

SWEAT THE SMALL STUFF

WEAK VOLUME BUT MARKET BUSY

Volume slumped to £850m in Q2, 53% below average and far removed from the record £2.2bn of Q4 2018. While the market is quieter than it was then, the sharp fall mostly reflects an absence of large deals - the number of transactions in Q2 was in actually in line with the average.

The market remains keen to buy, however with a range of investors actively seeking opportunities across the sector but, as the year so far has been characterised by smaller lot sizes, this has not been reflected in volume figures.

SINGLE-LETS DOMINATE VOLUME

Reflecting better stock levels, single-let warehouses were key to Q2 volume, accounting for 60% of the total. Sports Direct's £120m sale and leaseback of its HQ in Mansfield to a Malaysian investor was Q2's largest and only deal above £50m. The last time the market saw only one deal above £50m was back in Q2 2012.

INSTITUTIONS FALL QUIET

Propcos were undoubtedly the largest net buyers in Q2 2019 (£289m), with a primary focus on smaller lot sizes. Conversely, institutional activity was limited, with only 13 acquisitions totalling £123m, compared to £762m in Q2 2018. This included Royal London's £22m (4.25% NIY) acquisition of Trident Industrial Estate, Hoddesdon, one of the standout deals of the quarter.

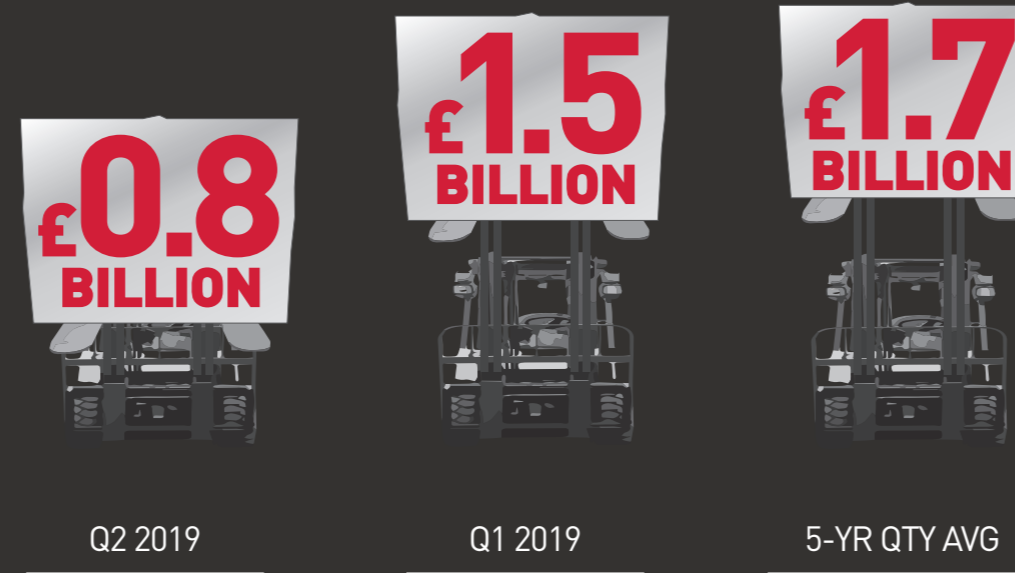
PORTFOLIOS PLUNGE

Compared to 2018, which saw a record number of portfolios traded, 2019 has been a different story, with only one portfolio trading in Q2, due to a dearth of opportunities being marketed earlier in the year. A limited number of portfolios are due to complete over the next quarter, however, including Newable's Meridian Portfolio, Aviva's Echelon Portfolio, DTZIM's Libra Portfolio and Delin's Quartz Portfolio.

2019 - A BACKLOADED YEAR?

With Brexit uncertainty affecting the beginning of the year, a number of vendors have held back stock for H2 2019. Assuming Brexit is resolved, and with expectations of a flurry of opportunities coming to the market from September, we are confident of a resurgence in both activity and volume in Q4.

