

**Databook
Q4 update**

2020 Eastern M25 industrial market analysis

Trusted property advice since 1892

Glossary

Market Availability

Relates to the amount of built stock on the market at the period end. The availability figure does not include pre-let opportunities or new developments where construction is still ongoing.

'Big Box'

The term 'Big Box' relates to industrial buildings/units of 100,000 sq ft and above.

Key fact:

Our data includes activity across all size brackets from 2,000 sq ft upward

Prime Rent

The rent achievable for the letting of a newly built property; typically for an industrial unit this would apply to a 20,000-25,000 sq ft building.

Secondary Rent

The rent typically achievable for good quality second hand industrial space of 20,000- 25,000 sq ft.

The Glenny region



Review of the Eastern M25 industrial market

This paper looks at how the Eastern M25 industrial market has reacted to what has been an exceptional year.

The events which followed the discovery of the 'first' cases of the COVID virus in the UK in late February 2020 and the subsequent lockdown left the business world in turmoil.

What has transpired in the industrial property market over the following months has been truly remarkable, with occupiers continuing to take space as UK households and consumers have adapted to working and shopping from home. There have been many industries that have seen their rationale called in to question and the nature and operation of the UK economy has probably changed forever.



John Bell - Managing Partner

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Prime rents

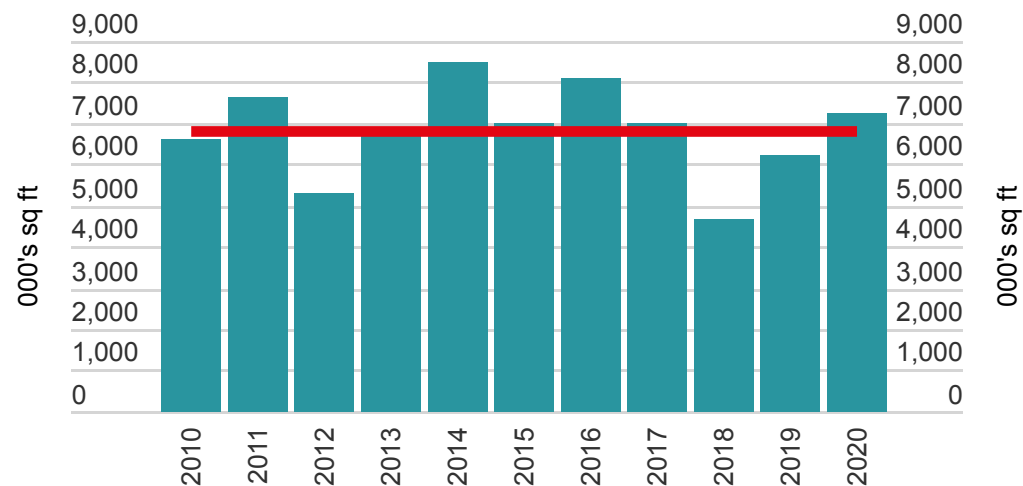
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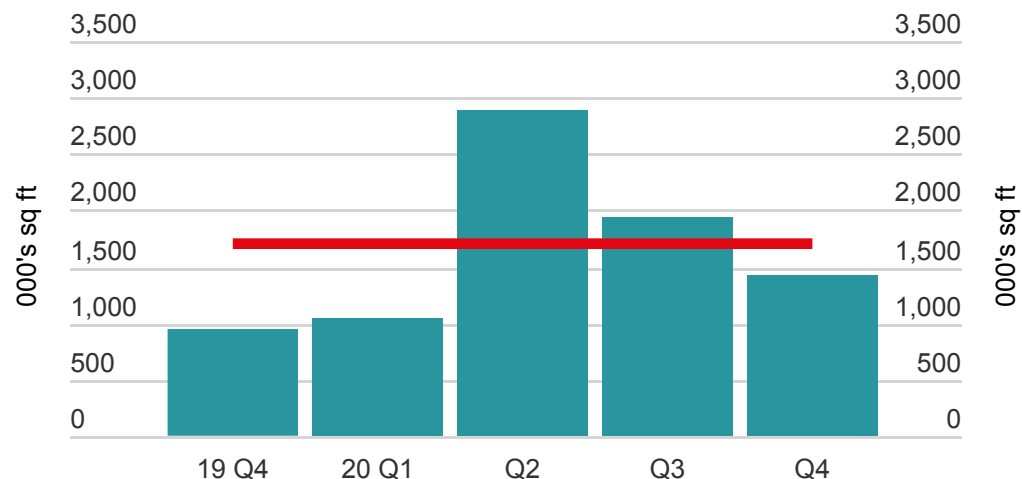
Market take up

