

AMAZON'S PRIME

DISTRIBUTION LEADS THE MARKET

Q3 industrial investment volume was a commendable £1.29bn, rebounding 31% on Q2 and dominated by distribution warehouses. Industrial was the most actively traded sector against trend in Q3, with volume only 23% below the quarterly average, compared with 50% below average for the market as a whole.

THE ALLURE OF AMAZON

Amazon's highly sought after covenant dominated Q3 with three major transactions. In Swindon, L&G acquired an Amazon build to suit for £202m, the UK's largest ever single let distribution sale. Elsewhere, LSH acted for KFIM in the acquisition of Amazon's operation in Dunfermline, and, in Chesterfield, Warehouse REIT acquired Amazon's warehouse from Tritax for £57.3m.

OVERSEAS INVESTORS STILL DOMINATE POST LOCKDOWN

Overseas investors continued to be the most active buyers in Q3 with over £610m of acquisitions. Exeter Property Group acquired three portfolios totalling c.£236m and Blackstone acquired three assets in Marlow, Tamworth and Ruislip, totalling c.£55m. Urban Logistics REIT was the most acquisitive quoted property company with two purchases totalling c.£82m.

BIG BOX MARKET FLYING HIGH

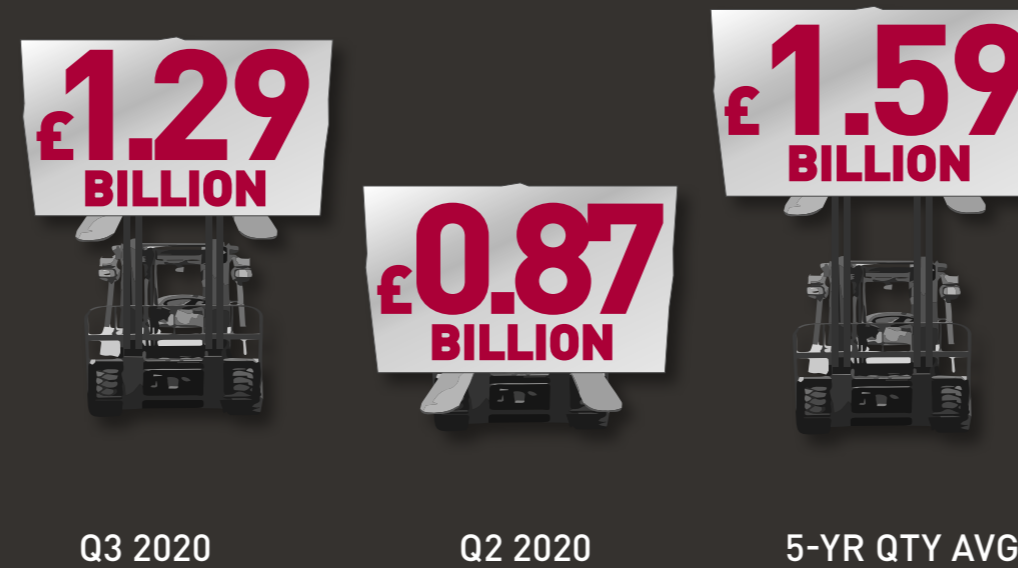
Take up in the big box market (units over 100,000 sq ft) hit a new record high in Q3, and is arguably the only part of the property market to see demand benefit from the upheaval of COVID-19. Supply has tightened, pushing the UK-wide vacancy rate below 5%. With only 6m sq ft of schemes currently under construction nationally, we expect pockets of additional rental growth.

VOLUMES PREDICTED TO INCREASE FURTHER IN Q4

Industrial's resilience to the wider economic disruption at the current time will drive continuing strong demand. We predict transaction volume to pick up further in the final quarter, especially if major deals such as the Mountpark Portfolio (£500m), Amazon Coalville (£160m), Sainsburys Bedford (£70m) and Dnata Heathrow (£67m) complete as expected.

With over 65 sales coming to the market in October, we are expecting a very active Q4 and a further increase in transactional volume.

