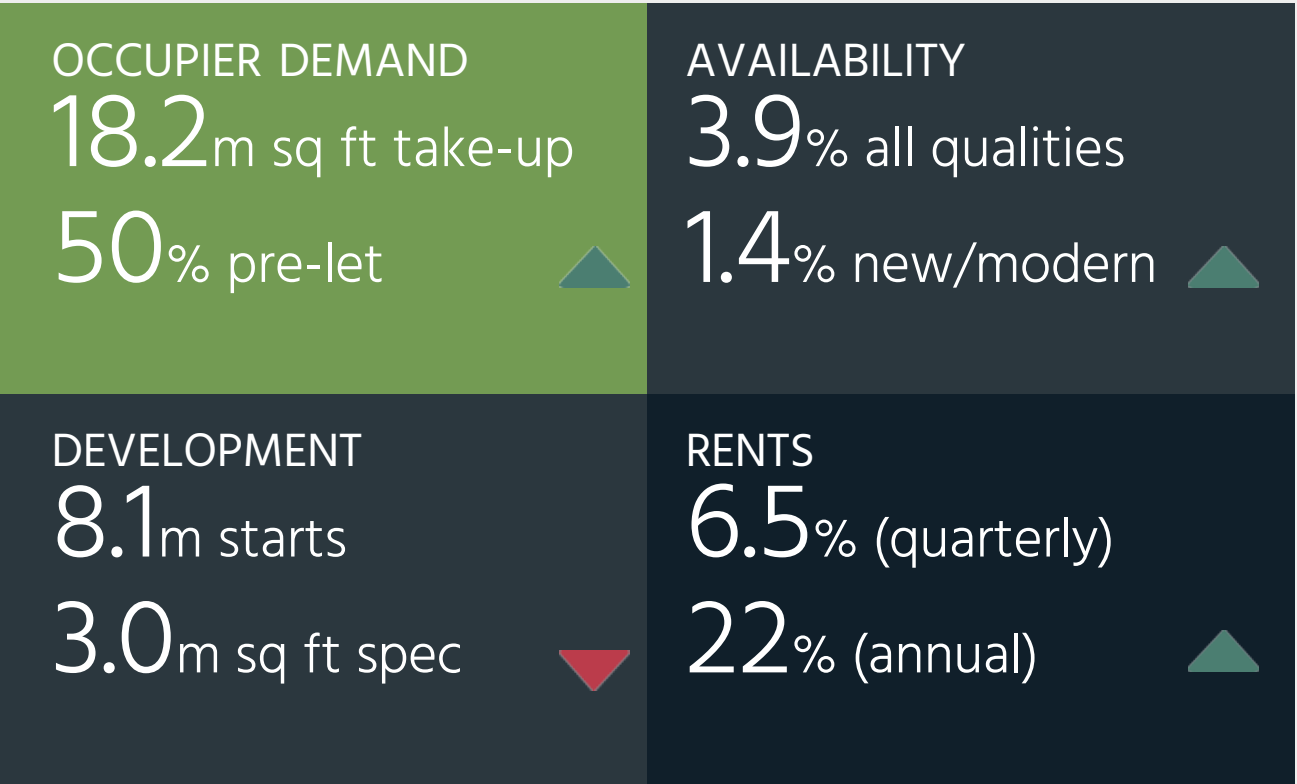
PRIME LOGISTICS



UK OVERVIEW



OCCUPIER DEMAND



AVAILABILITY

OCCUPIER DEMAND

18.2m sq ft take-up

50% pre-let

▲

DEVELOPMENT

8.1m starts

3.0m sq ft spec

▼

AVAILABILITY

3.9% all qualities

1.4% new/modern

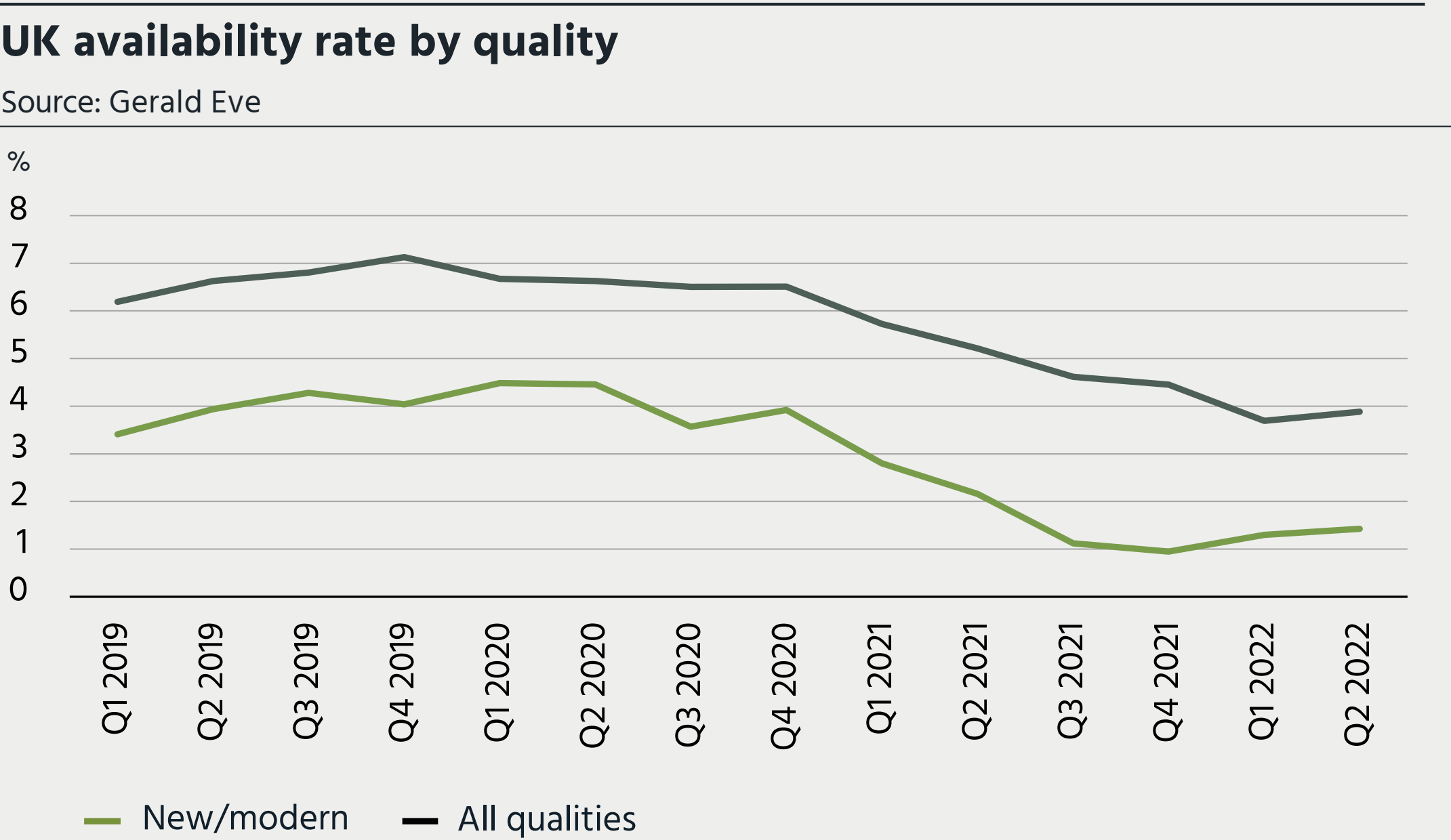
▲

RENTS

6.5% (quarterly)

22% (annual)

▲



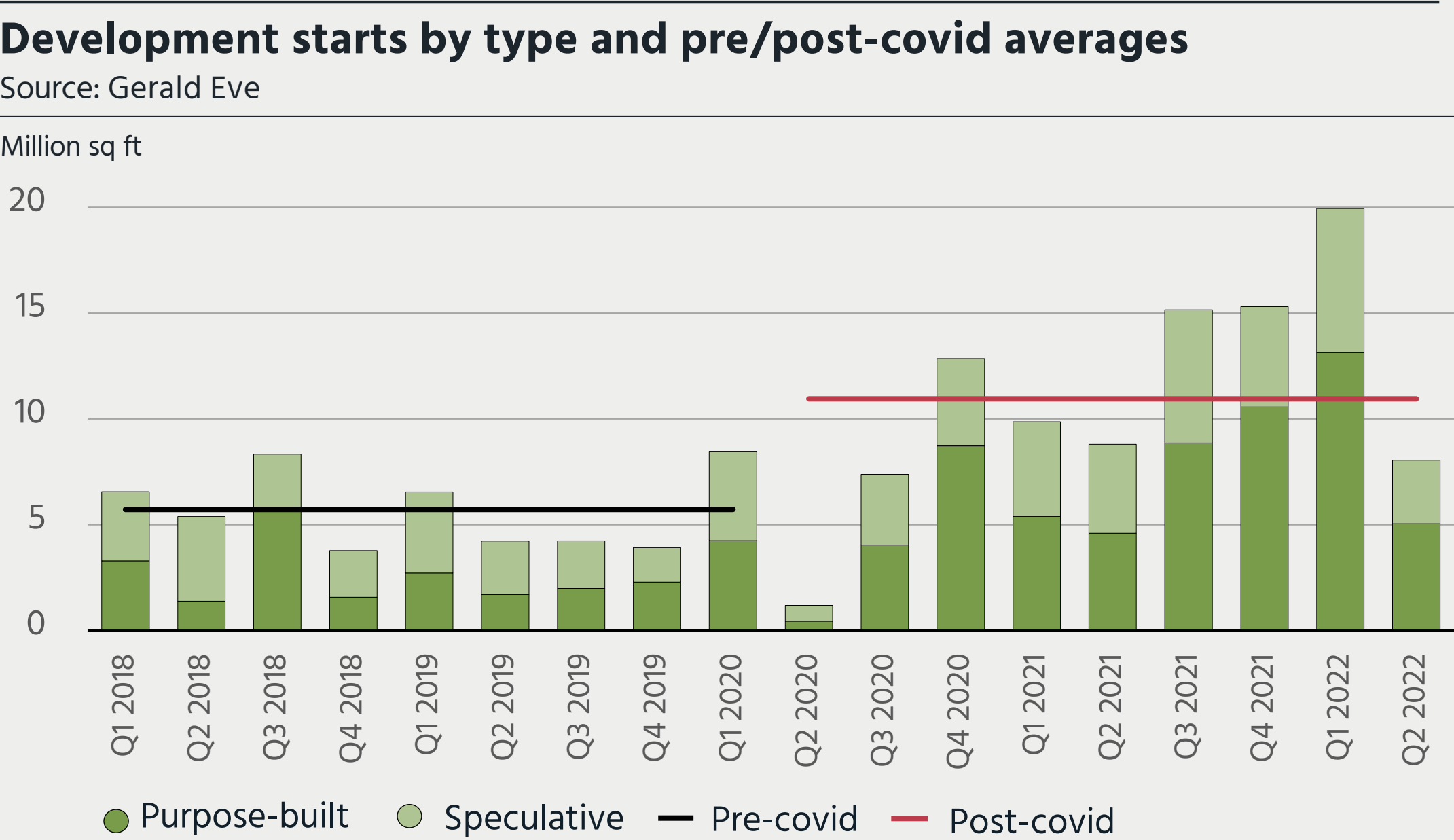
DEVELOPMENT

OCCUPIER DEMAND
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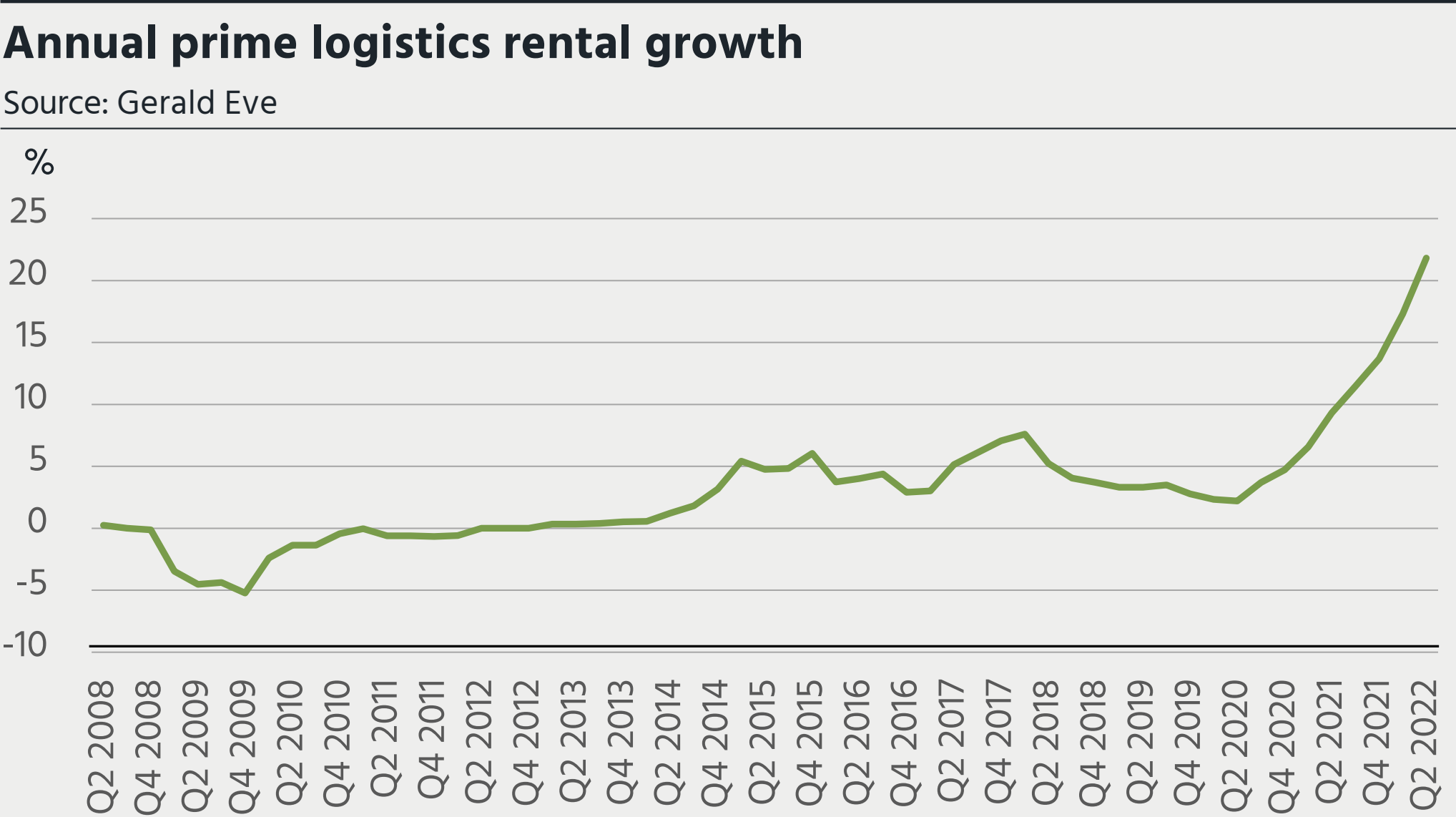
RENTS

