

FIGHTING BACK

VOLUME DOWN, DEALS UP

While Q3 volume was down 16% on Q2, activity improved, with the number of deals up 17% on Q2 and the highest since Q4 2022. Appetite for industrial and logistics appears more resilient compared with other sectors - Q3 volume of £1.9bn was 24% below the five-year average whereas volume across the rest of the market combined was 39% below trend.

Distribution warehouses dominated in typical fashion, with volume of £1.3bn making up 70% of Q3's total. However, the South East multi-let segment was the most actively traded against trend, with Q3 volume of £330m being only 7% below average and boosted by several £50m plus deals.

OVERSEAS DOMINATION CONTINUES

Overseas buyers continue to drive the larger end of the market, accounting for 50% of Q3 volume. Chinese ecommerce giant JD.com was Q3's biggest overseas buyer, with two purchases amounting to £254m. This included Apollo Park, Coventry (£180.0m), which was Q3's largest deal, and Connect 6, Leyland (£74.0m/5.42% NIY). New entrants continue to make debut purchases in the UK market, Q3's most notable being P3 Logistics' £100m acquisition of the Javelin Portfolio (4.75% NIY).

INSTITUTIONS REMAIN NET SELLERS

UK institutions were net sellers of industrials for a sixth successive quarter. SwissLife, Columbia Threadneedle and CBRE IM were all notable here, each disposing of three assets during Q3. That said, institutional net-selling amounted to a relatively modest £119m, with several funds behind sizeable acquisitions in Q3. Key examples include AVIVA's purchase of Warth Park, Raunds (£84.3m/4.03% NIY) and Teesside Pension Fund's off-market purchase of Radical 64, County Durham (£50.1m/6.80% NIY).

Private propcos were the biggest net-sellers in Q3, amounting to £235m. Notable disposals included IM Properties' sale of Bilton Way, Enfield (£50.5m/3.86%) to Tritax Big Box, and CEG's sale of Arrow Trading Estate, Manchester (£12.5m/7.81% NIY) to ICG/Marchmont.

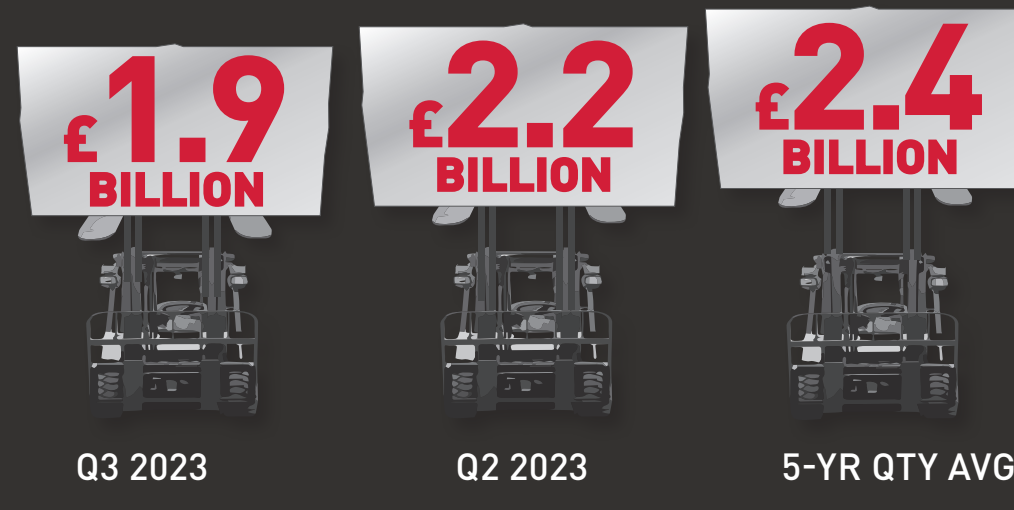
SIGNS OF STABILITY DRIVE IMPROVING CERTAINTY

While the secondary market remains challenging, prime yields have been stable over each of the past two quarters, reflecting a focus of demand for quality well-let assets. Signs that interest rates have now likely peaked, alongside ongoing robust fundamentals in the occupier market, bode well for investor confidence and should drive a pick-up in activity into Q4.

YIELD COMPRESSION BACK ON THE CARDS

While the boom period of 2021 will not be repeated anytime soon, there is still a compelling case to buy industrial relative to the other core property sectors. With investors seeking to deploy their capital by year end, a renewed degree of yield compression cannot be ruled out on certain prime assets.

