

INDUSTRIAL AND DISTRIBUTION PERFORMANCE

The weakening of sterling since the EU Referendum vote has provided a boost to the manufacturing sector, although uncertainty is impacting on investment. Online retailing has gathered pace over the last year with implications for retailer distribution strategy.

Nationally, the industrial market has been the strongest performing sector over the last two years. A shortage of stock combined with rental growth in many areas have combined to deliver both capital and income returns. Kent reflects this trend with prime rents rising by an average of 4.4% to the end of H1, twice the long run mean.

The county has seen a number of significant letting as well as buoyant activity at the smaller end of the scale. At Axiom, Orbital Park, Ashford, Forza Industries took 2,325m² (25,028ft²) at a rent of £102 per m² (£9.50 per ft²) in May, following Hire station taking 672m² (7,234ft²) at £108 per m²



Proposal for Powerhouse, Dartford.

24%

Increase in average prime industrial and distribution rent over last five years

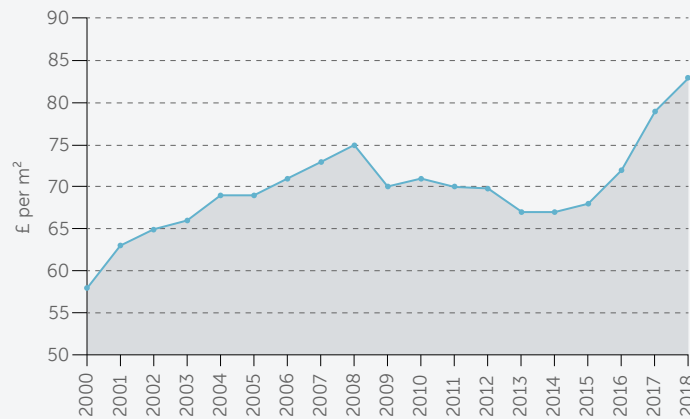
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(10 per ft²) last October. The completion of Phase 1 of the Park brings much needed new units to the Ashford area.

In Dartford, Ask took a six year lease on 606m² (6,534ft²) at 291 Watling Street in March. Further east, Eurolink Business Park, Sittingbourne, saw a number of sales and lettings while AJA Fabrications took 620m² (6,677ft²) on Trinity Trading Estate in January. Meanwhile, Axcro took 532m² (5,725ft²) at 129 Manston Road, Ramsgate. At the 55,742m² (600,000ft²) Exton Estates' Capacity, Dartford, the 8,547m² (91,999ft²) Unit 3 was let to Bressendon on a rent of £102 per m² (£9.50 per ft²) on a 25 year lease and forward sold to Aberdeen Standard for £21.50m in May. There are plans to speculatively develop the remaining 7,432m² (80,000ft²) unit.

A number of schemes across the county are aimed at start-ups including the conversion of a former Co-op store at Stembrook, Dover into an innovation warehouse under

Kent average prime industrial and distribution rent



Source: Caxtons

11%

Average prime rents ahead of pre-financial crisis peak

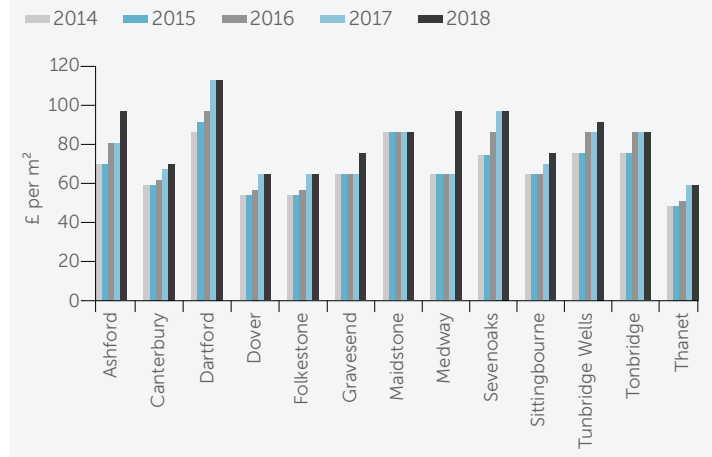
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plans from Dover District Council and Dover Big Local. Offering larger units, Ashford's Axiom, Orbital Park Phase 2 will provide land or design and build opportunities.