Industrial take up for Eastern M25 2020 in context

- Take up moved above the 10 year average for the Eastern M25 market for the first time in three years in 2020, despite the onset of the Covid pandemic.
- Activity for the year was 7.3m sq ft, 7% above the 10 year average figure, with each of the Glenny sub regions experiencing varying levels of success.
- The South East London & Kent (3.6m sq ft) and Essex (2.1m sq ft) markets saw activity levels above trend, whilst East London (665,500 sq ft) and North London & Herts (890,700 sq ft) fell below.



Quarterly take up 2020 in detail

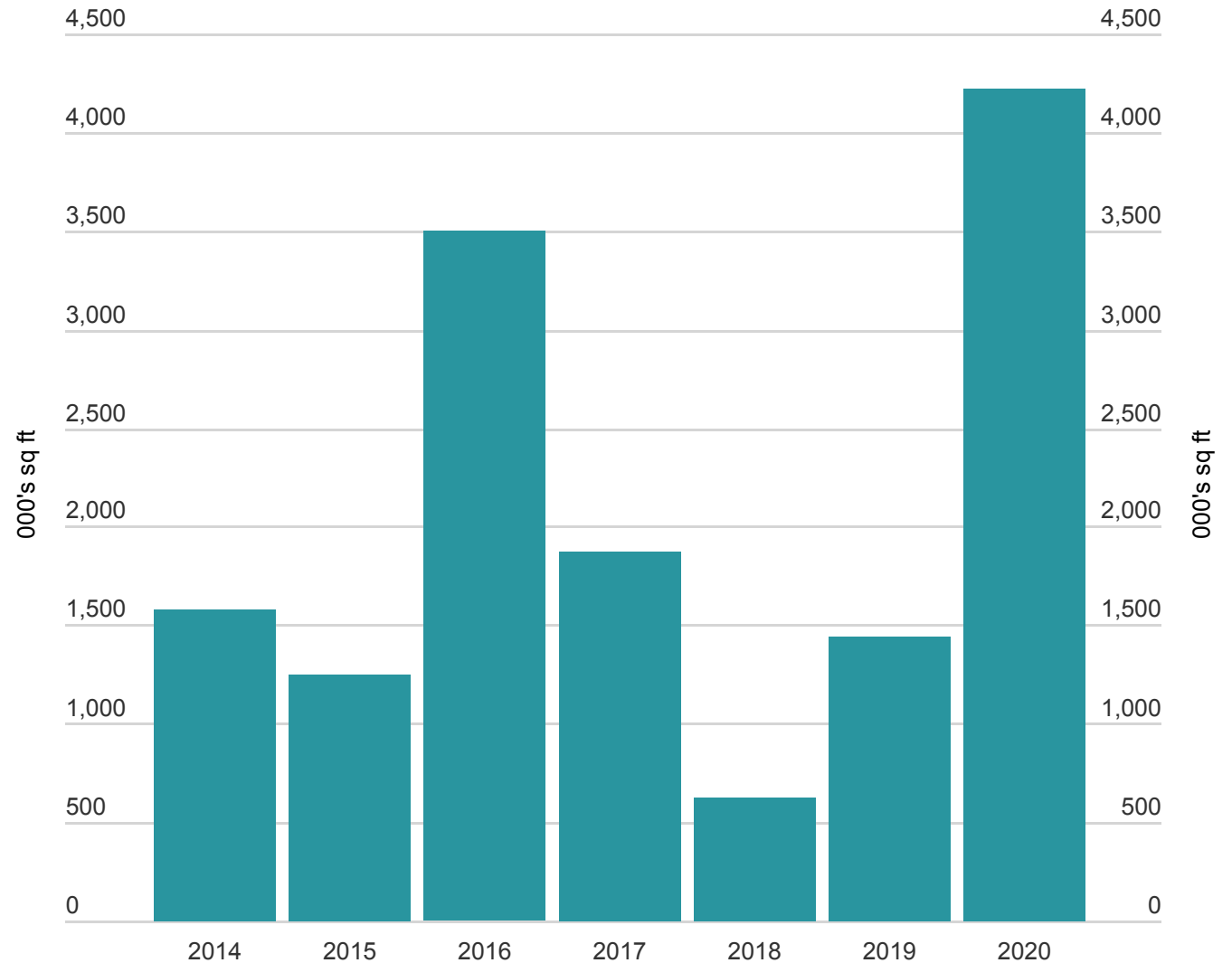


- The year started with take up levels continuing in a similar vein to the end of 2019, with activity of just over 1m sq ft. The market in this period had been impacted by the election of the new government and the on going Brexit negotiations.
