

Big shed briefing



Savills, acting on behalf of NewCold, have acquired 25 acres of land in Corby * to construct the largest cold store in Europe at c.640,000 sq ft
*Image used is existing facility in Wakefield

36%

2020 H1 take-up
over the same period
for 2019

Nationwide overview

Strong performance during Covid-19 lockdown period



Richard Sullivan
National Head
of Industrial & Logistics
020 7409 8125
rsullivan@savills.com



It is extraordinary to think how much the world has changed since our last market update at the start of 2020. The personal and professional challenges resulting from the pandemic are unprecedented and, for everyone, the focus remains on staying safe and saving lives. With lockdown restrictions starting to ease it is also becoming more evident how important the UK industrial and logistics sector is to our daily lives and instrumental to our economic recovery.

In many respects supply chains have been tested to the limit, initially to feed the nation and provide for essential services to cope with the pandemic. Examples include establishing temporary hospitals, sourcing and distributing PPE and keeping food shelves stocked. Consumers have relied on all other non-essential purchases being satisfied via online platforms.

As we continue to adapt to this new normal, some interesting statistics are emerging with online sales now accounting for 33% of all retail sales, up from 21% at the start of the year. Consequently, logistics real estate is benefiting from this increase, reflected in our half-year take-up figures. This early boost to our economy is welcome, but we must be mindful that there is still much hardship and disruption to endure as the country emerges from lockdown. Our sector has a vital part to play in getting the country back on its feet.

Take-up

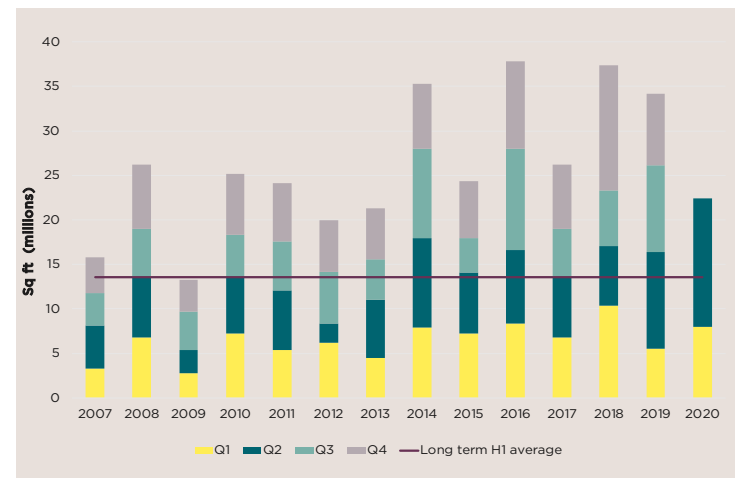
Given the global turmoil created by Covid-19, it is remarkable to report that take-up for H1 2020 has reached 22.4m sq ft, this is the best H1 performance ever recorded and is 38% above 2019 and 66% above the long-term average. Scratching the surface of the data, however, shows that 36% of the take-up has been to Amazon and a further 11% of the take-up has been for deals where the lease is for less than 12 months due to Covid-19.

It is also important to mention that 6.8m sq ft of the take-up relates to multi-level Amazon units where we have recorded the upper floors as take-up. Notwithstanding this, if we were to include those units at just their footprint, take-up would still be the second highest H1 ever.

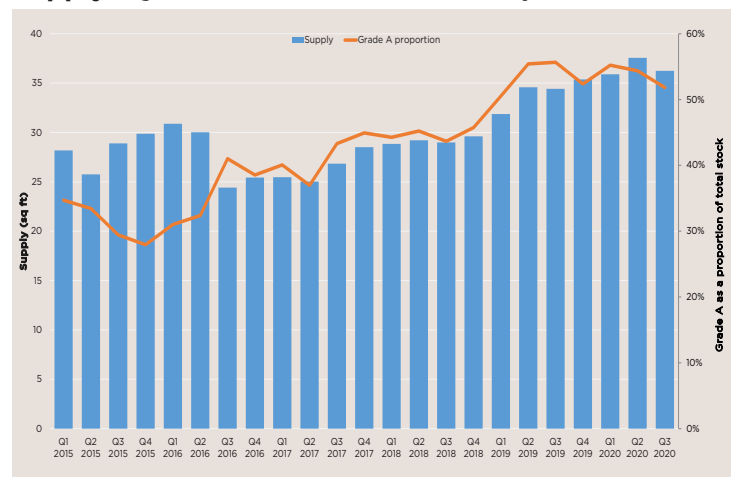
Supply and Pipeline

Since the start of 2020, supply has risen by 0.34m sq ft and now stands at 36.2m sq ft, reflecting a vacancy rate of 6.58%. We have seen a slight fall in the amount of BTS which has meant the level of Grade A supply has fallen from 20.4m sq ft to 18.8m sq ft, now accounting for 52% of supply, a fall of 3%. Given the economic climate, a key metric to monitor will be the levels of second hand supply as this could point to a rise in tenant failure. Whilst too early to draw a definitive trend, the level of supply for grades B & C has risen by 9% to 17.46m sq ft. It is likely that Grade A supply will continue to decline as just 0.9m sq ft of speculative announcements were made in Q2, the lowest level since the first quarter of 2017.

Take-up strongest H1 performance ever recorded



Supply slight decline in Grade A availability



👉 H1 2020 take-up has been the best on record reaching 4.56 million sq ft 👉

London and the South East

Supply has fallen 20% from 2019 peak



Toby Green
Director
South East
020 7409 9903
tgreen@savills.com



Supply

H1 2020 has seen strong transactional activity which has reduced supply to 4.69 million sq ft across 29 separate units, a 20% fall from the peak of 5.89 million sq ft seen at the end of 2019.

The quality balance of the supply continues to lean towards better quality units. Of the space on the market, 71% is classified as Grade A compared to just 39% three years ago. Smaller units make up the majority of the available stock with 79% being within the 100,000-200,000 sq ft size band. The largest unit on the market is Panattoni Park Luton 346, providing 346,132 sq ft of speculatively developed warehouse space.

