East Midlands commercial property investment doubles to nearly £2.3bn in 12 months

The amount invested in commercial property across the East Midlands doubled to almost £2.3 billion last year compared to a year earlier.

Figures from commercial real estate specialist Innes England suggested the amount spent was also more than 70 per cent above the five year average.

The growth has been put partly down to the vast amounts of money going into new warehousing thanks to the region's central position on the UK distribution network.

According to the region's annual Market Insite property review from Innes England – monitoring the property markets in and around Leicester, Derby and Nottingham – the supply of stock was struggling to keep pace with the strong post-lockdown rebound in investor demand.

The annual report said:

– The region's distribution market continues to thrive. Logistic deals included the sale of Amazon's one million sq ft warehouse at Bardon, Leicestershire, to Savills IM for £161 million

– Large sites being developed include East Midlands Gateway near Junction 24, the new £150 million global hub for Jaguar Land Rover near Ashby and the continuing expansion of Magna Park near Lutterworth

– There was a 'surprising' 122 per cent jump in office take-up in Leicester

– Retail footfall in all three cities improved to near or above pre-pandemic levels

– Nottingham and Derby experienced increased levels of industrial take-up

– Commercial real estate investment in Leicestershire rose to £629 million in 2021 – almost double the previous year

– Investment in Derbyshire more than tripled, reaching £380.5 million

– Competition for industrial sites in Nottingham soared

Ben Robinson, head of Innes England's investment consultancy, said: "The industrial market accounted for more than three-quarters of all transactions, a strong increase on the previous year's 50 per cent market share and further reinforcing the region's 'golden triangle' reputation.

"Overall, 2021 was dominated by a large number of deals in the "sheds and beds" space, with office and retail lagging behind."

Peter Doleman, Innes England director of agency and development, said Nottingham and Derby experienced increased levels of industrial take-up.

Greater Nottingham increased from 708,000 to 950,000 sq ft, thanks to the availability of new speculative stock – increasing Grade A take-up fourfold in a year.

Derby increased from 591,000 to 891,000 sq ft, mainly thanks to the single letting to JD Sports of 515,000 sq ft on the Derby Commercial Park.

Mr Doleman said: "Leicester saw a small drop of 5 per cent, from a little over 3 million sq ft at the end of 2020 to 2.8 million sq ft last year – still a substantial overall level but reflective of the availability of larger buildings at

Magna Park, for example.”

The report said supply is now the key factor in the industrial market.

Greater Nottingham has a “chronic” lack of supply as levels almost halved at year end to 434,000 sq ft, with 50 per cent of that under offer.

Industrial availability in Derby dropped to just over 200,000 sq ft from 364,000 sq ft in 2020, with no buildings over 30,000 sq ft ready to occupy on the market.

However that need was addressed with St Modwen on site having committed £46 million to deliver 300,000 sq ft in late summer this year.

Leicestershire’s supply remains broadly the same as 2020 at 3.2 million sq ft, again reflecting the availability of some larger buildings but will see the creation of a number of new speculative schemes that will bring much-needed stock to the market.

Second-hand stock also remains thin on the ground across the region and commands premium prices when available.

Mr Doleman said: “We have seen values generally rise over the last two years, due not only to a lack of supply and the resultant competition for buildings, but also Brexit and the pandemic that have caused supply chain issues and inflation that has raised the cost of development.

“What is interesting is a general expectation from occupiers that rents and capital values would rise for new buildings, and a willingness to pay these levels.”

He said the demand in the big box distribution sector, fuelled by the surge in online retail sales, has seen a number of large sites being developed.

The past six months have seen strong sales growth from pre-pandemic levels for a number of retailers but the market has been facing structural challenges from the internet, making it difficult to assess where headline rents sit, he said.

The destination retail and retail warehousing sector is healthy, with investors looking to secure assets, while drive-thru restaurants and other roadside businesses such as car supermarkets and home retailers fared well during the pandemic.

Read More

Related Articles

- [Construction completed on 522,000 sq ft DSV warehouse and offices in Leicestershire](#)

Read More

Related Articles

- [Unipart chosen to run 3m sq ft Jaguar Land Rover global parts distribution centre in Leicestershire](#)

Sign up for your free East Midlands

newsletter and follow us on LinkedIn

Email newsletters

BusinessLive is your home for business news from across the East Midlands including Leicestershire, Nottinghamshire, Derbyshire and Lincolnshire.

Click through here to sign up for our daily email newsletter and also view the broad range of other bulletins we offer including weekly sector-specific updates.

We will also send out 'Breaking News' emails for any stories which must be seen right away.

LinkedIn

For all the latest stories, views and polls, follow our

BusinessLive East Midlands LinkedIn page here.