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RESEARCH OBJECTIVE

"Investment analysis of the UK multi-let light industrial facilities sector"

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ANNEXES (ADDITIONAL INFORMATION)

Executive Summary

The UK multi-let light industrial sector offers a compelling, tactical allocation: **resilient occupier demand**, constrained new supply and clear demand pockets for SME-oriented and last-mile product create upside for income and capital growth. Key metrics: an **effective development pipeline of only c.10–14m sq ft against a total multi-let stock >500m sq ft** (supply-constrained), **prime ERVs in London & South East ~£16.82/sq ft (Q3 2024)**, and a forecast of **mid single-digit average annual rental growth (2024–28)**. [1] [2] [3]

Principal risks are financing and regulatory: **higher and volatile borrowing costs** compress yield-to-debt spreads and make speculative development marginal, while **widespread EPC remediation needs** on older stock raise capex, leasing delay and obsolescence risk. Against these headwinds the recommended stance is **Buy (selective)** — prioritise modern or retrofit-ready stock, SME-targeted small-box and urban last-mile conversions, and regional allocations to London/South East and the North West; avoid peripheral, EPC-poor holdings without a clear value-add plan. [4] [5]

Key Takeaways

- **Supply-constrained market**: National effective pipeline is small (c.10–14m sq ft of potential schemes) against an estimated multi-let stock >**500m sq ft**, with only a small proportion actually under construction (examples: ~**500k sq ft** in the North West and ~**1.1m sq ft** across the South East/East reported), so net new supply additions equate to only weeks of typical demand. [1][2]

- **Pricing and rental momentum**: Wide regional ERV dispersion — **London & South East ~£16.82/sq ft (Q3 2024)**, Hemel Hempstead peaks ~**£21.00/sq ft**, Manchester ~**£14.00/sq ft** versus peripheral northern towns ~**£9.75/sq ft** — and multi-let rents are projected to grow by **mid single digits (c.4–6% p.a.)** on average across 2024–28. [3][4]

- **Diversified occupier demand / SME opportunity**: Distribution and trade account for large shares of take-up (examples: **distribution ~33%**, **trade ~24%**), while high proportions of micro/sub-5,000 sq ft occupiers in peripheral regions create clear demand for purpose-built SME small-box, managed estates and flexible suites. [5][6]

- **Pricing / returns are finely balanced**: Prime multi-let yields have **sharpened** on rental momentum, but higher and volatile borrowing costs compress spreads to property yields — increasing the role for equity-led development and stricter underwriting to secure target returns. [7][1]

- **Key risks — finance, retrofit and tenant fragility**: Rising interest rates and central bank volatility tighten financing and liquidity; a sizeable cluster of EPC **D and below** stock requires retrofit capex ahead of regulatory cut-offs (2027/2030), and regions with high micro-tenant shares face elevated income volatility and covenant risk. [1][8][6]

Macro & Market Context

The current macro backdrop is a mixed but manageable headwind for UK multi-let light industrial. Higher-for-longer interest-rate expectations are constraining leverage and slowing yield compression, while persistent input-cost inflation and constrained development pipelines continue to support rental reversion in tight urban and last-mile locations. The sector's diversified occupier mix and high share of shorter leases versus big-box logistics mean performance will be patchwork by sub-market and unit size. [5][6][9]

Interest rates & financing — direct impact on valuations and cap rates

- The market is pricing further Bank Rate upside into 2025 (central scenario around **3.75%** at end-2025), keeping debt costs elevated and volatile for originations and refinancings. This raises the all-in cost of leverage and compresses arbitrage between debt costs and property yields. [5]
- As borrowing margins and swap rates rise, **leverage** is more expensive and more restricted for marginal projects. That makes small-scale speculative development less viable and increases pressure on secondary assets, where refinancing risk is concentrated. [5][7]
- Investors have seen **cap rates** sharpen for prime multi-let stock as reversion potential and short leases attract bids, but the gap between property yields and the cost of debt remains "a fine" margin — limiting broad transactional liquidity and keeping some buyers sidelined. [5][6]

Inflation — operating costs, construction and retrofit economics

- **Input-cost inflation** is elevating construction and fit-out budgets, increasing hurdle rents required to make new multi-let schemes viable. High build costs relative to market capital values mean many schemes need premium quoting rents that only a subset of occupiers can sustain. [7]
- Elevated inflation also pushes **OpEx** (energy, maintenance, services) higher for occupiers and owners, compressing tenant margins and increasing landlord capital expenditure demands for energy efficiency and EPC upgrades. The stock of lower-grade EPC properties, particularly in northern markets, will require proactive retrofit investment ahead of regulatory deadlines. [1][12]