H1 has seen a significant increase in freehold demand for large B8 sites for the Data Centre and Film sectors removing Industrial & Logistics sites from the future development pipeline.

Take-up

H1 2020 take-up totalled 4.56 million sq ft, a 74% increase above the long-term H1 average for the region and 16% above H1 2019. The largest deal was Amazon committing to a 2.3 million sq ft unit at Littlebrook in Kent.

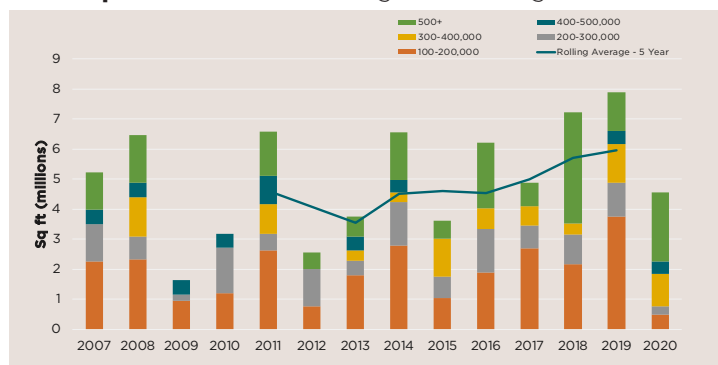
Occupier preference continues to lean towards high quality Grade A space accounting for 91% of all take-up. Build-to-suit space dominated accounting for 67% of space transacted, followed by speculatively developed space at 16% with second hand Grade A space accounting for just 8%. The remaining 10% consisted of second hand Grade B space.

H1 2020 saw nine separate deals, an 18% decrease on the H1 average. The deals were spread over all size bands with 55% involving units over 300,000 sq ft including a cluster of larger deals on the M1 and M40.

Development Pipeline

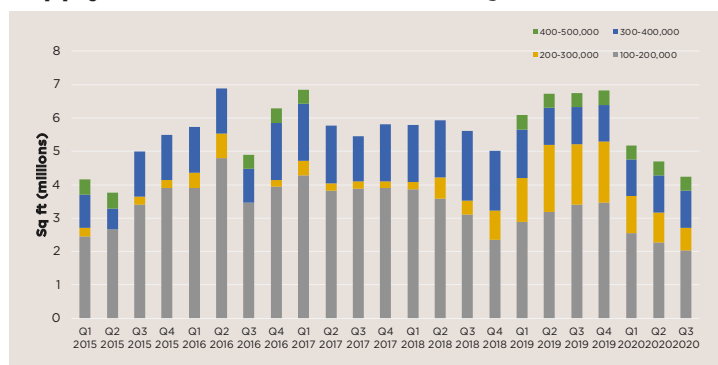
There are nine units under construction totalling 1.52m sq ft, a 13% rise from the start of the year. Five are in the South East at 994,019 sq ft and four within the M25 totalling 528,401 sq ft. The current speculative development aligns with occupier demand as the majority (78%) are within the 100,000-200,000 sq ft size range, there is a single unit within the 200,000-300,000 sq ft, and one being developed within the 300,000-400,000 sq ft range.

Take-up H1 74% above the long-term average



Source Savills Research

Supply 79% within the smallest size range



Source Savills Research

Key statistics

	Stats	yr/yr change
Take-up	4.56m sq ft	↑ 16%
Supply	4.69m sq ft	↑ 6.3%
Development Pipeline	1.52m sq ft	no change
Quoting Grade A Rent	£7.75-£20.00/sq ft	no change
Vacancy rate	3.96%	↑ 16bps

Source Savills Research

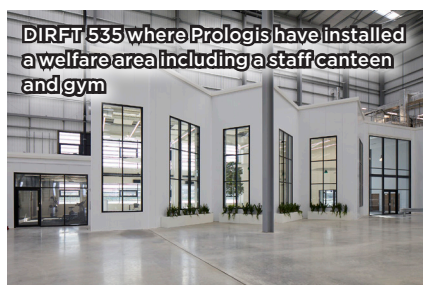
“H1 2020 has been a record half-year for take-up. We’ve seen both deals involving tenants with strong covenants and long lease lengths along with a flurry of short-term lettings in response to Covid-19”

East Midlands

Strong levels of take-up leaves just 1.08 years in supply



Charles Spicer
Director
Birmingham
0121 6348 407
caspicer@savills.com



Supply

The supply of units over 100,000 sq ft has increased in 2020, reaching 7.23 million sq ft through 30 separate units, a 15% increase from the end of 2019. However, due to the increased levels of BTS stock levels are rising faster than supply meaning the vacancy rate remains low at 6.45%. Moreover, using the five-year average, annual take-up there is just 1.08 years left of supply within the region.

The largest available unit on the market is DIRFT 535 totalling 536,991 sq ft, speculatively developed by Prologis. The current supply is skewed towards smaller sized units with 60% by unit count being within the 100,000-200,000 sq ft size band. The region currently has four units over 500,000 sq ft, more than any other region in the UK.

An increase in speculative development completions along with comprehensive refurbishments has caused the proportion of Grade A supply to rise to 73%, up from 63% at the end of 2019.

Take-up

A record 4.75m sq ft of space was transacted on H1 2020 with demand coming from a diverse range of occupiers, up 115% on the long-term H1 average. We’ve seen multiple large deals including Aldi committing to a 1.3 million build-to-suit development and Amazon signing for a 20-year lease at Nottingham 550. It should be noted the East Midlands has seen multiple short-term deals in response to Covid-19, 17% of space transacted in H1 2020 has been taken in leases totalling a year or below.

