

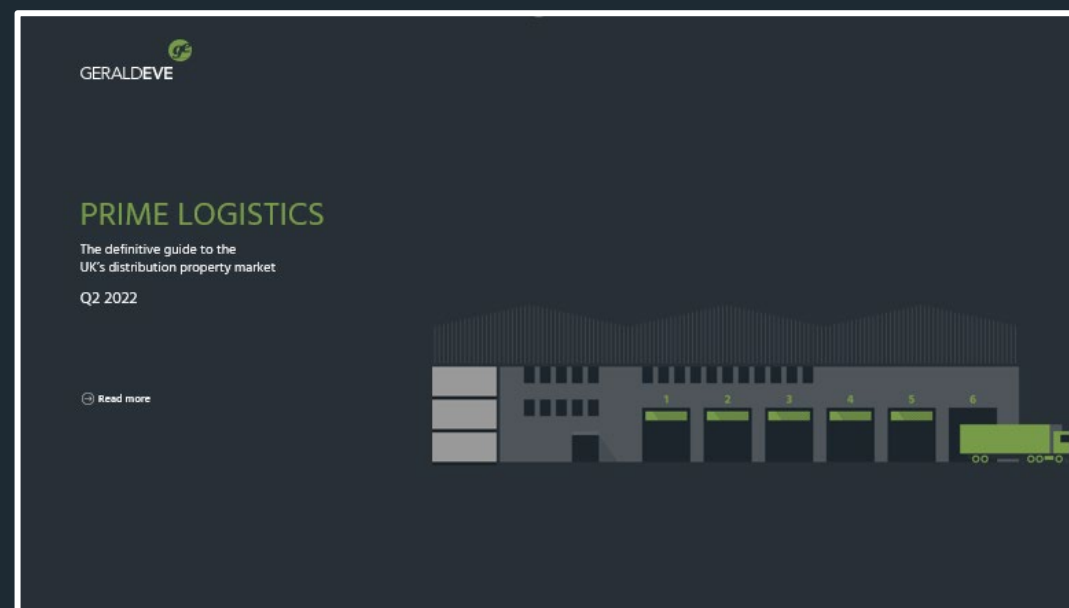
PRIME LOGISTICS

The definitive guide to the
UK's distribution property market

July 2022



INDUSTRIAL AND LOGISTICS MARKET - RESEARCH



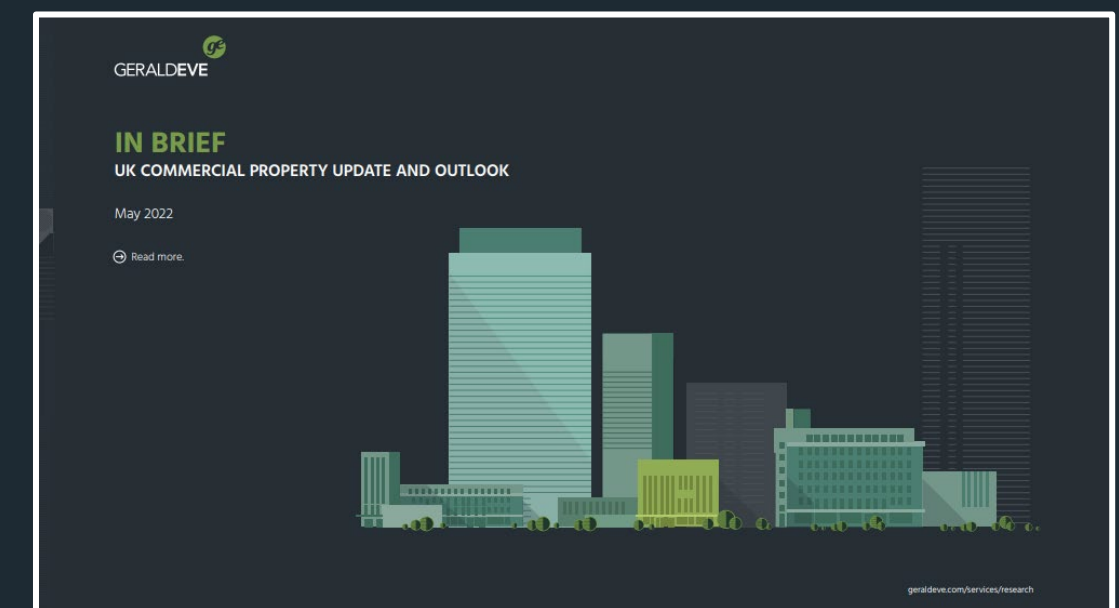
PRIME LOGISTICS

- 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



Buildings over
50,000 sq ft

26
regions

16
years of quarterly data

53
centres

UK OVERVIEW

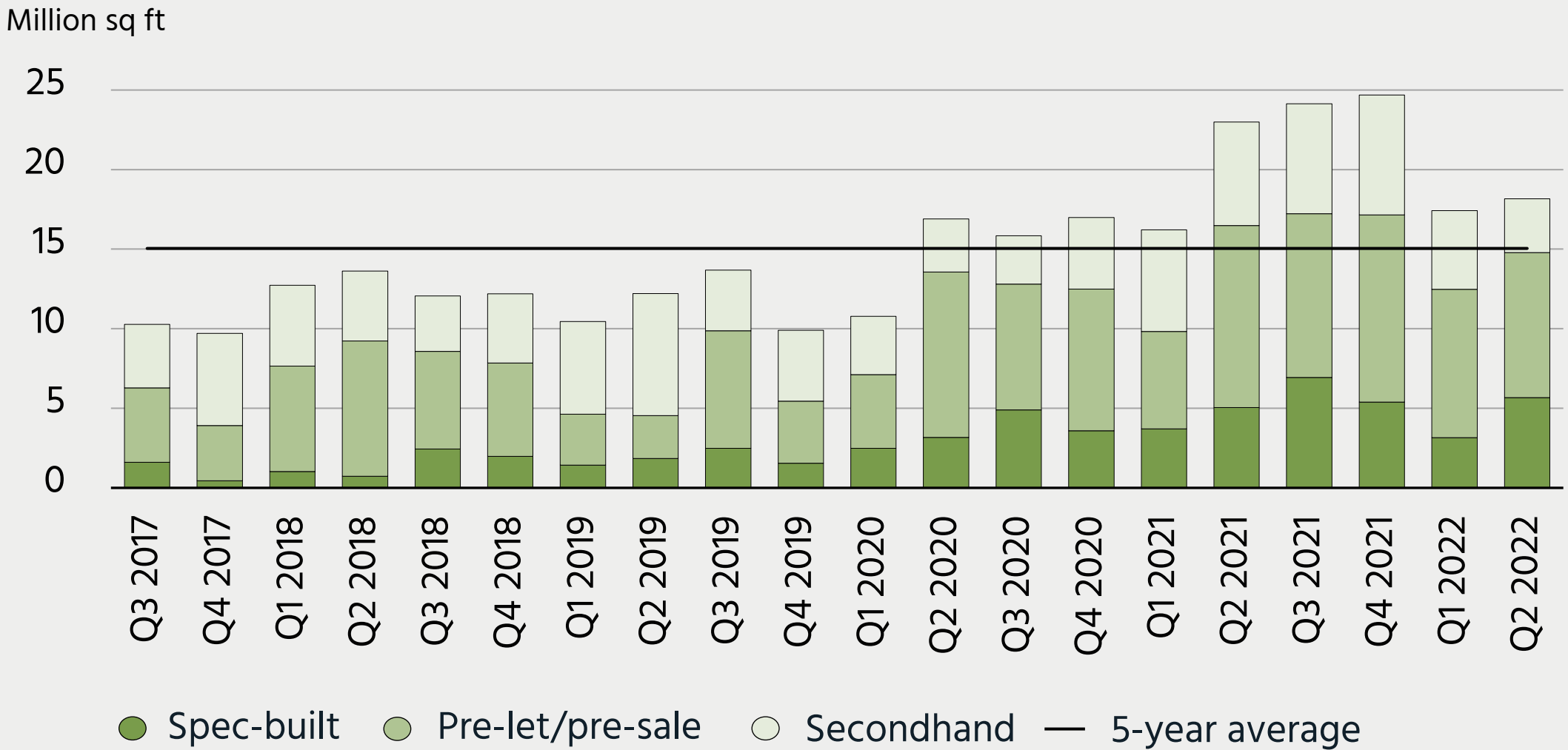


OCCUPIER DEMAND

OCCUPIER DEMAND 18.2m sq ft take-up 50% pre-let ▲	AVAILABILITY 3.9% all qualities 1.4% new/modern ▲
DEVELOPMENT 8.1m starts 3.0m sq ft spec ▼	RENTS 6.5% (quarterly) 22% (annual) ▲

Quarterly take-up by building quality

Source: Gerald Eve

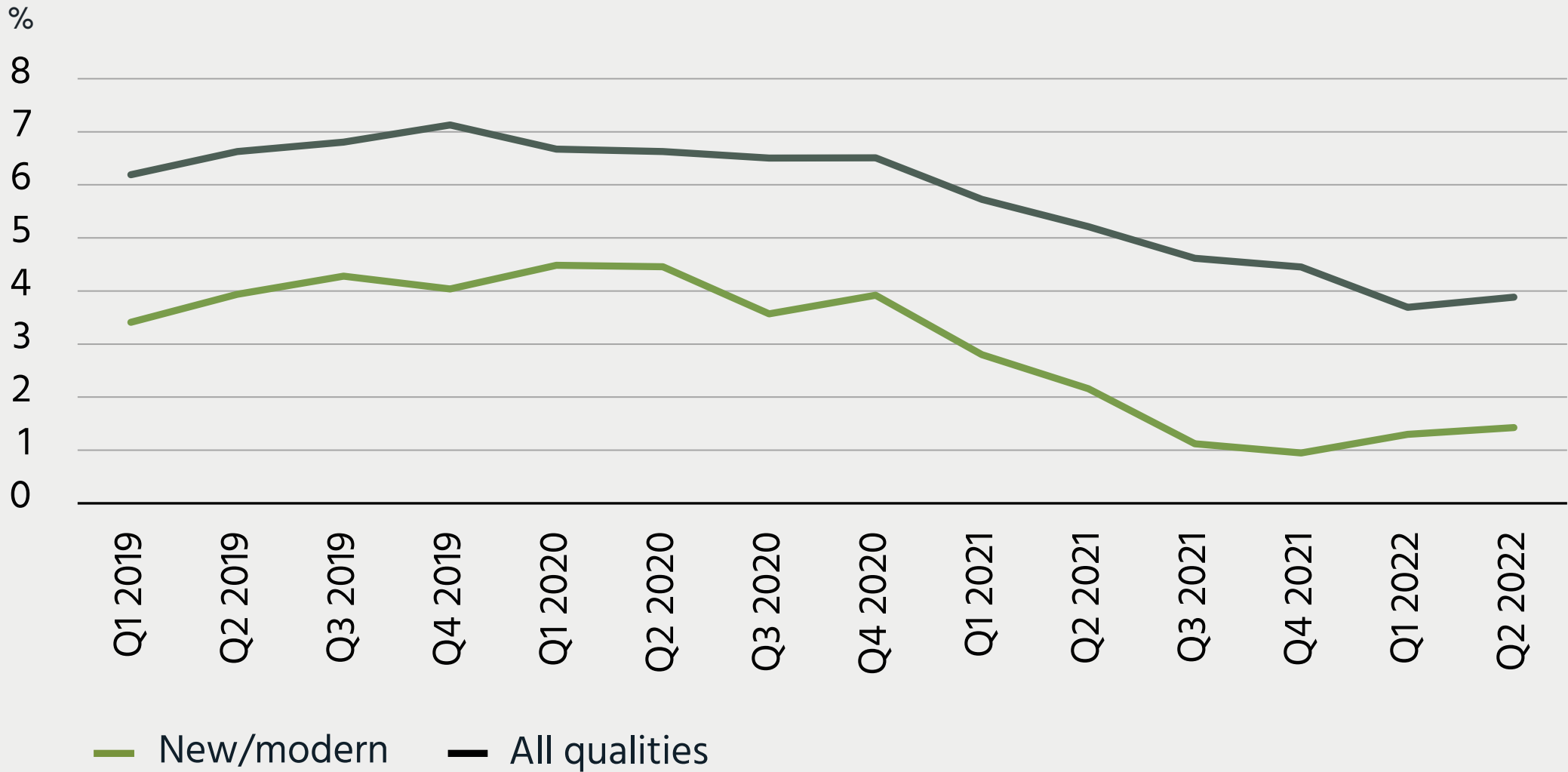


AVAILABILITY

<p>OCCUPIER DEMAND</p> <p>18.2m sq ft take-up</p> <p>50% pre-let ▲</p>	<p>AVAILABILITY</p> <p>3.9% all qualities</p> <p>1.4% new/modern ▲</p>
<p>DEVELOPMENT</p> <p>8.1m starts</p> <p>3.0m sq ft spec ▼</p>	<p>RENTS</p> <p>6.5% (quarterly)</p> <p>22% (annual) ▲</p>

UK availability rate by quality

Source: Gerald Eve

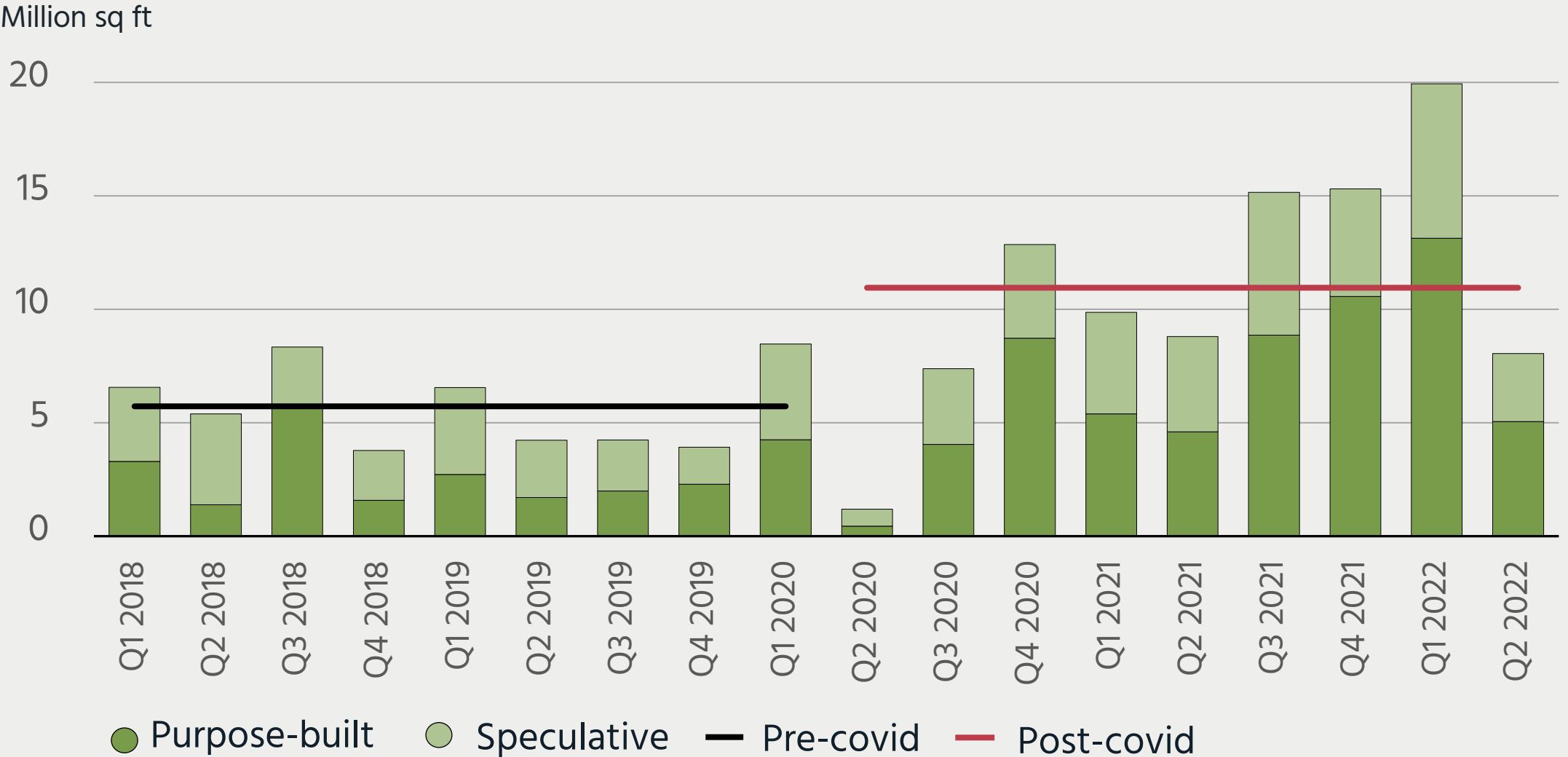


DEVELOPMENT

OCCUPIER DEMAND 18.2m sq ft take-up 50% pre-let ▲	AVAILABILITY 3.9% all qualities 1.4% new/modern ▲
DEVELOPMENT 8.1m starts 3.0m sq ft spec ▼	RENTS 6.5% (quarterly) 22% (annual) ▲

