

## **Industrial**

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### **Headlines**

- Notwithstanding the slight improvement in activity seen in the last two Quarters of 2009, occupational demand is likely to remain flat throughout 2010.
- "Flight to quality" - most activity will be confined to new/modern stock in prime locations.
- Lack of speculative development activity may lead to shortage of quality stock in certain locations - mainly in the South, but particularly the South East may also lead to some upward pressure on rents, towards the year end in those areas.
- Rise in the number of demolitions of large industrial complexes following closure, due to growing obsolescence factor and to avoid empty rates liability.
- Landlords will have to continue to offer flexible terms to secure deals.

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- 1 Whilst enquiry levels are still down on previous years, there was a slight improvement in 2009, commencing Q3.
- 2 Most activity continues to be at the smaller end of the scale, sub 20,000 ft<sup>2</sup>, but in the last two Quarters of 2009, there was considerably more activity in the BIG BOX market for warehouses over 100,000 ft<sup>2</sup>. In contrast to previous years, when food retailers have been the major drivers of this market, more recently the waste management and recycling sector has been a growing source of demand.

- 3 Most activity has been confined to prime locations initially, where supply is generally tighter.
- 4 Lower pricing is attracting more occupiers back into the market - cash rich occupiers have started to return.
- 5 Perception that occupiers who are still prospering, do not want to miss out on the bargains available now ("the window of opportunity").
- 6 Falling rents/capital values, but headline rents are generally holding up better than expected, due to longer rent free inducements being offered by landlords (they have largely doubled in the last 18 months).
- 7 Tenant's preference to conserve cash and look to landlords to incur substantial fit out costs ,is resulting in longer leases being achieved in certain instances, particularly in the rapidly growing waste treatment/recycling sector.
- 8 Speculative development tap firmly turned off for foreseeable future - will lead to shortage of stock in prime locations and eventually, upwards pressure on rents.
- 9 Speculative development will not return until it becomes viable again and investor confidence returns. Build to Suits will be the way forward, for the foreseeable future.