

# Defining Urban Warehousing

**An industrial property market presentation on  
Greater London**

June 2024

 **JLL** SEE A BRIGHTER WAY



# Introduction

**In our report we:**

- **define and segment London's urban warehouse market;**
- **assess the investment opportunity of urban warehousing in London.**

**This presentation focuses on our 10 key takeaways.**



**Tessa English**

Head of Urban & City Logistics



**Jon Sleeman**

Director –  
UK Industrial & Logistics Research

# 10 key takeaways

**1**

Urban warehousing is a distinct segment of the industrial sector.

**2**

Prime industrial and warehouse buildings are defined by having a strong macro and micro location and a building specification that meets current occupier demand.

**3**

There is an emerging class of ‘super prime’ industrial assets that are situated in prime locations and incorporate best in class building specifications, best in class ESG and technology features.

**4**

Significant changes in the UK economy and society over the past 20 to 25 years have elevated the need for urban warehouse space.

**5**

Greater London is at the heart of a wider economic ‘super-region’ extending into the South East and Eastern regions and it is both a capital and global city.

**6**

London’s urban warehouse stock is occupied by a wide variety of businesses which contribute directly to London’s GVA and jobs and support the wider functioning of the London economy.

**7**

London’s stock of industrial land is diminishing.

**8**

London delivered superior industrial rental growth compared with all other UK regions over the long-term 2000 to 2023, however this growth was exceeded by the growth in London’s nominal Gross Value Added.

**9**

Given that London’s GVA is forecast to grow stronger than the UK and given the competition for land in London, we think long-term industrial rental growth in London will exceed the UK rate, as it has done in the past.

**10**

Prime urban warehousing in London presents a resilient and robust investment opportunity.

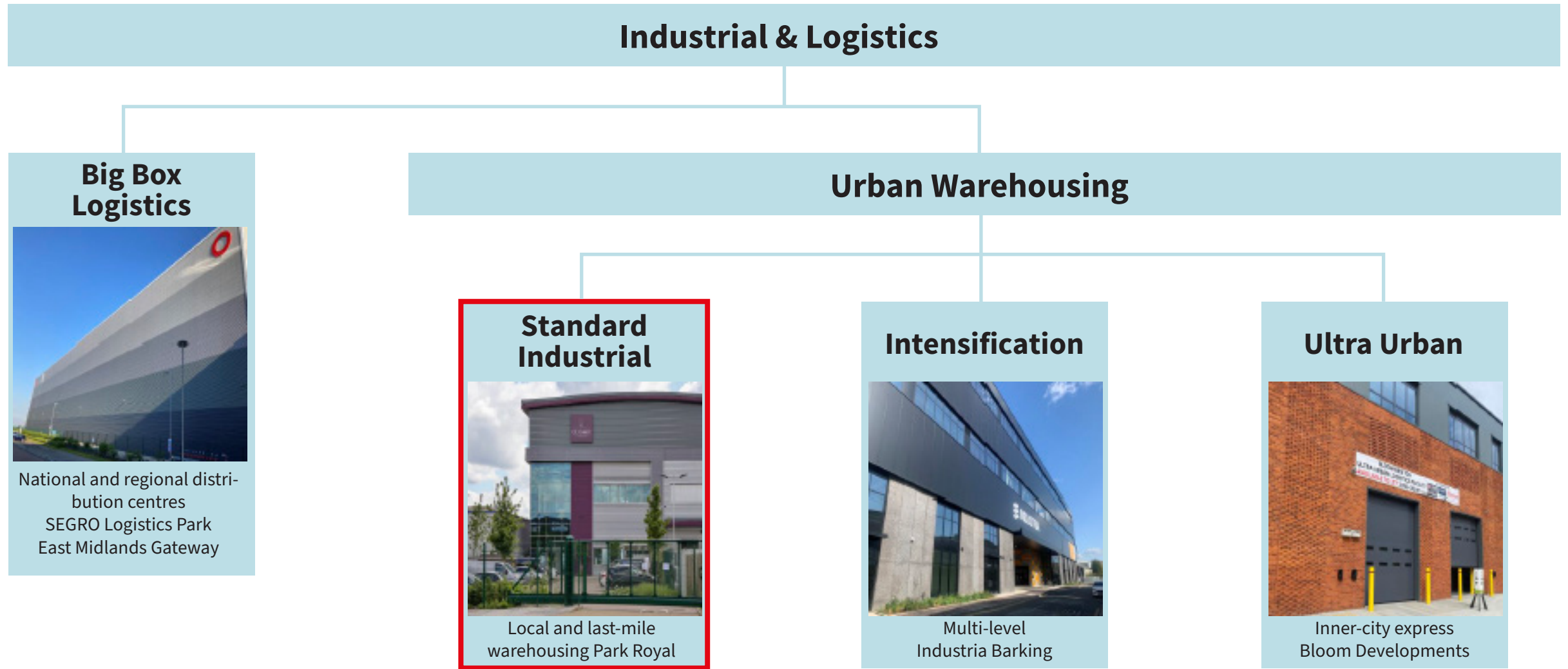


# Defining Urban Warehousing in London





# 1 Urban warehousing is a distinct segment of the industrial sector



## 2 Prime buildings are defined by location and building specification

### Our approach

We segmented London's built stock based on location and building specification.

