



Trends in UK Logistics Real Estate

Warehouse Technology Group

5th June 2019



“Our strength stems from our ability to provide an integrated service combining specialists offering expertise in a range of associated service lines including corporate real estate, funding, investment, planning and development, building consultancy, project management and lease consultancy all supported by a dedicated research function”

18 million sq ft
transacted in
2018



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 @kevttheeshed

 @kevin-mofid

2018
**Property
Awards**
Winner

Savills. Back-to-back winners of
Industrial Agency of the Year



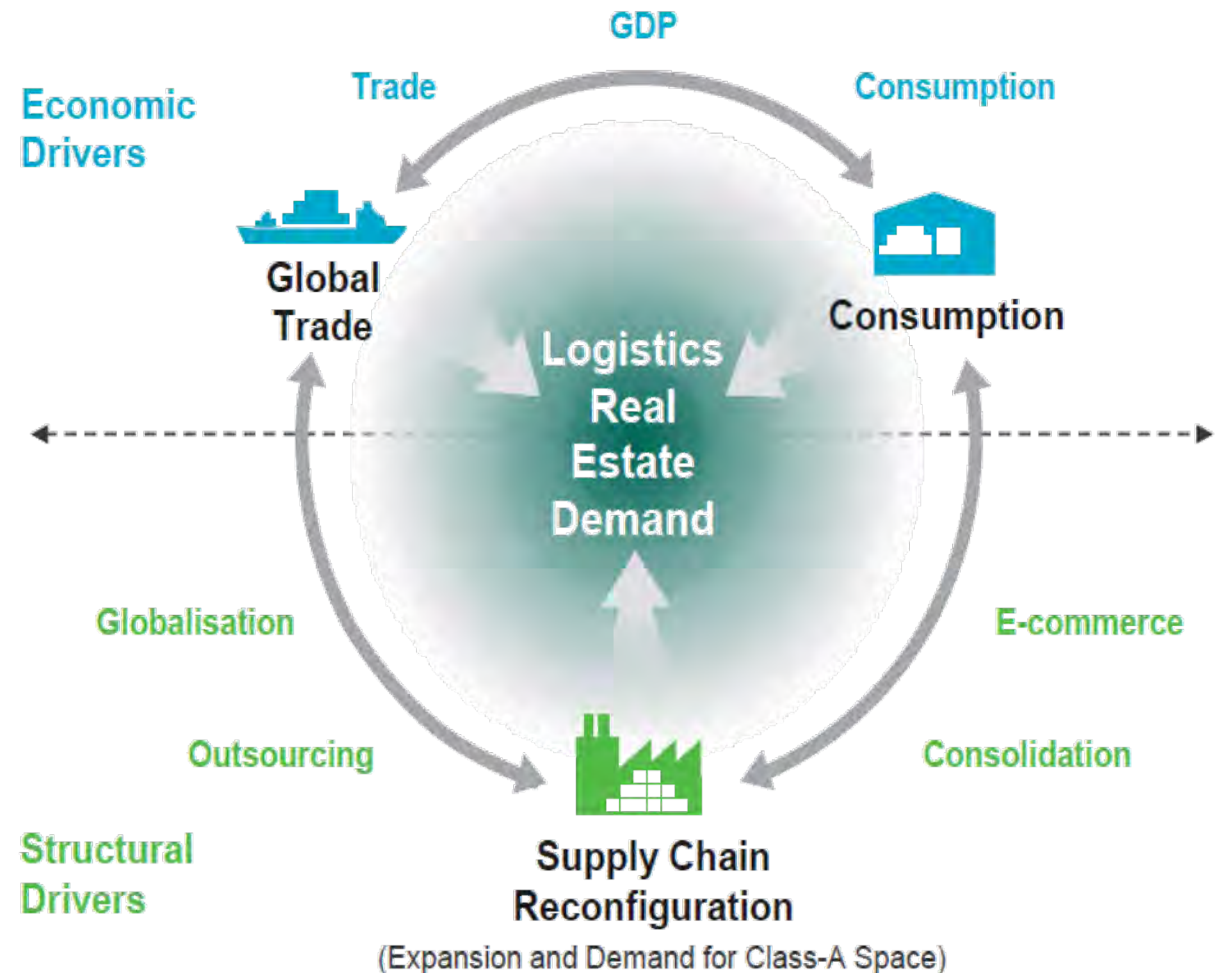
Disruption is the new normal.....



“Disruption is the new normal in retail”

“only 17% of retail Chief Executives believe their supply chains are optimal”

What drives demand for distribution warehouses?



Key market themes – Many conflicting signals?



Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

Sky News Breaking @SkyNewsBreak
Stamp Duty will be abolished for first-time buyers of shared ownership properties valued up to £500,000 applied retrospectively to the date of the last Budget

2 1

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

House Builders Association @NFB_HBA
Funding for neighbourhood planning so homes can be sold (with a discount) to local people. This discount will be in perpetuity. @PhilipHammondUK #Budget2018 #BudgetDay

1

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

House Builders Association @NFB_HBA
#StampDuty on shared homes will be extended to £500k and will be retrospective. @PhilipHammondUK #Budget2018 #BudgetDay @Conservatives

1

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#MoreBetterFaster

24housing Magazine @24housing
Improvements to DLR on track to deliver 19,000 homes in London #Budget2018

3 2

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

National Housing Fed @natfednews
Chancellor @PhilipHammondUK announces next wave of Strategic Partnerships between @HomesEngland and housing associations #Budget2018 #ukhousing

1 2

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

Richard Harrington @Richard4Watford
£5.5bn for the Housing Infrastructure Fund, to unlock 650,000 new homes 🏠 #Budget2018

1 2 9

Kit Malthouse MP @kitmalthouse · 19h
#MoreBetterFaster

House Builders Association @NFB_HBA
The removal of the #housing revenue account cap gets the mention we all hoped it would! No rolling back on that decision now. @Conservatives @PhilipHammondUK @kitmalthouse @JBrookshire #Budget2018 #BudgetDay #Housing #CouncilHousing

1 2

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

Neil O'Brien MP @NeilDotObrien
Another idea from my @ukonward paper made it into the Budget with the plan for new developments to have houses for discounted sale to existing residents. Can we have some in Harborough Oadby and Wigston pls?

1

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

HM Treasury @hmtreasury
"A further £500m for the Housing Infrastructure Fund, to unlock 650,000 homes." 🏠 #Budget2018

£5.5 billion for the Housing Infrastructure Fund
To support the building of **650,000** new homes



