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



INVESTMENT MARKET ACTIVITY, £BN



PRICING

Lambert Smith Hampton

| | END Q2 2019 | 3 MONTH CHANGE | 12 MONTH CHANGE |
|-----|----------------|-------------------|--------------------|
| | 3.75% | | |
| | 4.75% | | |
| ses | 3.75% | | |
| DS | | 3 MONTH CHANGE | 12 MONTH CHANGE |
| | 5.02% | 95 | 72 |
| | 7.38% | 89 | 61 |
| ses | 5.17% | 14 | |
| | 5.46% | 68 | 47 |

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 REI |

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

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