INDUSTRIAL & LOGISTICS CAPITAL MARKETS **Q4 2018 UPDATE**

Lambert Smith Hampton

RECORD UPON RECORD

VOLUME REACHES NEW HIGHS

Industrial volume totalled £8.4bn in 2018, smashing 2017's previous record of £7.5bn. Q4 2018 was itself a record, with volume hitting a new quarterly high of £2.29bn, narrowly beating Q4 2014's £2.26bn.

THE YEAR OF PORTFOLIOS

30 portfolios changed hands in 2018 with a combined value of £2.6bn, representing a third of the annual total. Of Q4's £736m of portfolio activity, Ascendas REIT once again acquired the largest of the quarter, namely the Griffen Portfolio for £257.5m (5.39% NIY).

INSTITUTIONS DOMINATE

Institutions (£662m) and Quoted Propcos (£631m) dominated as net buyers in Q4, with volume up £419m and £538m respectively on Q3. Private Propcos continued to seek profit, being net sellers throughout the quarter.

BIGGEST EVER FUNDING

Q4 2018 saw Tritax continuing their domination of the single-let forward funding market, most notably with their £147.3m (5.25% NIY) funding of Integra 61, Durham, which at 1.99m sq ft is the largest ever funding.

MORE STOCK, FRESH OPPORTUNITIES

The first weeks of 2019 have seen a number of assets 'quietly' marketed as some vendors seek to crystallise their gains in what is admittedly a more uncertain environment. Multiple buyers, ranging from overseas to propcos, remain active buyers, albeit volume is likely to be back-loaded into the second half of the year.

HOW LOW CAN YOU GO?

Two years of sustained yield compression have left little room for further price rises. While values for secure, long-let assets are likely to hold up, secondary values may slip in some locations if the occupier market softens.