INVESTMENT VOLUME

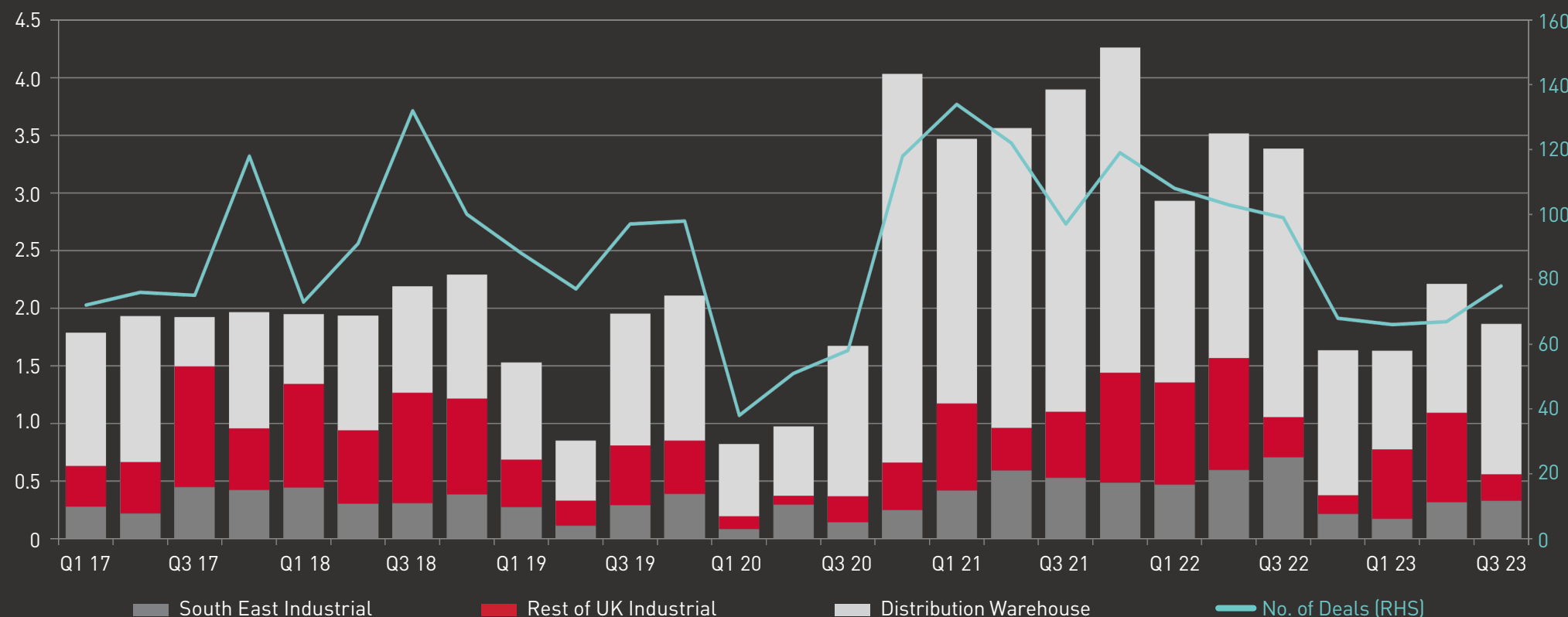


PRICING

PRIME YIELDS	END Q3 2023	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Estates	5.25%	0	+100
Rest of UK Estates	5.75%	0	+50
Distribution Warehouses	4.75%	0	+75

TRANSACTION YIELDS	Q3 2023	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Industrials	4.91%	-1	+151
Rest of UK Industrials	6.88%	-38	+207
Distribution Warehouse	5.00%	+8	+120
All Industrial	5.23%	-4	+150

INDUSTRIAL VOLUME (£BN)



LSH KEY DEALS



NCP FLIGHTPATH, HEATHROW

In September, LSH successfully disposed of a 4-acre site situated on Bath Road, Heathrow on behalf of Aprirose. The site comprised a car park let to National Car Parks, and benefited from planning for a 94,367 sq ft industrial scheme, extending across four units.



MELTON COMMERCIAL PARK, MELTON MOWBRAY

In July, LSH successfully acquired Melton Commercial Park, in Melton Mowbray for £16,300,000 on behalf of Almcor. The asset comprises a multi-let commercial estate of approximately 230,000 sq ft on a site of 90 acres, consisting largely of industrial open storage land.

KEY Q3 DISTRIBUTION DEALS

PROPERTY	WAULT (YEARS)	TENANT	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Connect 6, Leyland	20.00	Victorian Plumbing	£74.0	5.42%	Sep-23	Canmoor/ Goldman Sachs	JD.com
Warth Park, Raunds	21.70	Howdens	£84.3	4.03%	Aug-23	Tritax Big Box REIT	AVIVA
Titan 10, Wolverhampton	2.50	Pallet-Track	£27.0	6.25%	Aug-23	Columbia Threadneedle	St Modwen
Deer Park Road, Northampton	2.14	Great Bear Distribution	£12.3	4.77%	Aug-23	Fidelity	Kennedy Wilson Europe
Flex Meadow, Harlow	5.00	GXO Logistics	£15.7	5.70%	Jul-23	F&C	Kennedy Wilson Europe

KEY Q3 MULTI-LET DEALS

PROPERTY	WAULT (YEARS)	RENT (PER SQ FT)	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Coventry Logistics Park	11.80	£8.64	£140.4	4.52%	Sep-23	JP Morgan/ Bericote	DTZIM
Link Park, West Drayton	0.84	£5.35	£52.0	4.26%	Sep-23	Private	Mileway
Auriol Drive, Greenford	4.67	£13.25	£140.0	3.02%	Aug-23	Lothbury IM	Valor REP
Gunnels Wood Park, Stevenage	3.03	£8.50	£56.0	4.75%	Aug-23	USS	Westbrook
Eagle Park, Warrington	3.50	£8.77	£21.0	5.25%	Aug-23	Hermes IM	Mileway

KEY Q3 PORTFOLIO DEALS

PROPERTY	SIZE (SQ FT)	NO. OF PROPERTIES	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Project Stag	434,911	4	£41.0	6.14%	Sep-23	LondonMetric	Hines
BGO/Equation Portfolio	388,883	3	£102.0	n/a	Aug-23	BGO/Equation	St Modwen
Javelin Portfolio	873,893	2	£100.9	4.75%	Jul-23	SEGRO	P3
Sterling Portfolio	953,629	8	£58.0	8.25%	Jul-23	Barwood Capital/ Caisson	Landmark/Ares

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