savills

Savills World Research
UK Logistics

Big Shed Briefing

January 2018

Altitude Milton Keynes where a unit of 574,000 sq ft is being developed by Gazeley and due to complete in the first quarter of 2018

SUMMARY

Supply and vacancy steady as take-up recedes to long term average levels

■ There has been 24.46m sq ft of warehouse space over 100,000 sq ft transacted in 2017, which is 2% higher than the long term average.

■ The principal driver behind the fall in take-up has been a sharp decline in the amount of build to suit deals from 18.50m sq ft in 2016 to 11.49m sq ft in 2017.

■ This can be attributed to the fact the businesses are taking longer to commit to capital intensive projects, potentially driven by the current uncertainty around our future trading relations with the EU.

■ The supply of warehousing in the UK currently stands at 28.63m sq ft, giving a vacancy rate of 6%. We are tracking 4.4m sq ft of space through the development pipeline which will be added to our supply statistics in 2018.

■ The sector remains attractive to investors from across the globe. £3.7bn has been invested in logistics warehouses in 2017 making it the second strongest year on record with overseas investors accounting for a quarter of purchasers. The wider industrial sector accounted for 17% of all investment in commercial property, a record high.

> “The fact that supply levels and vacancy rates have remained reasonably consistent for the last four years despite take-up volatility points to a market which is largely in equilibrium”
>
> Kevin Mofid, Head of Industrial & Logistics Research

Nationwide Overview

Richard Sullivan
National Head of Industrial
+44 (0)20 7409 8125
RSullivan@savills.com

Given the record levels of take-up achieved in 2016 and the amount of space taken by Amazon, 2017 was always going to struggle to keep pace.

Little clarity has emerged from the Brexit negotiations on what our future trading relationship with the EU will look like. Manufacturers and retailers will be waiting with interest as the implications for global supply chains will be vast and certainly impact the amount of inventory potentially stored in the UK.

Non property factors are rising up the priority list for occupiers' locational decisions, in particular the availability of labour and energy.

This will mean more evolution of the market and whilst core locations such as the Golden Triangle will remain important there will be a blurring around the edges as occupiers continue to locate in peripheral locations.

Take-up

■ At a nationwide level take-up has reached 24.46m sq ft for the year to date, a fall of 12.85m sq ft on 2016, but 2% higher than the 10 year average. By deal count, however, the picture is more pleasing, with 103 transactions completed, meaning for four years in a row there have been more than 100 deals.

■ In a sign of how much the market has evolved over recent years it should be noted that the long term average take-up level has increased from just over 17m sq ft in 2009 and now stands at 23.96m sq ft.

■ Of the 24.46m sq ft transacted in 2017 41% was in the Midlands, demonstrating that whilst the boundaries of the market are blurring the Golden Triangle retains its position as the prime market in the UK.

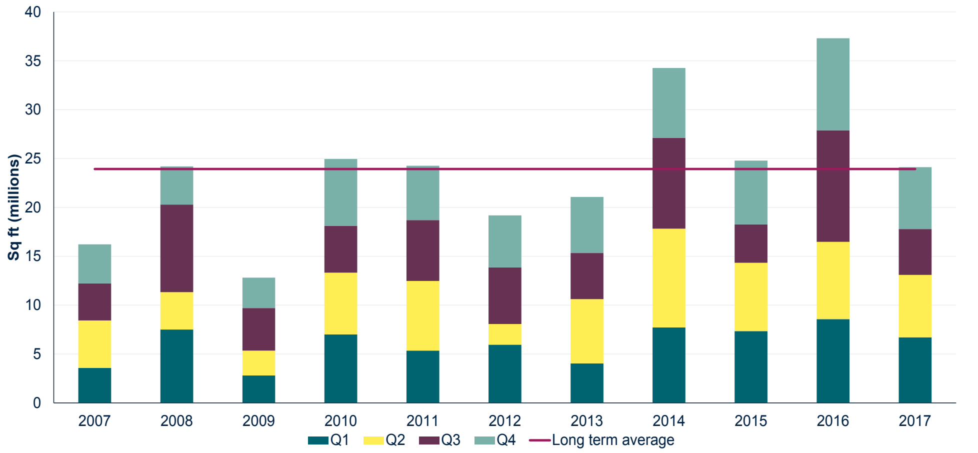
Supply and Pipeline

■ Total supply in the UK has risen 3.2m sq ft in 2017 to 28.63m sq ft. This has been driven in the most part by a slight increase in the number of speculative units reaching completion and now entering our supply statistics.

■ 4.4m sq ft of space is currently under construction and due for delivery in 2018.

FIGURE 1

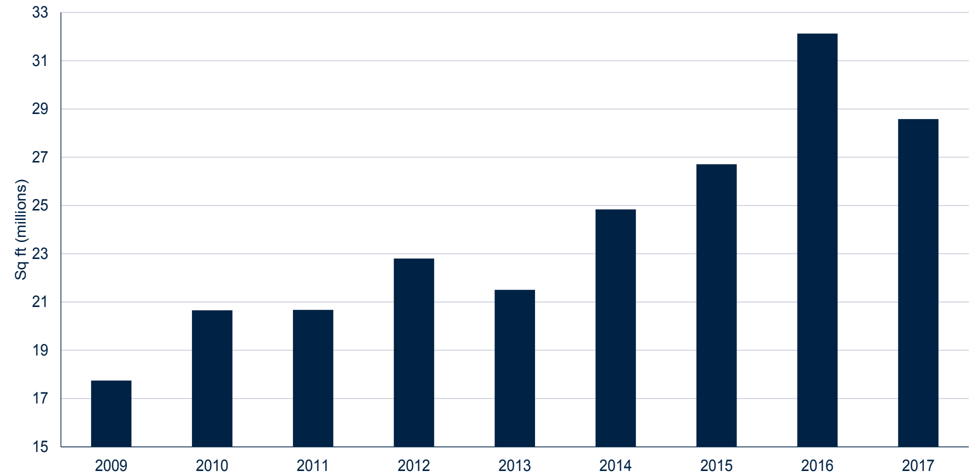
National take-up



Source: Savills Research

FIGURE 2

Three year rolling average take-up



Source: Savills Research

▼ Tamworth 594 let by Logicor to XPO Logistics

London & The South East

Toby Green
Director - South East
+44 (0)20 7409 9903
TGreen@savills.com

"London & the South East is a geographically large region and levels of supply remain critically low in many sub markets across the region, particularly around the northern and southern M25" Toby Green, Director: Agency

Supply

■ Over the last seven quarters the amount of logistics units on the market has fluctuated between 23 and 27 units and currently stands at 24. This equates to a current supply of 3.94m sq ft, up from 3.57m sq ft in Q1 2017.

■ There are just four units on the market over 200,000 sq ft. Unit sizes increase as you move north of London as highlighted by Valor's MK203 and MK360.

