

### 2016.... The year logistics became front page news....





Property Week

#### squeeze on grade-A space puts development back on the agenda

Industrial supply is not keeping up with

the industrial sector, where investment volumes are already 5% above the full-year total for 2015, and 59% up on the annual

already more than £533m, which is the higher ure since 2006 and 5% higher than 2015's full-year total with two months still to go," says Birmingham. "A number of big-ticket deals have femonstrating an encouraging level of liquidity in the post-Brexit vote market.

Warehouse take-up tops 24.1m sq ft

performance of high street and online retailers, according to Savills.

Total take-up of UK warehouse space (units 100,000 sq ft +) exceeded 24.1m sq ft last year, 9.5% above the long term average of 22m sq ft, driven by the strong

Savills recorded over 100 confirmed warehouse deals in 2015, making it the second best year on record for the sect The North West had its best year ever, transacting over 4.56m sq ft, against the long term average of 3.4m sq ft.

One of the largest local deals for the region in 2015 saw Exertis take 543,000 sq ft of space at Burnley Bridge Business Park. The East Midlands remains the most active market with 4.9m sq ft of transactions taking place las

was delivered to the market speculatively. However, Savills notes that despite these robust figures, the build to sui

Major schemes in the pipeline include 358,000 sq ft at Prologis Park Dunstable and 357,000 sq ft at Logistics North i an, national head of industrial and logistics at Savills, said; "2015 was another exceptional year for th

p jostle with manufacturers for prime space.

CoStar Group The add the Line

news for the industrial sector, and strong and growing investment appetite in the West Midlands means that the region is primed to

signing for 543,692 sq ft at Bericote's Four Ashes site near Wolverhampton, which is to be

funded by Tritax Big Box REIT. IM Properties also

achieved a record rent of £6.75/sq ft at Birch

Coppice, Tamworth, via its pre-let of 80,000

With the festive shopping season about to

henin time will tell whether the hattle for shed

been fought this year. But Savills is predicting

to the West Midlands for their investments.

Providing the retail sector has a good

units to remain strong into 2017 and beyond

says Kevin Mofid, industrial research director

post-Brexit vote and increase supply, it is still

sector attractive to investors and also has the

law. While speculative development

Christmas, we expect demand for logistics

off to HIB. And IM Properties has reached

#### investment volumes



Landlords refurbish warehouse space to boost rental incon

#### Movers &Shakers

#### Warehouse okayed

A NEW warehouse and distribution park in Bicester has been granted planning permission for up to 675,000 square feet symmetry will start

building an 88,000sqft unit for an owner-occupier at the end of this

says it is negotiating more deals.

Symmetry Park, marketed by agents Savills, is on the A41 and close to junction nine of the M40/A34 interchange.

director Charles Rowton-Lee said: "Symm Park will further enhance the reputation of Oxfordshire as a destination for warehou



The Telegraph

#### NEWS BRIEFING

BUSINESS

#### Amazon takes quarter of warehouse market

Amazon accounted for more than a quarter of all warehouse space rented in the UK this year, as the online giant continues to ramp up its operations. Such was Amazon's dominance in the market that it was behind 82 per cent of deals done with online retailers in 2016, research from property agency Savills has found. The warehousing sector is set to have its best year on record, driven by a huge boom in internet shopping. The amount of available warehouse space has fallen by 71 per cent since 2009 and now stands at 27 million sq ft. Business: Page 1