OCCUPIER DEMAND
18.2m sq ft take-up
50% pre-let ▲

AVAILABILITY
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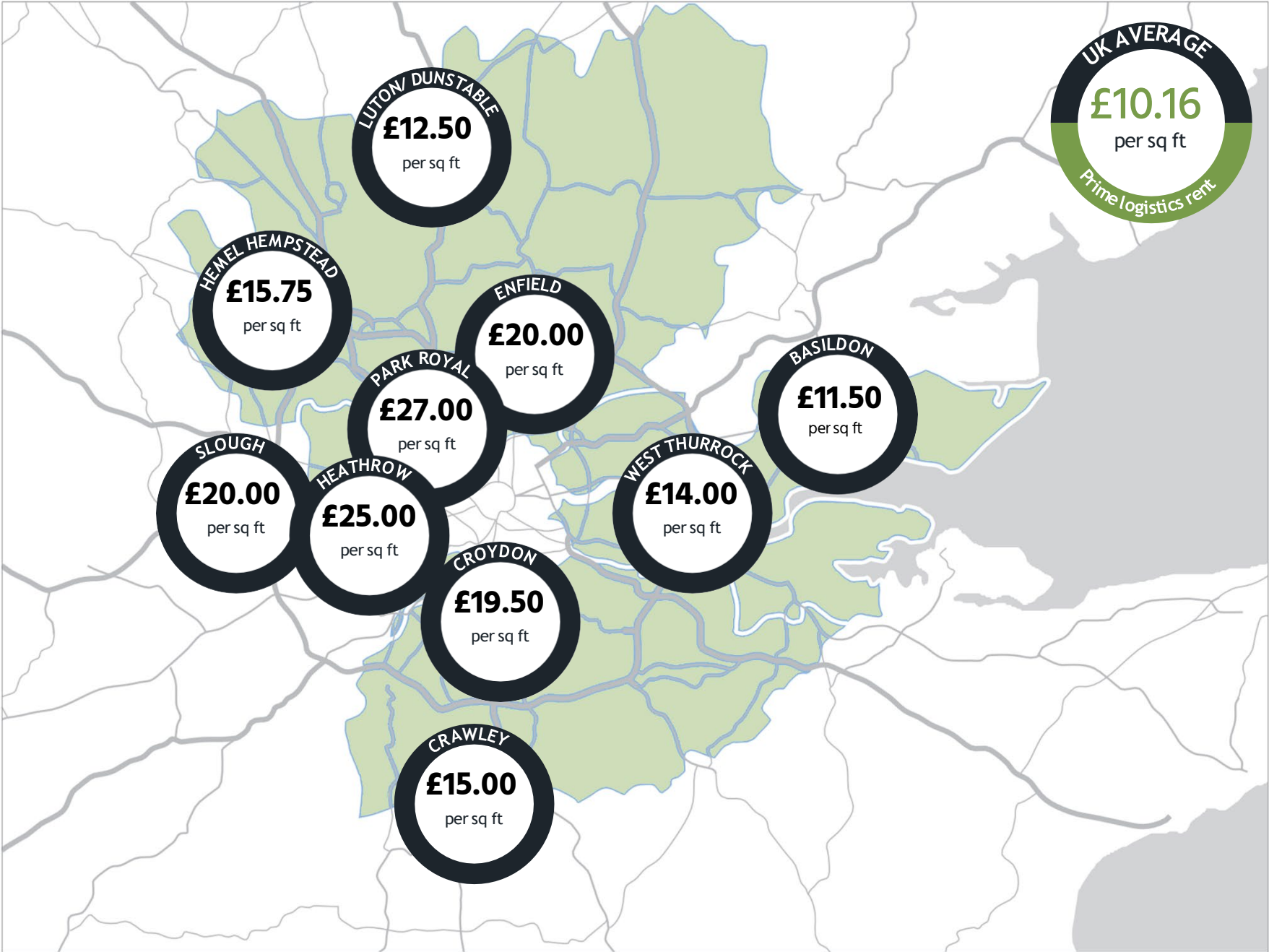


LONDON WEST



LONDON OVERVIEW

PRIME LOGISTICS RENTS



Prime rent: typical achievable headline rent in £ per sq ft for units of good quality over 50,000 sq ft and let on a typical 10 year lease to a tenant of strong covenant.

DEMAND

Occupier quarterly take-up

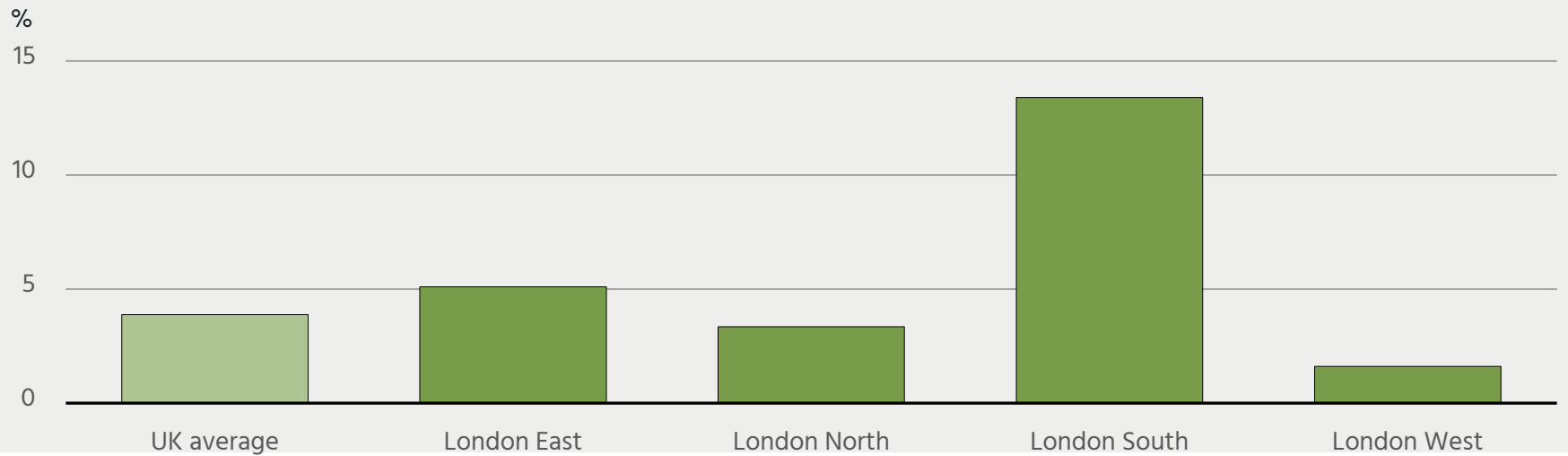
Source: Gerald Eve



AVAILABILITY

Availability rate

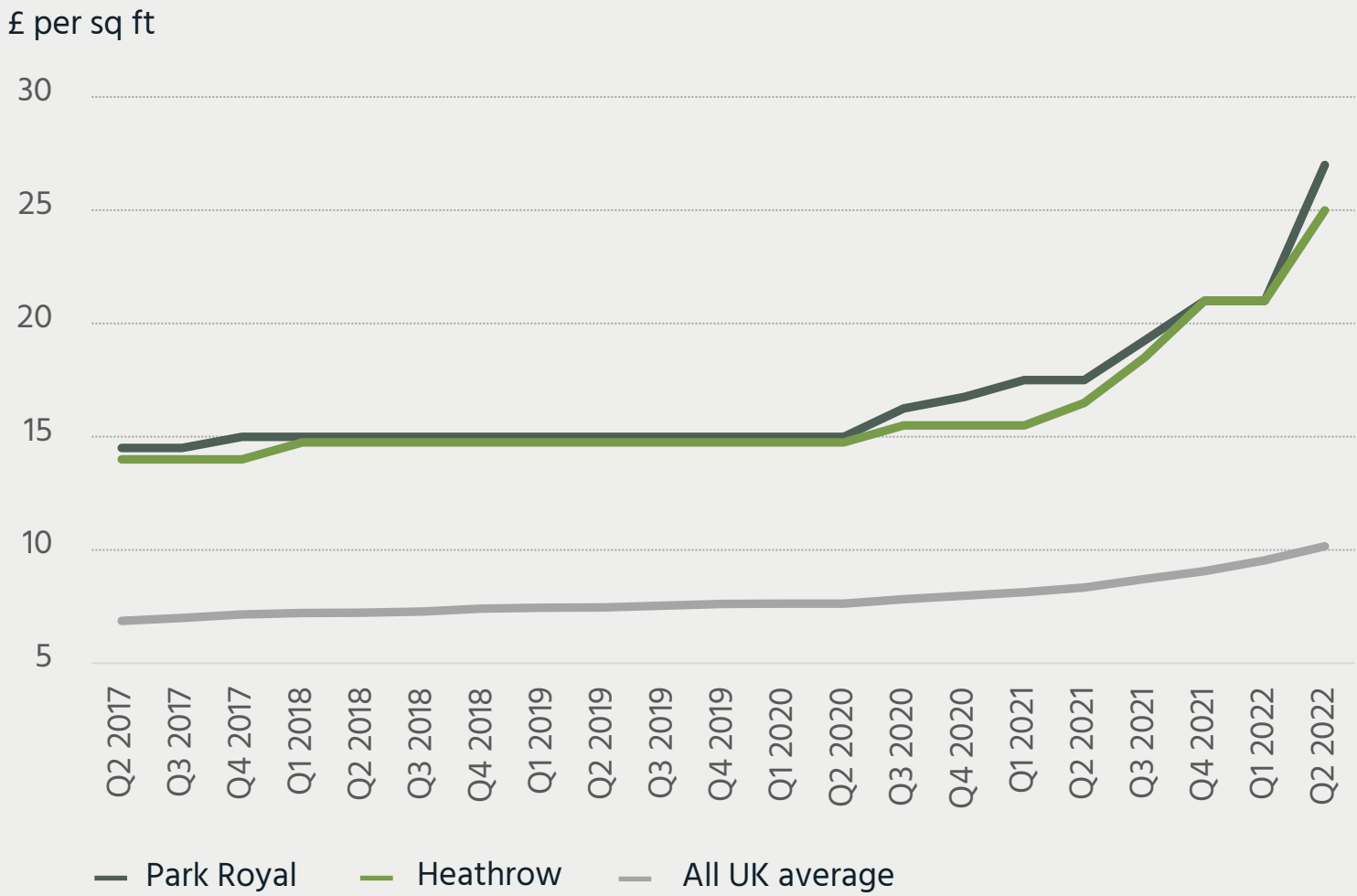
Source: Gerald Eve



LONDON WEST PRIME LOGISITICS RENTS AND YIELDS

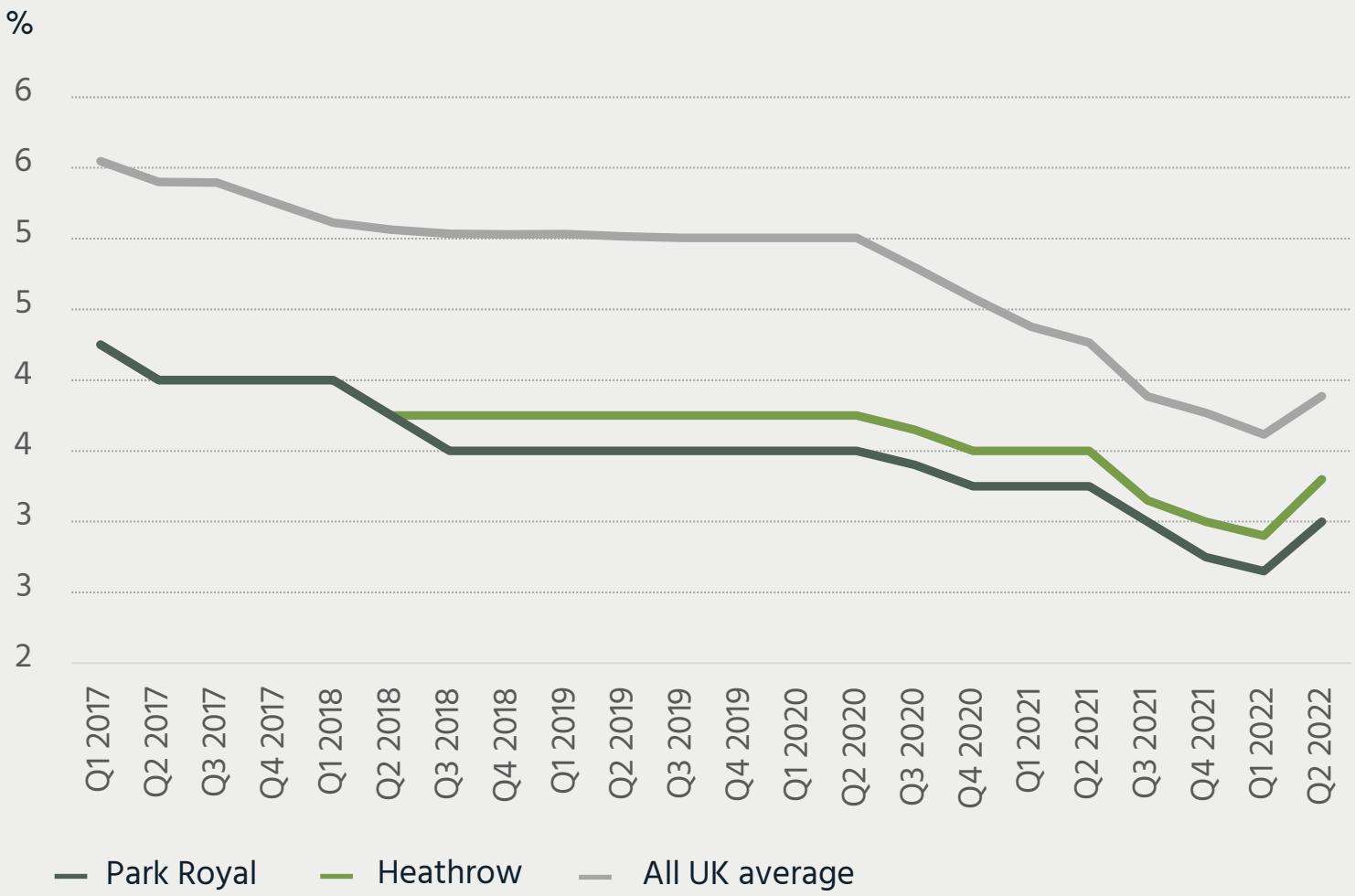
Prime logistics headline rents

Source: Gerald Eve



Prime logistics yields

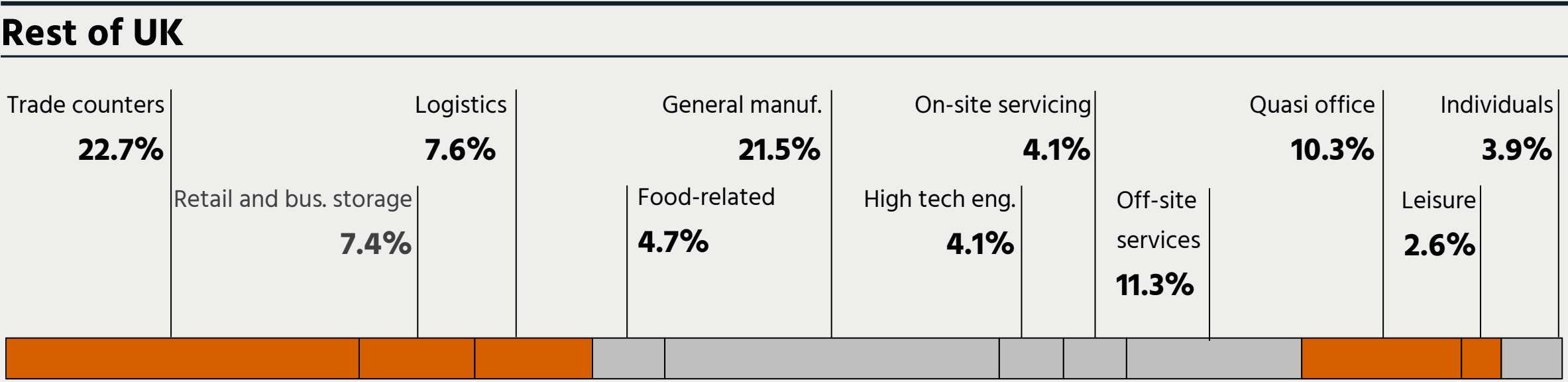
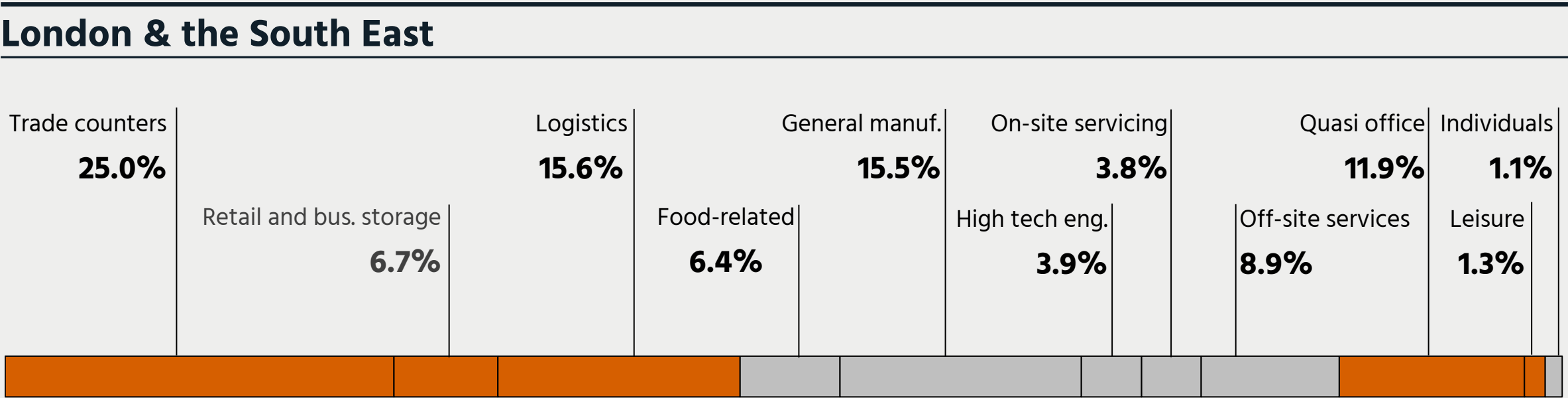
Source: Gerald Eve