■ Within the M25 supply of units over 100,000 sq ft remains severely limited, particularly in the North and South quadrants with no units currently on the market.

■ The level of grade A supply has however fallen dramatically. The current speculative and second hand grade A supply is 1.8m sq ft across 10 units, down 50% from 3.6m sq ft in Q1 2016.

Take-up

■ 4.37m sq ft of warehouse space was transacted in 2017 across 23 separate deals. Whilst this was one more transaction that 2016, there was 5% less build to suit transactions meaning take-up was in line with the long-term average rather than the 6.2m sq ft transacted in 2016.

■ The level of second hand space transacted fell to its lowest proportion of the market since 2012, accounting for just 35% of all deals.

■ As with the national trend the level of build to suit fell by 1.01m sq ft, which equates to just 39% of the market, compared to 44% in 2016 and 42% based on the long term average.

■ Over the year seven units were let that had been constructed speculatively, which combined accounted for 1.12m sq ft. These included XPO logistics who leased 275,000 sq ft at DC2 Marston Gate and Coopervision who leased 100,000 sq ft at Mountpark Southampton and UK Mail who took 100,000 sq ft at Magna Park Milton Keynes. During 2017 the average void period for speculatively constructed units fell from ten months to nine.

Development Pipeline

■ There are five units under construction and due to reach practical completion in 2018 which total 1.07m sq ft. Aside from Altitude, which is being developed by Gazeley and totals 574,000 sq ft, all units are under 200,000 sq ft.

▼Valor Park MK203

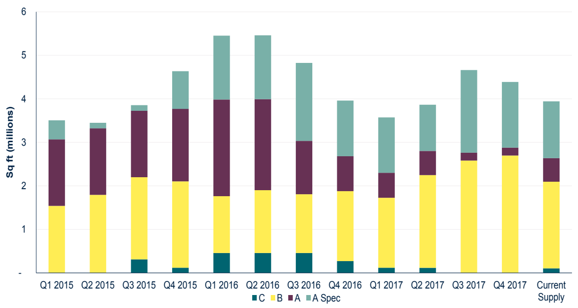
TABLE 1

Key Stats

	Stats	Yr/Yr change
Take-up	4.3m sq ft	↓ 30%
Supply	3.9m sq ft	↑ 8%
Development Pipeline	1.07m sq ft	↑ 3%
Quoting Grade A Rent	£7 - £14.50 /sq ft	↔
Vacancy Rate	4.2%	↓ 80bps

FIGURE 3

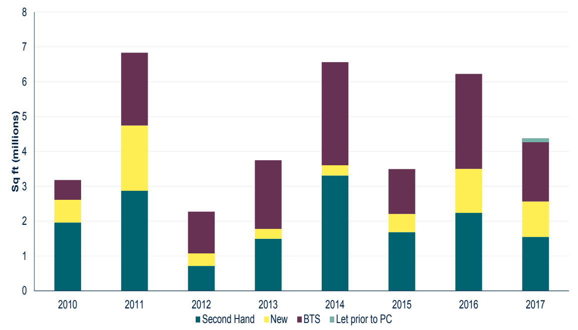
Supply by grade



Source: Savills Research

FIGURE 4

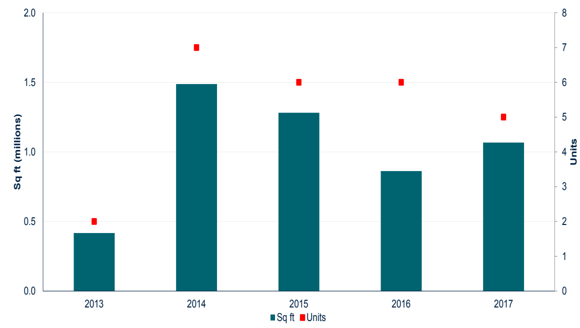
Take-up



Source: Savills Research

FIGURE 5

Development announcements



Source: Savills Research

East Midlands

Charles Spicer
Director - Birmingham
+44 (0) 121 6348407
CAspicer@savills.com

"Build to suit demand levels remain strong and in 2018 we expect grade A sites such as East Midlands Gateway and DIRFT III to absorb an increasing amount of these requirements"
Charles Spicer, Director: Agency

Supply

■ The supply of existing units in the East Midlands currently stands at 4.83m sq ft across 23 units. Given a raft of speculative completions in 2017 supply reached a peak for recent times at 5.05m sq ft in the fourth quarter of 2017.

■ Of all the regions in the UK the East Midlands has the most diverse level of supply, both in terms of quality and size. For example, the region is unique in the fact that 72% of all supply is over 200,000 sq ft.

■ However, given the aforementioned speculative completions, grade A supply, including modern second hand units, now stands at 3.53m sq ft, more than tripling, from just 0.79m sq ft at the start of 2016.

Take-up

■ Occupier demand rallied in the second half of the year in the East Midlands and take-up reached 4.24m sq ft across 14 separate transactions.

■ It was largely inevitable that after the record year of 2016 when 7.03m sq ft was transacted that take-up would recede. However, whilst we have seen transactional volumes fall by 40%, it should be noted that demand was in line with the long term average of 4.00m sq ft made up of 15 transactions.

■ Interestingly, and unlike the national market as a whole, the region saw the build to suit element of the market increase its share of the space transacted to 68%, up from 64% and way above the regional long term average of 31%. This was helped by key deals such as Decathlon taking 260,000 sq ft and Stanley Black & Decker taking 256,000 sq ft, both in Northampton.

Development Pipeline

■ With 2016 being a relative fallow year for speculative announcements in the region 2017 saw development announcements rise to 1.00m sq ft.

■ This means that there is now 1.13m sq ft due for delivery in 2018 across five units with an average size of 226,000 sq ft.

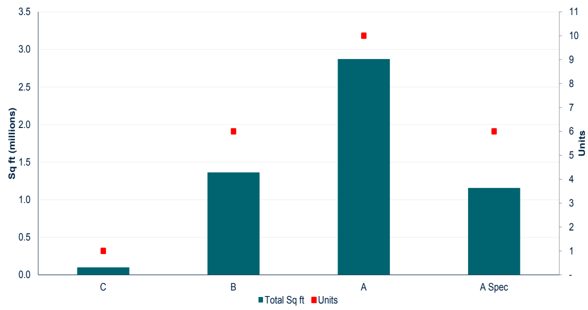
■ Of the committed speculative development the majority of schemes are in Northern parts of the region, aside from C172 which Roxhill and Cabot are developing in Northampton.