- The next two quarters saw activity boosted by larger transactions, Q2 with the 2.3m sq ft pre let to Amazon at the former Littlebrook power station site in Dartford and Q3 with five 'Big Box' transactions (806,500 sq ft).

Market take up

Highest level of Big Box activity in a decade

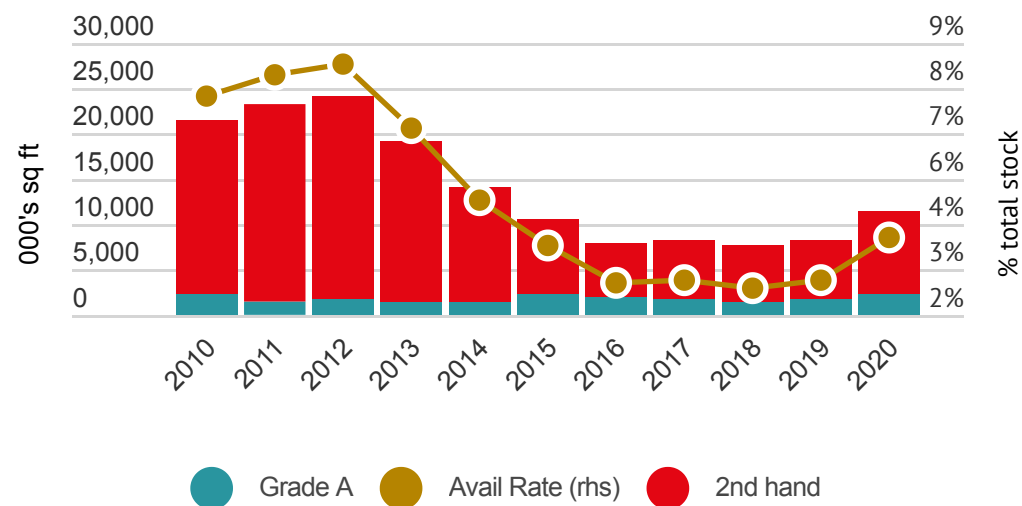
- The exceptional circumstances of 2020 have led to exceptional activity in the Eastern M25 market.
- Over the year as a whole there were 11 'Big Box' deals adding a total of 4.2m sq ft to the years take up.
- The previous peak in activity was in 2016, a year which was also included a 2m sq ft Amazon deal at London Gateway.
- 'Big Box' activity accounted for 58% of the years take up, with seven of the 11 transactions in the Essex market.