MULTI-LET



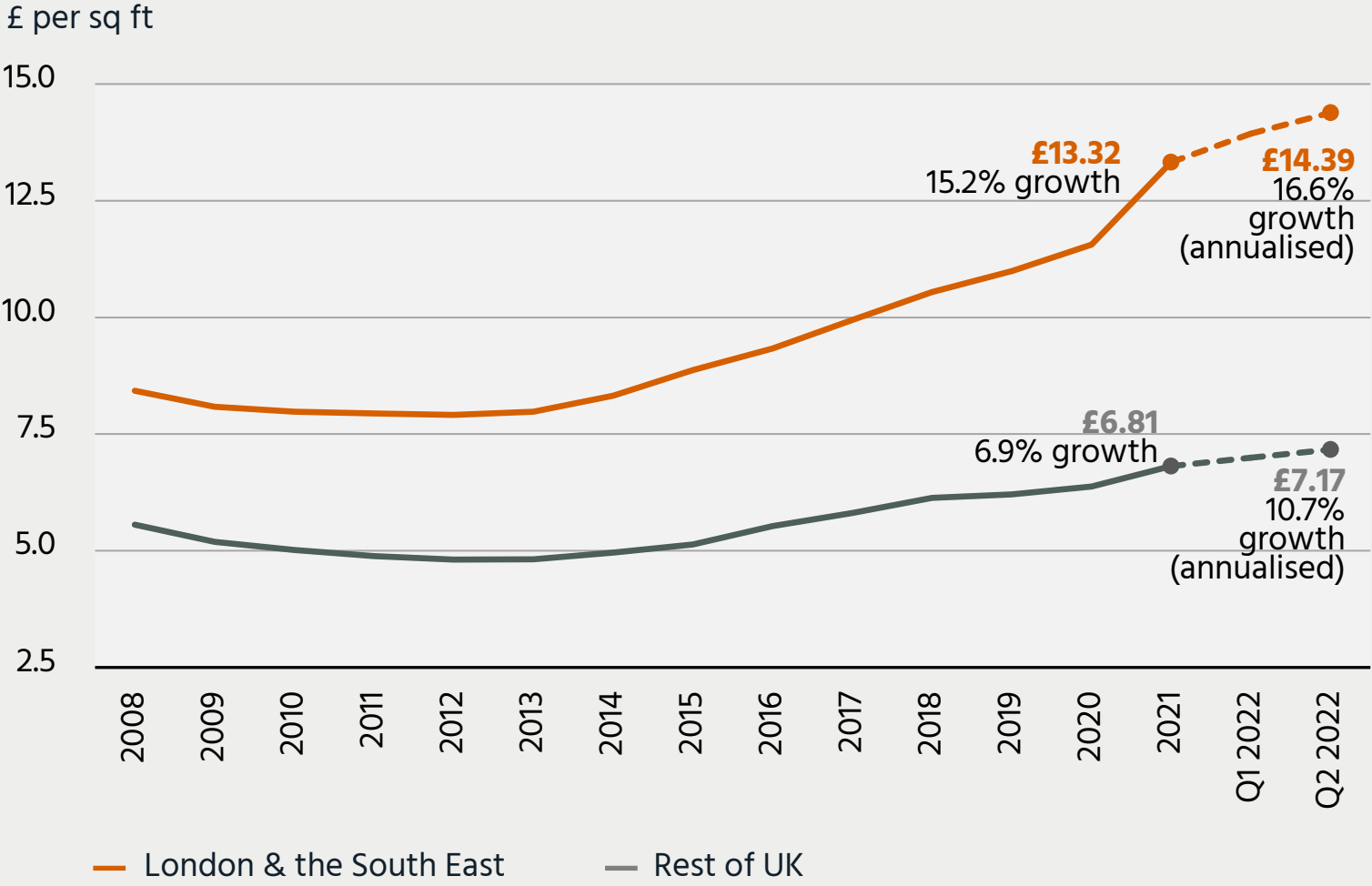
TENANT BASE BROADLY UNCHANGED IN 2021 AFTER “MODERNISATION” PERIOD OF 2012-16



PRIME RENTAL GROWTH FOCUSSED IN THE SOUTH EAST

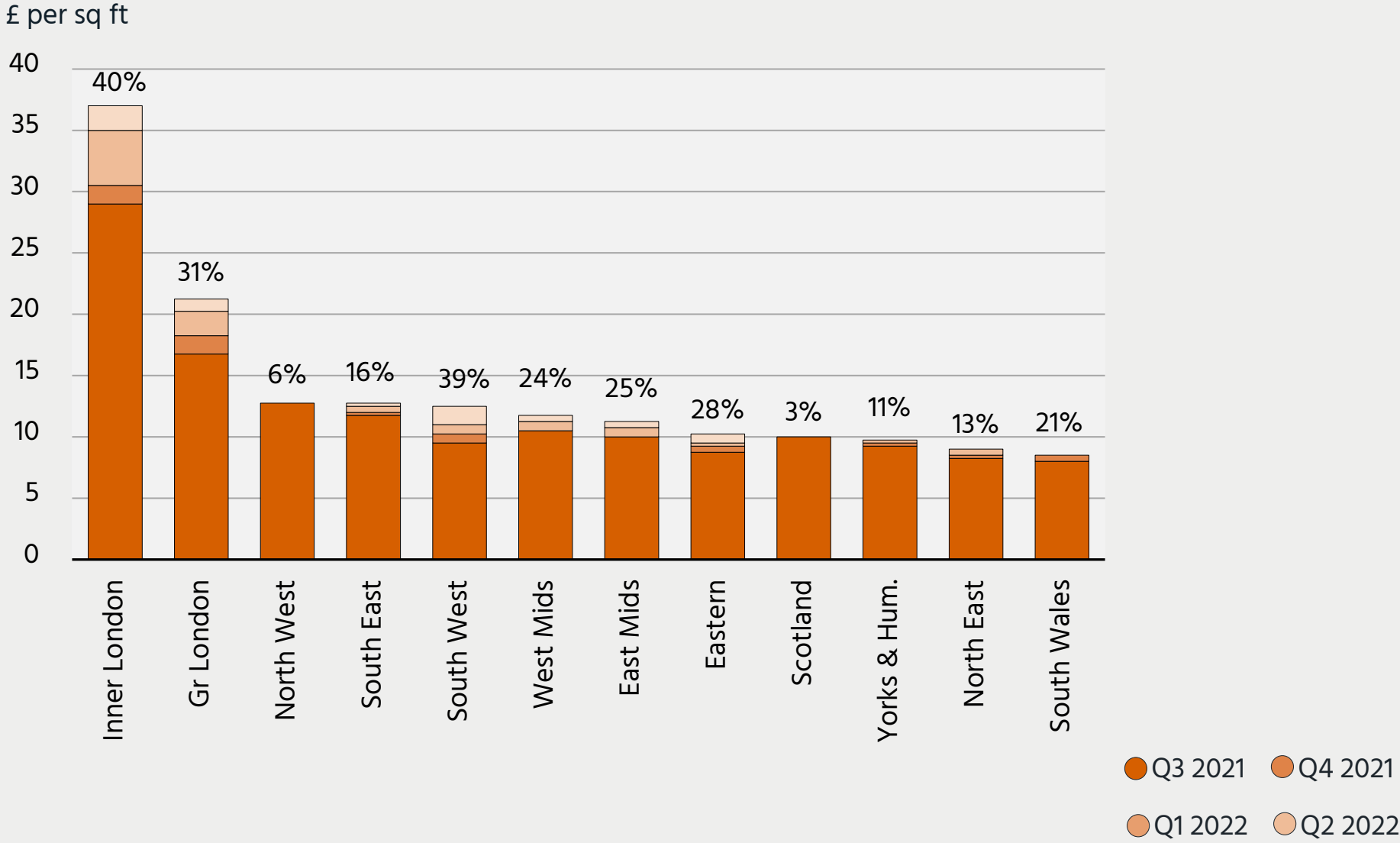
Multi-let ERVs by major UK region

Source: Gerald Eve



Prime headline rents for past four qtrs (+ annual growth)

Source: Gerald Eve

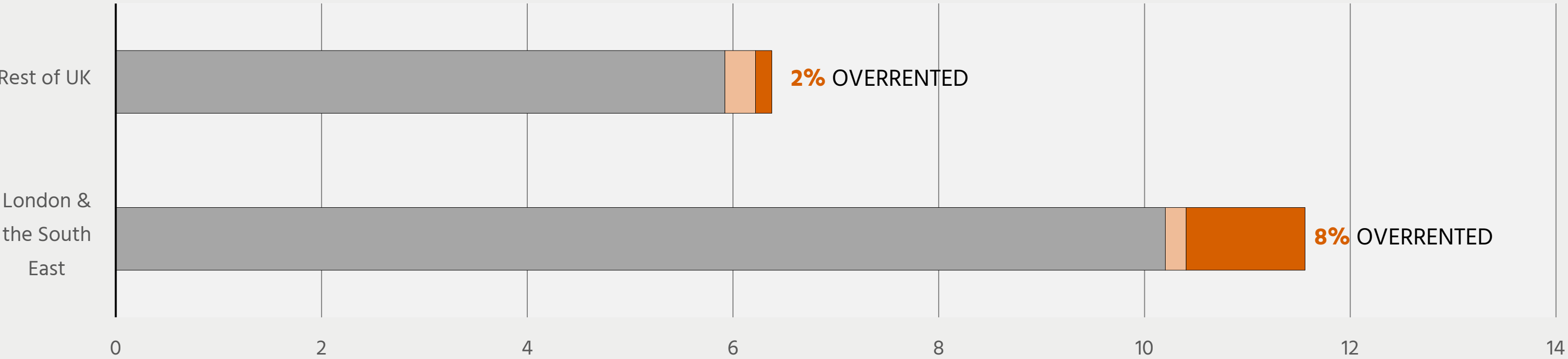


ERV GROWTH HAS MOSTLY LED TO INCREASED UNDERRENTEDNESS AND REVERSION

Passing and contracted rents, and ERVs: 2020

Source: Gerald Eve

£ per sq ft

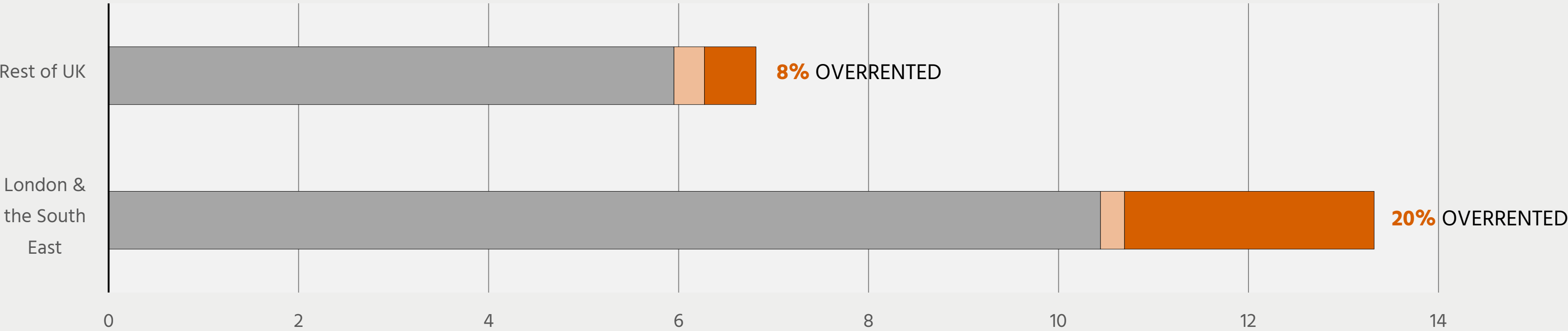


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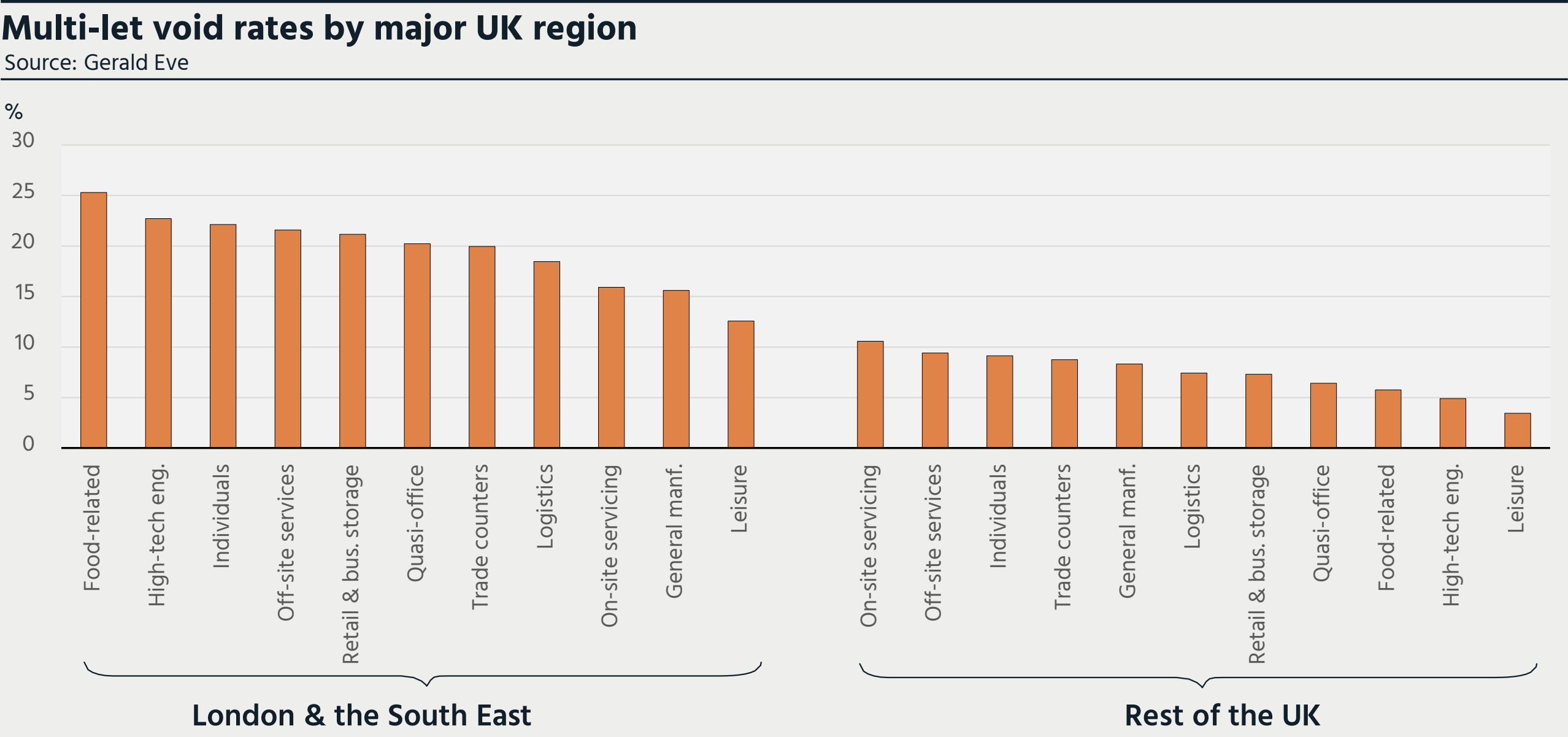
Passing and contracted rents, and ERVs: 2021