▼East Midlands Gateway developed by Roxhill

TABLE 2
Key Stats

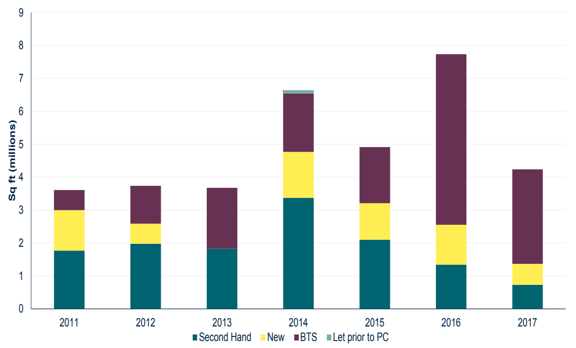
	Stats	Yr/Yr change
Take-up	4.24m sq ft	↓ 40%
Supply	4.83m sq ft	↑ 6%
Development Pipeline	1.13msq ft	↑ 318%
Quoting Grade A Rent	£6.50/sq ft	↔
Vacancy Rate	6.2%	↑ 40bps

FIGURE 6
Supply by grade



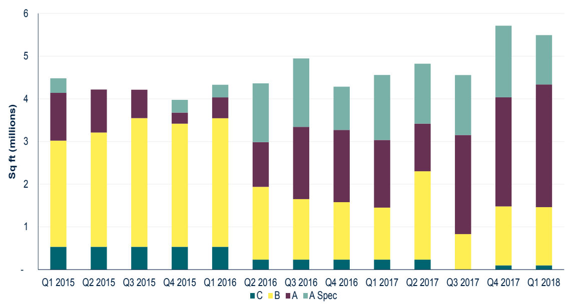
Source: Savills Research

FIGURE 7
East Midlands take-up



Source: Savills Research

FIGURE 8
Supply timeseries



Source: Savills Research

West Midlands

Ranjit Gill
Director - Birmingham
+44 (0)121 634 8402
RSgill@savills.com

"Another resolute performance across the West Midlands and with the supply remaining tight we anticipate a similar performance in 2018"
Ranjit Gill, Director: Agency

Supply

■ The availability of warehouse units over 100,000 sq ft reached a critical low in Q3 2016 when supply stood at just 2.21m sq ft. Given the fact that the West Midlands has the highest amount of occupier demand of any region in the UK, developers have responded accordingly and current supply is 4.15m sq ft across 26 separate units.

■ The proportion of grade A units on the market has increased in line with demand and now stands at 2.50m sq ft, accounting for 57% of all supply, up from just 16% of supply two years ago.

■ Given that the average size deal in 2017 was 277,000 sq ft there remains an imbalance in supply by size range. There are just five units on the market over 200,000 sq ft, accounting for 19% of supply, and just two units over 300,000 sq ft.

Take-up

■ Another fantastic year for occupier demand in the region saw the West Midlands eclipse the East Midlands for the first time as the long term average take-up level now stands at 4.22m sq ft compared to 4.02m sq ft in the East.

■ In the most part this can be attributed to the fact that, unlike the national market, the level of build to suit in the region increased in 2017.

■ Of the 5.86m sq ft transacted over 2017 45% was classified as build to suit, compared to the long term average of 32%. This was helped by key deals to Meggit in Coventry who committed to 440,000 sq ft (subject to planning) and Kimal in Worcester who took 140,000 sq ft in July.

■ Given the supply dynamics in the market it is encouraging that the level of take-up for speculative buildings has increased. For 2017 the figure rose to 19% of all transactions, up from 16% in 2016.

Development Pipeline

■ Savills is currently tracking five units through the development pipeline which total 0.65m sq ft. All are sub 200,000 sq ft and the average size is 129,000 sq ft.

■ We expect both the amount of units under construction, and the average size unit, to increase into 2018 as more speculative announcements are made.

Worcester Six, developed by Stoford

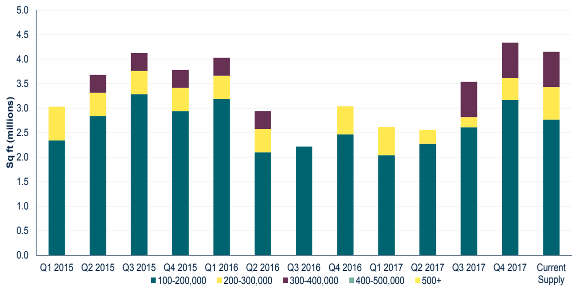
TABLE 3

Key Stats

	Stats	Yr/Yr change
Take-up	5.86m sq ft	↓ 6%
Supply	4.15m sq ft	↑ 58%
Development Pipeline	0.65msq ft	↓ 60%
Quoting Grade A Rent	£7.00/sq ft	↑ 7.7%
Vacancy Rate	6.4%	↑ 90bps

FIGURE 9

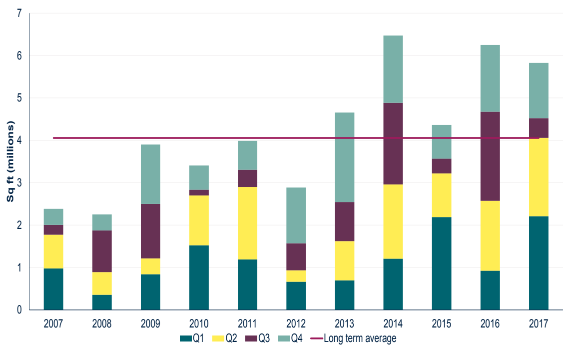
Supply by size



Source: Savills Research

FIGURE 10

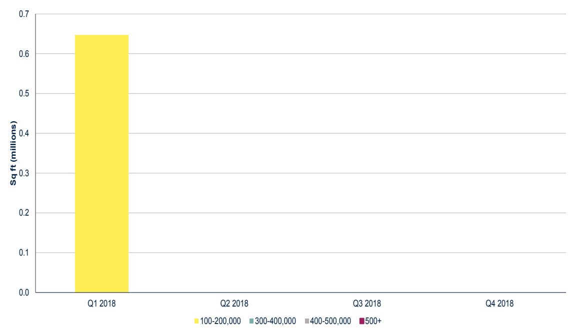
Take-up



Source: Savills Research

FIGURE 11

Development pipeline by size



Source: Savills Research

North West

Jon Atherton
Director - Manchester
+44 (0)161 277 7207
JAtherton@savills.com

"2017 saw a similar number of transactions as 2016, but with a lower average size of deal we saw an reduction in take-up. With a number of large scale requirements in detailed discussions we are forecasting a strong year in 2018"
Jonathan Atherton, Director: Agency

Supply

■ The North West remains the market nationwide with the highest amount of supply at 5.89m sq ft across 34 separate units, with the unit size averaging 173,000 sq ft.

■ The good news however is that the quality balance of the supply has slowly been shifting. For example grade A stock now makes up 30% of all units on the market, accounting for 1.75m sq ft, up from 15% of the market in 2016. However, based upon recent take-up levels of good quality units, the region has just 1.5 years worth of supply for grade A units, the lowest of any region outside of the M25.