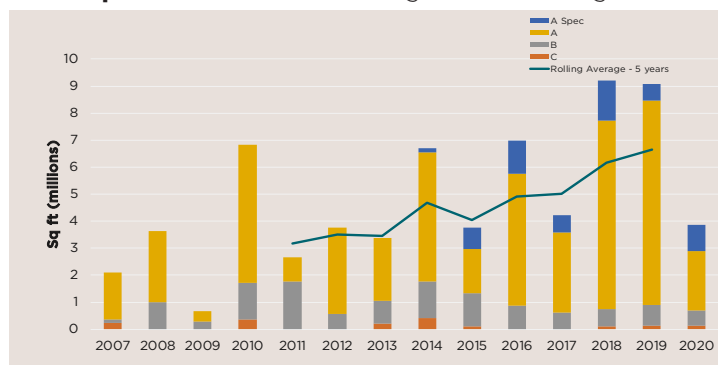
Build-to-suit transactions continue to dominate the market accounting for 60% of take-up in H1 2020 followed by 20% being Grade A speculatively developed and 20% being second hand quality.

The 500,000+ sq ft size band has seen the highest activity accounting for 64% of all space transacted through four deals. We anticipate further activity in this size range in H2 2020.

Development Pipeline

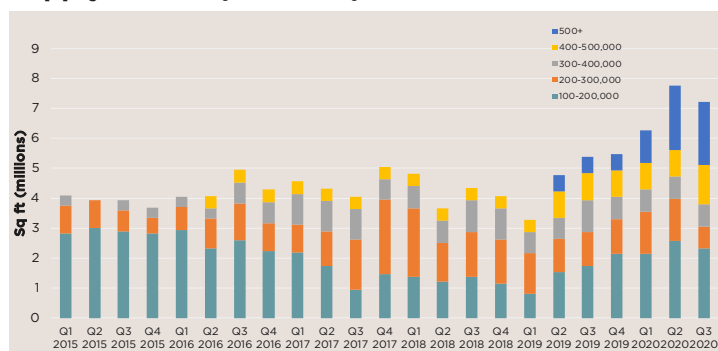
There are currently just three units under construction which total 1.17m sq ft, all of which are based at Gazeley’s Magna Park South Lutterworth development.

Take-up H1 is 115% above the long-term H1 average



Source Savills Research

Supply has risen yet vacancy rate stable at 6.45%



Source Savills Research

Key statistics

	Stats	yr/yr change
Take-up	4.75m sq ft	↑ 100%
Supply	7.23m sq ft	↑ 34%
Development Pipeline	1.17m sq ft	↓ 50%
Quoting Grade A Rent	£6.75/sq ft	no change
Vacancy rate	6.45%	↑ 101bps

Source Savills Research

“Transactional activity has been subdued in H1 2020 due to uncertainties stemming from Covid-19 and Brexit. However, we are currently tracking 1.37 million sq ft under offer, along with multiple deals in the pipeline which should fall into H2 2020”

West Midlands

High levels of uncertainty hinders H1 take-up



Ranjit Gill
Director
Birmingham
0121 634 8402
rsgill@savills.com



Supply

The level of supply within the region currently stands at 8.64m sq ft through 44 separate units, a 20% increase from the start of 2020. This is due to a number of second hand units coming back to the market along with the recent completion of speculatively developed units. Of the current available stock, 64% is considered Grade A quality with 36% Grade B or C. However, closer analysis highlights that a large proportion of this stock is in need of refurbishment and is currently not capable of accommodating modern occupier requirements.

Of the units on the market, 41% have been constructed speculatively, and 66% are within the 100,000-200,000 sq ft size band. There are just four units above 400,000 sq ft with the largest being Goliath in Coventry at 666,044 sq ft.

Take-up

Take-up in H1 2020 reached 900,315 sq ft through six separate transactions representing a 59% decrease below the long-

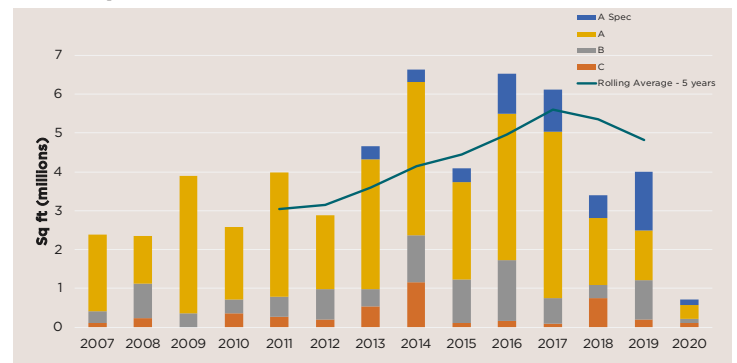
term H1 average and 40% below H1 2019. There has been a slight decline in larger requirements, unsurprising given the high level of uncertainty within the market, particularly around the automotive and aerospace sectors. The smaller size bands still attract occupier interest, 83% of transactions in H1 2020 by deal count being within the 100,000-200,000 sq ft size band. There have been no deals above 250,000 sq ft in H1 2020, however, we anticipate this will change in H2 2020. Occupier preference continues to revolve around better quality units with 76% of space transacted in H1 2020 being classed as Grade A.

The majority of demand in H1 2020 has come from online retailers, accounting for 45% of take-up whilst 3PL's totalled 27% and high street retailers 16%. This is positive news and demonstrates the diverse range of occupiers active within the region.

Development Pipeline

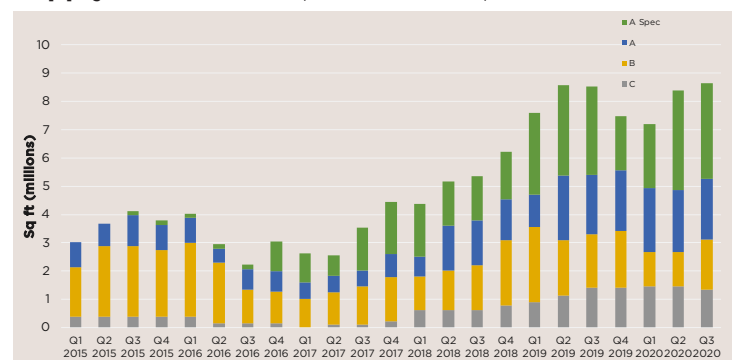
Two units are currently under construction within the West Midlands totalling 235,951 sq ft. Both of which are within the 100,000-200,000 sq ft size band, aligning with occupier demand.

