

# PRICING TURNS A CORNER

## LARGER DEALS LACKING

On the heels of a big drop-off in Q4 2022, volume fell by a further 19% in Q1 to £1.3bn, 45% below trend. This partly reflected a lack of major deals, with only two assets in excess of £100m changing hands, alongside the effect of significant repricing. While Q1's 85 transactions was the lowest since Q3 2020, the market was reasonably active compared with other sectors, most notably offices.

## REGIONAL MULTI-LETS REBOUND

The main drag on Q1 came from distribution warehouses, with volume of £667m halving from the previous quarter and paling in comparison with the recent boom. However, this was partly offset by a notable pick-up in multi-let deals, especially outside the South East. At £649m, multi-let deals accounted for 49% of total industrial volume, the highest share of the market since 2018.

## OVERSEAS DEMAND EVOLVES

Despite the quieter conditions, overseas buyers continued to drive the market and exploit increased willingness to sell among UK-based landlords. Overseas inflows accounted for 56% of Q1 volume, with notable buyers including Brookfield / Copley Point, who acquired three assets from Tritax and Ares / Canmoor, who acquired Fradley Park from Legal & General.

Q1 also welcomed the return of several hitherto inactive investors to the industrial market, a key example being Clarion's acquisition of Plots 111 & 100b Peterborough Gateway (£52m / NIY 4.49%). The quarter also saw entirely new market entrants, with P3 putting two assets under offer from SEGRO's Javelin portfolio, which initially failed to sell in 2022.

## DOMESTIC OPPORTUNITY SEEKERS

Overall, domestic investors appear more inclined to dispose of assets, with the REITs and institutions net selling to the tune of £267m and £382m in Q1. However, it was by no means a one-way street. Mayfair Capital took the opportunity to snap up several quality secure income assets in Q1, including Impact Park, Walsall and Barberry 157, Burton Upon Trent. Q1 also saw an increase in acquisitions from the private propcos, with Milton Group acquiring Fairway Trading Estate, Hounslow (£25m / NIY 5.00%) off-market, its largest acquisition to date.

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Despite the further slowdown in activity, Q1's transactions provided evidence of pricing stability returning to the market. Prime yields for both distribution warehouses and multi-let industrial held firm in the quarter, with sentiment indicative of a renewed degree of pricing hardening going into Q2.

There is an abundance of capital seeking out opportunity in the industrial market, albeit demand is resolutely focused on core locations and / or asset quality, while some investors are also returning to the speculative funding market. With a lack of only marketed stock available, activity is expected to increasingly comprise off-market transactions over the coming months.