■ The level of poor quality stock has also decreased: grade C units now account for just 0.96m sq ft of supply compared with 2.65m sq ft of supply in Q2 2016. Whilst there has been some occupier demand in this category landlords have also chosen to withdraw or refurbish this stock which has little occupational demand.

Take-up

■ Occupier demand in the region reached 2.70m sq ft across 15 units. Whilst this level of take-up also falls below the long term average of 3.50 sq ft it should also be noted that the amount of deals stood at 15 which is broadly in line with the long term average demonstrating that there is still a strong level of churn in the market.

■ This is borne out in the analysis of the market as in 2017 second hand units accounted for 64% of all deals compared to the long term average of 44%. The level of build to suit fell to its lowest level since 2009 at just 327,000 sq ft which ultimately has contributed to the below average take up.

■ The average size deal fell to 167,000 sq ft in 2017, which was not helped by the fact that the largest deal of the year was 368,000 sq ft at Skelmersdale M58 which was taken by Accroll Papers.

Development Pipeline

■ There are five units currently under construction in the region which total 0.87m sq ft.

■ All are sub 200,000 sq ft aside from 375 at Logistics North which is being developed by First Panattoni and Exeter Property Group and due to complete in the fourth quarter of 2018.

▼375 at Logistics North

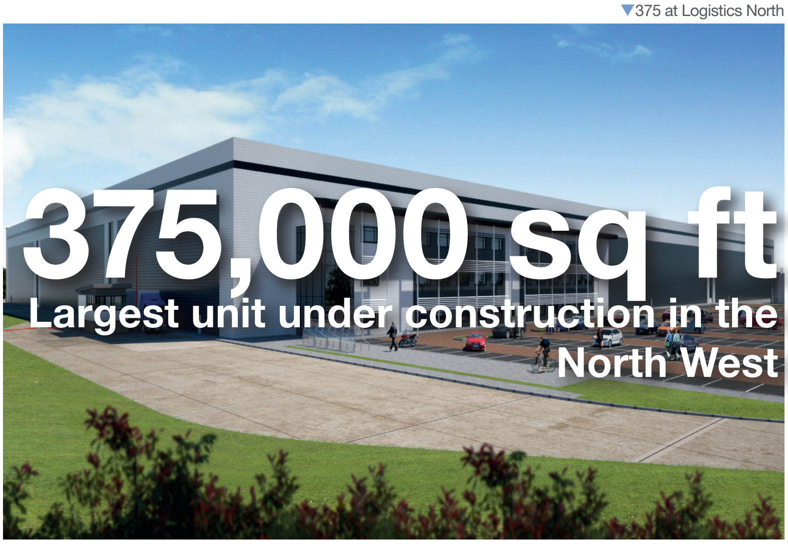
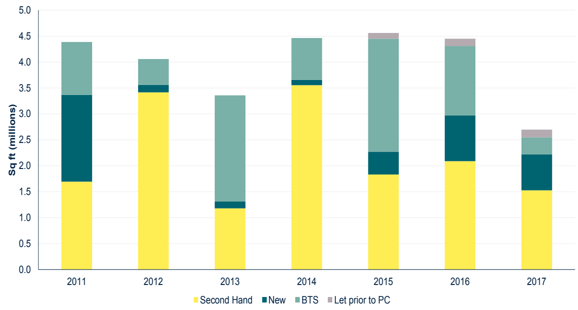


TABLE 4
Key Stats

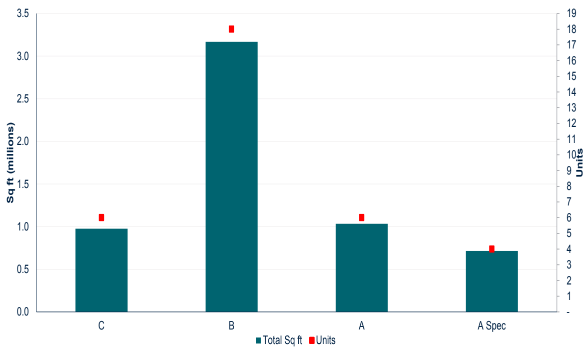
	Stats	Yr/Yr change
Take-up	2.70m sq ft	↓40%
Supply	5.89m sq ft	↓14%
Development Pipeline	0.87m sq ft	↑480%
Quoting Grade A Rent	£6.50/sq ft	↔
Vacancy Rate	9.0%	↑50bps

FIGURE 12
Take-up by grade



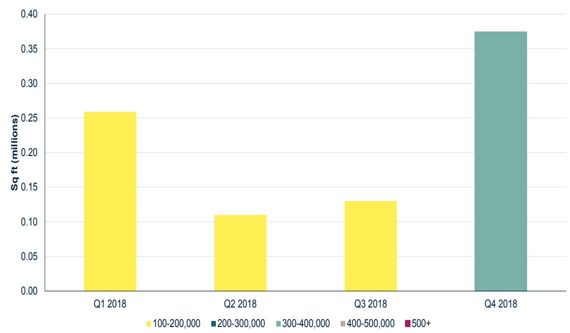
Source: Savills Research

FIGURE 13
Supply by grade



Source: Savills Research

FIGURE 14
Development Pipeline



Source: Savills Research

Yorkshire & The Humber

Dave Robinson
Director - Leeds
+44 (0)113 220 1218
DArobinson@savills.com

"2017 take-up is down on previous years but this as a reflection on grade A supply levels as we are still seeing a healthy level of demand. We expect a flurry of major transactions will take place in the region in the first half of 2018" Dave Robinson, Director: Agency

Supply

■ Supply constraints in the Yorkshire market have been slightly alleviated with several large units returning to the market in 2017. This resulted in available supply totalling 4.2 million sq ft across 20 separate units which represented a 70% increase from 2016.

■ The majority of the supply available in the region is in the 100,000-200,000 sq ft size band and 75% of the available units are in this size band. However the three largest units available in the UK are located in the Yorkshire region as there are three units available over 400,000 sq ft. The largest unit available in the region is Sheffield 615 which comprises 615,000 sq ft, whilst the most recently added large unit to the market was V415 Firstpoint Doncaster, where 451,065 sq ft is available.

Take-Up

■ The Yorkshire market experienced weaker occupational demand in the UK in 2017 after strong transactional activity in 2016. Take-up reached 1.3 million sq ft which represented a 72% fall from 2016. This reduction was partly due to the strong levels of transactional activity at Verdion's Iport scheme in 2016.

■ There were only six deals recorded in 2017, the largest grade A deal was Premier Farnell leasing 352,000 sq ft at Muse Developments' Logic Leeds scheme. This was the only build-to-suit deal to take place in 2017, with the other deals involving second hand units.

■ The 100,000-200,000 sq ft size band experienced the highest deal volumes in the region in 2017 as 67% of deals recorded were in this size band. The only other size band to experience any transactional activity in 2017 was the 300,000-400,000 sq ft size band.

