

MULTI-LET INSIGHT SERIES

The definitive guide to the
UK's multi-let industrial property market

ISSUE 1 – OCCUPIERS

Summer 2020



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WELCOME TO MULTI-LET 2020

I'm really pleased to be able to share with you our latest findings on the UK multi-let industrial market.

Much has been said about the expected growth of urban logistics in the wake of the coronavirus impacts on shopping and working. However, little detail has been reported on actual sub-segment structure and performance, and the real underlying drivers behind this expected growth.

This is where this research comes in.

We've teamed-up with the leading UK multi-let industrial landlords to produce a series of focused videos and reports for 2020. This industry reference series covers assets worth a combined £18 billion and looks at multiple topics, ranging from the impact of the coronavirus on different occupier sectors through to an analysis of potential risks to cashflow and the investment outlook. We're grateful to our preeminent contributors who continue to support this project and we're really pleased to welcome some new entrants to the team this year.

As face-to-face meetings are going to be more challenging this year, I hope you like our new interactive online multi-let platform. The research is broken down into smaller bite-sized topics and includes the experiences and opinions of our in-house experts from across the business. This more modern and sustainable approach should also be more accessible for you, and ultimately be of more practical use. We would certainly welcome your feedback.

The kind of market volatility we're currently experiencing often brings forth potential opportunities along with its many challenges. There are mega trends emerging that have the potential to benefit this asset class for the long term. We have continued to strengthen our multi-disciplinary industrial and logistics platform to capture these trends, expanding our strategic land and corporate finance teams this year. We hope that this research helps you shape your 'post-covid' strategy and we look forward to continuing working with you to ensure you're best positioned to capture these benefits.

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INTRODUCTION

Multi-let is Gerald Eve’s unique and market-leading syndicated study that provides detailed industry-reference insight into this rapidly changing commercial property segment.

The results are built from the bottom up, using individual tenancy information from 22 leading multi-let industrial institutional property investors. The information spans 11 years, covering over 30,000 individual assets with a sample size in 2019 of 131 million sq ft, valued at £18bn.






This report covers industrial units of over 500 sq ft with a maximum lease length of 30 years.

Units between 500 sq ft and 50,000 sq ft in size are collectively referred to as the multi-let dataset and comprise of:

		
Micro units 500-5,000 sq ft	Small box units 5,001-25,000 sq ft	Mid box units 25,001-50,000 sq ft

Units larger than 50,000 sq ft are also included in this edition for the first time as a point of comparison to multi-let.

This is Issue 1 of a series of five reports:

				
Issue 1 Occupiers	Issue 2 Income	Issue 3 Risk	Issue 4 Investment	Issue 5 Outlook

CONTRIBUTORS





EXECUTIVE SUMMARY



The sharp growth in UK online activity – most recently accelerated by the impact of the coronavirus – brought about a rapid gentrification of multi-let occupiers, particularly between 2012-16. Gentrified uses include direct retail and logistics (which now dominate), quasi-office and leisure. Since 2016 and into 2019 multi-let has consolidated these overall changes and there have instead been some more subtle exchanges within occupier segments.



The increase in the logistics multi-let footprint continued to be an ongoing trend in 2019. Demand for rapid response parcel and post has continued to rise, particularly in densely populated urban centres such as London, Manchester and Birmingham. Periphery locations such as Greater London have the strongest growth trend and largest logistics footprints. Much of this growth has been through cannibalisation of in-house logistics operations.



The once-dominant more traditional general manufacturing multi-let footprint in London & the South East continued to trend downwards in 2019. It has stabilised at a somewhat higher level in the UK regions for the last couple of years.



The overall footprint of food-related businesses is relatively small in multi-let but in the most expensive Inner London units food activity accounts for up to 25% of the floorspace. Rather than traditional staple activities this typically includes microbreweries (sometimes with bars attached), event catering and meal deliveries, particularly in the micro units.



Comparing micro units across the UK regions shows that London, the South East and Eastern areas have very small amounts of the very smallest and informal 'Individuals' occupiers (arguably because the space is just too expensive). In contrast, it is much more prevalent in the regions – where individuals occupy up to 20% of micro units.



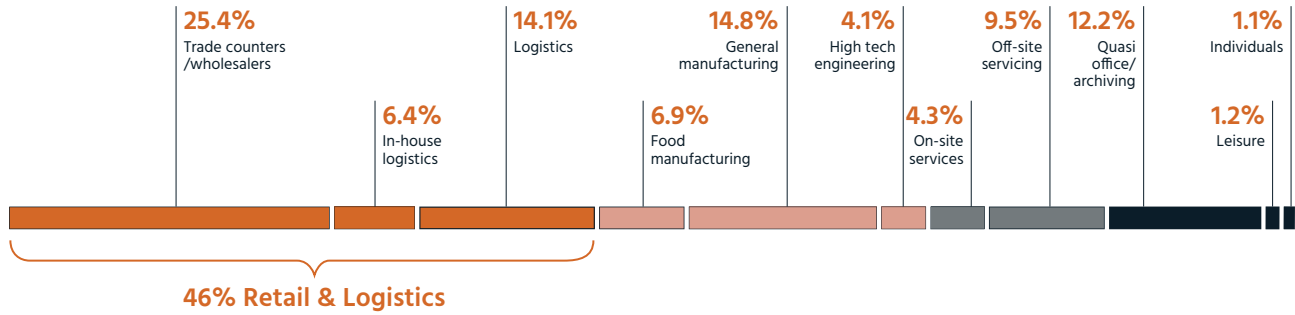
Compared with its larger industrial counterparts, multi-let has been more challenged by the impact of the coronavirus. The smaller multi-let units typically face a much higher share of the upfront business interruption because they are more likely to be traded directly out of (i.e. trade counters or leisure) or supply industries that have shut/ will be compromised due to social distancing (i.e. hospitality or airlines). In contrast, the larger mid box multi-let units that are more sparsely populated will benefit most from any lasting positive change to industries such as logistics and data centres.



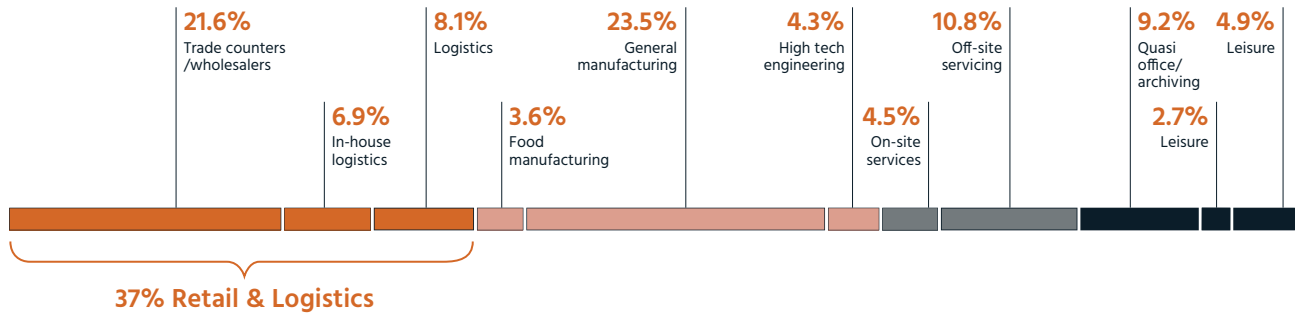
The immediate upfront disruption to multi-let has affected around 40% of occupied floorspace and this proportion is similar across the various UK regions. Sustained negative impacts are lower, at around 15% of occupied space. In terms of sustained positive impact, occupiers in London & the South East are set to benefit over twice as much as those in the regions outside. In the South East there are fewer micro units with activities that are exposed. Moreover there is a higher concentration of mid box multi-let units containing the types of occupiers most likely to benefit.

THE MULTI-LET OCCUPIER BASE

London & South East



Rest of the UK



OCCUPIER OVERVIEW

Static footprints of the proportions of floorspace held by different occupier types as at the end of 2019 show that activities relating to retail and logistics continue to be key. Trade counters continue to hold the largest individual proportion of multi-let space. Logistics is a vital component, especially in London & the South East where the footprint is almost twice as large as in the UK regions.

Aside from retailing activities, the so-called quasi-office use type is also an important component in multi-let – especially in London & the South East where traditional office space is relatively expensive.

General manufacturing, historically the main activity, continues to be a large segment. This is particularly the case in the regions outside of the South East, but it is broadly in retreat across multi-let.

THE GENTRIFICATION OF MULTI-LET VIA INCREASES IN ONLINE ACTIVITY

Previous editions of this study analysed the so-called “gentrification” of the asset class – the shift from more traditional waste and noise-creating heavy manufacturing or automotive activities towards cleaner and more modern applications that make estates more accessible for the general public for direct trade. In large part this has been due to the growth in online activity for businesses and retail spending.

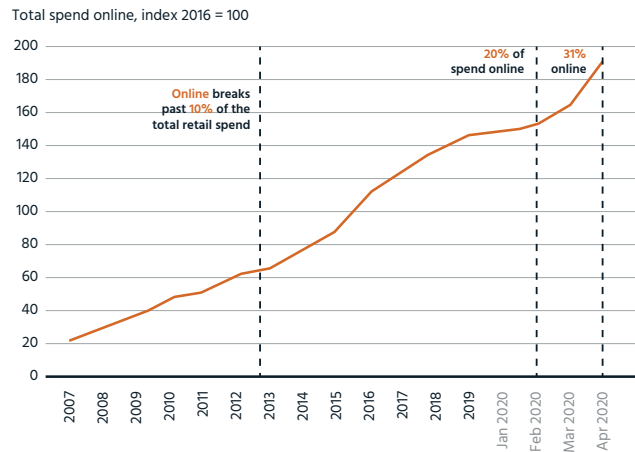
The chart shows the steep upward trend of the value of retail spending online. By 2013 online accounted for 10% of the total UK retail spend and by February 2020 this had increased to 20% of the total. The annual multi-let data is to end-year 2019, but it is worth noting that by April of 2020 the accelerated change in shopping and working habits brought about by the coronavirus-induced social lockdown sharply increased online spending to over 30% of all retail spending.