Take-up down 40% on H1 2019



Source Savills Research

Supply increases with speculative completions



Source Savills Research

Key statistics

	Stats	yr/yr change
Take-up	0.9m sq ft	↓ 40%
Supply	8.64m sq ft	↑ 1%
Development Pipeline	0.24m sq ft	↓ 81%
Quoting Grade A Rent	£6.95/sq ft	no change
Vacancy rate	10.31%	↓ 19bps

Source Savills Research

“The North West has seen a huge up-tick in enquiries and subsequent transactional activity. The strong level of take-up has caused the amount of supply to fall to 4.2 million sq ft; this leaves the region with 1.07 years of supply”

North West

Vacancy rate hits 5.48%, the lowest level ever recorded



Jon Atherton
Director
Manchester
0161 277 7207
jatherton@savills.com



Supply

The supply of warehouse space has decreased dramatically in the last 12 months, falling from the peak of 7.26 million sq ft to 4.24 million sq ft through 22 separate units. Using the five-year average, annual take-up of 3.98 million sq ft this equates to just 1.07 years worth of supply in the region.

Grade A stock now accounts for 47% of all available space, of which 37% has been speculatively developed. In terms of unit count, the supply is skewed towards the smaller size bands, 68% are between 100,000-200,000 sq ft in size, 14% within the 200,000-300,000 sq ft range and 14% within the 300,000-400,000 sq ft range. There is a single unit within the 400,000-500,000 sq ft range and no units above 500,000 sq ft in the region.

Take-up

Take-up in H1 2020 reached 2.64 million sq ft through 12 transactions making it the

second best H1 2020 ever recorded. This is 128% above H1 2019 and 56% above the long-term H1 average.

Demand has centred around newly speculatively developed space which has accounted for 44% of take-up in H1 2020. Second hand space has also traded well, reaching 44% of take-up. Occupier preference continues to revolve around better quality units with 56% of space transacted being of Grade A quality.

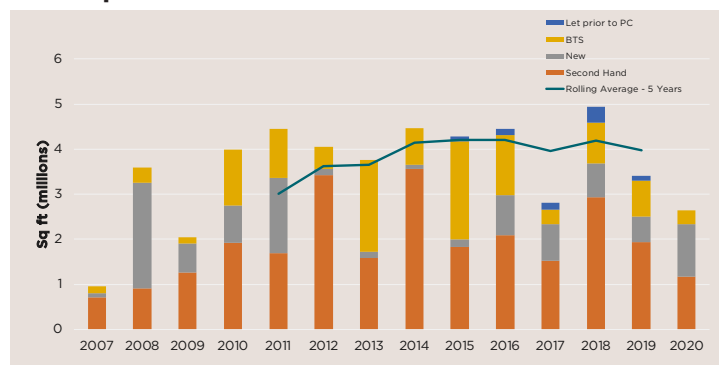
The largest deal in H1 2020 was Kellogg's leasing 523,500 sq ft at M6 Major St Helens. It should be noted that roughly 30% of the space transacted in H1 2020 was for short-term deals and involved lease lengths of less than a year.

Additionally, Savills are tracking over 1.5 million sq ft of potential deals that should fall into the second half of the year. Given the current global situation, the market dynamics in the North West are incredibly positive.

Development Pipeline

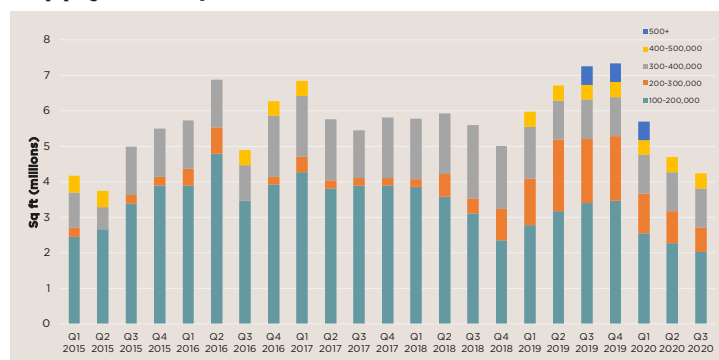
There are currently four units being developed totalling 872,299 sq ft. Three are based at Omega Mountpark Warrington set to reach PC in 2021.

Take-up 30% has been for short-term deals



Source Savills Research

Supply fallen by 42% in 12 months



Source Savills Research

Key statistics

	Stats	yr/yr change
Take-up	2.64m sq ft	↑ 128%
Supply	4.24m sq ft	↓ 42%
Development Pipeline	0.87m sq ft	↑ 278%
Quoting Grade A Rent	£7.25/sq ft	no change
Vacancy rate	5.48%	↓ 402bps

Source Savills Research

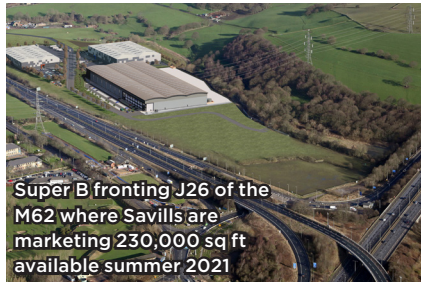
🏆 H1 2020 take-up has been the strongest H1 ever recorded at 7.13 million sq ft, a 170% increase above the long-term average. Just 4.7% of this has been for short-term lettings highlighting the continued strength of the market despite Covid-19 🏆

Yorkshire and the North East

H1 2020 has seen demand increase for all building grades



Tom Asher
Director
Leeds
0113 220 1228
tom.asher@savills.com



Supply

The level of supply has increased to 4.85 million sq ft through 25 separate units, representing a 4% rise from the start of 2020. Using the five-year annual average, take-up there is just 0.87 years worth of supply left within the region.