2 3 1

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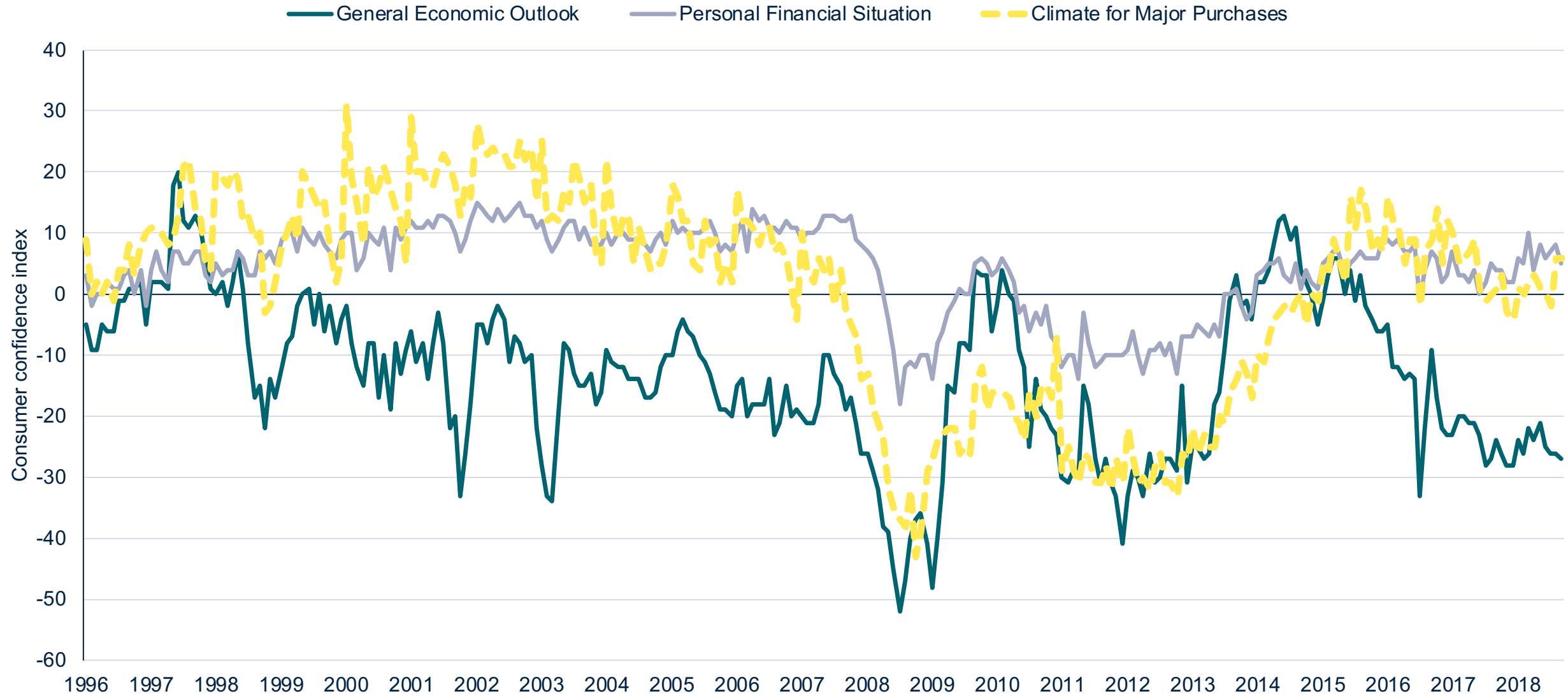
2 1

Kit Malthouse MP @kitmalthouse · 18h
#MoreBetterFaster

Oliver Cooper @OliverCooper
Extra funding for housebuilding:
🏠 Unlock a further 650,000 homes through the Housing Infrastructure Fund
🔧 Build 13,000 new homes through housing associations
💰 £1bn of British Business Bank loan guarantees for S...

4 2 3

Consumer confidence is surprisingly robust.....for now



The health of retail is related to the health of logistics & industrial

65%

Household spending as a
proportion of GDP

64%

Retail, parcel and logistics

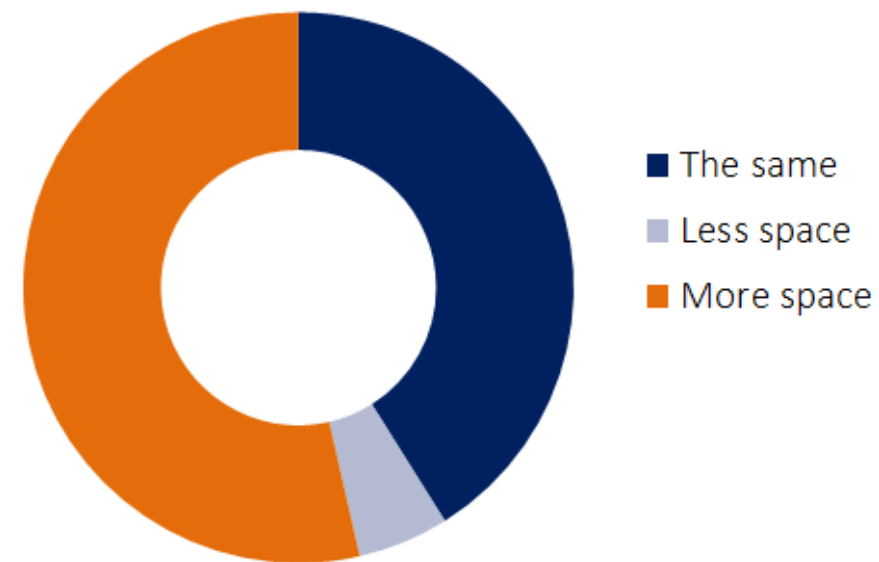
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Occupational market

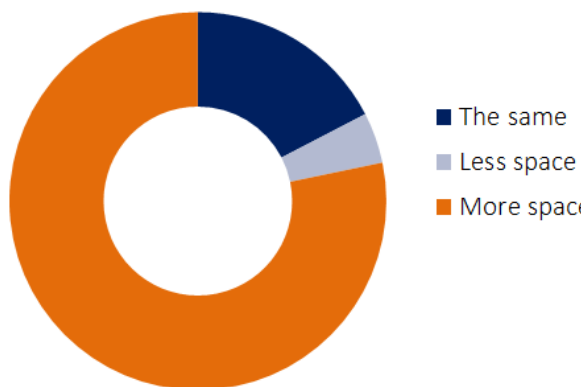
Demand for warehouse space...

- 54% of respondents (2017: 56%) expect to require additional warehouse space within the next two years
- Only 5% (2017: 8%) forecast that warehouse footprints will shrink