■ The manufacturing sector was the most active business sector in the region in 2017, accounting for 76% of total space transacted. Occupiers who have been active this year from this sector include Allied Glass Containers and Premier Farnell (subject to planning).

Development Pipeline

■ There is only one unit under construction in the Yorkshire region which is Unit 3, Symmetry Park Doncaster J34 A1m where DB Symmetry are speculatively developing 150,000 sq ft. The unit is set to achieve practical completion in Q2 2018.

▼Symmetry Park Doncaster J34 A1m

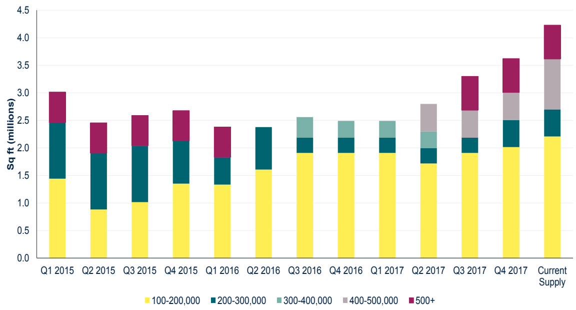
TABLE 5

Key Stats

	Stats	Yr/Yr change
Take-up	1.3m sq ft	↓ 72%
Supply	4.2m sq ft	↑ 70%
Development Pipeline	150,000 sq ft	↓ 23%
Quoting Grade A Rent	£5.75/sq ft	↔
Vacancy Rate	8.1%	↑ 330bps

FIGURE 15

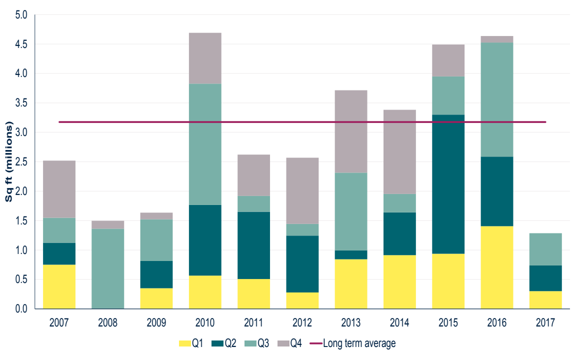
Supply by size



Source: Savills Research

FIGURE 16

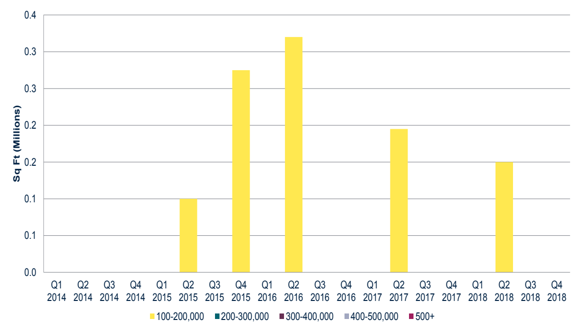
Take-up



Source: Savills Research

FIGURE 17

Development Pipeline



Source: Savills Research

South West

Rob Cleeves
Director - Bristol
+44 (0)1179 102 227
RCleeves@savills.com

"After a flurry of occupier site purchases in 2016/17 we are now seeing the development community react with renewed vigour on speculative development" Rob Cleeves, Director: Agency

Supply

■ Supply constraints in the region have been slightly alleviated in 2017 after chronic low levels in 2016. Available supply totalled 1.4 million in 2017 which represented a 283% increase from year end 2016 when available supply only equated to 375,000 sq ft.

■ The supply in the South West is evenly distributed across the three smaller size bands, the largest unit on the market is Cribbs Causeway Distribution Centre where 384,768 sq ft is available.

■ The supply in the South West is of a good quality as 66% of the space available is classified as grade A. There is one new unit available in the market which is Unit G2, Horizon 38, Bristol where iSec speculatively developed 115,500 sq ft.

Take-up

■ After a strong transactional activity, take-up returned to be broadly in line with the long-term average in 2017. Take-up reached 1.5 million sq ft across the South West in 2017 which represented a 65% fall from 2016 and a 13% decrease from the long term average.

■ The largest deal in the South West in 2017 was Amazon purchasing land at Central Park, Bristol, to construct their own 1.23 million sq ft facility. This was also the biggest deal across the wider UK market in 2017. The two other deals that took place were between 100,000-200,000 sq ft

■ There were no transactions that involved existing units in 2017, this can be initially attributed to the lack of available supply earlier in the year. There have only been two schemes which have experienced transactional activity in 2017 these were Central Park, Bristol, where the aforementioned Amazon deal occurred and DHL acquired 160,000 sq ft at the Delta Properties scheme. The other scheme was Goodman's Gloucester Business Park, Gloucester, where TB Engineering acquired a 101,880 sq ft build-to-suit unit.

Development Pipeline

■ There is currently 332,500 sq ft being speculatively developed across two separate units. The largest unit is Unit 1 Symmetry Park, Swindon where DB Symmetry are developing 217,000 sq ft.

▼Symmetry Park, Swindon, developed by DB Symmetry

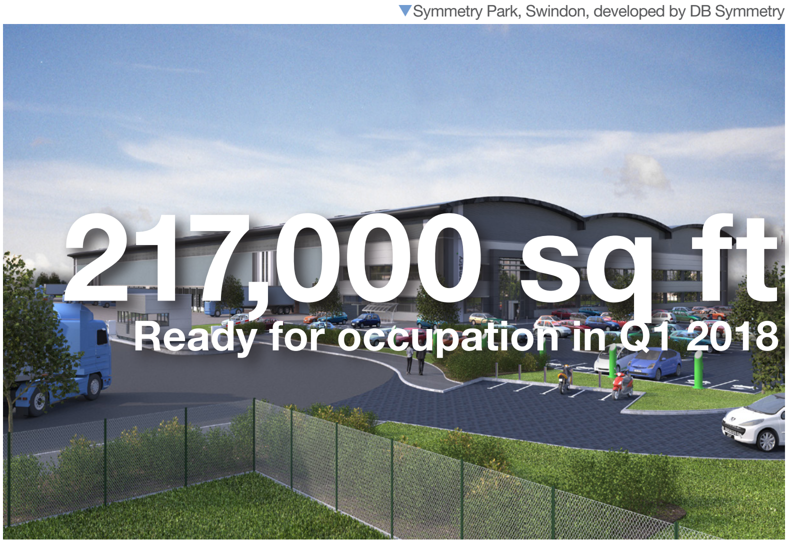
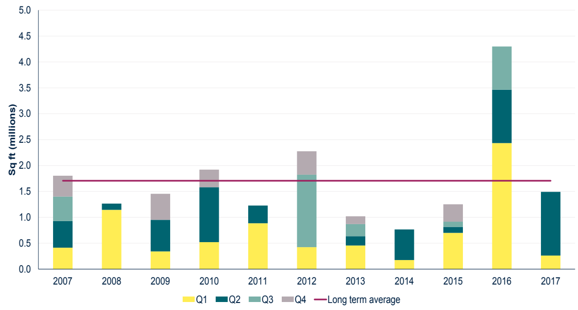