The other chart shows the proportion of multi-let floorspace that is gentrified. Gentrified is defined here as those in retail-related and logistics uses, alongside quasi-office and leisure. Arguably some of the newer artisan food producers and small high-tech engineers could also fit into this category. Over time there are three distinct phases:

In Phase 1 there is a gradual increase in gentrification. However, the four-year Phase 2 period shows an accelerated rate of change, particularly in London & the South East. This coincides with when online spending crossed that threshold into a more meaningful proportion of the total retail spend. Since 2016, the multi-let sector has broadly consolidated these gentrified changes and instead made some exchanges within segments, which includes an unabated increase in the logistics footprint.

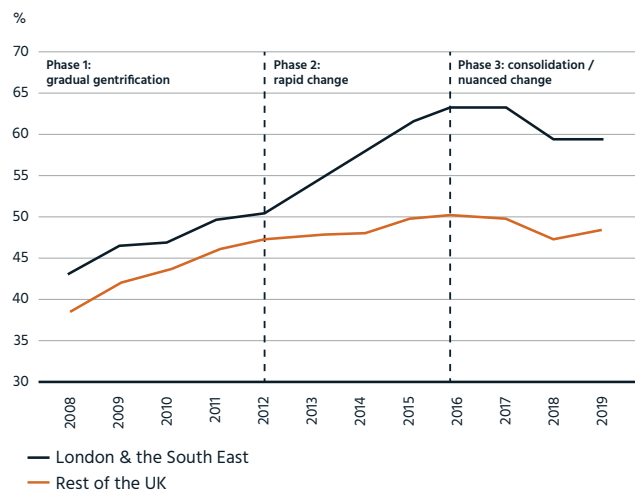
Strong growth in online spending, accelerated by recent coronavirus lockdown

Source: Gerald Eve



The gentrification of multi-let

Source: Gerald Eve

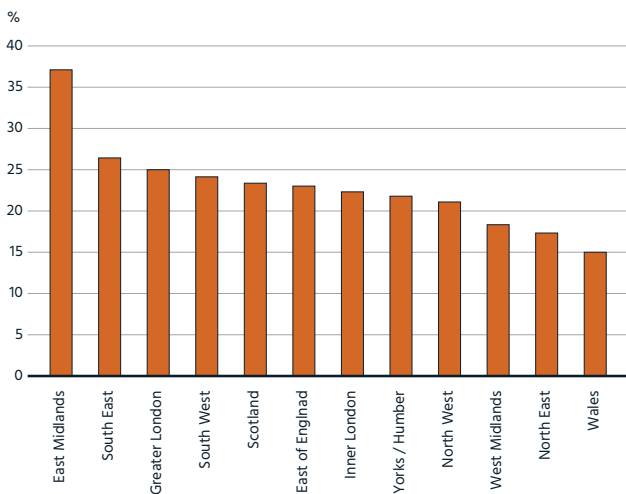


TRADE COUNTERS

As the largest individual segment, the footprint of trade counters broadly followed the national trend and stabilised in recent years, though there are differences across regions. The East Midlands has a particularly large proportion, especially in the smallest, micro units. Conversely in Wales and the North East trade counter occupation has been crowded out by more traditional manufacturing in the mid box and individuals in the micro units. In Inner London where the trade counter footprint is an average 22%, food-related retail activity crowds out the trade counters somewhat.

Multi-let trade counter footprint by region

Source: Gerald Eve



LOGISTICS

Logistics has historically been more prevalent in the larger 50,000 sq ft+ units rather than multi-let for obvious reasons. The multi-let footprint has nevertheless continued to grow for parcel and post-type “last mile” activities to take advantage of these relatively smaller units and their access to densely populated urban centres that have witnessed a sharp rise in demand for rapid response delivery services. London is the most discernible example, and the chart shows the strongest growth trend and largest footprint in Greater London where logistics account for almost 20% of multi-let. However, increases are also evident in Manchester and Birmingham.

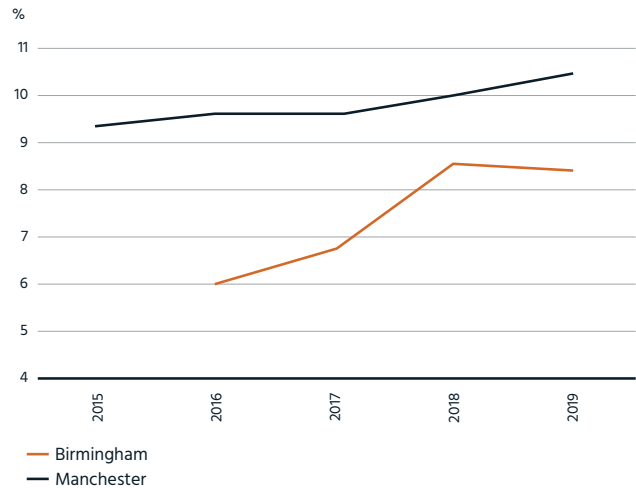
Multi-let logistics in London & the South East

Source: Gerald Eve



Logistics multi-let footprint outside of the South East

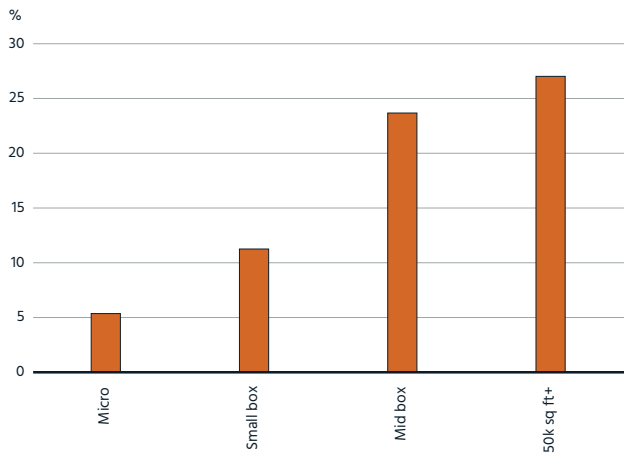
Source: Gerald Eve



In multi-let the logistics footprint is much greater in the mid box units, while for the 50k sq ft+ it is over a quarter of the floorspace.

London & the South East proportion of logistics space by size of unit

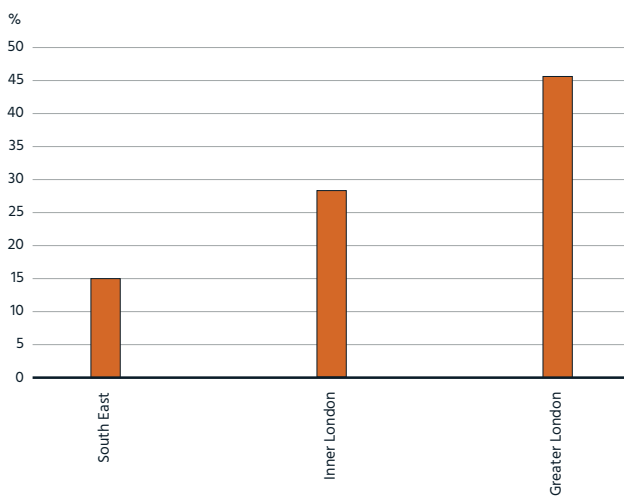
Source: Gerald Eve



The largest footprint is for the 50k sq ft+ units in greater London, which is over 45%.

Proportion of logistics floorspace in 50k sq ft+ units

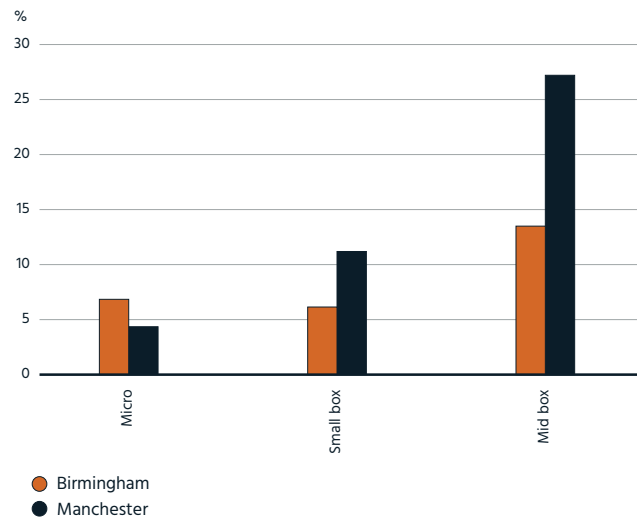
Source: Gerald Eve



The dominance of mid box for logistics is also evident in Manchester and Birmingham.

Logistics footprint by size of unit

Source: Gerald Eve



Since 2015 in London & the South East, this growth has been through the cannibalisation of in-house logistics. Whenever this kind of space has been vacated it has been taken-up almost exclusively by specialist logistics operators.

