

Industrial Investment

Q2 2016 update

Lambert
Smith
Hampton

Uncertainty presents opportunity

The major retail funds suspended trading in the wake of the leave-vote, namely Aviva, M&G and Standard Life, followed by Canada Life, Columbia Threadneedle and TH Real Estate shortly afterwards. This stemmed from a rush of redemptions, issues surrounding liquidity and a desire to achieve the best price on prospective sales.

Volume was relatively resilient, with £1.12bn of industrial assets changing hands in Q2, down 24% on the same quarter in 2015 but nonetheless 3% above the ten-year quarterly average. Q2's largest single asset deal was BNP REIM's acquisition of Amazon's new facility at Bardon Business Park for £126m representing a 4.5% NIY.

UK institutions were marginal net buyers of industrial. Despite being major net sellers of UK property overall, institutions were net buyers into industrial to the tune of £0.2bn in Q2. Overseas investors still remain the largest buyer of industrial, acquiring £0.4bn worth of assets.

Q2 saw aggressive prices paid, despite increased caution in the lead-up to the Referendum. This was true of both prime long income single let assets and short income opportunities with clear reversion potential.

Defensive stock will hold firm. Pricing for well-located prime stock is anticipated to be maintained at pre-Brexit levels in Q3. This was evidenced early in the quarter with LSH's acquisition of Chrome 102, Minworth on behalf of Portsmouth City Council for 5.05% NIY.

Price adjustments create opportunity. Opportunistic investors may find discounts on pricing moving into Q3, particularly in the secondary and short income markets as some investors focus on more defensive opportunities before the overall picture becomes clearer later in the year.

Investment volume



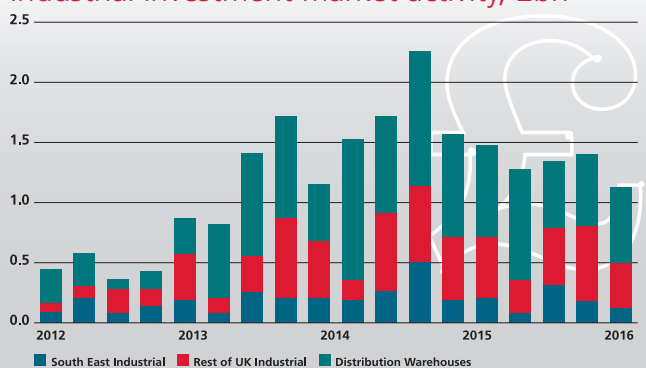
Source: Lambert Smith Hampton

Pricing

Prime yields	End Q2 2016	3 month change (b.p.)	12 month change (b.p.)
South East Estates	5.25%	◀▶	◀▶
Rest of UK Estates	6.25%	▲25	▲25
Distribution Warehouses	4.25%	◀▶	◀▶
Transaction yields		3 month change (b.p.)	12 month change (b.p.)
South East Estates	7.41%	▲145	▲152
Rest of UK Estates	7.58%	▲63	▲63
Distribution Warehouses	5.58%	▼-60	▼-40

Source: Lambert Smith Hampton

Industrial investment market activity, £bn



Source: Lambert Smith Hampton

Key Q2 Distribution deals

Property	Term Certain (years)	Tenant	Price (£m)	NIY	Date	Vendor	Purchaser
8b Manton Wood BP, Workop	8.9	Saint Gobain Building	£8.46m	5.85%	Apr-16	Brookshire	Surrey County Council
Newlink Business Park, Newark	20	DSG Retail	£76m	5.65%	Apr-16	Consensus	Tritax Big Box REIT
Bardon Business Park, Bardon	15	Amazon	£126m	4.50%	Apr-16	Mountpark	BNP REIM / Private Korean
302 Relay Park, Tamworth	1.5	Schenker	£4.7m	5.60%	May-16	Columbia Threadneedle	Custodian REIT
2 McNicol Drive, Park Royal	6.5	Bighams	£5.5m	4.23%	Jun-16	Columbia Threadneedle	Diocese of London
Airport City, Manchester	15	Amazon	£34.78m	4.36%	Jun-16	Mountpark	HansaInvest GmbH
Capacity, Dartford	20	TNT UK Ltd	£33.85m	4.48%	Jun-16	Exton/Clowes	Standard Life
Dukes Park IE, Chelmsford	3	Woodland Group	£10.5m	6.75%	Jun-16	Cavenham Estates	Kennedy Wilson

Key Q2 Multi-let/Portfolios deals

Property	AWULT (years)	Rent (£ psf)	Price (£m)	NIY	Date	Vendor	Purchaser
Taurus Business Park, Warrington	3.37	£5.95	£11.495m	6.35%	May-16	Square Metre	LaSalle
Grafton Trade Park, Northampton	5.3	£4.77	£5.37m	7.05%	Jun-16	CBREGI	Eskmuir Properties
ESN Portfolio	5.4	£7.63	£46.6m	5.70%	Jun-16	CBREGI	ARGO Real Estate
Kelvin Way, West Bromwich	1.95	£3.87	£12.625m	7.75%	Jun-16	Hermes	Caisson / Rockspring
Gatwick Distribution Centre	3.9	£7.87	£31m	5.30%	Jun-16	Aviva	Royal London
Apex Park, Daventry	5.35	£5.17	£36.65m	5.65%	Jun-16	Prologis	Knight Frank IM

Our Industrial Capital Markets team:



Alex Carr
Director
Capital Markets
+44 (0)20 7198 2233
acarr@lsh.co.uk



Philip Colman
Associate Director
Capital Markets
+44 (0)207 198 2100
pcolman@lsh.co.uk



Charlie How
Senior Surveyor
Capital Markets
+44 (0)20 7198 2248
chow@lsh.co.uk



Nick Lloyd
Head of
Capital Markets
+44 (0)20 7198 2221
nlloyd@lsh.co.uk



Jerry Vigus
Director
Capital Markets
+44 (0)23 8020 6111
jvigus@lsh.co.uk



Steve Williams
Director
Head of Industrial Agency
+44 (0)20 7198 2296
sawilliams@lsh.co.uk