MULTI-LET

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

August 2022

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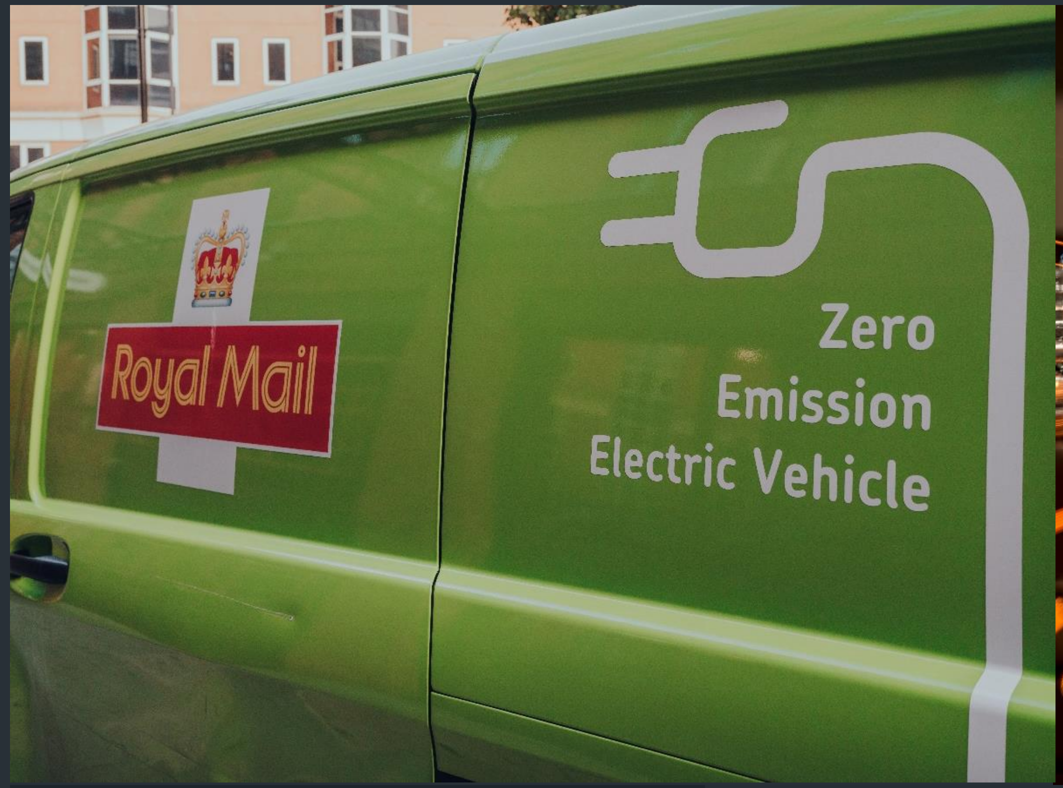
MARKET OVERVIEW

Headline multi-let rental growth accelerated in H1 2022. This mostly translated into record reversion as contracted rents failed to keep up with the rapid growth in the market. Meanwhile the economic backdrop is poor, with SME indebtedness elevated and the effective SME interest rate rising while company insolvencies have been trending upwards. However, vacancy rates only ticked up slightly in H1 from their record lows. Diverse modern multi-let occupier demand is relatively robust and continues to outstrip supply, with most occupiers currently able to absorb or pass on rent rises. Consequently, while we expect there to be an increase in the multi-let default and vacancy rates from their records lows we do not see them increasing to the magnitudes of previous recessions. ERV growth from H2 2022 onwards should come down to more moderate levels but we do not expect it to turn negative. Meanwhile passing rents will continue to surge over the next several years as the reversion is crystallised across the wider market.

Development pipeline records suggest that there are 337 multi-let schemes at various stages from site acquisition to under construction across the UK, totalling a potential 27.5 million sq ft. Activity is focussed in the North West, with 81 schemes totalling over six million sq ft. The South East has only half as many schemes in the pipeline, but over four million sq ft, with a much larger average estate size of over 104,000 sq ft, compared with the UK average of 81,000 sq ft. Greater London is much more limited, with only 26 potential schemes and mostly at the acquisition stage.

Increased cost and reduced availability in debt markets curtailed Q2 multi-let investment dramatically to only £620m. The drop in competitive tension has knocked the ‘froth’ off prices and caused prime multi-let yields to soften, typically by around 100bps or more. The SONIA forward curve suggests that the Bank rate could be at 4% by early 2023. Outward yield shift and the drop in market rental growth is set to dampen multi-let total return to 12.6% in 2022 and to -1.9% in 2023 in the first negative total return since 2008.



£14.39 ▲
Q2 LONDON & THE SOUTH EAST ERV (16.6% H1 ANNUALISED GROWTH)

22% ▲
Q2 LONDON & THE SOUTH EAST REVERSION

£620m ▼
Q2 MULTI-LET INVESTMENT

£7.17 ▲
Q2 REST OF UK ERV (10.7% H1 ANNUALISED GROWTH)

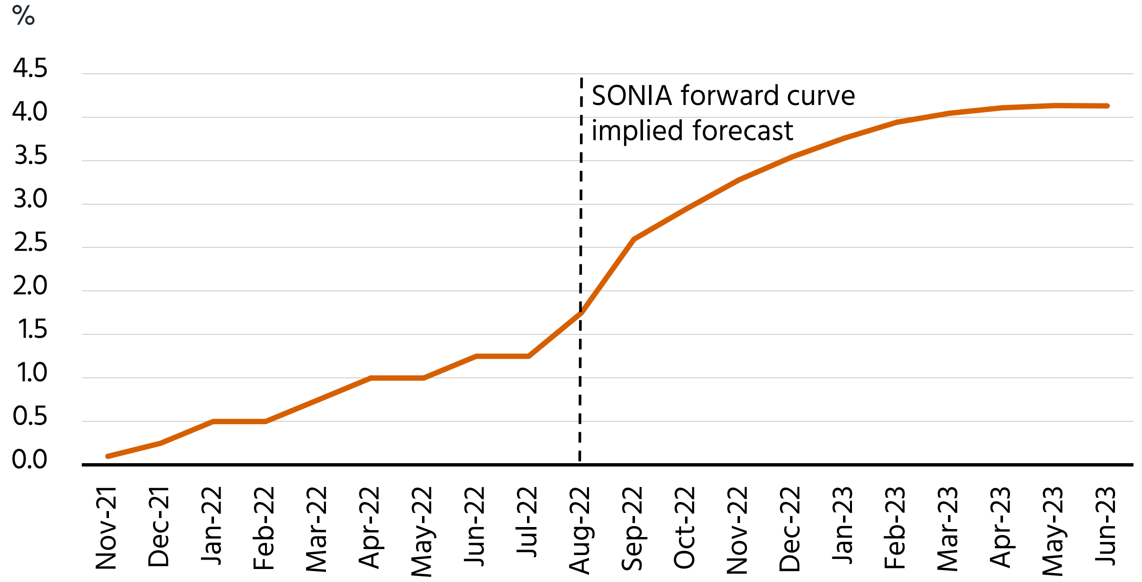
27.5m sq ft
337 POTENTIAL SCHEMES IN THE DEVELOPMENT PIPELINE

12.6% ▼
FORECAST 2022 MULTI-LET TOTAL RETURN

ECONOMY

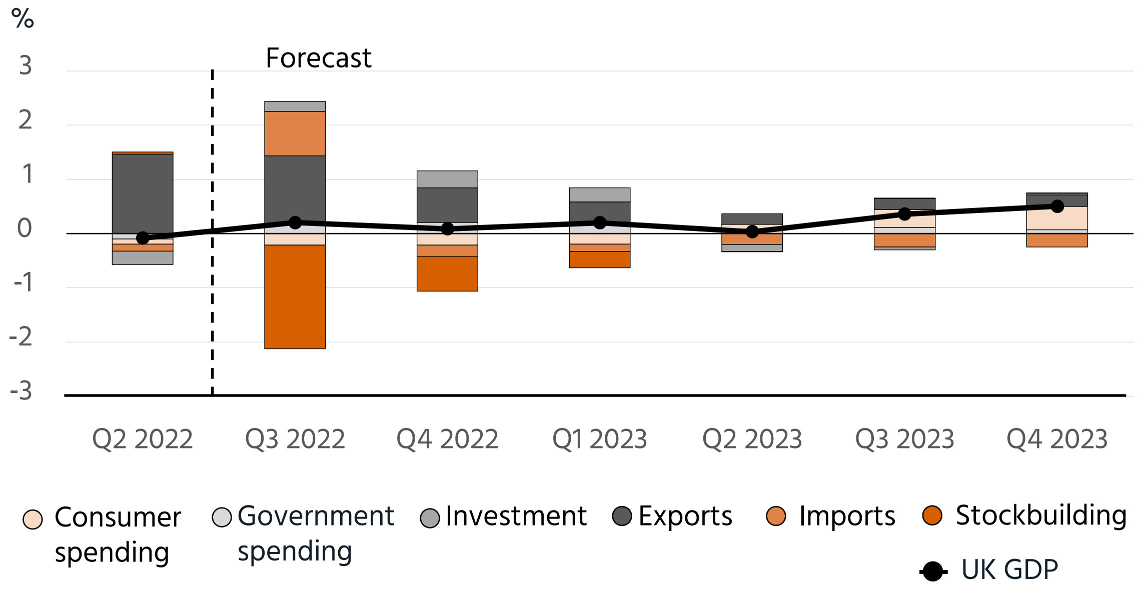
Bank base interest rate

Source: Bank of England, Chatham Financial



UK quarterly GDP growth and contributors

Source: Oxford Economics



DATA AND FORECASTS AT A GLANCE

0.3%
FORECAST 2023 UK ANNUAL GDP GROWTH (3.6% 2022)

1.2%
2023 UK ANNUAL MANUFACTURING OUTPUT GROWTH (2.5% 2022)

4.1%
ANNUAL CONSTRUCTION OUTPUT GROWTH, JUNE 2022

2.1%
FORECAST 2023 UK ANNUAL RETAIL SALES GROWTH (1.3% 2022)

18.6%
CITIGROUP PEAK CPI INFLATION, FORECAST JAN 2023

23.3%
RAW MATERIALS INPUT PRICE INFLATION, JULY 2022

13.5%
CONSTRUCTION COST INFLATION, JULY 2022

$121
RECENT PEAK JUNE 2022 BRENT CRUDE OIL PRICE PER BARREL ($95 Aug 15th)

Sources: ONS, Oxford Economics, Trading Economics, Citigroup, BCIS

UK GDP fell 0.6% month-on-month in June and Oxford Economics has cut its forecast for annual GDP growth for 2023 again by a further 0.5 percentage points to just 0.3%. Unlike several other commentators, including the Bank of England, Oxford Economics does not yet forecast a recession. However, the consumer sector is already in recession and is expected to be a drag on GDP until at least mid-2023, though this seems optimistically mild.

Real household incomes are expected to fall by more than 5% between Q1 2021 and Q1 2023. In principle households could take on new credit and spend some excess saving accumulated during the pandemic. However, the saving ratio is already very low and even if it falls to its lowest ever level next year it will not be sufficient to stop consumer spending contracting.

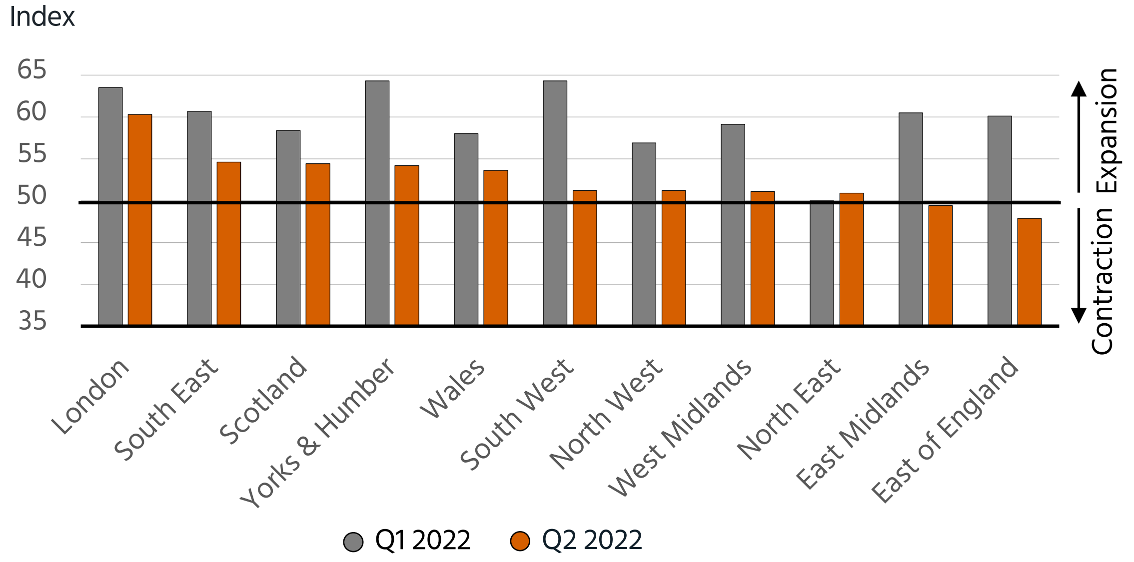
UK CPI inflation rose to 10.1% in July, a 40-year high. Various other business input cost measures are similarly into double digits. The price of oil has come off its recent high but there is still momentum across a wide range of global goods and sectors. The recent jump in energy futures means the energy price cap is set to rise by around 80% in October and 20% in January. Some forecasters, such as Citigroup, expect UK CPI inflation to peak at over 18% by January 2023.

The Bank of England raised the base interest rate to 1.75% in August. The MPC has adopted a significantly more hawkish and aggressive stance to try to stop inflation from becoming entrenched in domestic prices and wages. Consequently the SONIA forward curve suggests base rates of over 4% in Q1 2023.

BUSINESSES (AND HOUSEHOLDS)

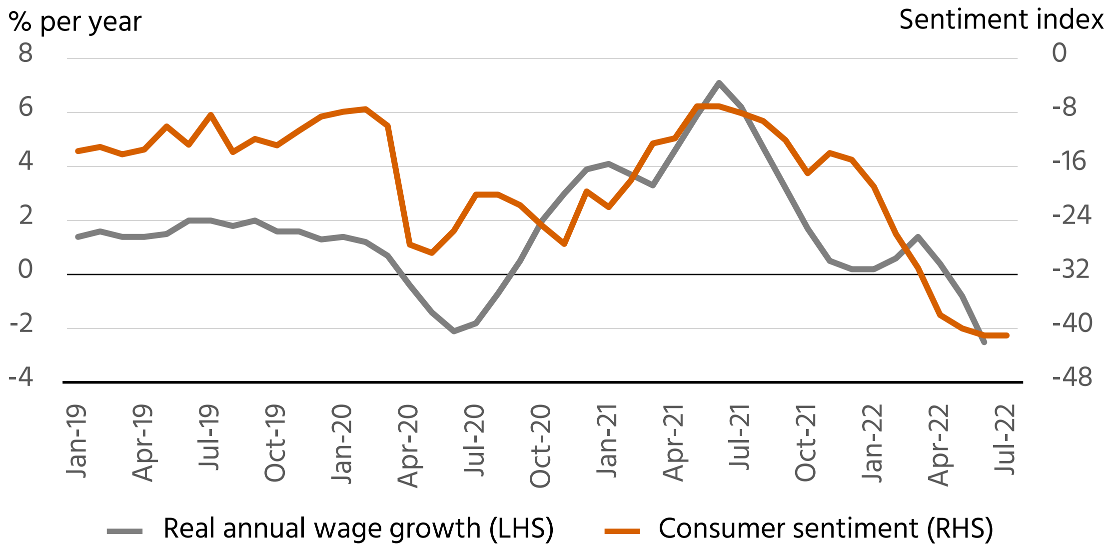
Business activity index by region

Source: Natwest regional PMI



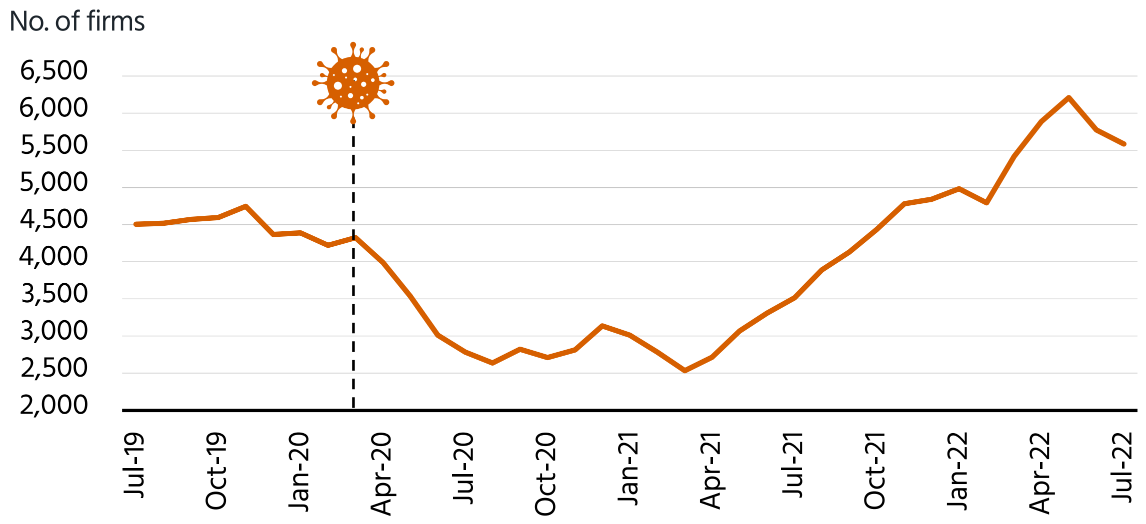
Real wage growth and consumer sentiment

Source: ONS, Trading Economics



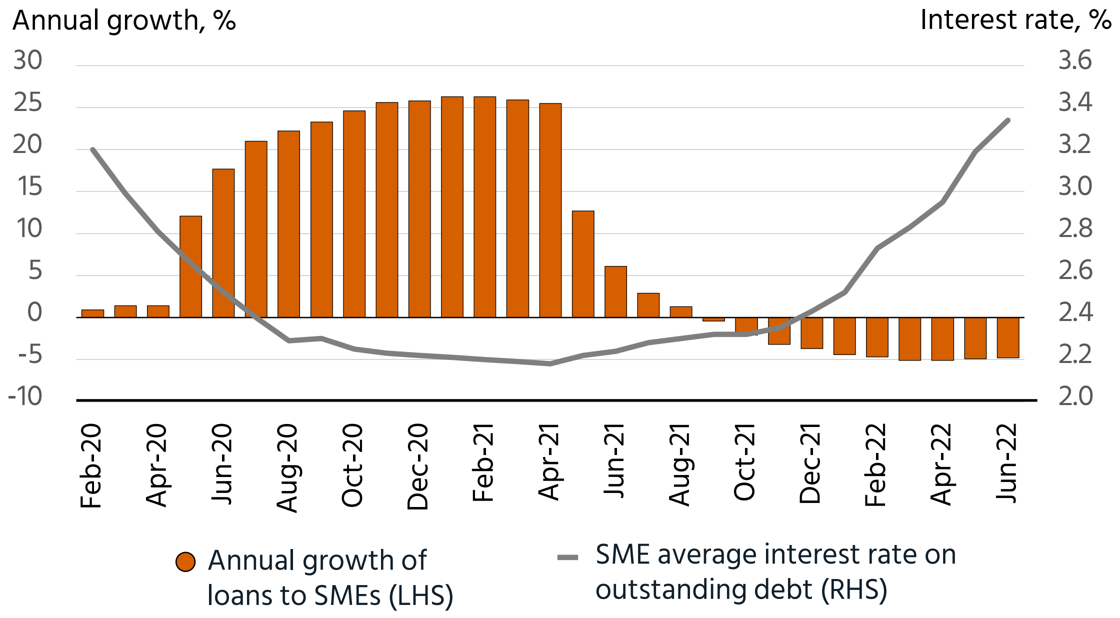
UK rolling quarterly business insolvencies

Source: ONS



Lending volume to and interest rate for SMEs

Source: Bank of England



The prospect of high and sustained inflation and an uncertain and worsening economic backdrop has negatively impacted business confidence and new business demand across the UK. Firms in all regions reported significantly increased costs for goods and services in Q2. London continued to outperform the other UK regions in terms of output and employment growth. But two out of the 12 regions saw new business fall in June, the most since the lockdowns in early 2021, whilst the remaining areas all saw growth of new business slow. More regions are set to fall below 50 and into contraction in Q3.