Multi-let in-house logistics in London & the South East

Source: Gerald Eve

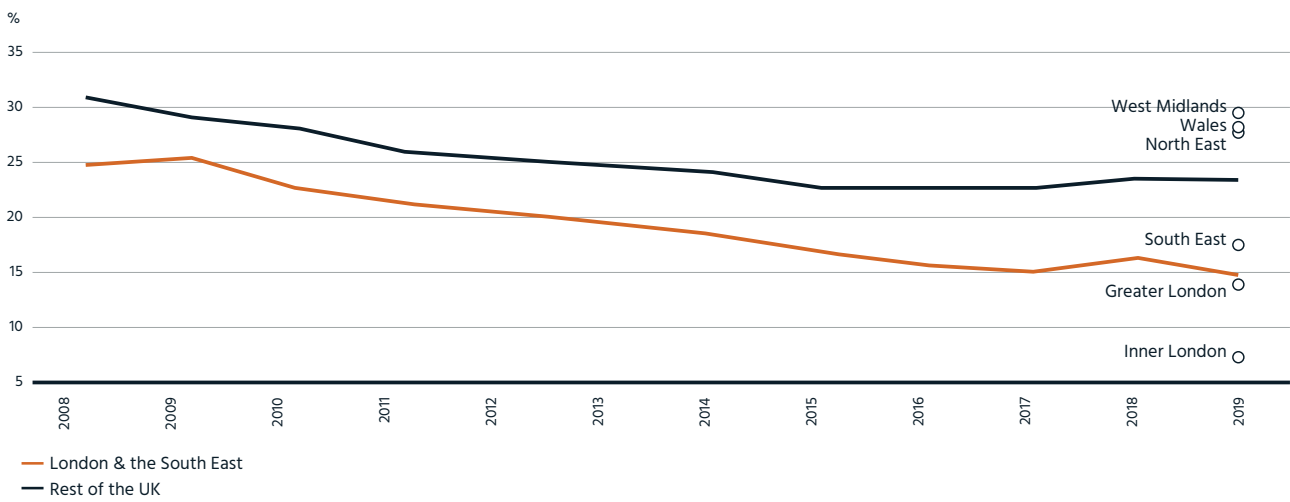


GENERAL MANUFACTURING

The more traditional general manufacturing multi-let footprint in London & the South East continued to trend downwards to end-2019, whereas it has stabilised somewhat at a higher level in the UK regions since around 2016/17. The West Midlands, Wales and the North East multi-let are still almost 30% general manufacturing, whereas at the other extreme the Inner London footprint is in single digits.

General manufacturing, share of let floorspace

Source: Gerald Eve

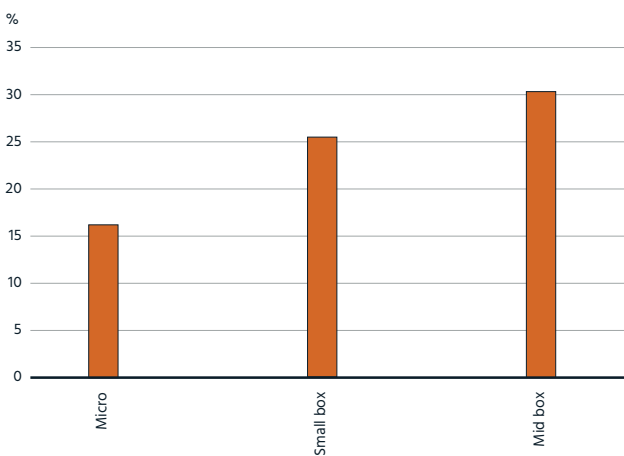


Splitting up the unit sizes shows that mid box has the biggest general manufacturing footprint in the regions outside of the South East.

Again, the North East and Wales still have a significant general manufacturing footprint of around 45%. The East of England and East Midlands are closer to London & the South East in this respect and have low presence of this occupier type.

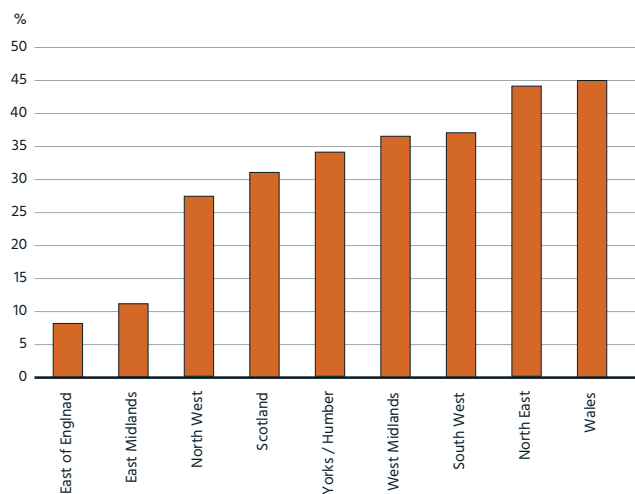
Footprint of General manufacturing in the Rest of the UK

Source: Gerald Eve



Footprint of General Manufacturing in mid box units by region

Source: Gerald Eve

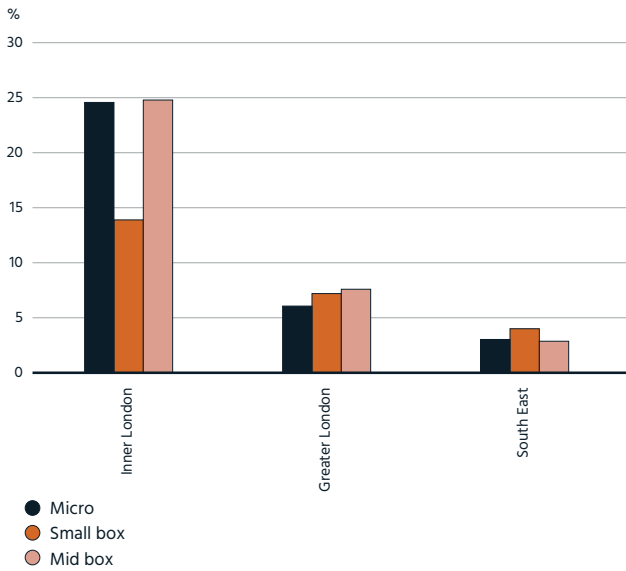


FOOD-RELATED BUSINESSES IN MULTI-LET

The overall footprint of food-related businesses is relatively small in London & the South East at 6.9%, but this is almost twice that of the UK regions and the headline figure hides significant geographical variability. In the most expensive Inner London multi-let units, food activity accounts for between 14% of the floorspace for the small boxes to almost 25% for the micro units and the mid boxes. The footprint is far lower in the South East, in the low single digits.

Food manufacturers, proportion of floorspace

Source: Gerald Eve

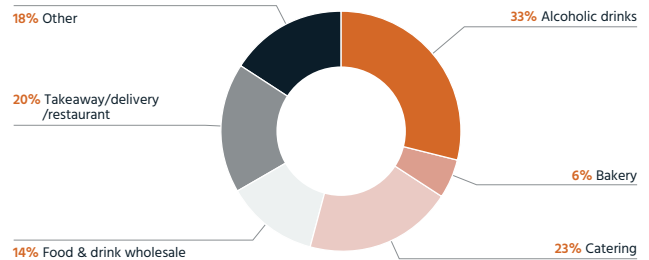


Splitting up the unit sizes shows that mid box has the biggest general manufacturing footprint in the regions outside of the South East.

In Inner London, brewing and alcoholic drinks accounts for a third of the micro unit floorspace, while event catering and restaurant/delivery take other sizeable chunks. For the mid box units a far larger proportion is broader wholesaling/storage and there is a larger proportion supplying prepared items to hotels, coffee shops and delis etc.

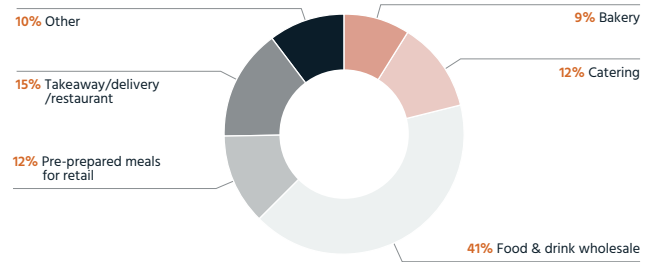
Inner London micro units food-related tenants

Source: Gerald Eve



Inner London mid box food-related tenants

Source: Gerald Eve



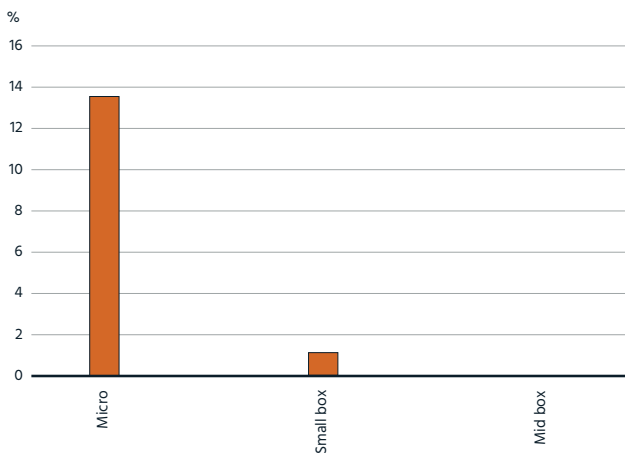
INDIVIDUALS

While micro units in Inner London have a large proportion of food-related activity, in the regions outside of the South East, the very smallest and informal of multi-let businesses – the “individuals” – hold a sizeable proportion of the floorspace.

Comparing micro units across UK regions shows that London, the South East and UK Eastern areas have very small amounts of these types of occupiers (arguably because the space is just too expensive), whereas it is more possible and quite prevalent further out. This prevalence of individual occupiers is compounded by the fact that micro units account for much greater proportion of the multi-let floorspace in the UK regions.