Strong levels of transactional activity involving Grade A space has considerably reduced the amount in supply, 33% of vacant space is now classed as Grade A down from 50% at the start of the year. Furthermore, 51% of all space is second hand Grade B and 16% Grade C. By unit count the supply is skewed towards the smaller size bands with 76% being between 100,000-200,000 sq ft. There is a single unit available over 500,000 sq ft, Sherburn 667 which provides c. 667,000 sq ft of second hand space near Leeds.

Take-up

Following the two strongest years of take-up ever recorded in the market, H1 2020

has performed exceptionally with take-up totalling 7.13 million sq ft through ten separate transactions. This has already surpassed the 2019 full year figure and is the strongest H1 ever recorded in the region. Given the current uncertainties within the market, it is astonishing 2020 is on track to be the best year on record.

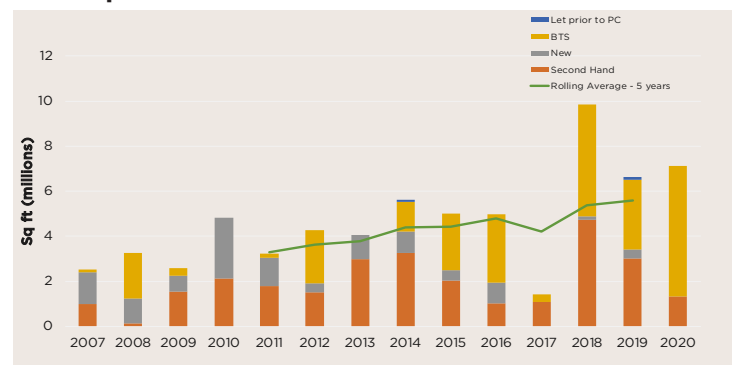
Of the space transacted, 82% was build-to-suit and 18% second hand. The largest deal in H1 2020 was Amazon committing to 2.5 million sq ft at Follingsby Max in Gateshead.

Given the current supply dynamics, it is difficult to see the preference towards build-to-suit space changing until more units are delivered speculatively and second hand supply is absorbed.

Development Pipeline

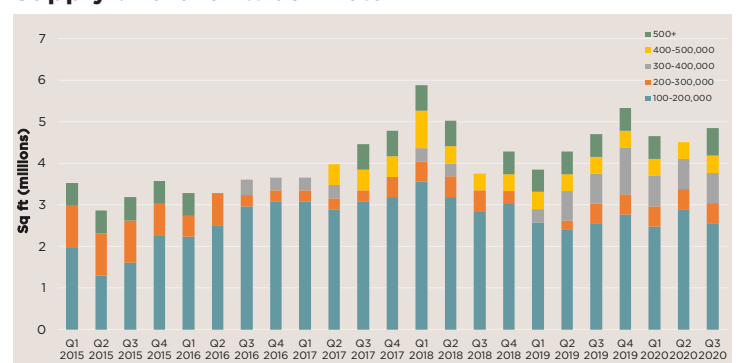
There are currently five units under construction totalling 1.72 million sq ft. The largest unit is Wakefield 515 in Knottingley totalling 515,000 sq ft.

Take-up best H1 ever recorded



Source Savills Research

Supply smaller units dominate



Source Savills Research

Key statistics

	Stats	yr/yr change
Take-up	7.13m sq ft	↑ 45%
Supply	4.85m sq ft	↑ 3%
Development Pipeline	1.72m sq ft	↑ 165%
Quoting Grade A Rent	£6.00/sq ft	↑ 4%
Vacancy rate	6.73%	↑ 3bps

Source Savills Research

🗨️ Political and economic uncertainty has taken its toll on the market this year with many deals taking longer to complete. However, Q2 2020 has seen an up-tick in transactional activity along with another 500,000 sq ft currently under offer 🗨️

South West & Wales

Wales has seen an increase in activity due to competitive pricing



Rob Cleeves
Director
Bristol
01179 102 227
rcleeves@savills.com



Supply

Recent speculative completions along with multiple large units returning to the market has caused the level of supply to increase to 3.99 million sq ft across 17 separate units, a 17% rise from the beginning of the year. Imperial Park in Newport is the largest unit totalling 1.08 million sq ft, however, it is earmarked for reconfiguration into four smaller-sized units.

The quality balance is heavily skewed towards lower-quality units with just 18% of available space classed as Grade A down from 36% at the start of the year. Additionally, by unit count, the supply continues to be dominated by smaller units with 65% being within the 100,000-200,000 sq ft size band. There are three units available above 300,000 sq ft all of which are of second hand quality.

The supply looks likely to become scarce in the coming quarter as we track 502,000 sq ft, of Grade A space under offer along with the possible redevelopment of Imperial Park

in Newport. This would bring the supply as low as 2.39 million sq ft giving a vacancy rate of 6.73%.

Take-up

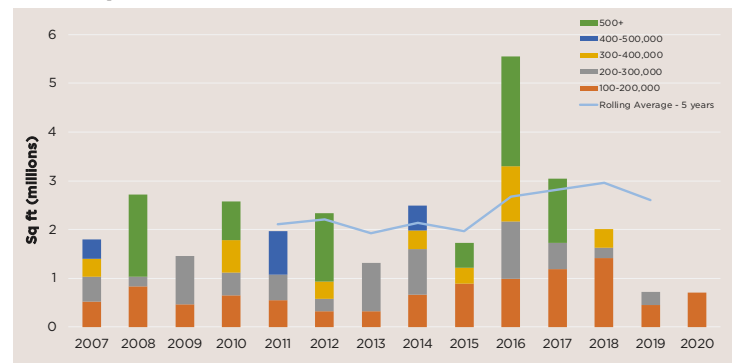
Take-up in the South West and Wales market totalled 705,696 sq ft, a 23% increase from H1 2019 but is still 51% below the long-term H1 average. Adhering to regional trends, deal volumes have centred around the smaller size bands with all of the deals being within the 100,000-200,000 sq ft range. H1 2020 has seen occupier demand lean towards better quality space with 62% of space transacted being built-to-suit Grade A, the remaining space was second hand.

The removal of the tolls from the Severn Bridges has improved Wales as an option for occupiers through increased connectivity paired with lower property rents and land prices. Wales has historically accounted for on average 33% of take-up throughout the wider region; however in the past three years, this has reached an average of 47% per annum.