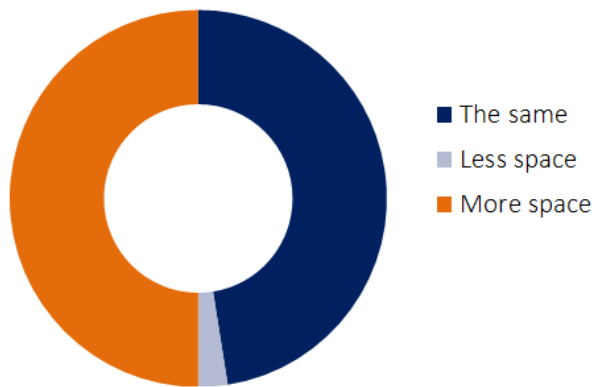
Occupiers



Logistics



Retailers



Manufacturers

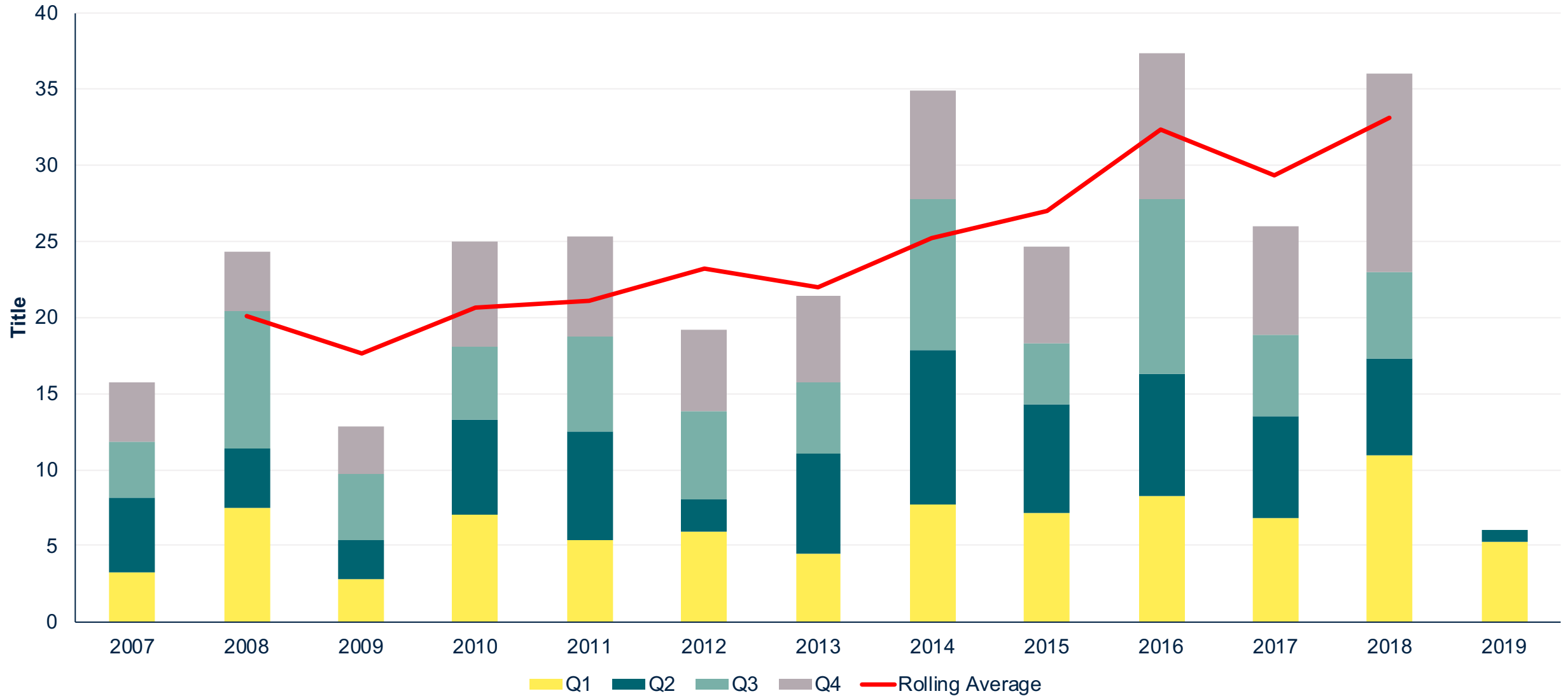




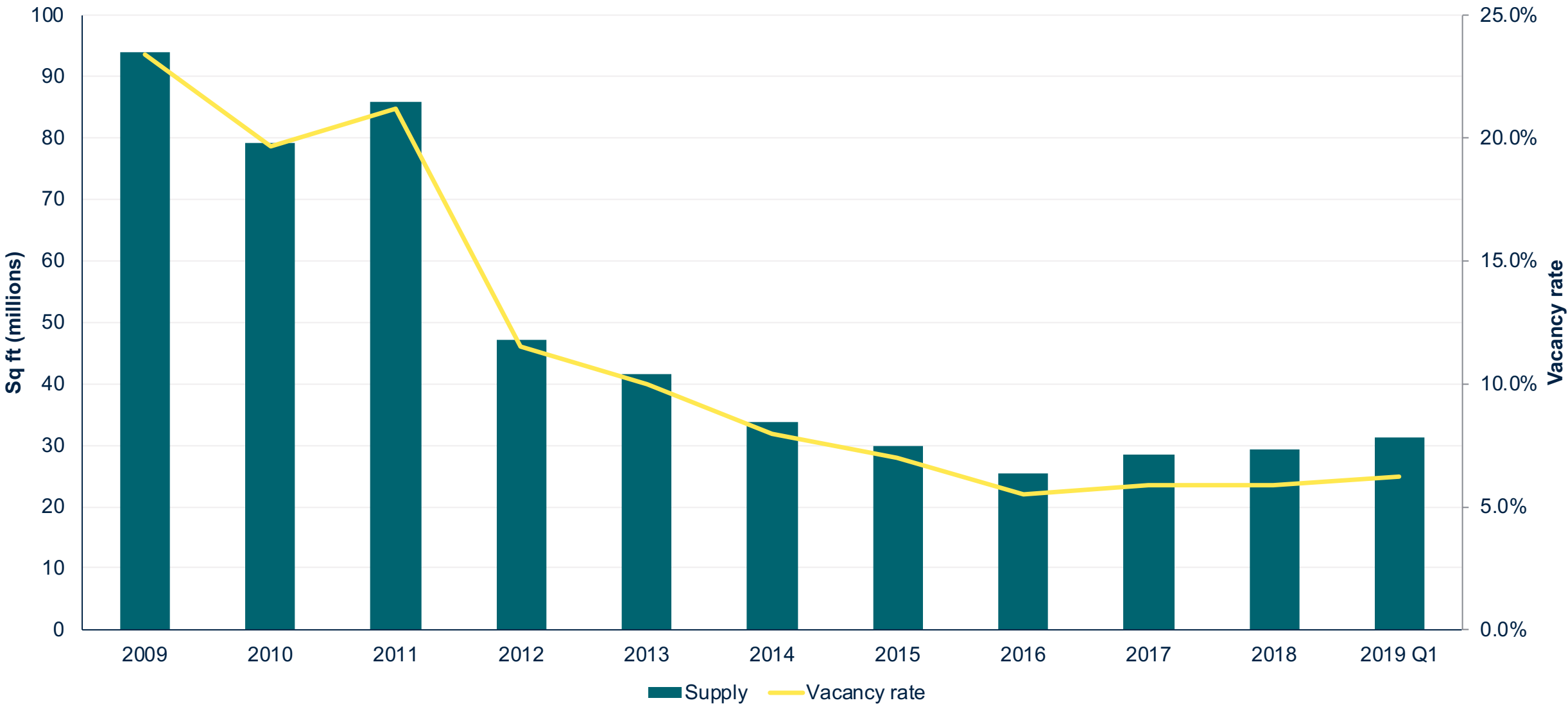
Prime have increased across the country

Region	Market	2013	2018	% Rental Growth	% Rental Growth p.a
London & South East	Milton Keynes	£6.50	£7.75	19%	3.8%
	Heathrow	£12.00	£14.50	21%	4.2%
	Park Royal	£12.50	£18.00	44%	8.8%
	Enfield	£8.50	£10.25	21%	4.2%
	Dartford	£8.00	£9.50	19%	3.8%
	Croydon	£8.00	£15.5	94%	18.8%
Midlands	Northampton	£5.00	£7.25	45%	9.0%
	Rugby	£4.95	£7.00	41%	8.2%
	Stoke	£4.25	£6.00	41%	8.2%
	Coventry	£5.50	£6.95	26%	5.2%
	Birmingham	£5.50	£6.75	23%	4.6%
North	Wigan	£4.75	£6.25	32%	6.4%
	Bolton	£5.25	£6.75	29%	5.8%
	Crewe	£4.75	£6.00	26%	5.2%
	St Helens	£4.75	£6.25	32%	6.4%
	Trafford Park	£5.25	£6.75	29%	5.8%
	Warrington	£5.25	£6.75	29%	5.8%
	Leeds	£4.95	£6.25	26%	5.2%
	Doncaster	£4.75	£5.75	21%	4.2%
	Sheffield	£4.75	£5.75	21%	4.2%