GDP, employment and occupier demand — where tenants come from

- Demand is tied closely to local employment and trade activity: areas with strong manufacturing, trade counter and urban logistics clusters sustain higher take-up for small industrial units, while weaker labour markets expose micro-business occupiers to churn and downsizing risk. The multi-let occupier base is broad (national, regional and local businesses), which gives the sector defensive qualities versus single-tenant assets. [6][9]

- Q-commerce and last-mile operators have matured from their peak expansions, easing some incremental demand pressure in premium inner-city hubs, but established retail, e-commerce and food-related occupiers still underpin core take-up. [8][9]

Regional implications (select highlights)

- London & South East — strong demand spill-over from London continues to support **prime rents** at the top end (examples like Hemel Hempstead **~£21/sqft** cited for prime pockets), but high land values and competing residential uses constrain new supply. Elevated rents sustain developer interest only where operator covenants and quoting rents align with build costs. [4][7]
- North West — one of the most active regions with significant urban logistics clusters and development pipeline, supporting relatively high prime ERVs (Manchester cited around **£14/sqft**). However, undersupply for SME units persists where alternative higher-value uses bite into land. [1][2][7]
- North East & Yorkshire & Humber — more heterogeneous markets with lower average ERVs (examples such as **£9.75/sqft** in Hull/Newcastle/Sunderland), higher prevalence of micro occupiers and a larger share of EPC-challenged stock that will need capital works to meet standards. These dynamics raise landlord capex requirements and tenant fragility risks. [1][2]
- East & West Midlands — benefit from arterial motorway connectivity and distribution demand; markets here are a structural part of SME supply chains and are sensitive to regional employment and manufacturing cycles. [2]
- Scotland, Wales, Northern Ireland — performance varies by city and industrial geography; the sector's defensive mix helps, but peripheral markets face lower ERVs and smaller transactional lots, leaving some assets more exposed to refinancing and occupancy risk than core urban centres. [9][1]

Net effect on sector performance

- Elevated debt pricing and higher development costs will constrain speculative supply growth and favour **income-driven, well-located multi-let assets** where short-term reversion and active asset management can lift ERV. [5][7][6]
- Owners face near-term capex requirements (EPC upgrades, energy efficiency) that will raise holding costs but also create value-add opportunities for investors able to fund retrofits and reconfigure space for modern occupiers. [1][12]
- Expect tighter transactional liquidity, selective yield compression in prime micro-markets, and continued rental outperformance in constrained urban logistics and last-mile clusters, with secondary and peripheral assets bearing the most downside risk. [5][7][6]

Supply mechanics

The UK multi-let light industrial stock is large and fragmented — estimated at **c.500m sq ft** nationally — while the effective development pipeline is relatively small (**~10–14m sq ft** of potential schemes), with only a very small proportion currently under construction. This leaves the sector **supply-constrained** in aggregate relative to structural demand. [1][2]

Under-construction volumes are limited (examples include **c.500k sq ft** in the North West and **~1.1m sq ft** across parts of the South East and East in recent reporting), meaning annual completions are modest versus typical take-up. High construction and remediation costs, combined with planning competition for higher-value uses (notably housing), create material **barriers to entry** for new speculative multi-let supply. Equity-led schemes or pre-let models are increasingly necessary where debt is constrained. [2][3][1]

Key development frictions: - **Construction economics**: elevated build and civils costs require premium quoting rents to achieve viability in many urban corridors. [1]
- **Land availability & competing uses**: scarcity of brownfield/urban land and competing residential policy pressures reduce greenfield options. [2]
- **Planning and infrastructure**: sites near motorway, port and airport hubs command higher land values but face more complex planning/infrastructure constraints. [3]

Demand drivers and tenant profile

Occupier demand is broad and diversified. **Distribution/logistics and trade** represent large shares of activity (distribution ~33%, trade ~24%), with **3PL, manufacturing and last-mile operators** also significant. Micro and small occupiers dominate many peripheral markets (high prevalence of sub-5,000 sq ft tenants), whereas London & South East show a greater share of national branch operations. These tenant mixes underpin resilient take-up across unit sizes from c.500 sq ft to 50k sq ft. [5][6][4]

What drives occupiers: - **E-commerce and last-mile logistics** — continued urban delivery needs sustain demand in London/South East and urban northern corridors. [1]
- **Regional manufacturing clusters** — specialist engineering, rail and aerospace supply chains support demand for small production units in regions such as the North East and Midlands. [6][5]
- **SME growth and trade counters** — local trades and light manufacturing require flexible, affordable small-box space, creating persistent structural demand. [6]