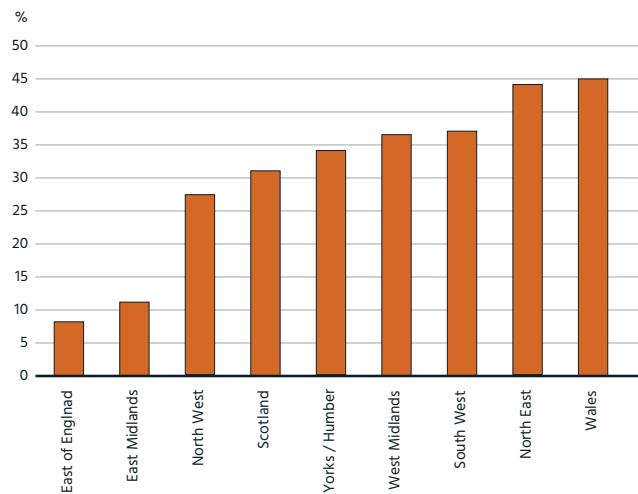
Footprint of ‘individuals’ in the Rest of the UK

Source: Gerald Eve



Footprint of General Manufacturing in mid box units by region

Source: Gerald Eve



CORONAVIRUS: OCCUPIERS IN DETAIL

The remaining section breaks down the occupier types by specific activities in London & the South East and the Rest of the UK and considers which will have had only a short term negative impact (2020 only) as a result of coronavirus and which face a sustained negative impact (i.e. into 2021). In contrast, some business activities will have a sustained positive impact. The more forward-looking aspects will be addressed in greater detail in the Forecast Issue 5 of this study.

The overview graphic below shows that multi-let Logistics is at one end of the spectrum, with no sustained negative impacts as a result of coronavirus, and 100% positive sustained impacts. This kind of occupancy lends itself well to social distancing and the absolute value of trade online has increased by around 20% during the lockdown. While some online activity will be rolled back as the lockdown is very gradually eased, we expect parcel and post to households via multi-let units to continue to be positively impacted.

At the other extreme is Leisure, including sports, fitness, wellness and amusements such as trampoline parks. These occupiers operate on a business model of bringing groups of people together in close contact and have been forced to close and cashflow will continue to be negatively affected by social restrictions into 2021.

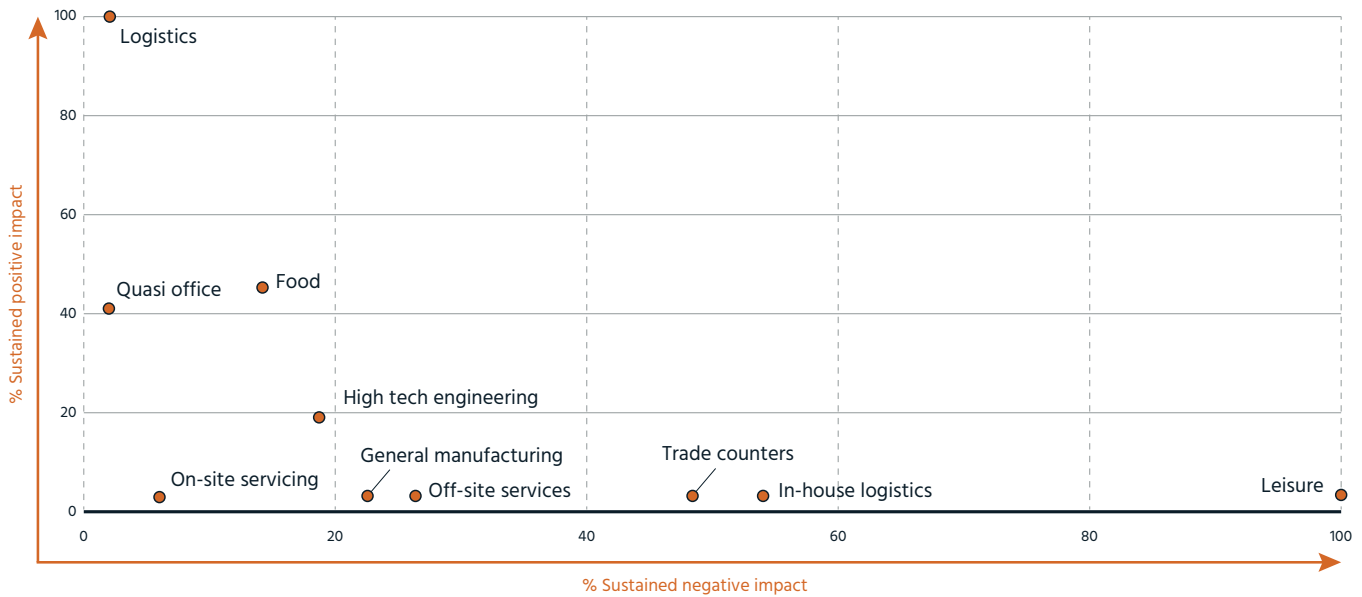
Other relatively positively impacted tenant types include the quasi-office. A proportion of this use type is dedicated to data centres that are and will be in increased demand as a result of the increase in agile working. Moreover, there will be increased public sector multi-let quasi-office demand stemming from the decentralisation of various operations and increased numbers of ambulance stations.

The food tenants face near term difficulties if supplying pubs, restaurants, hotels and coffee shops, but there should be some sustained benefit from increased local takeaways and alcohol, fruit/veg/meat/fish boxes delivered direct to households in lieu of consumers eating out.

Other relatively negatively impacted tenant types includes in-house logistics. This encompasses an element of storage for high street shops (i.e. clothing) that were forced to close upon lockdown and will be severely curtailed in operations even after lockdown measures are eased.

Proportion of multi-let floorspace affected by coronavirus, by occupier type

Source: Gerald Eve



CORONAVIRUS: IMPACT ON DIFFERENT SIZES OF UNIT

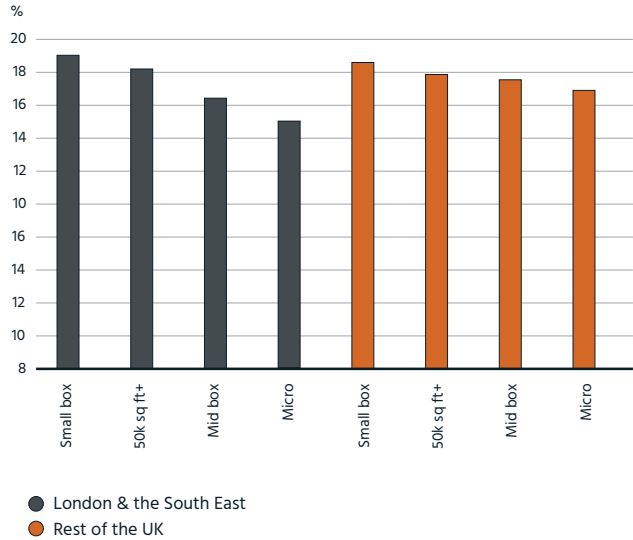
The immediate upfront disruption to multi-let from the coronavirus has been significant, but the impact is greatest for the smaller units. It is not simply the case that the smaller units are more likely to have SME tenants (though this is also true), but the nature of the business in the smaller units tends to be more exposed. The charts show that micro units have around 55% of the floorspace affected negatively in the short term, whereas the 50k sq ft+ units are affected less than half as much. Sustained negative impacts are similar across the different unit sizes, in the high teens.

In terms of a lasting positive impact, the 50k sq ft+ units have a nearly 40% exposure to this, whereas for the micro units this is less than 15%.

Smaller units typically face a much higher share of the upfront business interruption because they are more likely to be traded directly out of or supply industries that have shut/ will be compromised due to social distancing. In contrast, the larger units that are more sparsely populated benefit most from any lasting positive change to industries such as logistics and data centres.