- Location: prime and non-prime geographies.
- Building specification: competitive with new inventory or not, simplified to building age.
  - Prime – built since 2000.
  - Non-prime – built before 2000.

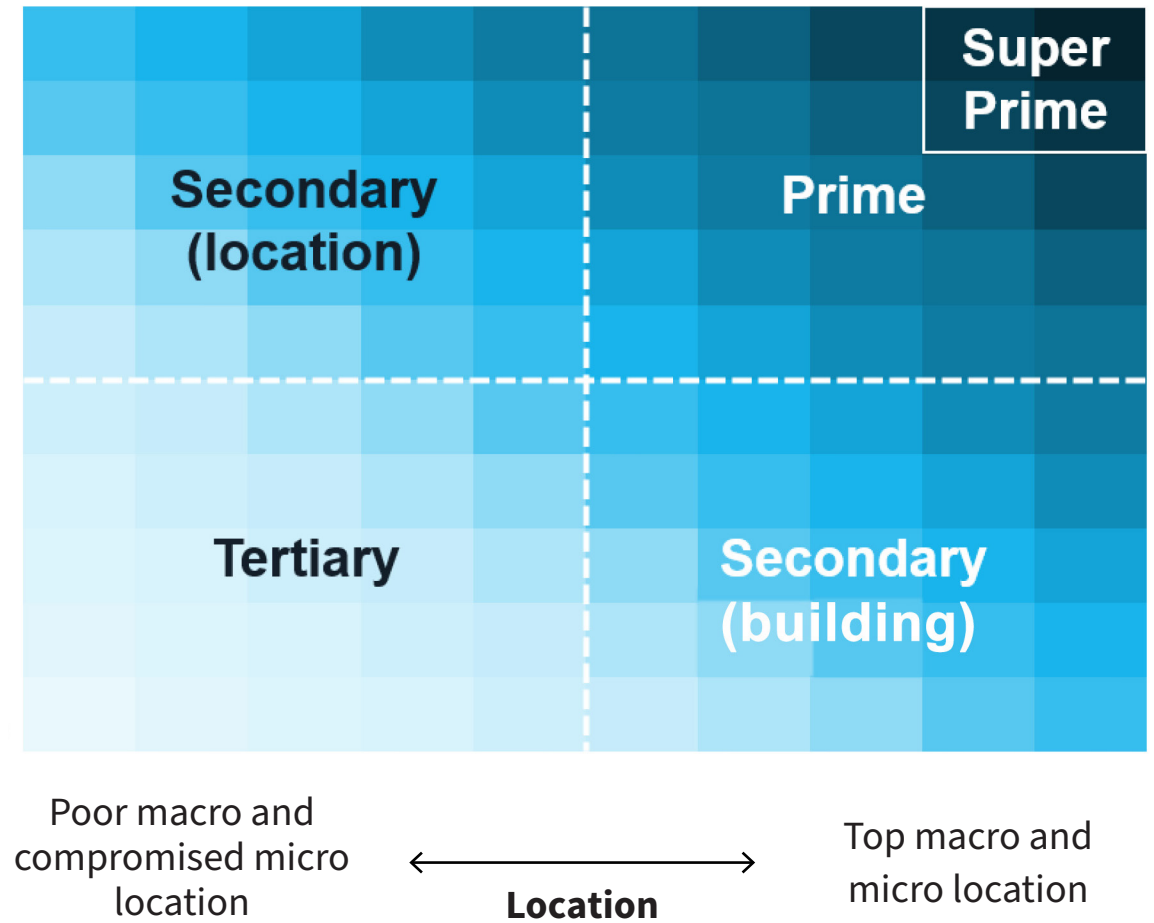
### Four quadrants:

- **Prime London:**  
prime location, built since 2000.
- **Secondary (buildings) London:**  
older buildings, prime location.
- **Secondary (locations) London:**  
modern buildings, non-prime location.
- **Tertiary London:**  
older buildings, non-prime location.