Take-up reaches 2014 levels but Q1 is subdued



Supply and vacancy is currently stable



Who is taking space

savills

XPOLogistics



MARKS &
SPENCER

next

amazon

wayfair®

H&M

bm

whistl

MADE.COM



SHOP
DIRECT

MEGGITT



Eddie Stobart

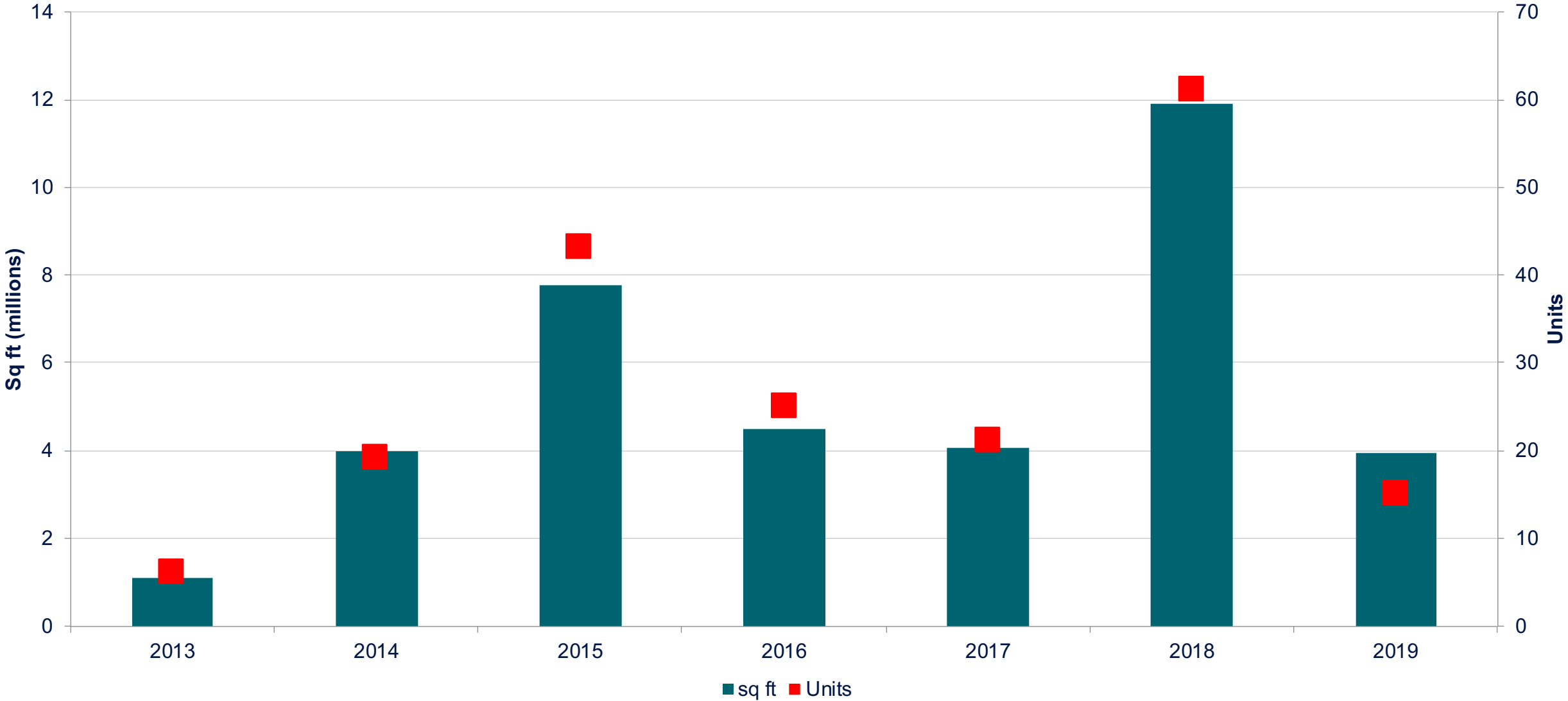


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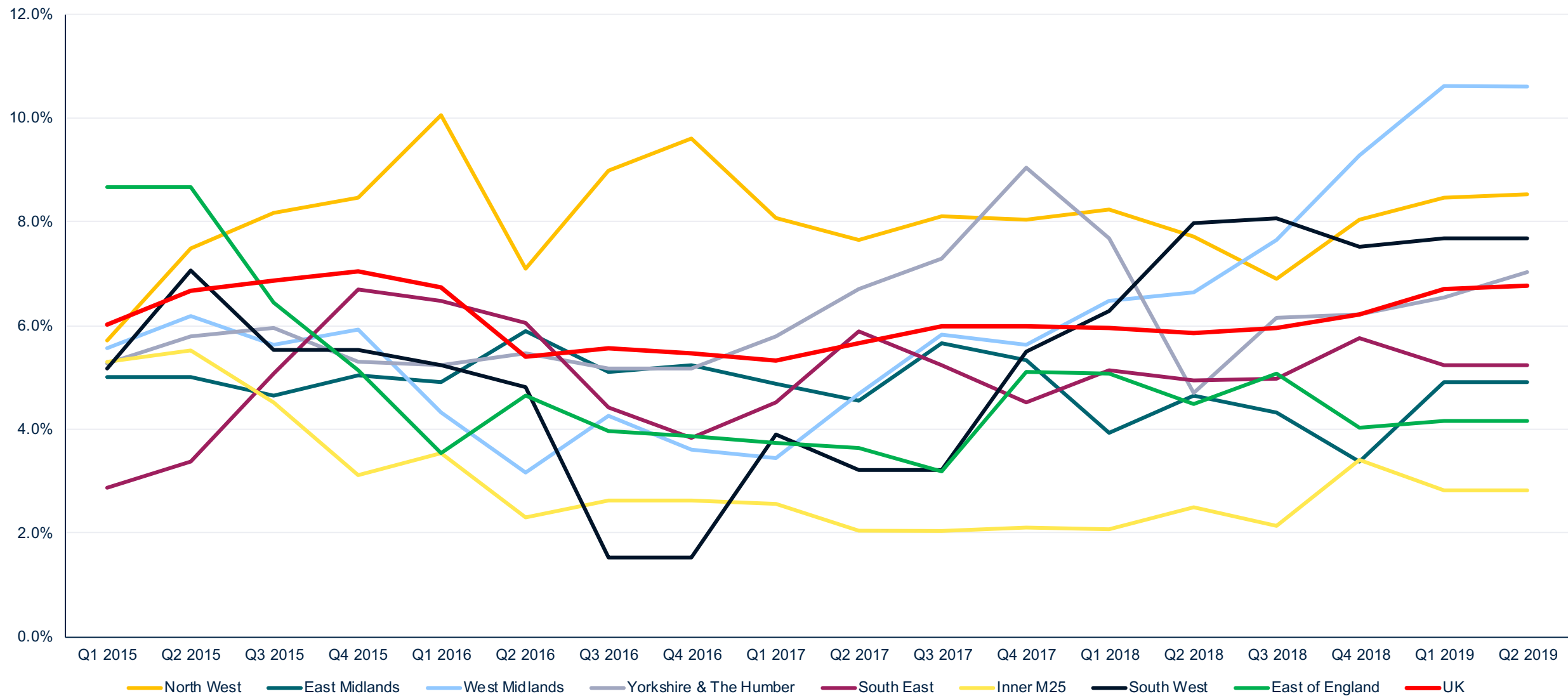