Development starts by type and pre/post-covid averages

Source: Gerald Eve

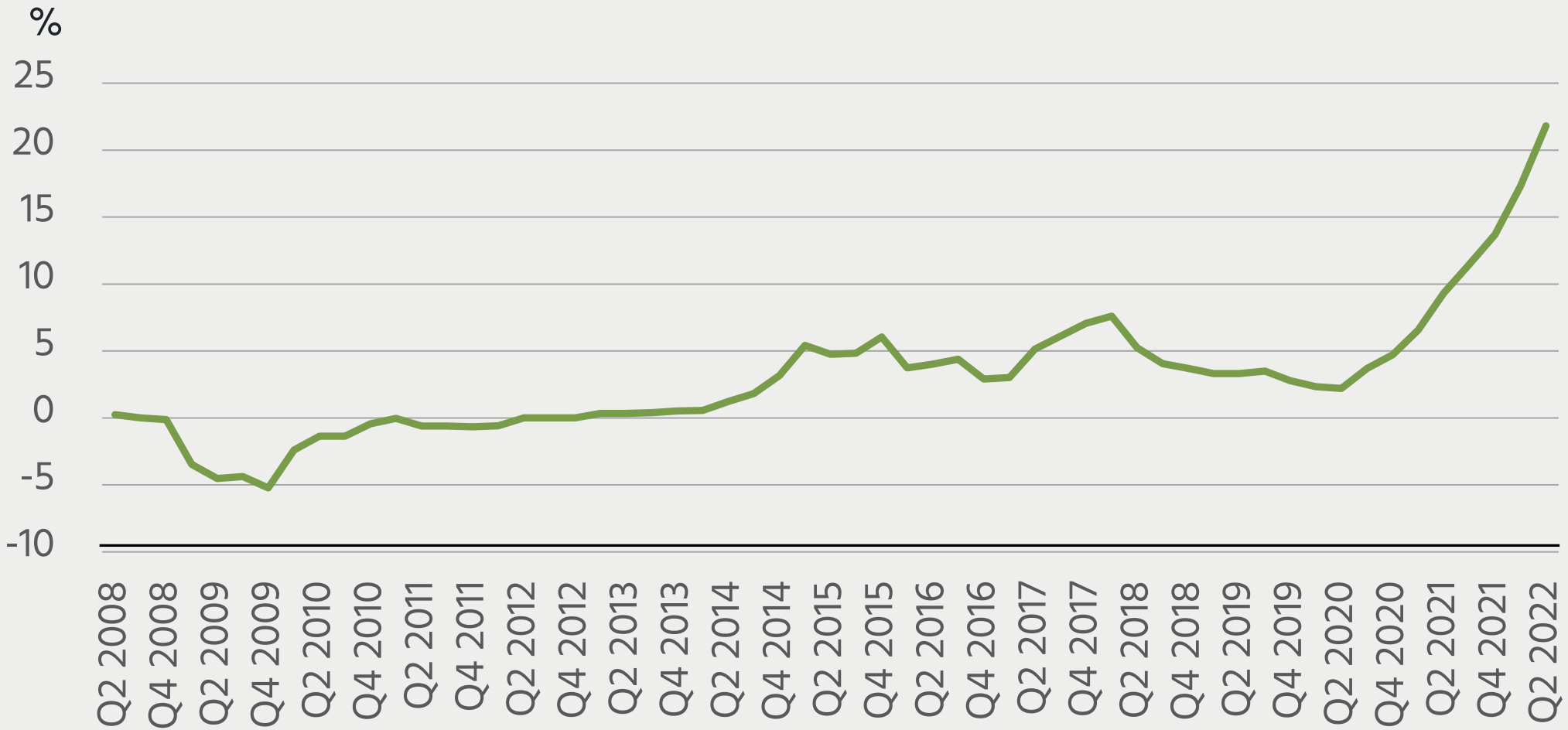


RENTS

<p>OCCUPIER DEMAND</p> <p>18.2m sq ft take-up</p> <p>50% pre-let ▲</p>	<p>AVAILABILITY</p> <p>3.9% all qualities</p> <p>1.4% new/modern ▲</p>
<p>DEVELOPMENT</p> <p>8.1m starts</p> <p>3.0m sq ft spec ▼</p>	<p>RENTS</p> <p>6.5% (quarterly)</p> <p>22% (annual) ▲</p>