Source: Gerald Eve

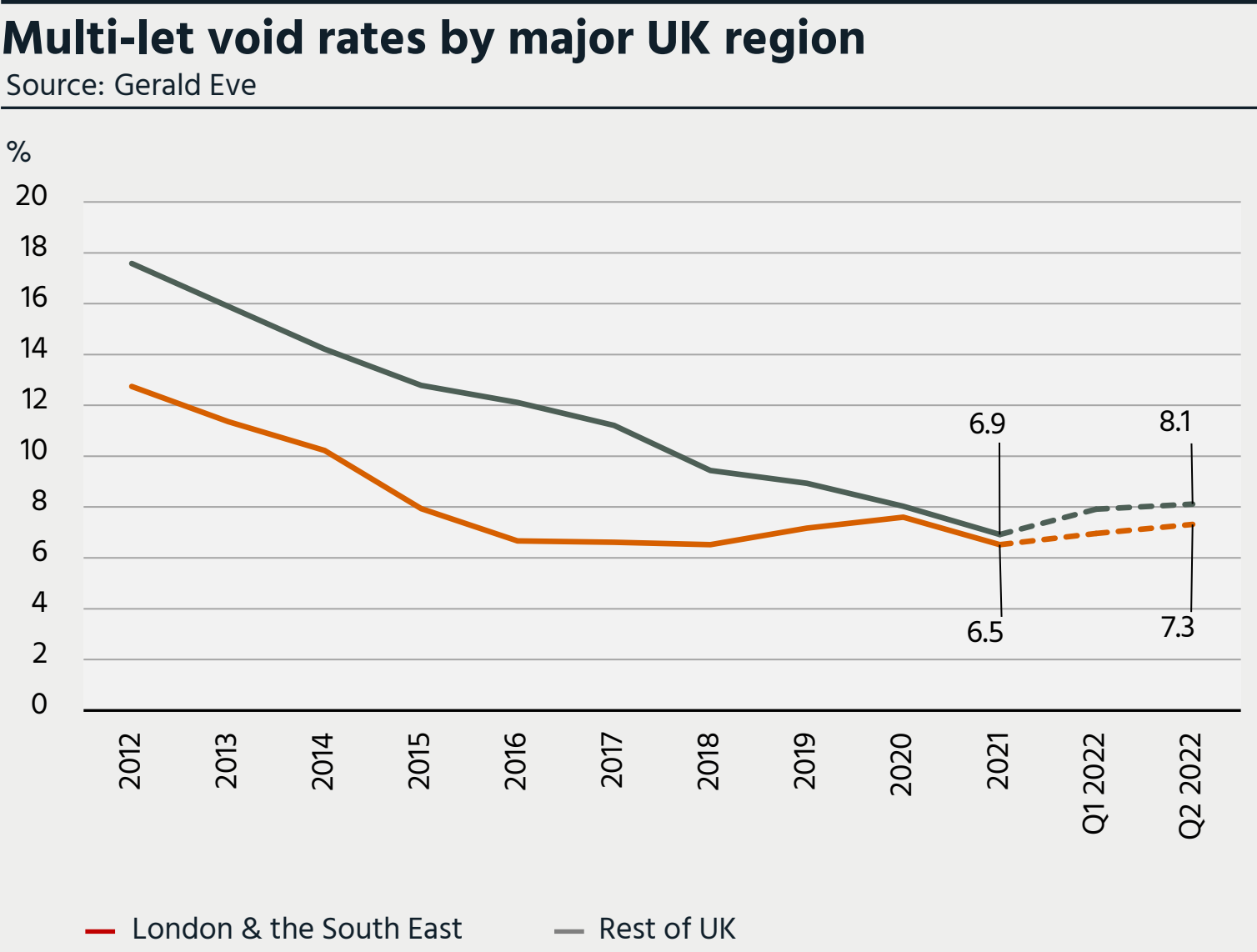
£ per sq ft



WHICH OCCUPIER SECTORS ARE (MOST) EXPOSED?

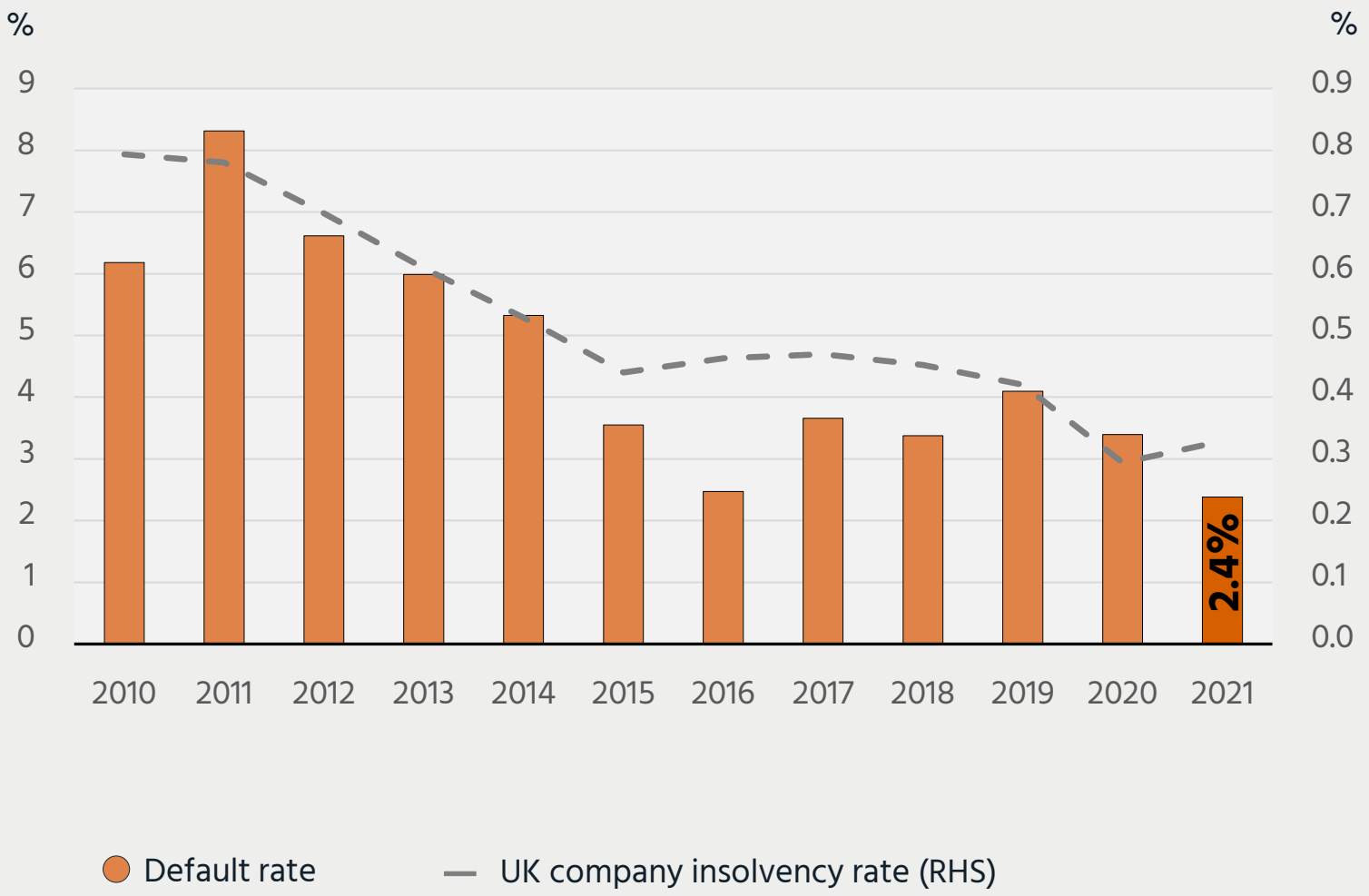


VOID RATES BOTTOM OUT IN 2021 BUT EDGE UP IN 2022

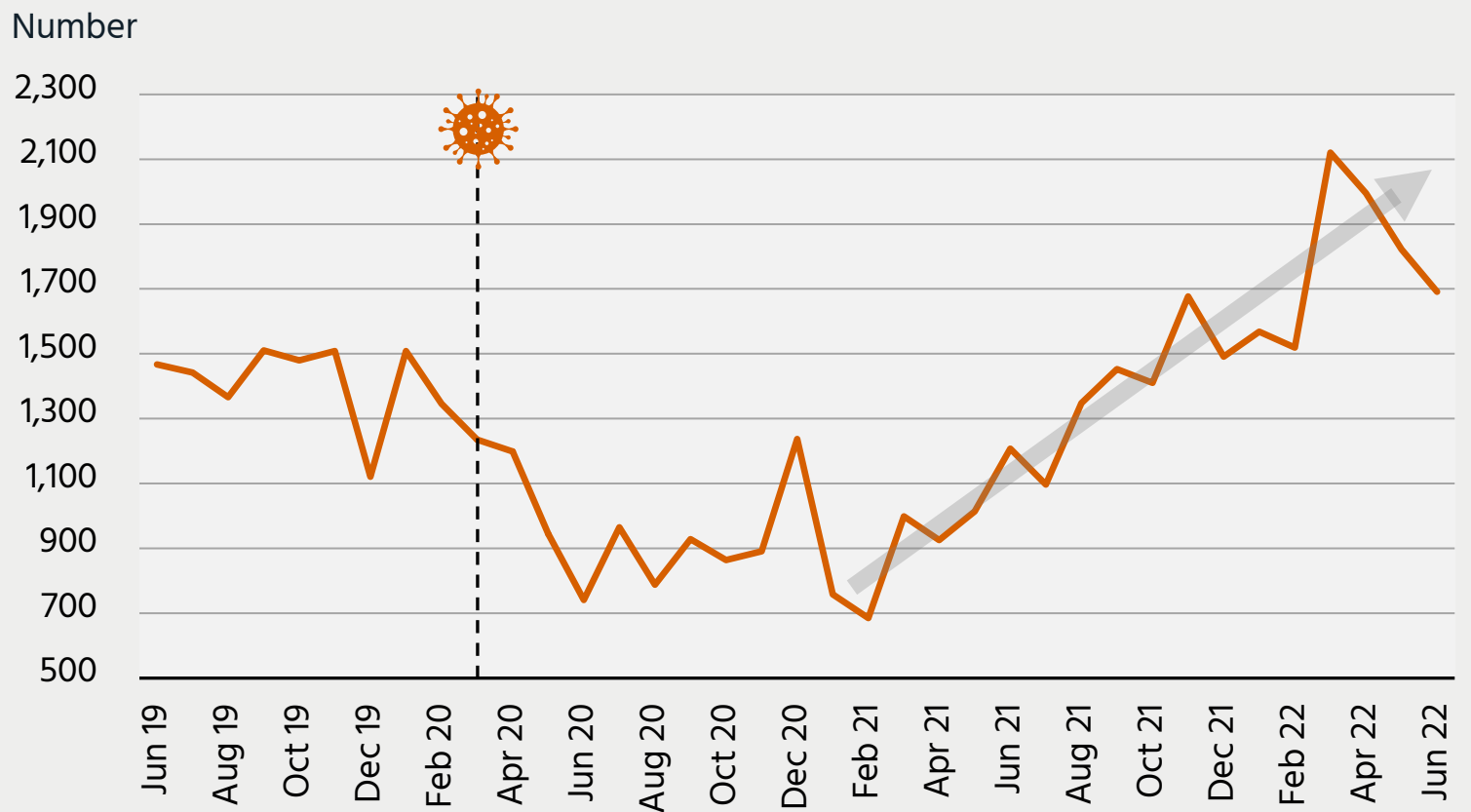


LOWEST DEFAULT RATE ON RECORD - BUT OMINOUS SIGNS FROM INSOLVENCIES?

Multi-let default rate and UK company insolvency rate
Source: Gerald Eve, ONS



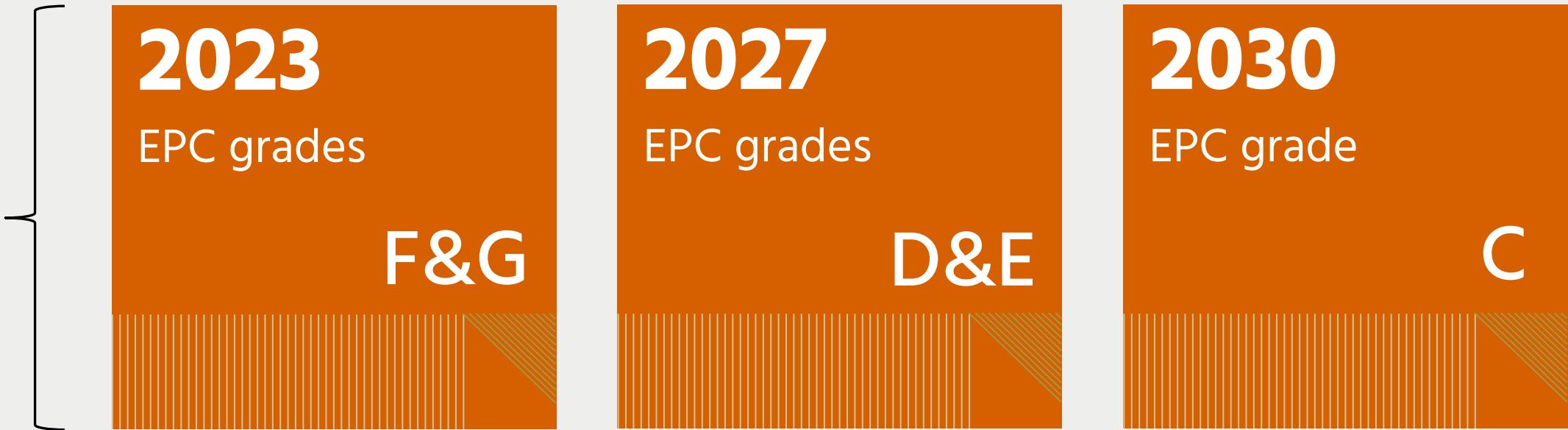
England and Wales company insolvencies per month
Source: ONS



THE EPC MINIMUM ENERGY EFFICIENT STANDARDS (MEES) COUNTDOWN...

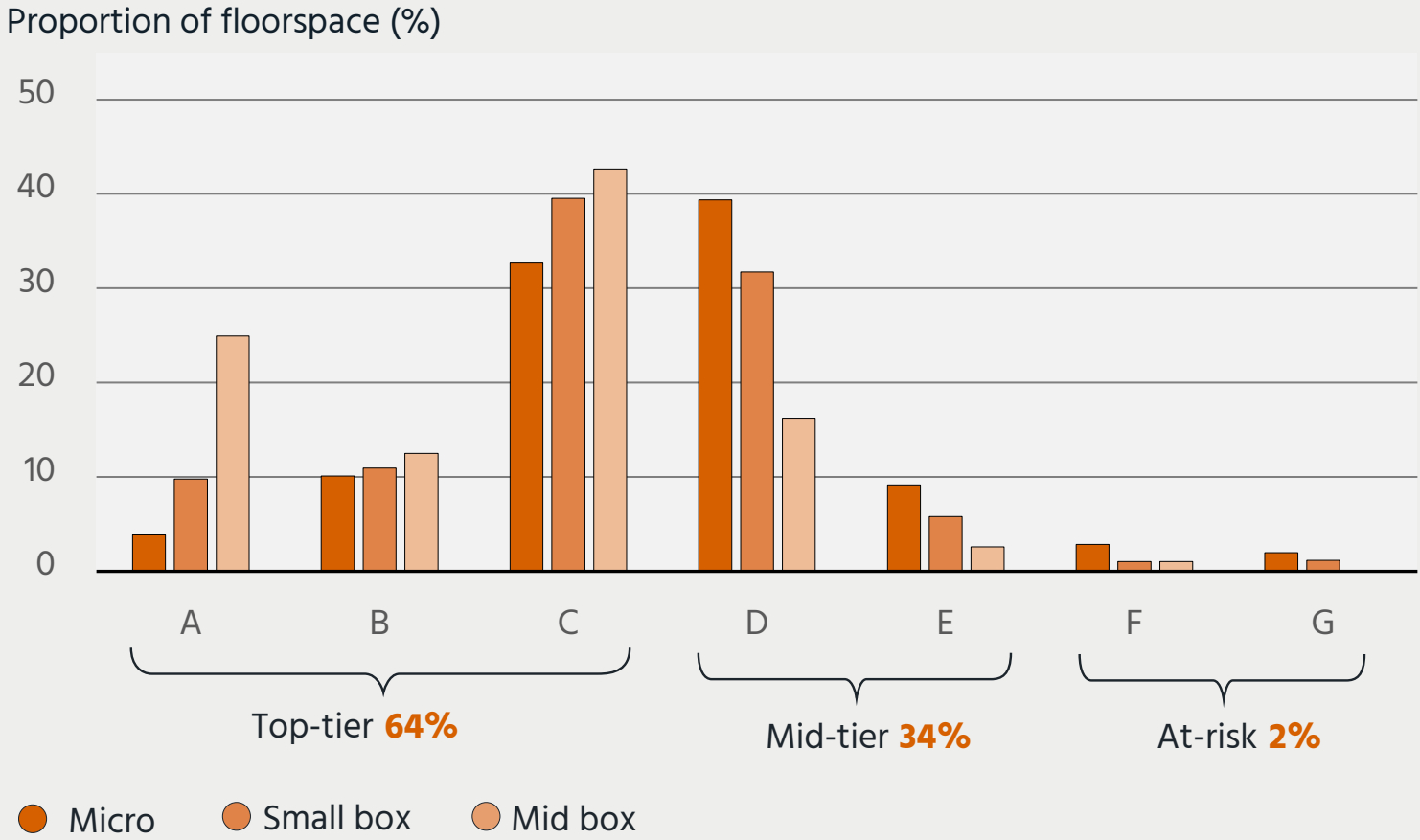
WHAT ARE NON-COMPLIANT UNITS?