TABLE 6
Key Stats

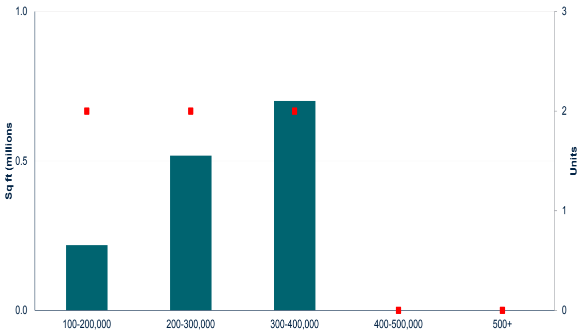
	Stats	Yr/Yr change
Take-up	1.5m sq ft	↓ 65%
Supply	1.4m sq ft	↑ 283%
Development Pipeline	332,500 sq ft	↑ 188%
Quoting Grade A Rent	£7.25 per sq ft	↑ 3.5%
Vacancy Rate	5.5%	↑ 400bps

FIGURE 18
Take-up



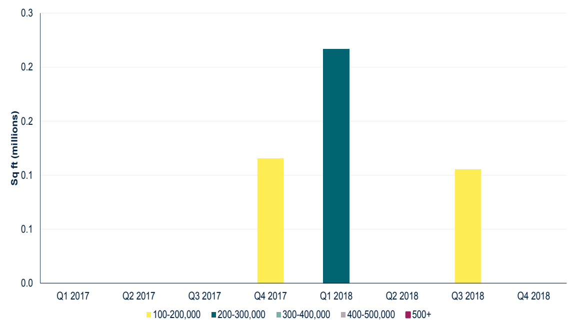
Source: Savills Research

FIGURE 19
Supply by size



Source: Savills Research

FIGURE 20
Development Pipeline



Source: Savills Research

East of England

William Rose
Director - Peterborough
+44 (0)1733 201 391
WRose@savills.com

"The strong levels of take-up in the region have seen quoting rents increase which may in turn encourage developers and investors to deliver much needed speculative development" William Rose, Director: Agency

Supply

■ The supply constraints that have been present in the East of England market have continued in 2017 with supply currently totalling 958,000 sq ft. Whilst this represents a 30% increase on 2016, there are only four units on the market. The 200,000-300,000 sq ft size band has the most amount of space available which is highlighted in the adjacent chart and reflected in the average unit size available in the market being 239,521 sq ft.

■ There are currently no grade A units available in the East of England which has resulted in limited take-up of existing units in the market. Savills is marketing two large units that have come back to the market in 2017 totalling 575,000 sq ft in Kings Lynn on behalf of Gardman. The largest unit on the market is Units 1,2&3 Hamlin Way where 332,600 sq ft is available.

Take-up

■ Take-up in the East of England reached 2.6 million sq ft, the highest on record which highlights the occupier demand present in the market. This has been primarily driven by strong deal activity at Roxhill's Peterborough Gateway scheme, there were five deals at the scheme in 2017 which totalled 1.6 million sq ft. The largest deal at the scheme and across the region was Lidl purchasing land to construct a 754,000 sq ft unit.

■ The long-term average for take-up in the region was 797,000 sq ft which highlights the strong demand in 2017 with take-up 225% above the long-term average. The lack of supply in the market has resulted in occupiers favouring build-to-suit space, this was evident in 2017 with 75% of total space transacted being build-to-suit. These build-to-suit deals were not solely concentrated at Peterborough Gateway, the other schemes in the region where build-to-suit deal activity occurred were Lancaster Way Business Park and Suffolk Park. The strong demand for build-to-suit units is set to continue in 2018 as there are currently no grade A units on the market.

Development Pipeline

■ There are currently no units under construction in the region which will result in supply constraints continuing to persist in the short-term.

▼Club Way, Cygnet Park

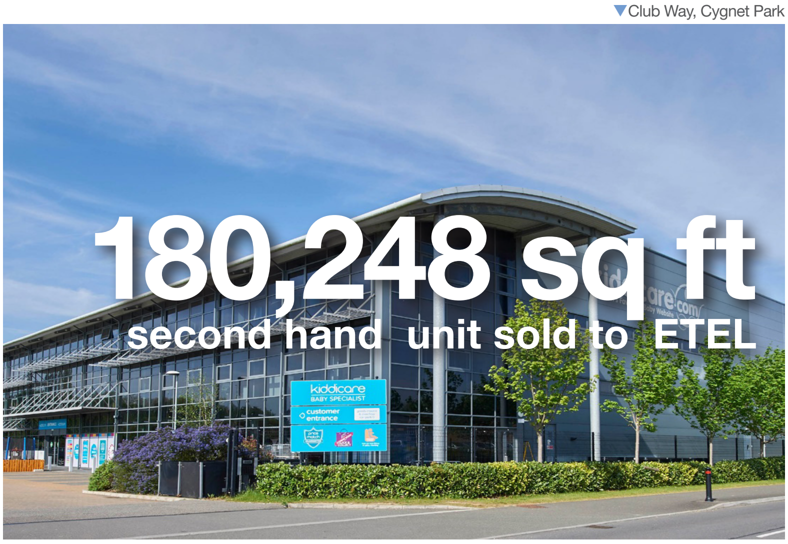


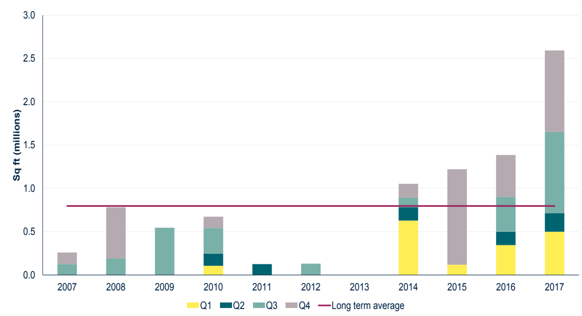
TABLE 7

Key Stats

	Stats	Yr/Yr change
Take-up	2.6 sq ft	↑87%
Supply	958,000 sq ft	↑ 30%
Development Pipeline	0m sq ft	↔
Quoting Grade A Rent	£5.50/sq ft	↑ 5%
Vacancy Rate	4.5%	↑ 60 bps