Annual prime logistics rental growth

Source: Gerald Eve

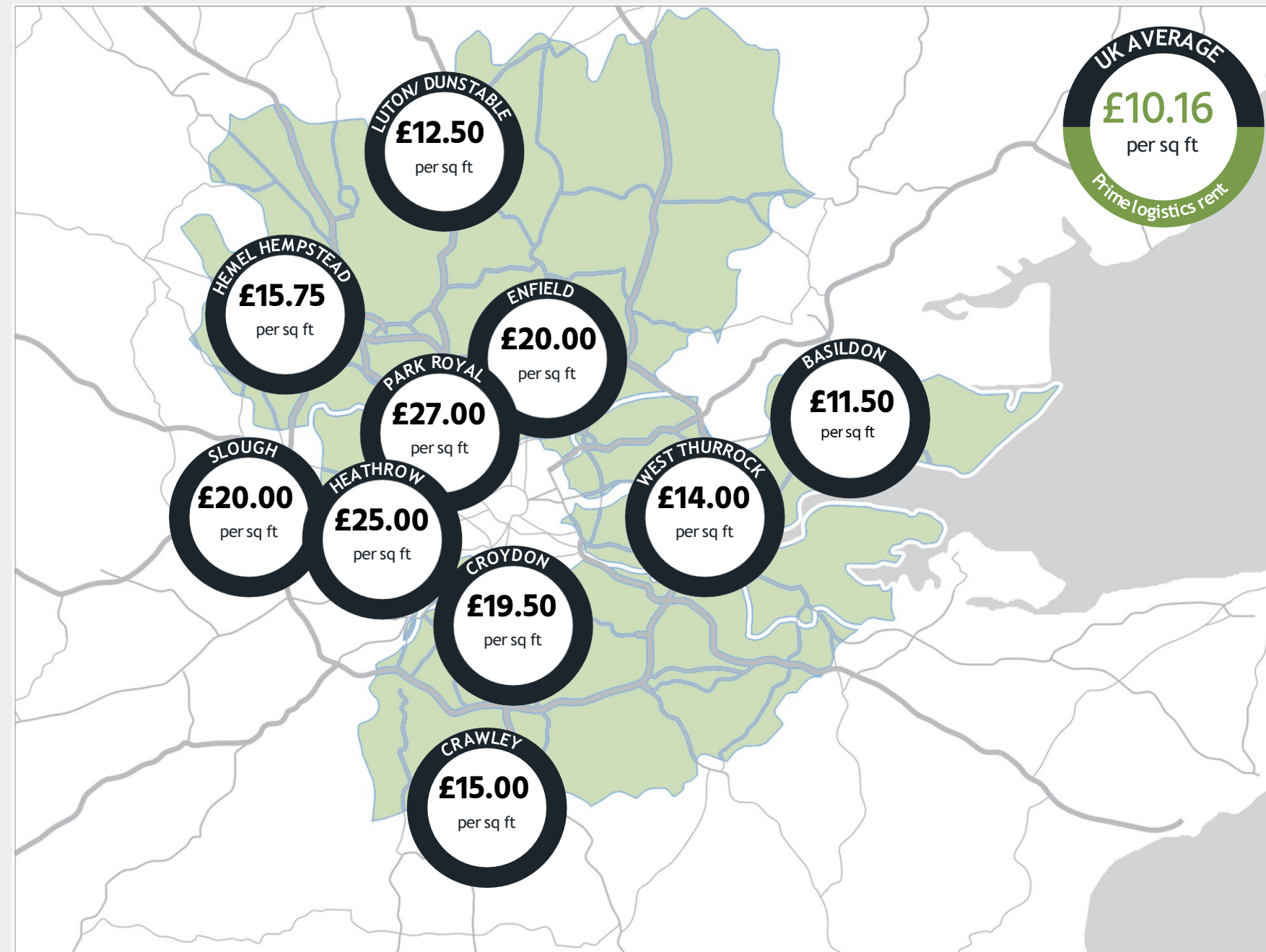


LONDON WEST



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

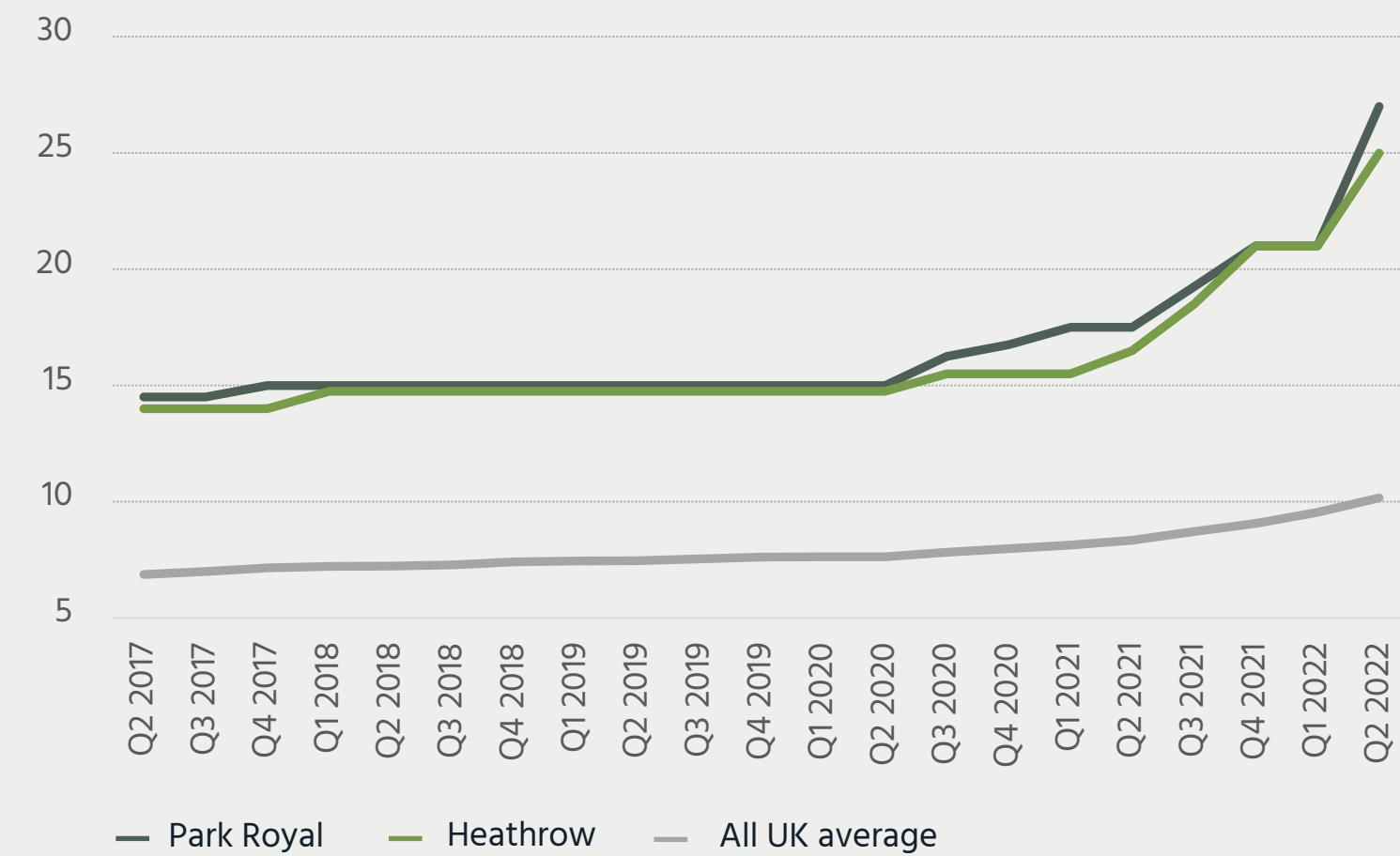


LONDON WEST PRIME LOGISTICS RENTS AND YIELDS

Prime logistics headline rents

Source: Gerald Eve

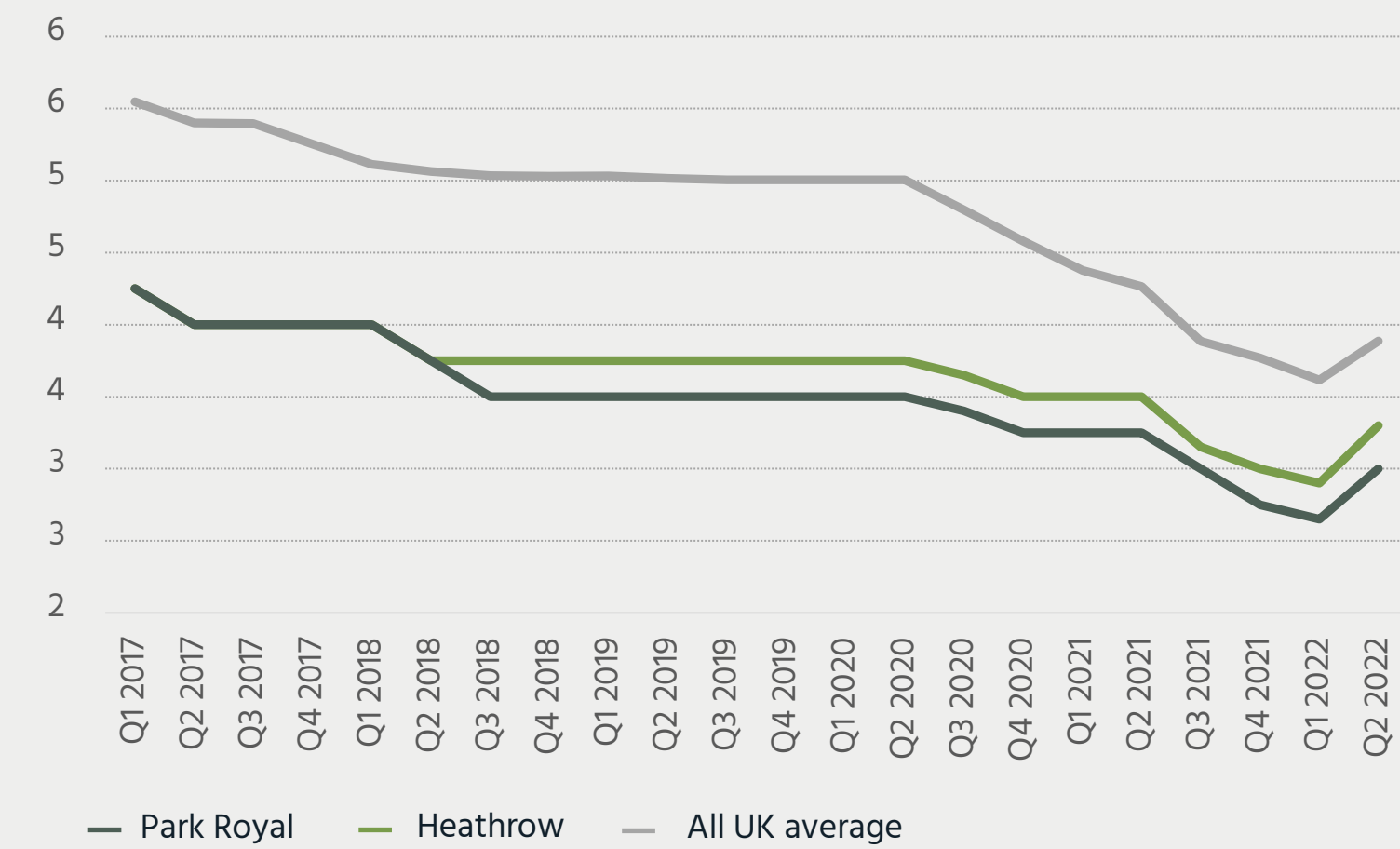
£ per sq ft



Prime logistics yields

Source: Gerald Eve

%

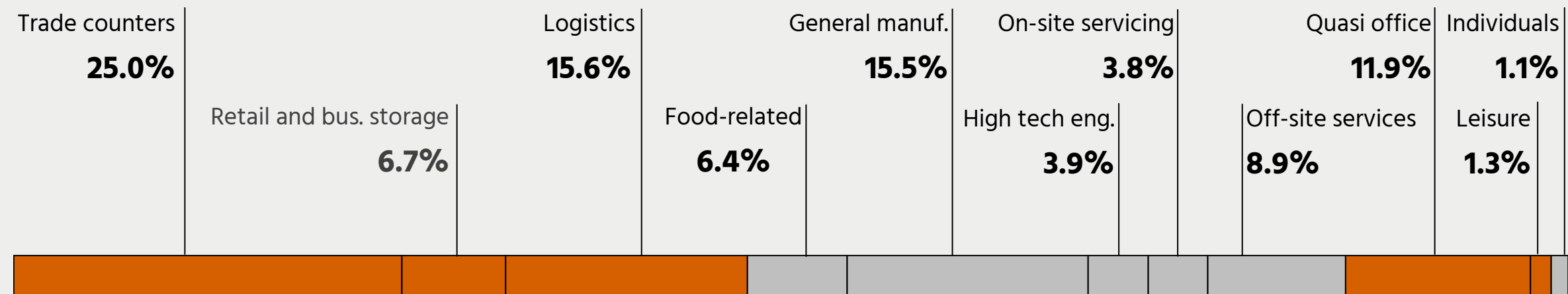


MULTI-LET



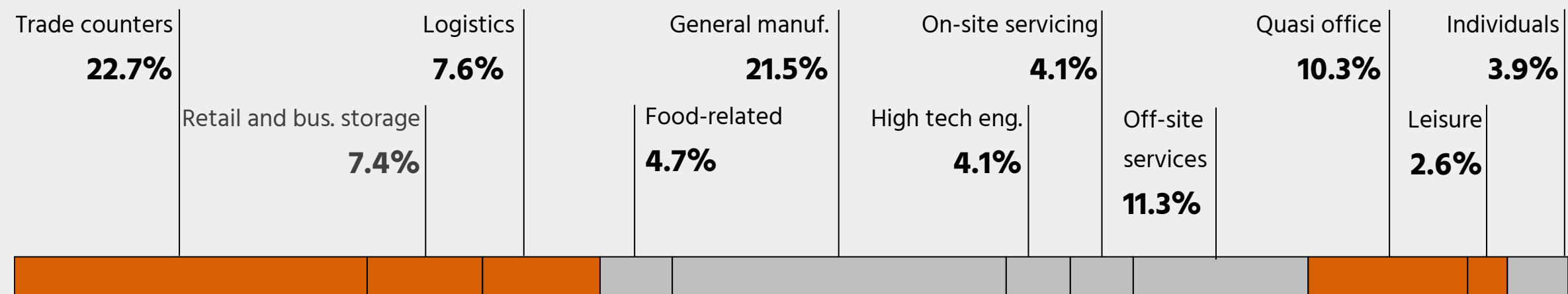
TENANT BASE BROADLY UNCHANGED IN 2021 AFTER “MODERNISATION” PERIOD OF 2012-16

London & the South East



61% IN “MODERN USAGE”

Rest of UK

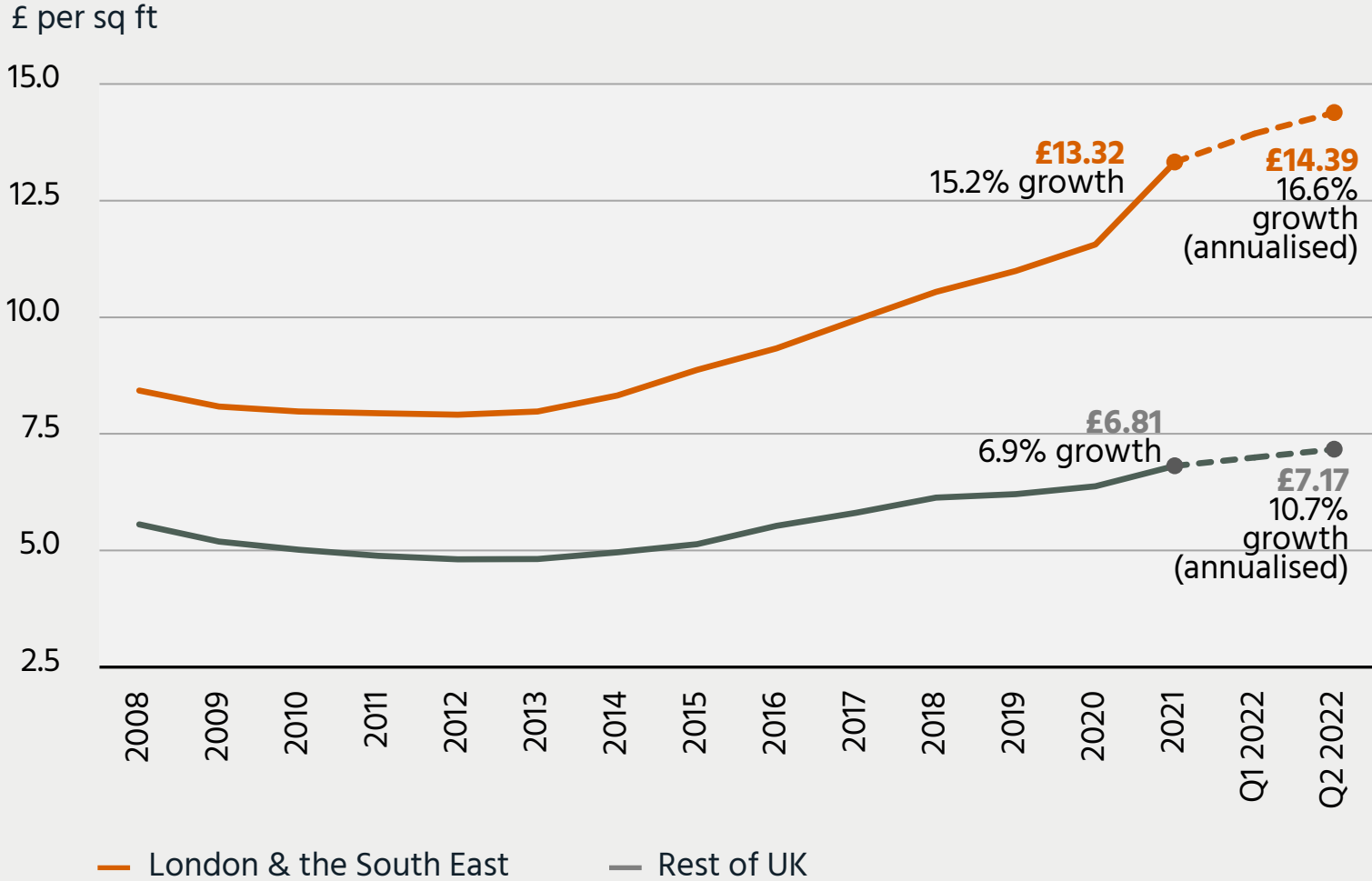


51% IN “MODERN USAGE”

PRIME RENTAL GROWTH FOCUSSED IN THE SOUTH EAST

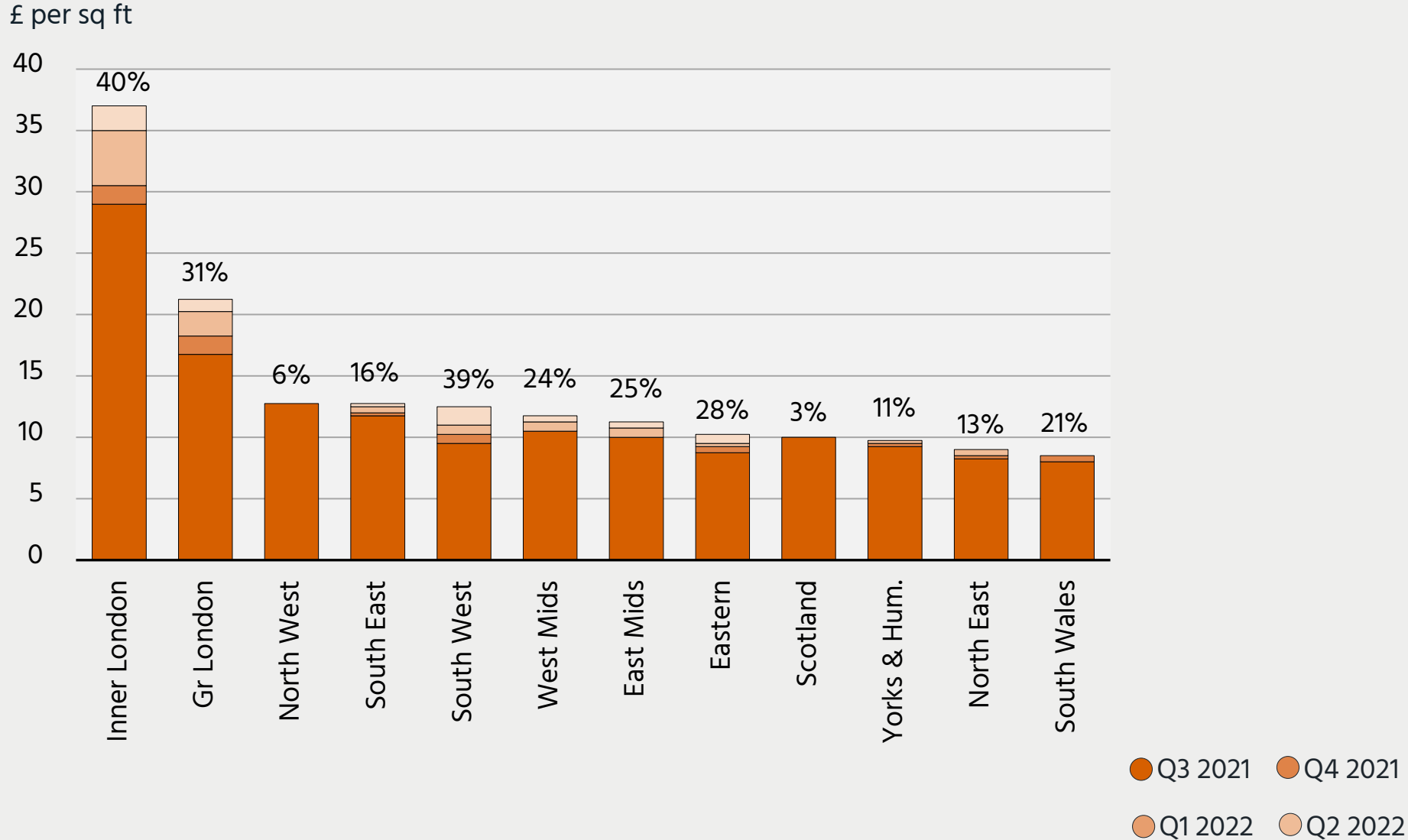
Multi-let ERVs by major UK region

Source: Gerald Eve



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

Source: Gerald Eve

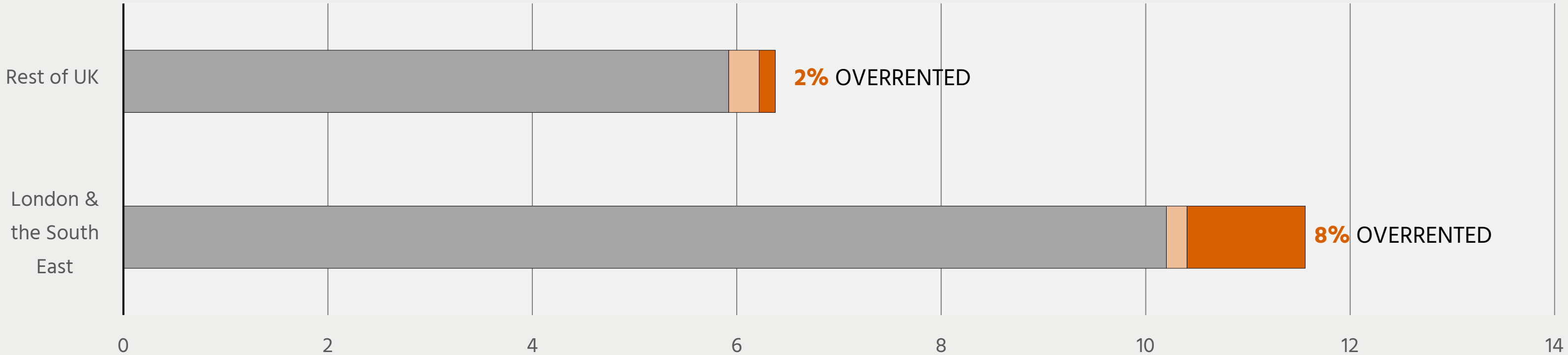


ERV GROWTH HAS MOSTLY LED TO INCREASED UNDERRENTEDNESS AND REVERSION

Passing and contracted rents, and ERVs: 2020

Source: Gerald Eve

£ per sq ft

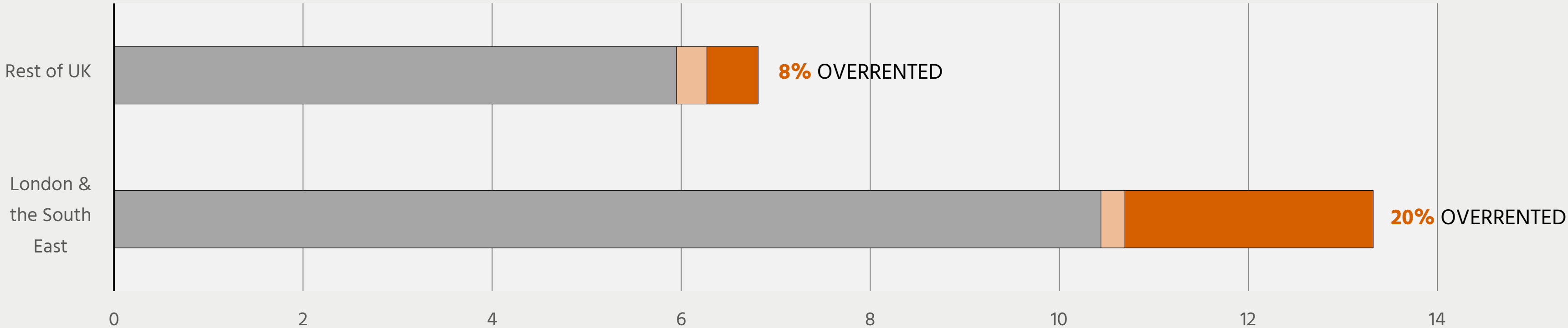


ERV GROWTH HAS MOSTLY LED TO INCREASED UNDERRENTEDNESS AND REVERSION

Passing and contracted rents, and ERVs: 2021

Source: Gerald Eve

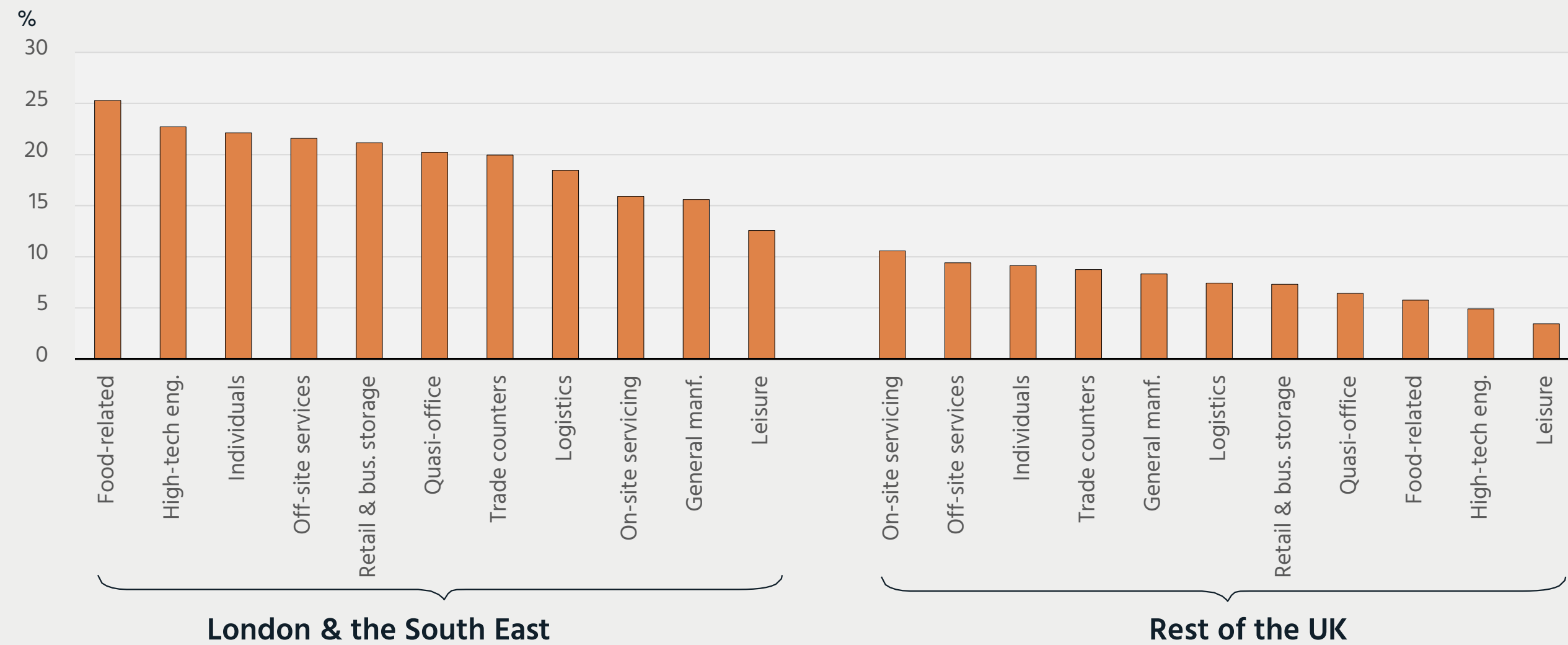
£ per sq ft



WHICH OCCUPIER SECTORS ARE (MOST) EXPOSED?