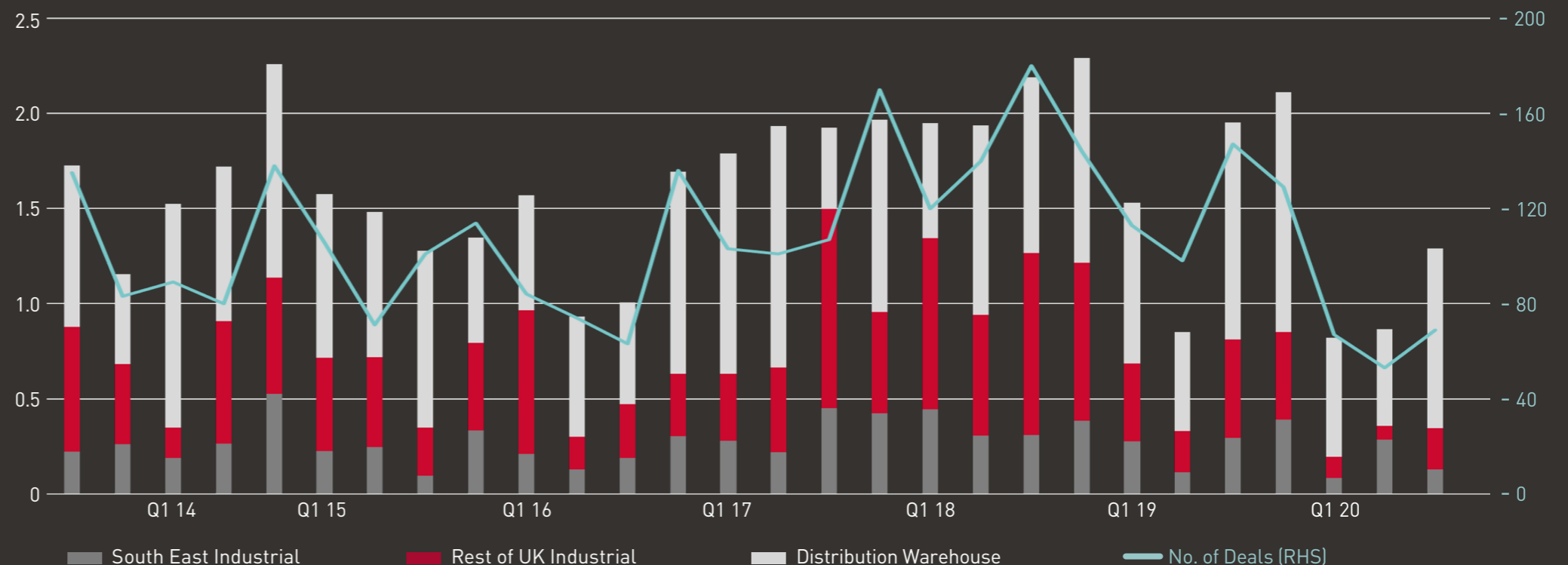
INVESTMENT VOLUME



PRICING

PRIME YIELDS	END Q3 2020	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Industrial	4.25%	0	0
Rest of UK Industrial	5.00%	0	25
Distribution Warehouse	4.00%	0	0
TRANSACTION YIELDS		3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Industrial	4.65%	-191	19
Rest of UK Industrial	5.97%	-105	-76
Distribution Warehouses	5.14%	55	3
All Industrial	5.02%	-103	-2

INVESTMENT MARKET ACTIVITY, £BN



KEY DEALS



AMAZON WAY, DUNFERMLINE

RECORD BREAKING LOGISTICS IN SCOTLAND

LSH advised and acted on behalf of KFIM to acquire an Amazon in Dunfermline for an undisclosed fee, which is Scotland's largest industrial transaction to date. The 1m sq ft unit is let to Amazon, with an expiry in 2031.



MERLIN PARK, PORTSMOUTH

BRAND NEW PRIME MULTI LET ACQUISITION

Totalling 88,000 sq ft and comprising of seven units, LSH acquired a deal worth £19m for Orchard Street Investment Management, which equates to a net initial yield of 4.5%. The site is fully let to four tenants with a long weighted average unexpired lease term of 11.9 years to breaks and a passing rent of £10.40 per sq ft overall.

Get in touch:

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

NICK CARVEY
Associate Director
+44 (0)20 7198 2323
+44 (0)7851 116426
ncarvey@lsh.co.uk

KEY Q3 DISTRIBUTION DEALS

PROPERTY	TERM CERTAIN (YEARS)	TENANT	PRICE	NIY	DATE	VENDOR	PURCHASER
Symmetry Park, Swindon	20.00	Amazon	£202.0m	4.30%	Sep-20	Panattoni	Legal & General Property
Amazon Way, Dunfermline*	11.30	Amazon	Undisclosed	n/a	Sep-20	Rasmala Plc	KFIM on behalf of KB Securities
Barlborough Links, Chesterfield	13.00	Amazon	£57.3m	4.10%	Sep-20	Tritax Big Box REIT Plc	Warehouse REIT Plc
Kingsbury Link, Tamworth	3.50	DSV / Inalfa (UK) Ltd	£26.9m	6.23%	Sep-20	M&G Property Portfolio	Blackstone Real Estate
Midpoint 18, Middlewich	4.00	Wincanton Holdings	£25.0m	7.00%	Sep-20	Kennedy Wilson	Warehouse REIT Plc

KEY Q3 MULTI-LET DEALS

PROPERTY	AWULT (YEARS)	RENT (PER SQ FT)	PRICE	NIY	DATE	VENDOR	PURCHASER
Brent Crescent, 1&2, London	2.00	£12.30	£19.1m	3.82%	Sep-20	Milton Group	Aberdeen Standard Invest
Merlin Park, Portsmouth*	11.90	£10.40	£19.0m	4.50%	Aug-20	BAPF	Orchard Street
Centro, Hemel Hempstead	4.50	£10.99	£14.9m	4.27%	Aug-20	DTZIM	Orchard Street
Quarry Wood Ind Estate, Aylesford	3.90	£5.09	£37.3m	5.80%	Jul-20	Rias Investments One Ltd	PATRIZIA Immobilien AG
Bowthorpe Park Ind Estate, Norwich	4.08	£5.40	£19.6m	6.35%	Jul-20	BlackRock Ind Trust	Stenprop Ltd

KEY Q3 PORTFOLIO DEALS

PROPERTY	AWULT (YEARS)	NO. OF PROPERTIES	PRICE	NIY	DATE	VENDOR	PURCHASER
BAPF Portfolio	10.00	9	£150.8m	5.00%	Sep-20	BA Pension Fund	Exeter Property Group
Richardson Portfolio	n/a	11	£68.0m	n/a	Sep-20	Richardsons Capital LLP	Tristan Capital
Project Rock	7.50	6	£57.3m	5.30%	Sep-20	LondonMetric Property Plc	Canmoor / AIMCo

*LSH advised

**Lambert
Smith
Hampton**