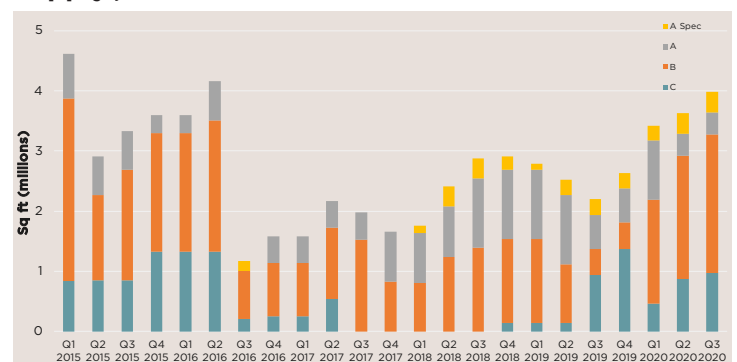
Development Pipeline

There is currently a single unit under construction in the wider region at Unit 1 Chippenham Gateway where St Modwen are developing 106,200 sq ft set to reach practical completion in Q3 2020.

Take-up dominated by smaller-sized units



Supply just 18% are Grade A



Key statistics

	Stats	yr/yr change
Take-up	0.71m sq ft	↑ 23%
Supply	3.96m sq ft	↑ 82%
Development Pipeline	0.11m sq ft	↓ 56%
Quoting Grade A Rent	£7.25/sq ft	no change
Vacancy rate	10.2%	↑ 300bps

Source Savills Research

“There is currently just 0.81 years worth of supply left in the East of England and with the only speculative development due to PC any day the future pipeline is looking incredibly constrained”

East of England

Supply is dominated by lower-quality space, just 15% is Grade A



William Rose
Director
Peterborough
01733 201 391
wrose@savills.com



Gateway 14 in Stowmarket where Savills have been appointed as agents on 2.1m sq ft by Jaynic

Supply

The recent up-tick in transactional activity has led supply to decline in 2020 to now stand at 1.26 million sq ft across six units. Of this, just 15% is classed as Grade A compared to 45% this time last year. Further analysis demonstrates that 41% of supply is Grade C and will be in need of refurbishment as the majority currently cannot accommodate modern occupier requirements.

There are three units available in the 100,000-200,000 sq ft size band, two in the 200,000-300,000 band and a single unit comprising 300,126 sq ft. Moreover, of the current supply, 24% is under offer due to exchange in Q3 2020 which, is set to reduce the vacancy rate further from 5.25% to 3.97%.

Take-up

Take-up in H1 2020 has reached 1.04 million sq ft through four separate transactions, representing a 27% decrease on H1 2019 yet a 174% increase above the long-term H1 average.

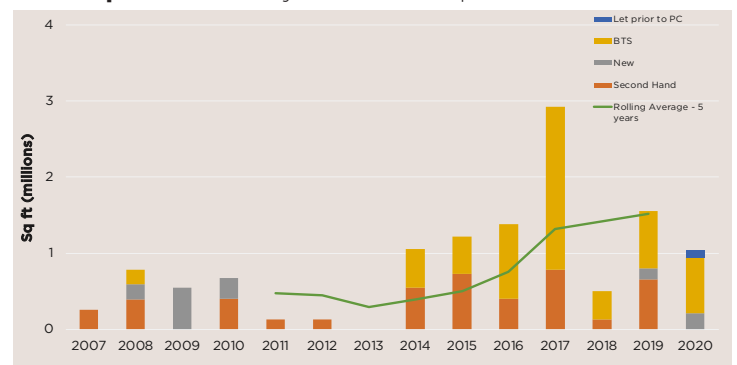
Built-to-suit space accounted for the largest proportion of take-up, reaching 71%, the remaining 29% was speculatively developed space. No second hand space has been taken in the region, highlighting occupier preference towards better quality units.

Demand has stemmed from a diverse mix of tenants in H1 2020, food manufacturers accounted for the largest proportion of take-up at 61%, followed by wholesalers at 20%. Online retailers remained active accounting for 10% of H1 2020 take-up.

Development Pipeline

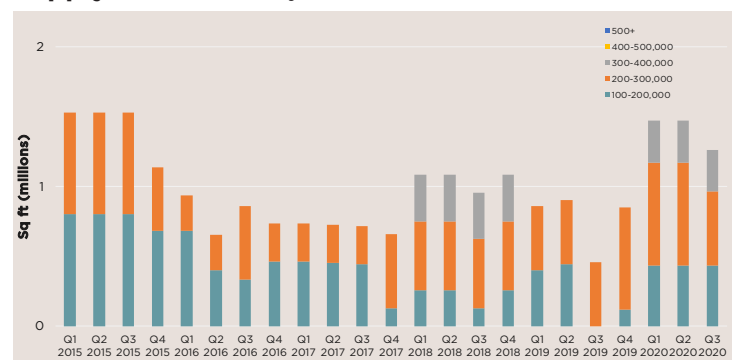
There are currently two units under construction at Gateway Peterborough of 385,000 sq ft and 226,000 sq ft. Both of these are due to reach practical completion imminently, after they reach PC there will be no other units under construction in the region. Without any pipeline development, occupiers will need to look to sites such as Gateway 14 in order to satisfy requirements for good quality space.

Take-up dominated by built-to-suit space



Source Savills Research

Supply 24% is currently under offer



Source Savills Research

Key statistics

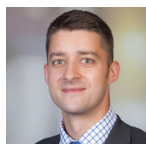
	Stats	yr/yr change
Take-up	1.04m sq ft	↓ 27%
Supply	1.26m sq ft	↑ 176%
Development Pipeline	0.61m sq ft	↑ ∞%
Quoting Grade A Rent	£6.00/sq ft	no change
Vacancy rate	5.25%	↑ 315 bps

Source Savills Research

“H1 2020 has been a game of two halves with Q1 being extremely active, and Q2 significantly hampered by Covid-19. As restrictions lift, we have experienced strong levels of enquiries similar to the start of the year. The shortage of new space will continue to bring reduced incentives and positive rental growth”

Scotland

H1 2020 take-up 165% above the long-term average



Ross Sinclair
Director
Glasgow
0141 222 4145
rsinclair@savills.com



Supply

The supply of warehouse space in Scotland for units larger than 100,000 sq ft has fallen by 9% from the end of 2019 to stand at 1.34 million sq ft through nine separate units.