Nominal wage growth has fallen behind the rise in the cost of living and real annual wage growth in June trended down to below the rate during the pandemic. Its rate of decline and expected deterioration can explain UK consumer sentiment, which continues to sit at a record low.

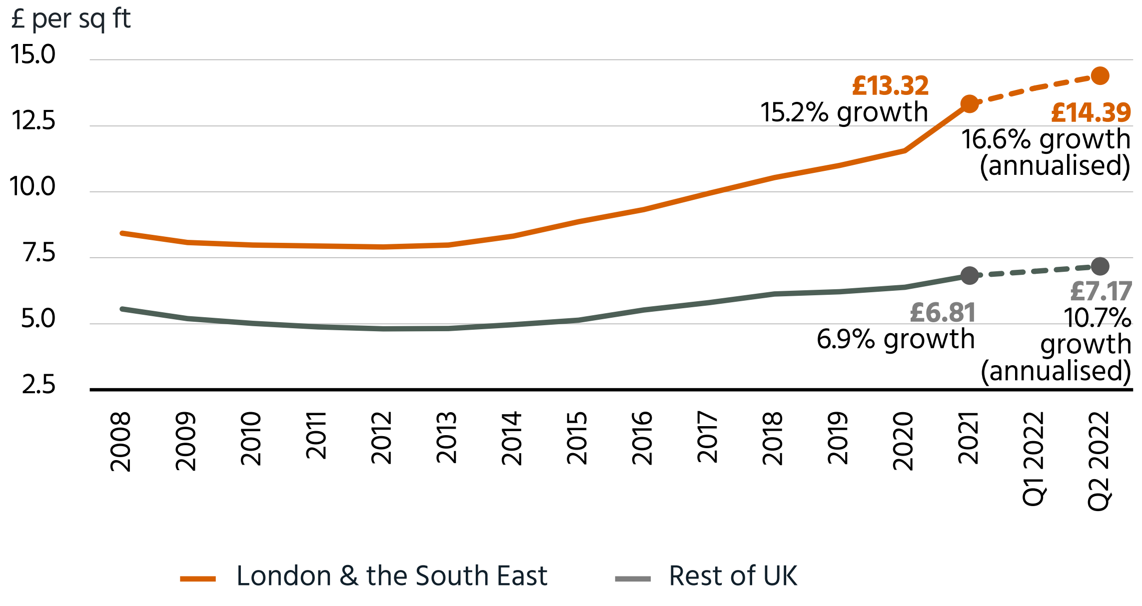
Data from the Bank of England show that SMEs took on a significant amount of new debt over the pandemic. Around 70% of this was from non-government lenders and consequently the effective SME interest rate has been rising. Quarterly insolvencies have been trending sharply upwards also but the tick down in the last two months suggests this may still turn out to be a shakeout from the subdued period of insolvencies during covid where there was significant government support.

OCCUPIER MARKETS - RENTS

RENTAL GROWTH ACCELERATED INTO H1 2022 BUT UNDERRENTEDNESS AND REVERSION CONTINUE TO RISE

Across the country H1 was stronger for multi-let rental growth than previously expected. In fact the annualised rate of growth for all grades of multi-let accelerated to almost 17% in London & the South East and 11% in the regions outside it. In prime markets this growth has continued to be more acute, especially in London, where prime rents in Q2 were 30-40% higher than they were a year earlier. So far, the majority of this has translated into record underrentedness and reversion as contracted rents have failed to keep up with the rapid growth in the market. This had increased to 22% in London & the South East by end H1 2022.

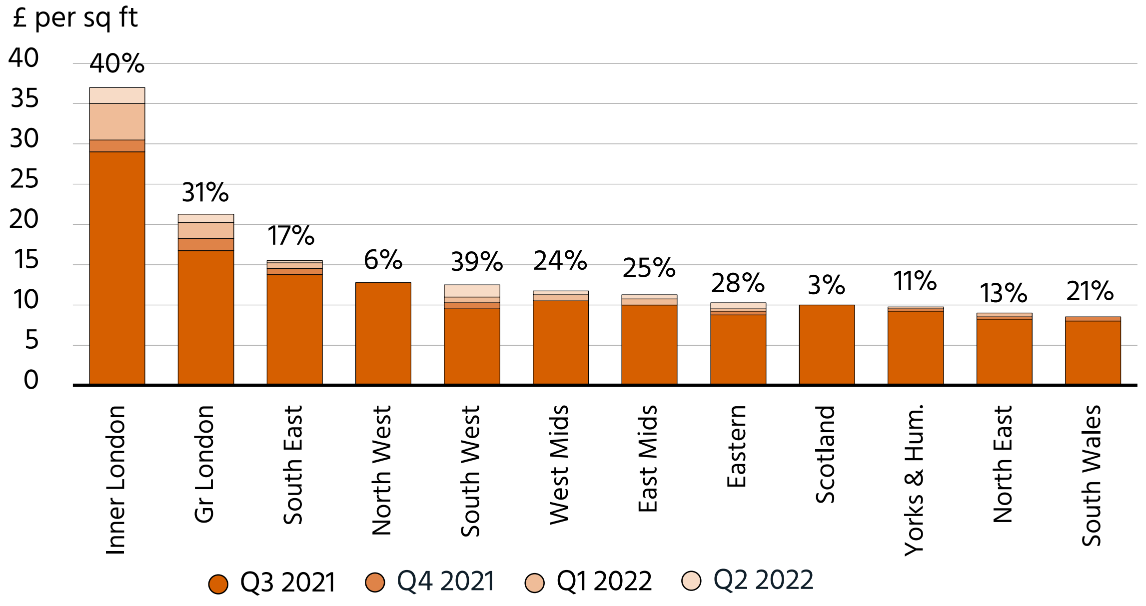
All-grades multi-let ERVs
Source: Gerald Eve



RISKS HAVE INCREASED BUT THE OCCUPIER BASE IS LIKELY TO BE ABLE TO WITHSTAND THEM

The economic backdrop is poor, with real wage growth and consumer sentiment plumbing new lows. SME indebtedness is elevated and their effective interest rate is rising. However, occupier demand remains robust and continues to outstrip supply. Moreover, there has been a structural shift in the multi-let occupier base, notably over 2012-16, towards stronger and more diverse 'modernised' tenants that pay a smaller share of rent as part of their total costs than more traditional occupiers and are more able to absorb or pass on rent rises. Some modern segments have continued to grow past 2016, such as logistics and Q-commerce.

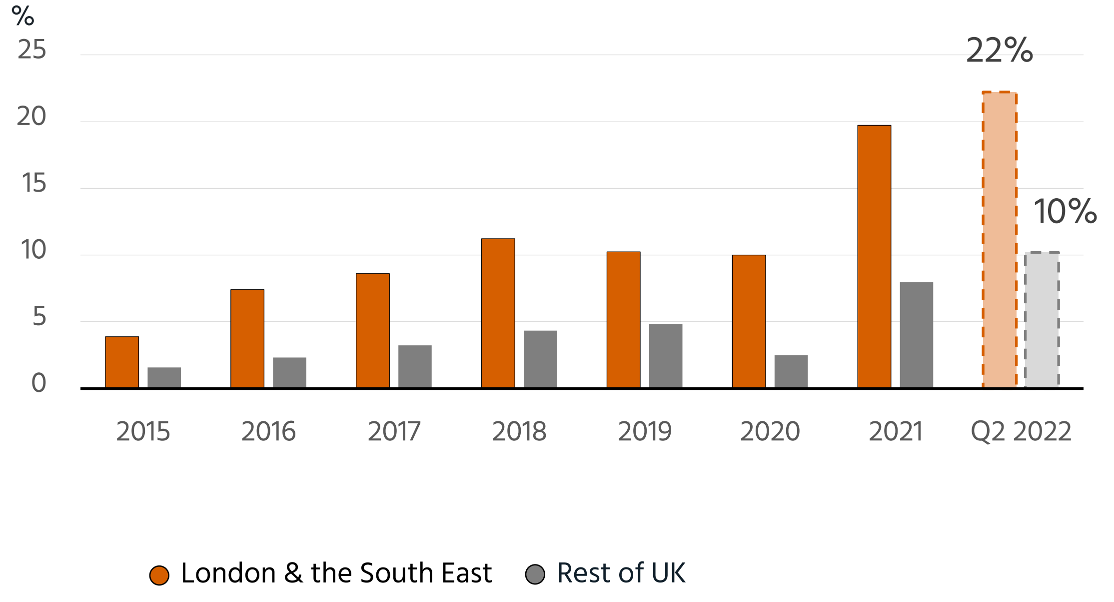
Prime multi-let ERVs and annual growth
Sources: Gerald Eve



A SIGNIFICANT INCREASE IN SUPPLY AND FUTURE NEGATIVE ERV GROWTH REMAINS UNLIKELY

While we expect there to be an increase in the multi-let default and vacancy rates from their records lows we do not see them increasing to the magnitudes of previous recessions. The occupier base is, in the main, robust, and exercising breaks or using an expiry to downsize would be very expensive and we do not expect this to become commonplace. Most of the ERV growth for 2022 is likely "baked in" now and we expect future market annual rental growth to come down to more moderate but positive levels. However, passing rents will continue to increase above this rate over the next several years as the reversion is crystallised across the whole market.

All-grades multi-let underrentedness/reversion
Source: Gerald Eve



OCCUPIER MARKETS – SUPPLY AND DEVELOPMENT

The vacancy rate gap between London & the South East and the Rest of the UK narrowed in 2020 and both series remain close to historic lows though estimates are that they ticked up slightly in the first half of 2022.

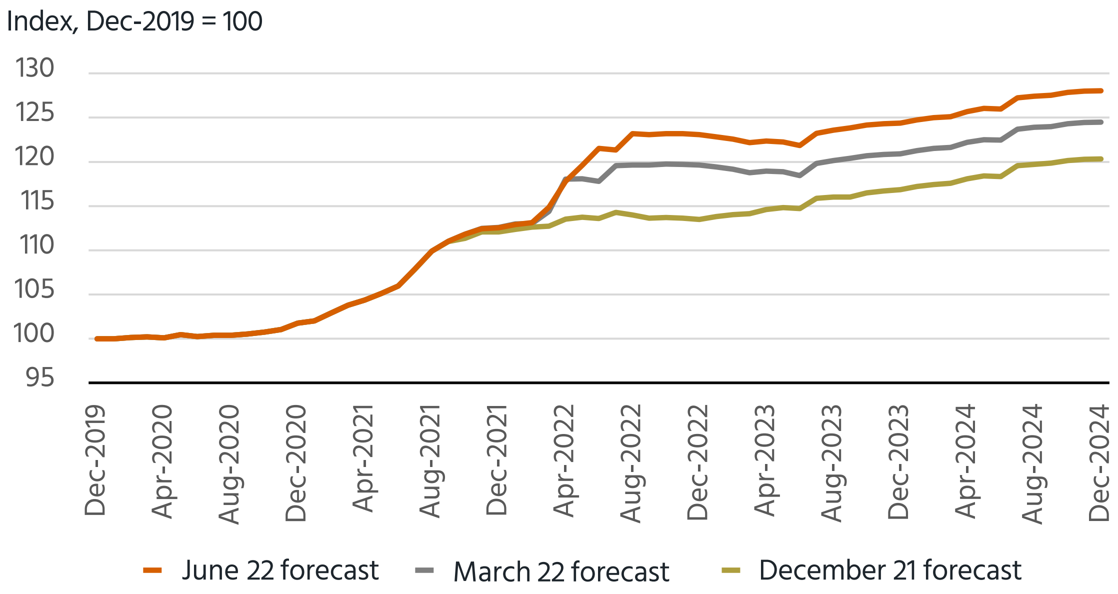
Build cost inflation has continued to surprise on the upside and sequential forecasts have been pushed up significantly further. However, the consensus on the ground is that while cost inflation remains an issue it has now slowed. Location factors are important, with build costs of up to £130 per sq ft in central London, but closer to £80 per sq ft in the Midlands.

Development pipeline records suggest that there are 337 multi-let schemes at various stages across the UK, totalling a potential 27.5 million sq ft. Activity is focussed in the North West, with 81 schemes totalling over six million sq ft. The South East has only half as many schemes in the pipeline, but over four million sq ft, with a much larger average scheme size of over 104,000 sq ft, compared with the UK average of 81,000 sq ft. London development has some limitations in terms of accessing suitable power supply and has 26 potential schemes also at an above-average 94,000 sq ft. Most of this space is still at the site acquisition stage.

For schemes under construction, the North West comes out on top again, with almost 700,000 sq ft being built and the majority coming to the market in Q4 2022. Prominent schemes include 100,000 sq ft at Gemini8 that is key to setting new rental tone in Warrington. In the South East, Oceanic Estates is set to deliver 10 multi-let units totalling 214,000 sq ft in Southampton in Q3 2022.

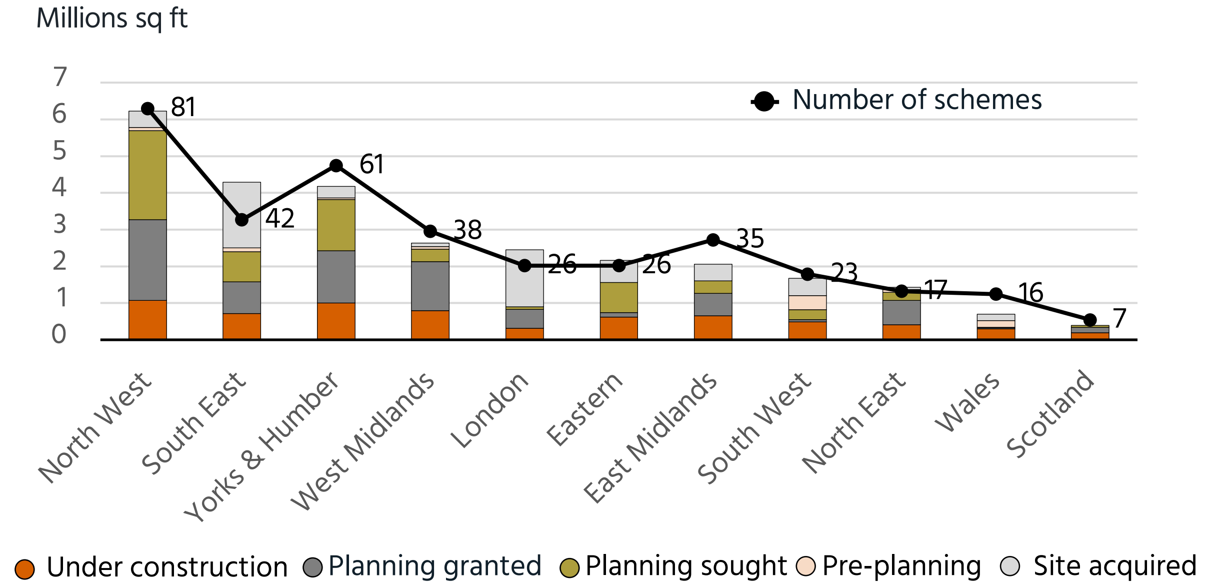
BCIS build cost index

Source: BCIS



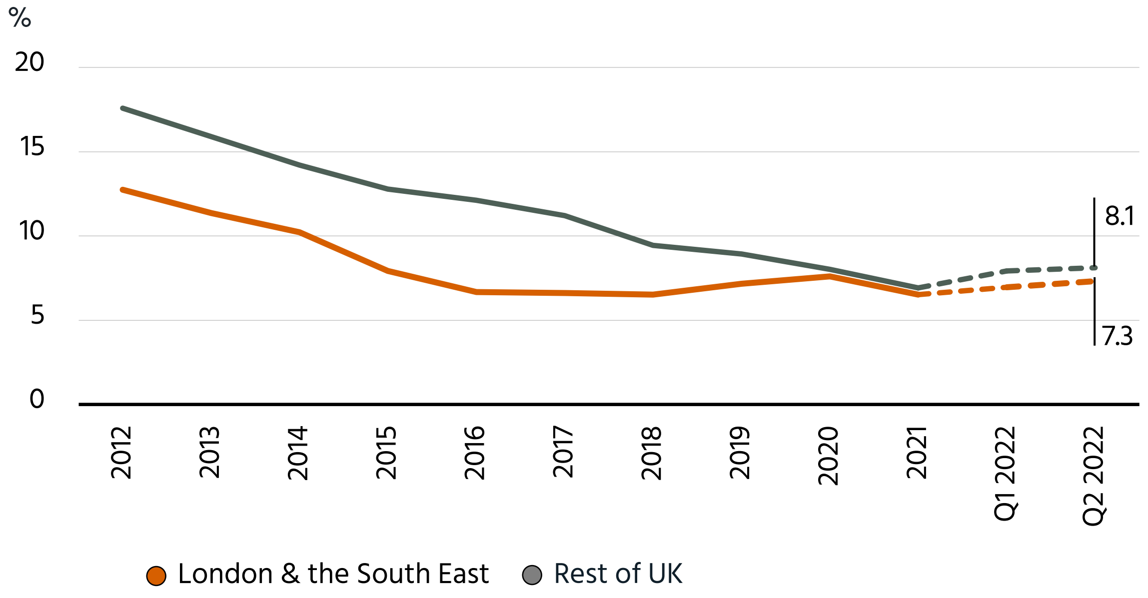
Multi-let development pipeline

Source: Gerald Eve, Property Data



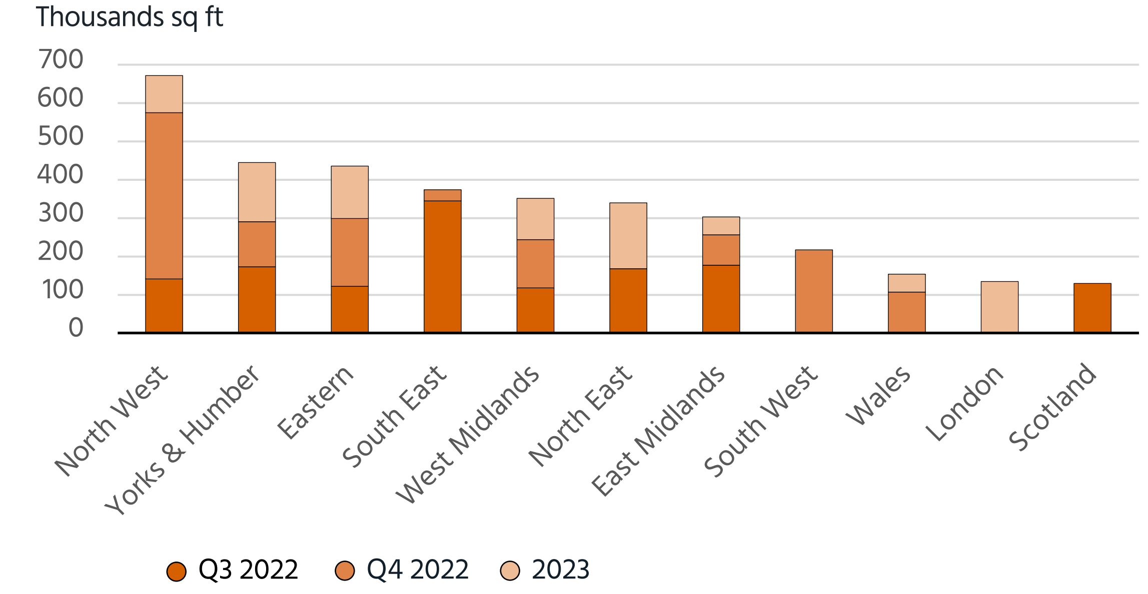
Vacancy rate by major UK region

Source: Gerald Eve



Expected completion dates of schemes under construction

Source: Gerald Eve, Property Data



OCCUPIER MARKETS – SECTORS

Trade counters and construction should prove to continue to be resilient and provide the backbone of multi-let demand. There continue to be requirements in the market from this segment and the rents required to maintain access to urban centres continue to be affordable. Suitable supply continues to be very tight, and occupiers will continue taking smaller space than is ideal for them if that is all that is available.