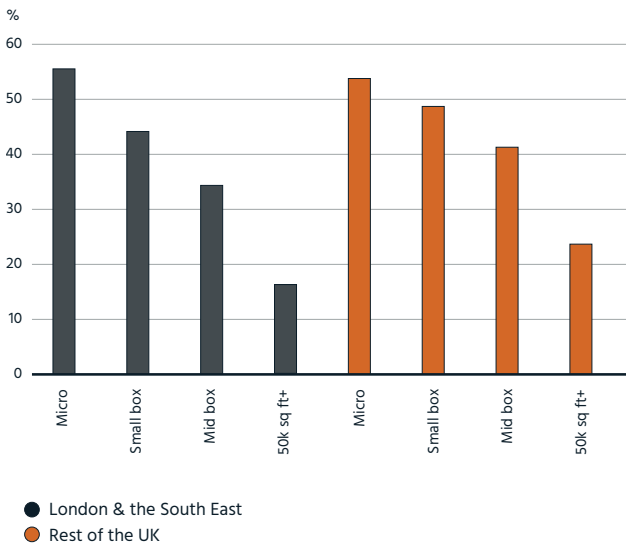
Sustained negative impact

Source: Gerald Eve



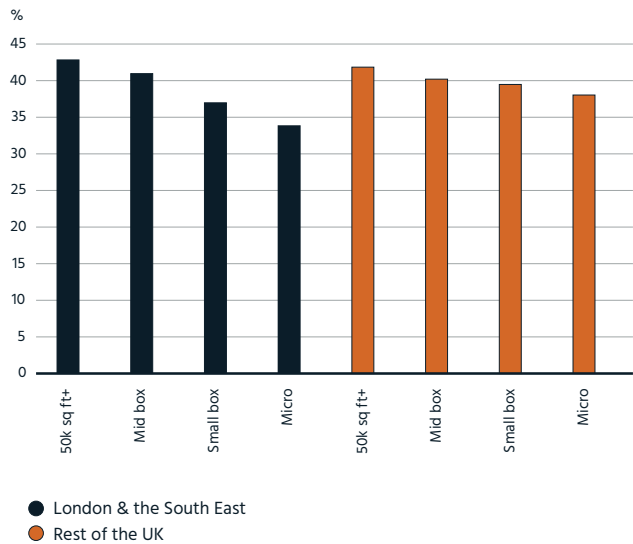
Short term negative impact only

Source: Gerald Eve



Sustained positive impact

Source: Gerald Eve

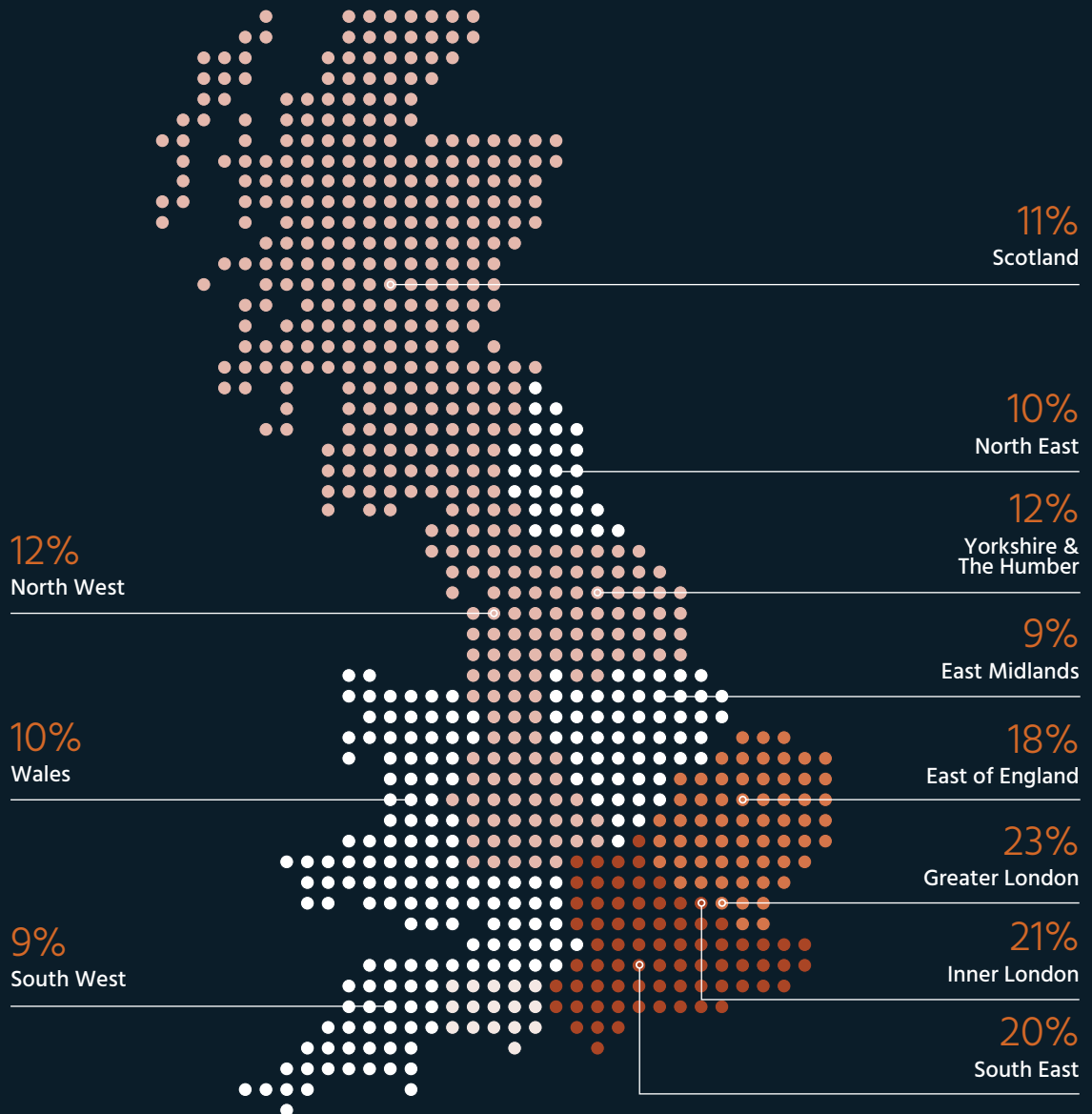


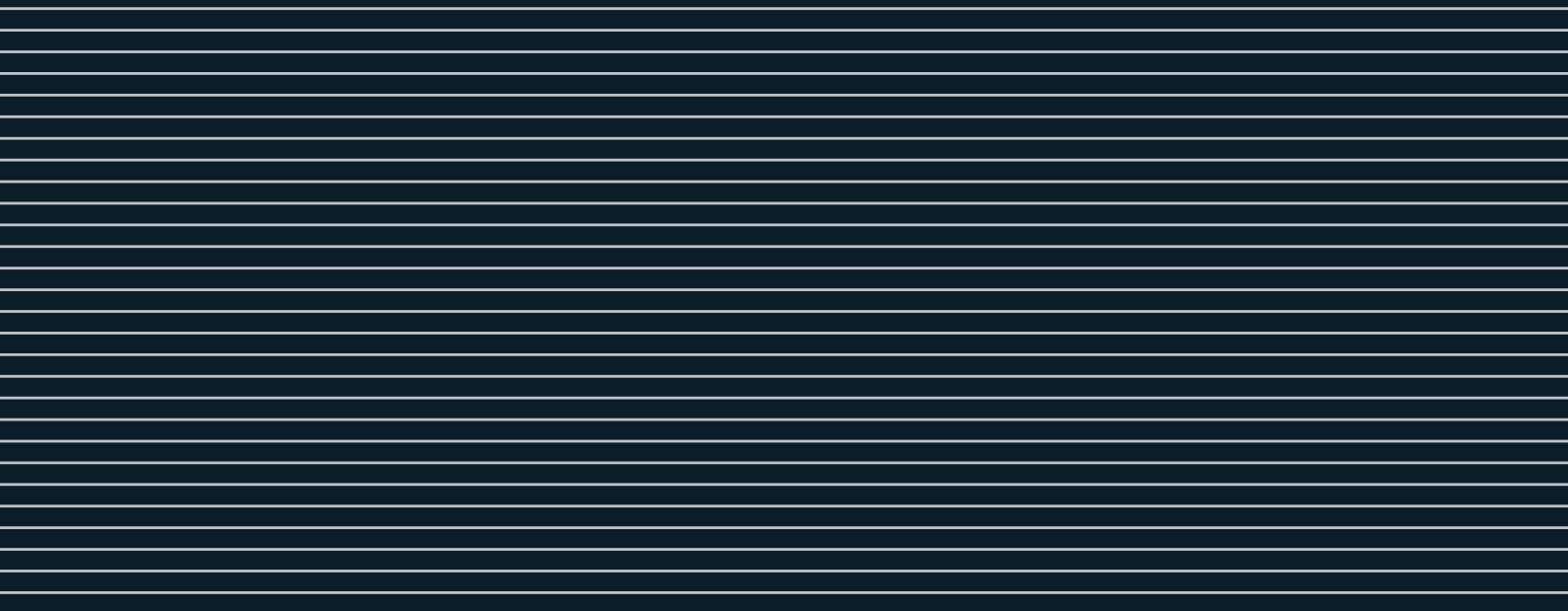
CORONAVIRUS POSITIVE IMPACT: REGIONAL DISTRIBUTION

The immediate upfront disruption to multi-let has affected around 40% of floorspace and this proportion is similar across the various UK regions. Sustained negative impacts are lower, at around 15% of space, and this is also similar across regions.

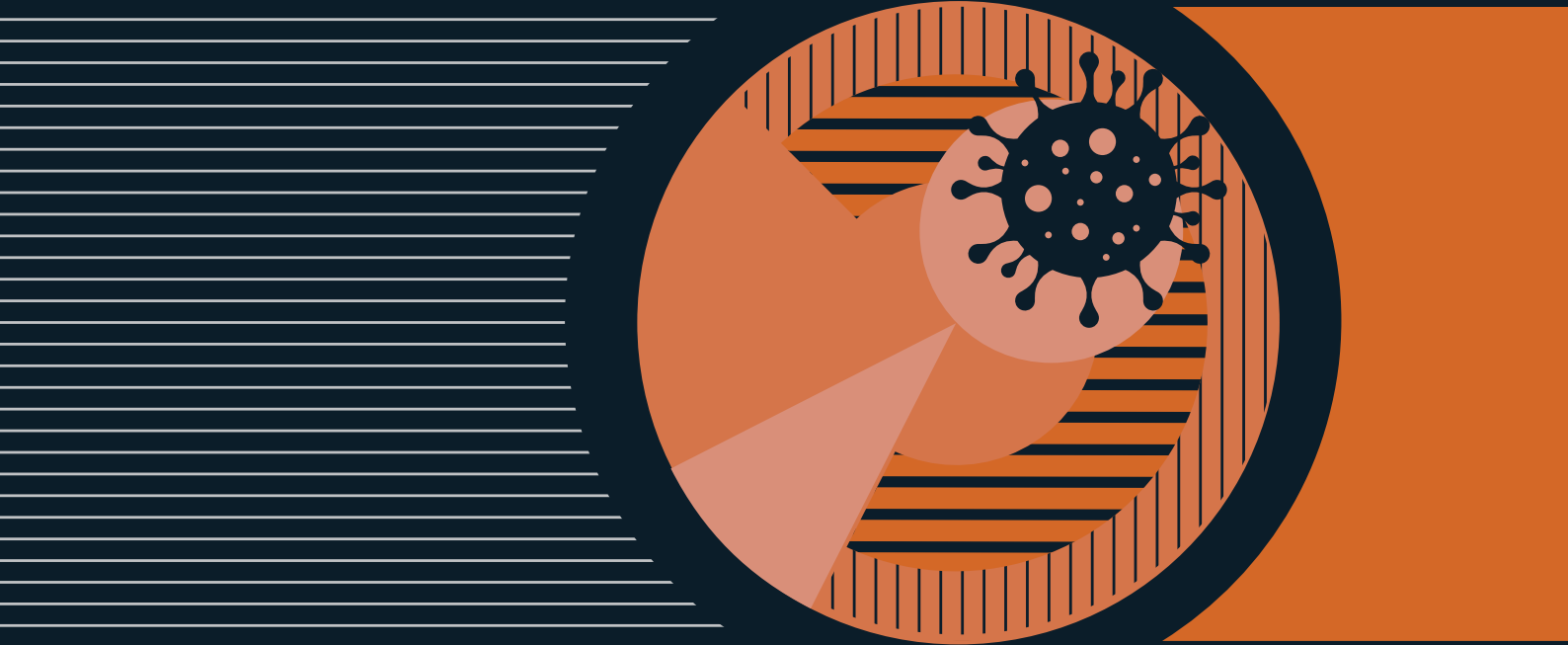
However, in terms of sustained positive impact, London & the South East has over twice the benefit than the regions outside, as shown on the map. Here there is a higher concentration of larger multi-let units containing logistics and data centres, plus a higher concentration of food operators involved in delivering completed meals direct to households.