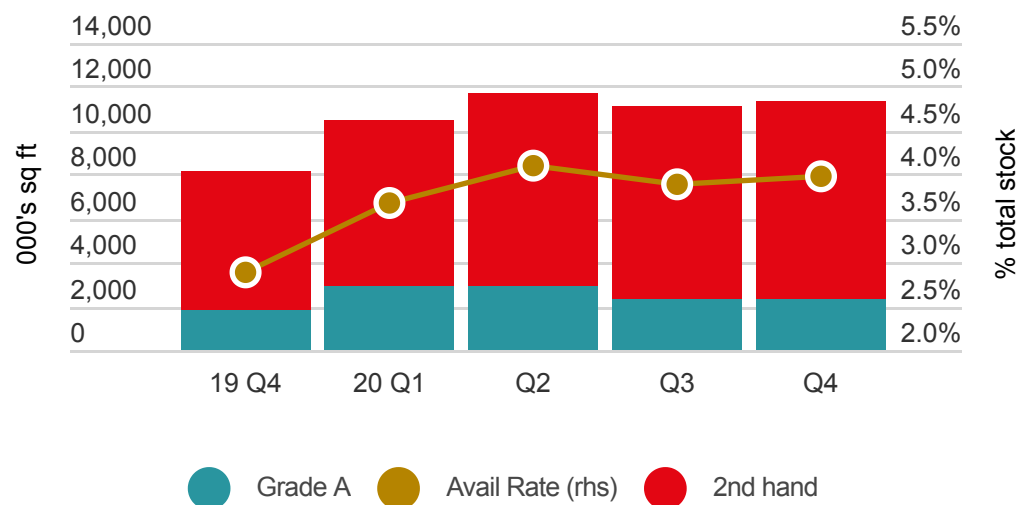
Market supply

The pattern of supply in 2020

- Supply in the Eastern M25 market has increased by 3.2m sq ft over 2020, rising from 8.2m sq ft at the end of 2019 to 11.3m sq ft at the end of December 2020.
- The majority of the increase has been due to the release of second hand space back onto the market, due either to lease end or companies marketing unwanted space.
- Whilst there has been a significant increase of stock onto the market, current availability remains low in an historic context, having only returned to levels last seen in 2014/15.