Compromise is less likely around ESG credentials, however, and trade counter occupiers will seek where possible to move and upgrade the quality and EPC grade of their space at expiry. This is in part to provide an improved workspace for staff and a better quality customer service offer. Moreover, a more modern, sustainable building is cheaper and easier to maintain and run.

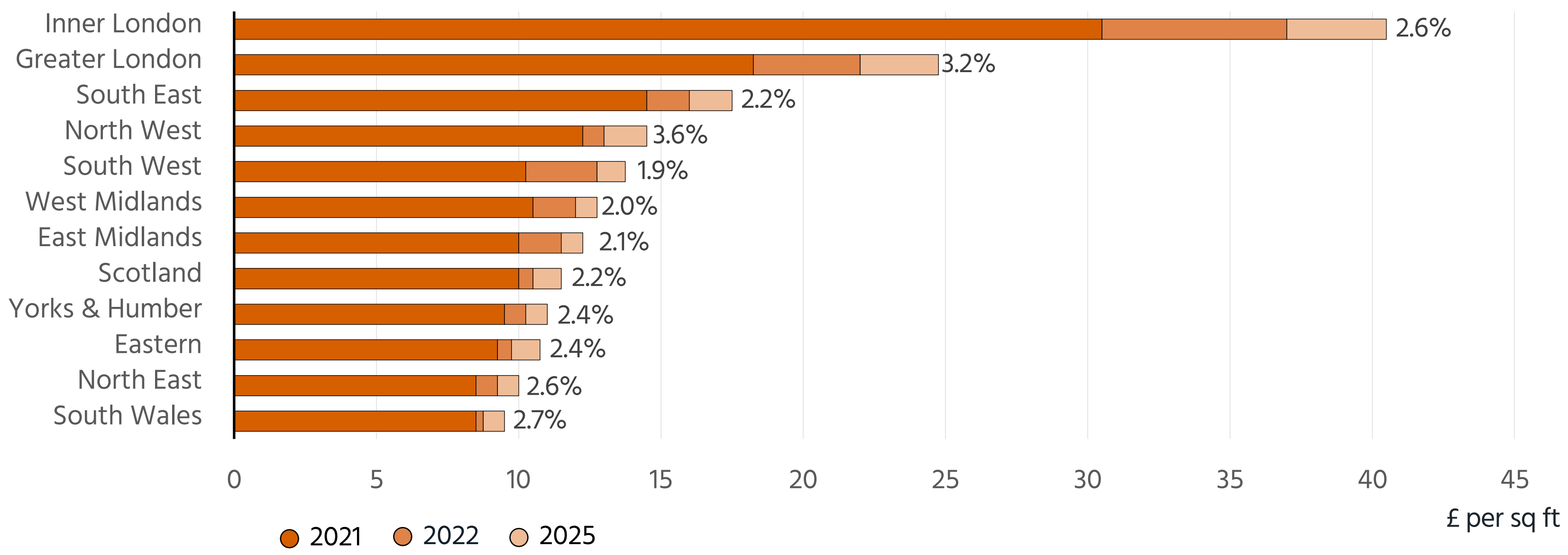
There remains good multi-let occupier demand from **third party logistics** firms, notably in the South East. The EPC grade requirements are a factor here also. Logistics operations may be lower staffed and not be customer facing, but the contracts are potentially tied with clients who have overall ESG targets they need to achieve with their partner operators.

Meanwhile there has been some easing of new occupier demand from the **film and TV streaming media** giants in the big industrial sheds around the South East, and there has been some recent examples of sub-letting recently. However, there remains some inertia in trickle down multi-let demand for support services (e.g. storage of lighting and rigs, etc), which should continue to some extent.

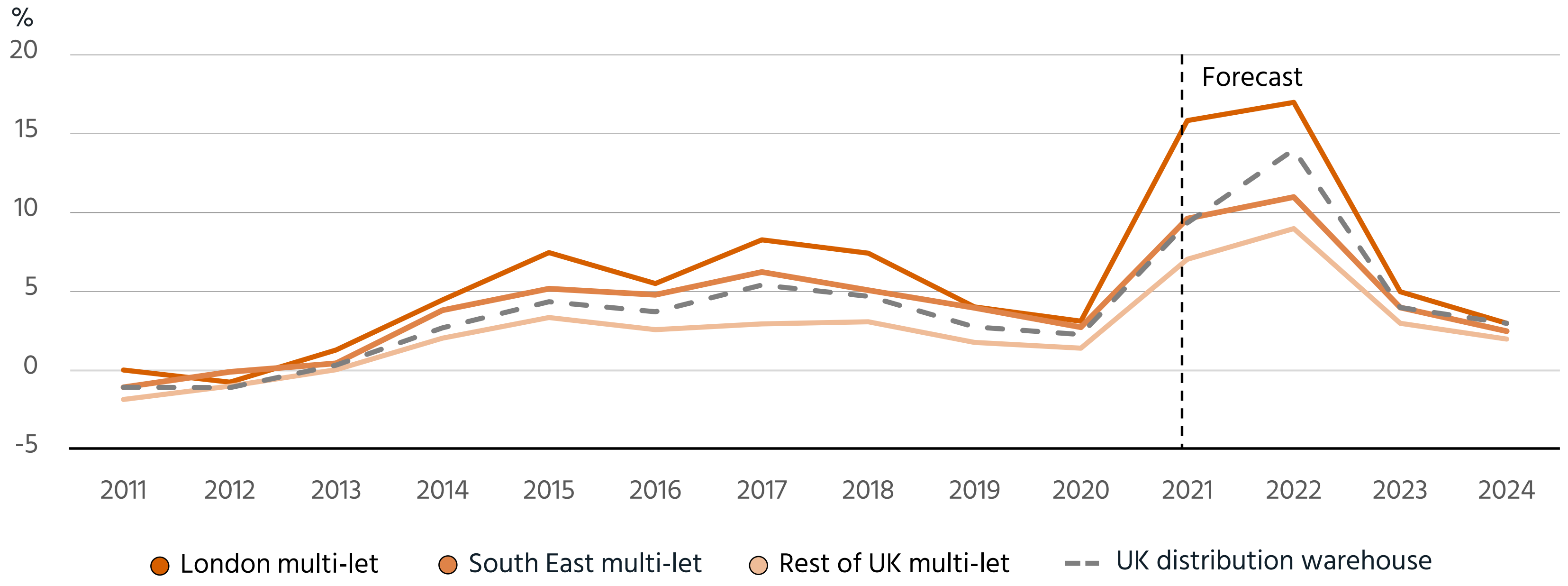
New multi-let demand from **Q-commerce** grocery logistics is set to ease now that many of the larger operators have now established themselves. There have been numerous mergers and consolidations in this sector while occupiers from other sectors (i.e. trade counters) seek to adopt similar technologies and delivery models.

RENTAL OUTLOOK

Prime multi-let rents and average annual growth 2023-25
Source: Gerald Eve



All-grades multi-let rental growth
Source: MSCI, Gerald Eve



The dramatically weakening economic backdrop is of significant concern, but modern multi-let occupier demand continues to have a breadth and depth that outstrips current supply. Nevertheless, after a truly unprecedented period of uplift, the rate of prime headline rental growth in 2021 and the first half of 2022 is finally set to ease. Occupiers renewing or regearing their leases over the next few years are going to face a significant hike in rents along with their many other business costs as the market catches up but, taking the market as a whole, there is resilience here and we don't foresee an exodus and significant increase in the vacancy rate.

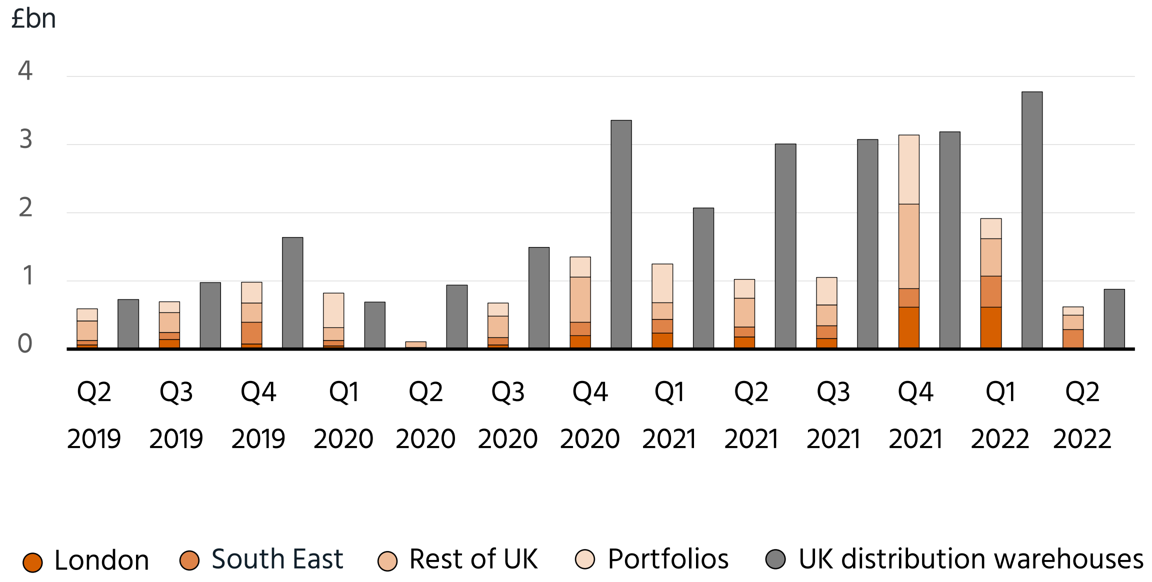
Mark Trowell, Partner

INVESTMENT MARKET

SHIFT IN INVESTMENT MARKET IMPACTS Q2 DEAL VOLUME

The multi-let investment market has rapidly shifted in line with increased cost and reduced availability in debt markets, both in the UK and USA, which has reduced purchaser numbers, notably debt-backed private equity. There is still confidence in the underlying occupier market but the investor buyer pool at current spreads has narrowed and bidding on any one asset has thinned out. Q2 multi-let investment came in at £620m – the lowest quarter since the Q2 2020 onset of the covid pandemic or after the 2016 Brexit referendum. Investment activity for the big logistics sheds was significantly impacted in Q2 also. Most investor types were net divestors in Q2, with the exception of a small net investment from overseas.

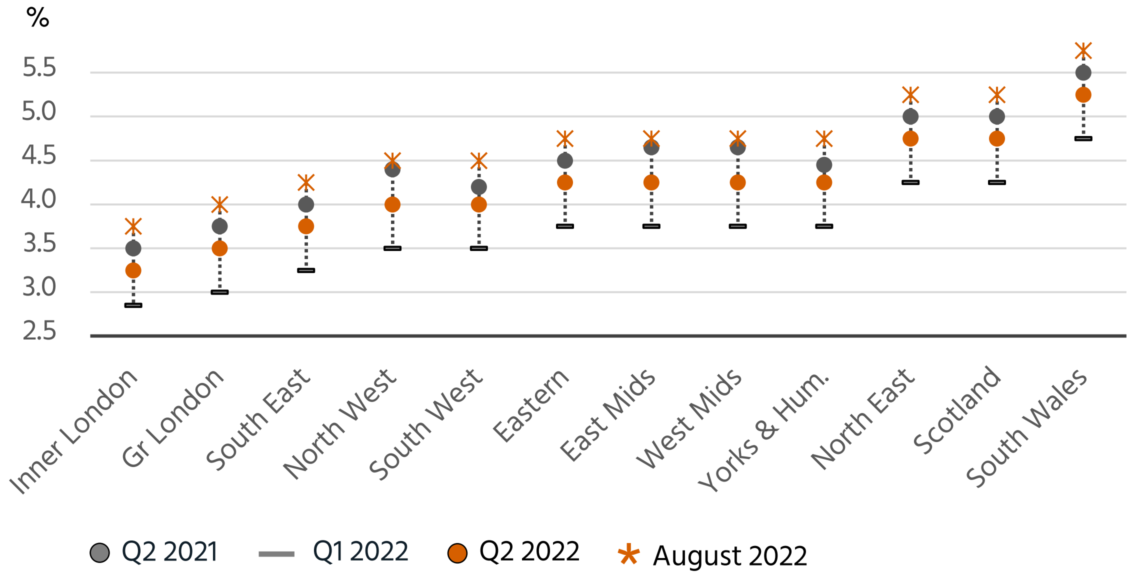
Investment by multi-let segment & distribution warehouses
Source: Gerald Eve, Property Data



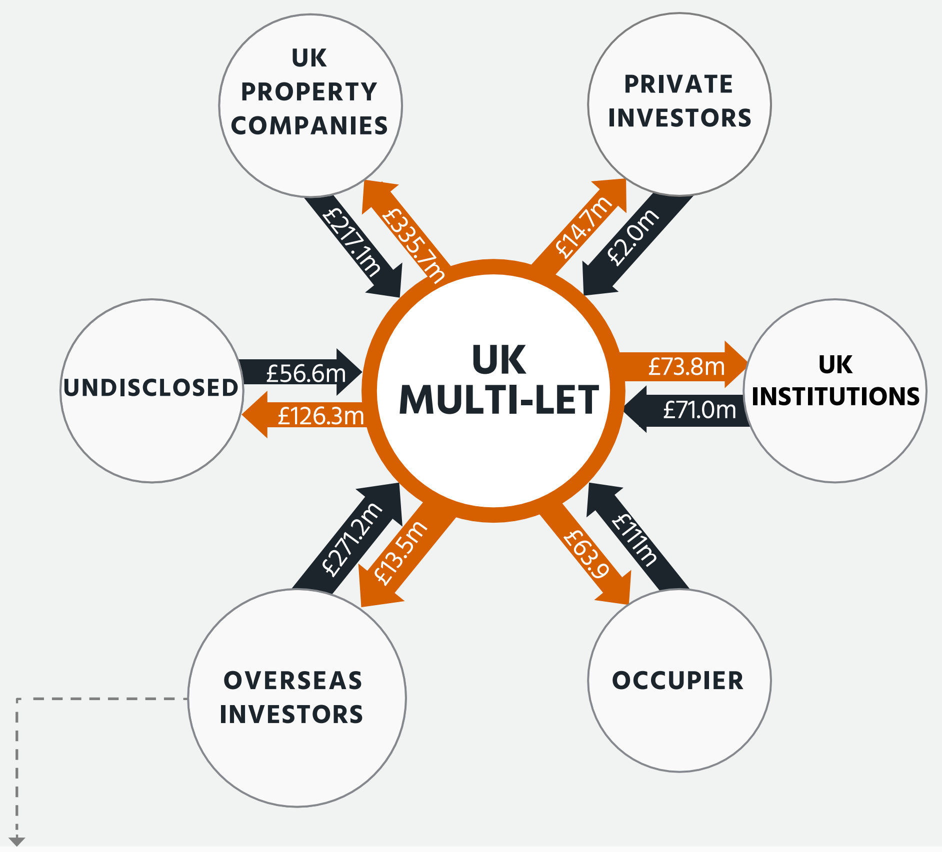
YIELDS SHIFT OUT IN A FIRST SINCE 2016

Buyers have less conviction and many have adopted a 'wait and see' approach over the summer. Meanwhile sellers have brought forward their plans to sell in Q4 this year when the market is typically most active. The drop in competitive tension knocked the 'froth' off prices in Q2, which was the first outward yield shift since Q3 2016 at the time of peak Brexit referendum uncertainty. Prime multi-let yields have subsequently softened further in July and August, typically by a total of around 100bps or more from their Q1 lows points and to a level higher than they were in Q2 2021. There remains a group of buyers who see this situation as an opportunity, since pricing is lower than it was a year ago and the competition is far less intense.

Prime multi-let yields by region
Source: Gerald Eve



UK MULTI-LET CAPITAL FLOWS, Q2 2022
Source: Gerald Eve, Property Data



INVESTMENT VOLUME BY INVESTOR SUB-DOMICILE

£271.2m
NORTH AMERICAN

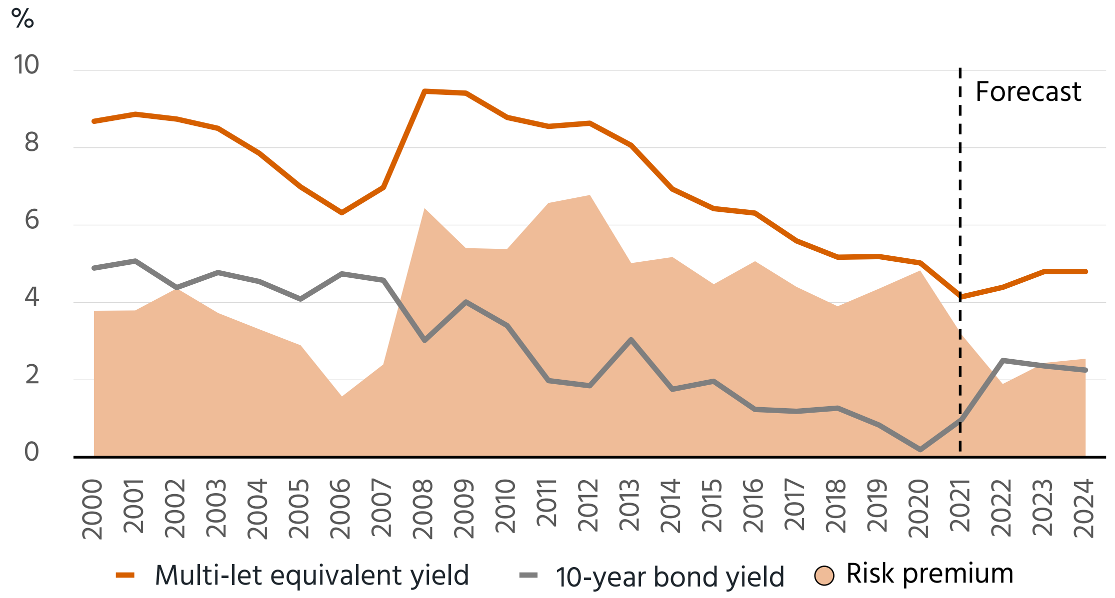
100%
OF OVERSEAS INVESTMENT

PERFORMANCE AND OUTLOOK

RISK PREMIUM NARROWS, EVEN HIGHER BASE RATES LIKELY

The UK 10-year government bond yield has risen sharply in recent months, which will have narrowed the multi-let risk premium despite the recent increase in multi-let yields. The prospect of interest rate hikes remain to the upside while inflation remains elevated and there is an expectation that the Bank rate could be at 4% by early 2023. Forward looking financial market interest rate benchmarks such as SONIA certainly suggest continued increases this year which could narrow the buyer pool further up the risk curve. Oxford Economics forecasts a drop in the bond yield in 2023, which would widen the risk premium but we consider this to be overly optimistic. The availability of credit will likely thin as lenders become increasingly cautious.

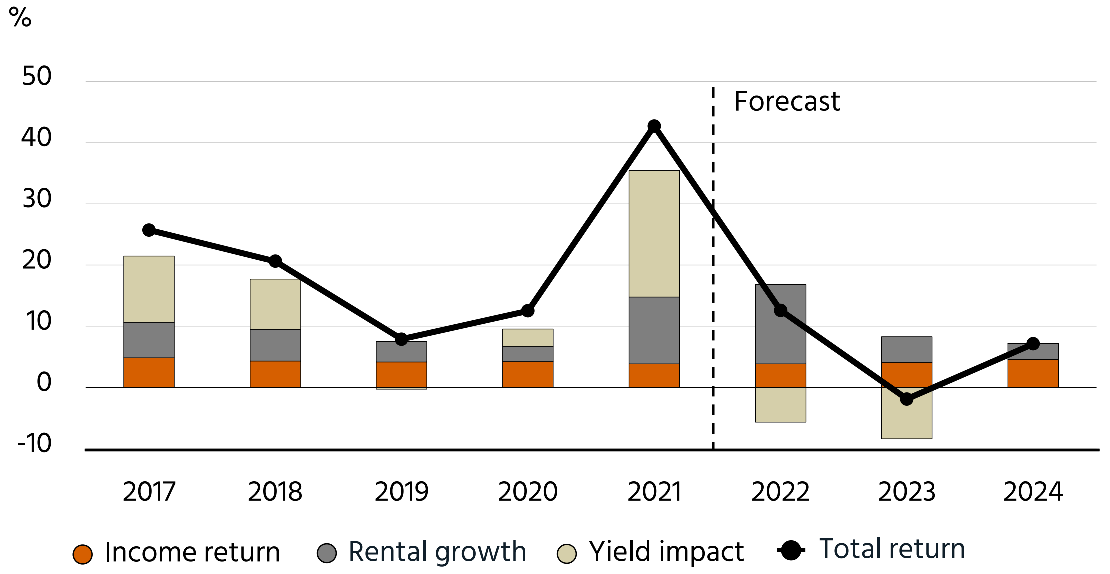
Multi-let risk premium
Source: Gerald Eve, MSCI, Oxford Economics



POTENTIAL NEGATIVE ANNUAL TOTAL RETURN IN 2023

The anticipated outward yield shift in H2 this year is expected to more than offset the inward yield shift recorded in H1. As such, we forecast a small net negative overall annual yield impact in 2022. This would be the first meaningfully negative yield impact since 2012. Consequently multi-let total return is set to be similar to 2020 but driven principally by rental growth this time. The direct market will likely correct quite quickly but in 2023 we see some potential further valuations-based yield softening in H1 as valuations lag market pricing. Since rental growth is expected to normalise to low single digits and income return is relatively low there could be the prospect of a negative annual return for the first time since 2008.