INVESTMENT VOLUME

Q4 2018

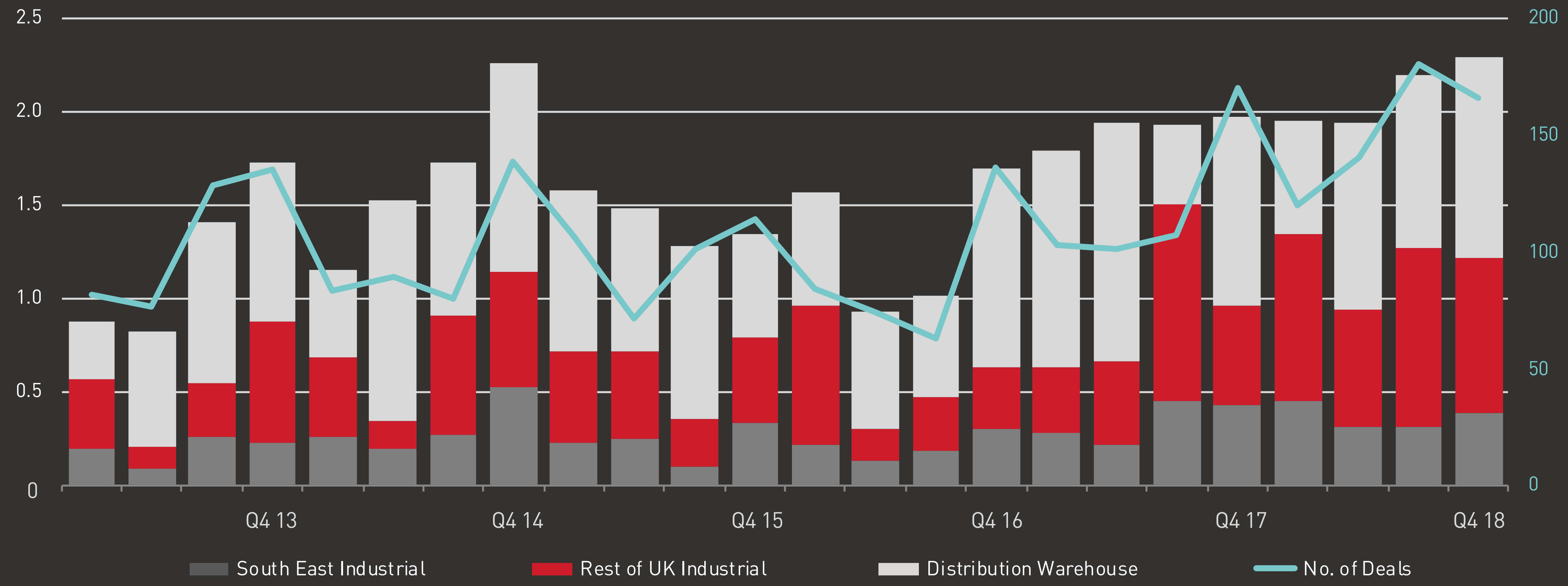
Q3 2018

5-YR QTY AVG

PRICING

PRIME YIELDS	END Q4 2018	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Industrial	3.75%	0	-25
Rest of UK Industrial	4.75%	0	-25
Distribution Warehouses	3.75%	0	-25
TRANSACTION YIELDS		**3 MONTH CHANGE (BPS)**	**12 MONTH CHANGE (BPS)**
South East Industrial	4.71%	-1	-18
Rest of UK Industrial	5.75%	-74	-152
Distribution Warehouses	5.27%	-2	-5
All Industrial	5.06%	-14	-42

INVESTMENT MARKET ACTIVITY, £BN



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KEY Q4 DISTRIBUTION DEALS

PROPERTY	TERM CERTAIN (YEARS)	TENANT	PRICE	NIY	DATE	VENDOR	PURCHASER
Unit 2 Midlands Logistics Park, Corby *	10.00	BSH Home Appliances	£89.30m	5.20%	Oct-18	Frogmore / Mulberry	Tritax Big Box REIT *
D2 Revolution Park, Chorley	10.00	GA Pet Food Partners	£20.35m	4.64%	Nov-18	BA Pension Fund	Colliers Capital
Integra 61, Durham	20.00	Amazon UK Services	£147.30m	5.25%	Dec-18	Citrus Group	Tritax Big Box REIT
Evolution 50, Andover *	15.00	Laleham Health & Beauty	£6.85m	5.45%	Dec-18	Kier / Test Valley Borough Council *	Canal & River Trust
97 Cray Avenue, Orpington	15.00	Selco	£7.77m	3.84%	Dec-18	Brookshire Capital	London Metric

KEY Q4 MULTI-LET DEALS

PROPERTY	AWULT (YEARS)	RENT (£ PSF)	PRICE	NIY	DATE	VENDOR	PURCHASER
Nimbus Park, Dunstable	4.96	£7.19	£27.95m	3.80%	Nov-18	Pears Property	Orchard Street
The Quadrangle, Romsey	3.00	£6.96	£18.03m	4.50%	Dec-18	LaSalle IM	CBRE GI
Trade City, Reading *	4.20	£14.32	£15.68m	4.69%	Dec-18	Kier *	Orchard Street
Thames View Business Centre, Rainham	4.10	£7.94	£24.00m	3.61%	Dec-18	Segro	Aberdeen Standard
Century Point, High Wycombe	3.40	£9.18	£19.70m	4.13%	Dec-18	LaSalle IM	DTZ Investors

KEY Q4 PORTFOLIO DEALS

PROPERTY	AWULT (YEARS)	NUMBER OF PROPERTIES	PRICE	NIY	DATE	VENDOR	PURCHASER
Iron Portfolio	4.50	7	£111.00m	5.35%	Oct-18	Leftfield Properties	Liberty Property Trust
Griffen Portfolio	9.10	26	£257.50m	5.39%	Oct-18	Griffen	Ascendas REIT
Harley Portfolio	7.57	5	£85.40m	5.50%	Dec-18	Clipstone	Aberdeen Standard
Solus Portfolio	2.80	18	£59.70m	6.55%	Dec-18	IPIF	Blackstone
Pegasus Portfolio	2.50	22	£72.2m	6.80%	Dec-18	Hansteen	Stenprop

*LSH Acted

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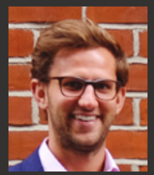

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INDUSTRIAL & LOGISTICS CAPITAL MARKETS

OUR Q4 2018 NUMBERS SPEAK FOR THEMSELVES

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£366.85M
TRANSACTED

45%-55%
ACQUISITIONS / DISPOSALS

945,375 SQ FT
LARGEST BY AREA

£130M LARGEST BY LOT SIZE

18
DEALS = 1.7M SQ FT

50%-50%
ON MARKET / OFF MARKET

£1.90M SMALLEST BY LOT SIZE

23,684 SQ FT
SMALLEST BY SIZE

£20.38M
AVERAGE LOT SIZE

40%-60%
MULTI / SINGLE