Current  
best-in-class  
(future fit)

↑  
Building  
specification  
↓

Tertiary or  
poorer older  
building  
(functionally  
challenged)



# Prime geographies

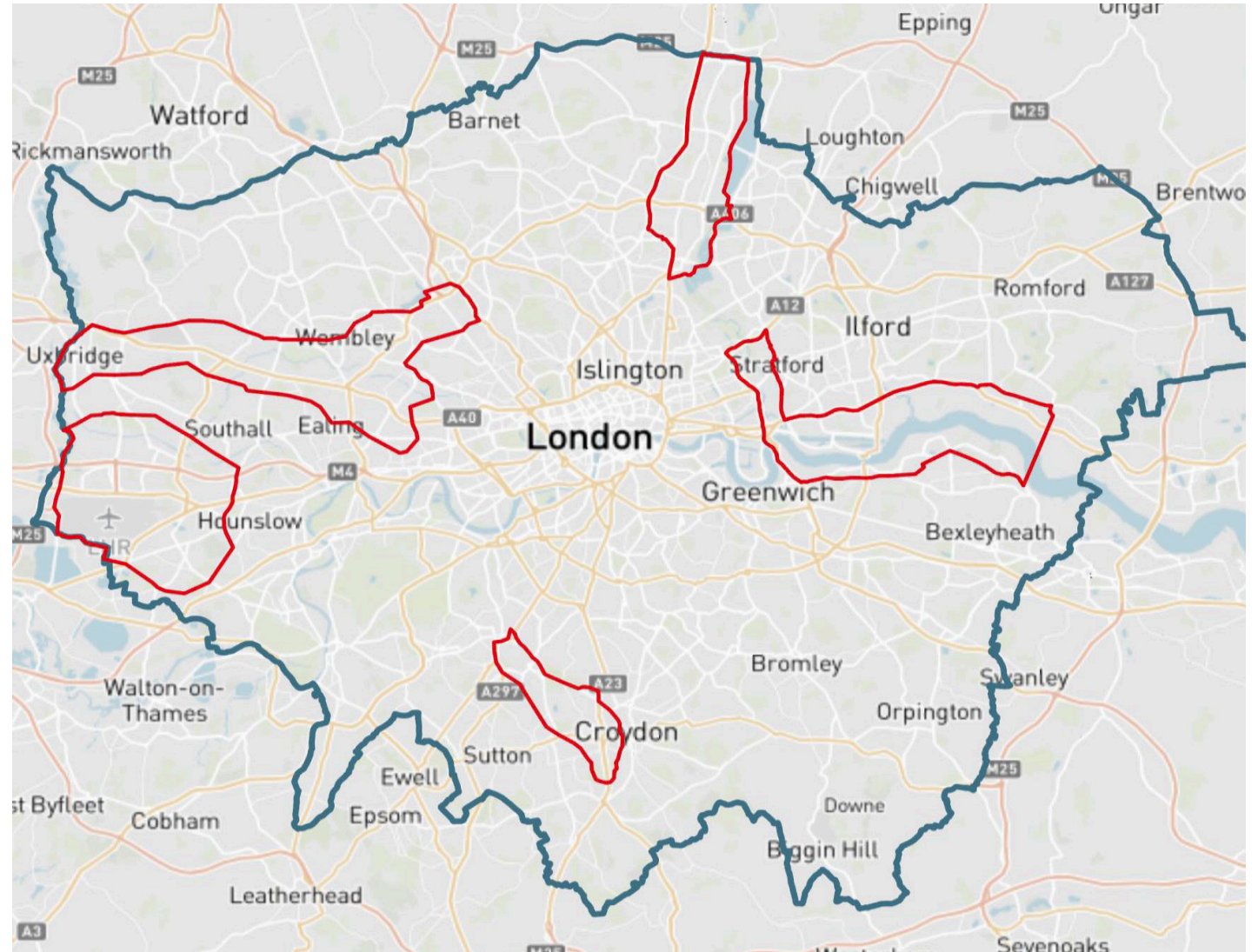
The **diversification** of prime over time.

We focused on London's Property Market Areas excluding the 'Central Services Circle'.

## Prime geographies based on:

- Road connectivity (key corridors) + Heathrow Airport.
- Existing key industrial/warehouse clusters.
- Market attractiveness to occupiers.

# Prime locations in London



Prime geographies excluding 'Central Services Circle' Property Market Area  
Source: JLL/Esri



# Prime buildings

- Prime buildings are competitive with new buildings in terms of their specification and meet current occupier requirements.
- The key requirements of occupiers vary between building size and type.
- We believe buildings with features comparable with new and which remain attractive in the market today emerged from c 2000 (e.g. Premier Park, Park Royal).
- Changes since 2000 include more height, more yard space + ESG.





# Quantifying the quadrants

	Prime	Secondary (building)	Secondary (location)	Tertiary
<b>Total Stock</b> <small>End 2023</small>	40.5 million sq ft	73.6 million sq ft	11.5 million sq ft	78.3 million sq ft
<b>Leasing Activity</b> <small>Total 2009-2023</small>	27.0 million sq ft	45.1 million sq ft	5.7 million sq ft	30.8 million sq ft
<b>Availability</b> <small>End 2023</small>	2.4 million sq ft	4.3 million sq ft	0.8 million sq ft	3.3 million sq ft
<b>Yields</b> <small>June 2024</small>	4.75%	5.25%–5.50%	5.25%–5.50%	5.75%+

Sources: CoStar for stock, leasing activity and availability, JLL for yields.  
Availability excludes buildings completed since the start of 2023 to allow for a 12 month void period on completion.