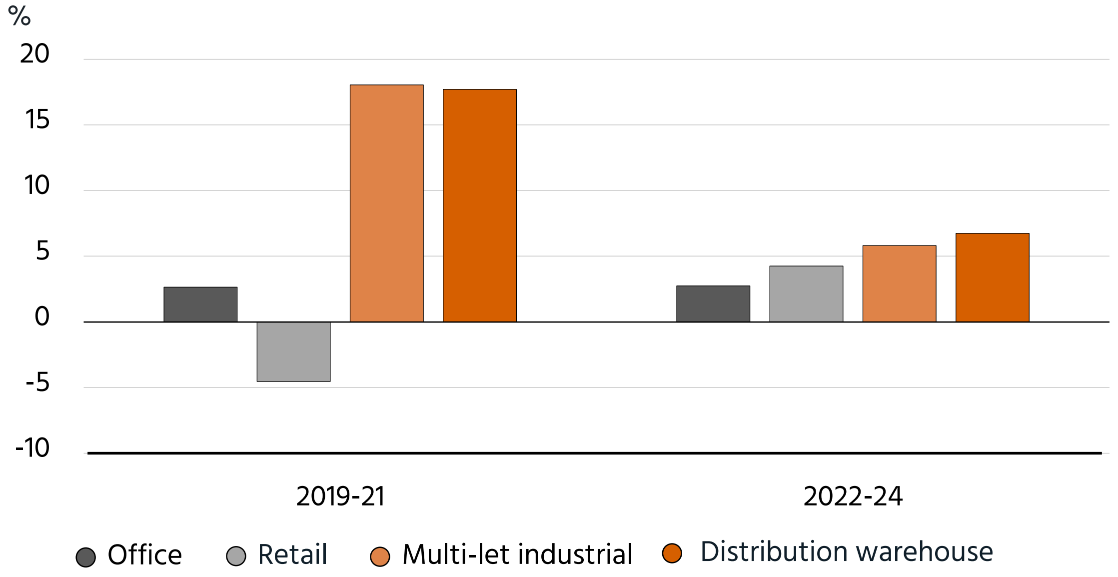
UK multi-let annual total return and components
Source: MSCI, Gerald Eve



MARGINAL OUTPERFORMANCE DRIVEN BY 2022 RENTS

Multi-let and distribution warehouses were the runaway outperformers over 2019-21, with sharp inward yield shift and an average of almost 18% annual return over the period. In contrast capital values for retail dropped precipitously and offices yields were relatively stagnant over the pandemic. Consequently, despite having strength in the occupier market, multi-let yields are problematically low in a high inflation and rising interest rate environment. We anticipate that industrial will outperform the other major property sectors over the next three years on average, but this will be much more marginal than the last three years and will be weighted heavily towards 2022's high rental growth.

Average annual total return by sector
Source: MSCI, Gerald Eve



MULTI-LET REGIONS

Click on a region to jump to the page for more detailed breakdown and insight.

Q2 PRIME RENTS PER SQ FT AND AUGUST 2022 EQUIVALENT YIELDS

£10.00/5.25%

£9.00/5.25%

£12.75/4.50%

£9.75/4.75%

£11.75/4.75%

£11.25/4.75%

£10.25/4.75%

£8.50/5.75%

Greater £21.25/4.00%
Inner £37.00/3.75%

£12.50/4.50%

£15.50/4.25%

LONDON

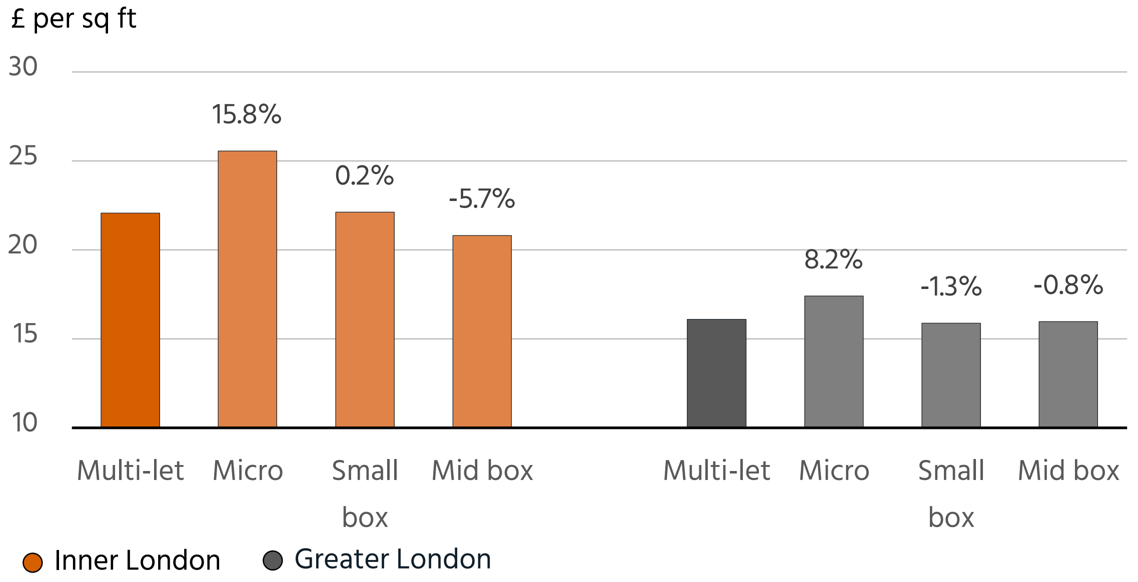
Continue with this region

All-grades ERV by area

Source: Gerald Eve

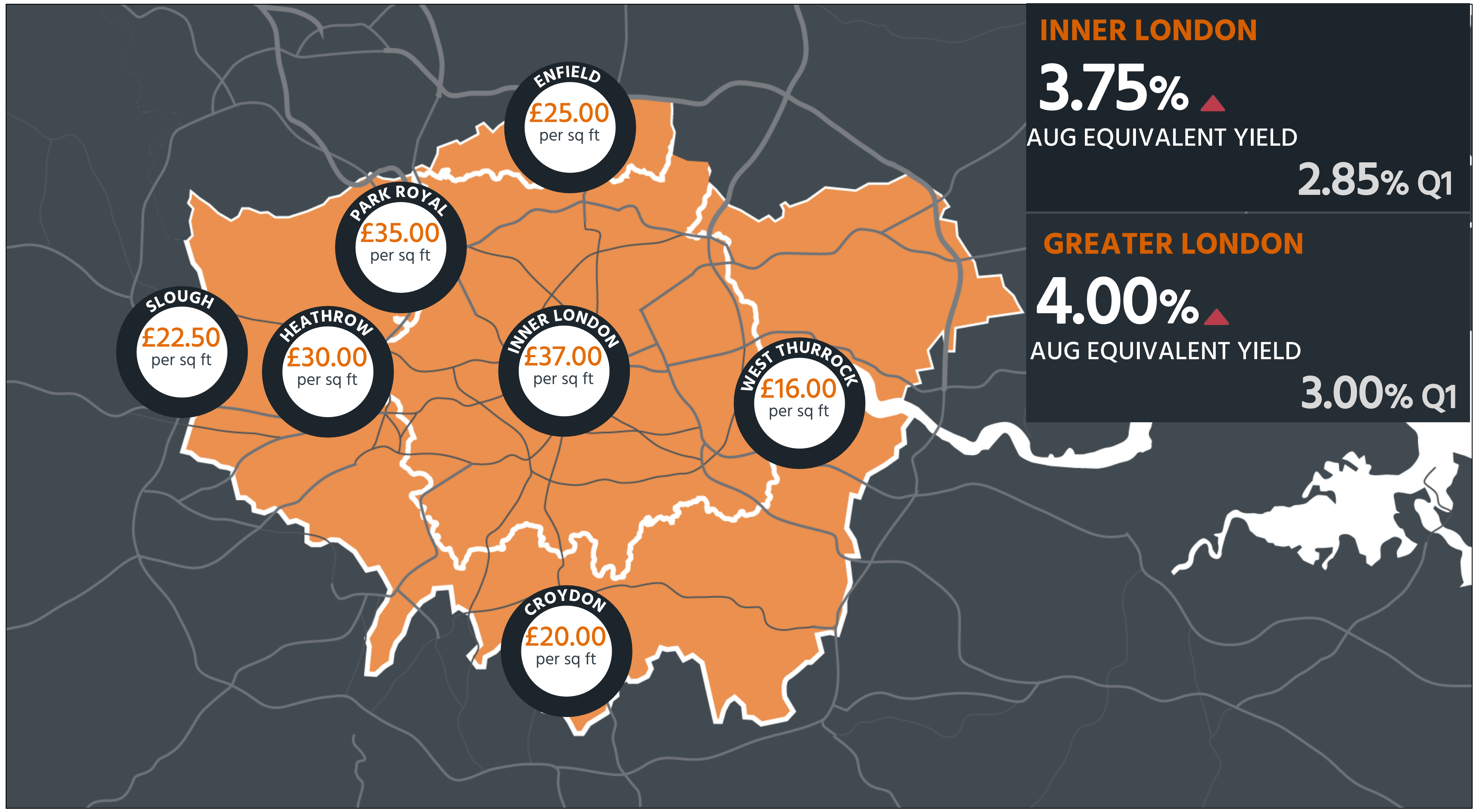
Q2 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve



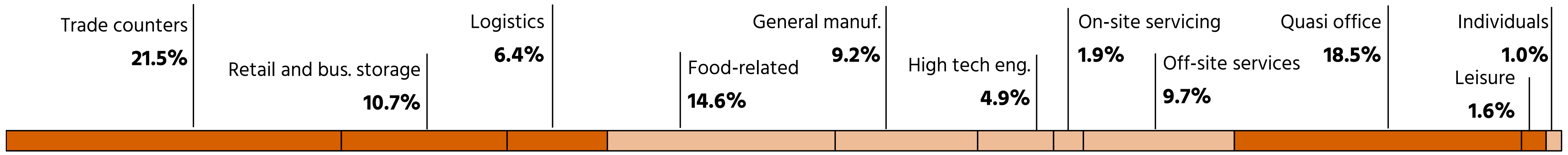
Q2 prime rents and equivalent yields

Source: Gerald Eve

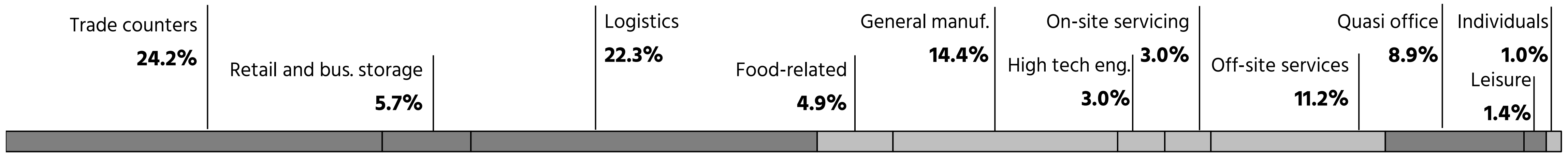


LONDON

Inner London



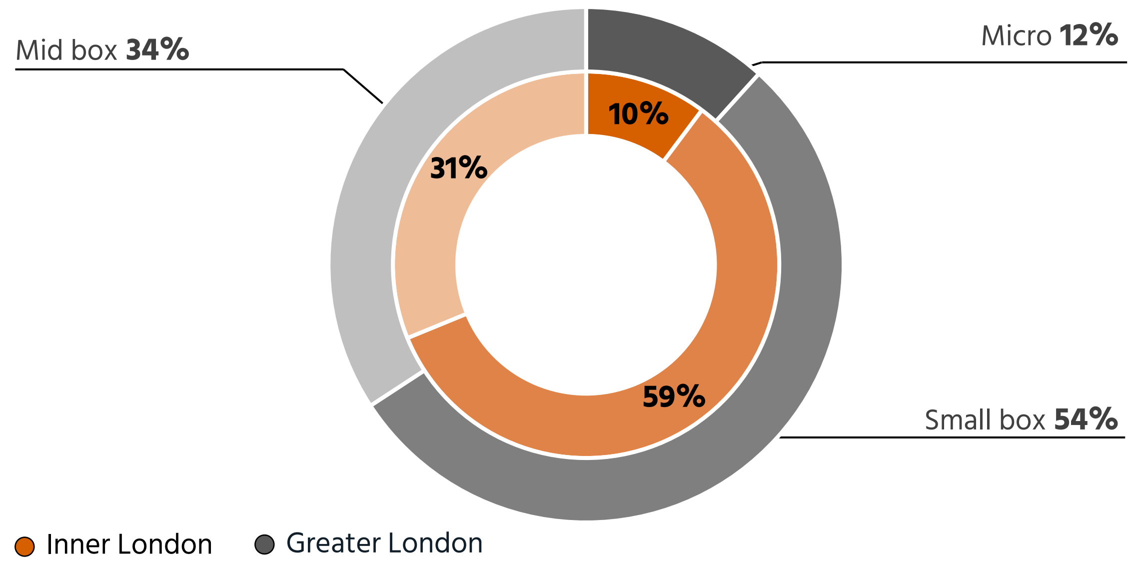
Greater London



London has the largest prime multi-let market in the UK, where rents have grown as much as 40% over the past year. Inner London is the most expensive, at £37.50 per sq ft and West Thurrock to the east is the cheapest at £16.00 per sq ft. Micro units in the centre carry a significant 16% premium over the average size. The market is characterised by a notably oversized proportion of food-related occupiers in Inner London and logistics operators in Greater London, notably in the mid box units. The EPC credentials are the best in the country, with a tiny proportion of F&G units and a majority in the A-C range. There are 26 schemes in the development pipeline, totalling 2.5m sq ft. However, the majority is at the early site acquisition stage and only 135,000 sq ft is under construction and due for completion in 2023.

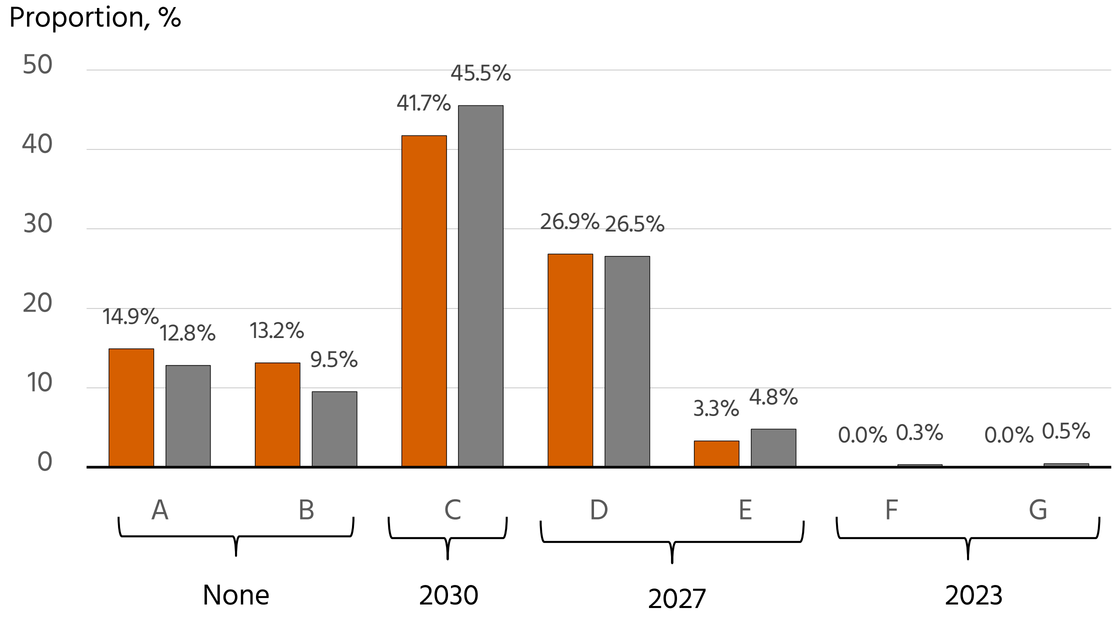
Proportion of floorspace by unit size

Source: Gerald Eve



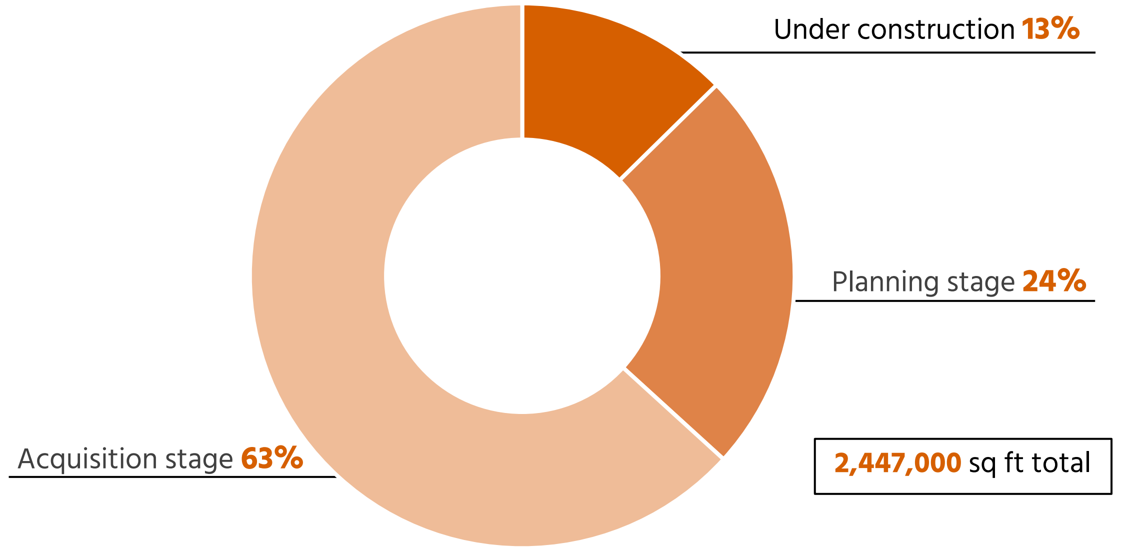
Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve



Development pipeline

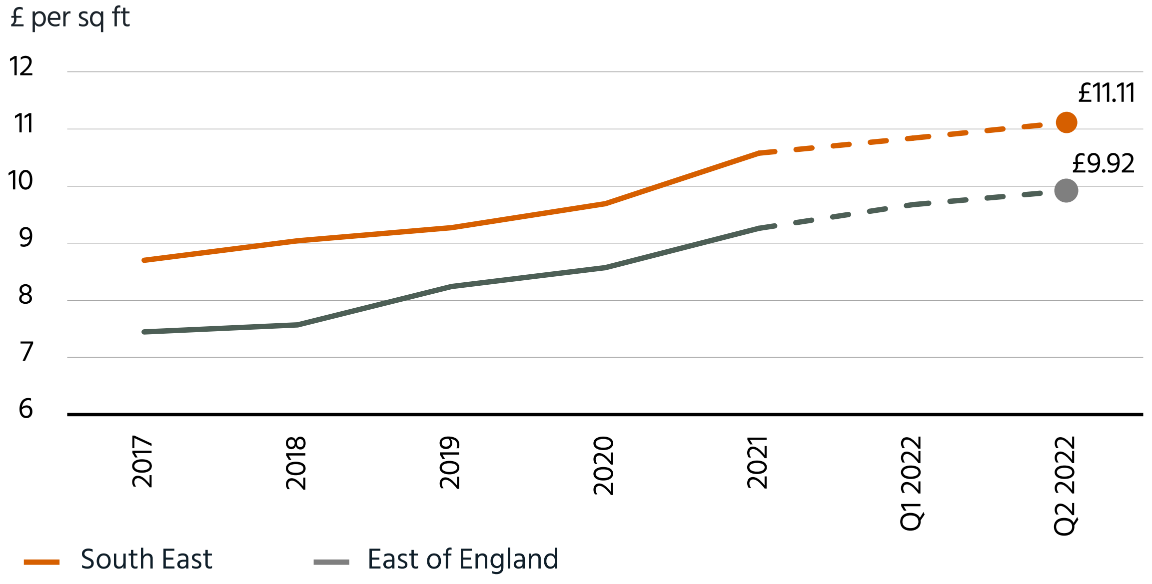
Source: Gerald Eve, Property Data



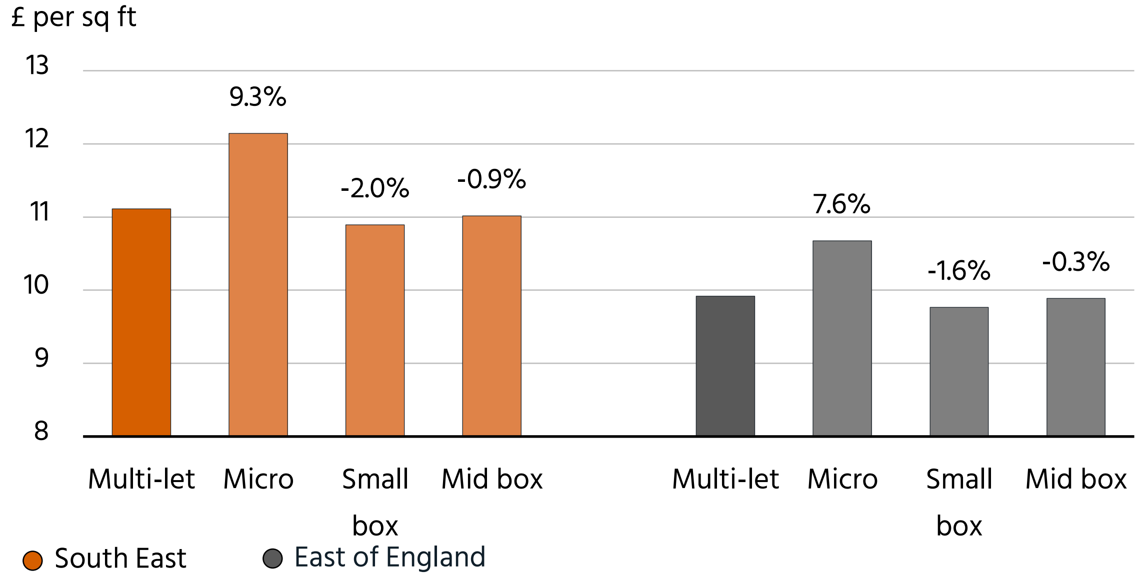
THE SOUTH AND EAST

Continue with this region

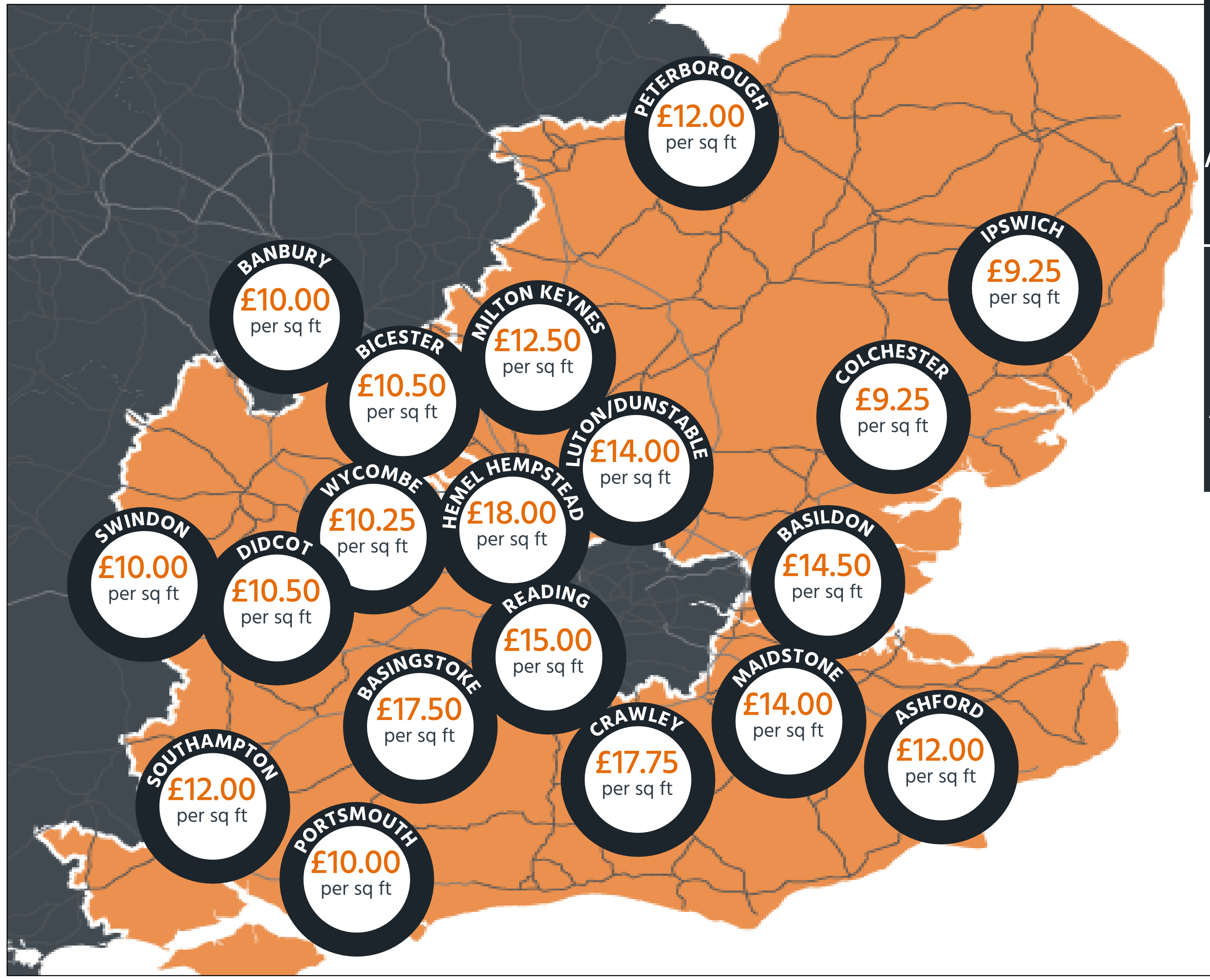
All-grades ERV by area
Source: Gerald Eve



Q2 all-grades ERV by unit size and % premium/discount
Source: Gerald Eve



Q2 prime rents and equivalent yields
Source: Gerald Eve



SOUTH EAST

4.25%
AUG EQUIVALENT YIELD

3.25% Q1

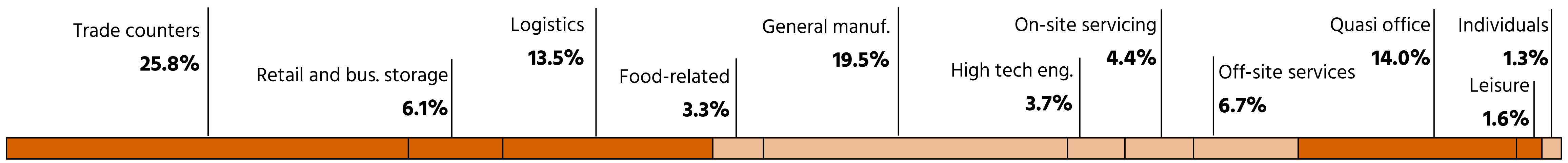
EAST OF ENGLAND

4.75%
AUG EQUIVALENT YIELD

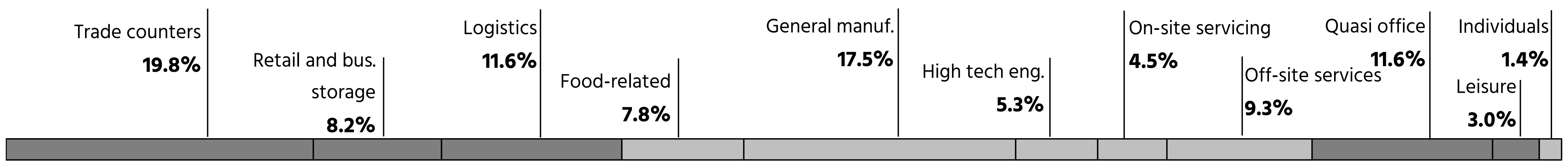
3.75% Q1

THE SOUTH AND EAST

South East

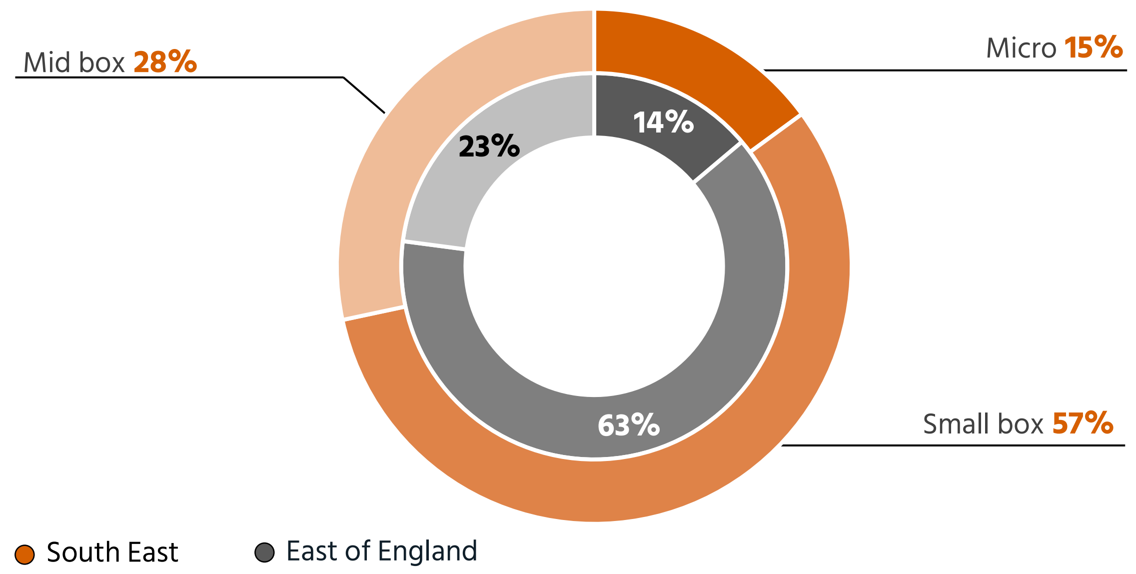


East of England

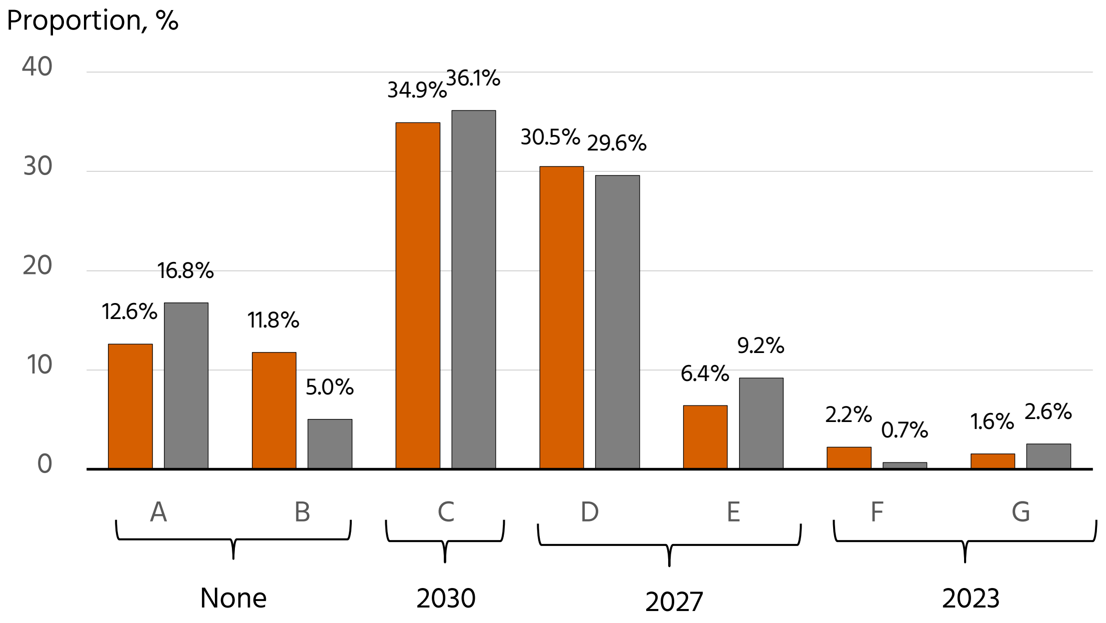


The South and East covers a wide range of multi-let markets, from £18.00 per sq ft in Hemel Hempstead to only £9.25 per sq ft in Ipswich. Strong rental growth momentum was maintained into H1 2022, with prime South East rents 17% higher than a year ago and the East of England up 28%. There is a more moderate amount of multi-let logistics operations here than in Greater London, and a notable drop-off in trade counters in the East of England in favour of food and traditional manufacturing. Well over a third of multi-let space is EPC grade D or below and will need refurbishment before 2027. There are 66 schemes in the pipeline, two-thirds of which are in the South East where the average scheme size is an above-average 104,000 sq ft. Though smaller, 29% of the Eastern pipeline is under construction, with almost 300,000 sq ft to complete in H2 2022.

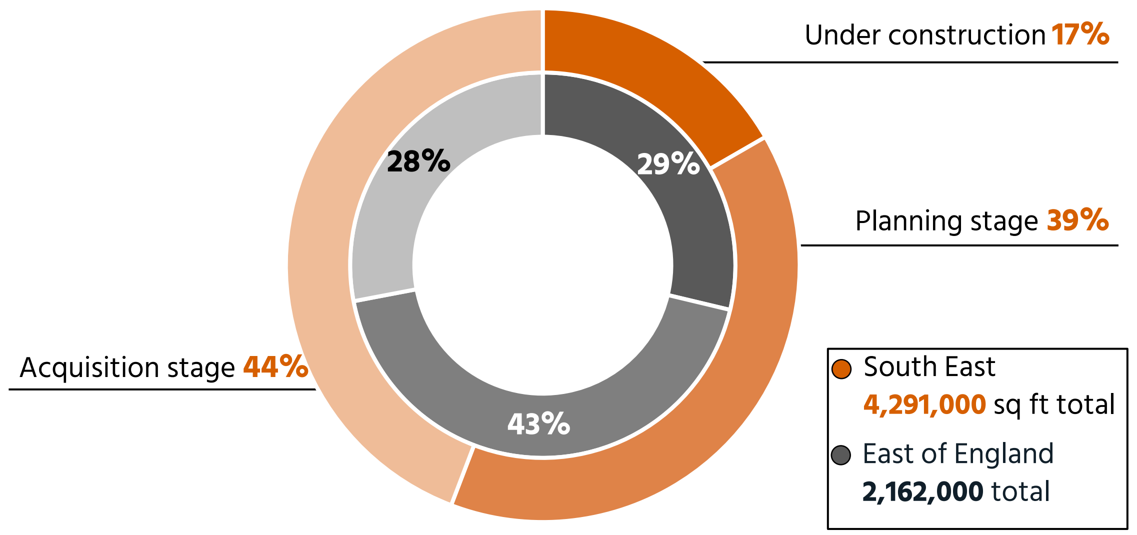
Proportion of floorspace by unit size
Source: Gerald Eve



