

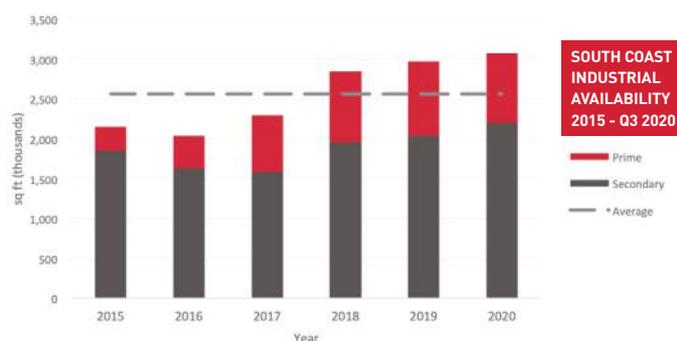
SOUTH COAST INDUSTRIAL MARKET PULSE Q3 2020

Lambert
Smith
Hampton

The South Coast has witnessed an undeniably strong Q3 performance with outstanding figures in availability, take up and enquiry levels. The UK is still experiencing and responding to the on-going impact of COVID-19, and the unpredictability it brings to every aspect of life. And yet the key indicators we track and trace below show a confidence and strength that is resonating with businesses, landlords and occupiers on the South Coast, to ensure business continues and does not waver.

AVAILABILITY

- Our research shows that availability levels have remained relatively consistent with last quarter, albeit a slight decrease overall. Prime stock has decreased to a greater extent than secondary as occupiers, even in these uncertain times, see merit in taking prime, quality space to satisfy modern occupier needs.
- There is a large amount of space which our records show as under offer, which continues to show resilience and current activity in this market.
- Q3 hasn't witnessed any new developments to come out of the ground however there has been new prime stock which has come onto the market including **Unit 4 Reliant Close** totalling 40,471 sq ft, **Unit D2 Hamilton Business Park, Hedge End** totalling 24,760 sq ft and **Units 6&7 Pioneer Park, Portsmouth** (23,029 sq ft).



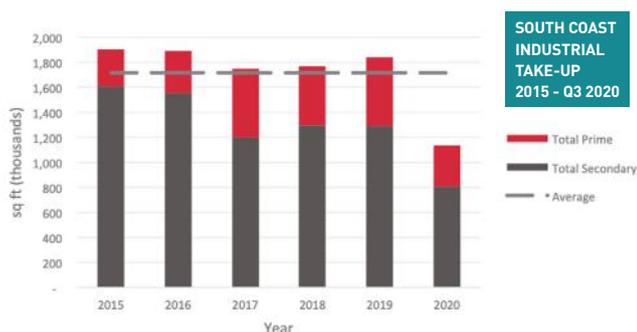
The vital statistics have been summarised below:

	Q3 2020 (sq ft)	Q2 2020 (sq ft)	% change	% change Year on Year
Total stock	3,074,815	3,158,261	-2.64	-2.13
Prime stock	874,381	1,019,224	-14.21	-8.47
Secondary stock	2,200,434	2,139,037	+2.87	+0.63

TAKE UP

- Transactions witnessed this quarter demonstrate the resilience and strength of the South Coast industrial market. Prime take up performance has been extraordinary this quarter both on a quarter by quarter basis and year on year. The UK and beyond as we know it has been 'locked down' in an unprecedented manner, with many businesses having to 'close its doors', and yet, this quarter, take up has not faulted and in fact it has exceeded expectations far greater than imagined. There is a hope and a drive to continue business as usual in new and creative ways in whatever way possible and these statistics echo that sentiment.
- We anticipate this appetite for prime stock and secondary stock to continue during Q4, which historically is often a busy quarter, as parties are keen to complete transactions before year end.
- The list of significant transactions noted below of large holdings, with strong rents and good lease lengths, which also demonstrates the unfaltering quality of deals taking place on the South Coast.

The vital statistics have been summarised below:



	Q3 2020 (sq ft)	Q2 2020 (sq ft)	% change	% change Year on Year
Total take up	461,863	260,247	+77.47	-3.37
Prime take up	233,468	39,534	+490.55	+46.25
Secondary take up	228,395	220,713	+3.48	-28.25

SIGNIFICANT OCCUPATIONAL TRANSACTIONS

PROPERTY	Size	Landlord/Vendor	Tenant	Terms	Rent / Price (per sq ft)
Unit 3, BlackRock Real Estate	84,382	Bericote Properties	DHL	10 years	£9.00
Units 1&2 Velocity, Havant	58,115	Taurus Developments	Sartorius	10 years	£9.00
Units 126/127 Proxima Park, Waterlooville	33,400	Equation Properties	Warburtons	5 years	£9.75
Unit 3 Harbourgate, Portsmouth	33,073	Fidelity UK	Rapid Response Solutions	10 years	£9.30
Unit 1 Marine Employment, Southampton	31,881	Oceanic Estates	Ocean Infinity Group	20 years	£9.00
Unit F Omega Enterprise Park, Chandlers Ford	24,865	IPIF	Smith Brothers	10 years	£10.25
Edward House, Havant	23,572	Private Landlord	OSKA UK	10 years	£9.50

ENQUIRIES

Positive market sentiment continues to present itself through our enquiry levels. The statistics show a significant increase of circa +18% in the total number of enquiries received this quarter when compared to last quarter and an increase of +13% when comparing year on year. The record high enquiry levels for units over 50,001 sq ft, that was witnessed last quarter have returned to a more recognisable level.

INVESTMENT SUMMARY

Indicative Yield Guide

South Coast	Q2	Q3
Prime single let	4.25-4.50%	4.25-4.50%
Prime multi-let	4.50-4.75%	4.50-4.75%
Secondary single let	5.50-5.75%	5.50-5.75%
Secondary multi-let	6.00%+	6.00%+

Key South Coast Q3 Transactions

Merlin Park, Portsmouth: Prime multi-let estate built in 2018 and comprising seven units totalling c. 92,000 sq ft (GEA). The property was fully let to four tenants with an average unexpired lease term of 11.9 years to breaks and 12.5 years to expiry. Acquired by Orchard Street Investment Management (LSH acting) for £19m reflecting a NIY of 4.50%

Dominion Way, Worthing: Acquisition of the Freehold interest in a multi-let industrial terrace and single let industrial unit by a Local Authority. The properties were majority let to Allergy Therapeutics and situated in one of Worthing's most established industrial areas. LSH acting for the Purchaser.

For a comprehensive review of the UK Investment Market please read our UKIT Q3 <https://www.lsh.co.uk/ukit>

About us

We are a commercial property consultancy working with investors, developers and occupiers in both the public and private sectors across the UK and Ireland. © 2020 Lambert Smith Hampton.

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