The supply continues to be dominated by second hand space with no new units available. Just 12% of the supply is of Grade A quality with the remainder being Grades B & C.

Additionally, 89% of the available units on the market are within the 100,000-200,000 sq ft size band. There is just one unit within the 200,000-300,000 sq ft size band.

The decrease in the amount of supply in the region has caused the vacancy rate in Scotland to now stand at 6.27%.

The largest unit on the market is still the Springburn Rail Depot providing 279,303 sq ft of Grade C second hand space.

Take-up

Take-up of units in H1 2020 reached 704,531

sq ft through four separate transactions, representing a 165% increase on the long-term H1 average and a 95% increase on H1 2019. Take-up has entirely consisted of second hand units, this is primarily because there are no new speculatively developed units in supply.

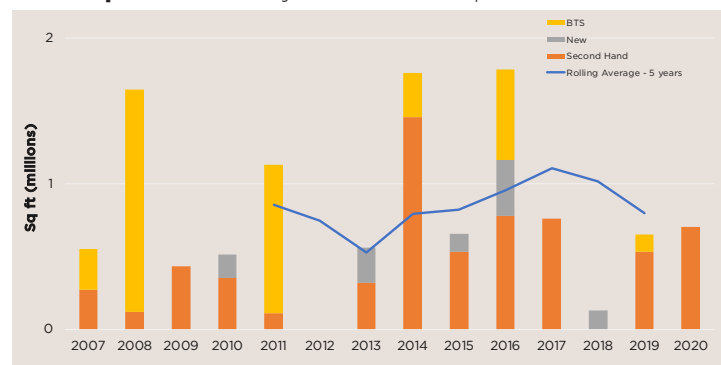
Again perhaps hindered by the available units in supply, take-up has revolved around the 100,000-200,000 sq ft size band which has accounted for 75% of deals and the 200,000-300,000 sq ft size band 25% of deals.

Take-up continues to be constrained by both shortages in the size and quality of available units throughout the region; occupiers are having to settle for lower quality units to satisfy their requirements.

Development Pipeline

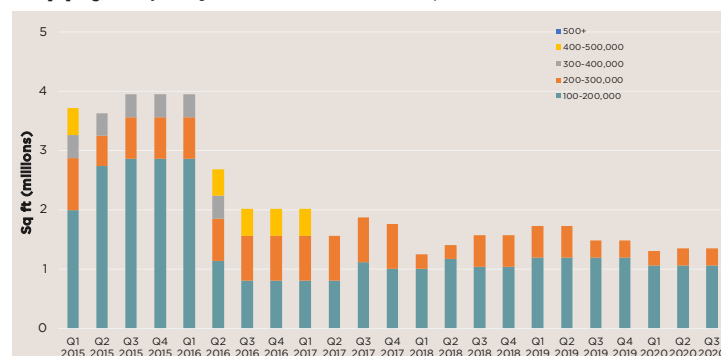
There are still no units being speculatively developed over 100,000 sq ft in Scotland. As take-up increases, we expect a stable or declining supply which will keep the vacancy rate low in the short to medium term and, in turn push on rental growth.

Take-up dominated by second hand space



Source Savills Research

Supply majority under 200,000 sq ft



Source Savills Research

Key statistics

	Stats	yr/yr change
Take-up	0.7m sq ft	↑ 95%
Supply	1.34m sq ft	↓ 9%
Development Pipeline	0 sq ft	no change
Quoting Grade A Rent	£5.75/ sq ft	no change
Vacancy rate	6.27%	↑ 67bps

Source Savills Research

“Robust investment volumes and good demand for stock putting downward pressure on prime yields again as global investors look to access the sector, spurred on by the strong occupier market”

National investment

Market emerges from hibernation



Tom Scott
Director,
UK Investment
020 7075 2819
tscott@savills.com



Capital markets all but ceased during the height of lockdown as investors struggled to undertake due diligence and underwrite rental growth assumptions. As it became clear that inspections and surveys could be undertaken whilst maintaining social distance, and that occupiers were taking space at pre-Covid rental levels, confidence returned, and the rate of transactions continued to increase.

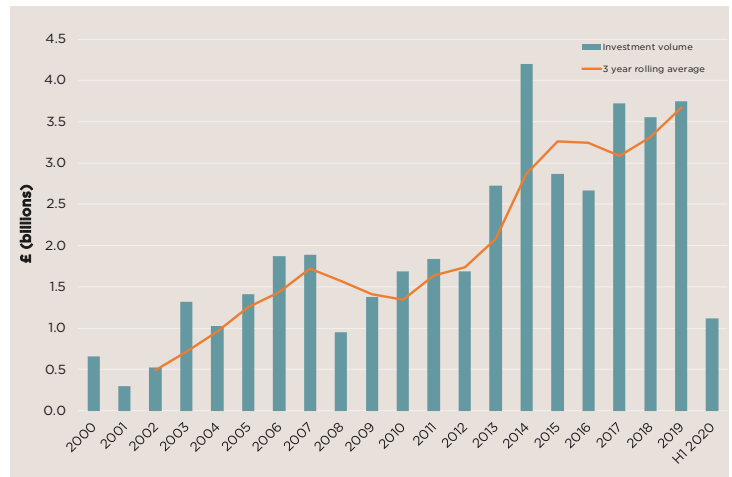
Given the market turbulence across all sectors, it is encouraging to report that Logistics investment volumes have reached £1.12bn for H1, a fall of just 26% when compared with H1 2019. With investors looking to deploy capital into more defensive assets, it is noteworthy that volumes for logistics investment fell by 24% from Q1 to Q2, a statistic all the more remarkable given the entire commercial market volume fell by 82% during the same time period.

