

READY FOR REBOUND

TEPID FINISH TO 2023

A notable lack of large transactions weighed heavily on volume in the latter part of 2023. Volume amounted to £1.2bn, the lowest since the pandemic-afflicted period of Q2 2020 and 51% below the five-year quarterly average. Q4's muted outturn pushed volume for 2023 overall to £6.6bn, 42% below 2022 and 18% below the ten-year annual average.

However, South East multi-lets bucked the trend amid notably subdued volume from distribution warehousing. The segment saw volume of £337m in Q4, only 4% below average and accounting for a near-record 29% of total volume. This was boosted by Eskmuir's £60.5m (6.30% NIY) purchase of the Artemis Portfolio from L&G, which comprises ten estates.

OVERSEAS LESS DOMINANT

Overseas buyers commanded the leading share of volume for a fourteenth successive quarter, with total purchasing of £404m in Q4. However, reflecting a lack of large deals, overseas buyers were less dominant than usual, accounting for only 35% of total. P3 was again the most prominent overseas buyer in Q4, purchasing Corby Logistics Park for £92.0m (4.25% NIY); while Mirastar agreed to speculatively fund XDock 545, Windes from Marshall for £65.4m.

INSTITUTIONS BACK IN THE FRAME

Notably, for the first time in three years, an institutional buyer was behind the quarter's largest deal in Q4. Aviva's £102m (4.97% NIY) purchase of Leicester Distribution Park from Blackrock helped to drive total institutional buying to a respectable £272m; with DTZIM and M&G both acquiring two assets during the quarter.

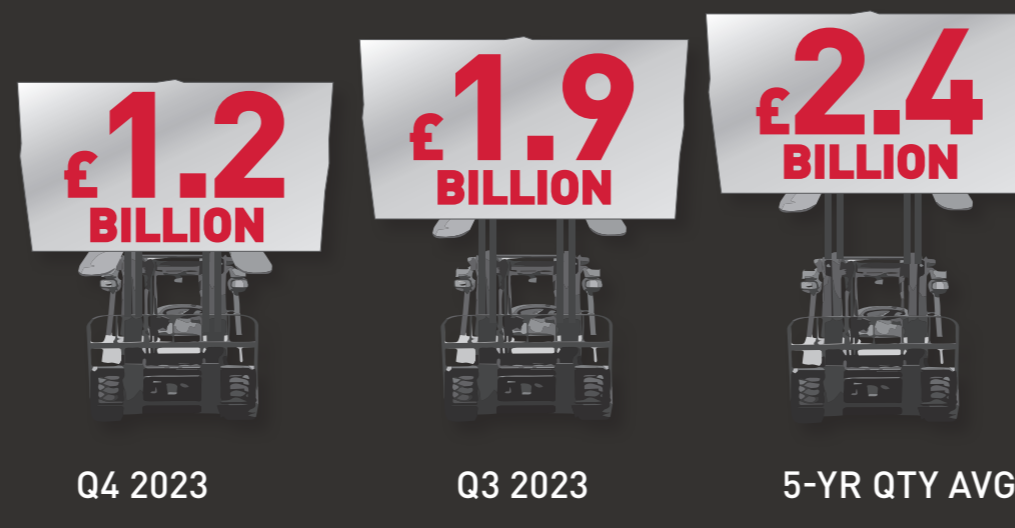
PRIVATES IN BUYING MODE

However, UK institutions were yet again net-sellers of industrials in Q4, taking the total for 2023 to £1.0bn. L&G was notably active on the sell side in Q4, the largest of three disposals being the Artemis Portfolio. Meanwhile, private propcos were the only net buyers of industrials on the domestic front, the largest deal being Weybourne's (4.29% NIY) off-market acquisition at Stadium Way, Reading.

COMPRESSION AHEAD

The clear improvement in financial conditions seen over recent weeks should mark a turning point for the market, with volumes recovering from Q4's low. With pricing at the prime end of the market having been stable over much of 2023, the recent sharp fall in SONIA swap rates should translate into a degree of yield compression later in the year. Improving sentiment is expected to bring a wave of buyers back to the market, albeit mostly focused on good quality assets.

