THE MIDLANDS ONLY HAS ONE YEAR’S WORTH OF NEW LOGISTICS PROPERTY REMAINING – SUPPLY IS QUICKLY RUNNING OUT

- In comparison, Yorkshire has 5.7 years of supply-

The level of new logistics units available on the market continues to decrease across the UK. The Midlands is no exception, as there is currently only one year’s worth of new supply available, according to The BNP Paribas Real Estate Logistics Index, compiled in conjunction with IPD. In comparison, Yorkshire currently has 5.7 years of supply.

The Midlands, one of the UK’s core logistics regions, accounts for 14% of the stock available on the market, which equates to 20.4 million sq ft. Within this, there is only 3.1 million sq ft of units over 250,000 sq ft available, down from a peak of 5 million sq ft in 2009.

The UK Index covers a sample of 545 logistics properties across the UK, totalling £5.7 billion. This amounts to 28.5% of the total IPD Industrial Segment, worth £20.2bn as of the end of 2012.

Nationwide, the UK logistics sector has been one of the stronger regional asset types in the UK and logistics properties in the Midlands outperformed all other industrials. Encouragingly, rental values fell almost in all regions except the East and West Midlands where values were slightly positive. Interestingly, core prime property is now achieving headline quoting figures, something that has not occurred for a while.

With regards to regional take up of space, the Midlands accounted for the majority of the transactions in the third quarter 2012, with take up totalling 4.4m sq ft, which meant it is the only region to record an increase in take up. The proportion of take up in the Midlands has increased from 28% of the total UK market to 30%, back to its 2010 high point, showing that the region continues to dominate. As take-up increases, particularly from the manufacturing sector, there are even fewer quality logistics properties available in the market.

Ranjit Gill of BNP Paribas Real Estate’s industrial agency said: “At a nationwide level, total returns for logistics and industrial converged at 2%, whilst at a regional level the differences were stark, with logistics outperforming industrial. These returns are being driven, in the most part, by the solid income return derived from logistics assets which ties in with occupational statistics for 2012, with
take up levels decreasing and the overall availability of modern stock at its lowest level since we started collecting data in 2008.”

“We do expect that take up in the sector will remain robust in 2013. However, the acute shortage of larger industrial space, coupled with the continued lack of funding for speculative industrial developments, will continue to impact recovery, if a solution can’t be found,” concluded Gill.

For a copy of The BNP Paribas Real Estate Logistics Index please email: kevin.mofid@bnpparibas.com.

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About BNP Paribas Real Estate
BNP Paribas Real Estate, one of the leading international real estate providers, offers 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 36 countries with more than 150 offices and 3,400 employees (16 wholly owned subsidiaries and 20 by its Alliance network, that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.
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