Quarterly supply 2020 in detail

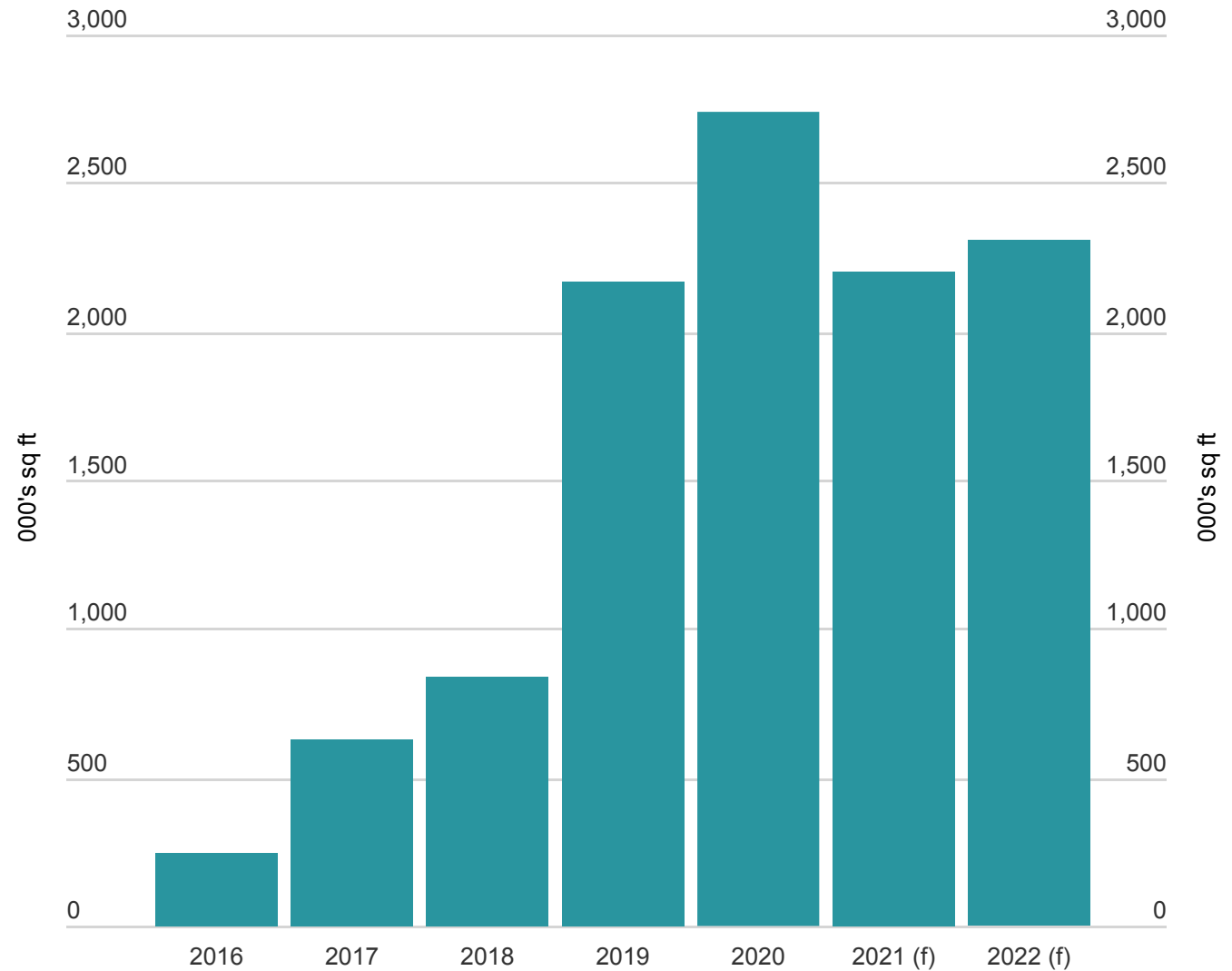


- All of the increase in supply in the Eastern M25 market occurred in the first six months of 2020, with the second half of the year seeing a slight decline in availability.
- The availability of 'Big Box' has doubled over 2020 and now stands at 1.7m sq ft in 12 units. Only two of the 'Big Box' units are grade A, the 187,500 sq ft unit at Innova Park and Unit 3 at Segro Park, Enfield.

Market supply

Development completions pipeline