Sustained positive impact on multi-let from the Coronavirus





OCCUPIERS IN DETAIL

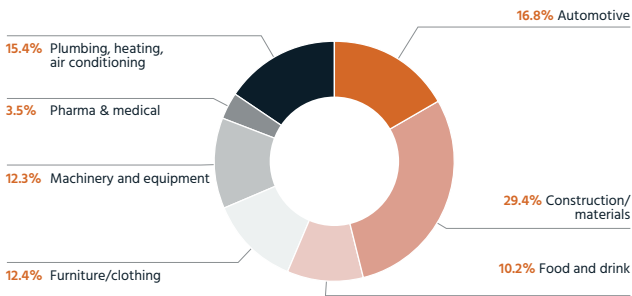


OCCUPIERS IN DETAIL

TRADE COUNTERS

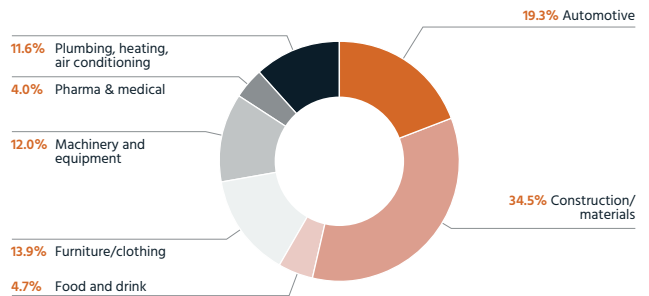
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

Source: Gerald Eve



London & the South East

48% Short term negative impact **42%** Sustained negative impact



Rest of the UK

42% Short term negative impact **50%** Sustained negative impact



Coronavirus impact

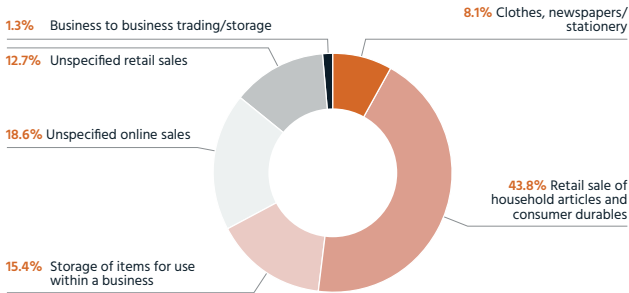
The footprint is similar for both regions since many of the tenants are national chains. The short term negative coronavirus impact of nearly 80% has been high due to store closures. Over a more sustained period the economic recession will mean lower discretionary spend so demand related to house sales and non-essential extensions will be negatively impacted. The cheaper DIY segment will likely do better. Tenants that have put the work in to present a stronger online offer will benefit.



IN-HOUSE LOGISTICS

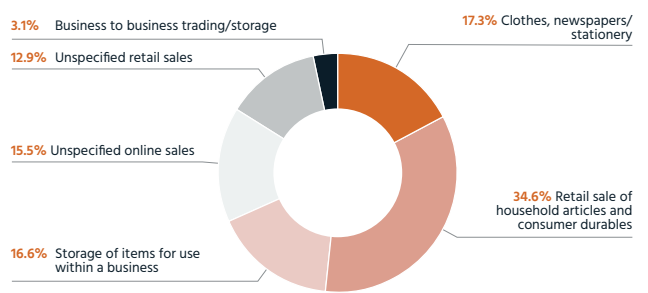
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

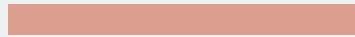
Source: Gerald Eve



London & the South East

58%

Sustained negative impact



Rest of the UK

51%

Sustained negative impact



Coronavirus impact

In-house logistics tenants use multi-let space either for storing goods for onward sale in physical stores; via online sales to homes or businesses; or for storing internal items necessary for the functioning of a business. Here the sustained negative impact of coronavirus affects storage of clothing and household items going into physical stores (short term closure and medium term much-reduced footfall) and business-to-business items such as office furniture as office-based firms look to occupy less space and work increasingly remotely.

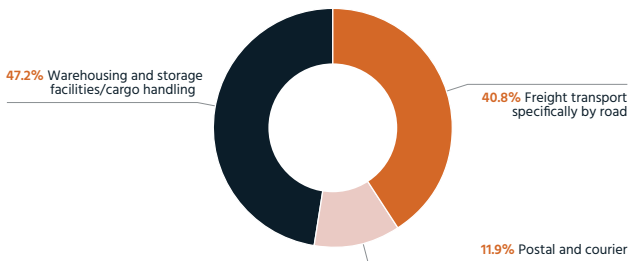


OCCUPIERS IN DETAIL

LOGISTICS

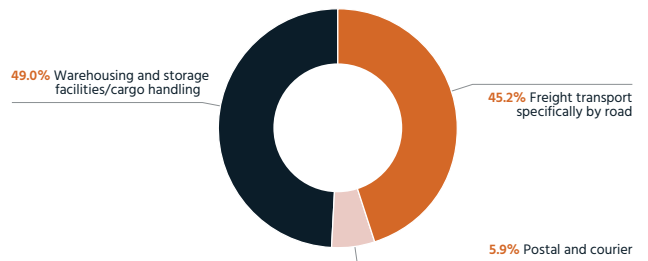
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

Source: Gerald Eve



London & the South East

100%

Sustained positive impact



Rest of the UK

100%

Sustained positive impact



Coronavirus impact

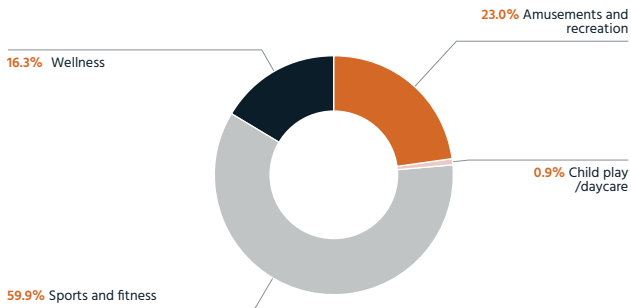
Logistics has 100% positive sustained impacts. This kind of occupancy lends itself well to social distancing and the absolute value of trade online has increased by around 20% since the lockdown. Some air and sea freight activity will have been disrupted by coronavirus in the short term and some domestic online activity will be rolled back as the lockdown is eased. However, we expect parcel and post to households via multi-let units – which is twice as large in London & the South East – to continue to be positively impacted.



LEISURE

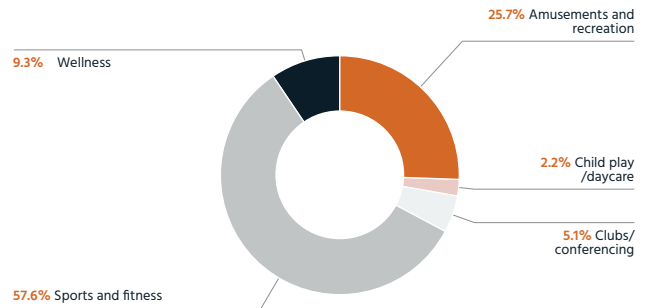
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

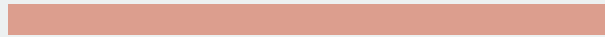
Source: Gerald Eve



London & the South East

100%

Sustained negative impact



Rest of the UK

100%

Sustained negative impact



Coronavirus impact

This has been a small but growing segment of multi-let as estates have gentrified. Sports and fitness dominates – i.e. gyms, crossfit and yoga. Trampoline parks are also important. However, since these occupiers operate on a business model of bringing groups of people together in close contact they have been forced to close as a result of coronavirus and will continue to be affected by social restrictions into 2021.

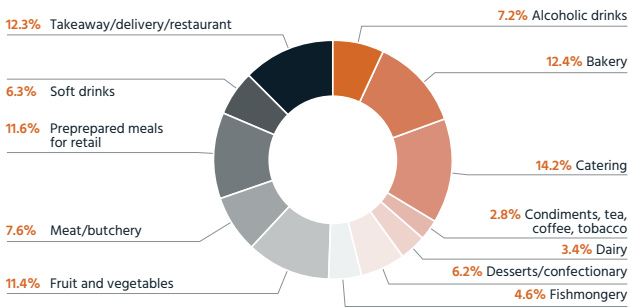


OCCUPIERS IN DETAIL

FOOD

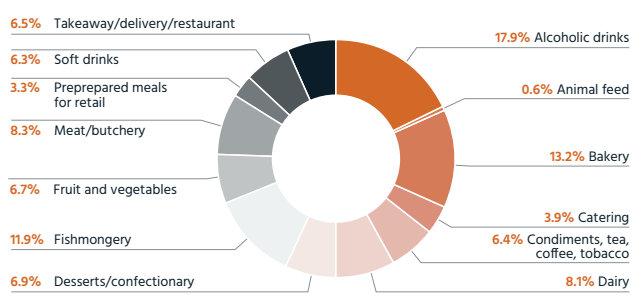
Breakdown of floorspace London & the South East

Source: Gerald Eve



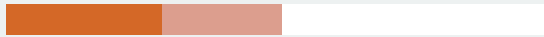
Breakdown of floorspace Rest of the UK

Source: Gerald Eve



London & the South East

26% Short term negative impact
20% Sustained negative impact
44% Sustained positive impact



Rest of the UK

39% Short term negative impact
8% Sustained negative impact
44% Sustained positive impact



Coronavirus impact

This is the most regionally polarised segment. Outside of the South East is characterised by staple food producers, such as butchery, dairy and baked goods. Occupiers within London & the South East are much more likely to use the multi-let space to assemble completed meals for end consumers. Inner London is the driver, with a third of the space dedicated to microbreweries that can also function as bars.