The unit has already been sold and the firm

Savills Oxford business space team



### THE TIMES





### Why is our sector now so news worthy?



Source: Savills Research

36.2m
Sq ft
Best year ever

26.3m
Sq ft
Record low level of supply

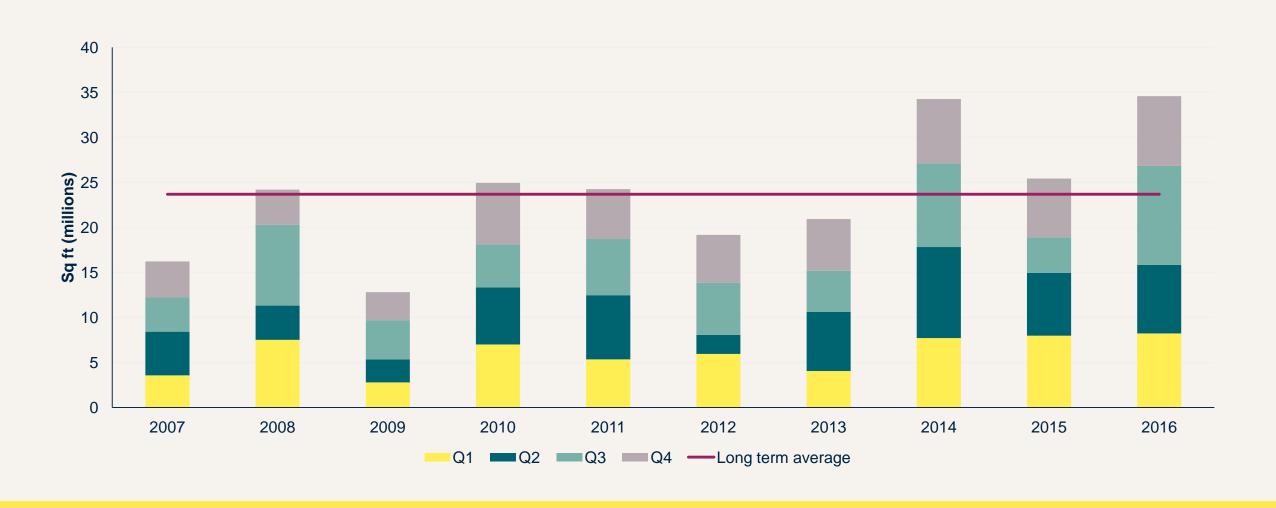
23.2%

Amazon share of market

### UK Warehouse take-up best ever....



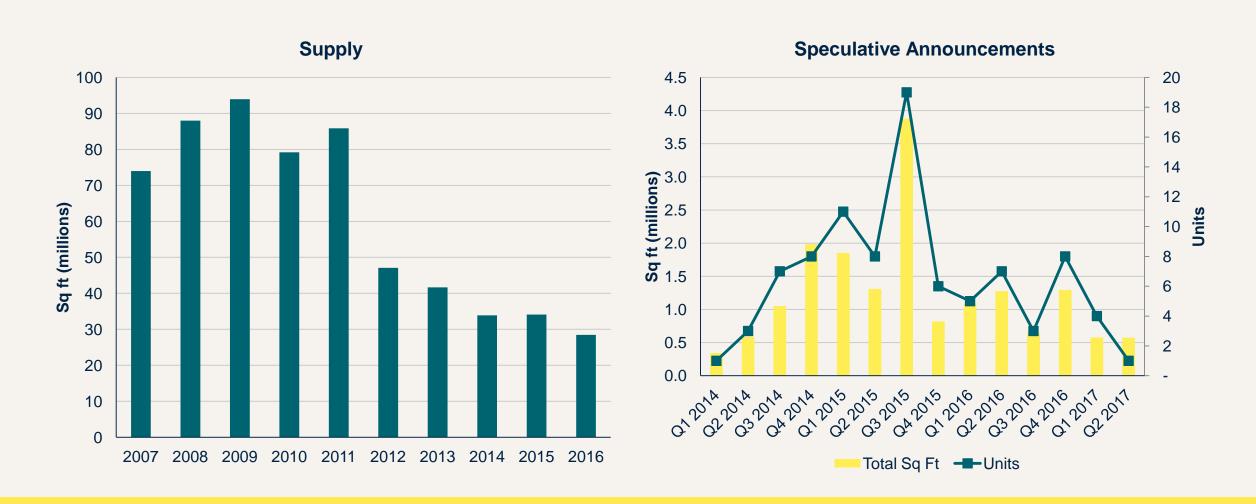
Source: Savills





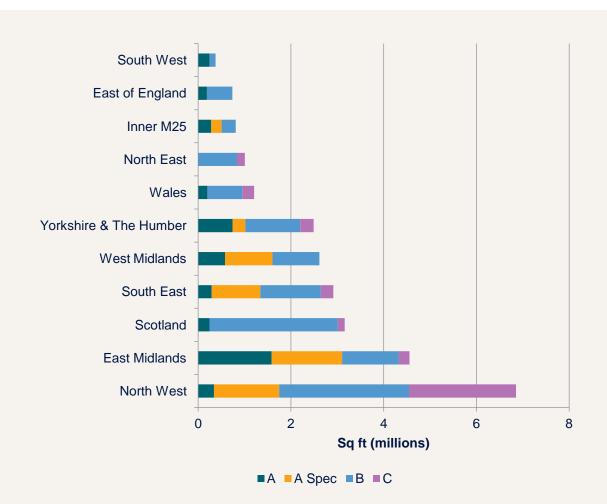


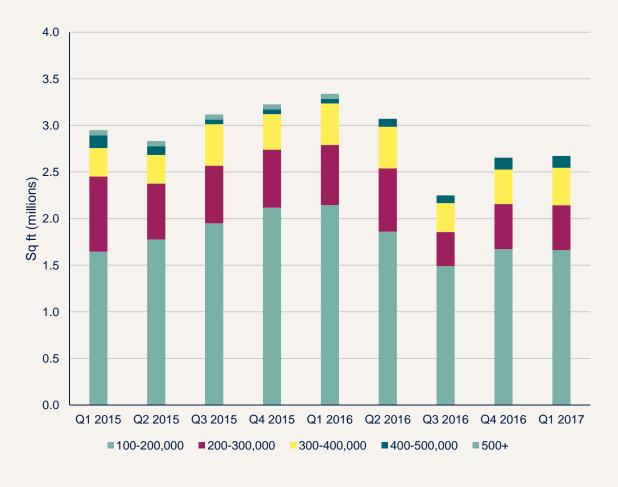
Source: Savills



# But supply varies drastically by region and is generally for smaller units

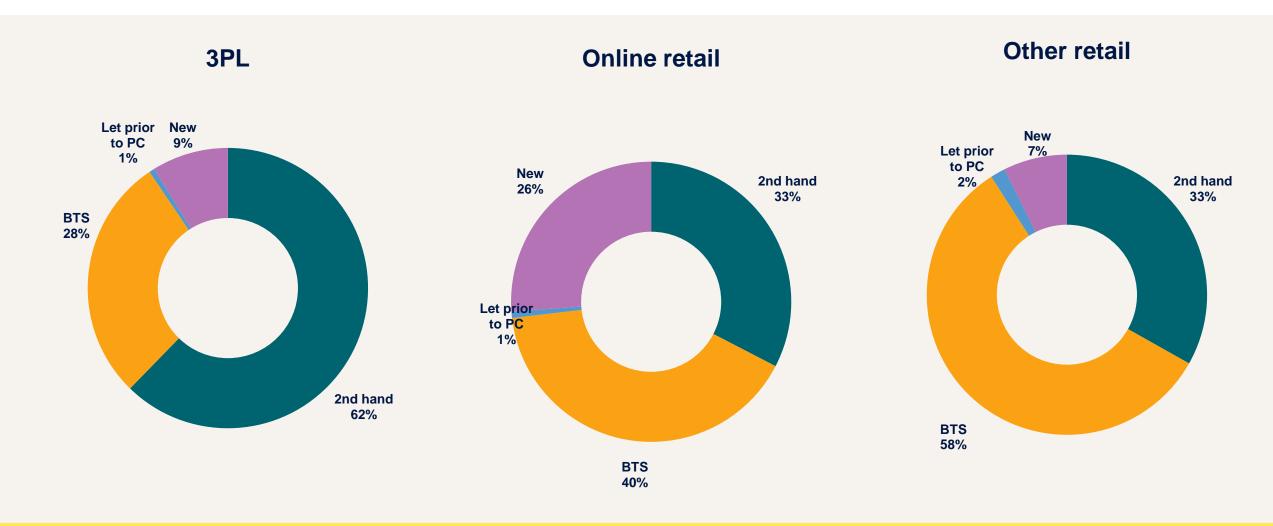






### A two tier market is developing



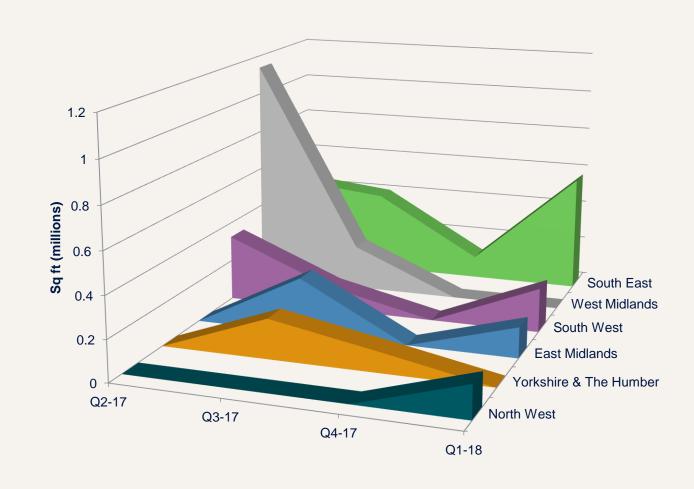




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Source: Savills Research

- •Savills are tracking 4.4m sq ft across 24 schemes which is due for delivery in 2017/2018
- •79% of units are between 100,000 and 200,000 sq ft and the majority of stock is in the South East and West Midlands.
- •However these regions also have the largest units including M6DC in Cannock (372,000 sq ft) and Altitude in Milton Keynes (574,000 sq ft), which is the single unit delivered in the SE in Q1 2018.