Floorspace by EPC grade (& deadline to non-compliance)
Source: Gerald Eve



Development pipeline
Source: Gerald Eve, Property Data

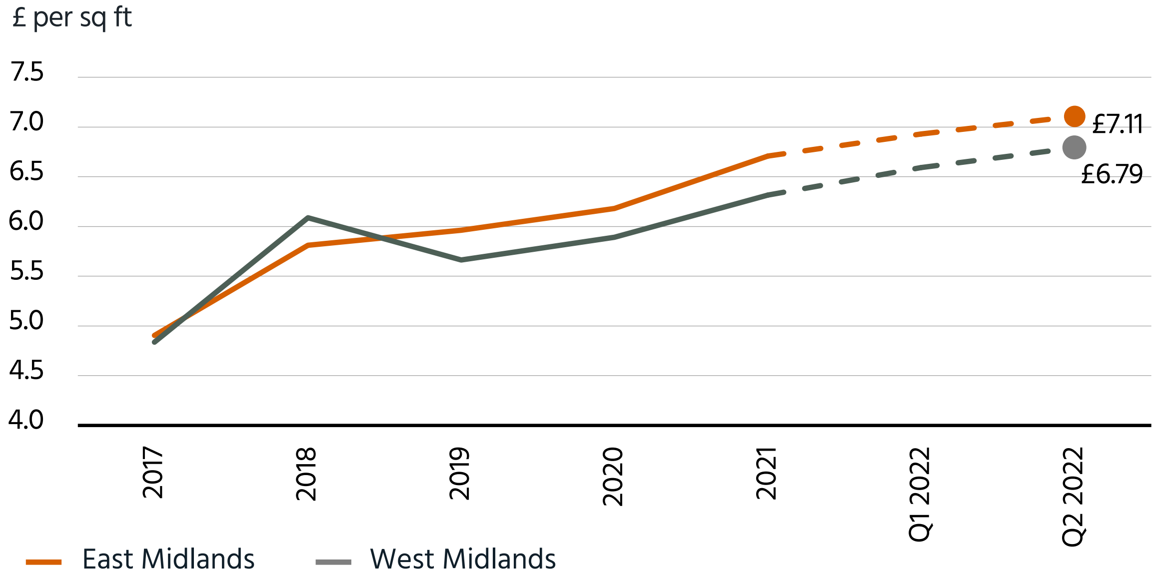


THE MIDLANDS

Continue with this region

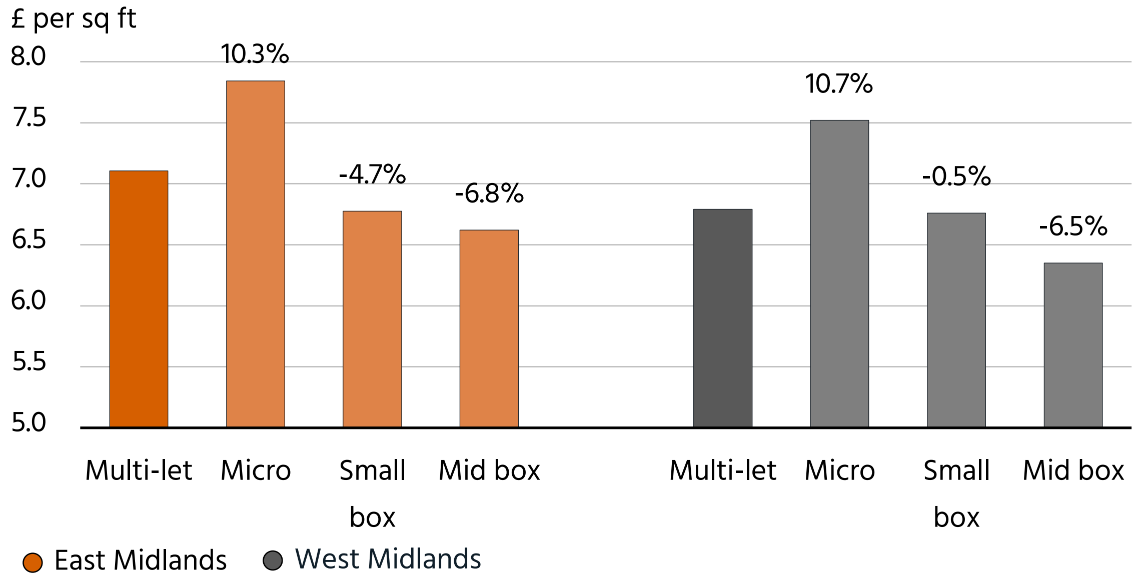
All-grades ERV by area

Source: Gerald Eve



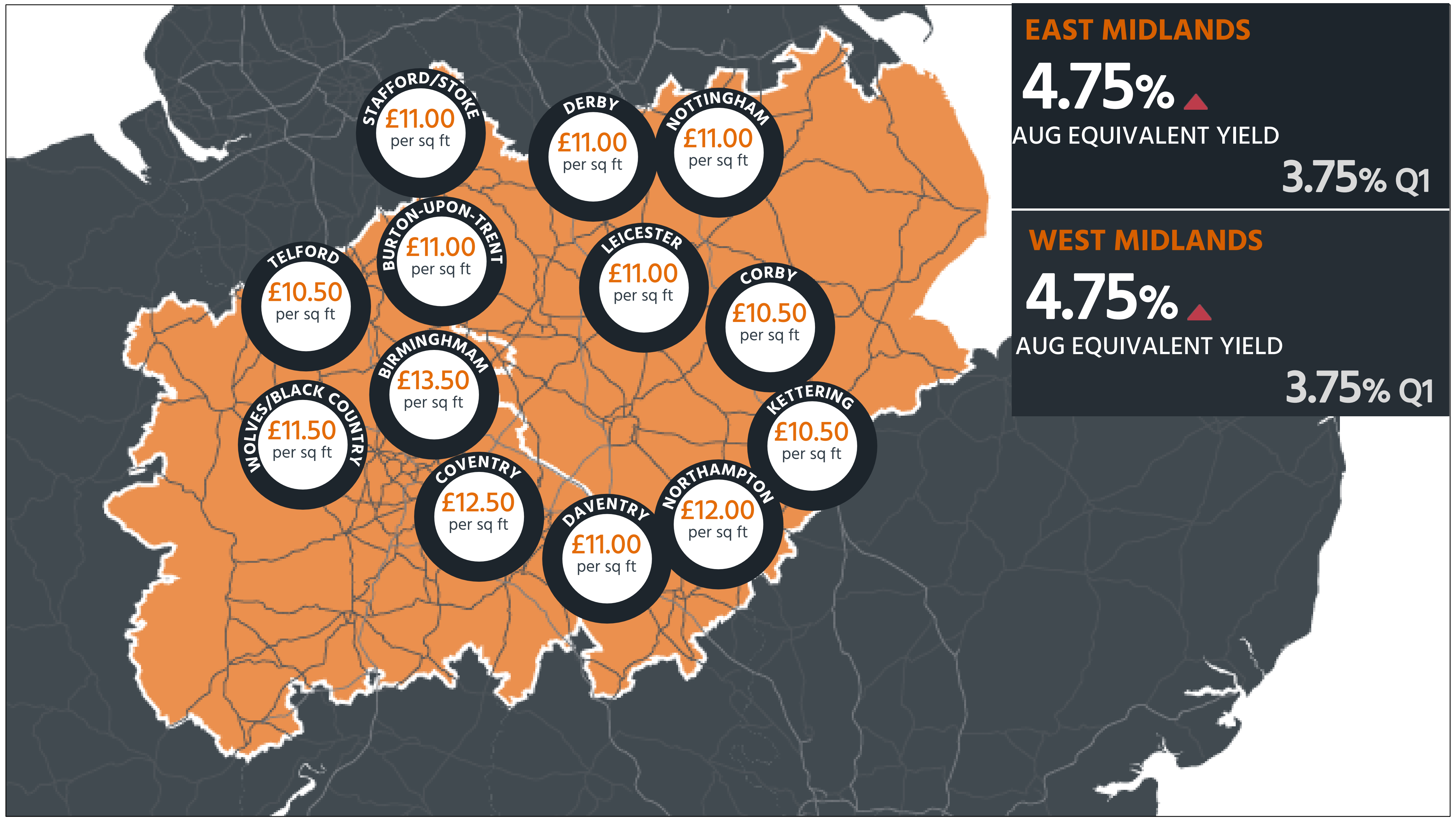
Q2 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve



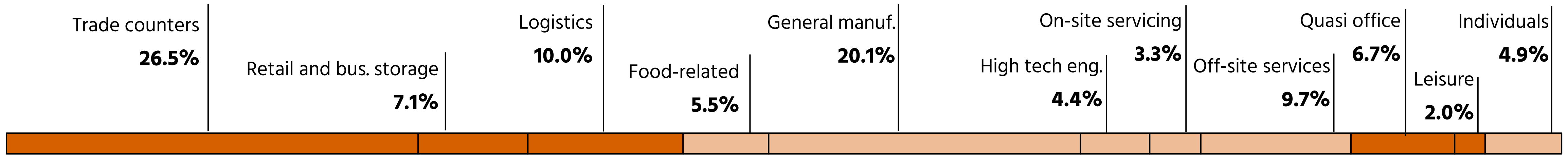
Q2 prime rents and equivalent yields

Source: Gerald Eve

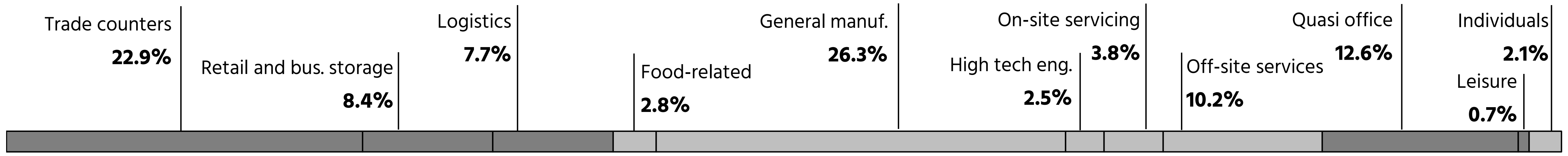


THE MIDLANDS

East Midlands



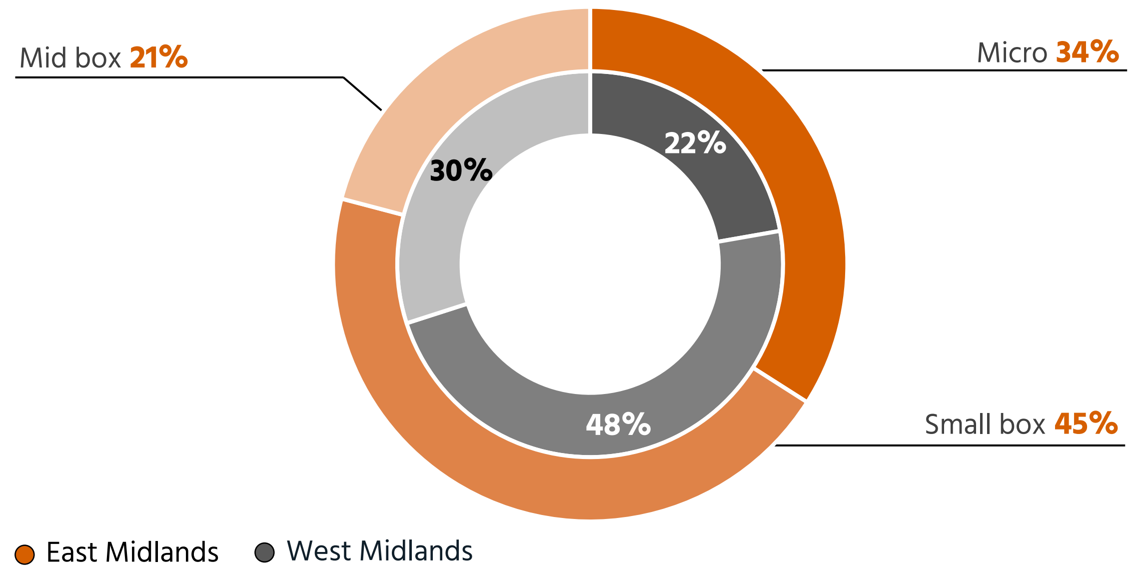
West Midlands



Prime rents vary relatively little in the Midlands, with Telford and Corby at £10.50 per sq ft and Birmingham the most expensive at £13.50 per sq ft. Strong rental growth momentum was maintained into H1 2022, with prime rents 25% higher than a year ago. Multi-let space in the Midlands has a higher proportionate amount of manufacturing occupiers than the South, particularly in the West Midlands. Over a quarter of East Midlands floorspace is trade counter-occupied. Over 40% of multi-let space is EPC grade D or below and will need refurbishment before 2027. A significant 7.2% of stock in the West Midlands is at grades F&G and will need refurbishment by April 2023. There are 70 schemes in the pipeline, totalling over 4.5m sq ft. Just under a third is under construction, with an expected 500,000 sq ft to be delivered in H2 2022.

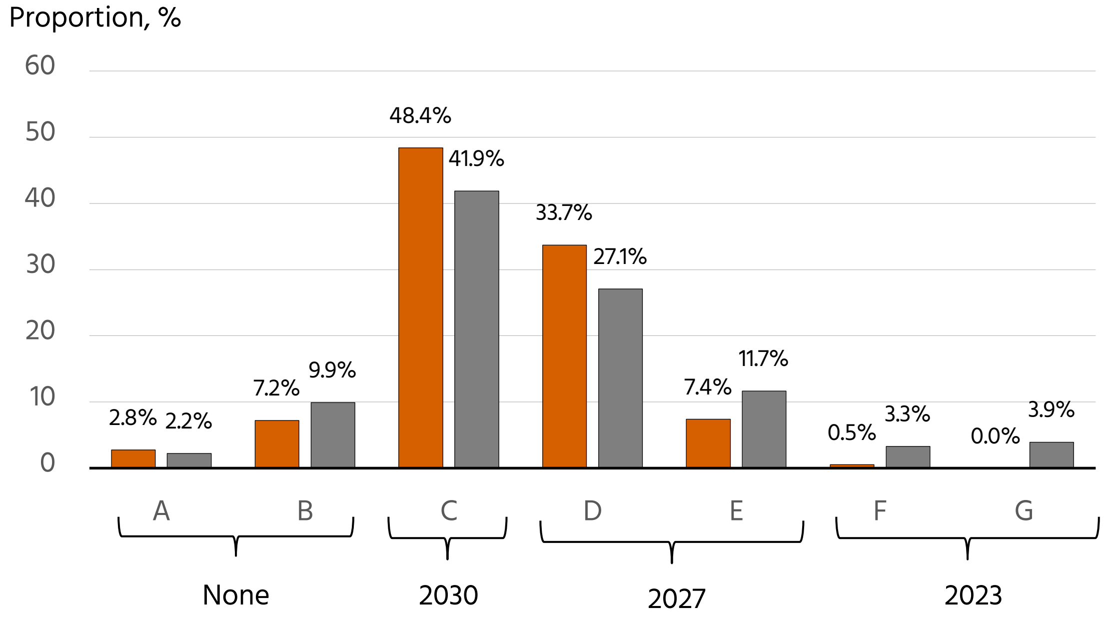
Proportion of floorspace by unit size

Source: Gerald Eve



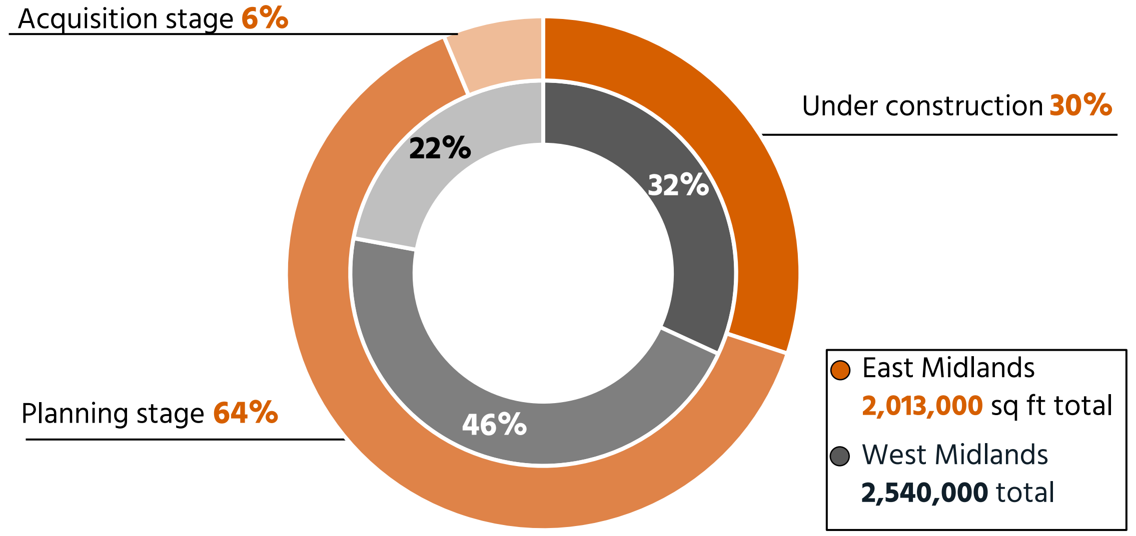
Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve



Development pipeline

Source: Gerald Eve, Property Data

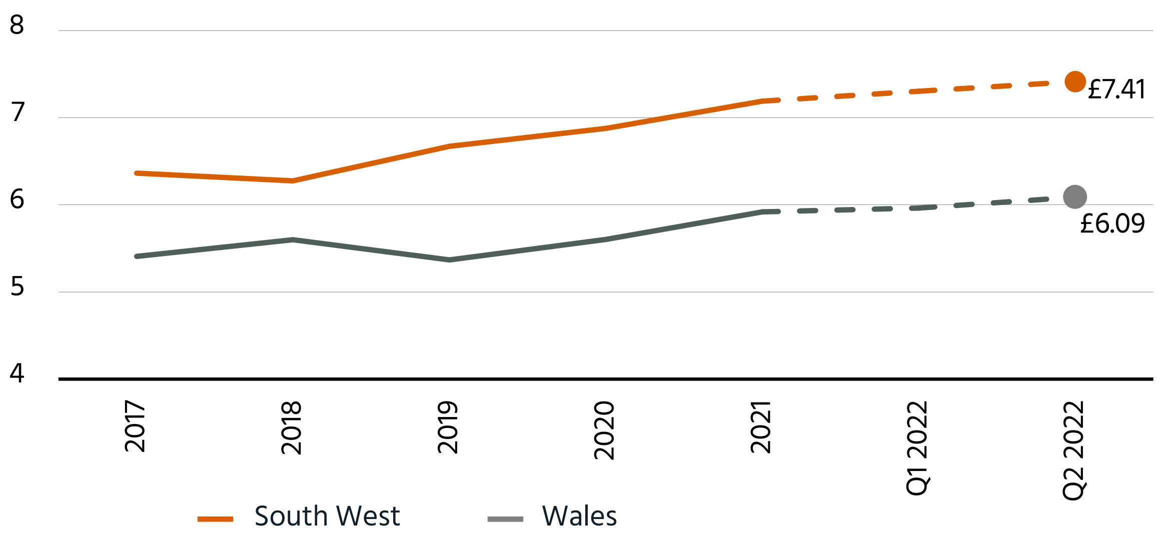


SOUTH WEST AND WALES

Continue with this region

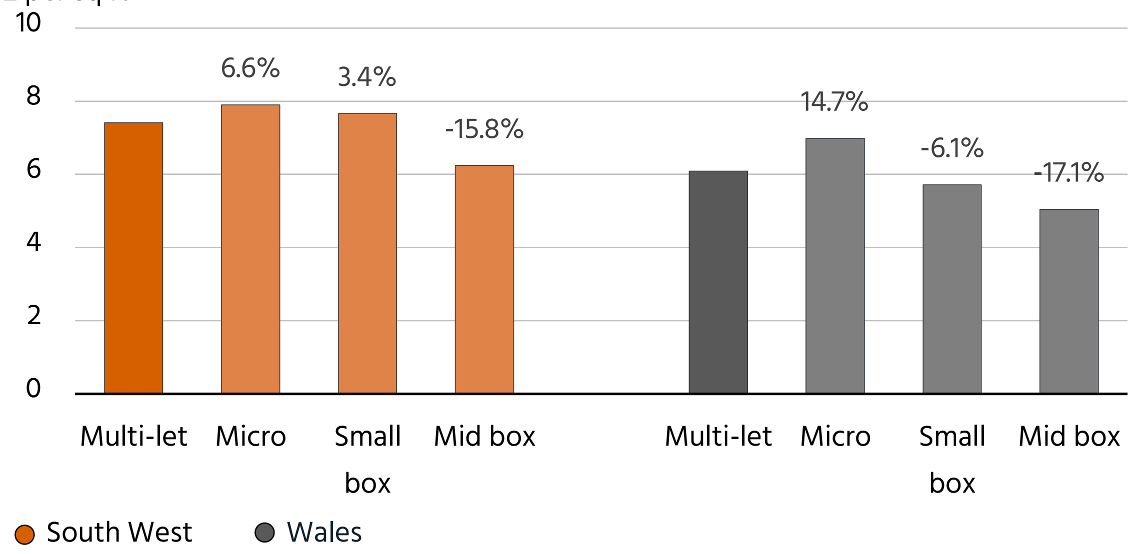
All-grades ERV by area

Source: Gerald Eve



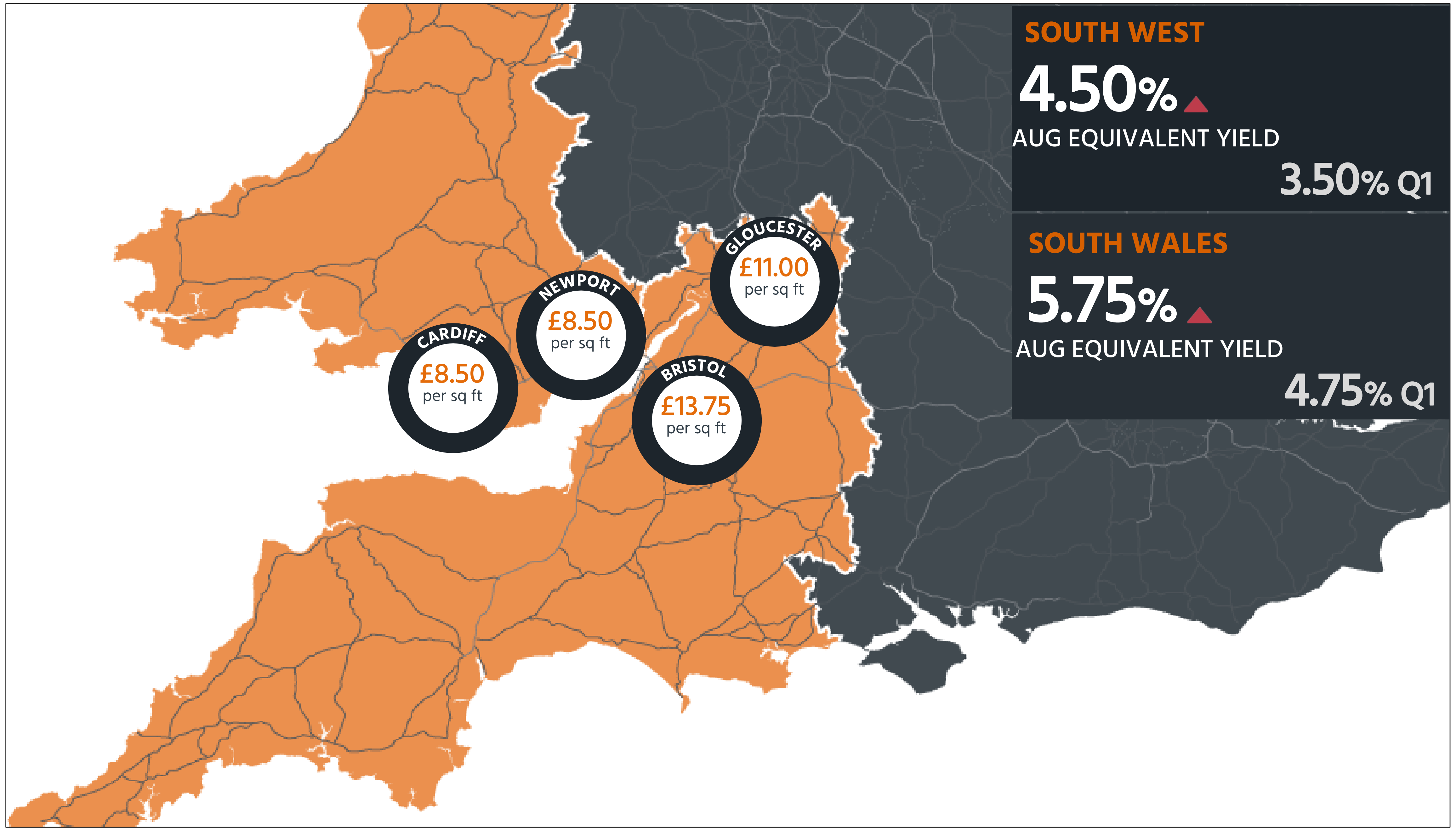
Q2 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve



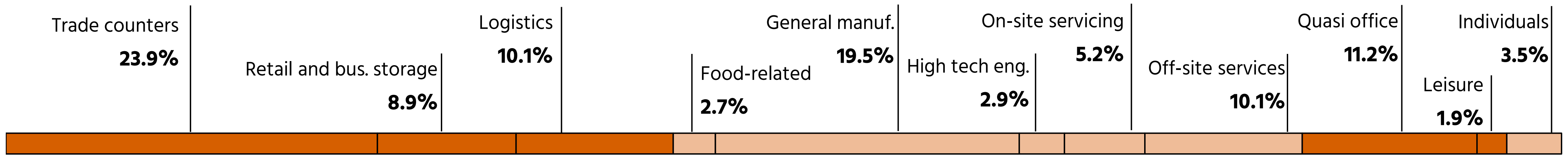
Q2 prime rents and equivalent yields

Source: Gerald Eve

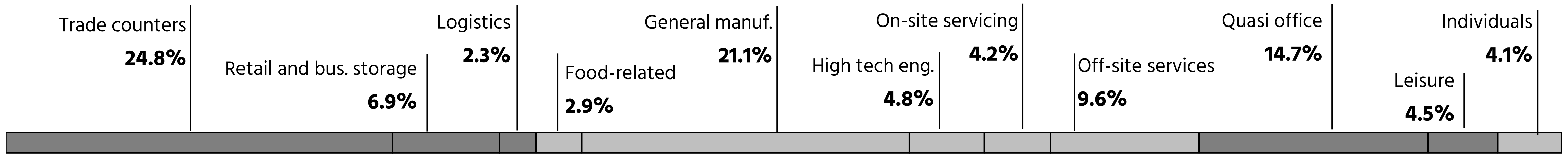


SOUTH WEST AND WALES

South West



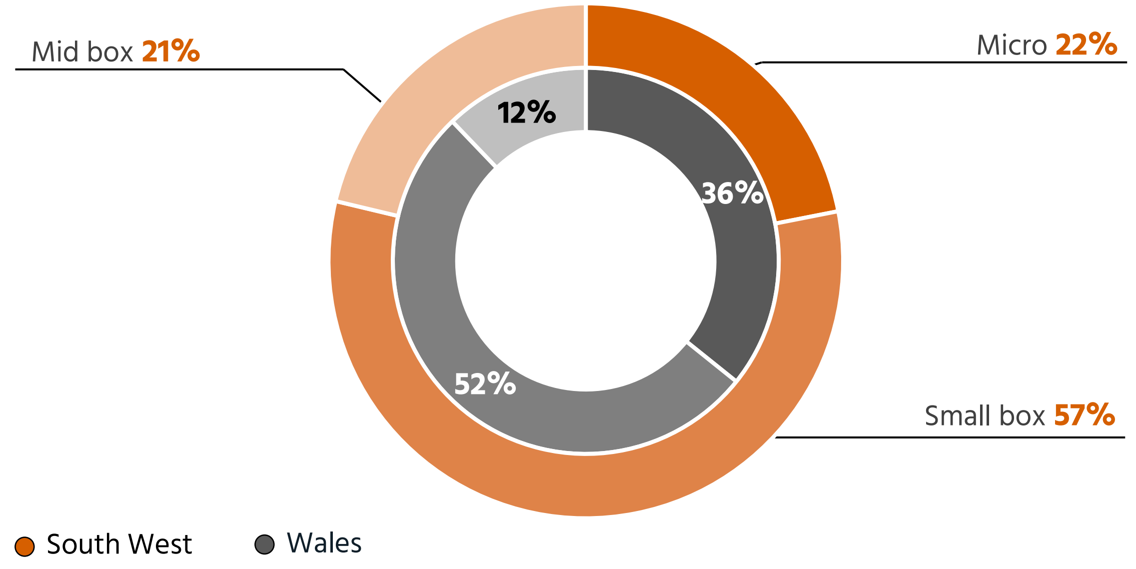
Wales



The prime market in this region is dominated by Bristol, at £13.50 per sq ft, compared with only £8.50 per sq ft across in South Wales. Strong rental growth momentum was maintained into H1 2022, with prime South West rents 39% higher than a year ago and South Wales up 21%. Wales multi-let, like Scotland, is characterised by a significantly lower proportion of logistics tenants than elsewhere in the UK. While relatively small proportions of both markets are rated as EPC grades F&G, there is a large proportion that are D&E, meaning that around half of the stock will need to be refurbished by 2027 if it is to remain compliant. There are 36 schemes in the pipeline and generally a low level of activity compared with the rest of the UK. Wales has the second smallest potential pipeline in the UK after Scotland but almost 300,000 sq ft is under construction.

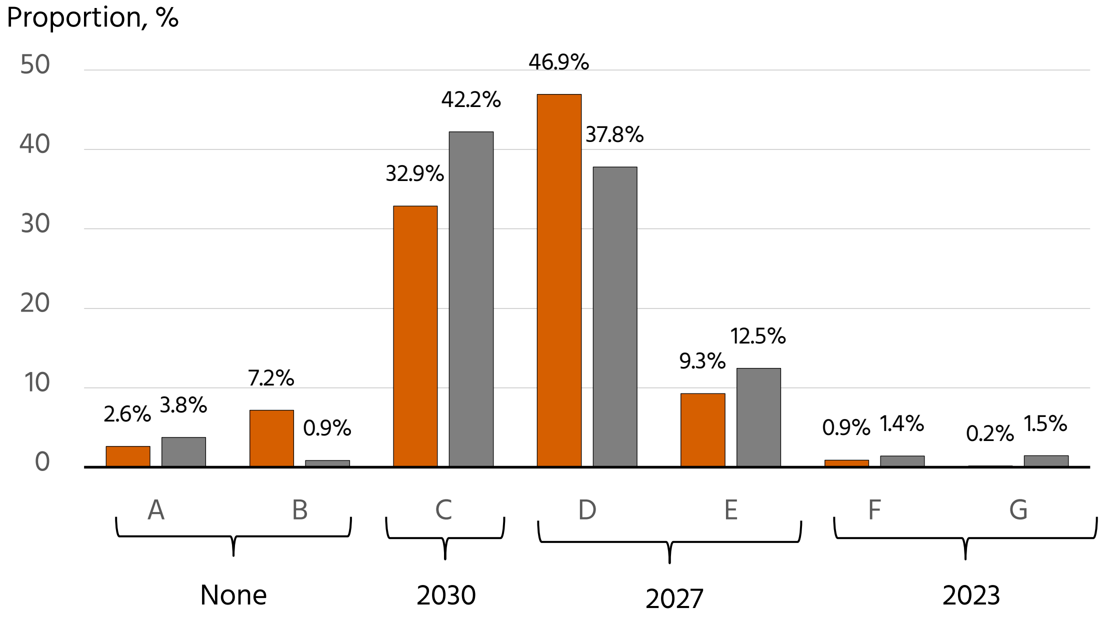
Proportion of floorspace by unit size

Source: Gerald Eve



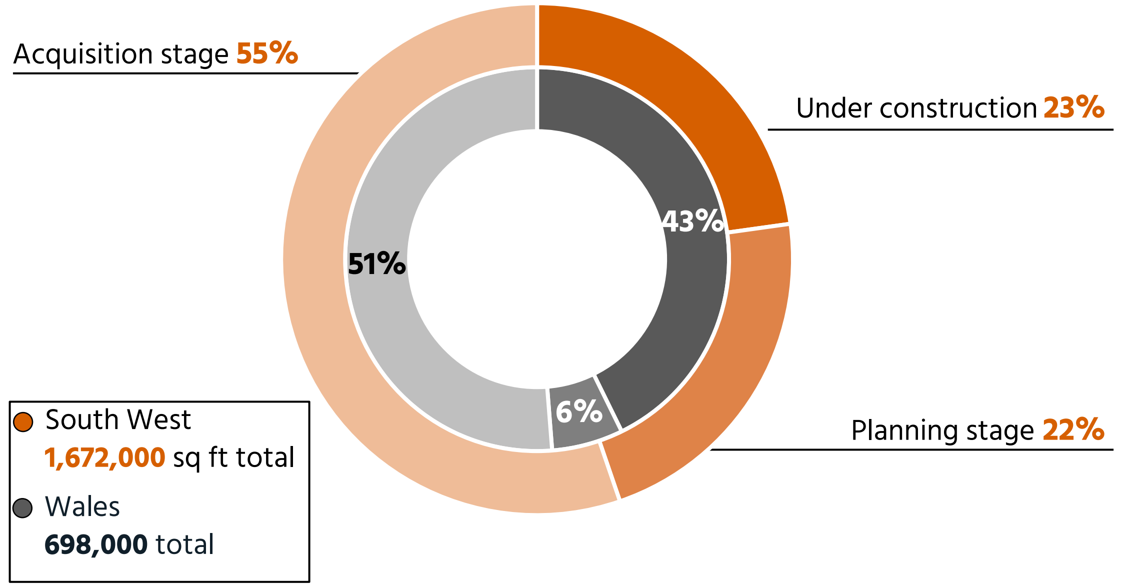
Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve



Development pipeline

Source: Gerald Eve, Property Data

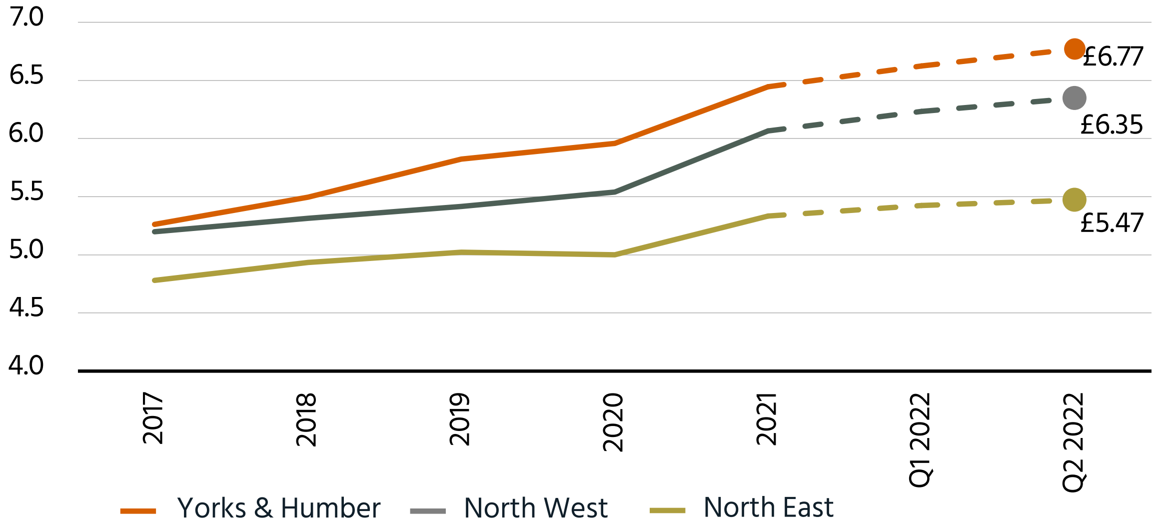


THE NORTH

Continue with this region

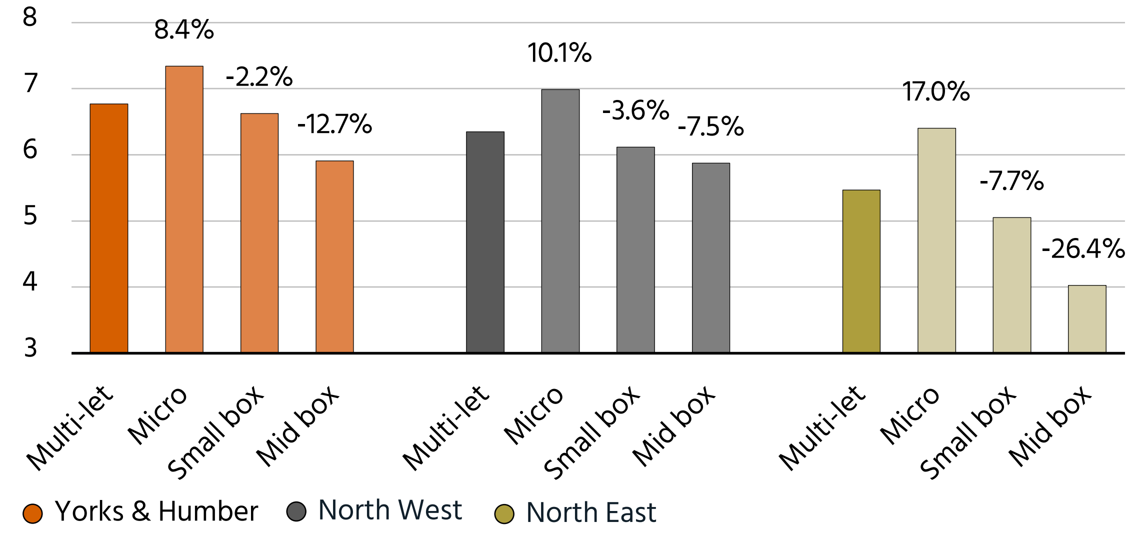
All-grades ERV by area

Source: Gerald Eve



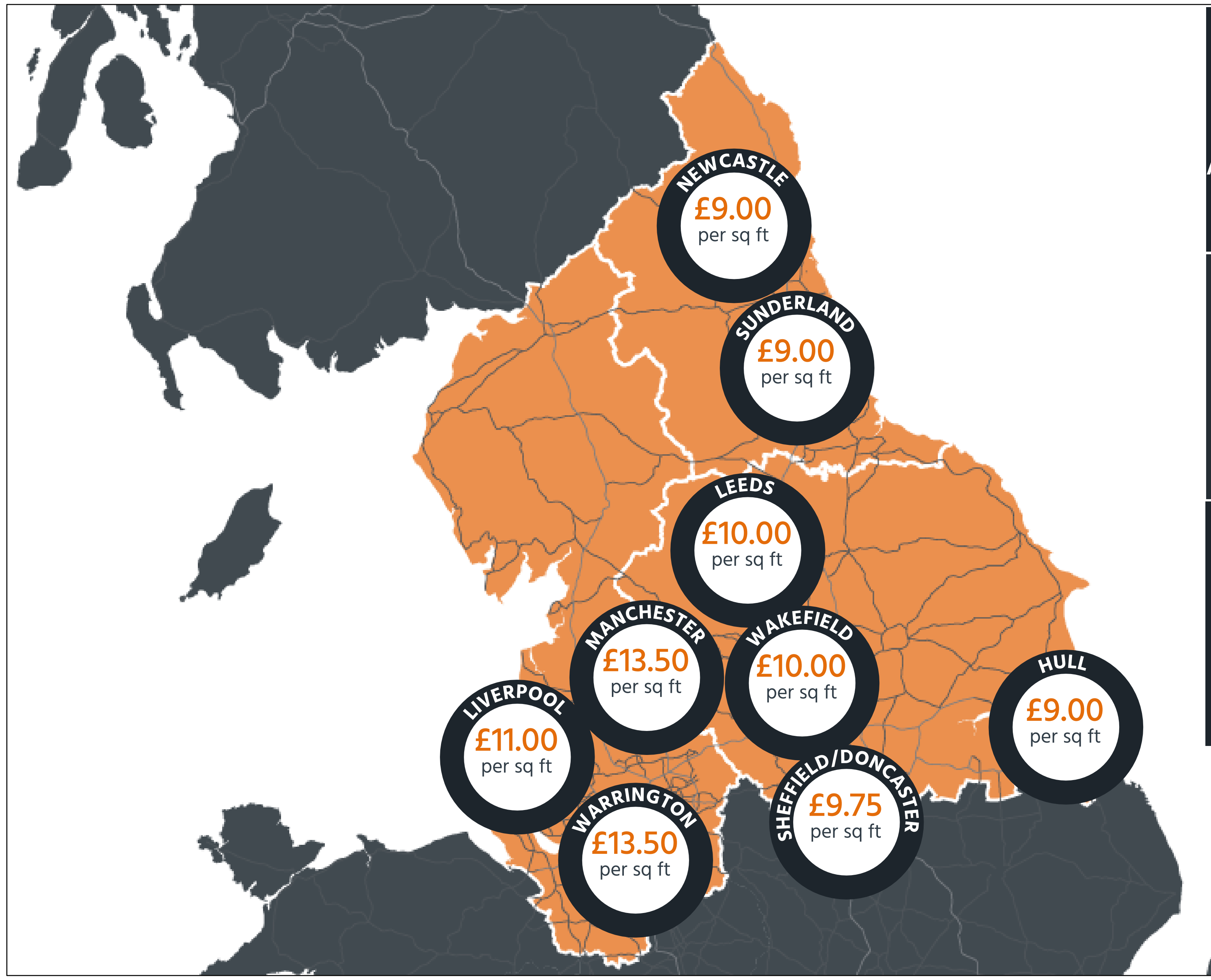
Q2 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve



Q2 prime rents and equivalent yields

Source: Gerald Eve

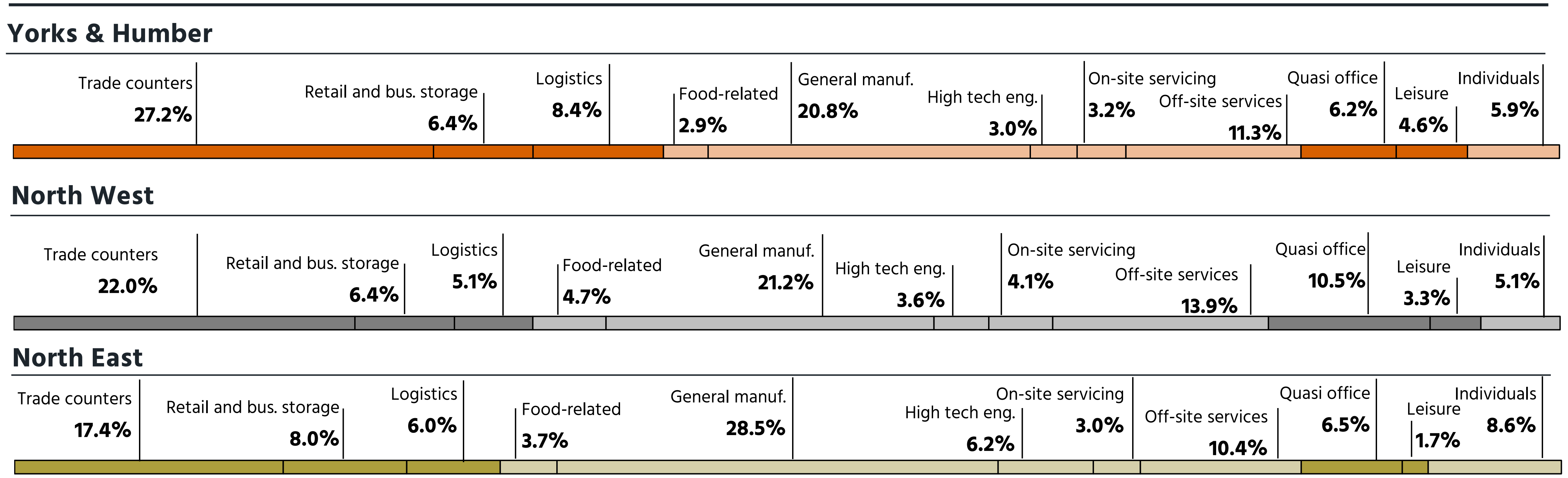


YORKS & HUMBER
4.75%
AUG EQUIVALENT YIELD
3.75% Q1

NORTH WEST
4.50%
AUG EQUIVALENT YIELD
3.50% Q1

NORTH EAST
5.25%
AUG EQUIVALENT YIELD
4.25% Q1

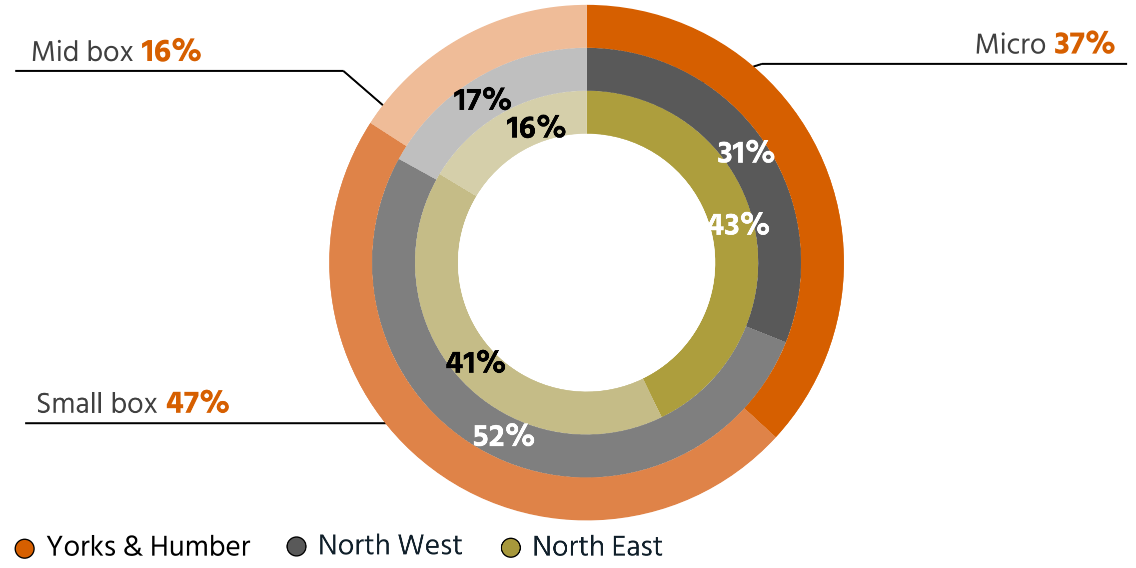
THE NORTH



The North is characterised by diversity - relatively expensive prime space in the North West, such as Manchester and Warrington at £13.50 per sq ft, and cheaper markets in Hull, Newcastle and Sunderland at £9.00 per sq ft. Strong rental growth momentum was maintained into H1 2022 across the wider market though at the prime end growth has been lower than in some other regions. Rents in the North East are 13% higher than a year ago, 11% up in Yorks & Humber and 'only' 6% in the North West. The North West prime rent is linked to the upcoming 100,000 sq ft Gemini8 scheme that is due to be completed in Q3 2022. The North West has the most active development pipeline of anywhere in the UK, with 81 schemes totalling over six million sq ft. Around 17% of this is currently under construction, with around 575,000 q ft due to complete in H2 2022.