Savills recorded an up-tick in transaction numbers in Q2 when compared with Q1, demonstrating the desire to transact in the sector with the most positive occupational outlook. Indeed, of the 50 transactions Savills have recorded information on in 2020, 72% have been for lot sizes under £20m. Key transactions over £20m this year include sale and leasebacks to B&M at Bedford which transacted for £153.8m pre-lockdown and a package of Next warehouses in Doncaster for £120m post-lockdown.

Moving forward, we expect more sale and leaseback transactions to come forward as occupiers look to leverage their covenants to raise capital in uncertain times. We are also tracking a number of portfolios that, providing they transact, would see up to £1 billion added to our investment volumes. Less clear is if and when the UK institutions will return to the market as active sellers.

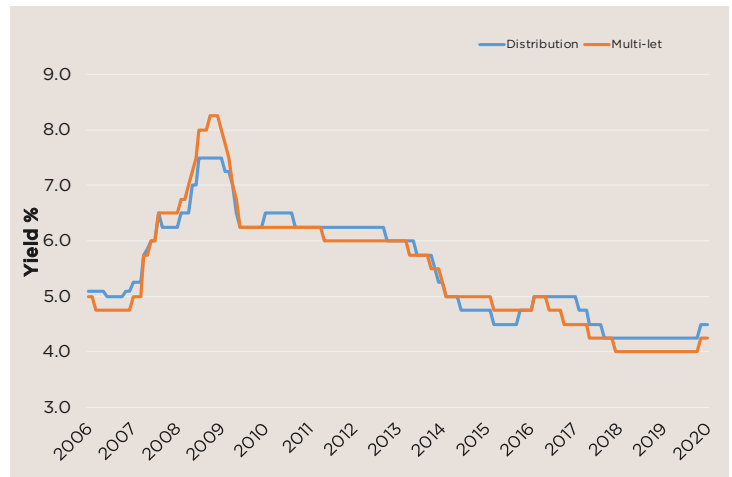
During lockdown, Savills prime yields have moved out 25bps and now stand at 4.50% for prime single let logistics units and 4.25% for multi-let industrial estates. However, as lockdown has been eased and market activity has returned, positive sentiment and competitive tension is again putting negative pressure on these yields.

Investment volumes slight half year decline

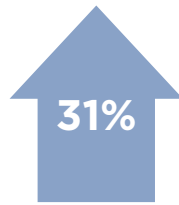


Source Savills Research

Prime investment yields 25bps up-tick



Source Savills Research



Average weekly online sales growth since March 2020

2020 Outlook

What next after lockdown restrictions ease?

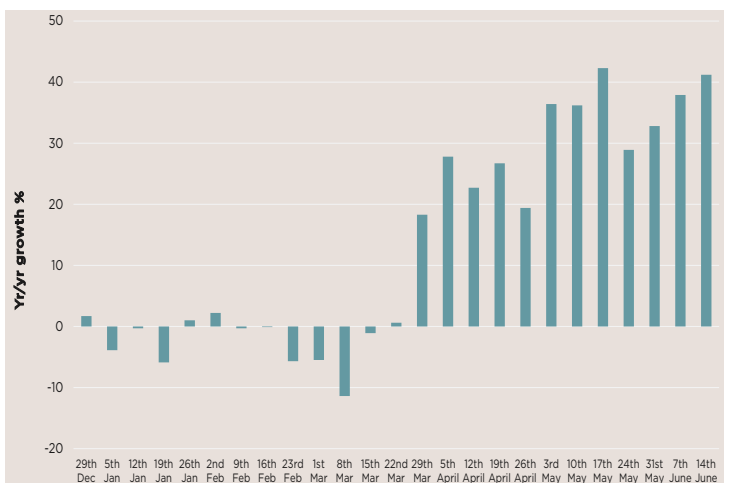
As the lifting of restrictions moves into its next phase, we expect the market will also perform differently to the immediate aftermath of lockdown. On the demand side, requirement levels have rebounded sharply after a slow April and early May, but this lag should mean that take-up for 'churn stock' in H2 is slower than normal. Key sectors of the economy also remain in a deep freeze, in particular the automotive and aerospace sectors as even the boom in online shopping couldn't help new van registrations as they fell by 74% in May.

As government support comes to an end in the autumn consumer confidence is likely to fall, and bearing in mind that almost two thirds of demand is related to retail, it is unlikely that the current levels of take-up will be sustained even though online shopping rates are currently growing at levels not seen since 2008.

On the supply side, the recent levels of measured speculative development will mean that vacancy rates are highly unlikely

to return to post global financial crisis levels of 24%. Indeed, Savills Research have created a model that projects vacancy rates going forward, and even in our downside scenario, where we assume over 15m sq ft of tenant default, vacancy rates rise to just 11.4%.

Online retail weekly sales growth surging



Source IMRG



Will Cooper
Director, Building & Project Consultancy
020 7409 8952
wcooper@savills.com

BUILD COST AND PROGRAMME

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 polarised in 2020.

Following a brief period after lockdown where 60% of speculative construction was paused, all warehouse construction sites are now open and building continues.

As lockdown continued, the levels of speculative and BTS development have declined, therefore contractors have been pricing projects accordingly to maintain previously strong order books. This has meant that we have not seen tender price inflation based on the price of labour or materials. However, social distancing advice and the development of new construction processes have

meant that projects are taking longer to complete, and programmes are being adjusted accordingly. This has the potential to lead to higher costs as welfare provision increases and more machinery is needed to complete certain tasks. Moving forward, as speculative and BTS levels increase, we expect contractors will become more selective to the projects they tender.



Savills Research

We are a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market.

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
scollett@savills.com

Sally Duggleby
Occupier Services
0207 420 6301
sally.duggleby@savills.com

Kevin Mofid
Research
0203 618 3612
kmofid@savills.com

Will Laing
Research
0207 535 2955
will.laing@savills.com