There will be near term difficulties for those supplying pubs, restaurants, hotels and coffee shops. Those that offer direct hospitality or event catering will be affected over a longer period, but some sustained benefit will come from increased local takeaways and alcohol, fruit/veg/meat/fish boxes delivered direct to households in lieu of eating out.

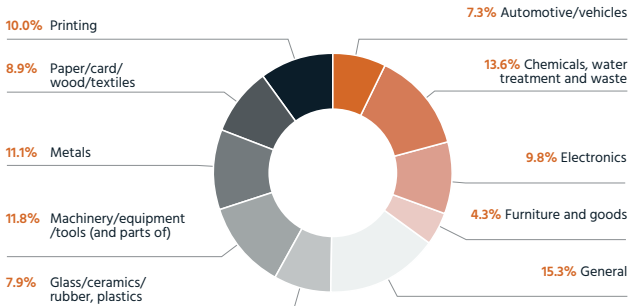


OCCUPIERS IN DETAIL

GENERAL MANUFACTURERS

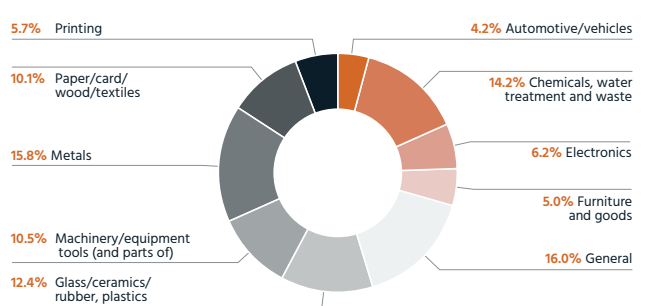
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

Source: Gerald Eve



London & the South East

55% Short term negative impact **23%** Sustained negative impact



Rest of the UK

56% Short term negative impact **20%** Sustained negative impact



Coronavirus impact

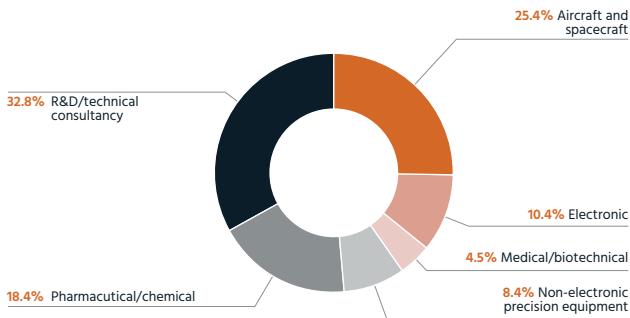
General manufacturing has a broad spread of use types but has been a multi-let segment in retreat in recent years. Many segments have taken a short term hit as a result of coronavirus as work has been interrupted by the lockdown. Only around a quarter is expected to be affected longer term – this includes those allied to the automotive industry and businesses-to-business activity that relies heavily on importing and exporting. No sustained positive benefits are evident.



HIGH TECH ENGINEERS

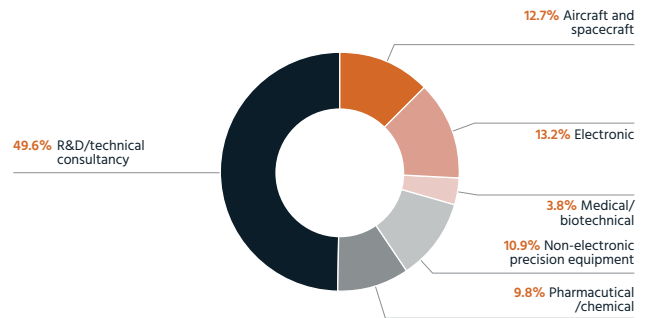
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

Source: Gerald Eve



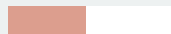
London & the South East

25% Sustained negative impact
23% Sustained positive impact



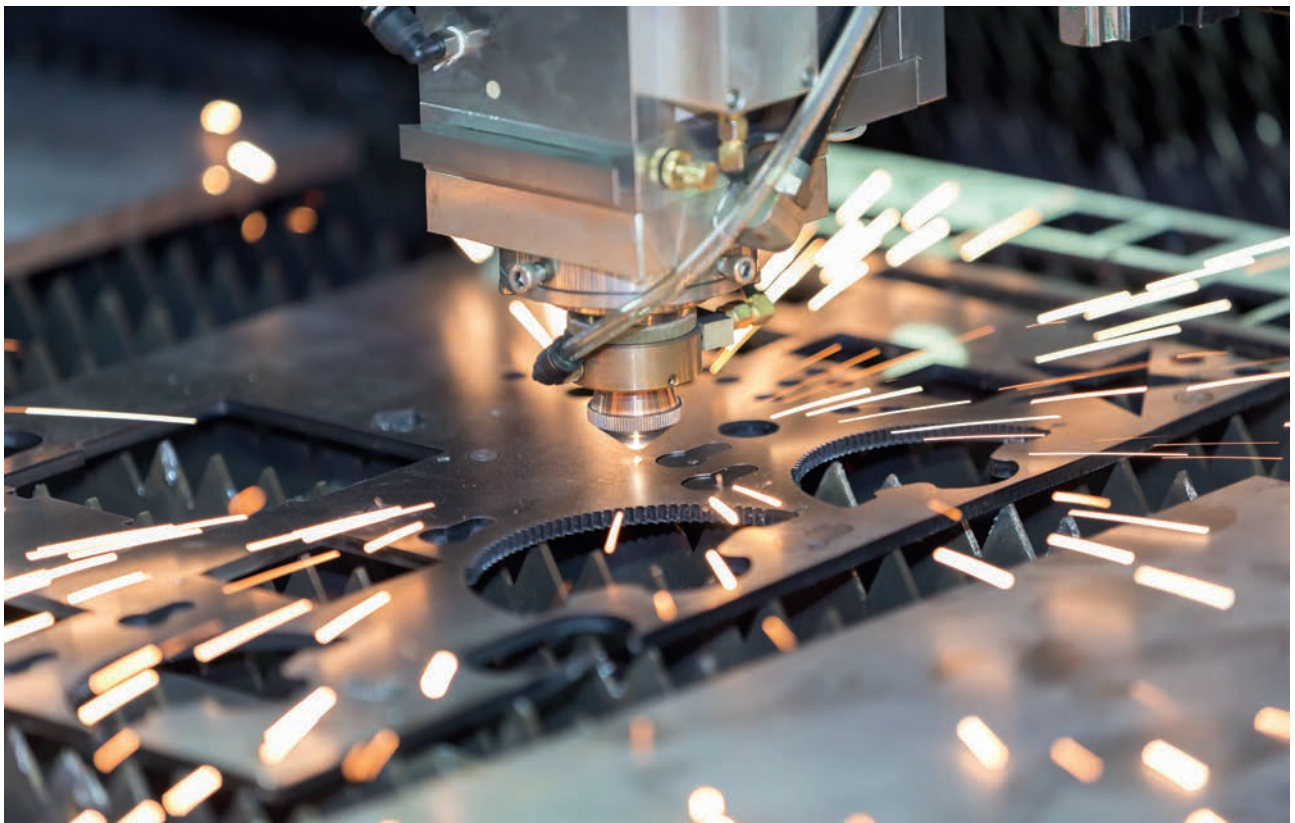
Rest of the UK

13% Sustained negative impact
14% Sustained positive impact



Coronavirus impact

For the high-tech engineers, the key differences between the regions is that pharmaceutical, biotech & medical and the aircraft and spacecraft segments are more important for London & the South East. In terms of coronavirus, these represent some sustained positive and negative impacts, respectively. High-tech work in electronic is likely to have a boost post-covid, as it will necessitate innovation for more automation and robotics.

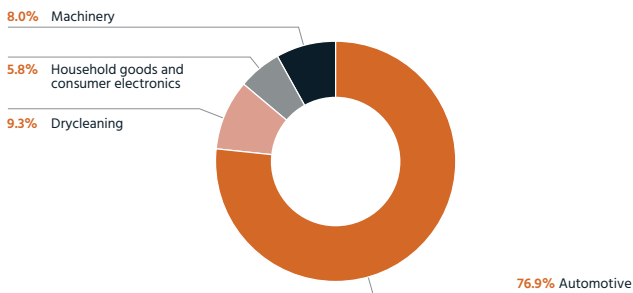


OCCUPIERS IN DETAIL

ON-SITE SERVICING

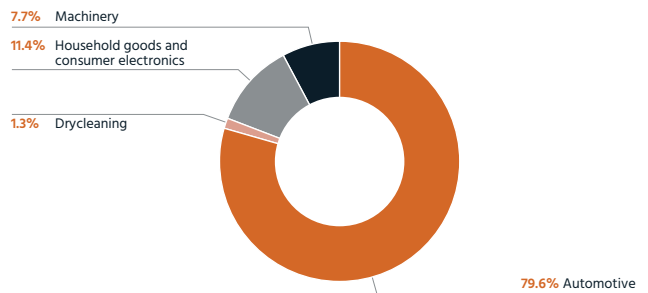
Breakdown in floorspace London & the South East

Source: Gerald Eve



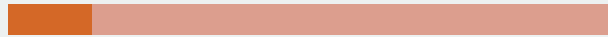
Breakdown of floorspace Rest of the UK

Source: Gerald Eve



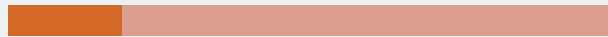
London & the South East

14% Short term negative impact 86% Sustained negative impact



Rest of the UK

19% Short term negative impact 81% Sustained negative impact



Coronavirus impact

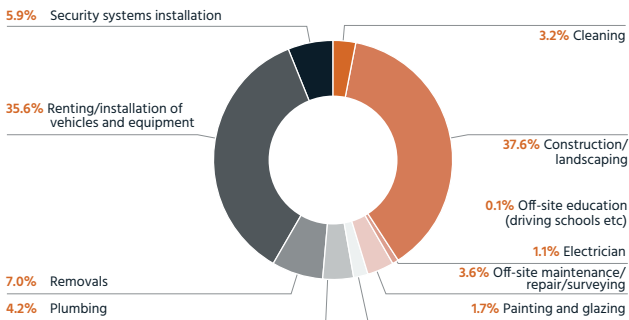
Here the dominant activity by far is the automotive sector – i.e. MOT garages and car repair centres. We forecast some long term business interruption to the automotive sector. This also applies to the dry-cleaning services indicated here in London & the South East. This is activity connected to the airline industry in the multi-let estates clustered around the major airports.