Further distribution space is planned for the county. Amazon will open a 34,000m² (366,000 ft²) last mile sorting centre in Medway in late 2018, while Aldi's new distribution centre on a 5.67ha (14 acre) site next to Neats Court in Queenborough will open in 2019. Ocado has plans for a 1.92ha (4.75 acre) site at Littlebrook valued at £4.45m per ha (£1.8m per acre), while in March 1.68ha (4.15 acres) at Coldharbour Lane, Gravesend sold to Kier for £1.16m. The planning application for a mixed use scheme on the 36.82ha (91 acre) Aylesford Newsprint site was withdrawn in June.

Meanwhile, construction of the £250m Dover Western Docks Revival by the Port of Dover to deliver a new cargo terminal and distribution centre is underway and plans were

Industrial and distribution rents



Source: Caxtons

approved for an international lorry park and truck stop as part of the larger Waterbrook Park scheme in Ashford. The issue of logistics movements to and through the county will remain in the headlines until Brexit negotiations are resolved.

In the investment market, stock coming through for sale at a national level has been relatively limited this year. This has placed further downward pressure on yields; prime yields in Kent fell to 6%. However, the Kent market saw a number of significant transactions and Caxtons estimate just over £110m of assets sold in the 12 months to September.

In addition to Aberdeen Standard's purchase at Capacity in Dartford, Valor Real Estate and AIG launched a second logistics JV. The £300m VIP2 purchased, in July, Units 30,40 and 60 Edisons Park, Dartford, totalling 12,542m² (135,000ft²), with tenants UK Mail, Furniture Village and Yodel for £22.75m.

At Orbital Park, the 10,447m² (112,451ft²) Unit M, let to Menzies Distribution and Brookes Homes Developments sold in October 2017 for £8.42m, reflecting a NIY of 7.22%. In July, Columbia Threadneedle paid £10.1m (NIY 4.9%) for units on the park let to tenants including Howdens, Forza and Hire Station. The Carillion Group sold the 9,049m² (97,400ft²) unit at 14 Invicta Way, Manston Business Park, Ramsgate to Wahl in March.



Proposal for Berry Gardens soft fruit packing and distribution packhouse scheme will secure over 434 existing jobs in Maidstone Borough and is anticipated to generate in excess of 500 new jobs in the borough by 2024.

Lettings							
Location	Landlord	Tenant	Size ft ²	Rent (pa)	Lease term	Agent	
Unit 11 Euroway Trade Park, Aylesford, Kent	CBREGi	The Mansfield Group	26,446	£218,180	10 years	Martine Waghorn	
DC3 (Depot 2) Pattenden Lane, Marden, Kent	Private	Thermogroup	21,655	£160,000	10 years	Sibley Pares	
The Teardrop Centre, London Road, Swanley	Spelthorn Ltd	Sharp Business Systems Ltd	16,520	£177,590	5 years	Altus Group	
7 Bowes Estate Wrotham	Elevation Space Ltd	Thameside Test and Research Ltd	1,332 @£8.50psf (ground floor) 1,234 @£5 psf (first floor)	£17,500	5 years	Michael Parkes	

Sales						
Location	Vendor	Purchaser	Size ft ²	Capital value	Agent	
Former Transport Yard, Beck & Pollitzer Site Sandpit Road, Dartford	Beck & Pollitzer	KPT Solutions Ltd	91,040	£4,100,000	Glenny	
3 Longfield Road Tunbridge Wells	Bishops UK Ltd	Private Investor	17,600	£2,000,000	Broadlands	
Land at Stone Way, Hersden	Private Vendors	UK Stone	0.25 acres	£120,000 (£480,000 per acre)	BTF Partnership	