### 3 There is an emerging class of ‘super prime’ industrial assets

These incorporate best in class specification, ESG and ‘tech’



**SEGRO Park, Tottenham**



**PR1, Park Royal**



**PR2, Park Royal**



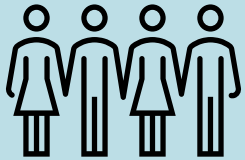
# Assessing the investment opportunity





# 4 UK-wide changes have elevated the need for urban warehousing

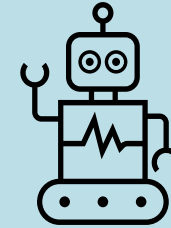
London has been at the forefront of these changes



Population  
growth



Consumer  
revolution



Technological  
change



Economic  
restructuring



Sustainability  
& ESG



# 5 London is an economic super-region and a capital and global city

**1st**

London ranks first in Europe and 5th globally in JLL's 'Innovation Geographies 2024' research.

**1st**

EY's latest European Attractiveness Survey showed Greater London regained the top spot in Europe for FDI projects.

**1st**

London's consumer spending in 2022 was by far the largest in Europe, according to Oxford Economics.

**1st**

London ranks first in the Human Capital category and 2nd overall in Oxford Economics Global Cities Index 2024.

**1st**

ESE's global Cities in Motion Index 2024, ranking smart and sustainable cities.

**1st**

London was the global leader for cross-border real estate investment purchases in the three years to Q1 2024, according to JLL.

**1st**

London Heathrow Airport is the world's most connected airport according to OAG's Megahubs 2023 report.

**1st**

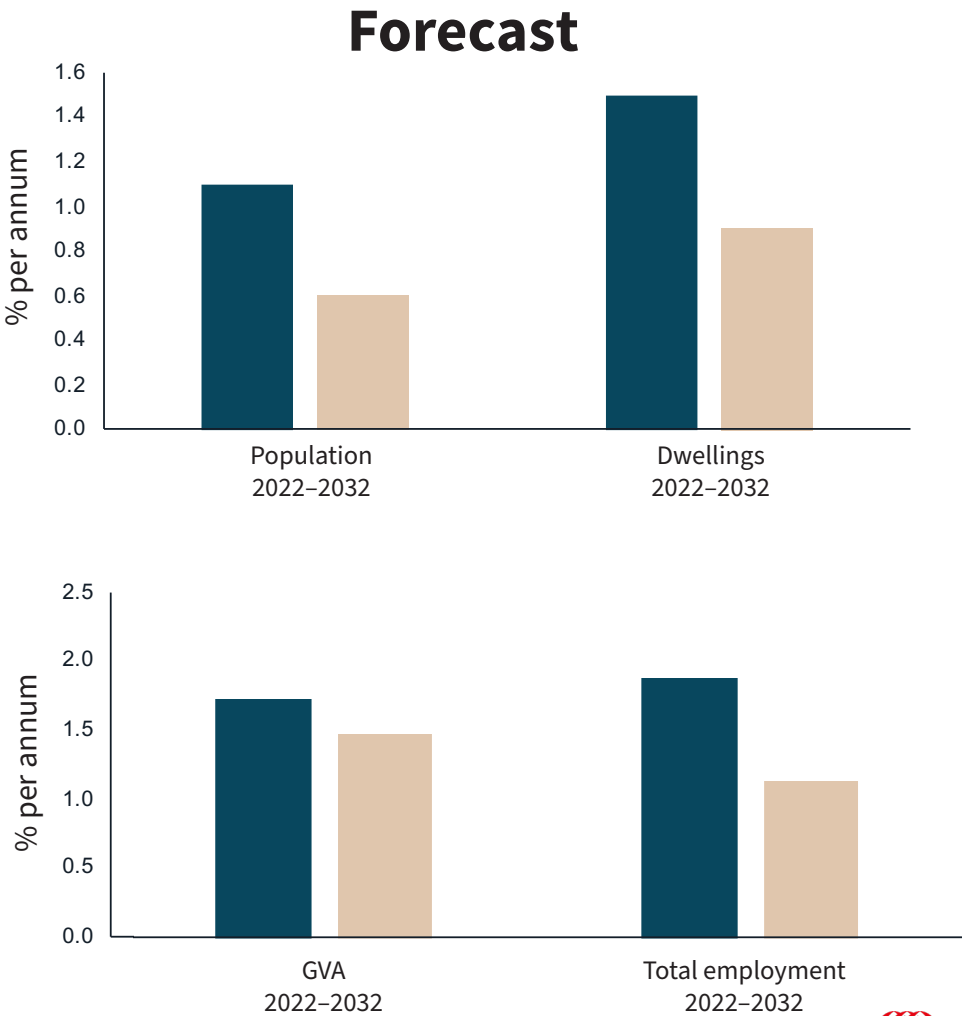
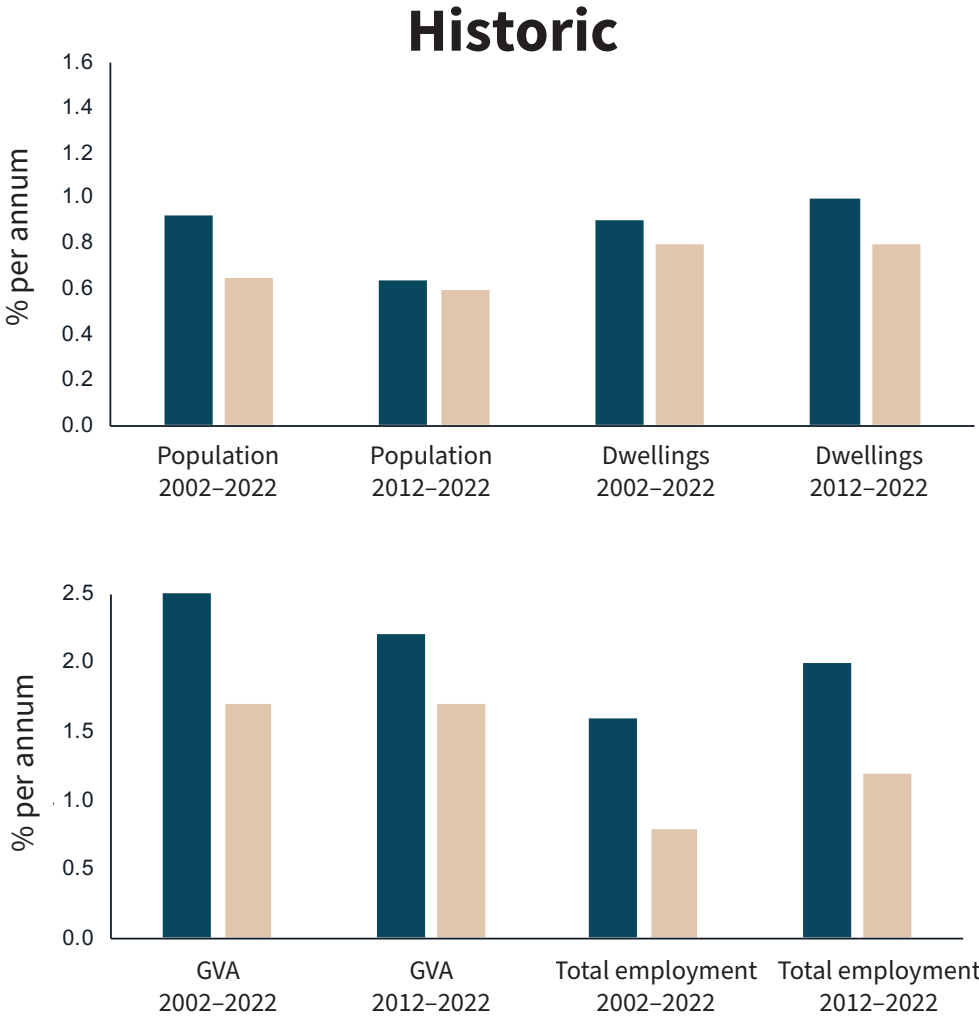
London consistently ranks first in JLL's City level Global Real Estate Transparency Index.