LANDLORDS MAY NOT
LET OR CONTINUE TO LET
NON-COMPLIANT UNITS



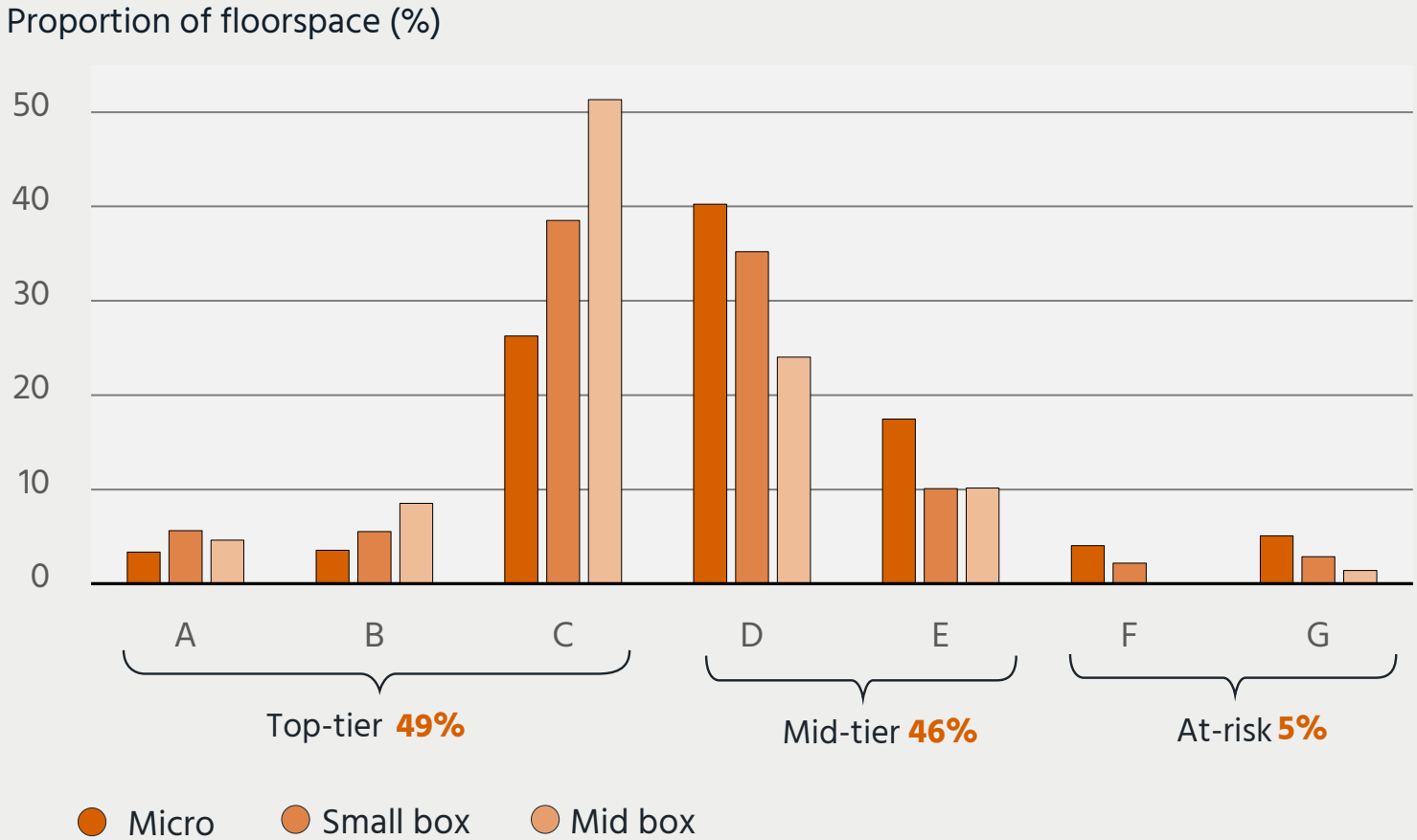
EPC DISTRIBUTION ACROSS UK MULTI-LET

London & the South East multi-let by EPC grade
Source: Gerald Eve



Over a third of the market needs some kind of intervention in the next five years

Rest of UK multi-let by EPC grade
Source: Gerald Eve



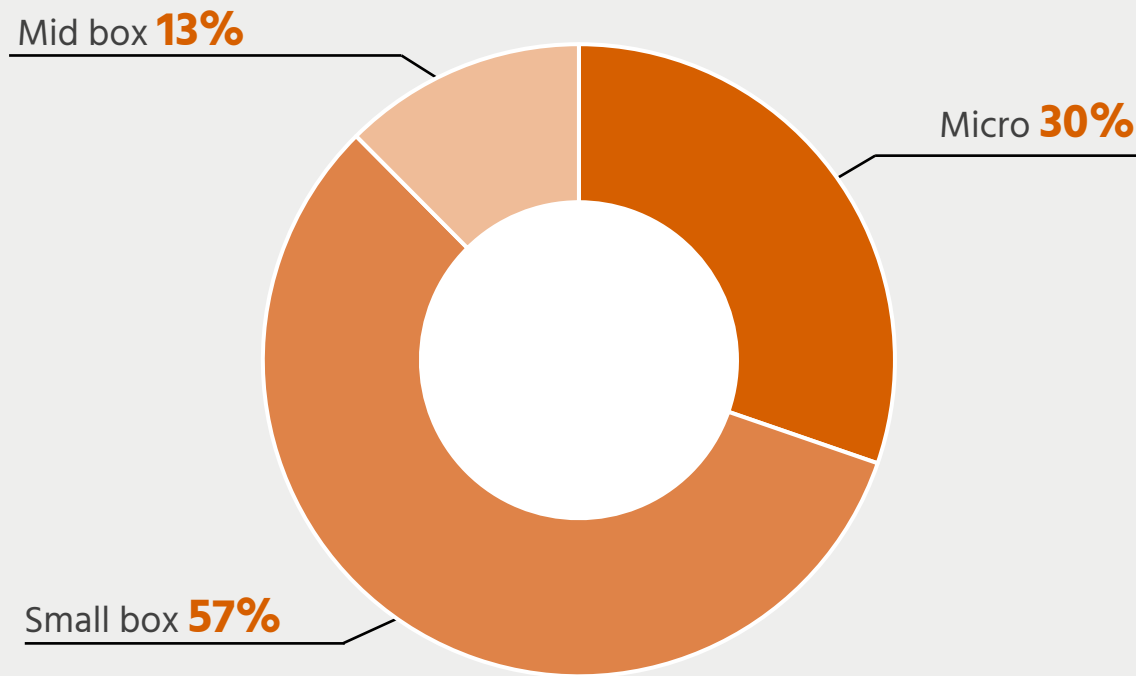
Over half of the market needs some kind of intervention in the next five years

PREDOMINANTLY AN ISSUE FOR SMALL BOX, BUT A SIGNIFICANT PROPORTION OF MICRO UNITS OUTSIDE OF THE SOUTH EAST

AT-RISK FLOORSPACE BY UNIT SIZE

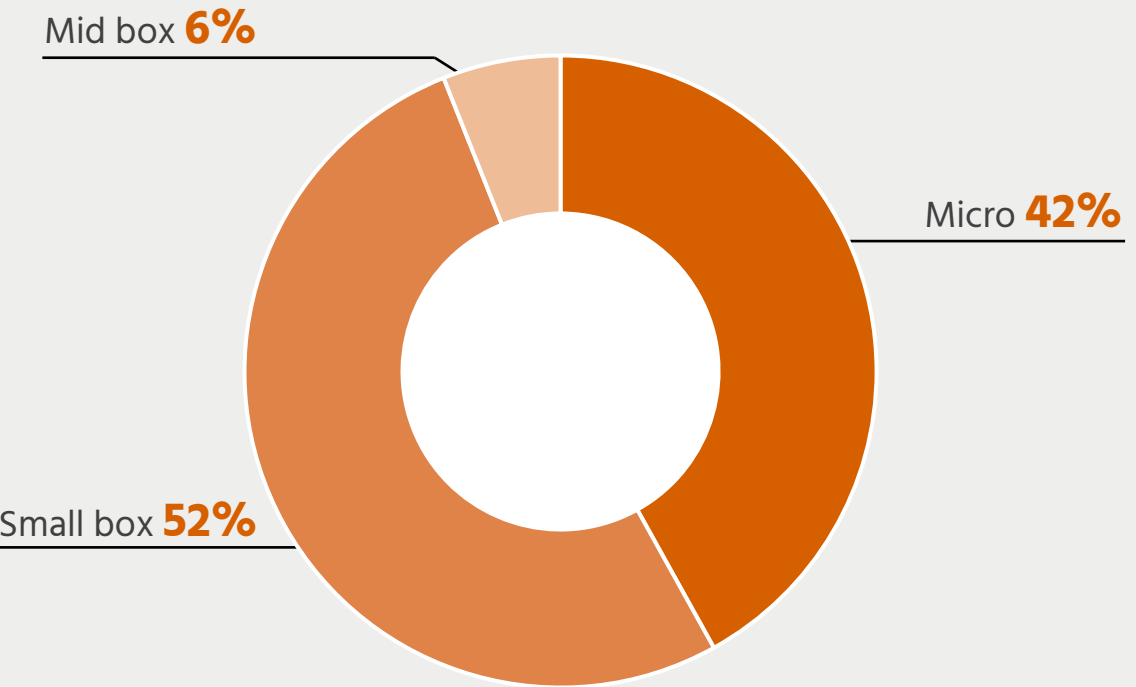
London & the South East

Source: Gerald Eve

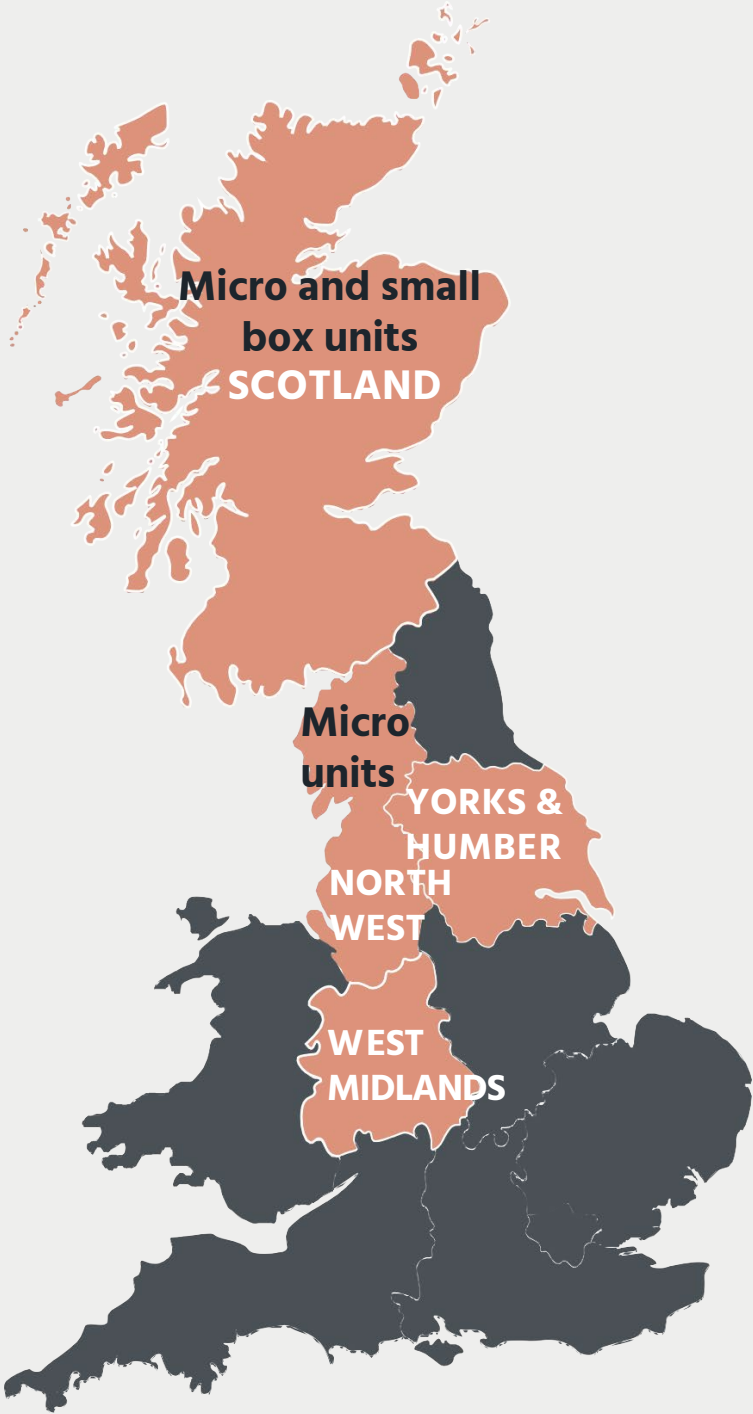


Rest of UK

Source: Gerald Eve



NOTABLE AT-RISK REGIONS



AT-RISK FLOORSPACE: OCCUPIERS

LONDON & THE SOUTH EAST

MICRO

A wide range of tenants. Trade counters under- represented and 'individuals' over represented.

SMALL BOX

A large proportion void. Otherwise a broad mix of tenant relative to market share.

MID BOX

A large and overweight proportion of retail & business storage tenants (i.e. in-house storage/ logistics).

REST OF THE UK

MICRO

A relatively high proportion of manufacturers compared with their occupier footprint

SMALL BOX

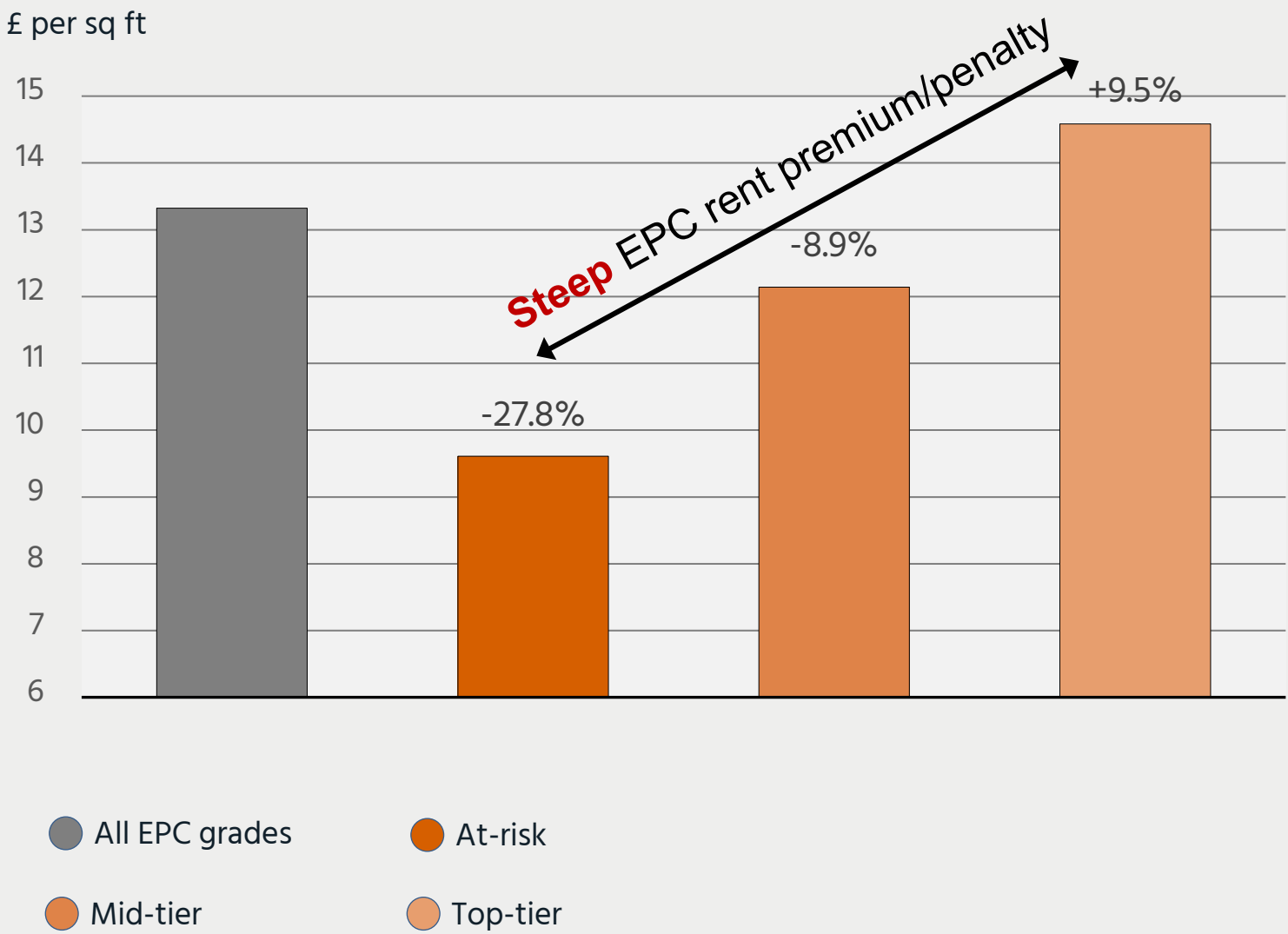
9% void rate. A wide range of tenants in line with their occupier footprints. Thus manufacturers and trade counters the largest groups.