Multi-let void rates by major UK region

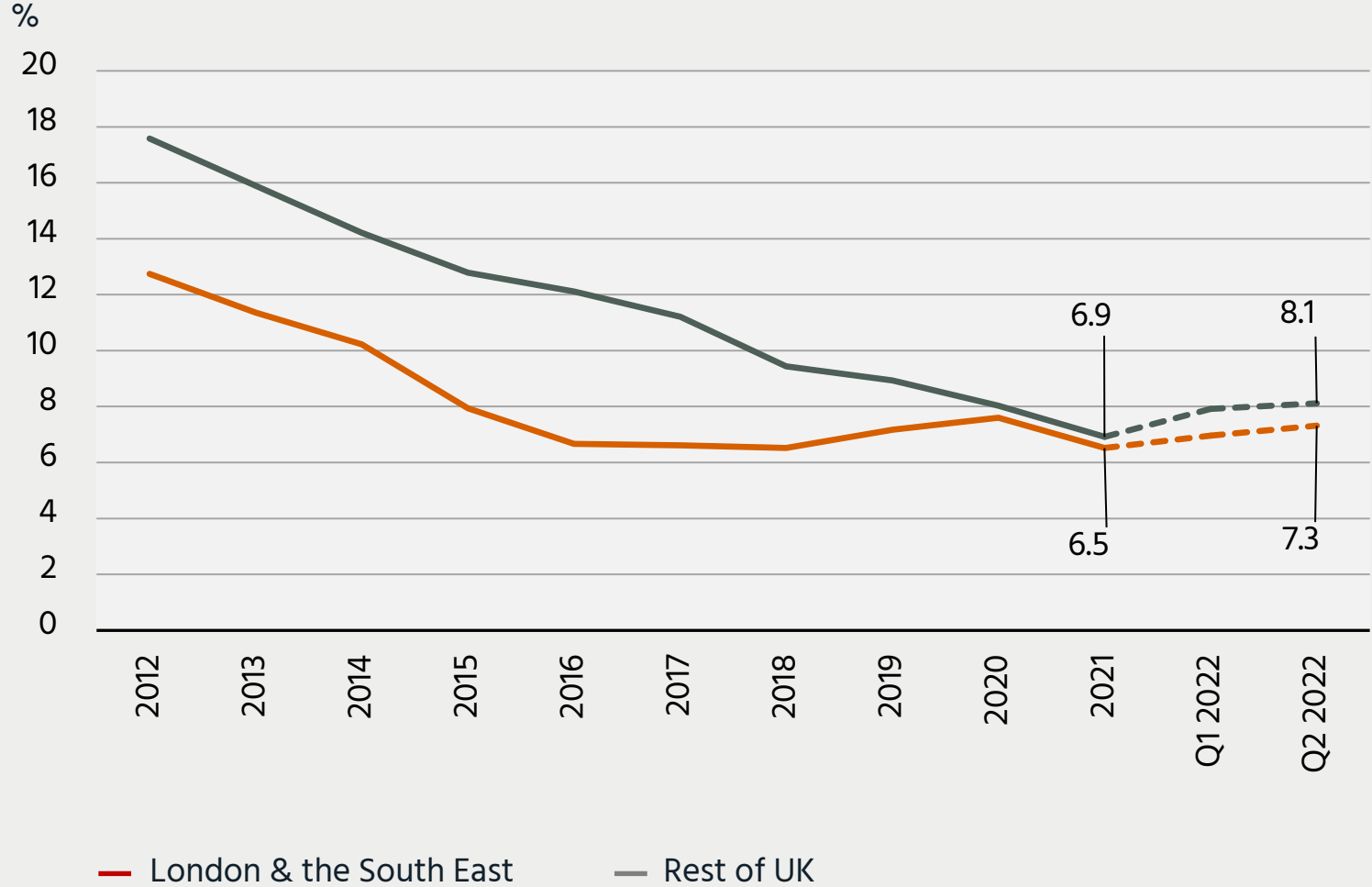
Source: Gerald Eve



VOID RATES BOTTOM OUT IN 2021 BUT EDGE UP IN 2022

Multi-let void rates by major UK region

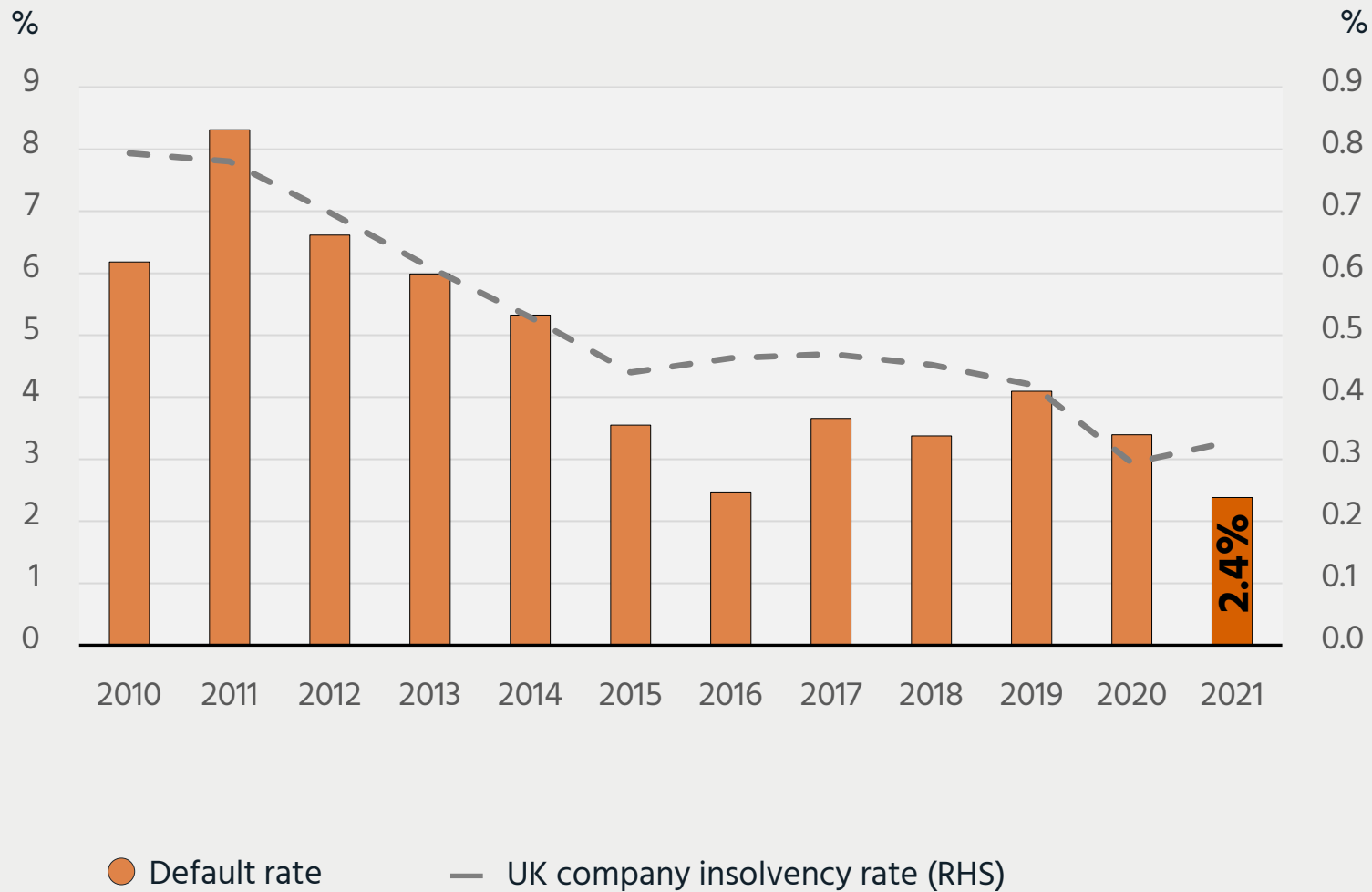
Source: Gerald Eve



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

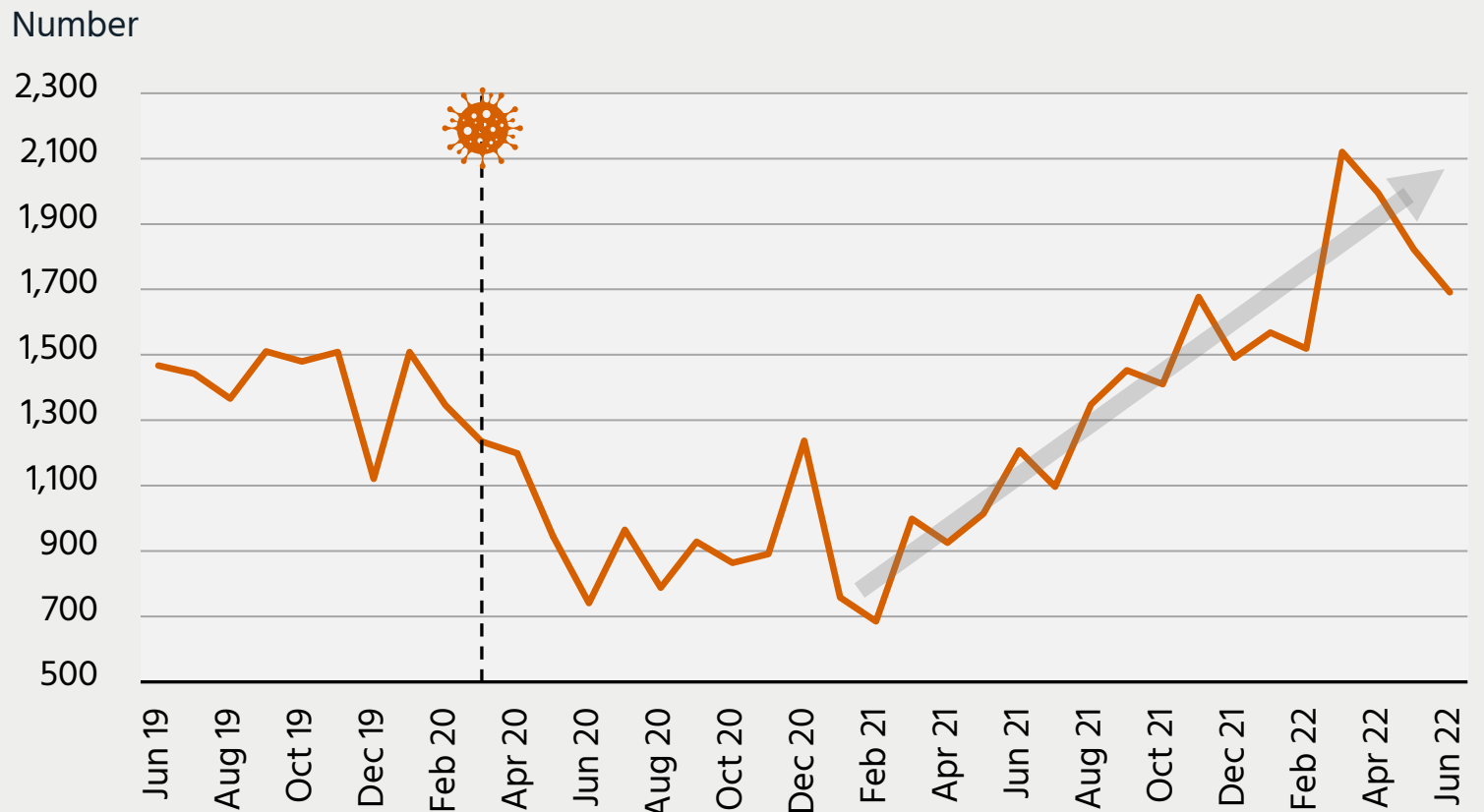
Multi-let default rate and UK company insolvency rate

Source: Gerald Eve, ONS



England and Wales company insolvencies per month

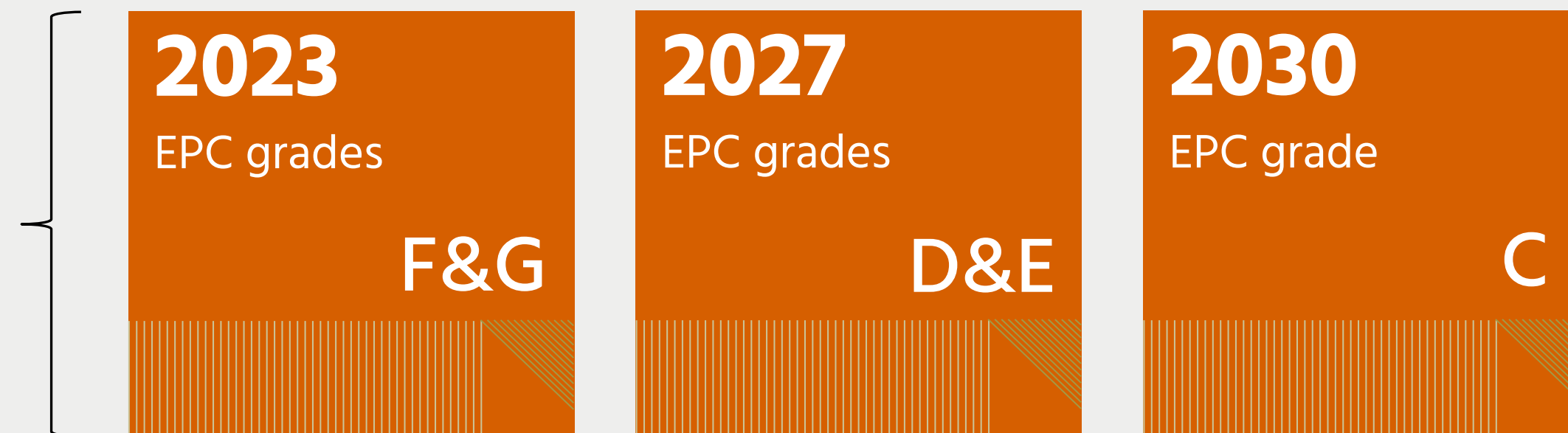
Source: ONS



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

WHAT ARE NON-COMPLIANT UNITS?