- New development has played an increasing role in supply in the Eastern M25 market over the past two years, with a total of 4.9m sq ft having been delivered to the market since the start of 2019.
- A further 2.2m sq ft of space is expected to complete in 2021, with the majority of these schemes already under construction or due to commence in the first quarter of the year.
- The 2021/22 figures do not include the 2.3m sq ft Amazon facility and the 480,000 sq ft pre let to DHL at London Gateway.

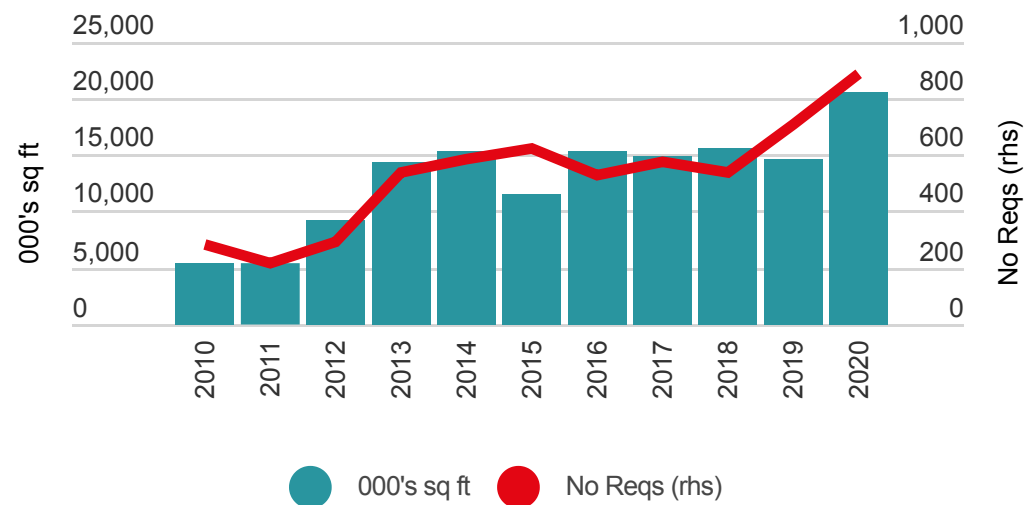
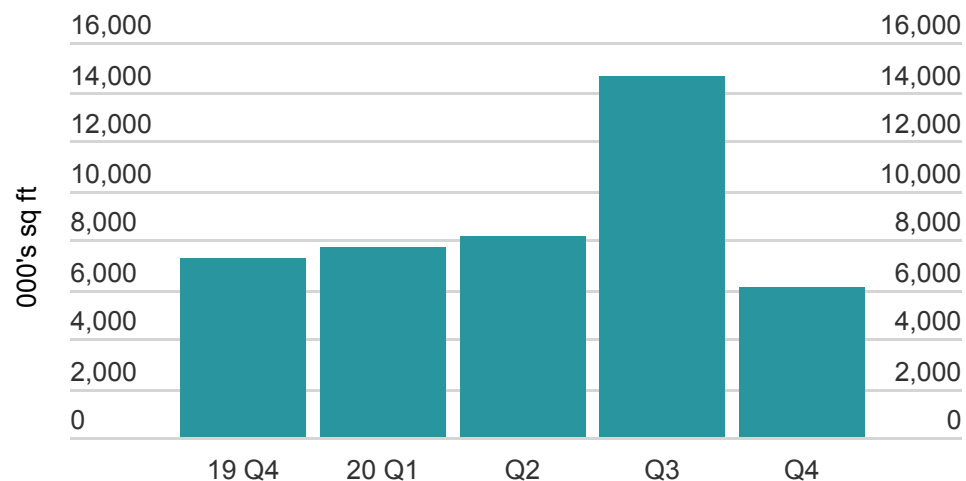


