Logistics market remains an interesting place to operate

Paul Rixon, UK Head of Logistics at BNP Paribas Real Estate, shares his thoughts on the current market: “The sector has always been an interesting place to operate, and this remains true as we saw supply falling for the first time since 2010, whilst take-up for 2011 reached just over 30 million sq ft, the highest for more than three years.

Within the market, trends remain clear as take-up for second hand units in 2011 significantly outweighed that of new units, driven by the lack of new stock on the market, along with the fact that many of the second hand units are fully fitted out to a high standard. Our figures revealed that deals completed on new units in 2011 accounted for 32% of all units transacted, compared with 41% in 2010 and 44% in 2009.

However, the key trend for 2011 has been the emergence of design and build in the large unit market, driven by the lack of supply of large modern units. In Q3 alone, 3.17 million sq ft of take-up was in this category, a third of all take-up in that quarter, with 2.5 million sq ft of it being in the Midlands and the South East.

As in previous years, the bulk of large deals involved retailers, specifically within the food and grocery sector. Interestingly, 2011 saw the emergence of units being taken by online retailers or for the internet retailing division of ‘traditional’ retailers.

So far, 2012 has started on a good note, with 6.79 million sq ft of take up nationwide, which is 1.5 million sq ft higher than Q4 2011 and on a par with Q1 2011. From a locational perspective, 36% of the Q1 take up was in the Midlands. In terms of asset type, 74% was for second hand units. As retailers continue to be particularly active in reorganising their supply chains, we expect this trend to continue, with a further squeeze on the remaining prime units in the market.
Nationwide, supply in the industrial and logistics sector now stands at 148.8 million sq ft and in Q1 2012 fell by 1.1 million sq ft. This is the first decrease in supply since Q2 2010. Moreover, 84% of this supply is for second hand units.

As with previous quarters the majority of supply is in the four core regions, with The Midlands, Yorkshire and the Humber, The South East and The North West accounting for 73% of all stock on the market.

Looking forward, we expect more good quality second hand units to return to the market as companies rework their supply chains and retailers continue to take design and build and newly built units. There will also potentially be a raft of good quality units returning to the market as five year breaks or lease expiries are exercised following on from the record take-up levels of 2007."

For further information about BNP Paribas Real Estate’s logistics team, please visit the [website](#).

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BNP Paribas Real Estate is a leading international real estate provider. It offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.
BNP Paribas Real Estate has local expertise on a global scale through its presence in 30 countries (15 wholly owned subsidiaries and 15 by its Alliance network, that represent today more than 2,500 people) with 3,400 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas with more than 150 offices.
For more information: [www.realestate.bnpparibas.com](http://www.realestate.bnpparibas.com)

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