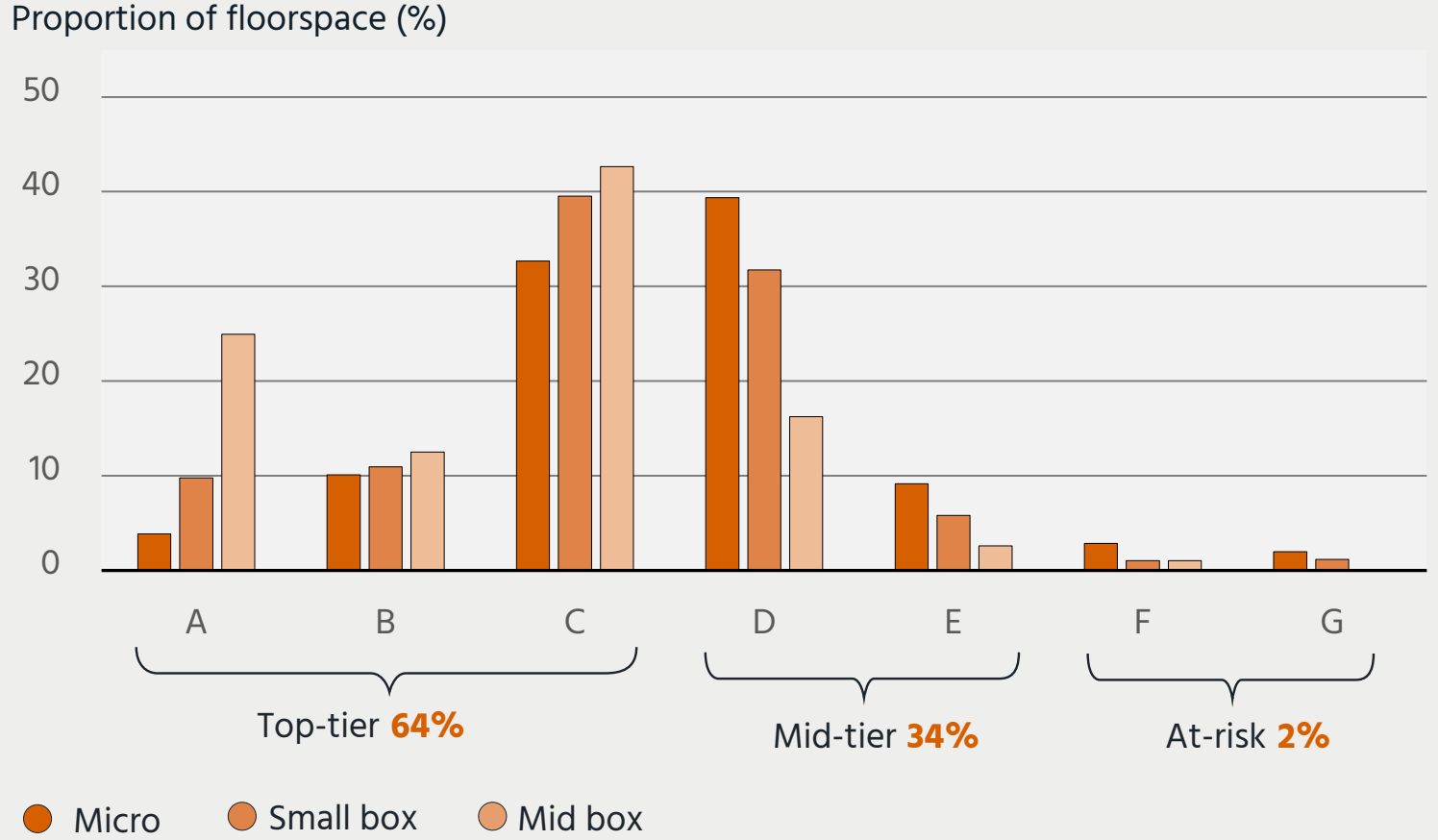
LANDLORDS MAY NOT
LET OR CONTINUE TO LET
NON-COMPLIANT UNITS



EPC DISTRIBUTION ACROSS UK MULTI-LET

London & the South East multi-let by EPC grade

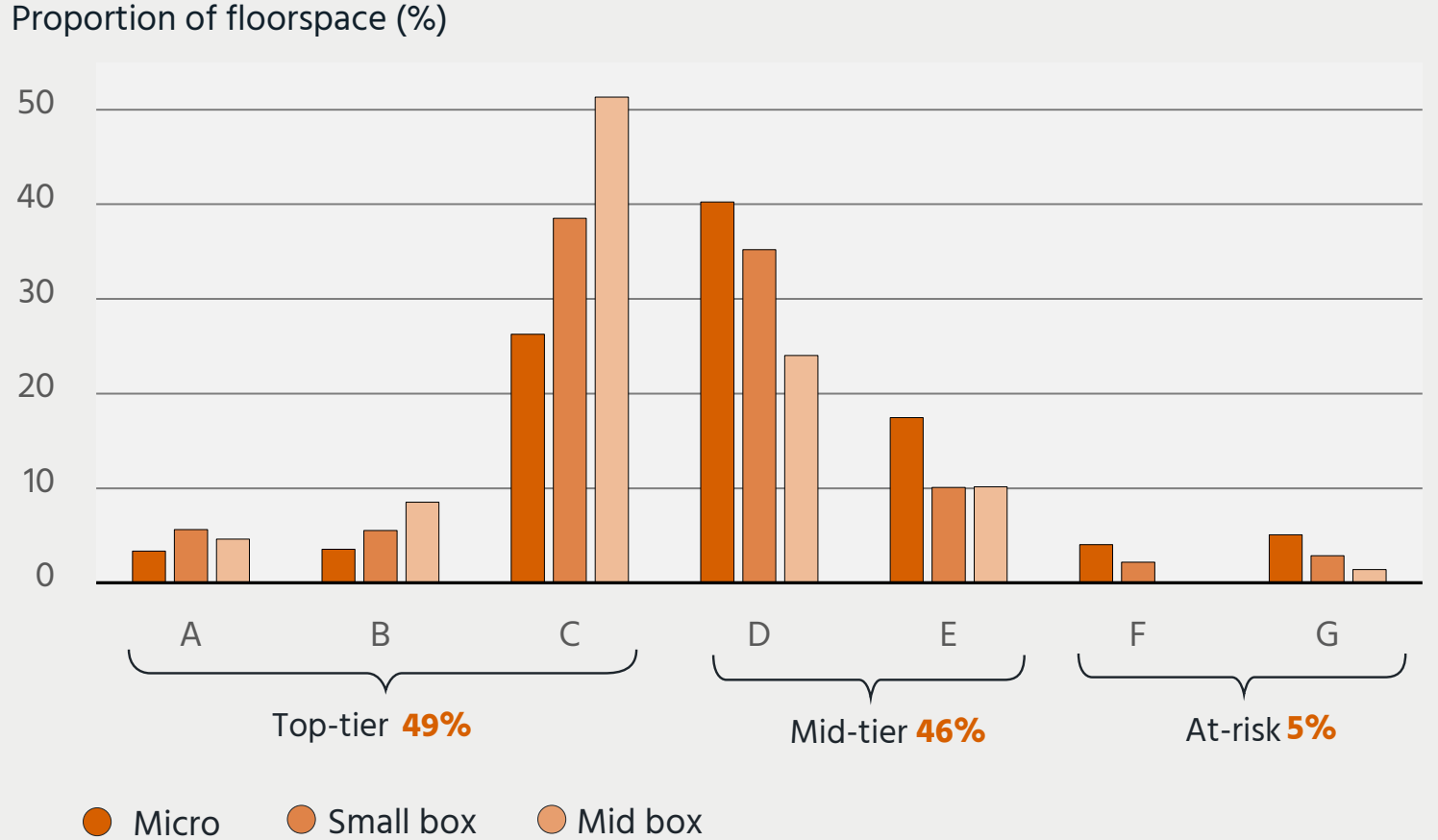
Source: Gerald Eve



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



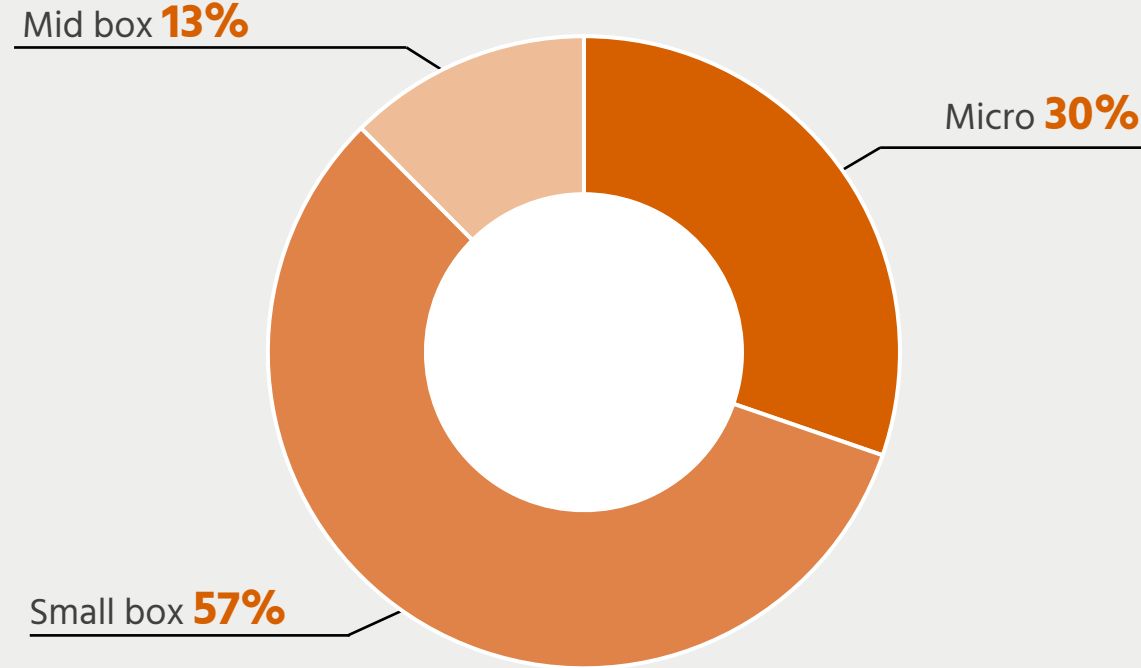
Over half of the market needs some kind of intervention in the next five years

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

AT-RISK FLOORSPACE BY UNIT SIZE

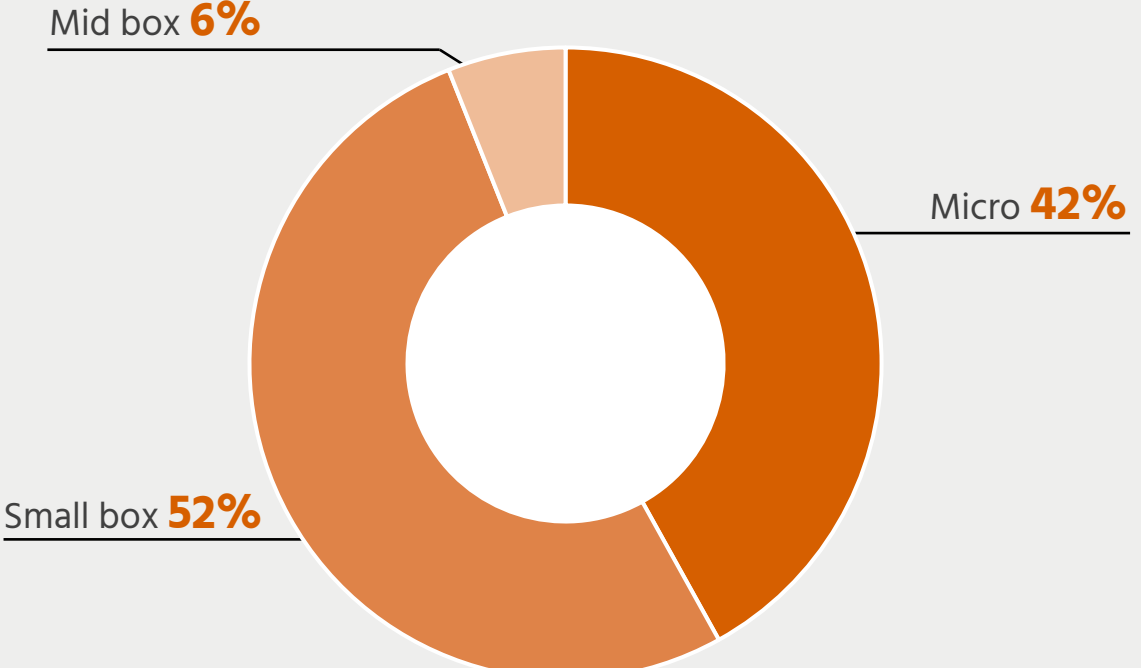
London & the South East

Source: Gerald Eve

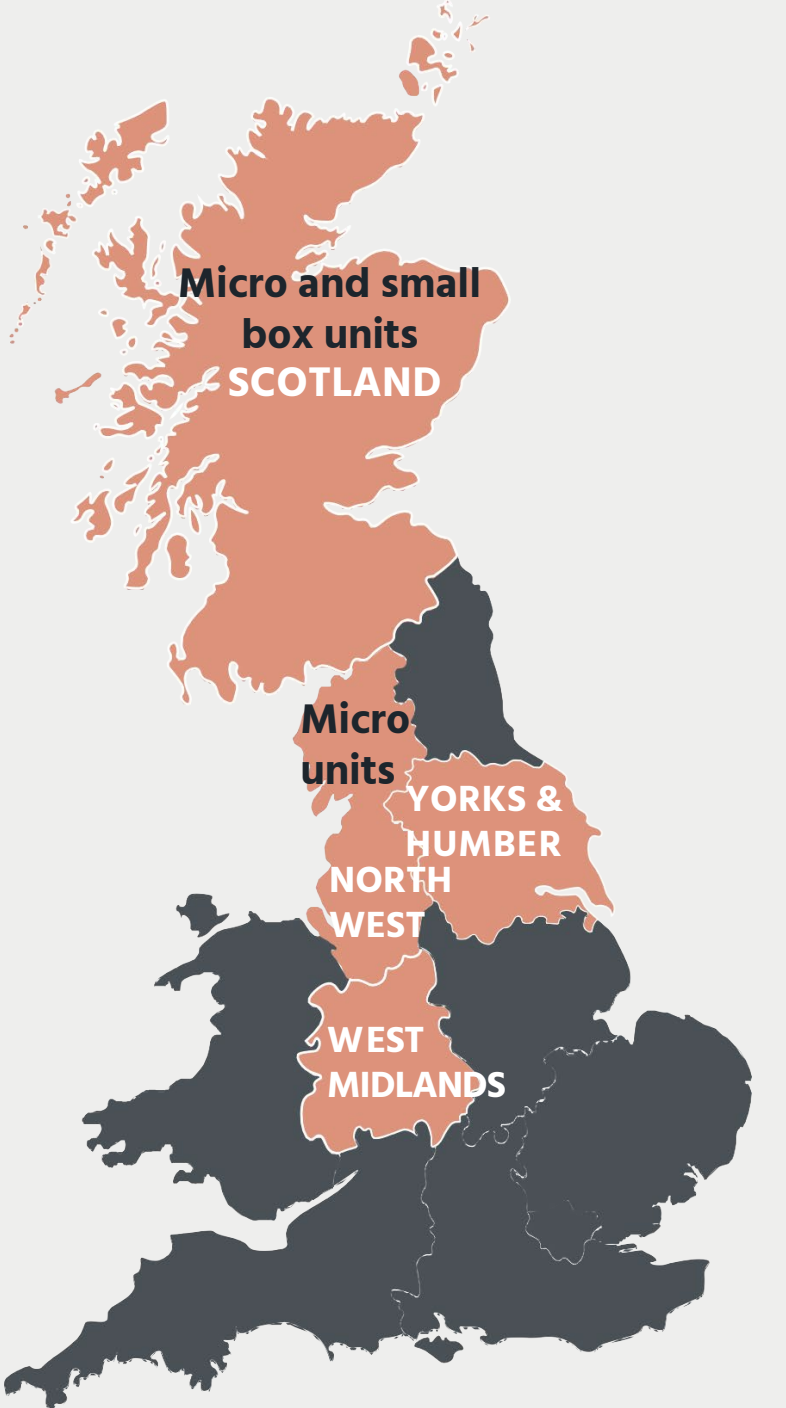


Rest of UK

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.

