London, August 15th 2018

PRESS RELEASE

INDUSTRIAL INVESTMENT REMAINS BUOYANT AS RETAILERS LOOK TO AUTOMATION TO HELP INCREASE THEIR CONSUMER OFFERING

Investment demand for industrial properties remained buoyant in Q2 2018, continuing to exert downward pressure on Prime Yields, particularly for those assets located in London and the South East. According to the MSCI Monthly Index June 2018, Net Initial Yields (NIY) for London and South East Standard Industrial moved in to 3.4% and 4.3% respectively.

Total investment reached £1.74 billion in Q2 2018, taking the total for the first half of 2018 to c. £3.8 billion, relatively in line with the corresponding period last year.

UK institutions have been particularly prevalent in the market with their total share of investment reaching 36.7%, the highest share since Q4 2015. Similarly, REITs and Property Companies also had a strong showing accounting for a combined 26.8%. A key example of this was London Metric PLC’s purchase of the Platinum Portfolio for £55m at a blended NIY of 4.4% and a reversionary yield of 5.3%.

James Fairweather, Head of Industrial Investment at BNP Paribas Real Estate, commented: “Reversion and rental growth prospects, factored in by investors for industrial properties, continued to be a key determinant of pricing over the first half of the year, especially for industrial estates located in London and the South East. A lack of supply, strong demand from occupiers in these areas and restricted land availability to build on continued to sustain activity.”

Looking to industrial leasing, activity for large distribution warehouses (100,000 sq ft and above) amounted to 6.9m sq ft in Q2 2018, up 27% on the subdued numbers witnessed in Q2 2017. These figures take the total take-up for H1 2018 to 16.2m sq ft, 8.8% ahead of the corresponding period last year.

This increase was driven primarily by occupiers looking for increased automation to bolster online and in-store fulfilment capacity. As a result, high-quality distribution warehouses were extremely sought after in H1 2018, with Design and Build (D&B) units reaching a record-breaking 64.2% share of total.

Among some of the largest deals, Amazon agreed a 20-year pre-let of c. 1.5m sq ft at Link 66, Darlington, while online fashion retailer PrettyLittleThing signed a lease for 614,264 sq ft of refurbished space at Sheffield 615, the largest available existing warehouse nationally.
Encouragingly total national supply, including speculatively developed units, stood at 3.2% down on Q2 2017. This is in spite of H1 2018 witnessing the delivery of more than 2.7m sq ft of new space, with a further 7.5m sq ft under construction as of the end of June 2018.

**Ben Wiley, Head of Industrial Agency at BNP Paribas Real Estate,** commented: “There has been strong occupier demand for large distribution warehouses, which is a trend we anticipate will continue, if not even grow. As retailers look to evolve in order to keep pace with changing consumer behaviour, large fulfilment centres will be crucial to streamline their supply chain so they can bridge the gap between traditional and online shopping experiences.”

---

**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.

With 5,100 employees, BNP Paribas Real Estate supports owners, leaseholders, investors and communities in their projects thanks to its local expertise across 36 countries (15 through its facilities and 21 through its Alliance network) in Europe, the Middle-East and Asia. BNP Paribas Real Estate generated € 811 m revenues in 2017. In 2017 BNP Paribas Real Estate continued its growth through the acquisition of Strutt & Parker, one of the UK’s largest independent property partnerships.

BNP Paribas Real Estate is part of the BNP Paribas Group.

---

**Press Contacts:**

Patrick CLIFT – Tel +44 (0) 207 338 4062 - patrick.clift@realestate.bnpparibas

Francesca KILBY – Tel +44 (0)207 338 4479 – francesca.kilby@realestate.bnpparibas

---

For more information: [www.realestate.bnpparibas.com](http://www.realestate.bnpparibas.com)

Twitter: @BNPPRE

Real estate for a changing world