ASOS
discover fashion online

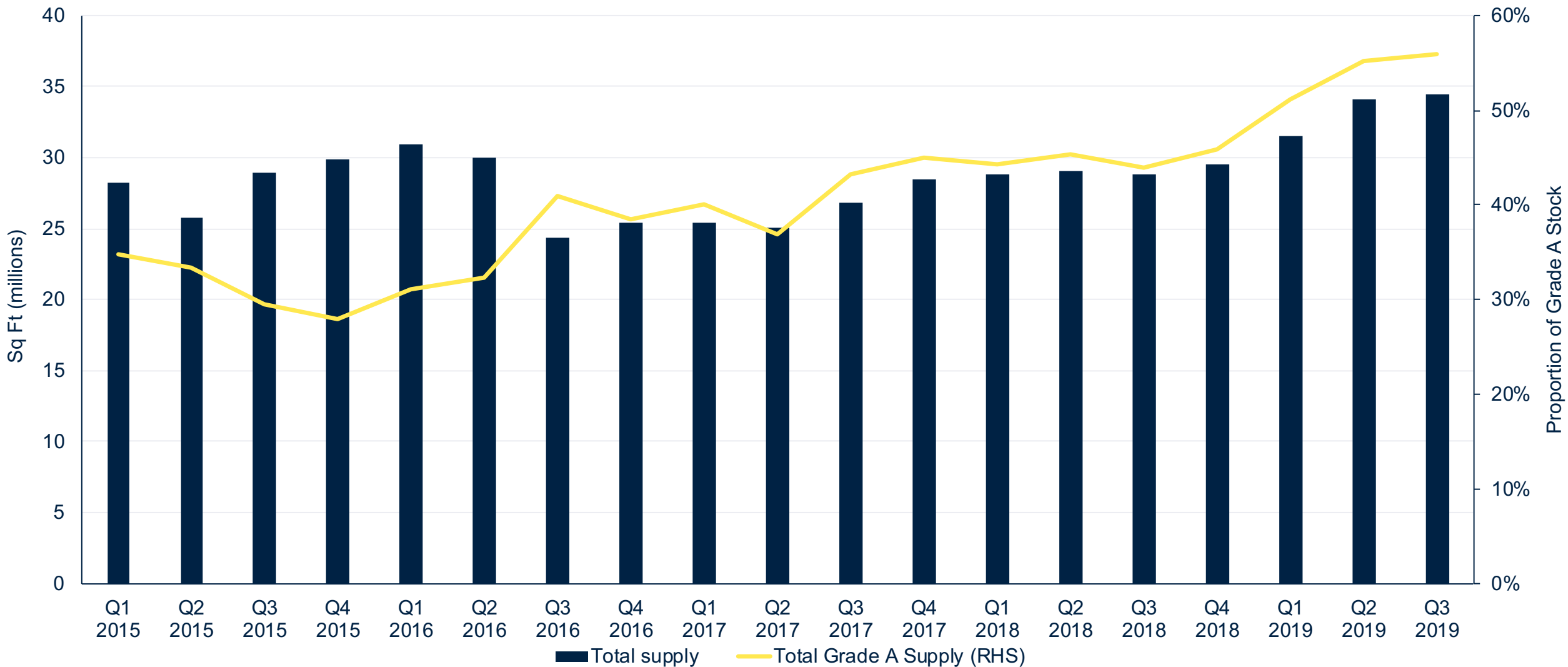
Spec announcements are the highest since 2007



But regionally tells a different picture

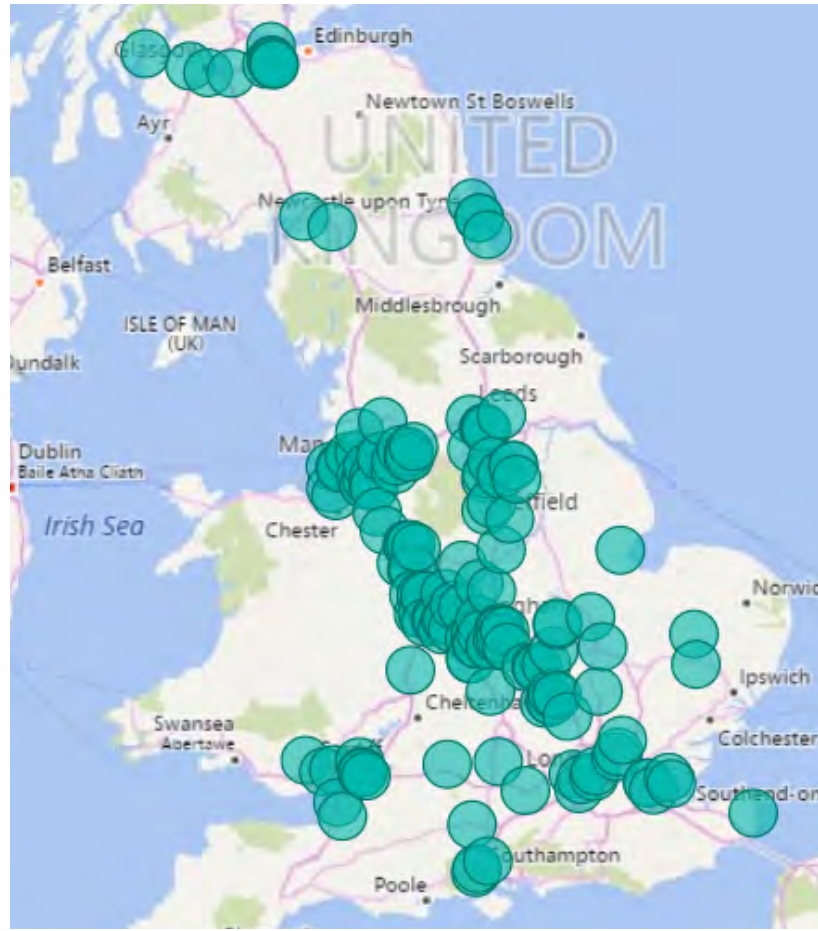


The proportion of grade A stock is increasing....has reached 56% of all supply in 2019 YTD