## Supply and Demand by size and location

Green = less than a 1 year supply Yellow = between 1 & 2 years supply Red = 2+ years



Source: Savills Research

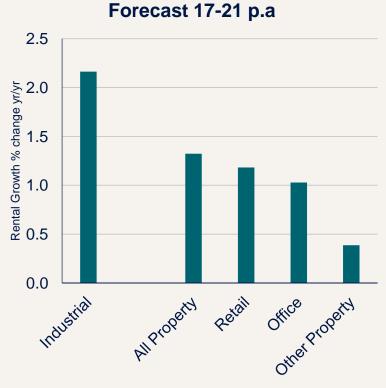
	East Midlands		West Midlands		London & SE		Yorkshire		North West		South West							
	Average Deal Volume	Supply	Pipeline	Average Deal Volume	Supply	Pipeline	Average Deal Volume	Supply	Pipeline	Average Deal Volume	Supply	Pipeline	Average Deal Volume	Supply	Pipeline	Average Deal Volume	Supply	Pipeline
100 – 200,000 sq ft	14	16	3	14	17	8	13	19	2	10	13	2	16	24	2	3	1	1
200 – 300,000 sq ft	4	5	0	8	1	1	5	1	1	3	1	0	4	3	0	3	1	1
300 – 400,000 sq ft	2	3	0	2	0	2	3	3	1	1	1	0	2	5	0	1	0	0
400 – 500,000 sq ft	1	1	0	1	0	0	1	0	0	1	0	0	1	1	0	0	0	0
500,000 sq ft +	3	0	0	1	0	0	2	0	0	2	0	0	1	0	0	2	0	0





Source: MSCI & RealFor





### So are build costs





### S.P.E.C.S

### Savills ProgrammE and Cost Sentiment Survey

October 2016

Savills World Research UK Commercial

#### Brexit impact varies by sector

- The second quarterly edition of S.P.E.C.S. comes at an opportune time as many developers, landfords, occupiers and contractors come to terms with what the actual impact of the UK's decision to leave the EU will be on their real estate investment decisions.
- Currency market volatility has directly impacted overall build costs with Gardiner & Theobald reporting that a 10% decrease in the value of the pound has resulted in a 2 to 3% increase in build costs, where 60% of materials are EU imports.

#### Q4'16 S.P.E.C.S Score GRAPH 1

As table one demonstrates the sentiment recorded by Saville specialist project managers shows that no sector or geography is seeing costs tall in the alternatin of Breat. The setal sector, adapting to new and collect points and better quality if out, has seen costs increase. Meanwhile the warehouse sector has seen a pouse in speculative does not be seen costs increased key component, steel, stabilise.





"The second edition of S.P.E.C.S has highlighted how project delivery, in different sectors and geographies, is being impacted by challenges Brexit will bring. Our index demonstrates that for the first time this year both costs and timesales are increasing. Looking forward, we expect further volatility to this index once Article 50 is triggered "Simon Collett, Head of Division