**1st**

London has more universities in the Times Higher Education World University Rankings Top 50 than any other city.

# London's economy has grown strongly and is forecast to grow faster than the UK

Greater London  
UK





## 6 London's urban warehouse stock is occupied by a wide variety of businesses

**122,000**  
**'local units' across**  
**total London**  
**industrial market at**  
**2023**



**82,000 'local units' in London focused on prime**



**2,100**  
**Food and drink**  
**manufacturers**



**9,400**  
**Value-added logistics**  
**and warehousing**



**5,600**  
**Express and e-commerce**



**49,000**  
**Wholesale including**  
**building and construction**  
**supply**

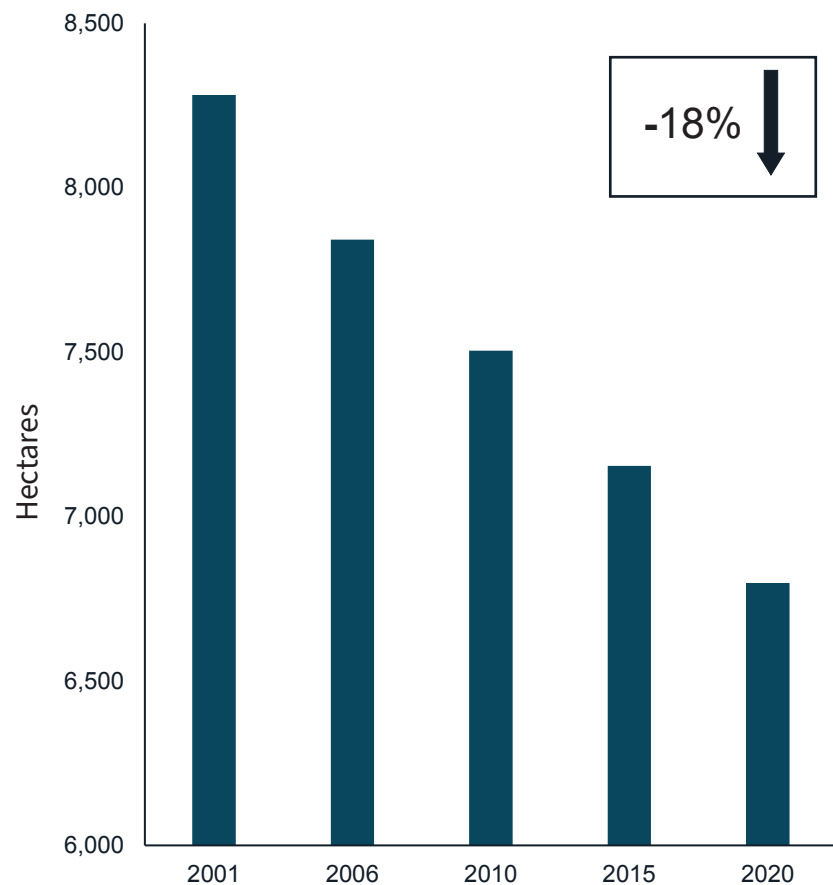


**16,200**  
**Film and media**  
**production**

Source: ONS Business count data, local units

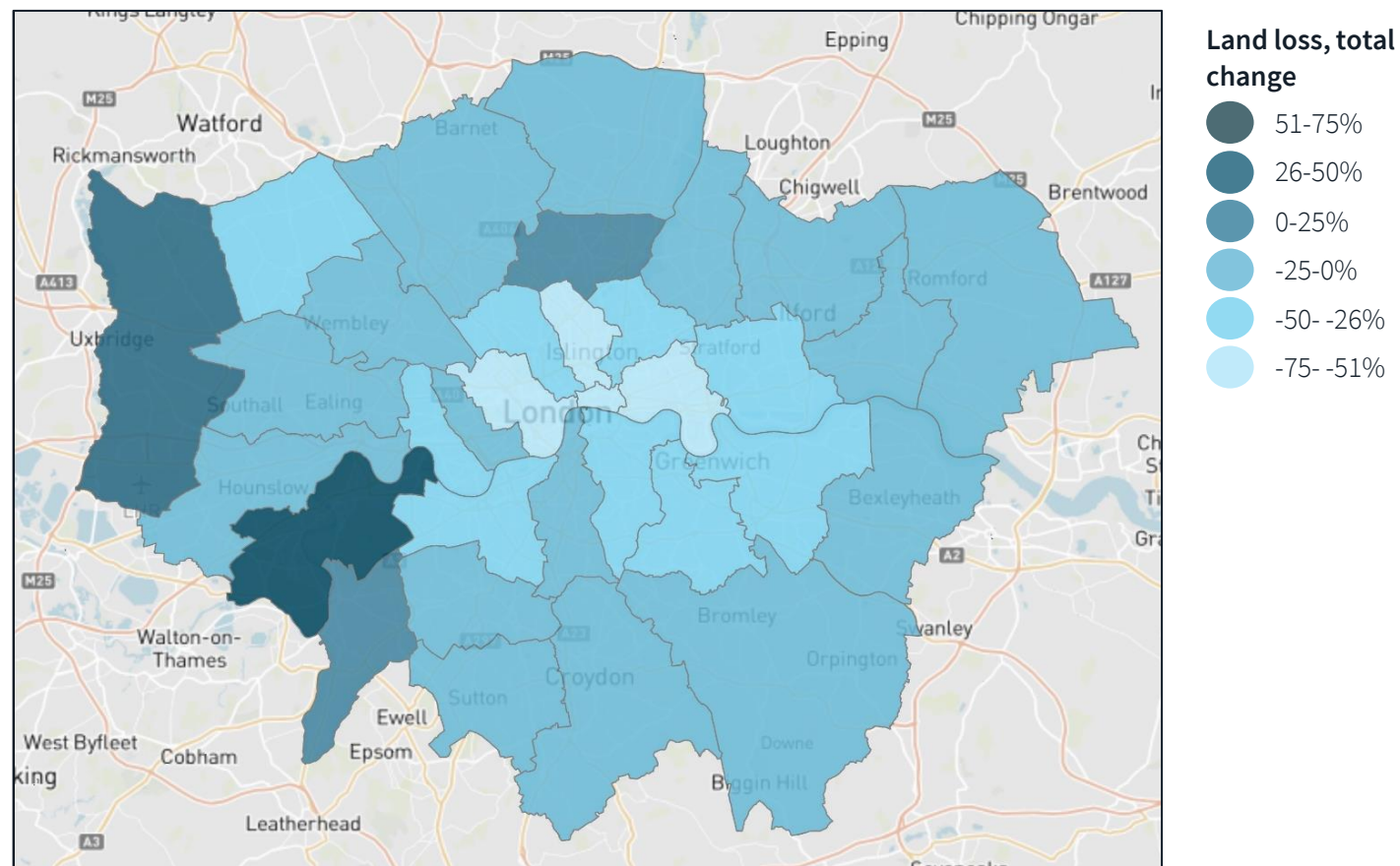
# 7 London's stock of industrial land is diminishing