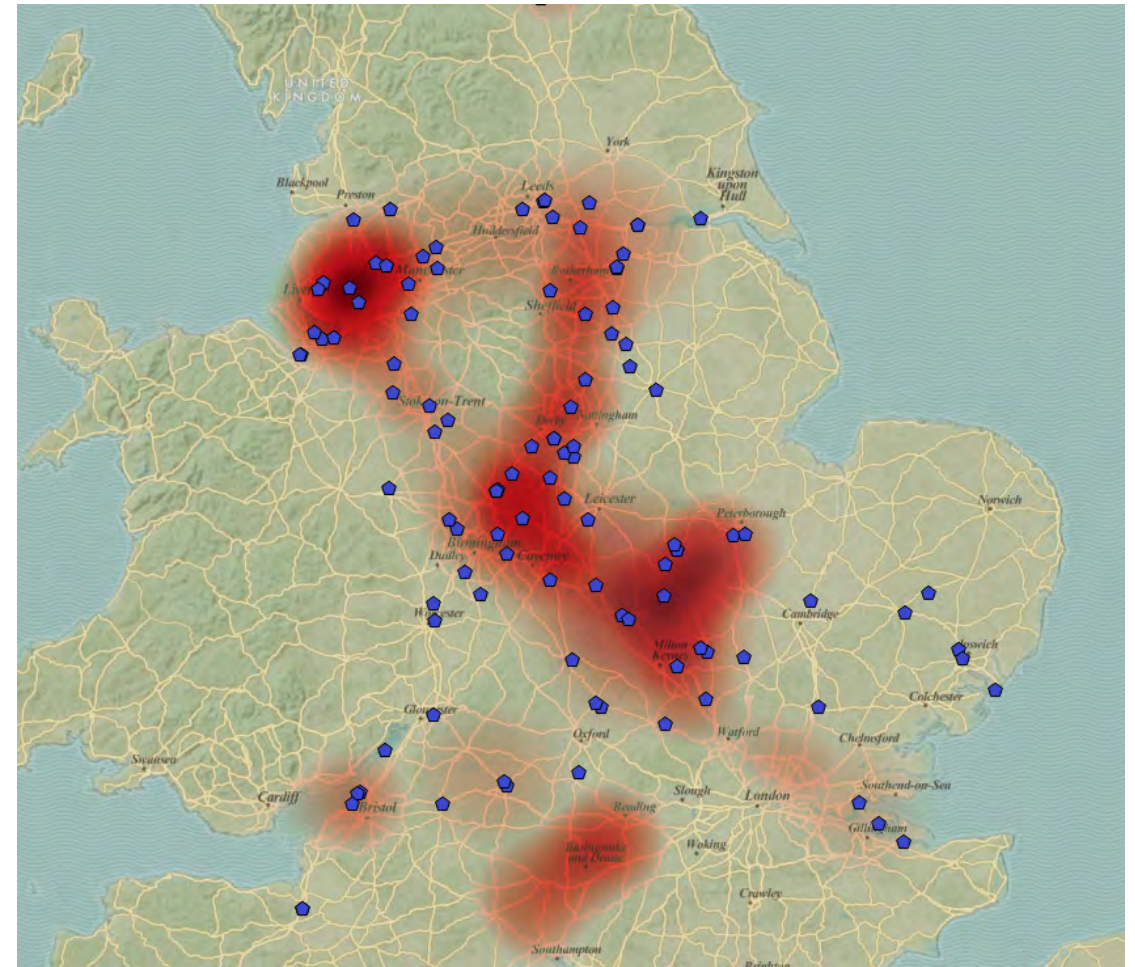


Where is the Supply?