Market demand

The pattern of industrial demand in Eastern M25

- Demand for industrial floor space in the Eastern M25 region has surged over the eight years, rising from around 10m sq ft in 2012 to 15-20m sq ft in the period 2016-20.
- The pandemic has done little to suppress requirements in the region, with 2020 seeing demand levels rise to record highs, ending the year at 20.6m sq ft at the end of the year.
- Requirements have increased across most size bands over the past 12 months, with the largest upturn in demand for 'Big Box' units.

Quarterly demand 2020 in detail

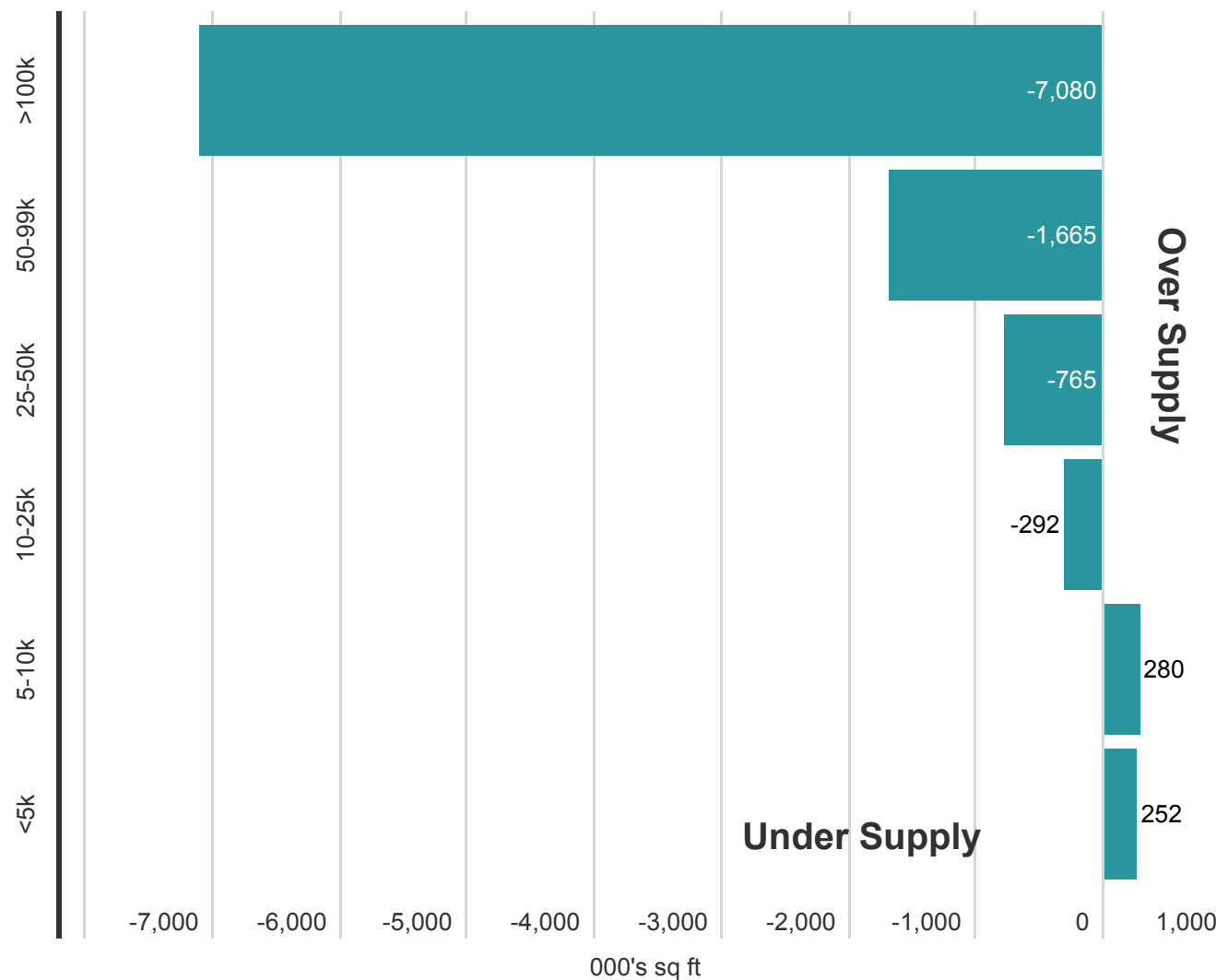


- The graph alongside illustrates the level of demand registered on Glenny's systems for each quarter over 2020.
- Demand remained relatively stable in the first half of 2020 but soared in Q3 to 14.6m sq ft as lockdown was eased.
- The level of requirements have eased back in Q4 2020, as the new lockdown has caused occupiers to defer decisions.

Market demand

Demand/supply mismatch in the development pipeline

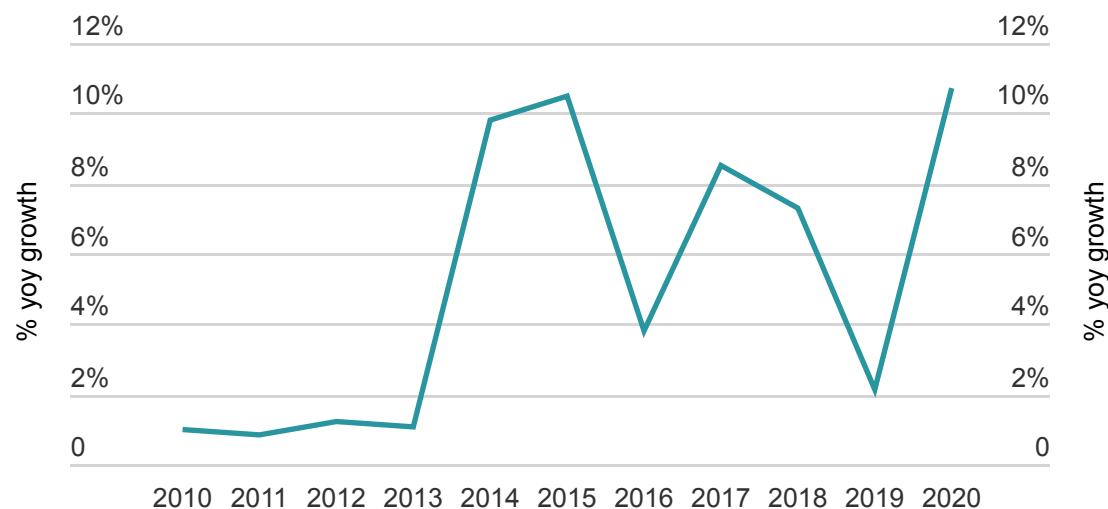
- Whilst supply has increased over 2020, the demand for floor space has also edged upwards.
- The graph alongside illustrates the mismatch between supply and demand across different industrial unit sizes.
- Negative figures represent an under supply of floor space, with most sectors of the market still indicating that demand exceeds current ready to occupy supply.
- The most significant under supply is in the 'Big Box' sector, where current requirements exceed supply by 7m sq ft