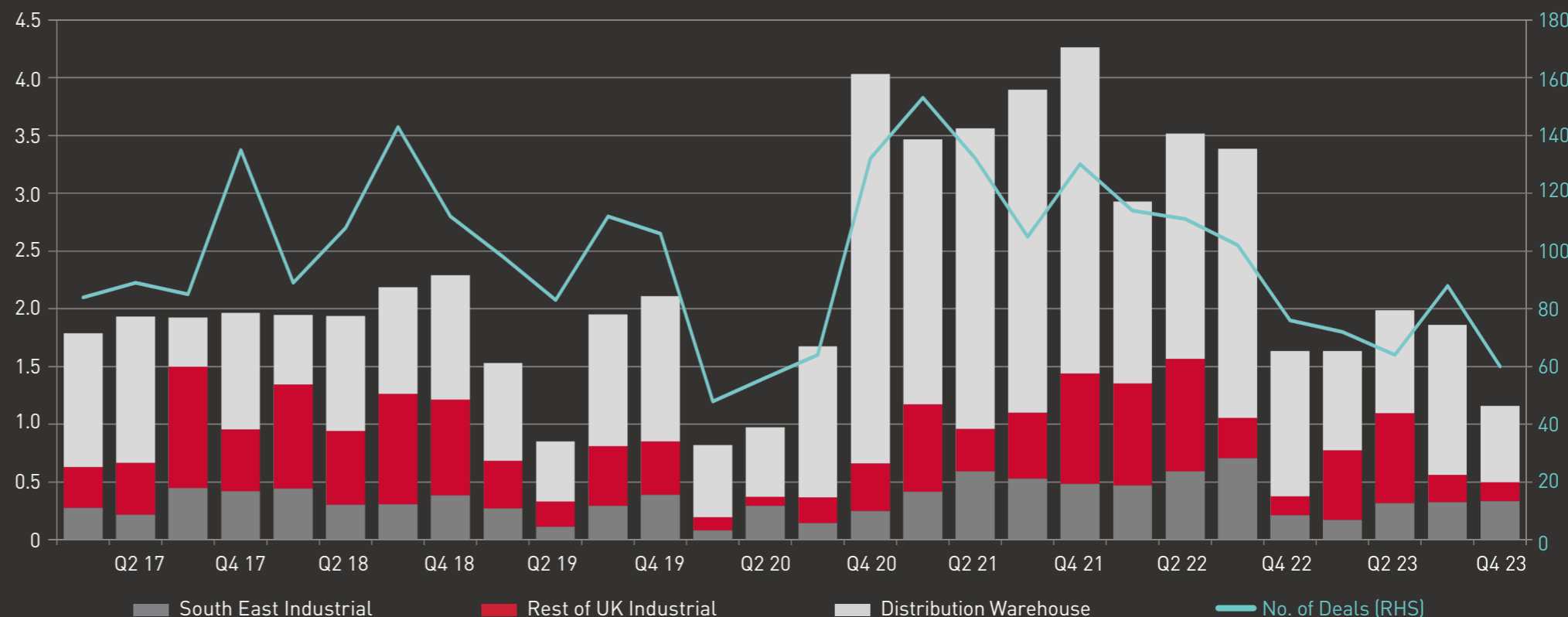
INVESTMENT VOLUME



PRICING

PRIME YIELDS	END Q4 2023	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Estates	5.25%	0	0
Rest of UK Estates	5.75%	0	0
Distribution Warehouses	4.75%	0	0
TRANSACTION YIELDS	Q4 2023	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Industrials	5.13%	22	13
Rest of UK Industrials	7.21%	33	166
Distribution Warehouse	5.44%	44	57
All Industrial	5.53%	30	49

INDUSTRIAL VOLUME (£BN)



LSH KEY DEALS



4100 HURRICANE ROAD, GLOUCESTER

In November LSH, acquired 4100 Hurricane Road on behalf of Summit Real Estate, a distribution warehouse extending to 190,037 sq ft. The property is situated on a site of 8-acres and is let to GE Aviation Systems for an unexpired term of 10.80 years. The property was acquired from Summit Real Estate for £23.18m which reflected a NIY of 5.71%. The transaction was Summit Real Estate's first acquisition in the UK market.



LOGISTICS CITY, FAREHAM

Having acquired the site for Kier Property back in 2019 and later letting all three units, in December LSH sold Logistics City, Fareham for £10.53m reflecting a 5.38% NIY. The estate totals 59,320 sq ft and was purchased by Tritax.

KEY Q4 DISTRIBUTION DEALS

PROPERTY	WAULT (YEARS)	TENANT	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Redhouse Interchange, Doncaster	13.00	Next Holdings	£21.20	6.26%	Dec-23	Blackrock	LondonMetric
GP 1 Grange Park, Northampton	1.80	Yusen Logistics (UK)	£19.80	4.85%	Dec-23	DWS	ARA Dunedin
Stratford Road, Wolverton	5.50	Electrolux Plc	£19.00	8.44%	Nov-23	Blackrock	Mileway
4100 Hurricane Road, Gloucester	10.80	GE Aviation Systems	£23.18	5.71%	Nov-23	ARA Europe	Summit Real Estate*
Vaughan Park, Dudley	20.50	DPD Group UK Ltd	£15.23	4.35%	Oct-23	Alpha	Abrdn

KEY Q4 MULTI-LET DEALS

PROPERTY	WAULT (YEARS)	RENT (PER SQ FT)	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Leicester Distribution Park (Project Sun)	9.83	£7.62	£102.00	4.97%	Dec-23	Blackrock	AVIVA
Lister Road Industrial Estate, Basingstoke	1.97	£8.67	£19.75	5.48%	Dec-23	Orchard Street	Ares/REIM*
Watford Business Centre, Watford	3.68	£12.31	£33.75	4.51%	Dec-23	Eskmuir Properties	Crossbay/Mark
Logistics City, Fareham	8.60	£10.19	£10.53	5.38%	Dec-23	Kier*	Tritax
Crown Road, Enfield	6.65	£15.94	£20.50	4.26%	Nov-23	Abrdn	DTZIM

KEY Q4 PORTFOLIO DEALS

PROPERTY	SIZE (SQ FT)	NO. OF PROPERTIES	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Project Rota	85,155	3	£25.00	7.46%	Dec-23	Aston Barclay	Paloma Capital
Artemis Portfolio	427,447	10	£60.50	6.25%	Dec-23	L&G	Eskmuir Properties
Pentium Portfolio	526,864	5	£51.30	6.07%	Oct-23	AXA IM	Marchmont/ICG

* LSH acted

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