MID BOX

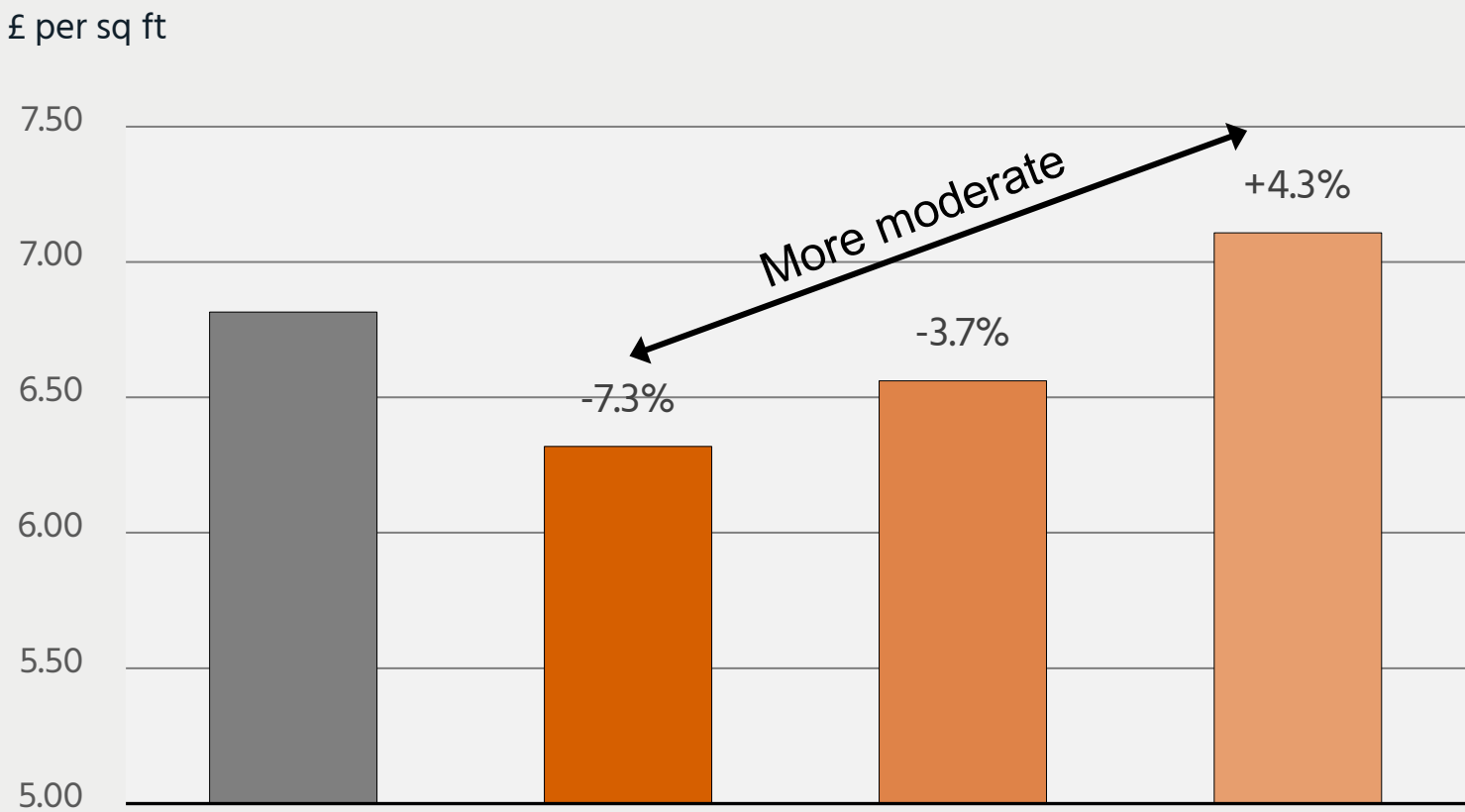
Massive overrepresentation of manufacturers.

STEEP EPC RENTAL DELINEATION IN LONDON & THE SOUTH EAST...