OFF-SITE SERVICING

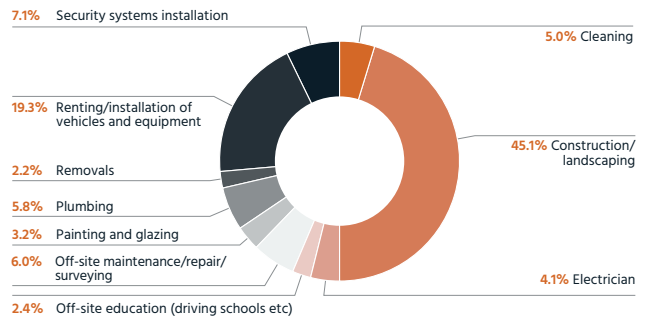
Breakdown of floorspace London & the South East

Source: Gerald Eve



Breakdown of floorspace Rest of the UK

Source: Gerald Eve



London & the South East

64% Short term negative impact
36% Sustained negative impact



Rest of the UK

81% Short term negative impact
19% Sustained negative impact



Coronavirus impact

The dominant activity across both geographies is the construction industry. The vehicle and machinery hire companies are also key, especially in the South East where this is linked to airport vehicle hire. With the immediate term closure of building sites and the severely interrupted flow of people using airports, the short term impact figures are significant. "Off-site" means workers entering homes and businesses to carry out activities, which will be hampered to varying extents over the medium term.

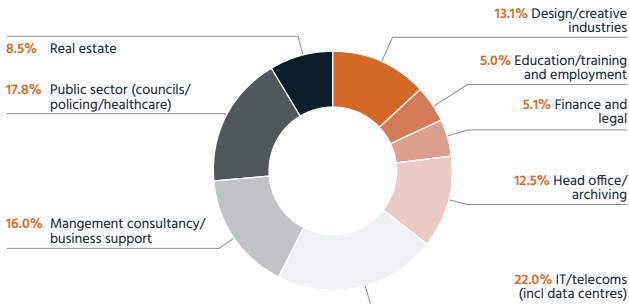


OCCUPIERS IN DETAIL

QUASI-OFFICE

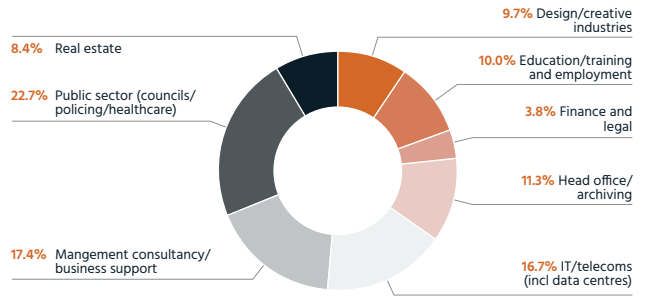
Breakdown of floorspace London & the South East

Source: Gerald Eve



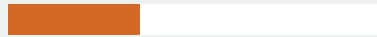
Breakdown of floorspace Rest of the UK

Source: Gerald Eve



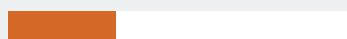
London & the South East

22% Short term negative impact 40% Sustained positive impact



Rest of the UK

18% Short term negative impact 39% Sustained positive impact



Coronavirus impact

For quasi-office, the IT segment is important, particularly in the South East, which includes data centres. The public sector is also key – for councils, the NHS and policing. This is much more prevalent outside of the South East, with almost a quarter of all quasi-office space used in this way. Both of these segments are forecast to have a sustained benefit from coronavirus through the increase in agile working and increased public sector demand stemming from the decentralisation of various operations and increased numbers of ambulance stations.





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local

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local



GLOSSARY

STUDY DEFINITIONS

Multi-let industrial

For the purposes of this report, multi-let industrial covers industrial units between 500 and 50,000 sq ft in size on a lease up to 30 years in length located in the UK.

Multi-let industrial estate

An industrial estate usually under single ownership and comprised of different sized units let to multiple occupiers.

Multi-let industrial unit

An individual industrial unit situated in an industrial estate, usually let to one tenant.

Contributor

For the purposes of this report, reference to 'contributor' refers to the landlords or companies who have provided tenancy and valuation information which forms the basis of this study.

Regions

The location of each unit in the multi-let sample is assessed by individual postcode. This report aggregates up these individual postcodes into standard UK Government Office Regions, including Scotland and Wales. "Inner London" includes only the inner London postcodes (E, EC, N, NE, NW, SE, SW, W, WC).

OCCUPIERS

	Description	Examples
Trade counters/ wholesalers	Goods are stored and there is also some kind of on-site sales/retail function for visiting trade and/or the public.	Sellers of windows, doors, carpets, tiles, garden, tools, building supplies.
Retail & in-house logistics	Goods or equipment are stored but solely for the purpose of onward business (such as a retail store, sold remotely to an off-site location or for carrying out business operations). Non-public facing.	Internet retailers, department stores, utilities companies.
Logistics	Dedicated storage and distribution for a third party. Non-public facing.	Parcel and post/3PL
Food manufacturing	Production or processing of foodstuffs for humans or animals occurs on-site. Non-public facing.	Abattoirs, bakeries, breweries, cheese making, coffee roasting, dairies,
General manufacturing	Production of relatively basic physical components or products occurs on-site. Non-public facing.	Fabricators, moulders. Includes waste/recycling.
High-tech engineering	Complex construction/testing. Research and development. Non-public facing.	Incl. electronic, biomedical, nuclear, aerospace industries.
On-site servicing	Third party items are brought on-site by trade or the public for testing/repairing.	M.O.T./servicing, valeting, tyres and other vehicle/machine/goods repair.
Off-site services	Services to business or residential offered off-site. Potentially a public facing element/small office on-site.	Shopfitters, joiners, builders, plumbers, electricians, scaffolders, machine/car hire.
Leisure	On-site offer of leisure goods and services to the public - typically fitness or play.	Gyms, sports training/rehabilitation, soft play, trampoline warehouses.
Quasi office/ archiving	Ranges from storage of documents/data to full office or training centre functions.	Public sector bodies, data centres, designers, finance, solicitors, estate agents, employment
Individuals	Lease in the name of an individual and a company cannot be traced.	Potentially any of the above.

KEY TERMS

AWULT

Average Weighted Unexpired Lease Term. The product of currently contracted rental income between now (or, in this study case, the end of 2019) and the time the leases expire for any given tenant, summed across tenants, and then divided by the total annual income of the property or portfolio.

Capital value

The market value of an asset that could be reasonably expected to be paid in an open market.

Capital growth

The annual percentage increase in value of an asset.

Churn rate

Proportion of units where there is a change in occupancy between one year and the next (such as a unit let following vacancy, becoming vacant following a let, or a change of tenant). Measured as a % of OMRV.

Contracted rent

The annual rent stipulated in the lease contract. This might be above or below the OMRV if it is over or underrented.

Default rate

Leases in default are calculated by assessing whether a tenant under a contractual lease obligation is no longer in occupation. Expressed as a % of the OMRV total.

Econometrics

Mathematical and statistical analysis aimed to give empirical content to economic relationships. Seeks to exclude all other factors other than the issue at hand to try to isolate and quantify relationships.

ERV

Estimated rental value. A valuation estimate of what could be charged if the unit were let in the open market on the valuation date. This data has been provided by the contributing investors and funds for all units within the sample.

Incentives

This refers to the level of passing rent discount offered to occupiers as part of the lease agreement. Incentives in this report are measured as the differences between the contracted rent agreed and the actual passing rent received.

Income return

The annual compounded rate of net income receivable per year expressed as a percentage of the capital employed over the year.

MSCI

MSCI produce research-based indexes and analytics on the UK property market and are an independent benchmark of property investment market performance. MSCI data used in this report is the 2019 Annual Digest and reference to Standard Industrial refers to all industrials excluding distribution warehouse centres.

Overrented

A term used to describe when the contracted rent is above the open market rental value, which implies a negative reversion.

Passing rent

The annual rent actually paid, which may be more or less than the OMRV and equal to or less than the contracted rent.

Rack rented

Where the contracted rent (and potentially the passing rent) is equal to the OMRV. In a practical sense here, it is within 95%-105% of OMRV to rule out conversion and rounding errors, etc.

Rental growth

The annual percentage change in either the open market rental value, passing or contracted rent, as expressly defined.

Reversionary yield

A valuations-based yield estimate assuming a fully-let property with a rent equal to the ERV and capital value at the market rate at that point in time.

Time to first break

The time duration in months between the start date of a lease contract and the contract expiry or a break that a tenant can exercise, whichever is sooner.

Total return

The annual compounded rate of monthly capital appreciation, net of capital expenditure, plus monthly net income received expressed as a percentage of monthly capital employed.

Transacted yield

Average yields (weighted by capital value) recorded to have actually taken place in a transaction. This is in contrast to the valuations-based reversionary yield.

Underrented

A term used to describe when the contracted rent is below the open market rental value, which implies a positive reversion.

Void rate

The proportion of vacant floorspace, expressed as a percentage of the total.

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