FIGURE 21

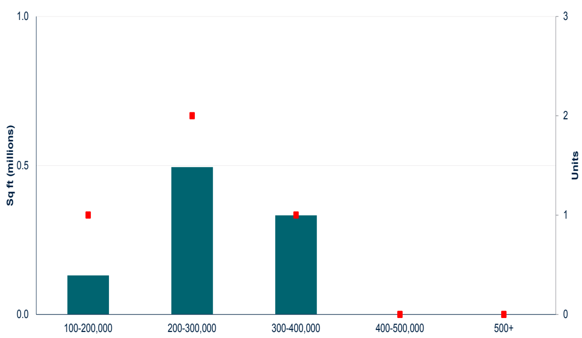
Take-up



Source: Savills Research

FIGURE 22

Supply by size range



Source: Savills Research

FIGURE 23

Take-up by grade

Source: Savills Research

Scotland

Ross Sinclair
Director - Glasgow
+44 (0)141 222 4145
Rsinclair@savills.com

"Last year Scotland experienced encouraging take-up which has tightened supply to an all-time low. With no sign of speculative development we will continue to rely heavily on the Build-to-Suit market to satisfy occupational demand"
Ross Sinclair, Director: Agency

Supply

■ The supply of warehouse space in Scotland for units over 100,000 sq ft has fallen by 38% in 2017 and now stands at 1.24m sq ft across the Central Belt.

■ This is made up of 9 separate units of which all bar one are between 100,000 and 200,000 sq ft, with the average size being 137,953 sq ft.

■ All of the units currently on the market are second hand, aside from the Vertex unit at Eurocentral which has been vacant since reaching practical completion in late 2011.

■ The largest unit on the market in Scotland at present is Bathgate M8/J3a in West Lothian which totals 240,966 sq ft.

Take-up

■ After a slow start, take-up for units over 100,000 sq ft reached 748,763 sq ft across four separate deals.

■ This represents a fall of over 1 million sq ft from the record 1.78m sq ft achieved in 2016 but is 7% above the long-term average.

■ The largest deal of the year was at Wardpark Industrial Estate where logistics company John Russell Transport purchased a 263,000 sq ft unit

■ All units transacted in the region in 2017 were for second hand units, and we expect this trend to continue given the current supply dynamics.

Development Pipeline

■ There are no units under construction speculatively over 100,000 sq ft in Scotland meaning we do not expect vacancy rates to fluctuate in the medium term.

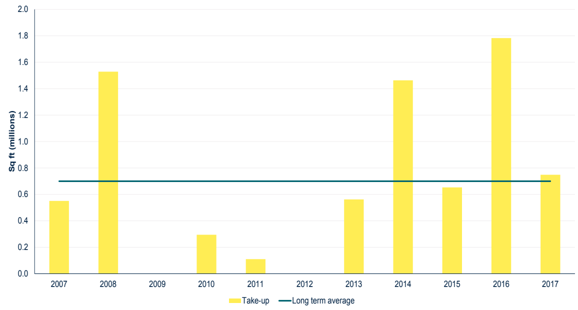
■ With a number of occupiers recently choosing to build their own units, such as Lidl, and other occupiers searching for land to construct their own units, the demand and supply case for future development remains strong.

▼5 Wardpark Road

TABLE 8
Key Stats

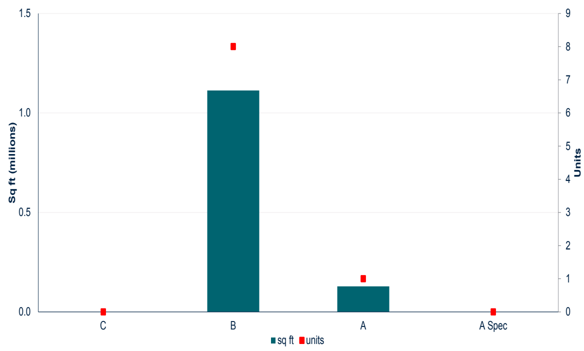
	Stats	Yr/Yr change
Take-up	0.78 sq ft	↓56%
Supply	1.24m sq ft	↓ 38%
Development Pipeline	0m sq ft	↔
Quoting Grade A Rent	£5.25/sq ft	↔
Vacancy Rate	5.2%	↓ 10 bps

FIGURE 24
Take-up



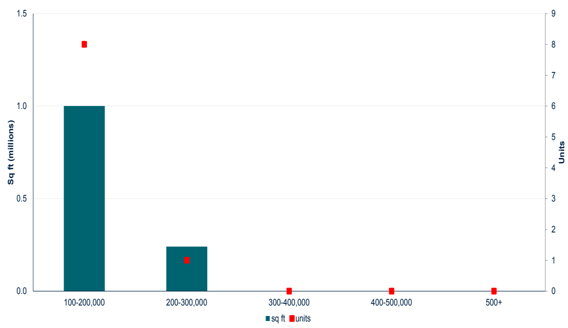
Source: Savills Research

FIGURE 25
Supply by grade



Source: Savills Research

FIGURE 26
Supply by Size



Source: Savills Research

National Investment

Tom Scott
Director - UK Investment
+44 (0)20 7075 2819
TScott@savills.com

■ The industrial and logistics market continues to attract unprecedented investor attention with investment volumes for logistics units reaching £3.7bn, making it the second best year on record.

■ The wider industrial market saw £7.7bn of assets transacted, accounting for 17% of all investment in UK commercial property. This is the highest proportion of the market ever recorded, up from a long-term average of just 9.8%.

■ Stock availability remains an issue for investors as many of the largest owners are holding stock rather than trading. The headline statistics have therefore been bolstered by a number of portfolio deals such as Ultrabox which transacted for £286m in April and the Cabot portfolio where London Metric invested £116.6m in August.

■ Overseas investors increased their share of the market in 2017 and now account for 25% of all purchases, up from 22% in 2016. The competition for prime assets has increased as supply remains low and the number of investors pursuing a limited quantum of stock continues to rise. Consequently, money spent by UK institutions fell to 17.5% in 2017 from 20% in 2016 as overseas buyers took advantage of currency devaluation.

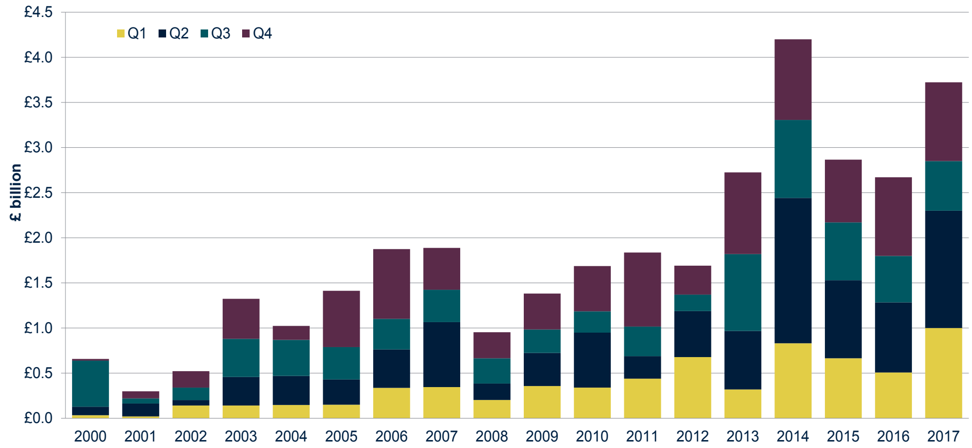
■ Savills prime yields have fallen by 50bps in 2017 and now stands at 4.25% for prime single let logistics units.