Stock of industrial land in London, 2001–2020



Source: AECOM/GLA

The loss of industrial land in London, 2001–2020, by borough



Source: AECOM/GLA

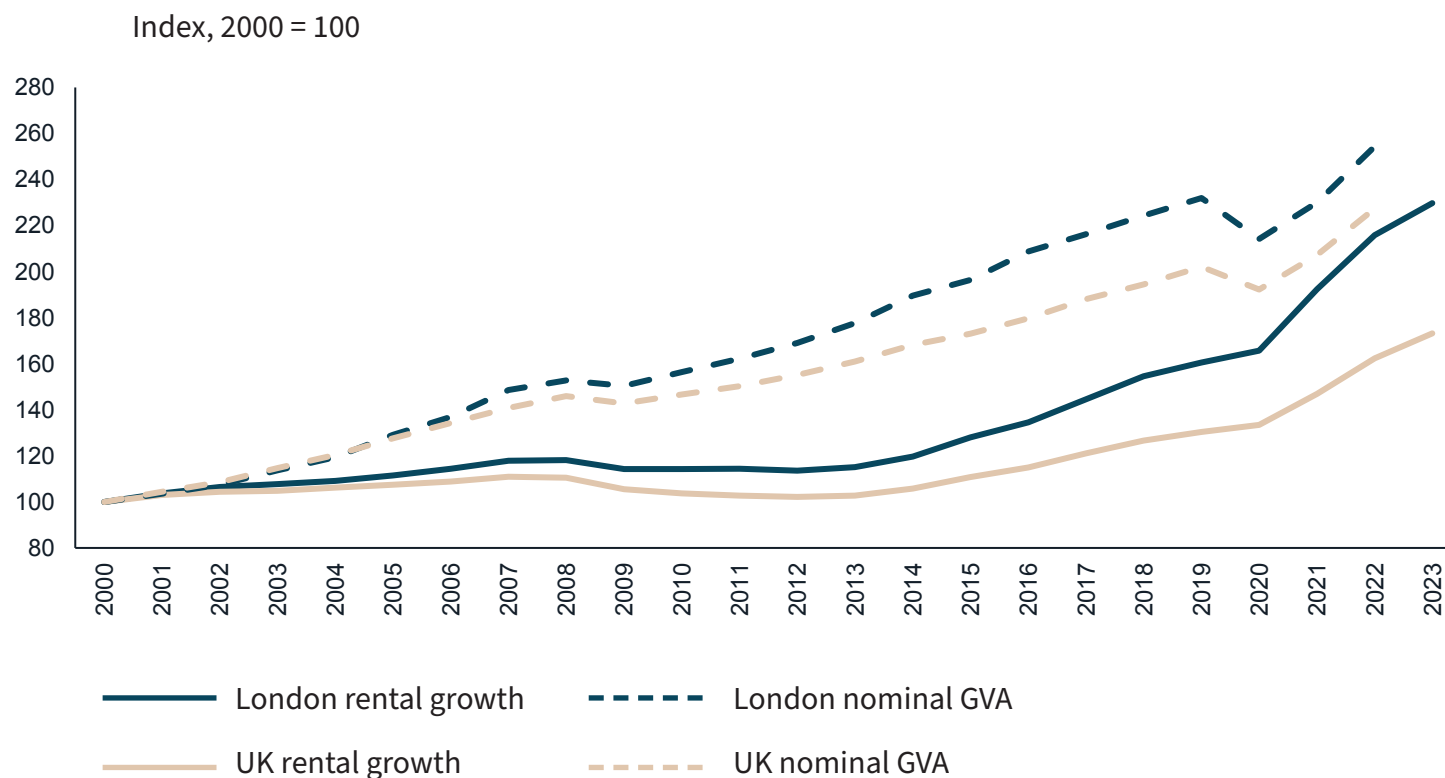


## 8 London has delivered superior rental growth vs UK

But the growth in rents has been exceeded by nominal GVA growth

- Between 2000 and 2023 industrial rents in London increased by 3.7% p.a. compared with 2.4% for the UK.
- Over the past five years growth jumped to 8.3% p.a. compared with 6.5% for the UK.
- London's rental growth was stronger than any other region over these periods.
- However, nominal GVA growth (a good proxy for aggregate turnover) exceeded rental growth.
- This implies rents remain affordable.