London & the South East ERVs by EPC grade
Source: Gerald Eve

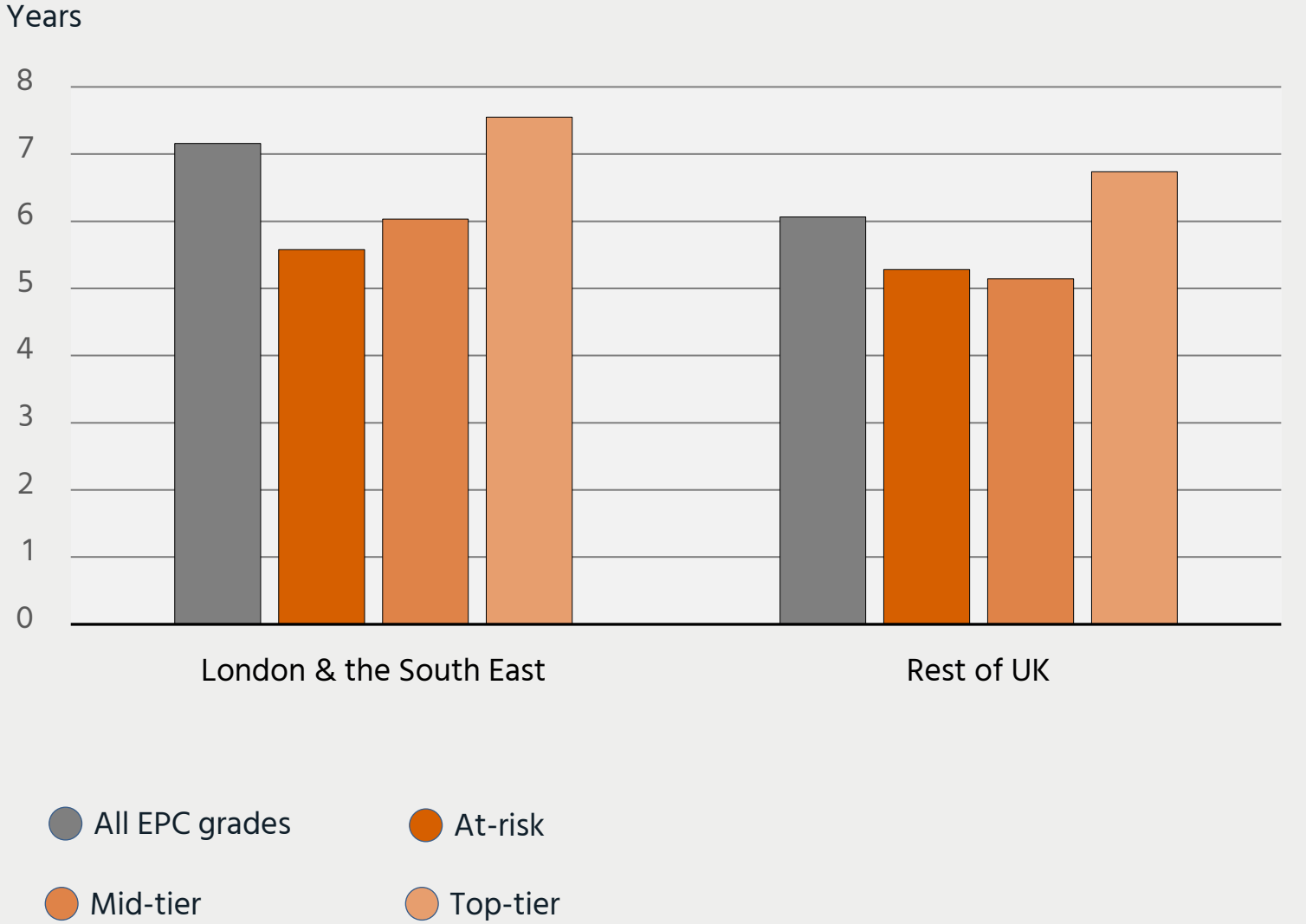


Rest of UK ERVs by EPC grade
Source: Gerald Eve

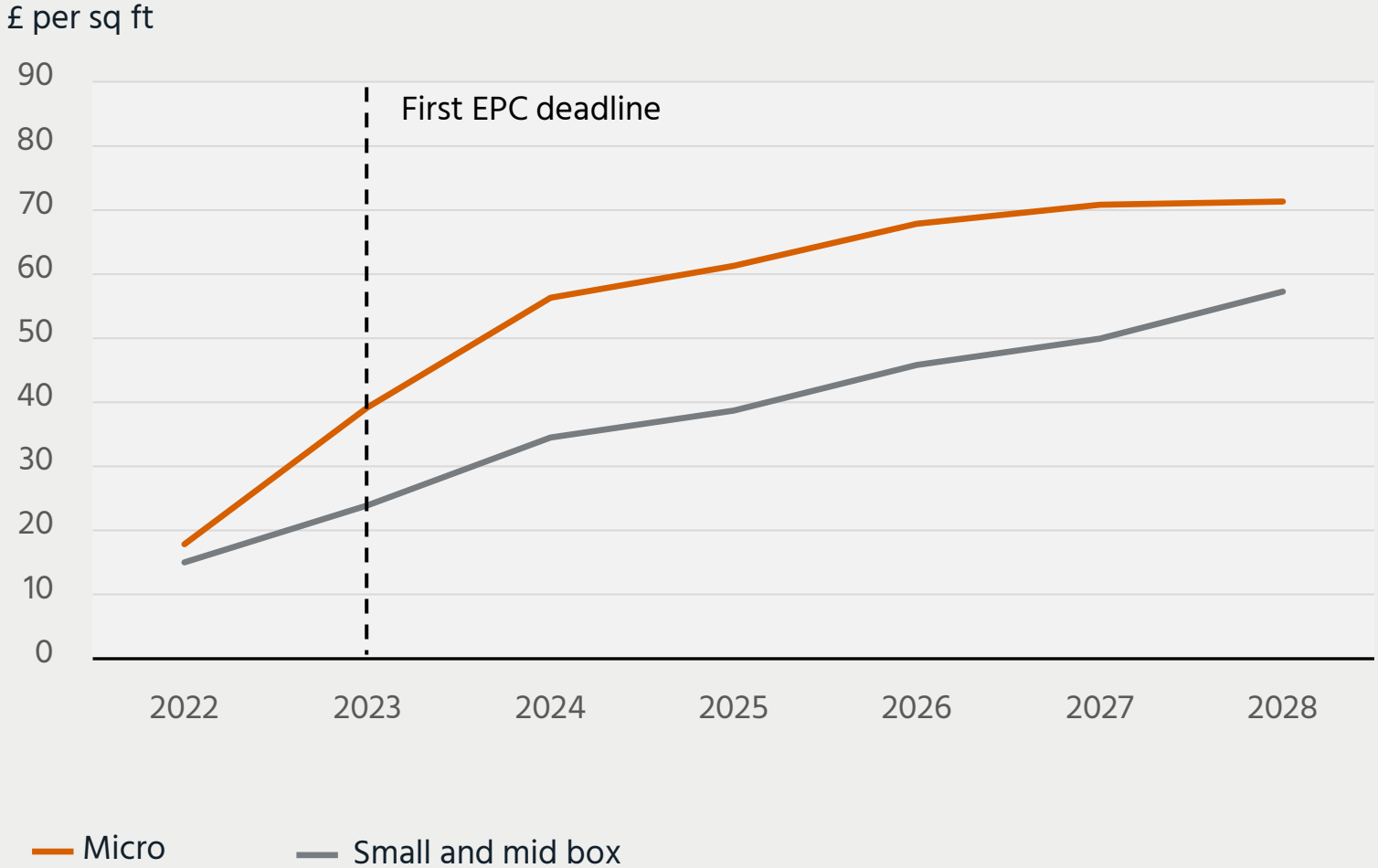


AT-RISK NEW LETTINGS IN 2021 AVERAGED JUST OVER FIVE YEARS

Newly-signed length of income by EPC grade
Source: Gerald Eve

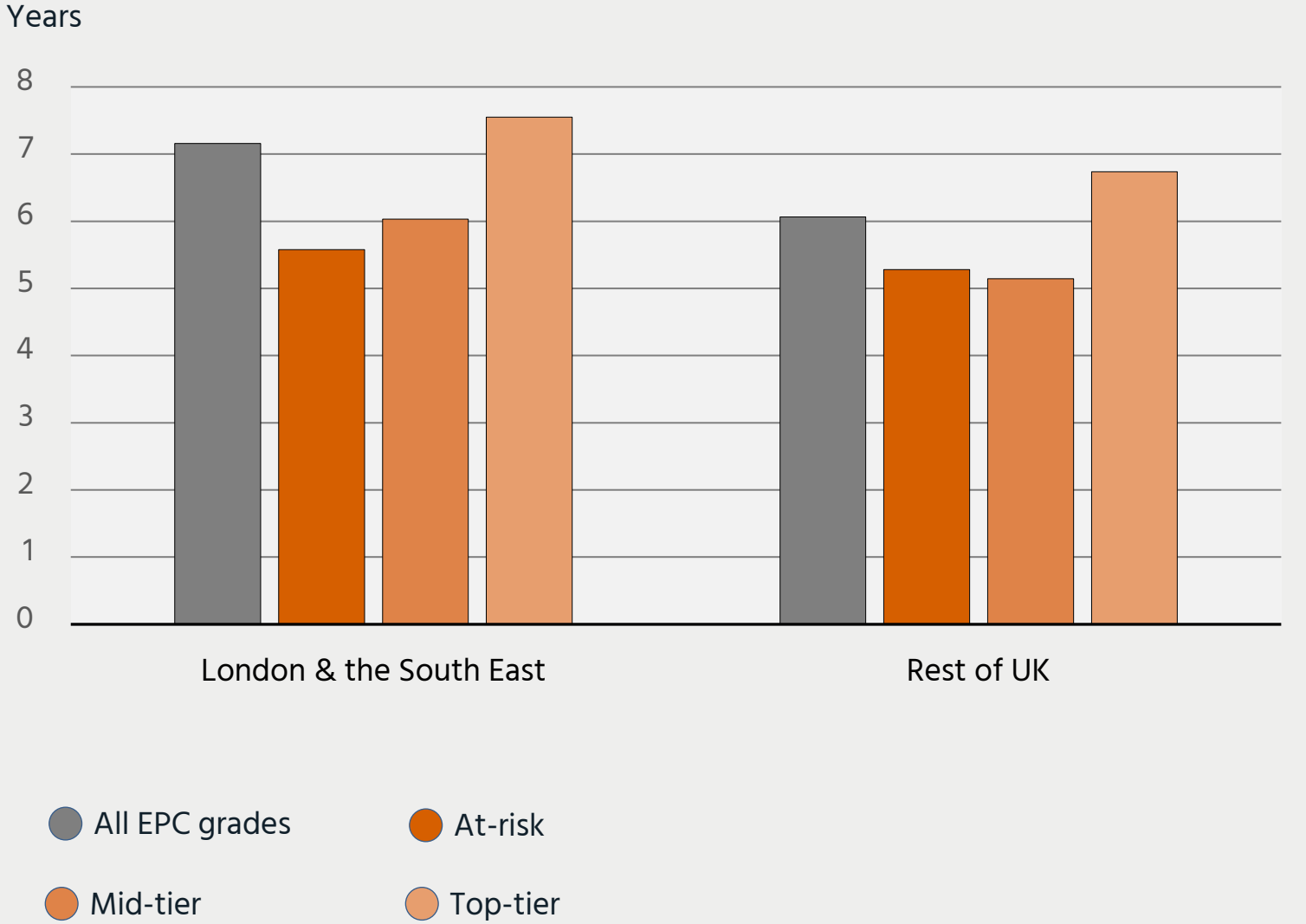


UK cumulative proportion of at-risk expiries
Source: Gerald Eve

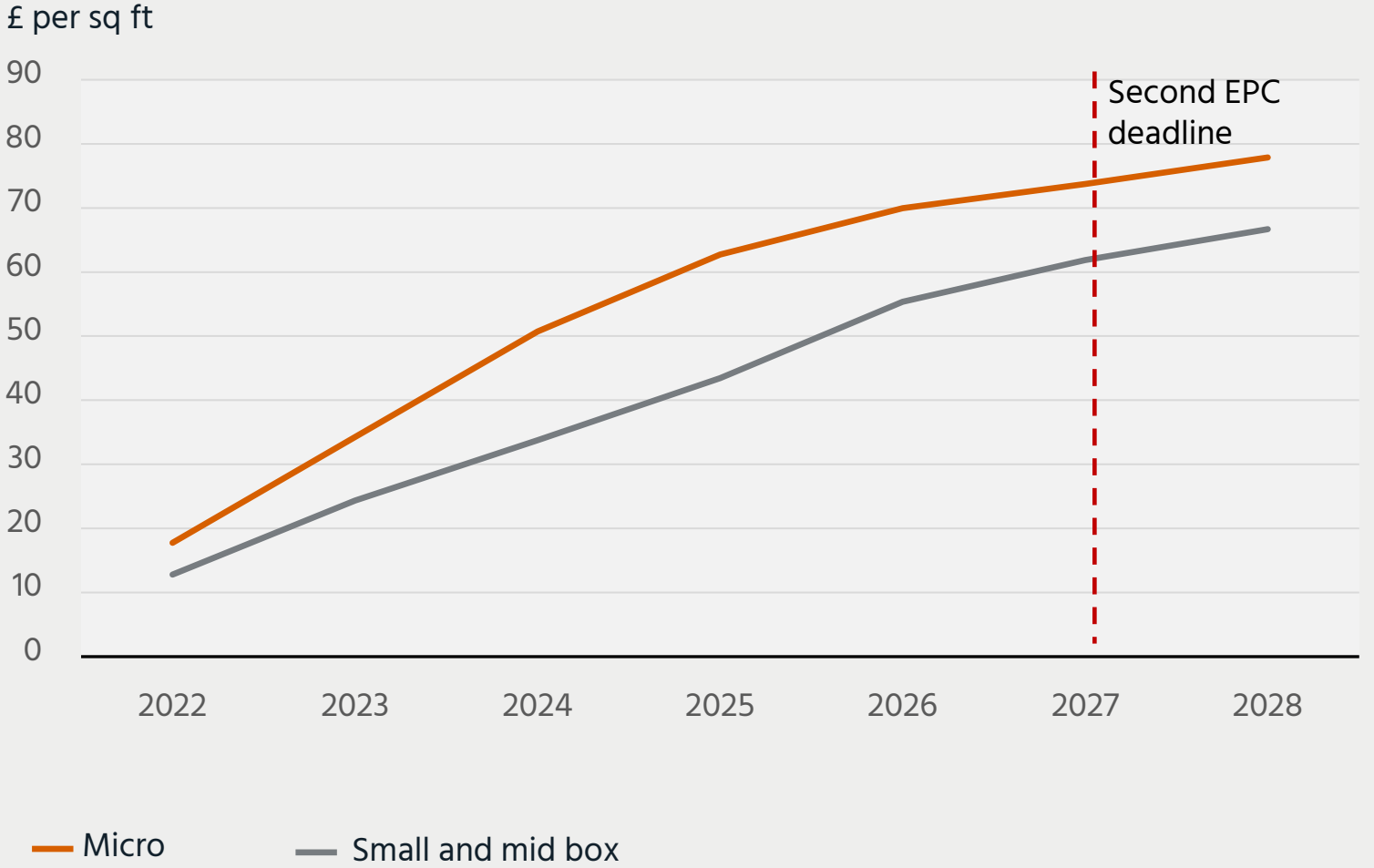


AT-RISK NEW LETTINGS IN 2021 AVERAGED JUST OVER FIVE YEARS

Newly-signed length of income by EPC grade
Source: Gerald Eve



UK cumulative proportion of mid-tier expiries
Source: Gerald Eve



MULTI-LET

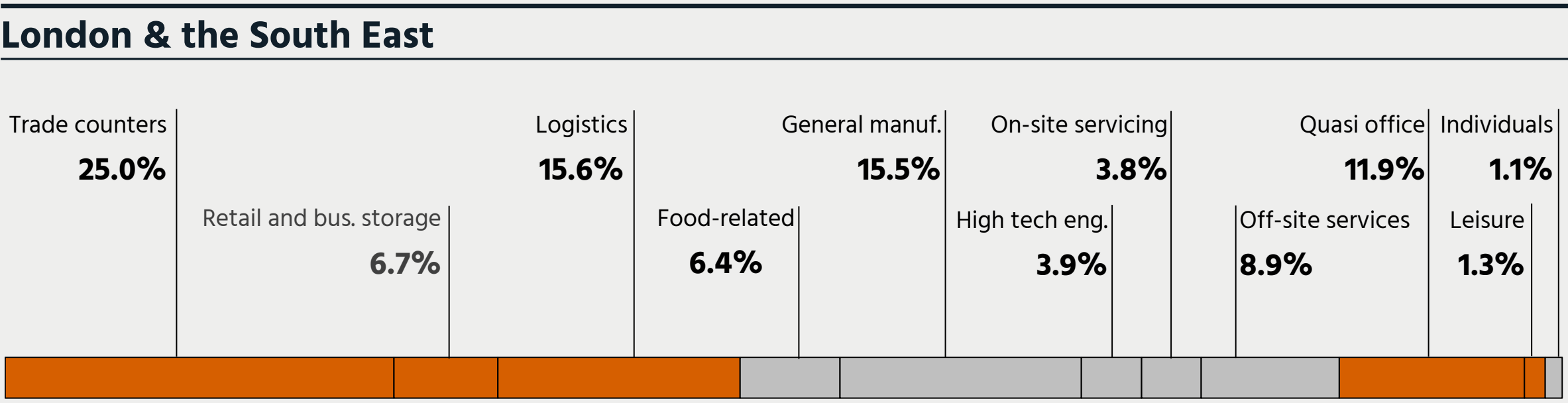
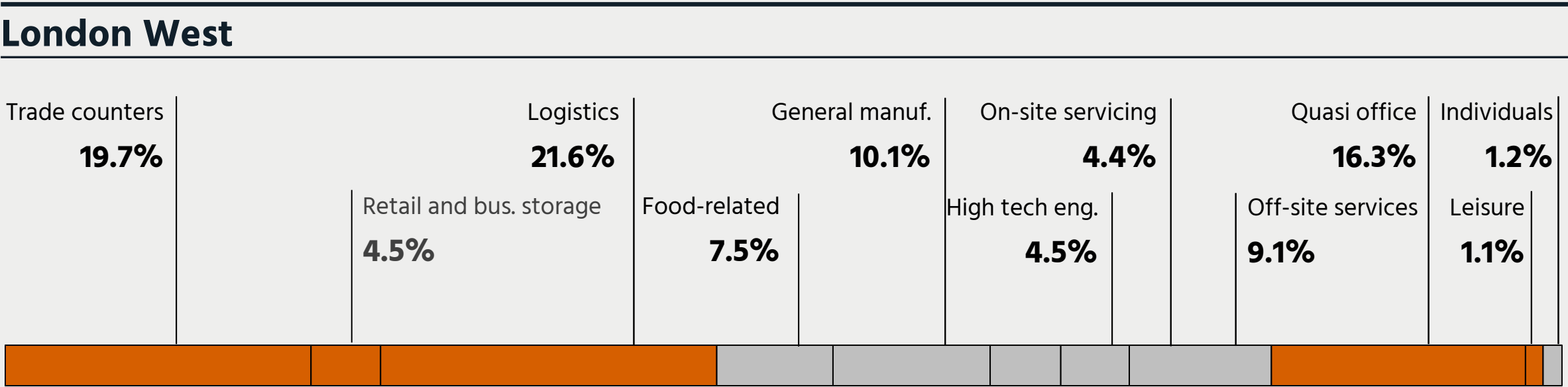
London West*

NW, W, SW London postcodes + Twickenham, Slough and Southall.

SAMPLE: 21.5m sq ft; 1,300 units; 128 estates.

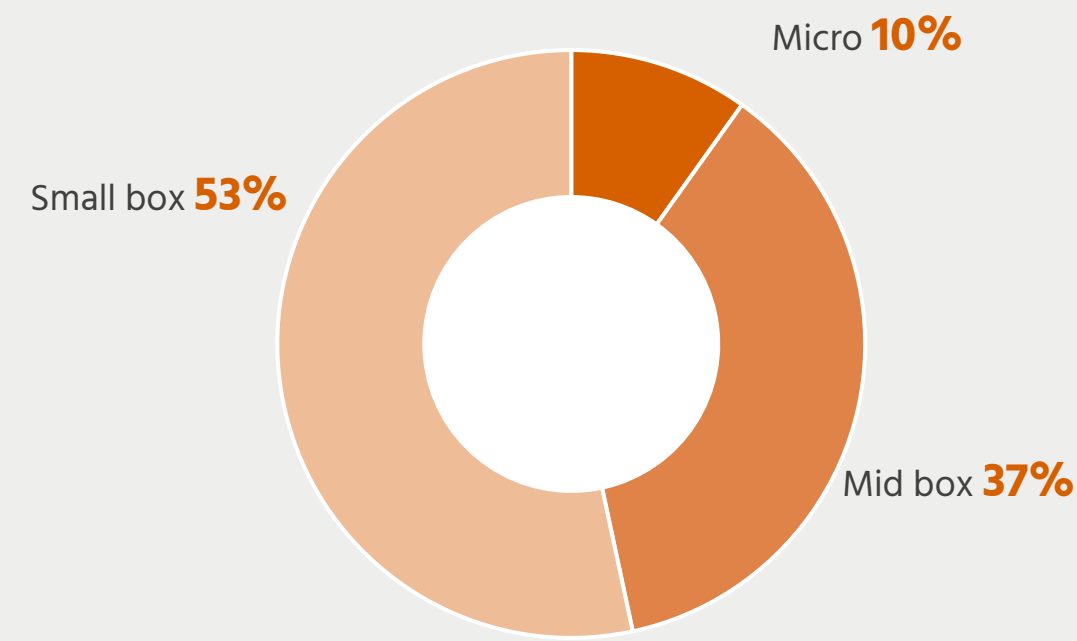


A GREATER PROPORTION OF “GENTRIFIED” OCCUPIERS IN LONDON WEST

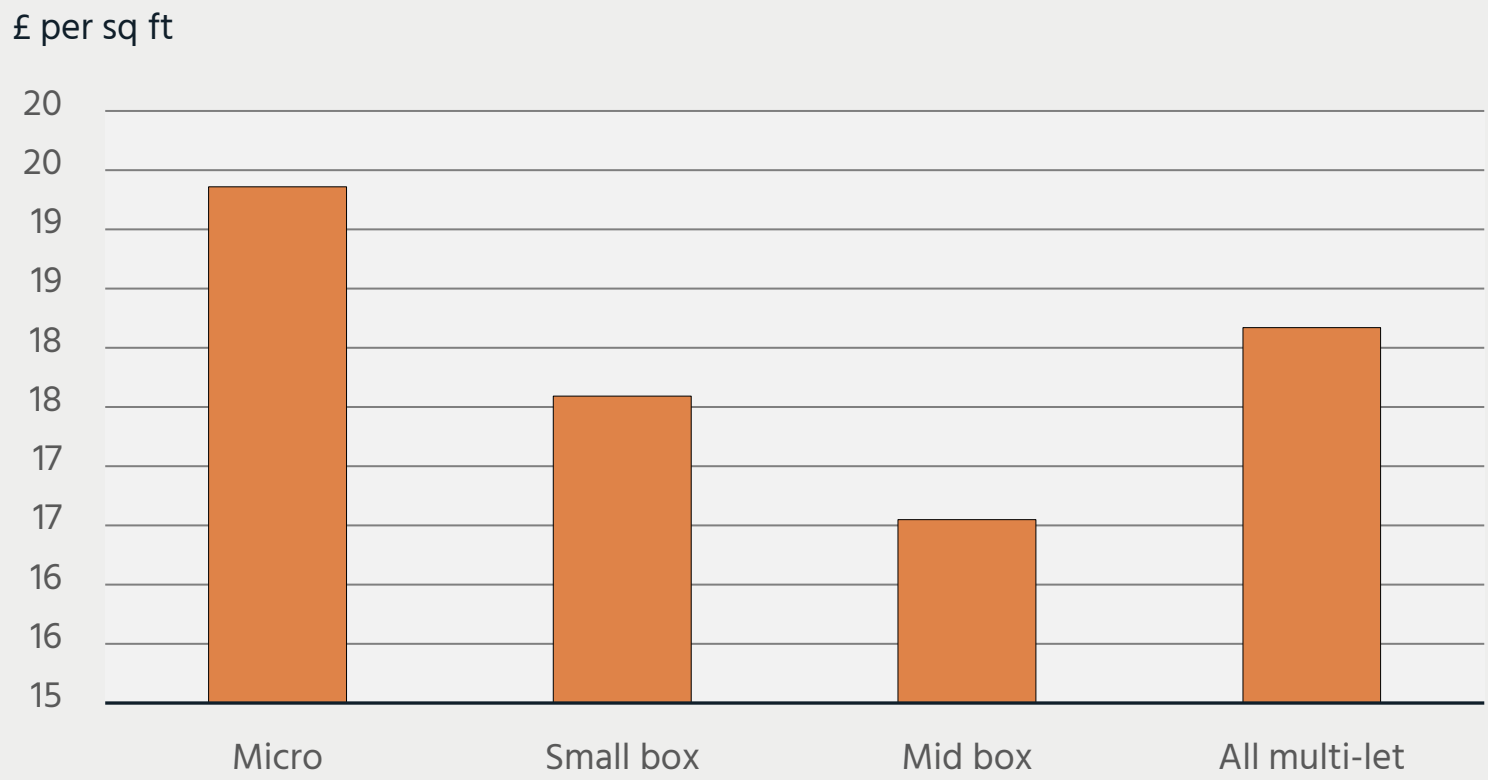


THE STRUCTURE OF LONDON WEST AND ERV BY UNIT SIZE

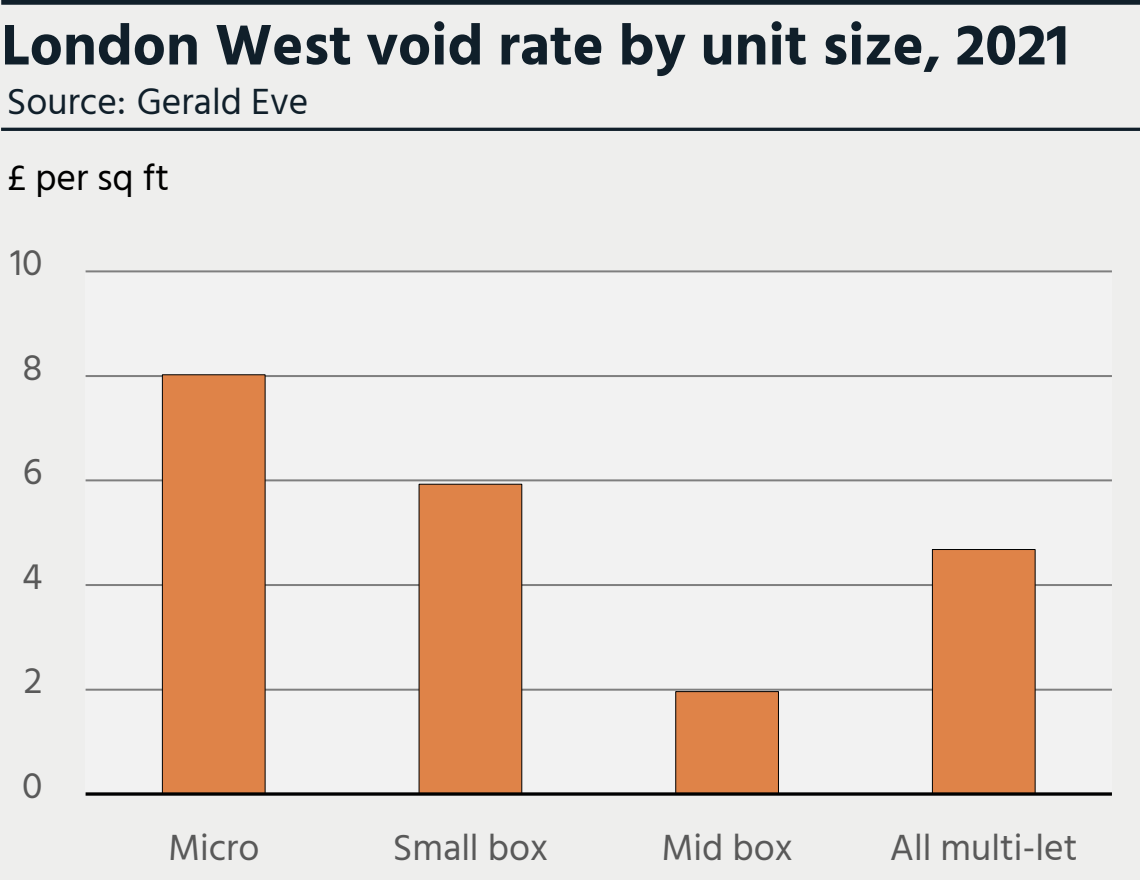
London West market structure by unit size
Source: Gerald Eve