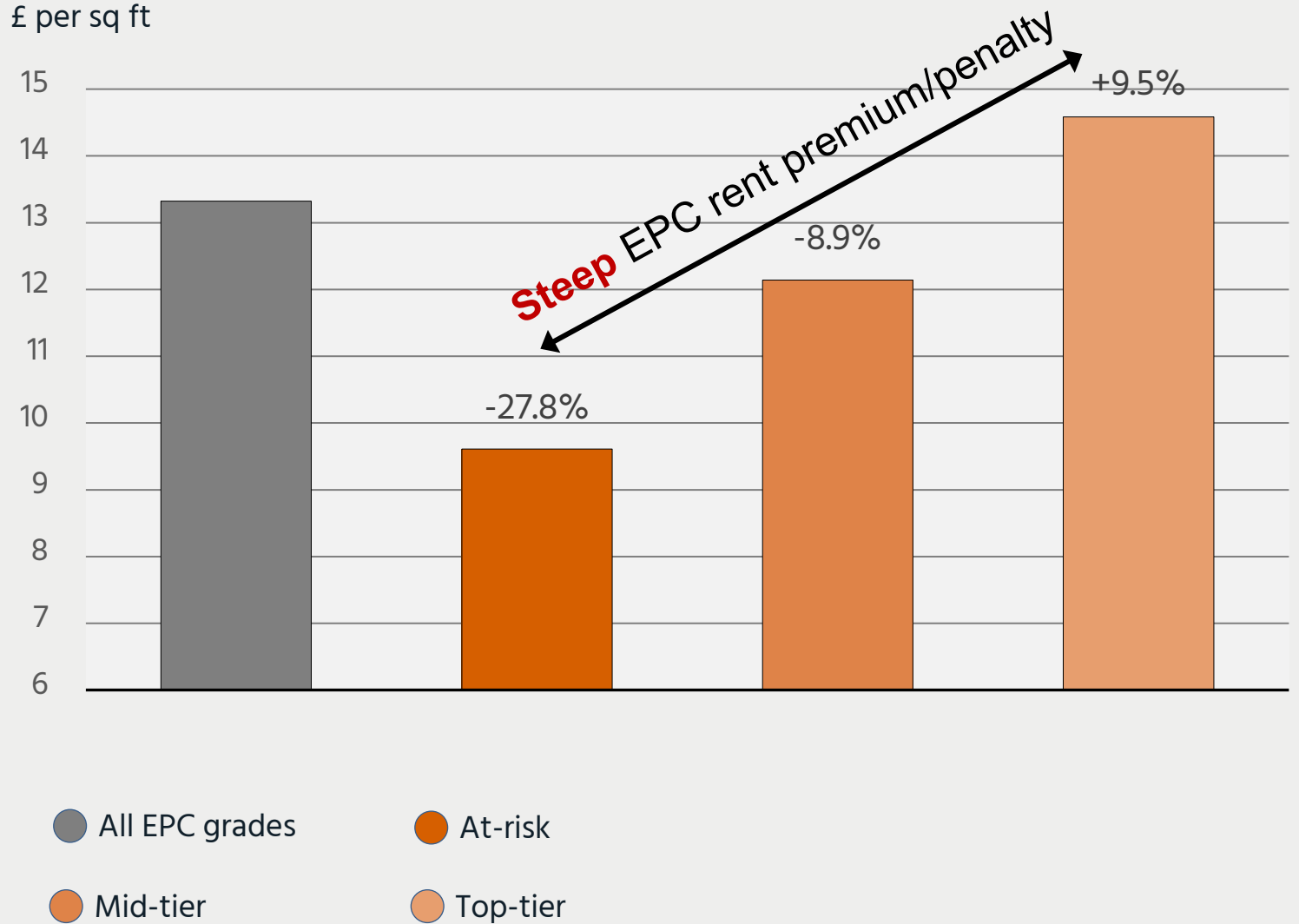
MID BOX

Massive overrepresentation of manufacturers.

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

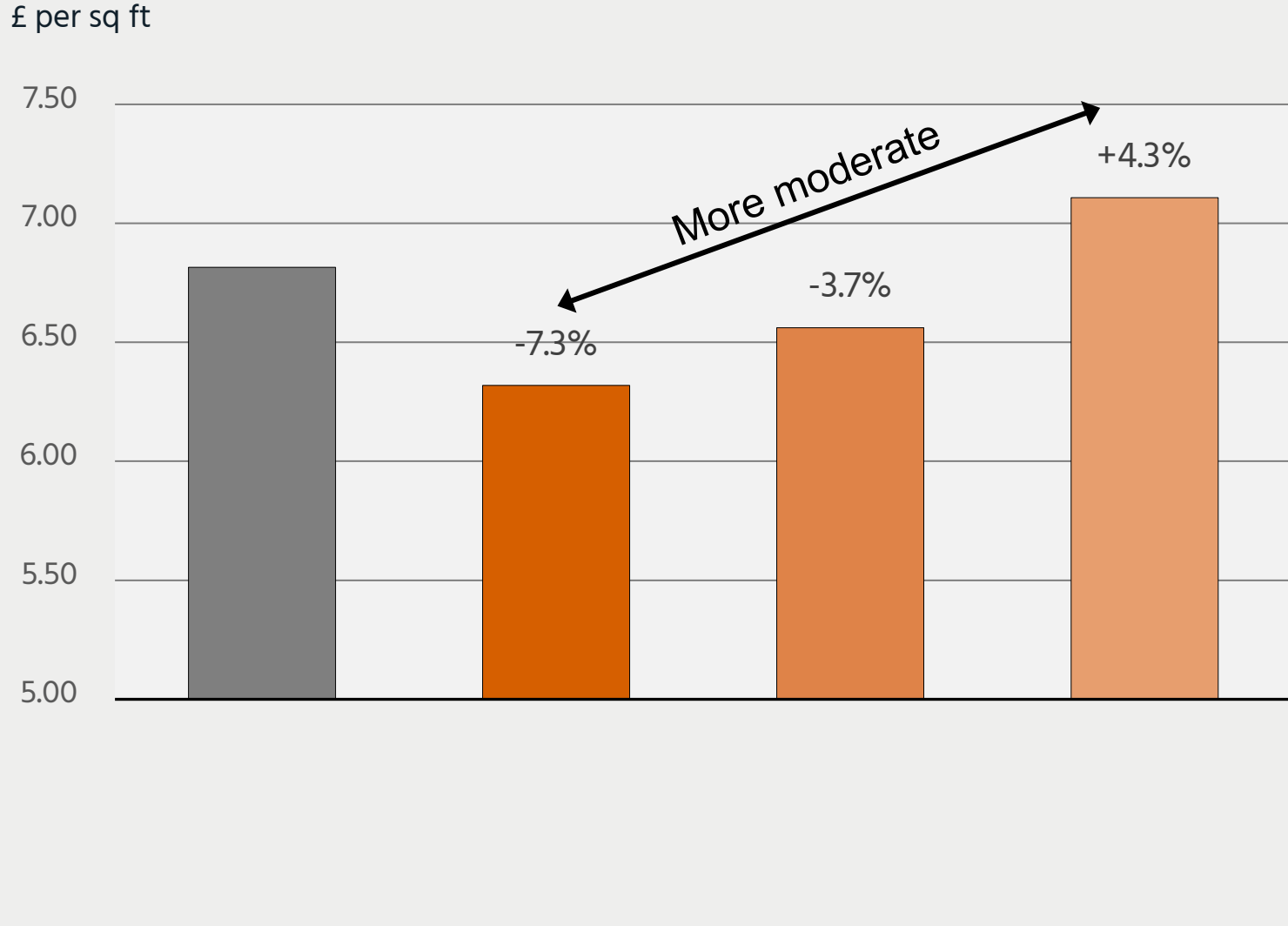
London & the South East ERVs by EPC grade