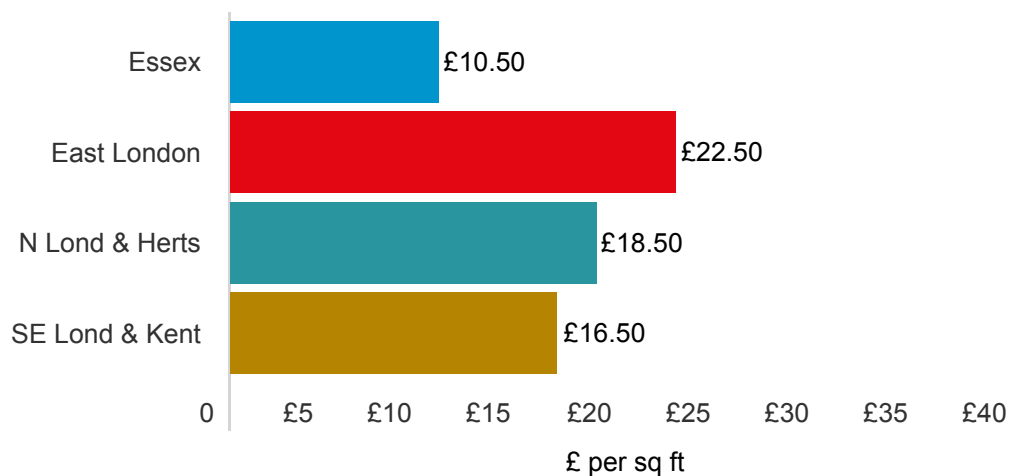
Prime rents

Average prime rental growth Eastern M25

- Prime rents in the Eastern M25 have been on a strong upward trajectory since 2013.
- Over the past seven years, prime rents across the region have increased by 65.6% on average, equivalent to an annualised growth rate of 7.5% per annum.
- There were signs that growth was slowing in 2019, but this easing in growth was largely due to uncertainty surrounding the election and Brexit.
- Growth has rebounded strongly in 2020 despite the pandemic, with growth of 10.7%, which was largely focused in the second half of the year.



Prime rents by sub market across the region



- Three of the four sub regions in the Eastern M25 market have seen prime rental levels increase over the past 12 months, setting new 'rental highs' in each market.
- The strongest growth over the year was in the East London market, where prime rents increased by 21.6% to £22.50 per sq ft.
- Both North London % Herts and Essex also saw prime rents move higher, whilst South East London & Kent saw values remain stable.

Prime rents tables

Essex - Q4 2020

| | £psf | %yoy |
|------------|--------|------|
| Basildon | £9.75 | 0.0% |
| Braintree | £9.25 | 2.8% |
| Chelmsford | £10.00 | 2.6% |
| Thurrock | £10.50 | 5.5% |

East London - Q4 2020

| | £psf | %yoy |
|------------------|--------|-------|
| Barking/Dagenham | £16.50 | 26.9% |
| Beckton | £18.50 | 23.3% |
| Rainham | £13.50 | 12.5% |
| Canning Town | £22.50 | 21.6% |

N London & Herts - Q4 2020

| | £psf | %yoy |
|--------------------|--------|------|
| Enfield | £15.00 | 3.4% |
| Harlow | £9.50 | 0.0% |
| Hoddesdon/Cheshunt | £9.25 | 0.0% |
| Tottenham/Edmonton | £18.50 | 8.8% |

SE London & Kent - Q4 2020

| | £psf | %yoy |
|---------------------|--------|------|
| Ashford | £10.00 | 0.0% |
| Belvedere/Dartford | £13.00 | 0.0% |
| Charlton/Woolwich | £16.50 | 0.0% |
| Maidstone/Aylesford | £9.50 | 0.0% |

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