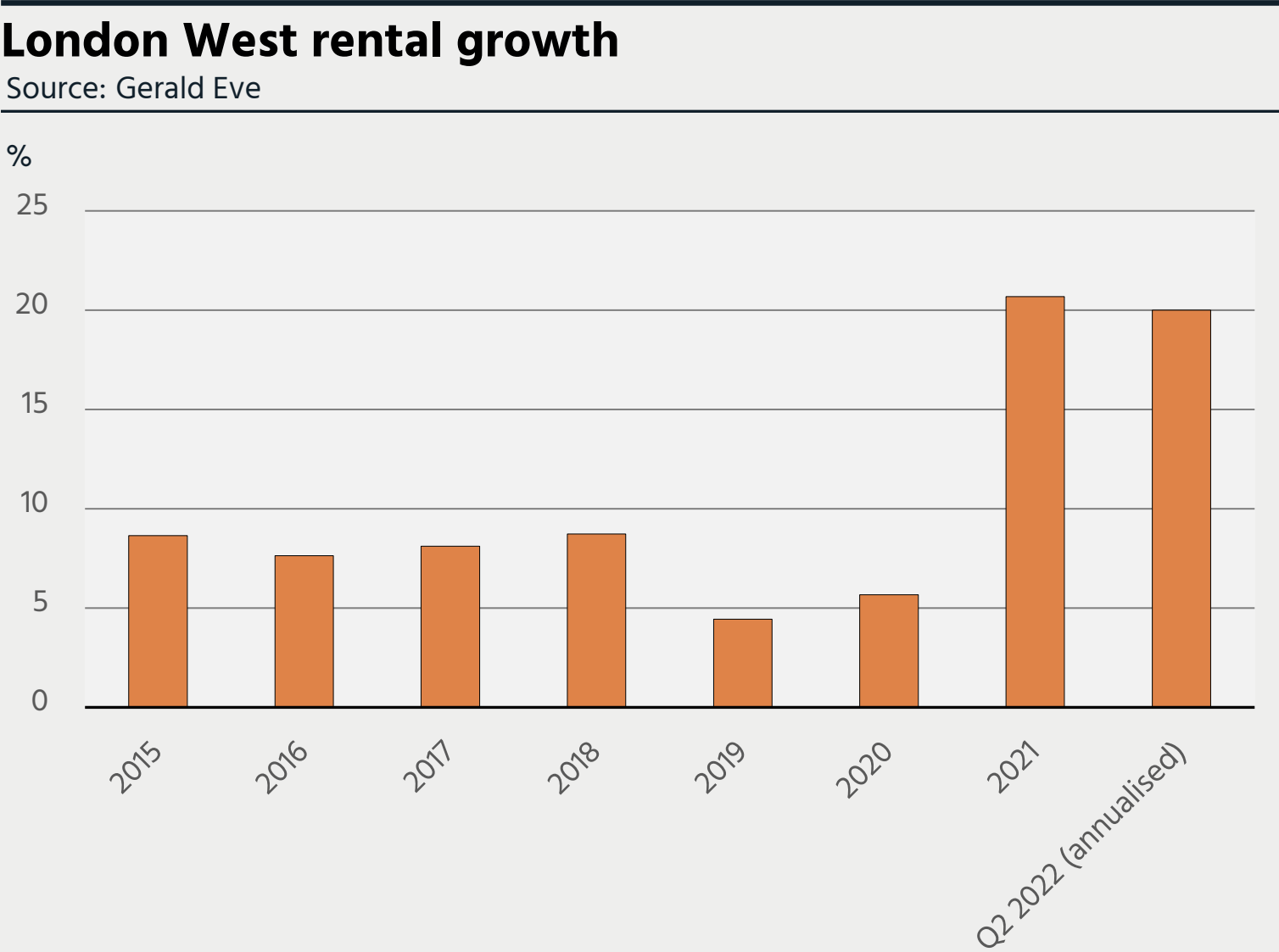
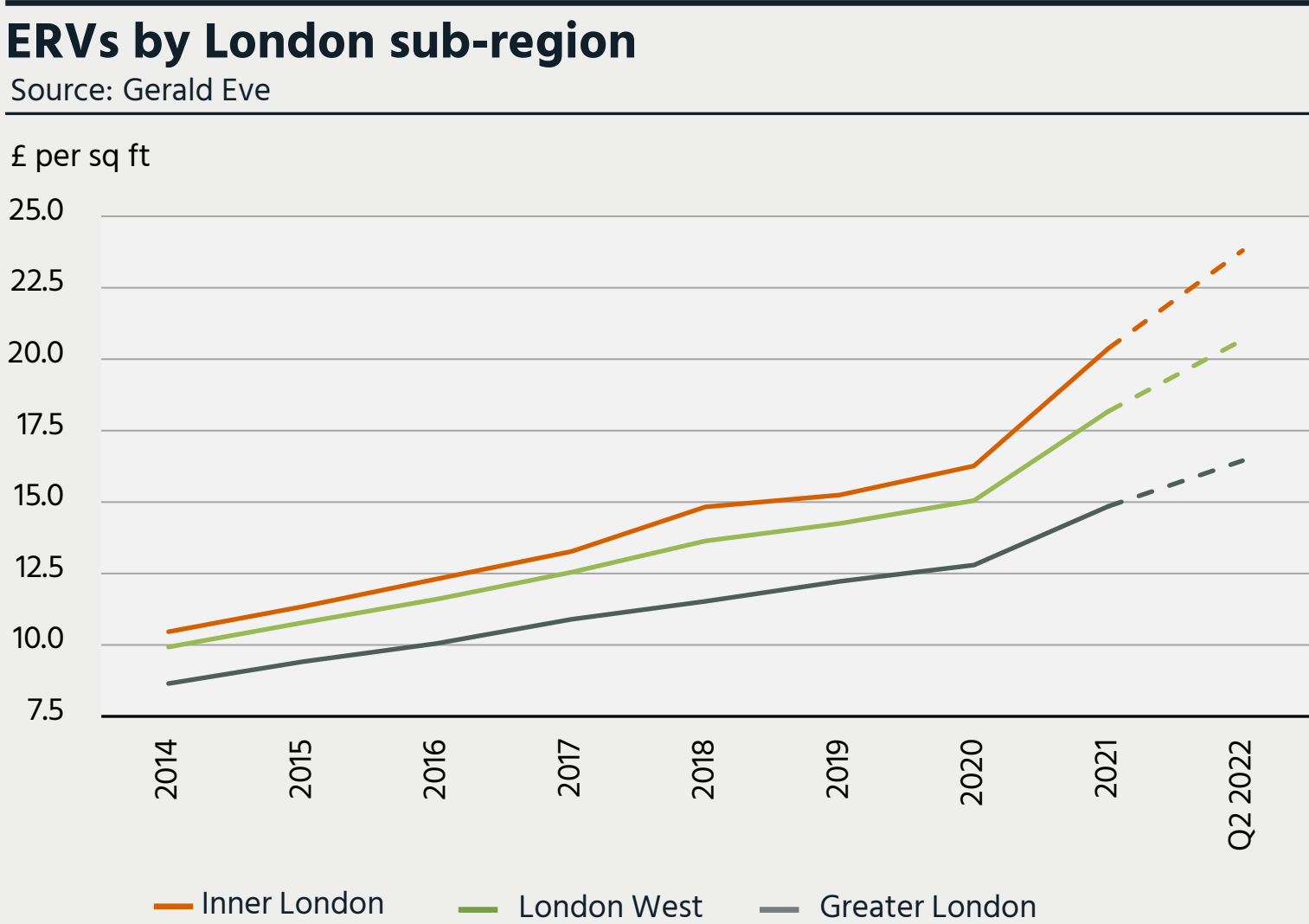
London West end-2021 ERVs by unit size
Source: Gerald Eve



STEEP REDUCTION IN VOID RATE FOR THE LARGER UNITS



RENTAL GROWTH MOMENTUM MAINTAINED INTO H1 2022

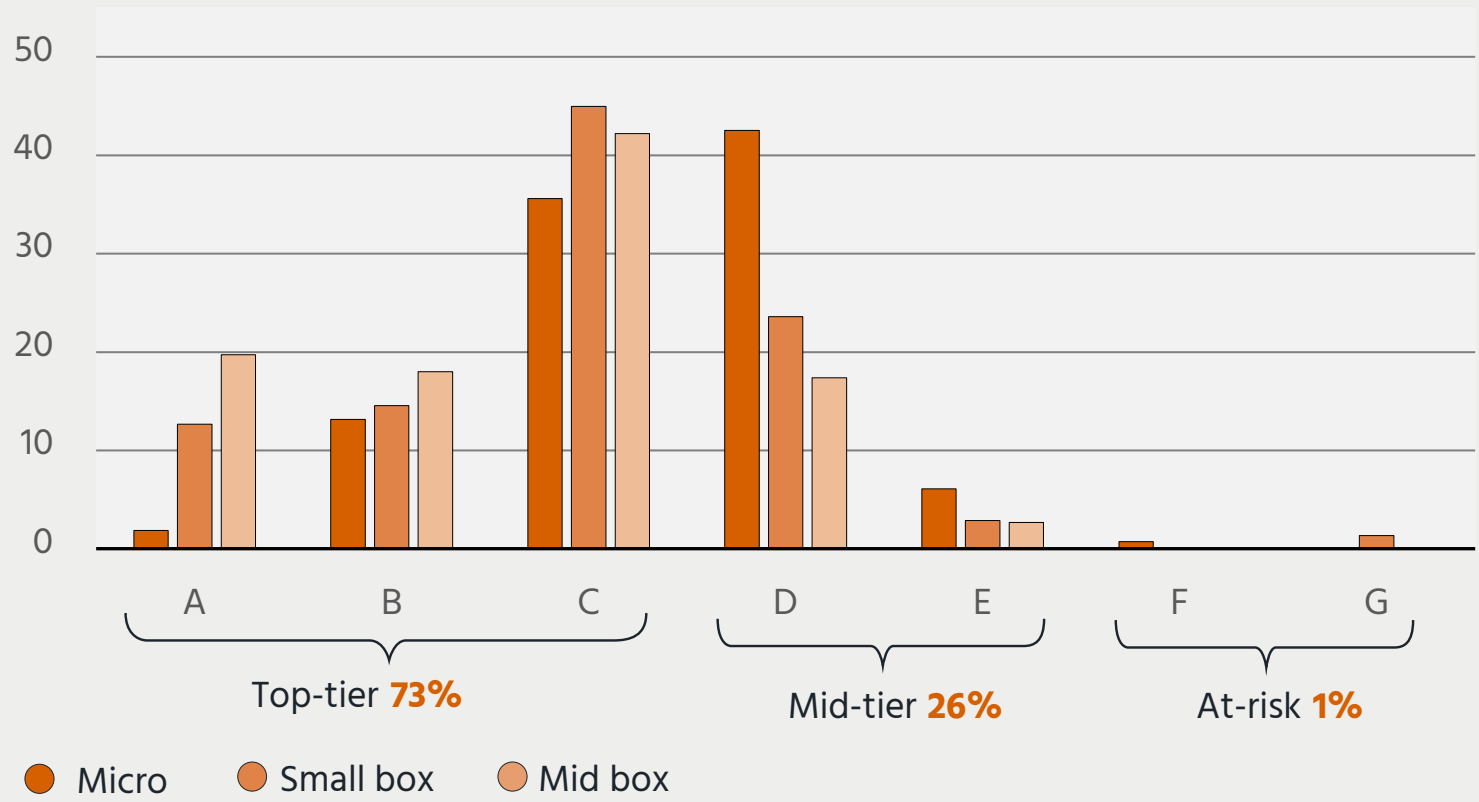


STRONGER EPC CREDENTIALS IN LONDON WEST BUT A QUARTER NEED UPGRADING

London West multi-let by EPC grade

Source: Gerald Eve

Proportion of floorspace (%)

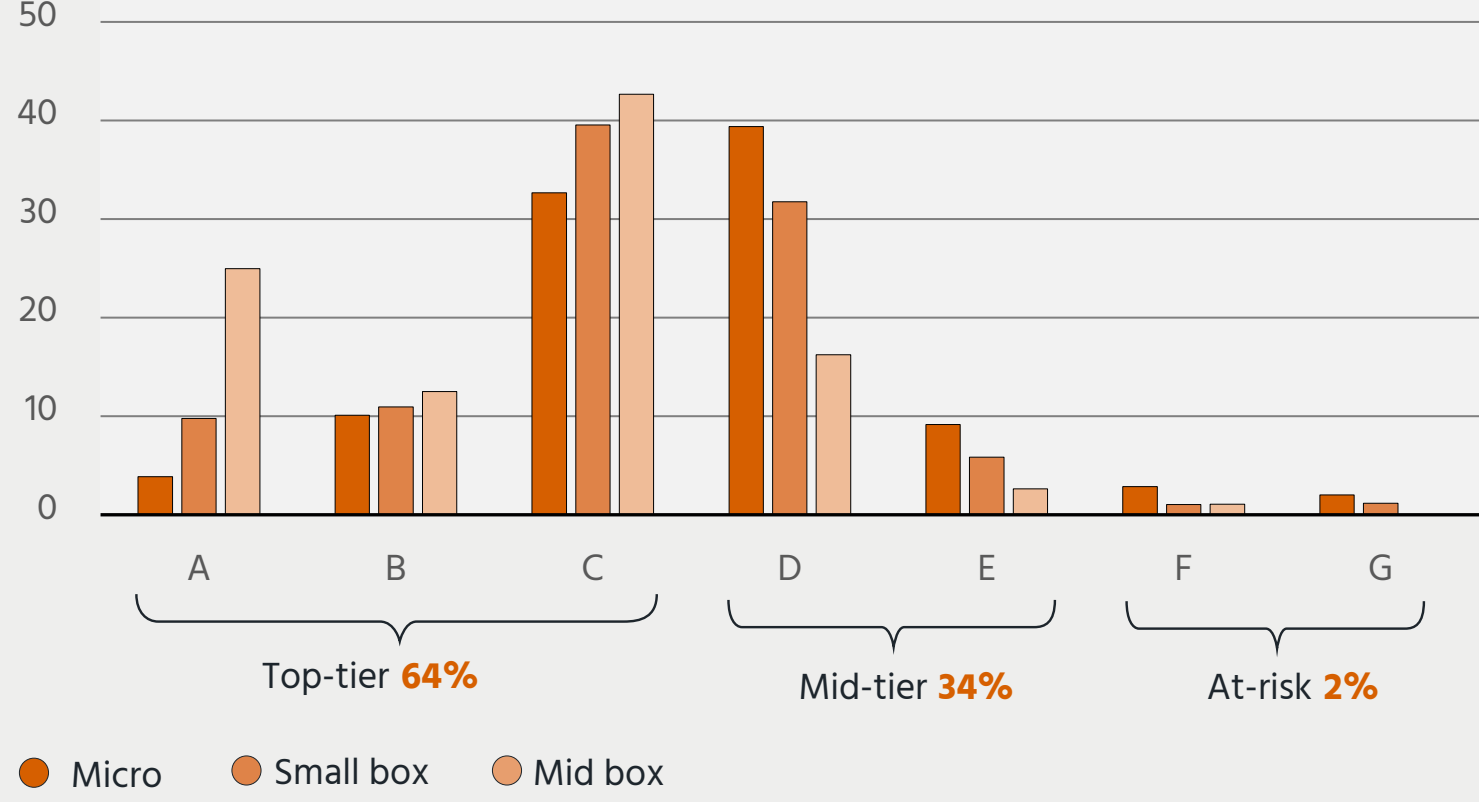


Over a quarter of the market needs some kind of intervention in the next five years

London & the South East multi-let by EPC grade

Source: Gerald Eve

Proportion of floorspace (%)



Over a third of the market needs some kind of intervention in the next five years

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