Source: Gerald Eve



Rest of UK ERVs by EPC grade

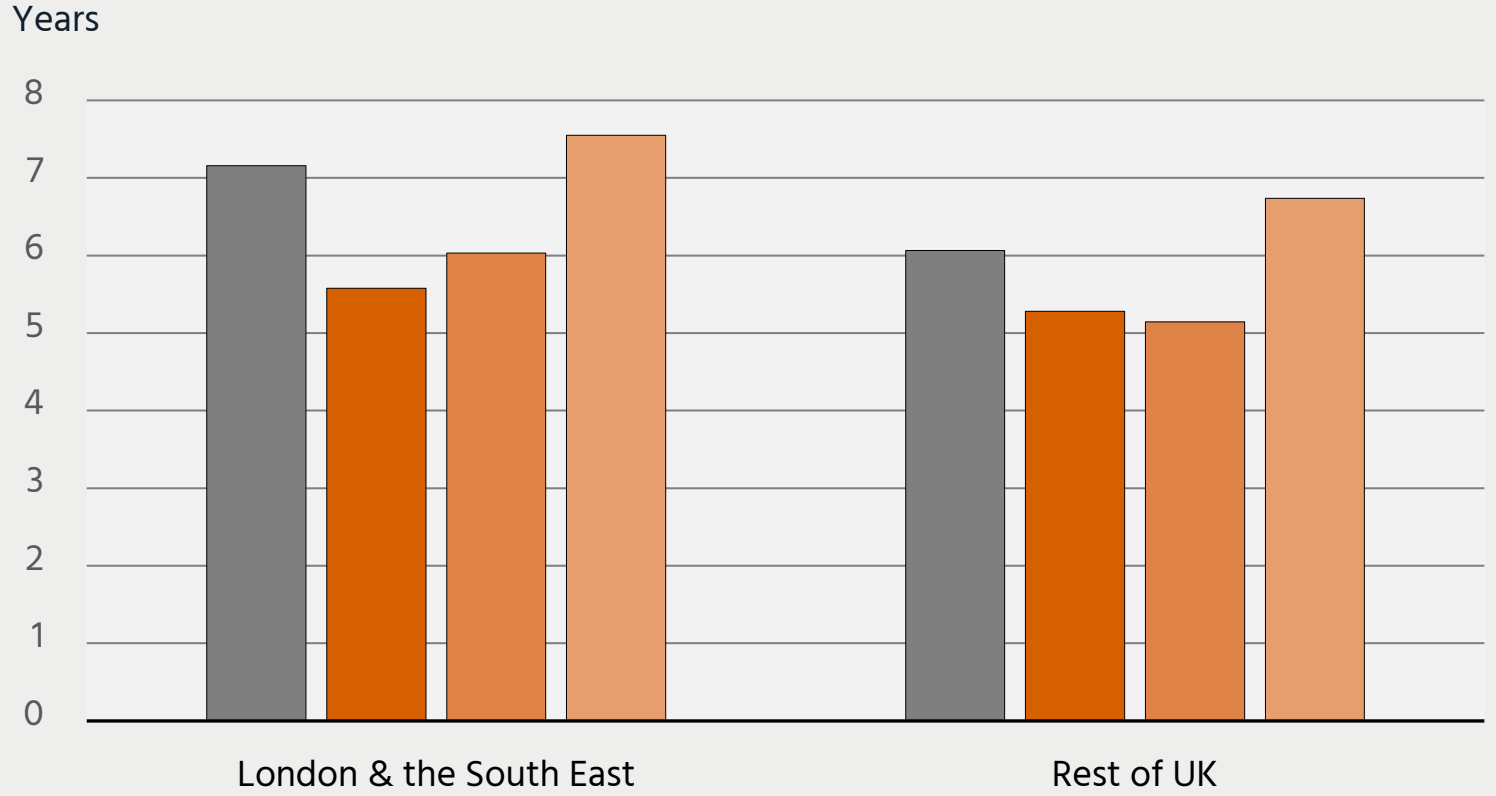
Source: Gerald Eve



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

Newly-signed length of income by EPC grade

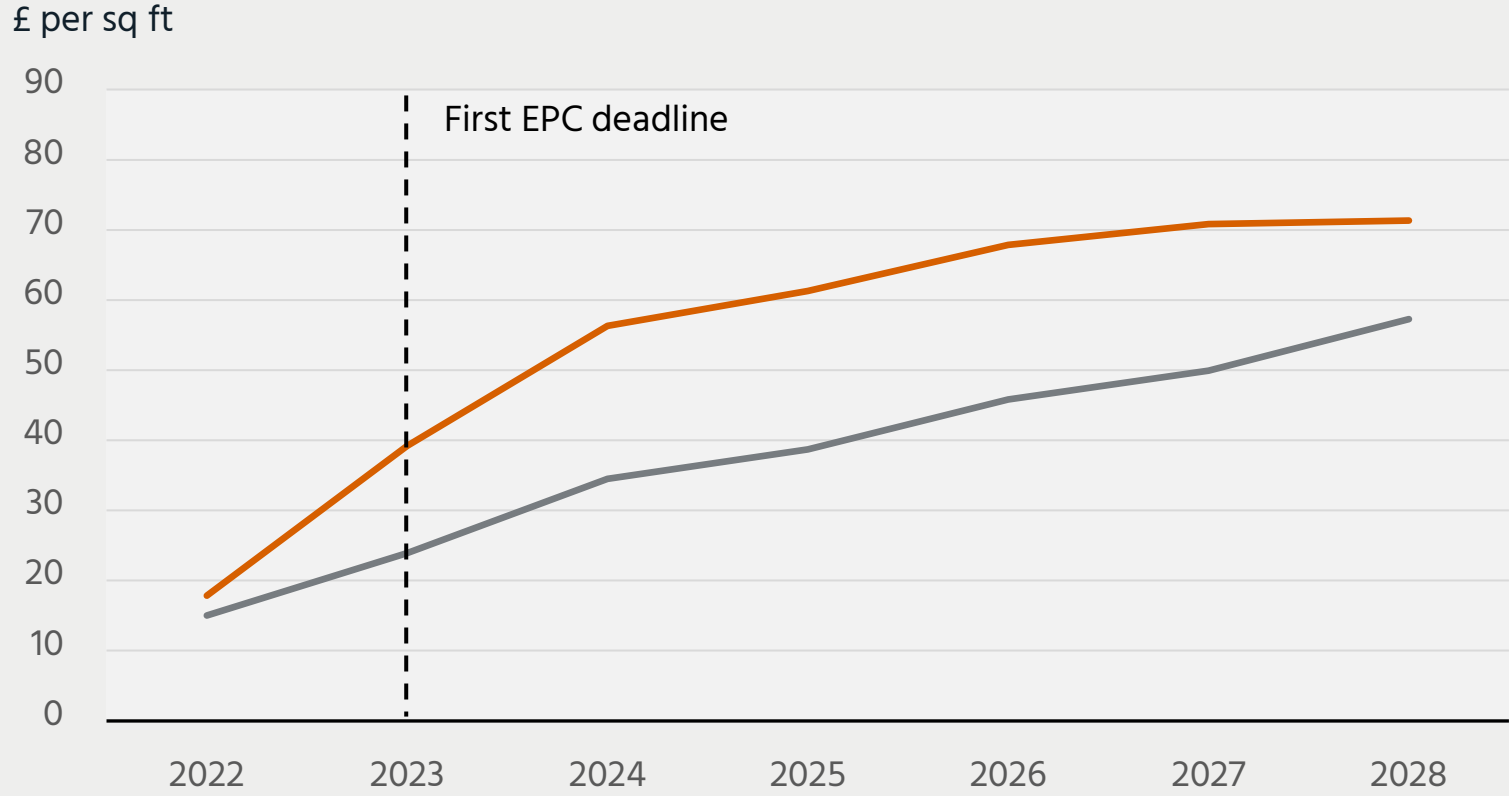
Source: Gerald Eve



- All EPC grades
- At-risk
- Mid-tier
- Top-tier

UK cumulative proportion of at-risk expiries

Source: Gerald Eve

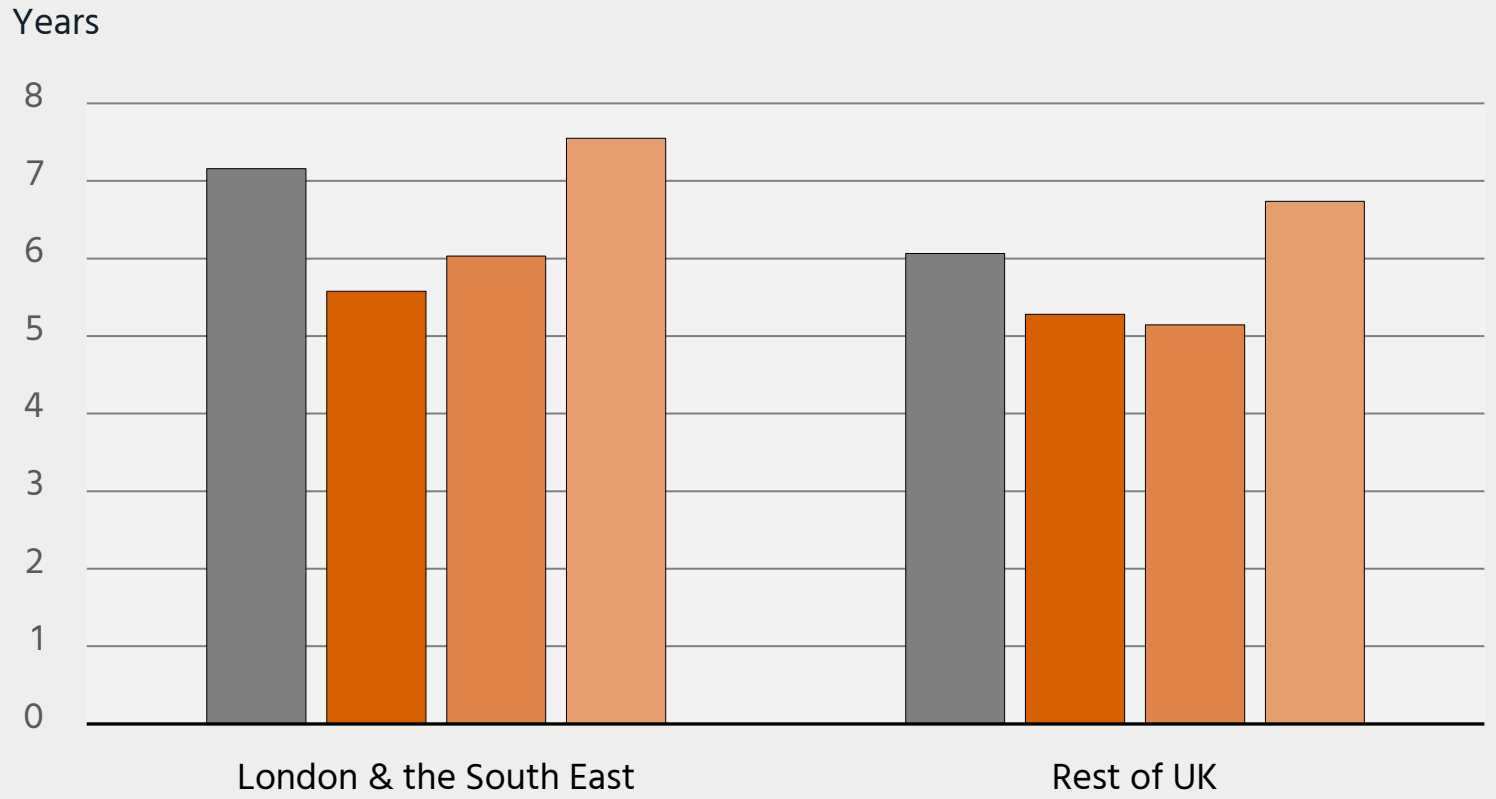


- Micro
- Small and mid box

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

Newly-signed length of income by EPC grade

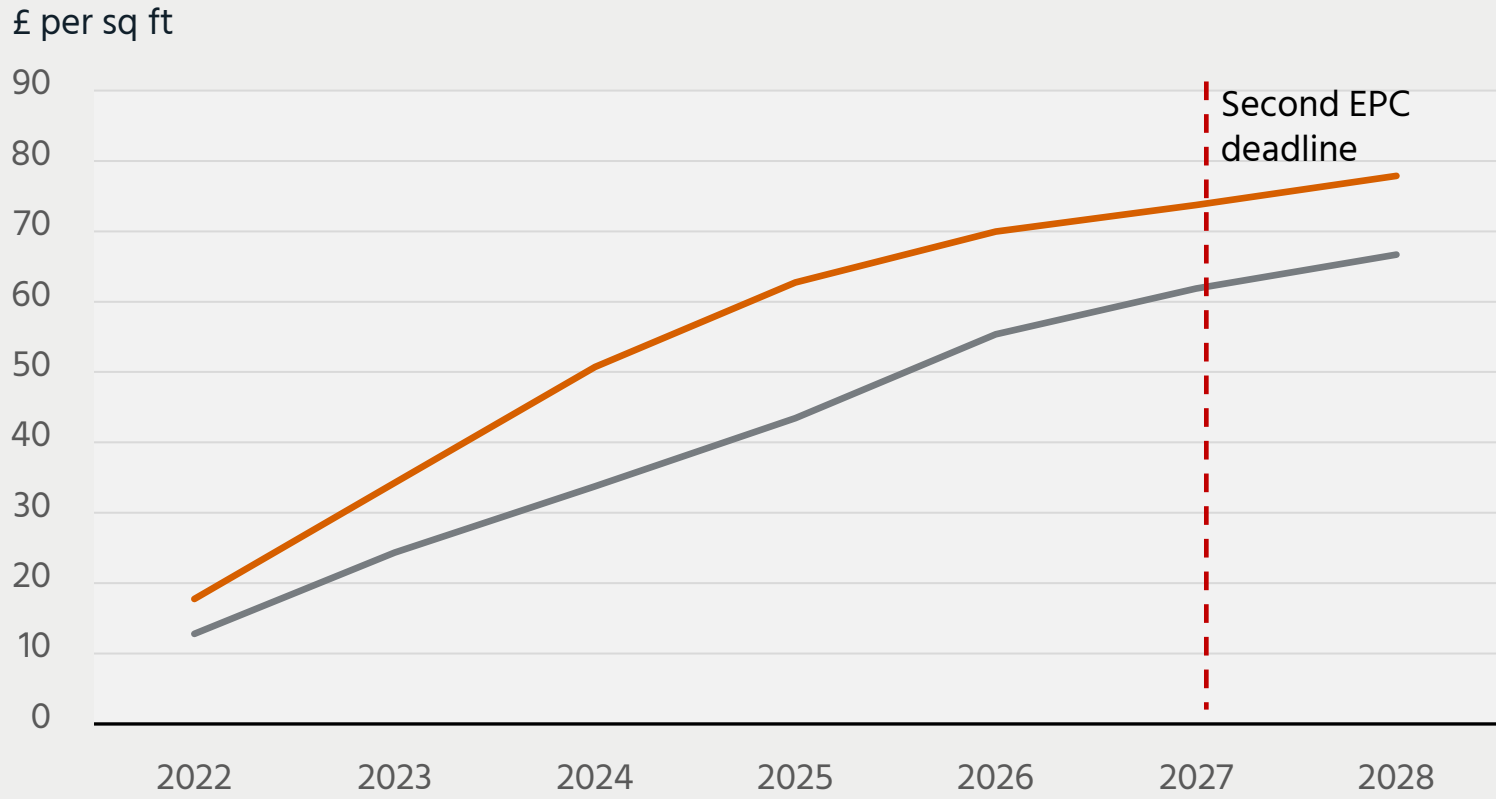
Source: Gerald Eve



- All EPC grades
- At-risk
- Mid-tier
- Top-tier

UK cumulative proportion of mid-tier expiries

Source: Gerald Eve



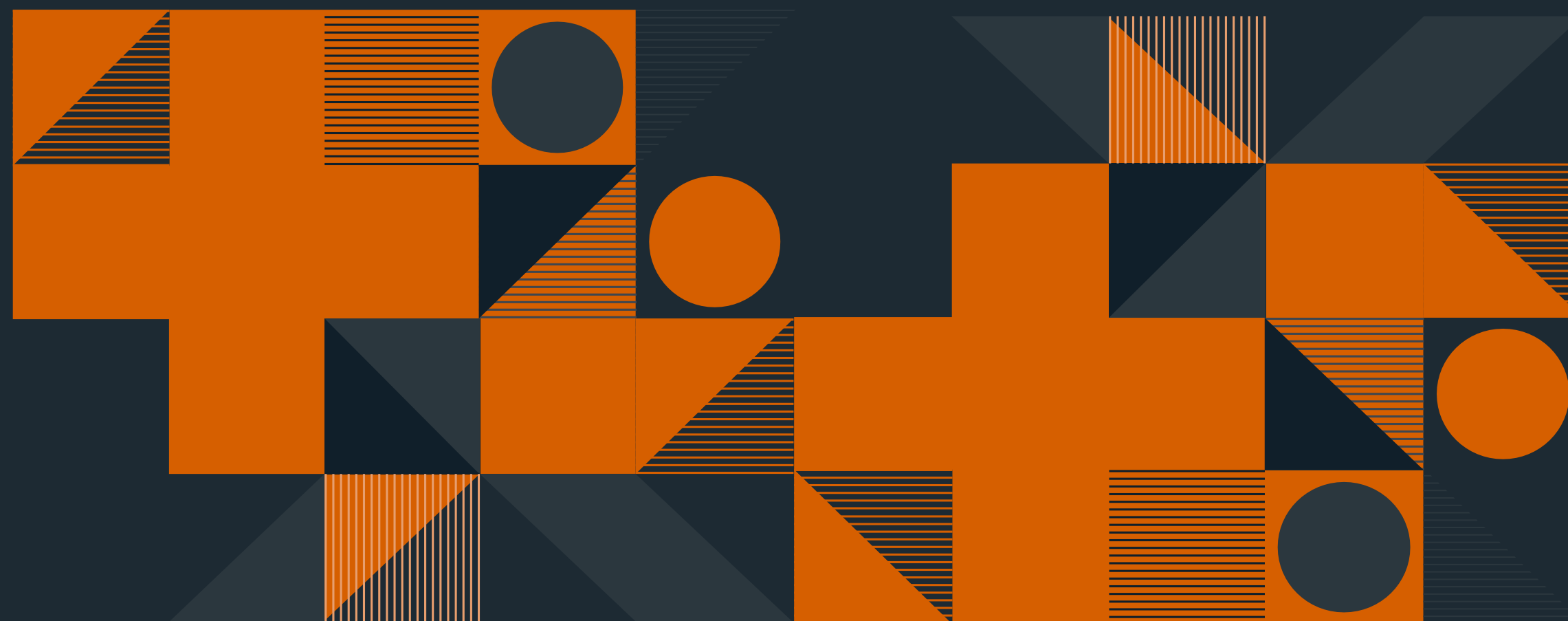
- Micro
- Small and mid box

MULTI-LET

London West*

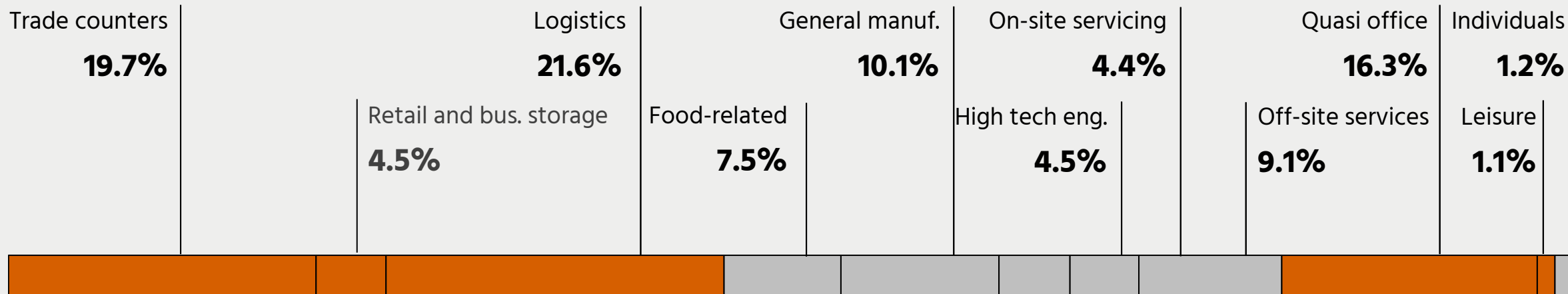
NW, W, SW London postcodes + Twickenham, Slough and Southall.

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



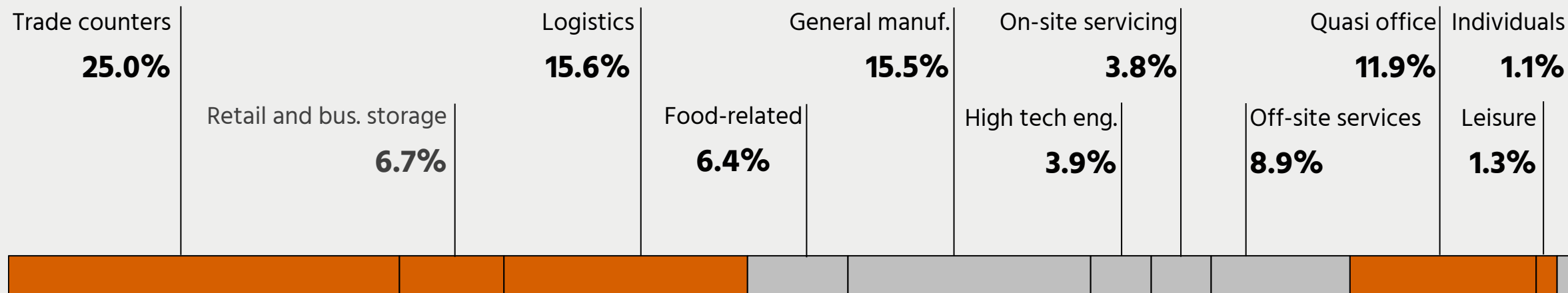
A GREATER PROPORTION OF "GENTRIFIED" OCCUPIERS IN LONDON WEST

London West



63% IN "MODERN USAGE"

London & the South East

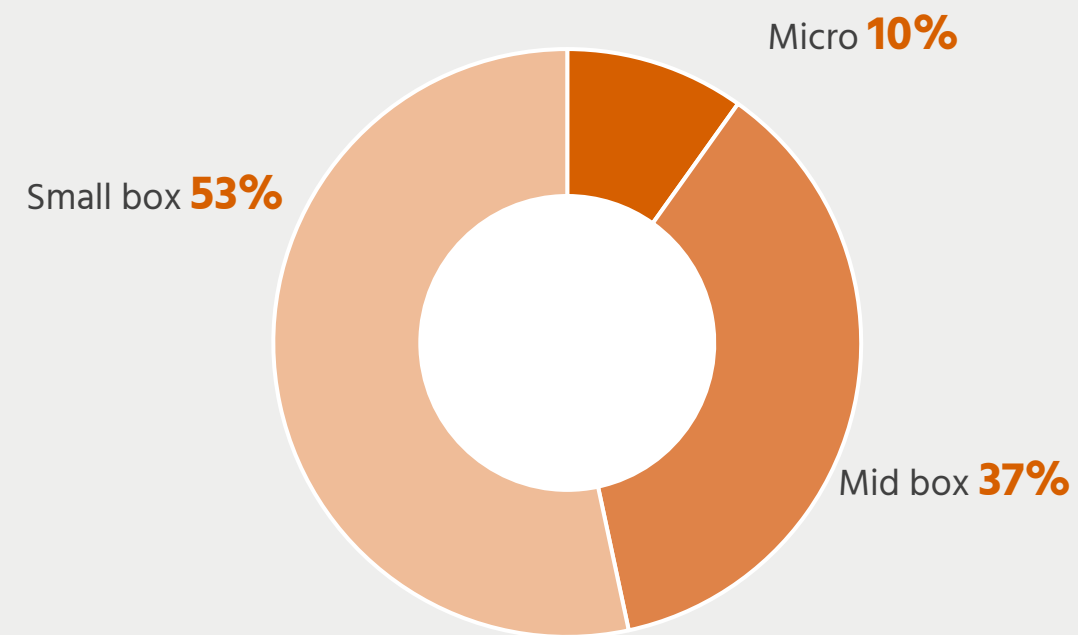


61% IN "MODERN USAGE"