Buildings



Land

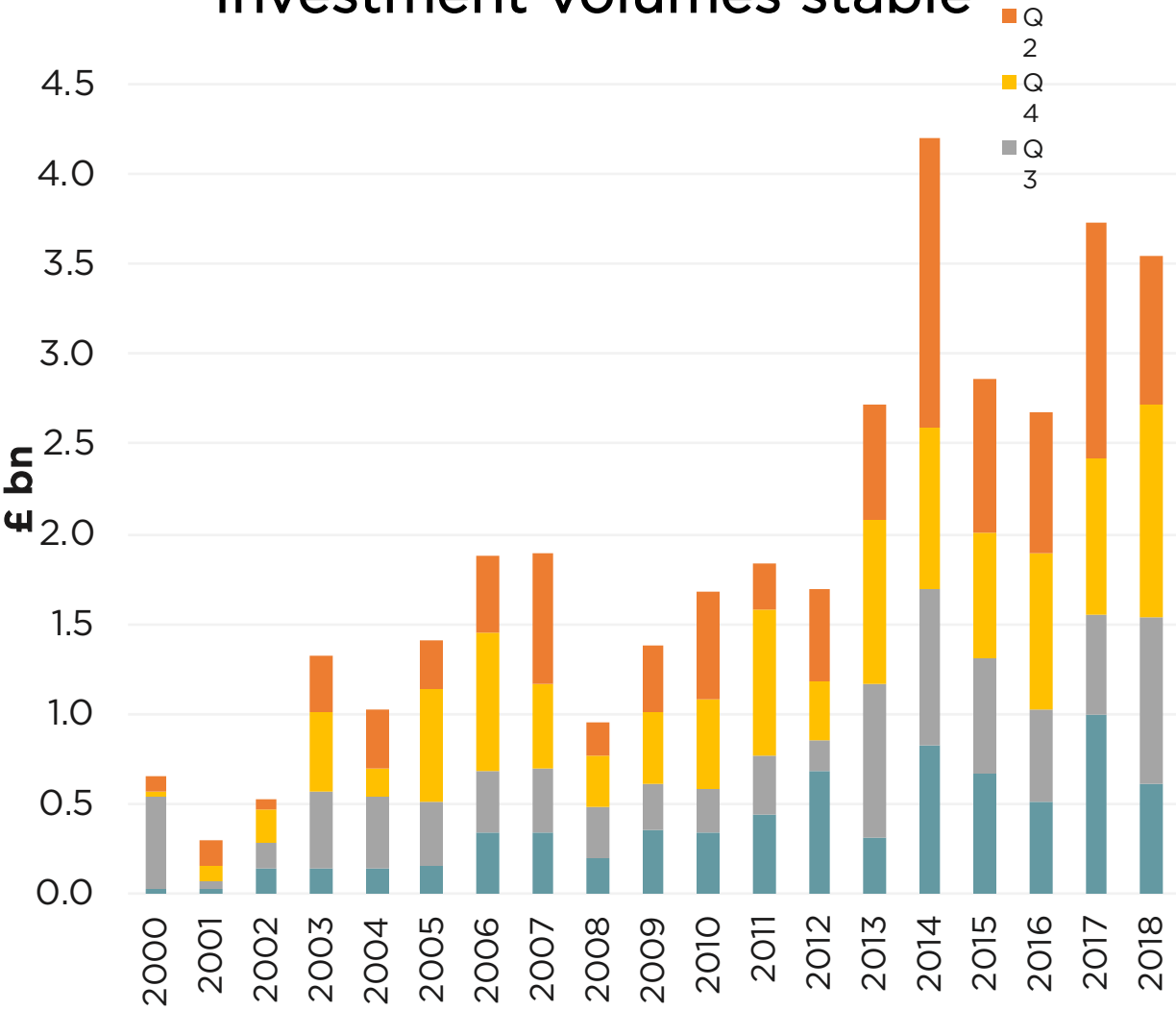


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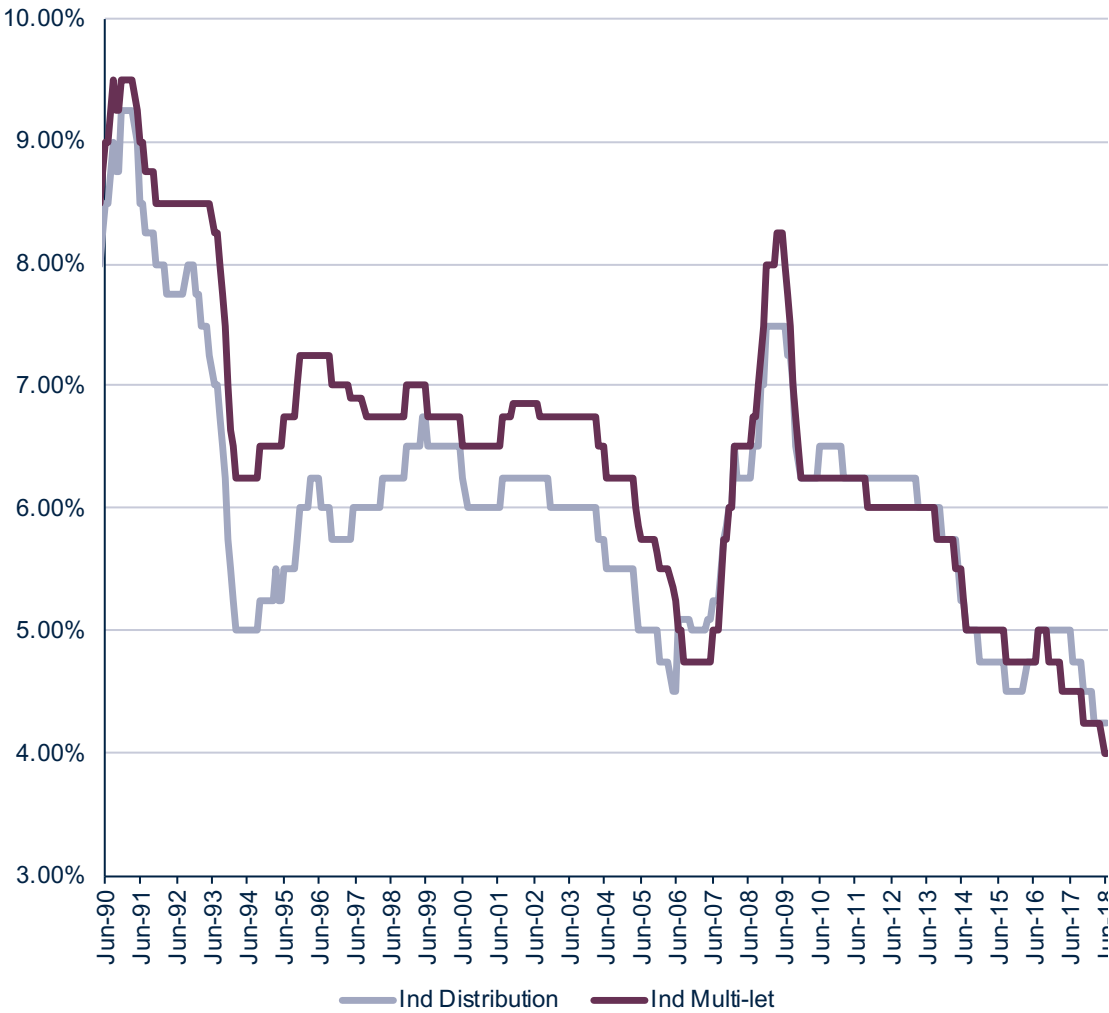
Wider trends

Is the timing right for sale and lease backs?

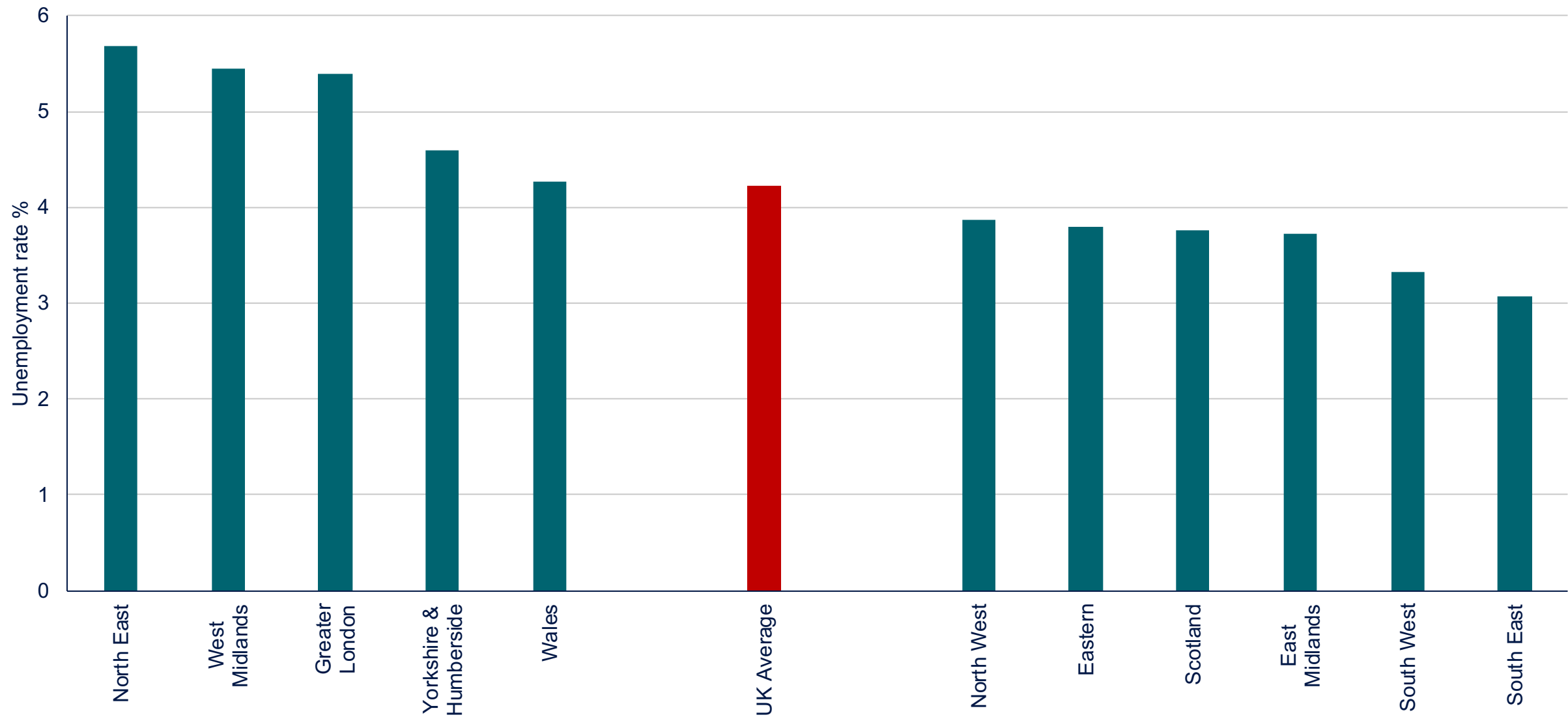
Investment volumes stable



Investment yields at record lows



Does that supply match labour?



Big Energy

3 – 13Mva

Equivalent of over 10,000 3 Bed homes

Amazon iPort Doncaster



JLP Magna Park MK



Does the supply match power supply?