4 2010	,	£	<b>©</b>	£	Θ
.P.E.C	S Indicators	New Build & Refurbishment Costs	New Build & Refurbishment Timescales*	Occupier Fit-out Costs	Occupier Fit-out Timescales*
	Offices - Central London	<b>↑</b>	$\leftrightarrow$	<b>T</b>	$\leftrightarrow$
III 45 III	Offices - Regional	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$
	Warehousing <100,000 sq ft	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$
	Warehousing 100,000 - 500,000 sq ft	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$
	Warehousing 500,000 sq ft +	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$	$\leftrightarrow$
	Central London Prime Residential	$\leftrightarrow$	$\leftrightarrow$	<b>↑</b>	$\leftrightarrow$
	Central London mid market Residential	<b>↑</b>	<b>↑</b>	Ť	1
_	Regional mid market Residential	1	Ť	<b>†</b>	1
	Foodstores	<b>↑</b>	$\leftrightarrow$	<b>1</b>	$\leftrightarrow$
	High St Retail	<b>↑</b>	$\leftrightarrow$	<b>↑</b>	4
	Out of Town Retail	<b>↑</b>	<b>4</b>	<b>↑</b>	$\leftrightarrow$
	Shopping Centre	<b>↑</b>	$\leftrightarrow$	<b>↑</b>	$\leftrightarrow$
	time taken from project sign off to project commencemen				

Warehouse space 100,000 sq ft - 500,000 sq ft	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
New Build & Heavy Refurbishment costs	<b>↑</b>	<b>^</b>	<b>↑</b>	$\Leftrightarrow$	$\Leftrightarrow$
New Build & Heavy Refurbishment Time	<b>V</b>	$\downarrow$	<b>↑</b>	$\Leftrightarrow$	$\Leftrightarrow$
Occupier Fit-out costs	<b>↑</b>	<b>↑</b>	<b>↑</b>	$\Leftrightarrow$	$\Leftrightarrow$
Occupier Fit-out time	$\Leftrightarrow$	$\Leftrightarrow$	<b>↑</b>	$\Leftrightarrow$	$\Leftrightarrow$

Size Range	Height Range	Cost Range
100,000 – 200,000 sq. ft	12.5m	£42 - £48 sq. ft
200,000 – 300,000 sq. ft	12.5m – 15m	£38 - £42 sq. ft
300,000 – 400,000 sq. ft	12.5m – 15m	£34 - £38 sq. ft
400,000 – 600,000 sq. ft	15m	£33 - £36 sq. ft (Can be cross dock)
600,000 – 700,000 sq. ft	15m	£31 - £33 sq. ft
800,000 – 1,000,000 sq. ft	15m – 18m	£28 - £31 sq. ft

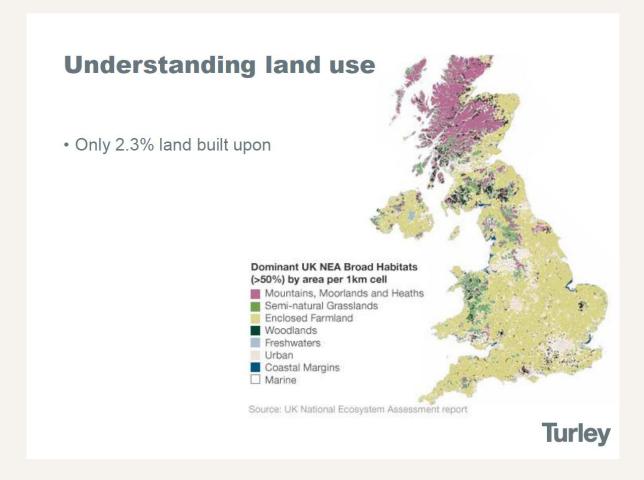
### We should not be running out of land