### Industrial rental growth compared with nominal GVA growth

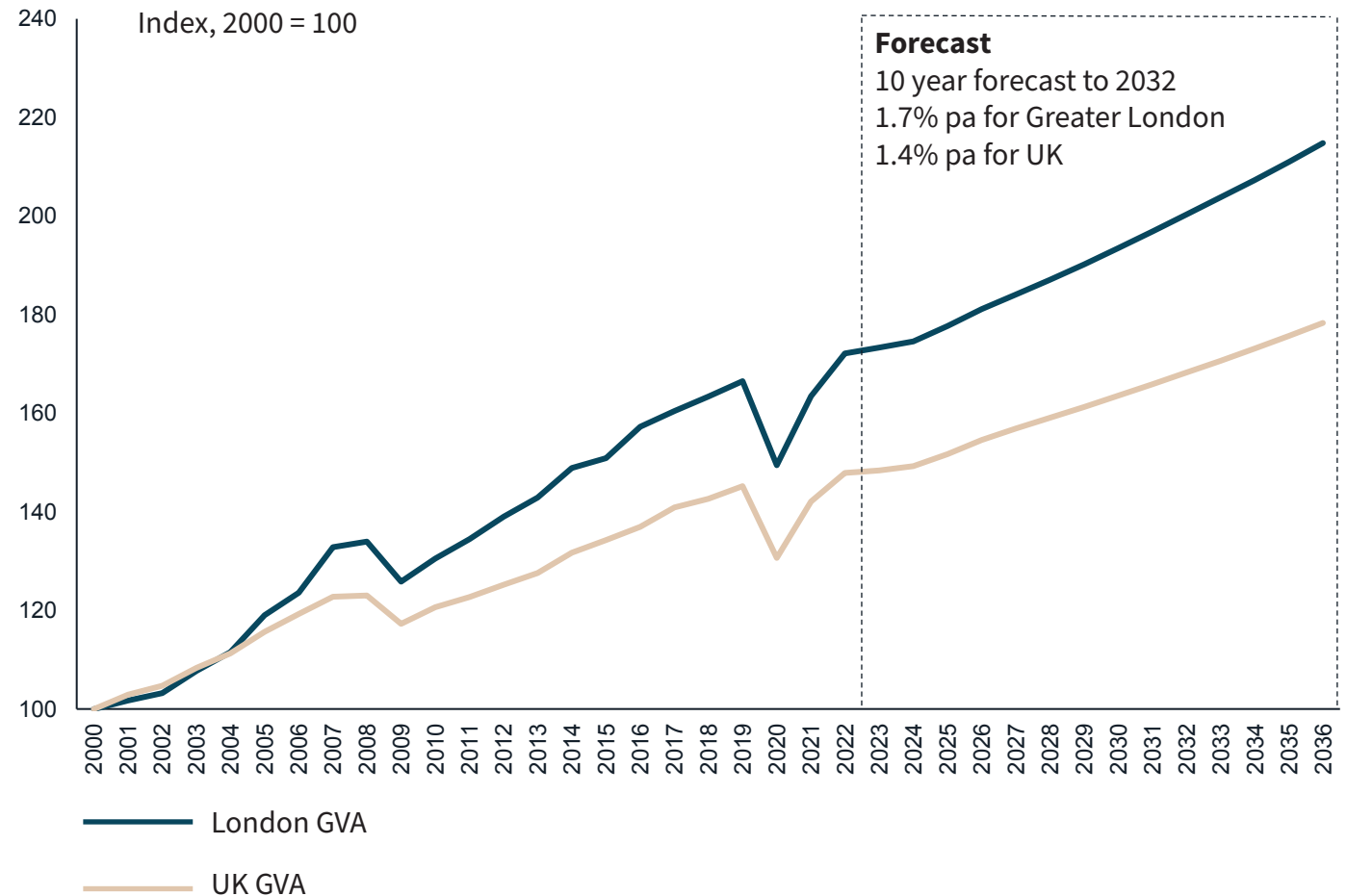


Source: MSCI, ONS

# 9 London will deliver superior industrial rental growth

- Forecasts from Oxford Economics indicate that London will grow more strongly than the UK over 10 years in terms of:
  - Population
  - Dwellings
  - Employment
  - GVA.
- This will drive occupier demand.
- Over the same period, London's stock of industrial land is likely to decline further.

**London vs UK GVA**



Source: ONS / Oxford Economics



# 10 Prime urban warehousing in London presents a resilient and robust investment opportunity

- Elevated need for warehouse space
- London is a UK super-region and a capital and global city
- Large and varied base of occupiers
- Diminishing stock of industrial land
- Proven rental growth outperformance
- Forecast rental growth outperformance

	Short-term	Medium / long-term
Occupational demand	Normalisation following Covid surge	Stronger
Available supply	Higher short-term vacancy	Diminishing land supply
Rental growth	Moderating	Above UK trend

**Prime urban warehousing in London presents a resilient and robust investment opportunity.** Investors that own assets in the prime geographies are well placed to serve this market and enjoy the medium and long-term growth potential it offers.

# 10 key takeaways

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# Thank you

**Jon Sleeman**

Director –  
UK Industrial & Logistics Research

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Head of Urban & City Logistics

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