THE STRUCTURE OF LONDON WEST AND ERV BY UNIT SIZE

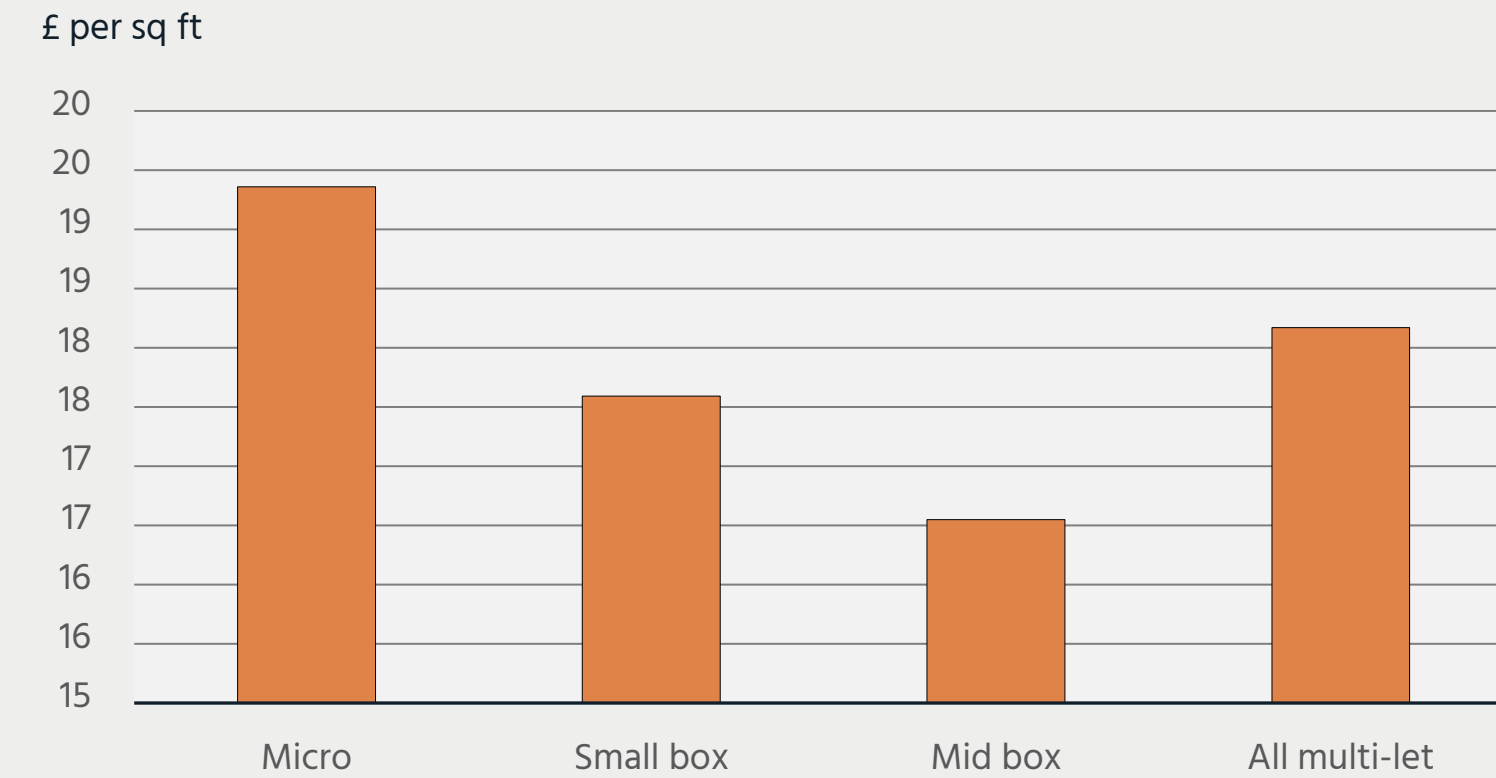
London West market structure by unit size

Source: Gerald Eve



London West end-2021 ERVs by unit size

Source: Gerald Eve

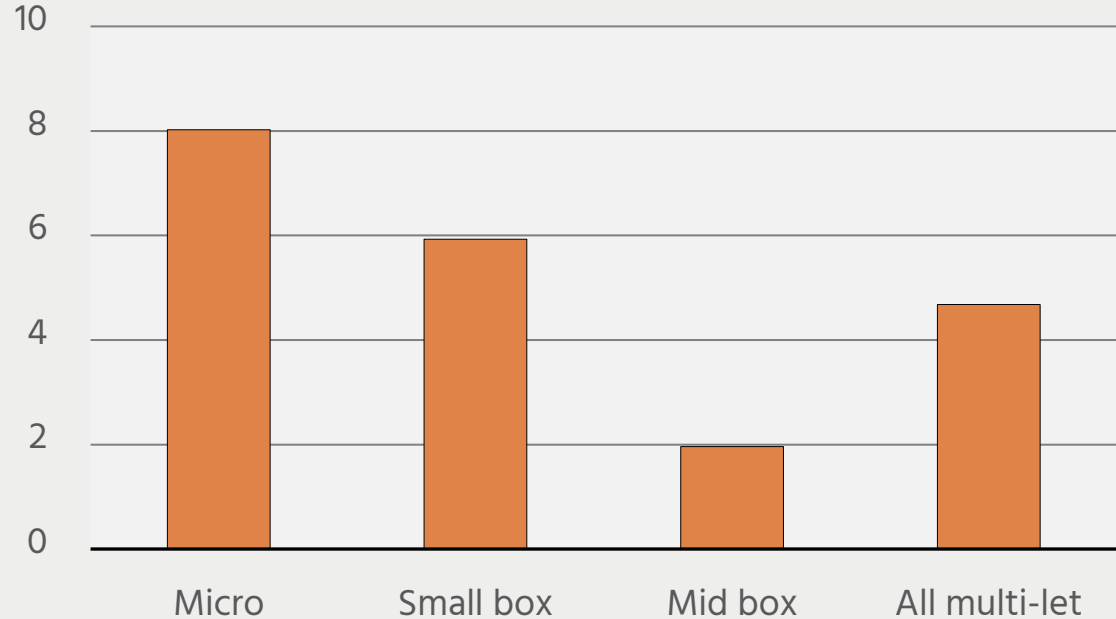


STEEP REDUCTION IN VOID RATE FOR THE LARGER UNITS

London West void rate by unit size, 2021

Source: Gerald Eve

£ per sq ft



RENTAL GROWTH MOMENTUM MAINTAINED INTO H1 2022

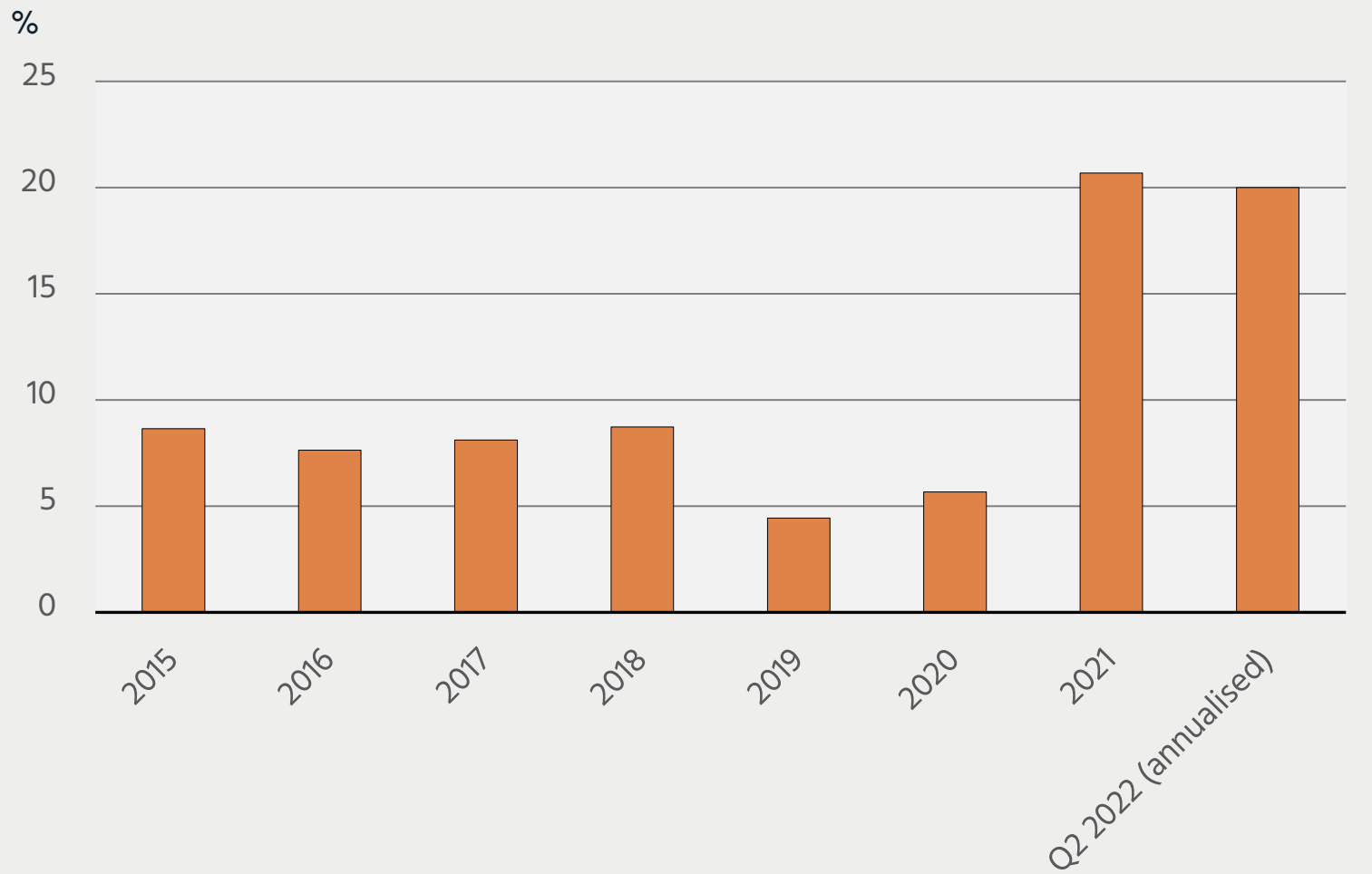
ERVs by London sub-region

Source: Gerald Eve



London West rental growth

Source: Gerald Eve

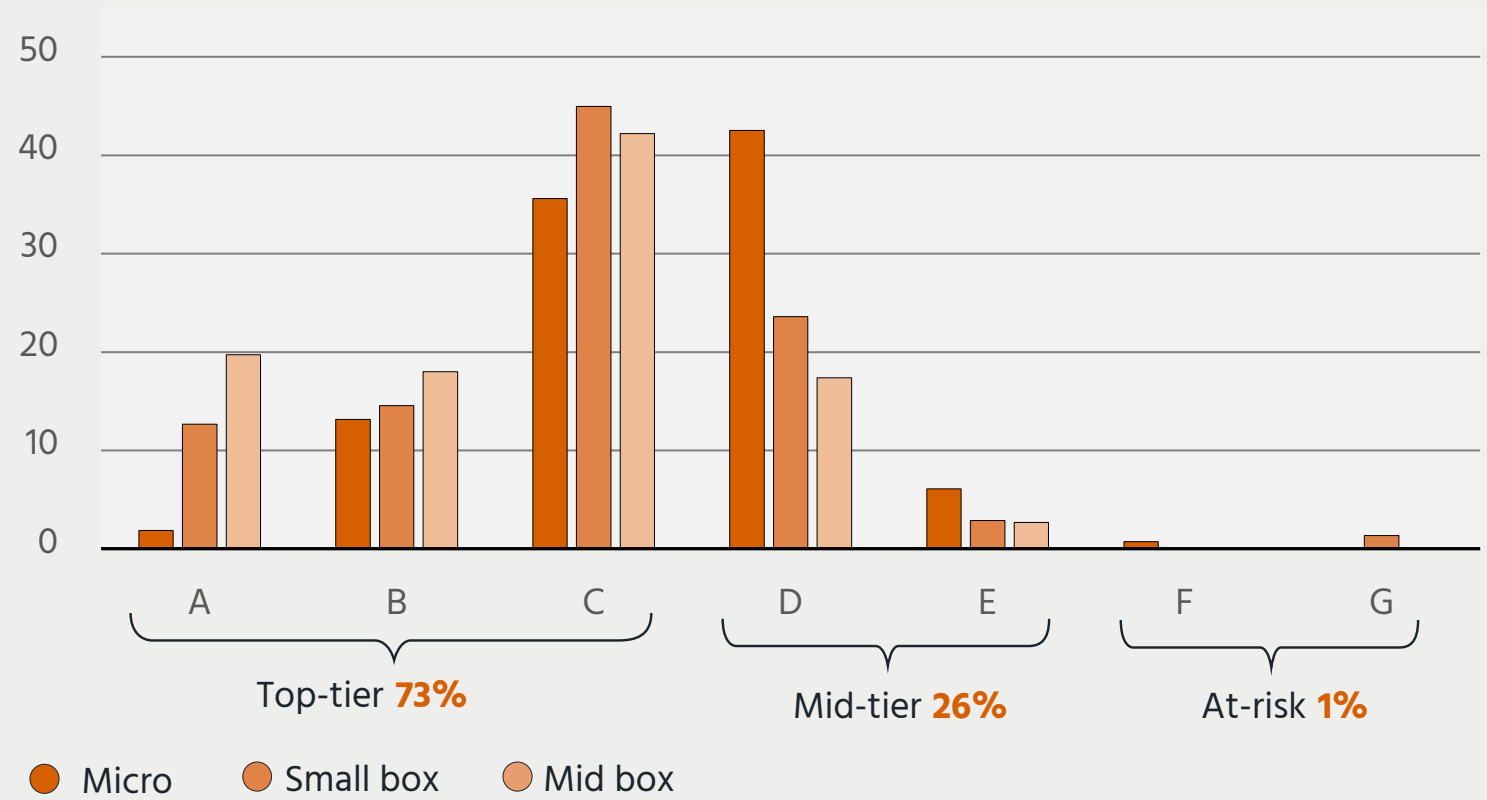


STRONGER EPC CREDENTIALS IN LONDON WEST BUT A QUARTER NEED UPGRADING

London West multi-let by EPC grade

Source: Gerald Eve

Proportion of floorspace (%)

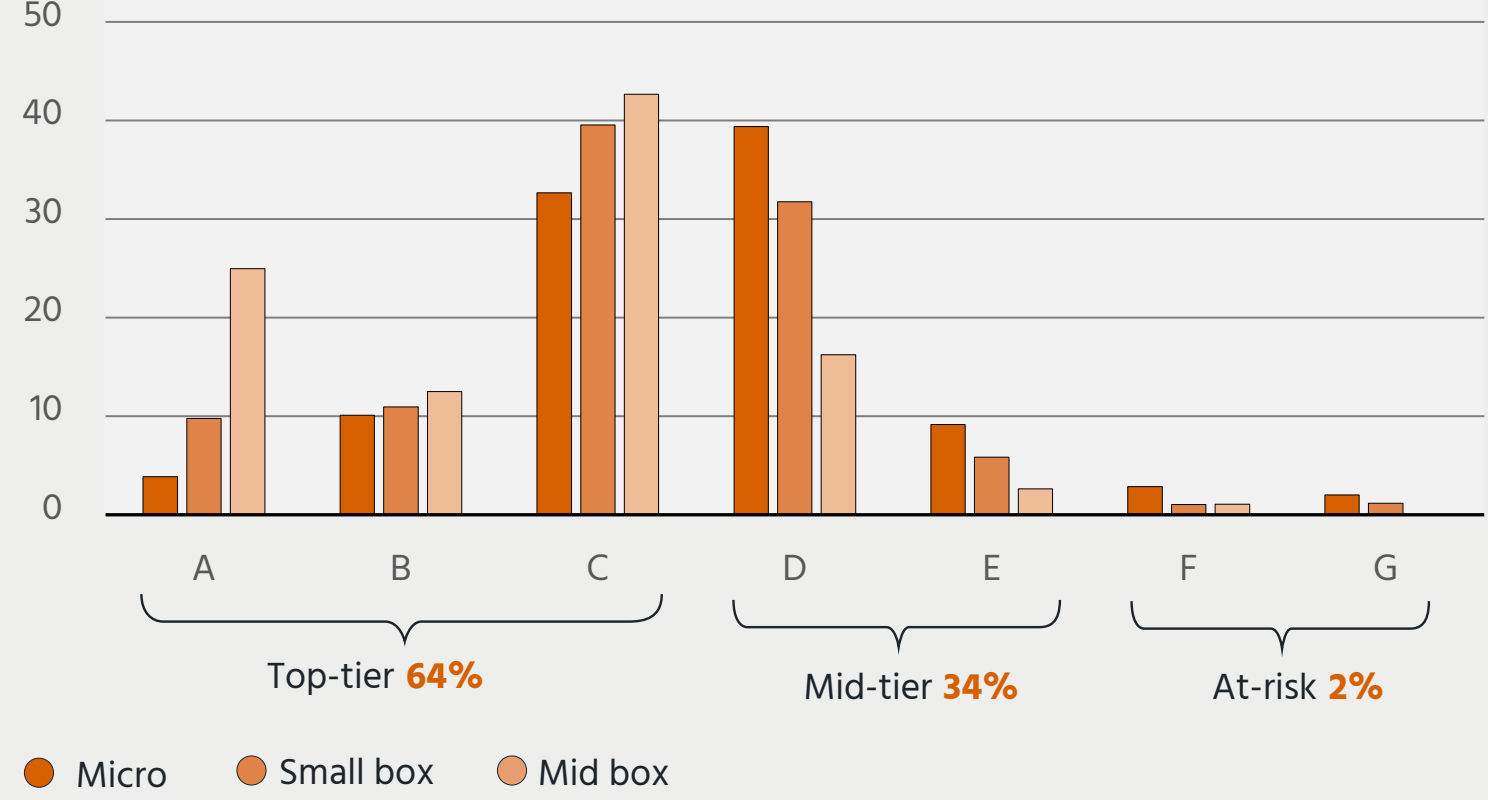


Over a quarter of the market needs some kind of intervention in the next five years

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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