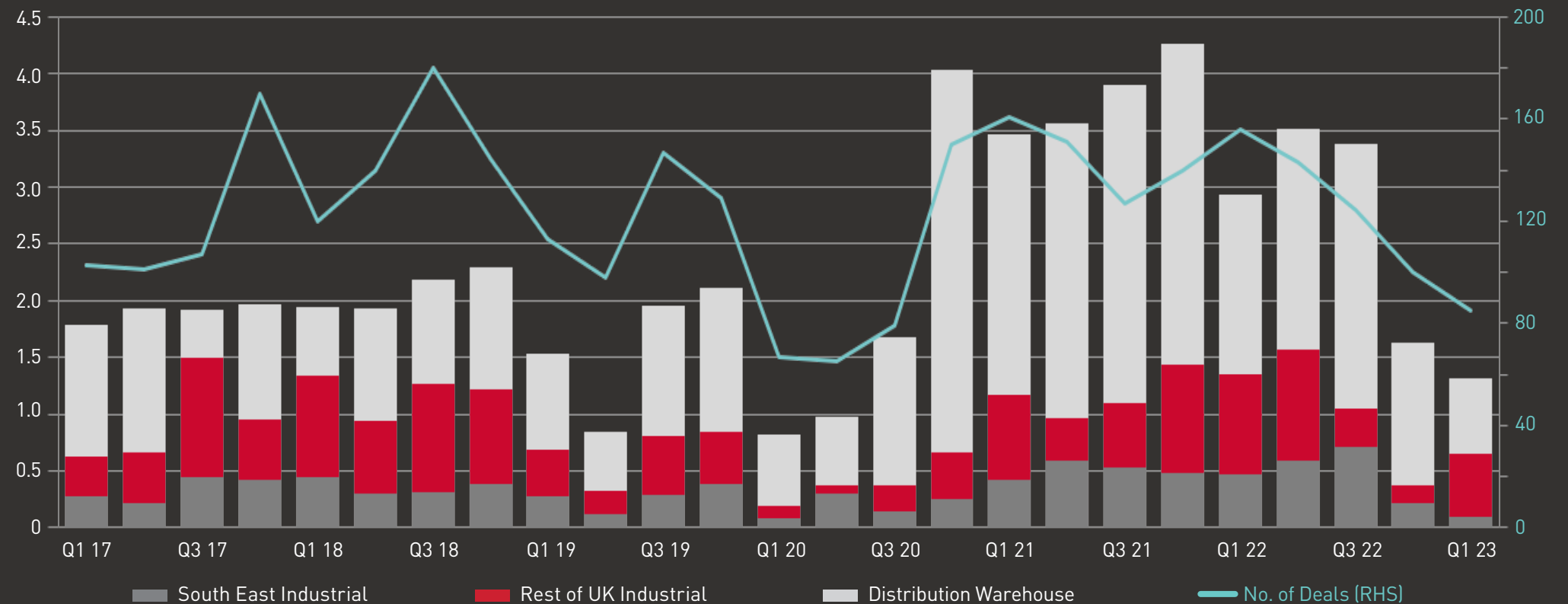
## INVESTMENT VOLUME



## PRICING

PRIME YIELDS	END Q1 2023	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Estates	5.25%	0	+175
Rest of UK Estates	5.75%	0	+150
Distribution Warehouses	4.75%	0	+175
TRANSACTION YIELDS	Q1 2023	3 MONTH CHANGE (BPS)	12 MONTH CHANGE (BPS)
South East Estates	4.98%	-2	+167
Rest of UK Estates	5.62%	+7	+140
Distribution Warehouses	5.44%	+58	+185
<b>All Industrial</b>	<b>5.22%</b>	<b>+18</b>	<b>+169</b>

## INDUSTRIAL VOLUME (£BN)



## LSH KEY DEALS



### TRITAX PORTFOLIO

In March, LSH successfully acquired three assets in Knowsley, Skelmersdale and Worksop (shown above) on behalf of Brookfield / Copley Point. The assets were purchased for £125m from Tritax and offer significant asset management opportunities.



### ALPHA PARK, EASTLEIGH

In January, LSH successfully completed the disposal of Alpha Park in Eastleigh on behalf of Blackrock. The asset was acquired by Leftfield Capital for £26,100,000 which reflected a NIY of 5.00%. The property comprises 3 units totalling 148,331 sq ft.

### KEY Q1 DISTRIBUTION DEALS

PROPERTY	WAULT (YEARS)	TENANT	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Plot 111 Peterborough Gateway, Peterborough	5.40	DSV Solutions	£35.72	4.21%	Mar-23	Equites Property Fund	Clarion Partners
Barberry 157, Burton Upon Trent	5.00	Waterstones Bookseller	£18.30	5.50%	Mar-23	Savills IM	Mayfair Capital
Logistics North, Bolton	9.43	Amazon UK Services	£41.75	5.00%	Feb-23	AVIVA	Amazon
Unit A Centrum West Logistics Park	12.90	Palletforce	£40.00	5.85%	Jan-23	Abrdn	St Modwen/Blackstone
Arrow 248, Corby	8.56	Smyths Toys UK	£30.00	4.63%	Jan-23	Strategic Industrial Real Estate	Leftfield Capital

### KEY Q1 MULTI-LET DEALS

PROPERTY	WAULT (YEARS)	RENT (PER SQ FT)	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Fradley Park, Lichfield	5.59	£5.51	£140.50	5.65%	Mar-23	Legal & General	Ares/Canmoor
Europa Trade Park, London	7.50	£19.35	£25.00	4.10%	Mar-23	Ryden/SG Commercial	City of London Corporation
Stratus Park, Milton Keynes	3.50	£7.92	£37.86	5.71%	Feb-23	Abrdn	Mileway
Impact Park, Walsall	11.80	£6.79	£35.20	5.00%	Feb-23	BAPF	Mayfair Capital
Alpha Park, Eastleigh*	7.07	£9.38	£26.10	5.00%	Jan-23	Blackrock*	Leftfield Capital

### KEY Q1 PORTFOLIO DEALS

PROPERTY	SIZE (SQ FT)	NO. OF PROPERTIES	PRICE (M)	NIY	DATE	VENDOR	PURCHASER
Tritax Portfolio*	1,378,920	3	£125.00	Confidential	Mar-23	Tritax Big Box REIT	Brookfield/Copley Point*
Project Garrison	445,838	3	£46.00	5.85%	Mar-23	LondonMetric	Mileway
Pow Portfolio	198,000	4	£25.50	5.00%	Mar-23	LondonMetric	Mileway
Project Zeta	314,652	3	£23.00	8.27%	Jan-23	Columbia Threadneedle	Telereal Trillium
Project Fox	402,699	4	£39.50	6.10%	Jan-23	Columbia Threadneedle	Urban Logistics REIT

\* LSH acted

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