### Have we run out of land?



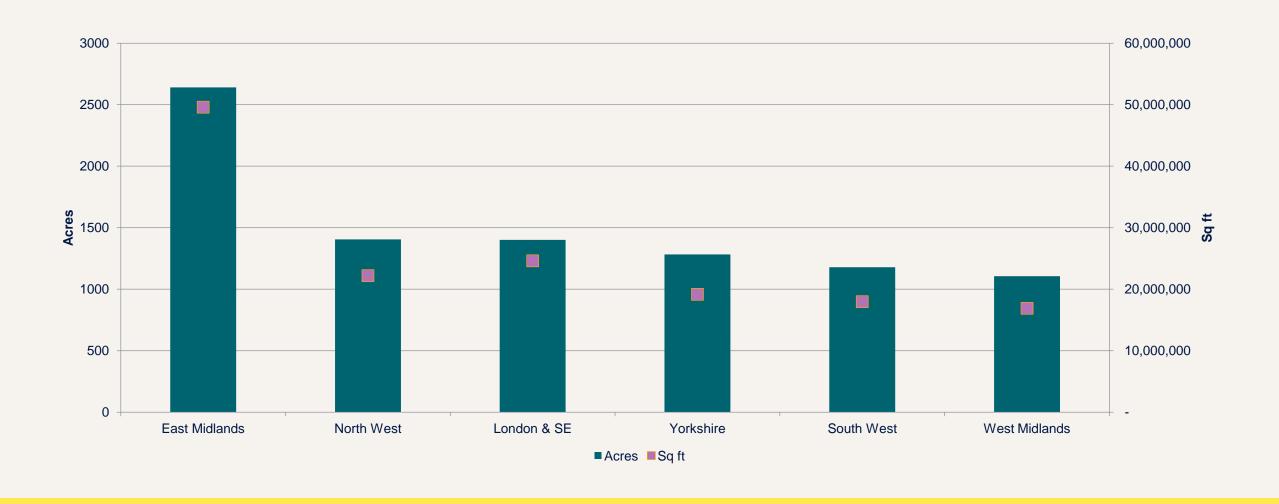
**Turley** 





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Source: Savills Research

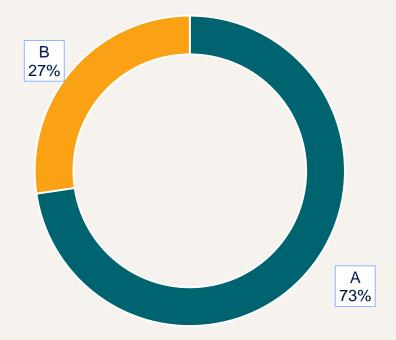


### However regions are big and quality varies





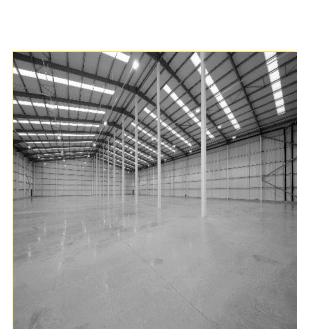
### South East logistics land quality







# Mega trends and the property impact







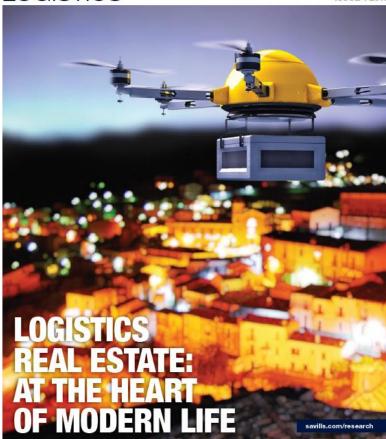
Savills World Research Europe



# **MEGATRENDS**

LOGISTICS

**ISSUE 4 2017** 



### MEGATRENDS

### in logistics

How will structural changes in retail and technology impact warehouse property requirements and investor decisions?

The impact of technology combined with changing consumer habits means that increasing amounts of warehouse space is required across the continent. However, different retail business models, legacy supply chains, differing approaches to technology and penetration of online retail by country means that there is no "one size fits all" model that can be applied to warehouse design or location.

The three pillars of modern retait, choice, availability and speed of delivery will mean that more storage space will be required close to population centres. In the medium term, this will mean more warehouse space in the way that we currently understand the asset class. However, in urban environments a balance will have to be struck by developers, local authorities and residents. Increased political will to build more residential units will have to tempered by the realisation that increased populations need a supply chain, which being will be considered as properly chain, which being wall before the propulations need a supply chain, which

in turn will require increased logistics real estate. We expect to see more and more examples of logistics led mixed-use in urban environments.

Technology, however, will impact in a number of ways. Increased stock visibility will mean that orders could be serviced from an existing retail footprint, but the rents associated with retail real estate will mean that huge stock levels must still be sorted in a warehouse.

Countries where e-commerce is set to rise dramatically, combined with an urbanised population, will see the greatest potential for change. However, countries in Eastern Europe such as Poland, Hungary and the Czech Republic, where labour is cheaper and land is in greater supply could be the net beneficiaries should the supply chain centre of gravity shift east, driven in the most part by the increase in autonomous vehicles and truck platooning.

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### 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



### **Key considerations**



- •Floor loading
- Power supply
- •Lease lengths increasing
- •Rents increasing
- •Cubic rents?
- Design and build will take longer
- •There is a lot of completion for sites



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