

# RECORD QUARTER FOR DISTRIBUTION WAREHOUSES

**Volume was impressive** with £1.9bn of industrial and logistics assets changing hands in Q2, the highest since Q4 2014 and 40% above the five-year quarterly average. This was driven by a record quarter for distribution warehouses, with a volume of £1.3bn. We expect volume to ease over the summer period before a busy Q4 as a number of assets are being prepared for sale.

**Industrial yields slip below retail.** For the first time ever, reflecting stronger rental growth prospects and ongoing structural change in shopping patterns, the rolling annual average transaction yield for industrial was lower than for retail in Q2, at 5.80% and 6.09% respectively.

**Q2 volume comprised 121 transactions,** up 30% on the five year quarterly average. Many deals were done 'off market', such as Tritax Big Box REIT's £92.33m acquisition of Ocado's warehouse, Birch Coppice (NIY 5.25%) and a Korean Consortium's £100m purchase of Sainsbury's distribution warehouse, Hams Hall (NIY 4.77%).

**Fierce competition was evident** for openly-marketed stock, with strong interest from institutions, quoted propcos, overseas and private investors, all of whom were net buyers in Q2. A number of multi-let estates saw over 10 formal bids, with up to four rounds of bidding in some cases.

**Strong demand for good quality estates** continues to be seen in the south east and London and multi-let yields are regularly breaking 5.00% NIY. For example, Wates Way, Mitcham was sold by CBRE Global Investors to Capital Industrial for £20m (NIY 3.80%) and Boundary Park, Hemel Hempstead was sold by Aberdeen Asset Management to a Cambridge College for £14.10m (4.31% NIY).

**Local Authorities remain active,** deploying £134m in Q2. The majority of transactions were completed within their own jurisdictions, such as Plymouth Council's £19.25m purchase of Breakwater Road (5.89% NIY), Nottingham County Council's £9.37m purchase of Willow Drive (5.80% NIY) and Corby Council's £22.20m purchase of Curver Way (6.75% NIY).

## INVESTMENT VOLUME



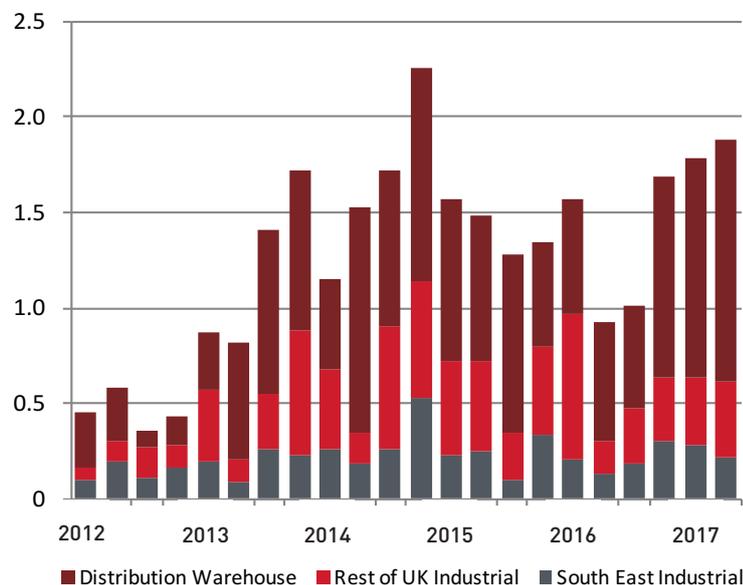
## PRICING

PRIME YIELDS	END Q2 2017	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Estates	4.25%	-25	-50
Rest of UK Estates	5.25%	-25	-75
Distribution Warehouses	4.25%		

TRANSACTION YIELDS		3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Estates	4.48%	114	-293
Rest of UK Estates	7.36%	19	-22
Distribution Warehouses	5.69%	111	11

## VOLUME BY SECTOR, £BN



## KEY Q2 DISTRIBUTION DEALS

PROPERTY	TERM CERTAIN (YEARS)	TENANT	PRICE	NIY	DATE	VENDOR	PURCHASER
Birch Coppice, Tamworth	21.00	Morrisons /Ocado	£92.33m	5.25%	Jun-17	Morrisons / Ocado	Tritax Big Box REIT
Dawson Road, Milton Keynes	3.75	Yokohama H.P.T Limited	£10.42m	5.45%	Jun-17	LaSalle	BMO Real Estate
Central Park, ** Avonmouth	20.00	DHL Supply Chain Ltd	£28.10m	4.38%	Jun-17	DHL	Blackrock
Baird Road, Enfield	10.00	RBS	£8.45m	4.74%	Jun-17	Aviva Investors	IM Properties
Units A&B Clay Lane West, Doncaster	9.10	Ardagh Glass	£18.20m	6.75%	Jun-17	TH Real Estate *	Investcorp
Aquila, Huyton	15.00	Antolin Interiors UK Ltd	£11.70m	5.93%	May-17	DB Symmetry	London Metric

\* LSH advised

\*\* Forward Commitment

## KEY Q2 MULTI-LET/PORTFOLIOS DEALS

PROPERTY	AWULT (YEARS)	RENT (£ PSF)	PRICE	NIY	DATE	VENDOR	PURCHASER
Wates Way Ind. Estate, Mitcham	5.50	£6.59	£20.00m	3.80%	Jun-17	CBRE Global Investors	Capital Industrial
Boundary Park, Hemel Hempstead	6.70	£8.48	£14.10m	4.31%	Jun-17	Aberdeen Asset	Cambridge College
Logistics City, West Thurrock	12.70	£9.06	£33.10m	4.60%	May-17	Kier Development	CBRE Global Investors
Unit 1-8 Abbeywood Park, Bristol	3.22	£8.50	£5.80m	5.09%	Apr-17	LaSalle Investment	MLIPUT (JLL / Schroders)
Ultrabox Portfolio	6.72	£4.86	£286m	6.13%	Apr-17	Lonestar	Oxenwood
Motorway Ind. Estate, Stevenage	5.45	£6.77	£7.10m	5.43%	Apr-17	Rockspring *	DTZ Investors

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