

Industrial Investment

Q3 2015 update

Lambert
Smith
Hampton

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Sector on course for record year

At £1.3bn, investment into industrial during Q3 was down 14% on the previous quarter but remains strong, standing 20% above its five-year quarterly average. We expect a flurry of industrial portfolio deals in Q4 and are aware of over £400m of portfolios being prepared or brought to the market at present.

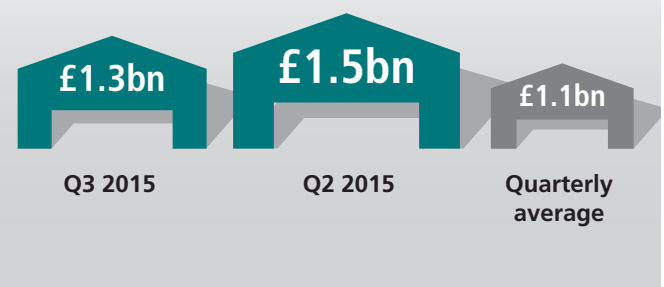
Q3 activity was heavily focused on Distribution Warehouses, which accounted for three quarters of total volume. Stand-out deals included Tritax Big Box's purchase of two assets in the regions for £67m and £59m respectively and Standard Life's £67m purchase of Ventura Park, Hertfordshire from SEGRO Plc (NIY 6.0%).

The multi-let market has seen further yield compression during Q3 2015, driven by numerous institutional fund requirements and tangible rental growth prospects. Openly marketed prime South East estates have seen up to ten bids from institutional buyers, and as a result net initial yields have reached as low as 4.57%.

Strong demand for prime estates has also put downward pressure on yields for secondary estates. Institution / Asset Manager JV's have been acquiring dominant estates in the regional centres to benefit from supply restrictions and expectations of future rental growth.

Going into 2016 we expect to see an increase in funding for speculative development. With an extremely tight supply of existing new-build space and robust occupier demand, this trend will continue.

Investment volume



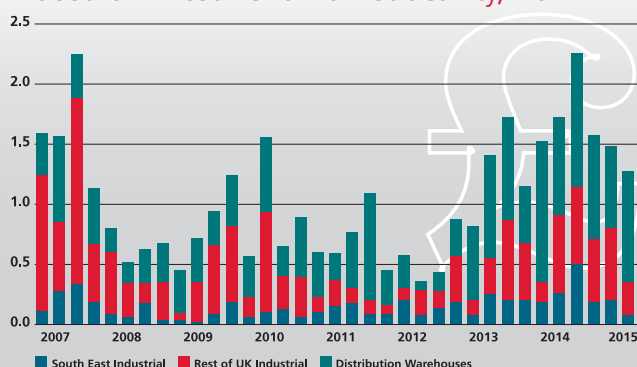
Source: Lambert Smith Hampton

Pricing

Prime yields	End Q3 2015	3 month change (b.p.)	12 month change (b.p.)
South East Estates	5.00%	-25	-50
Rest of UK Estates	6.00%		-25
Distribution Warehouses	4.25%		50
Transaction yields	Q3 deals	3 month change (b.p.)	12 month change (b.p.)
South East Estates	5.97%	8	9
Rest of UK Estates	7.46%	76	-131
Distribution Warehouses	6.10%	12	-46

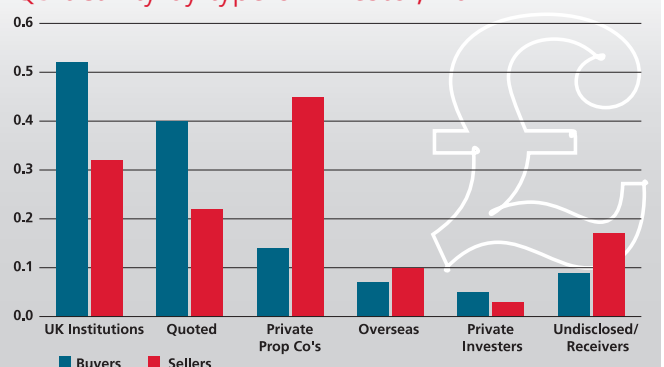
Source: Lambert Smith Hampton

Industrial investment market activity, £bn



Source: Lambert Smith Hampton

Q3 activity by type of investor, £bn



Source: Lambert Smith Hampton

Key Q3 Distribution deals

Property	Term Certain	Tenant	Price (£m)	NIY	Date	Vendor	Purchaser
Brackmills, Northampton	13 years	ASDA Stores	31	4.70%	Sep 15	Standard Life	SEGRO
Warth Park, Raunds	30 years	Howden Joinery Group	67	5.03%	Sep 15	Roxhill	Tritax
Rurtherford Drive, Wellingborough	12 years	Somerfield Stores	29.2	5.80%	Sep 15	London Metric	Royal London
Normanton XL, Wakefield	15 years	Pound World	39.4	6.30%	Aug 15	CDP	London Metric
Brinklow Ind Estate, Milton Keynes	2 years	Amscan International Ltd	10.2	5.80%	Aug 15	Canada Life	Exeter Properties
Markham Vale, J29a, M1	15 years	Smurfit Kappa	35.68	6.00%	Jul 15	Henry Boot	M&G
Centrum Business Park, Burton on Trent	30 years	Holland & Barrett	34.2	4.35%	Jul 15	Holland & Barrett	AXA
Coventry Business Park, Coventry	10 years	Palmer & Harvey	22.87	6.11%	Jul 15	Deutsche Asset & Wealth	IM Properties

Key Q3 Multi-let deals

Property	AWULT	Rent (£ psf)	Price (£m)	NIY	Date	Vendor	Purchaser
iO Centre & Tradeway, Sutton	11.40	10.00	29.2	Under offer at sub 5.50%	Under offer	Schroders	TBC
Ventura Park, Radlett	2.50	7.22	67.1	6.00%	Sep 15	SEGRO	Standard Life
Quadrant Park, Welwyn Garden City	7.00	7.53	16.8	4.95%	Sep 15	Schroders	Royal London
Oakhill Trading Estate, Manchester	2.80	3.73	16.05	6.77%	Jul 15	Henderson	Blackrock / Canmoor
Millshaw Park, Leeds	5.52	3.74	22.7	7.25%	Jul 15	Evans Property	Schroders
The Oxgate Centre, Staples Corner, London	8.60	9.09	15.0	4.57%	Jul 15	Aviva Investors	Standard Life

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