Map Details

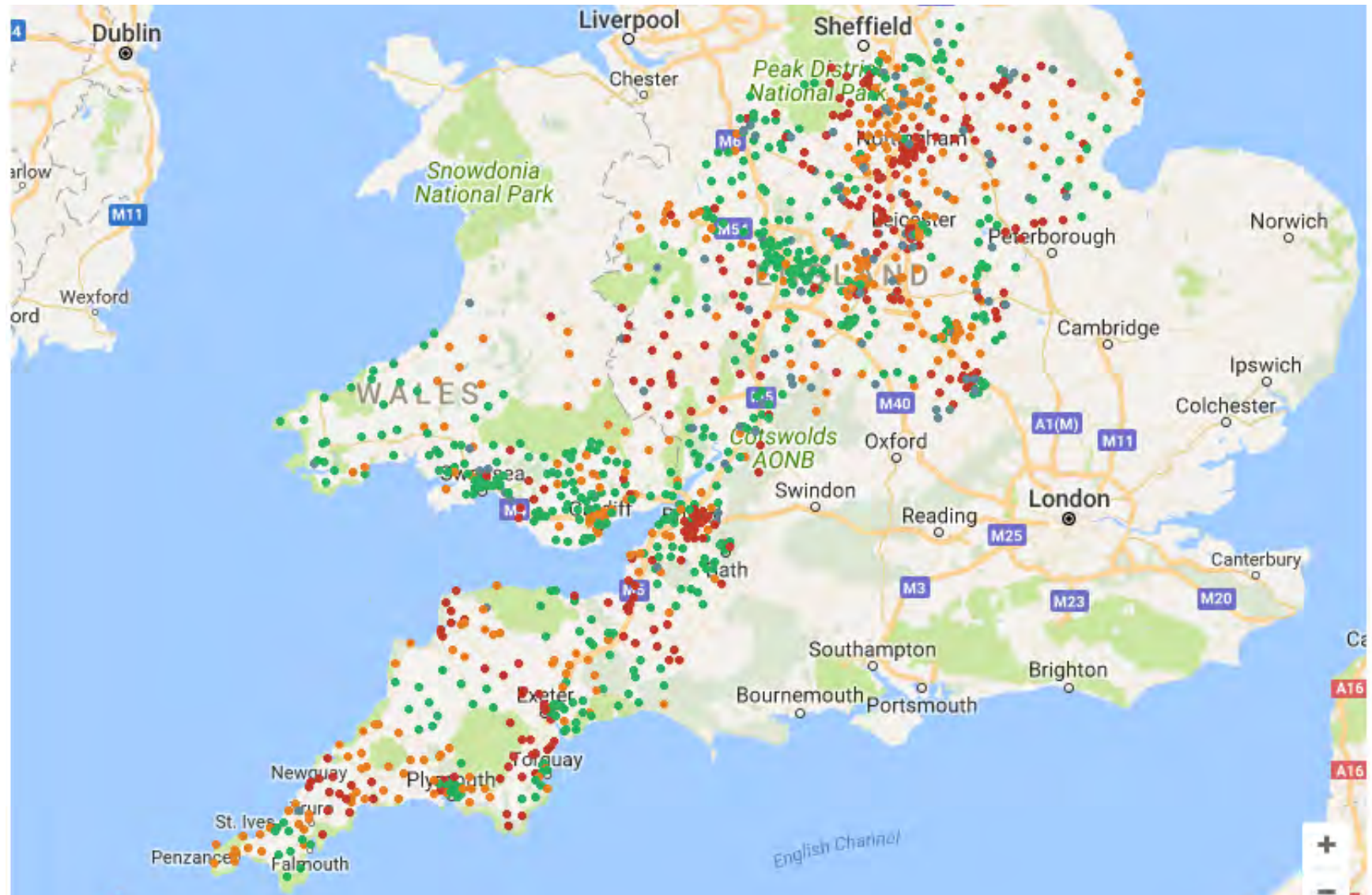
*“Likelihood of connection
being achieved without
significant
reinforcement”*

Red = Low

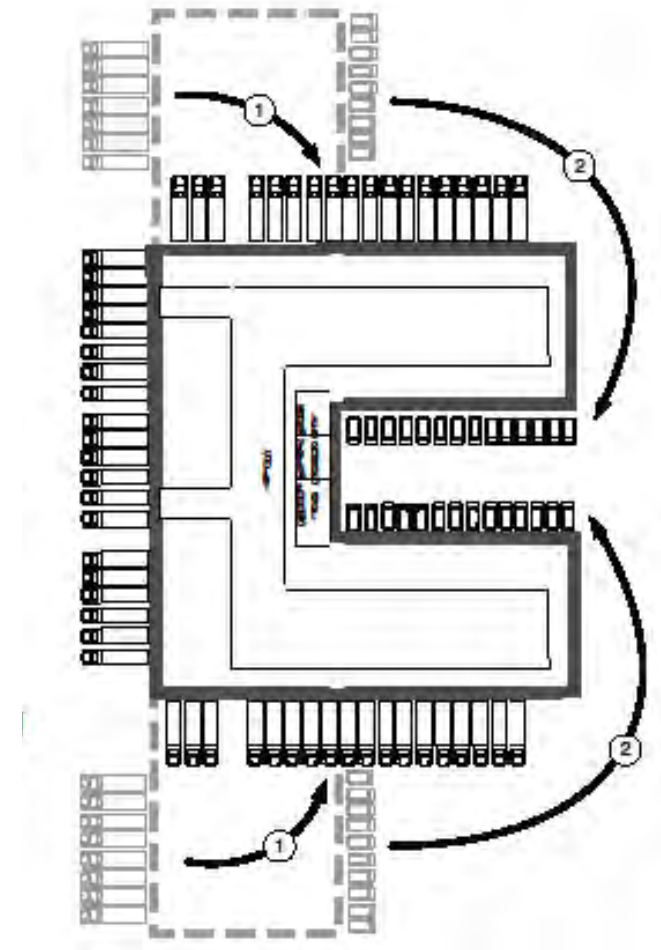
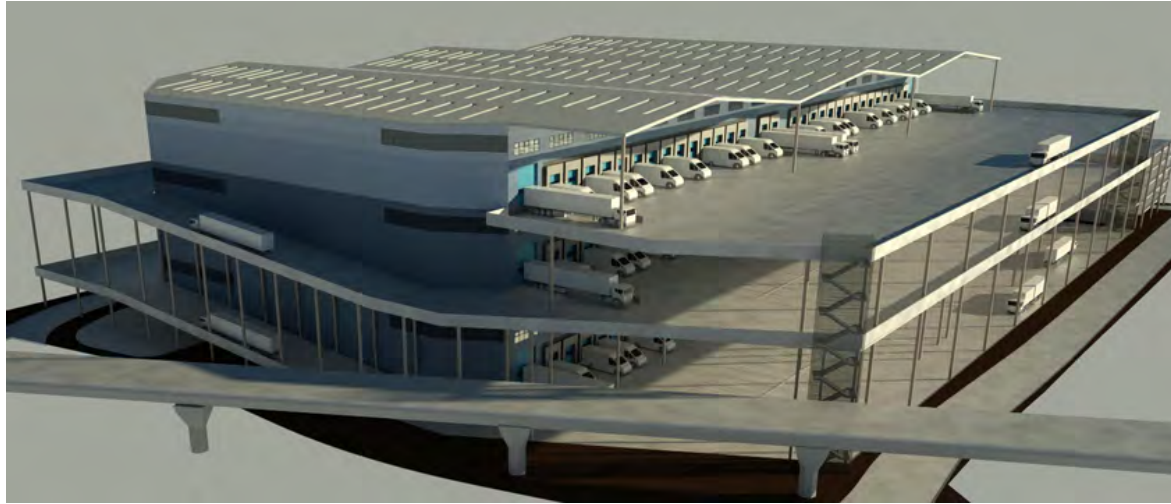
Amber = Medium

Green = High

Connected
&
Contracted
Assets



Design?



Design, flexibility & amenity

☐ Design considerations

- ☐ GRESB
- ☐ Multi-level
- ☐ Docks
- ☐ Yards

☐ Warehouse Amenity

- ☐ Natural light
- ☐ Showers
- ☐ Gym
- ☐ Canteens
- ☐ Breakout area

☐ Well being

- ☐ WBI - BRE linked certification for industrial
- ☐ Commercial considerations



Shedding light
on logistics real estate.

Savills project manage your investment platform:

- Strategic site advice
- Build-to-suit specialists
- Speculative developments
- Occupier fit-outs
- Technical due diligence
- Development monitoring

For further information please contact:

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Conclusions – Things are just right..... For now

- Many things are different to 2006/7
 - Market has doubled
 - Supply and vacancy has fallen
 - Structural changes have some way to go
 - Known unknowns could be in our favour?
- Supply is increasing
 - There is more choice in the market
 - Landlords are being creative with deal terms
- No indication of outward rent movement..... Yet!