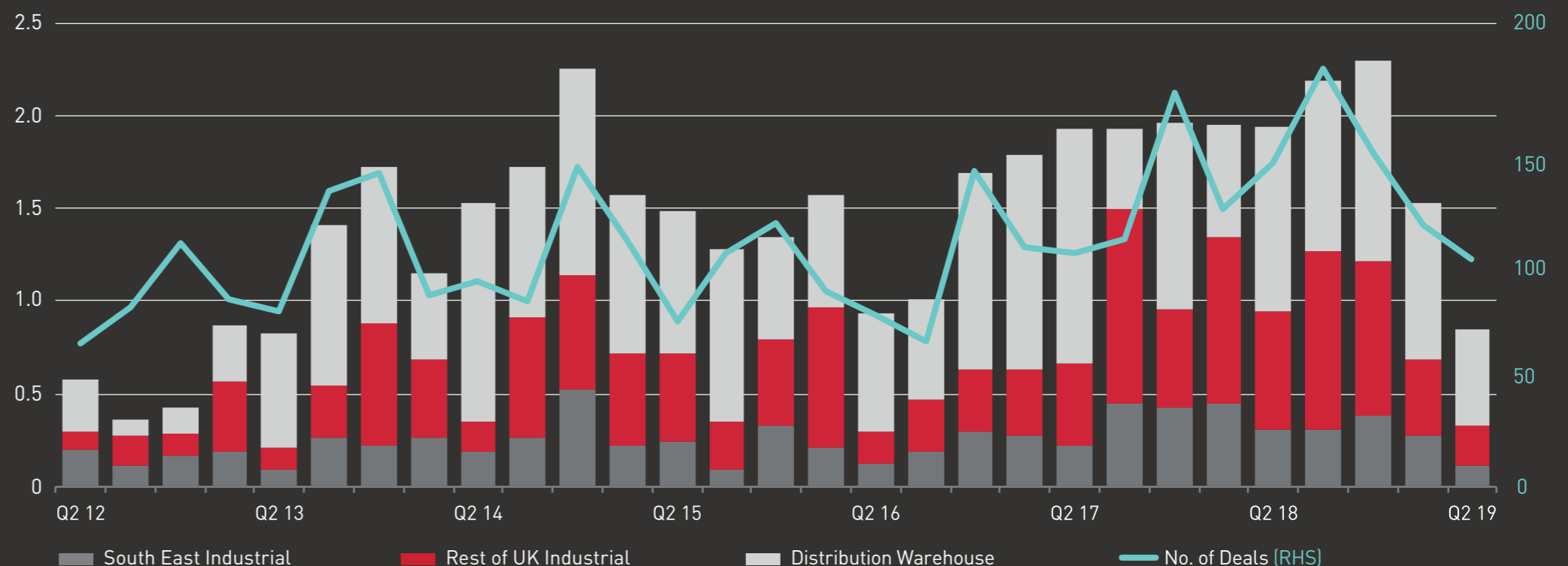
INVESTMENT VOLUME



PRICING

PRIME YIELDS	END Q2 2019	3 MONTH CHANGE	12 MONTH CHANGE
South East Industrial	3.75%	0	0
Rest of UK Industrial	4.75%	0	0
Distribution Warehouses	3.75%	0	0
TRANSACTION YIELDS		3 MONTH CHANGE	12 MONTH CHANGE
South East Industrial	5.02%	95	72
Rest of UK Industrial	7.38%	89	61
Distribution Warehouses	5.17%	14	1
All Industrial	5.46%	68	47

INVESTMENT MARKET ACTIVITY, £BN



KEY Q2 DISTRIBUTION DEALS

PROPERTY	TERM CERTAIN (YEARS)	TENANT	PRICE	NIY	DATE	VENDOR	PURCHASER
Innova Way, Enfield	11.50	John Lewis	£22.00m	3.10%	Jun-19	Undisclosed	Hines
Eastgate, Bristol	6.25	FedEx UK	£6.21m	4.38%	Jun-19	Canada Life	Nuveen RE
Chester Road, Erdington	12.75	Selco Trade Centre	£5.27m	4.92%	Jun-19	Hilltop Properties	LSHIM*
Birmingham 100, Birmingham	10.00	Primaflow	£12.48m	4.71%	Jun-19	Barwood / First Panattoni	Private Investor
Brook Park, Mansfield	15.00	Sports Direct	£120.05m	6.00%	May-19	Sports Direct	CBRE Gi
Thames Road, Barking	1.50	DHL Supply Chain	£23.00m	3.43%	Apr-19	Columbia Threadneedle	Valor
Brackmills, Northampton	5.16	John Lewis	£29.00m	5.93%	Apr-19	LGIM	Warehouse REIT

KEY Q2 MULTI-LET DEALS

PROPERTY	AWULT (YEARS)	RENT (£ PSF)	PRICE	NIY	DATE	VENDOR	PURCHASER
Hook Rise Industrial Estate, Chessington	1.89	£10.64	£8.65m	3.76%	Jun-19	AXA*	Prologis
Hook Rise South, Chessington	6.50	£12.26	£6.18m	4.43%	Jun-19	Milton Group	Prologis*
Trident Industrial Estate, Hoddesdon	3.79	£6.60	£21.85m	4.25%	Jun-19	LaSalle IM	Royal London
Bamfurlong Industrial Estate, Cheltenham	9.76	£1.77	£7.45m	5.42%	Jun-19	CBRE Gi	Dunmoor
Loverock Road, Reading	4.30	£8.40	£4.25m	5.86%	Jun-19	Wallop Estates	Clipstone
Brackmills Industrial Estate, Northampton	3.95	£5.02	£28.25m	4.60%	May-19	Pears Property	M&G
Trade City, Sydenham	5.18	£12.26	£14.65m	4.30%	Apr-19	John Lyons Charity	Kier

*LSH acted

OUR INDUSTRIAL & LOGISTICS CAPITAL MARKETS TEAM



ALEX CARR
Head of Industrial Investment
+44 (0)20 7198 2233
+44 (0)7525 950779
acarr@lsh.co.uk



JERRY VIGUS
Director
+44 (0)23 8020 6111
+44 (0)7711 167057
jvigus@lsh.co.uk



CHARLIE HOW
Associate Director
+44 (0)20 7198 2248
+44 (0)7545 208976
chow@lsh.co.uk



EMILY OSMOND
Surveyor
+44 (0)20 7198 2095
+44 (0)7701 315182
eosmond@lsh.co.uk



OLIVER DU SAUTOY
Head of Research
+44 (0)20 7198 2193
+44 (0)7525 633053
odusautoy@lsh.co.uk