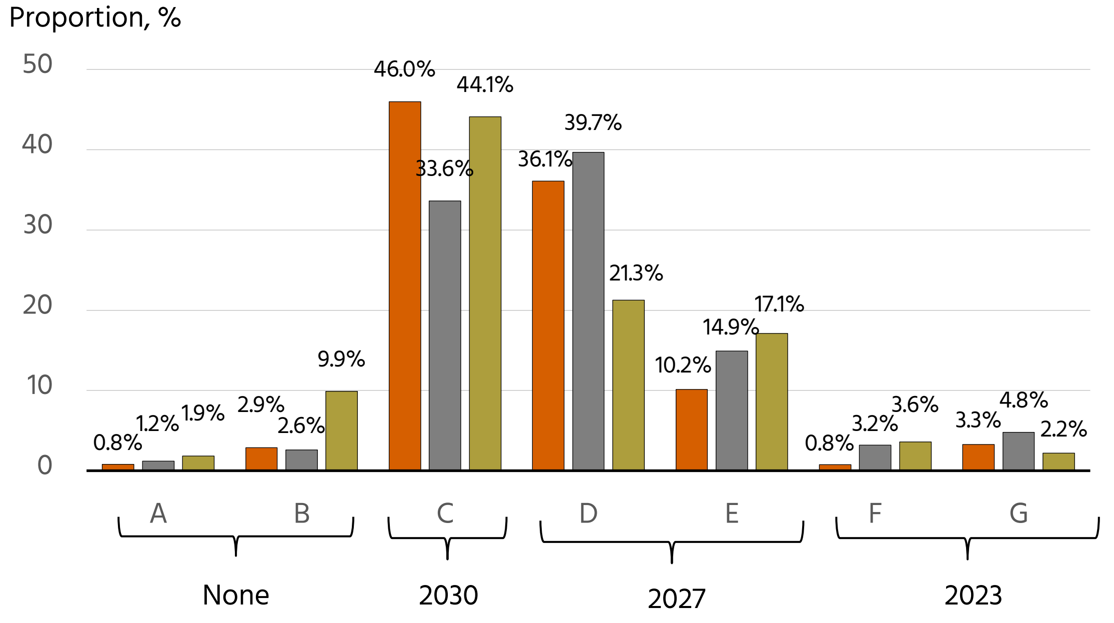
Proportion of floorspace by unit size

Source: Gerald Eve



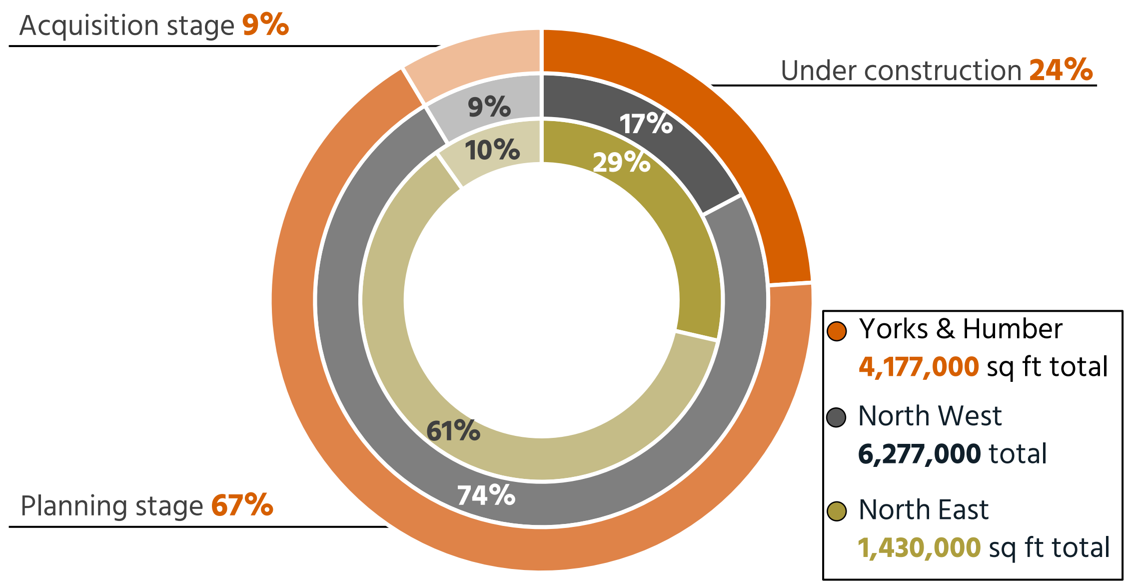
Floorspace by EPC grade (& deadline to non-compliance)

Source: Gerald Eve



Development pipeline

Source: Gerald Eve, Property Data

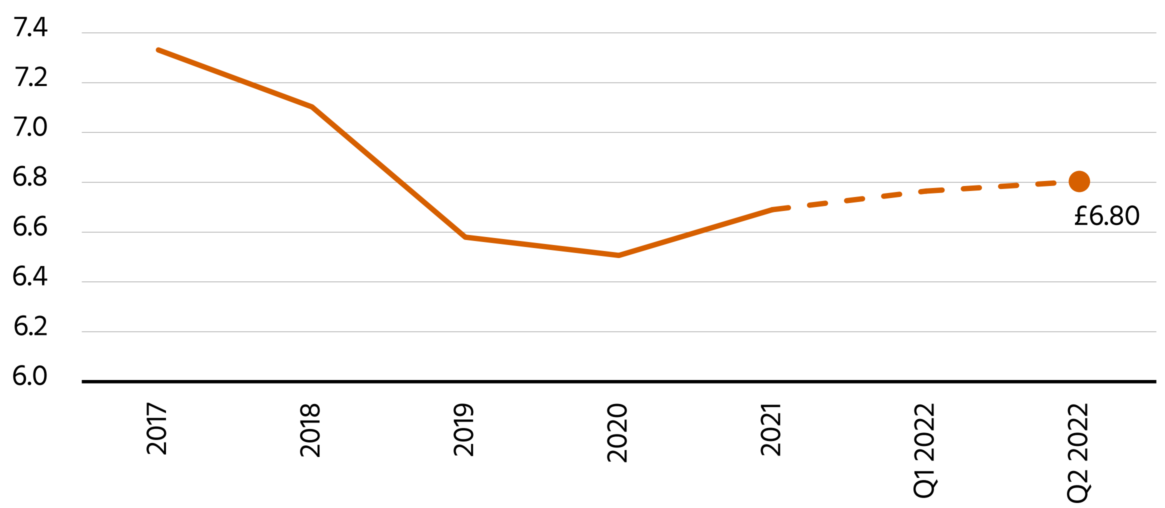


SCOTLAND

Continue with this region

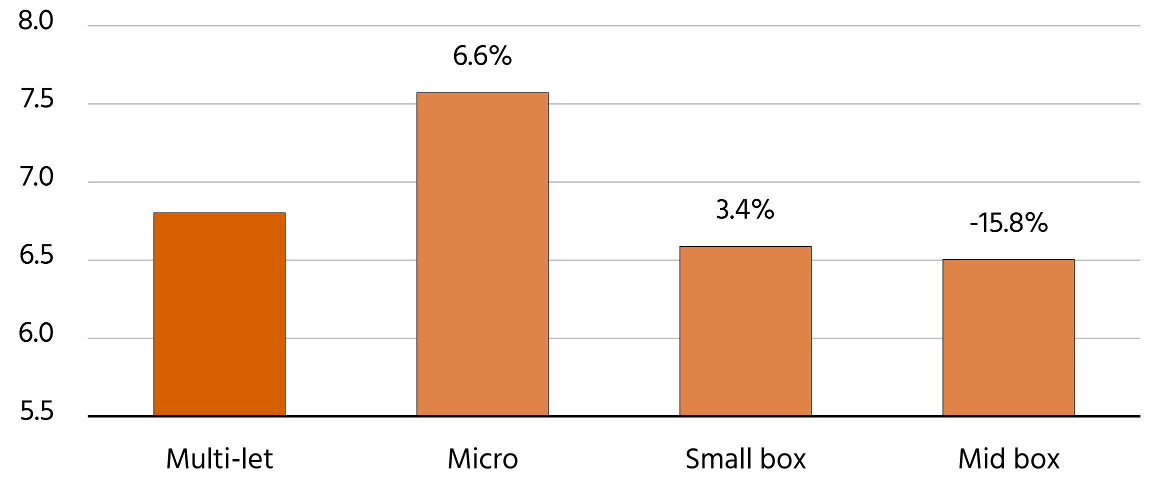
All-grades ERV

Source: Gerald Eve



Q2 all-grades ERV by unit size and % premium/discount

Source: Gerald Eve



Q2 prime rents and equivalent yields

Source: Gerald Eve

SCOTLAND

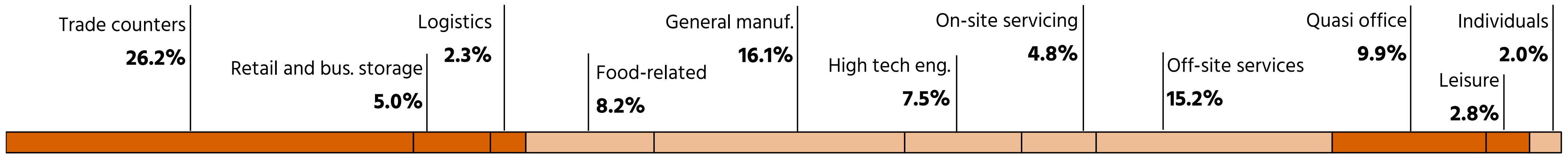
5.25%

AUG EQUIVALENT YIELD

4.25% Q1

SCOTLAND

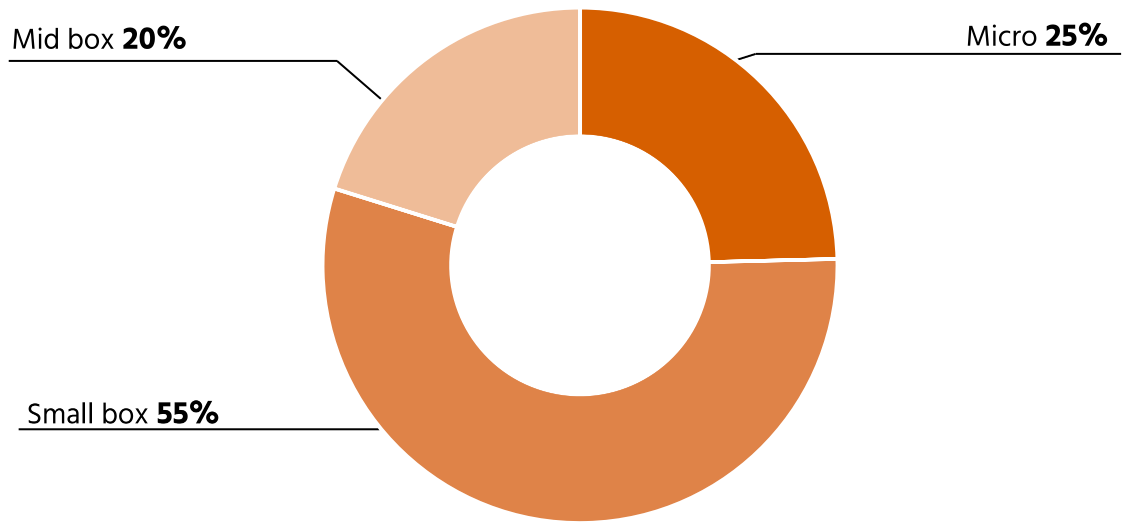
Scotland



Both prime Scottish multi-let markets have been at £10 per sq ft for four quarters, up from £9.75 per sq ft in Q2 2021. So, while there has been strong rental growth momentum across the UK this is not reflected in the Scotland figures. However, these prime markets are on the cusp of a potential step up when there is evidence of a letting on one of the four new EPC grade A speculative sub-50,000 sq ft units at the 130,000 sq ft Bellshill industrial estate just east of Glasgow. Scotland has the lowest multi-let development pipeline in the UK. Once Bellshill is complete in Q3 2022, only 200,000 will be left at the planning stage. Scotland multi-let, like Wales, is characterised by a significantly lower proportion of logistics tenants than elsewhere in the UK.

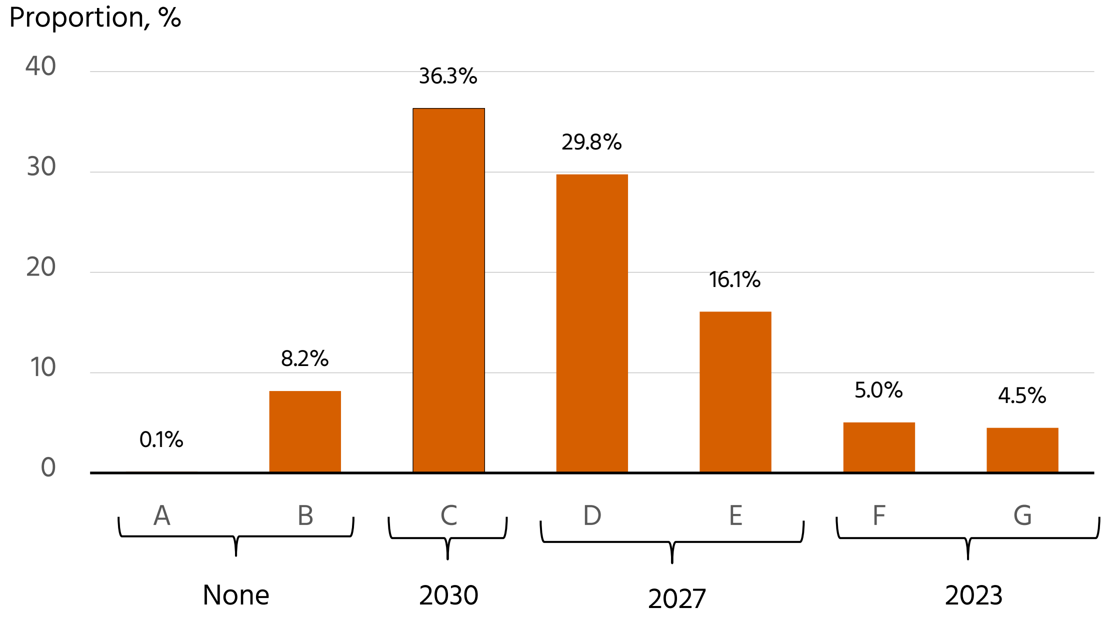
Proportion of floorspace by unit size

Source: Gerald Eve



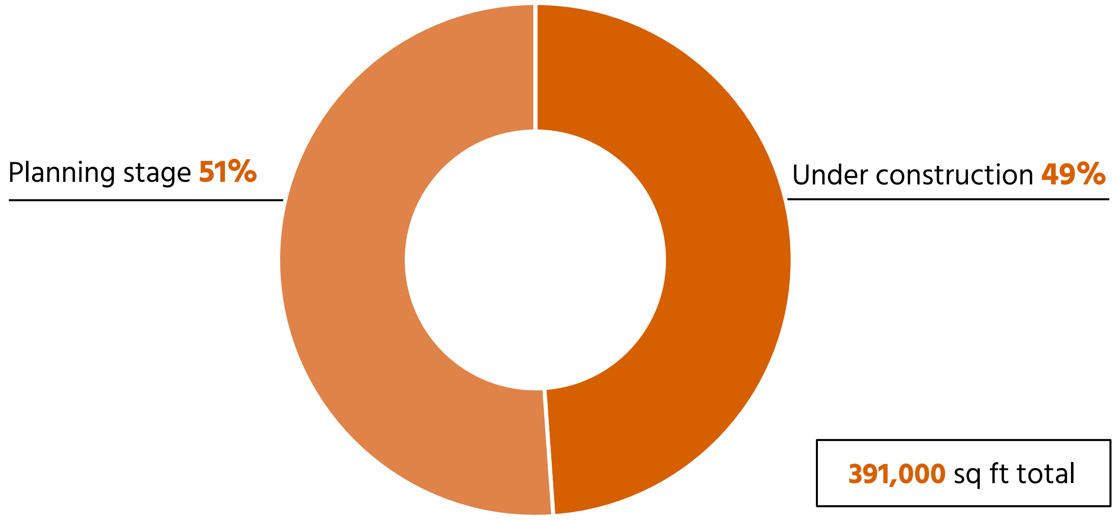
Floorspace by EPC grade (& year of non-compliance)

Source: Gerald Eve



Development pipeline

Source: Gerald Eve



CONTRIBUTORS

Many thanks to the leading UK multi-let industrial property investors who contribute their tenancy data to the Multi-Let study

abrdn | Aviva Investors | Barwood Capital | BlackRock | Caisson Investment Management

Clipstone | Industrials REIT | iO | LaSalle Investment Management | Legal & General Investment Management

Logicor | M&G Real Estate | Northern Trust | Orchard Street Investment Management LLP

PGIM | Schroders | SEGRO | UBS | Warehouse REIT

Interested in contributing to this study? Click here to contact our Research team to discuss.

SAMPLE AND DEFINITIONS

2,200+
Estates

13,300+
Units

£29.3bn
Total capital value

142.6m sq ft
Total floorspace

£1.3bn
Market rent

20
Contributors

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

Multi-let is Gerald Eve's unique and market-leading syndicated study that provides detailed industry-reference insight. The results are built from the bottom up, using individual tenancy information from preeminent multi-let industrial property investors.

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

The information spans 14 years, covering many tens of thousands of individual assets over that time.

This report covers industrial units with a maximum lease length of 30 years.

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