

Industrial Investment

H1 2015 mid-year update

Lambert
Smith
Hampton

www.lsh.co.uk

At £3.05bn, industrial and logistics investment volume in H1 2015 was the third largest half-year since 2007. Strong demand and healthy occupier fundamentals will support robust activity and further price increases for the remainder of 2015.

H1 saw a number of large distribution transactions, predominantly in the South East and the Golden Triangle. Strong activity was also seen in the North West, Yorkshire and West Midlands, as investors capitalised on growing demand from the Automotive, Aerospace and Internet Retail sectors.

Yields within the distribution sector hardened significantly in H1 2015, reflecting strong demand for secure income. While institutional appetite for distribution warehouses dominates the demand profile, a number of REITs are also actively expanding in the sector, with Tritax Big Box REIT acquiring over £310m of assets in H1.

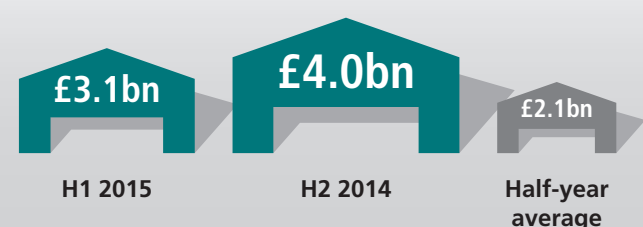
The multi-let market has also seen significant yield compression during H1-2015, driven by the lack of modern, South East stock. The greater London market saw less than £30m of stock traded in H1 2015, but we foresee this increasing significantly as a number of larger estates transact, such as Waterway Park, Hayes and Oxgate Centre, Staples Corner.

Institutional Investors again dominate this sub-sector but we have seen a number of competitive property companies in the South East market such as Capital Industrial and Compagnie du Parc.

Further yield compression is also expected, as institutional investors seek to deploy significant capital into the market. Moving forward, we expect market activity to remain buoyant over the remainder of the year, with more motivated sellers capitalising on strong pent-up demand.

In a bid to source stock, we have seen a marked increase in funding for speculative development, which more than tripled during H1 to stand at 8.2m sq ft across the UK. With an extremely tight supply of existing new-build space and robust occupier demand, this trend will continue through the remainder of 2015.

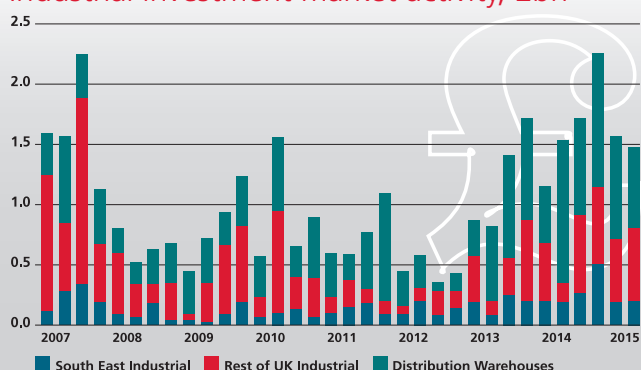
Investment volume



Pricing

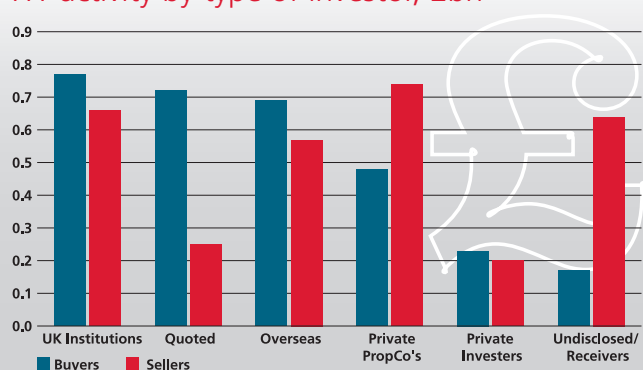
Prime yields	End Q2 2015	3 month change (b.p.)	12 month change (b.p.)
South East Estates	5.25%	◀▶	▼-25
Rest of UK Estates	6.00%	◀▶	▼-25
Distribution Warehouses	4.25%	▼-50	▼-75
Transaction yields	Q2 deals	3 month change (b.p.)	12 month change (b.p.)
South East Estates	5.89%	▼-13	▼-204
Rest of UK Estates	6.70%	▼-191	▼-116
Distribution Warehouses	5.98%	▲51	▼-71

Industrial investment market activity, £bn



Source: Lambert Smith Hampton

H1 activity by type of investor, £bn



Source: Lambert Smith Hampton

Key H1 Distribution deals

Property	Term Certain	Rent (£ psf)	Price (£m)	NIY	Date	Vendor	Purchaser
Orion Park Dagenham	25.00 years	£11.50	£17.22	4.15%	Under Offer	Roxhill	Eyre Estate
Matrix Park Chorley	27.00 years	£5.32	£50.80	4.18%	Jul-15	British Airways Pension Fund	L&G
Interlink Business Park Bardon, Leics.	4.50 years	£5.00	£6.25	5.77%	Jun-15	Canada Life	L&G
Capitol Park Goole, West Yorks	17.66 years	£4.00	£47.10	5.67%	Jun-15	Sterling Capitol	Tritax Big Box REIT
B&Q Worksop North East	16.50 years	£5.56	£89.75	5.13%	Apr-15	Private	Tritax Big Box REIT
John Lewis Milton Keynes	25.00 years	£5.75	£85.69	4.20%	Feb-15	Gazeley	Standard Life
Erith Ocado Distribution Centre	30.00 years	£9.81	£98.90	5.25%	Jan-15	Bericote Properties	Tritax Big Box REIT

Key H1 Multi-let deals

Property	AWULT	Rent (£ psf)	Price (£m)	NIY	Date	Vendor	Purchaser
The Oxgate Centre Staples Corner, London	8.60 years	£9.09	15.00	4.57%	Jul-15	Aviva	Standard Life
Oakhill Trading Estate Manchester	2.80 years	£3.73	£16.05	6.77%	Jul-15	Henderson	Canmoor / Blackrock
Festival Park Basildon	2.30 years	£6.48	£14.68	5.75%	Jul-15	Aberdeen	L&G
Brook Industrial Estate Hayes, London	3.60 years	£10.72	£9.10	5.10%	Jun-15	CBRE GI	Capital Industrial
St Georges Industrial Estate Camberley	2.36 years	£10.61	£8.00	6.04%	Apr-15	Aberdeen	Surrey Heath Council
Scimitar Park Basildon	4.30 years	£5.45	£10.72	6.25%	Mar-15	CBRE GI	Royal London Asset Management

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