"Investor appetite for industrial ahead of other sectors, combined with capital growth and rising rents, has almost doubled industrial property's market share, a trend we expect to continue into 2018"

Tom Scott Director: Investment

FIGURE 27

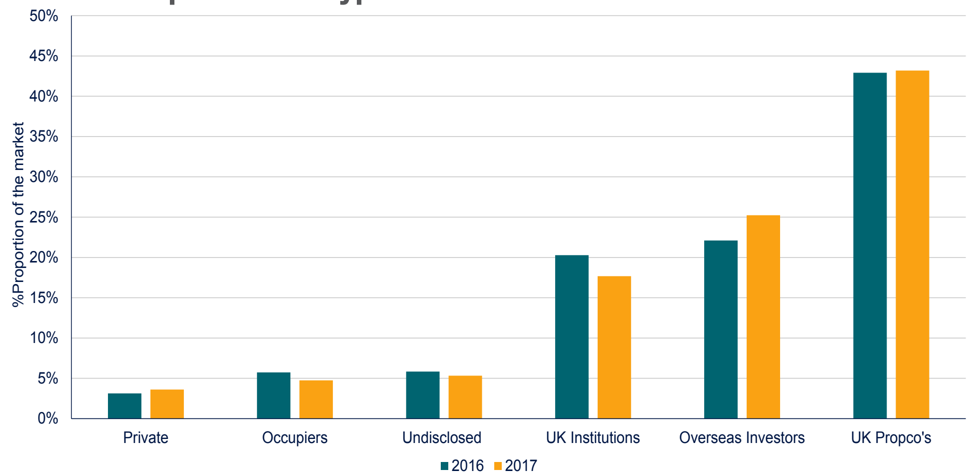
National logistics investment volumes



Source: Savills/Property Data

FIGURE 28

Investment purchaser type



Source: Savills/Property Data

▼360 at Logistics North which Aviva have purchased for £44.2m

Build Cost & Programme

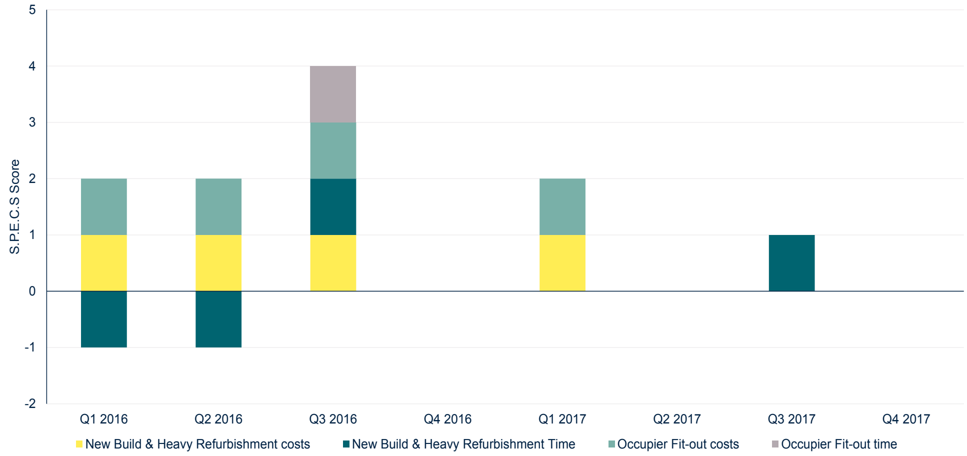
James Kelway
Director -Building & Project Consultancy
+44 (0)20 7409 8977
JKelway@savills.com

■ The latest indicators from the Savills ProgrammE and Cost Sentiment Survey (S.P.E.C.S) demonstrate that build costs and programme delivery time scales have stabilised into 2017.

■ Indeed, in the aftermath of the EU referendum and the decrease in the value of sterling build and fit out costs increased. However, given that construction inflation has reached a level, and the velocity of development has fallen from record volumes we are seeing build costs and programmes remaining competitive.

■ Combined, these factors could be considered a good time to tender for further speculative development in the industrial and logistics sector.

FIGURE 29
Build cost and timescale sentiment



Source: Savills SPECS

OUTLOOK

Conflicting signals but strong start expected

Kevin Mofid
Director - Research
+44 (0)20 3618 3612
KMofid@savills.com

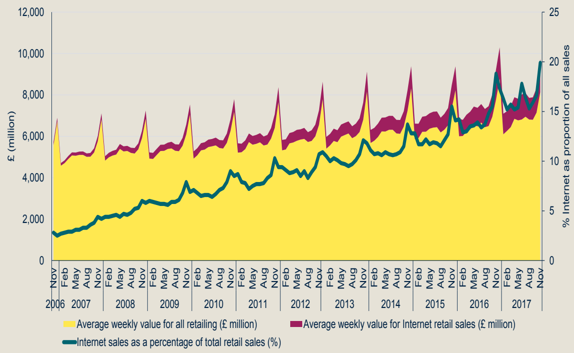
■ As we predicted in our last Big Shed Briefing the market rallied in the second half of the year and take-up reached the long-term average level, bolstered by strong performance in the manufacturing sub sector.

■ It would be tempting to use Brexit uncertainty to suggest that we are about to see a drawn out decline in the level of take-up in the build to suit segment of the market. However, we are tracking a substantial amount of occupier requirements which, combined with an average amount of existing unit take-up, would deliver one of the best quarters of take up ever recorded.

■ The amount spent online continues to increase and in November 2017 reached 19.8% of all retail sales, the highest amount ever recorded by the ONS. Retailers adapting their own supply chains and continued growth by pure-play retailers suggest that the logistics sector will be the net beneficiary.

■ Given recent announcements from the development community we are aware that the scale of speculative development may rise in the coming years. However, given the transparency and level of data that now exists in the market we expect the current market equilibrium to be maintained

FIGURE 30
Online retail sales forecast



Source: ONS

For further information please contact

Richard Sullivan
Agency
0207 409 8125
RSullivan@savills.com

Richard Merryweather
Investment
0207 409 8838
RMerryweather@savills.com

Simon Collett
Building Consultancy
0207 409 5951
SCollet@savills.com

Kevin Mofid
Research
0203 618 3612
KMofid@savills.com