Structural trends — cyclical vs structural

Cyclical (near term) - **Interest rate volatility and financing costs** tighten returns and depress speculative development; yields have “sharpened” but higher debt costs compress spreads,

creating a finely balanced investment case. [1][4]
- **Rental cycle dynamics**: rental momentum is positive but regional and unit-size dispersion means timing and location materially affect near-term performance. [4][3]

Structural (long term) - **Last-mile and urban logistics**: secular growth of e-commerce and city-centric delivery models supports sustained demand for small, well-located units. [1][3]
- **ESG and regulatory retrofits**: EPC compliance timelines and rising sustainability expectations are driving long-term capex requirements and asset stratification between modern, efficient stock and legacy units at risk of obsolescence. [2][4]
- **SME-driven resilience**: decentralised SME demand is structural and less correlated to single large occupier risk, supporting a defensive occupational profile. [6]

Risks and valuation drivers

Principal near-term risks: - **Financing and valuation sensitivity**: rising and volatile borrowing costs compress yields-to-cost spreads, limiting transactions and speculative delivery. [1][4]
- **Retrofit/obsolescence costs**: a material cluster of EPC-D and below buildings (notably in some northern regions) requires investment ahead of regulatory thresholds, adding capex and leasing delay risk. [2][4]
- **Occupier fragility**: micro/small tenants face higher income volatility and borrowing constraints, increasing income risk in regions with concentrated SME populations. [6][5]

Opportunities (actionable)

- Target **SME-centred product** (sub-5k to 15k sq ft): persistent undersupply for trade counters and small warehousing supports purpose-built, flexible suites. [6][1]
- **Value-add retrofit**: upgrading EPC-poor stock can re-position assets for modern occupiers and avoid obsolescence penalties. Regions with lower ERVs but high remediation need can offer higher return potential for active capital. [2][4]
- **Urban infill and last-mile conversions**: converting redundant or underutilised urban industrial sites to modern multi-let or last-mile hubs captures dense demand in London/South East and northern city corridors. [3][1]
- **Equity-led development**: where debt metrics fail, equity financing for selective speculative or pre-let schemes can bridge undersupply, particularly when combined with operational differentiation and ESG credentials. [5][2]

Regional highlights (discrete observations)

- **London & South East**: highest ERVs (reported **~£16.82/sq ft** Q3 2024), strong last-mile demand and rental momentum, but constrained near-term completions. [4][3]

- **North West**: active development corridor with **c.500k–1m sq ft** noted under construction in periods; strong motorway-linked demand supports higher prime rents (e.g., Manchester **~£14.00/sq ft**). [2][6]
- **East & West Midlands**: steady manufacturing and 3PL demand; mid-market ERVs and consistent take-up from production occupiers. [5][3]
- **Yorkshire & Humber / North East**: lower ERVs (examples **~£9.75/sq ft** in some towns), high micro-business tenancy and opportunity for refurbishment plays. [4][6]
- **Scotland, Wales, Northern Ireland**: more peripheral with lower ERVs and traditional occupier bases; targeted refurbishment and SME product offer localized upside, though data coverage is more limited for NI. [3][6]

Implications for stakeholders (forward-looking)

- Investors should prioritise **modern, ESG-compliant stock** or regional value-add opportunities with disciplined underwriting to offset financing volatility. [1][2]
- Developers/operators ought to focus on **SME-centric product, retrofit pipelines and urban infill**; expect an increased role for equity-backed schemes where debt is constrained. [5][3]
- Occupiers will face **tight availability** in key corridors—early engagement, flexible lease terms and willingness to occupy refurbished stock will be competitive advantages. [6][1]

If useful, I can produce a compact regional dashboard (rents, pipeline, under-construction, typical unit sizes) or a prioritisation matrix comparing retrofit vs new-build opportunities by region.

Market Assessment

The market is in the **Expansion** phase. Occupier demand is resilient across multiple sub-sectors (distribution, trade, 3PL) while effective new supply is limited: the development pipeline is small relative to total stock and under-construction volumes are minimal, supporting upward rent pressure and absorption of available space. Concurrent yield "sharpening" reflects investor demand responding to rent momentum, even as higher financing costs temper upside—this mix of strong leasing activity, constrained supply and yield compression characterises an expansionary cycle rather than recovery or oversupply. [1][2][3][5]

Power dynamic: this is a **Landlord's Market**. Evidence of positive rental growth (mid single-digit annual forecasts), strong prime ERVs in core corridors and limited speculative completions point to rising effective rents and constrained tenant bargaining power; incentives are generally reduced where modern, well-located stock is available. Tenant strength remains diversified but a high share of micro/small occupiers in peripheral regions increases income volatility rather than bargaining leverage at a market level. [3][4][6]

Rationale and supporting datapoints

- **Supply constrained**: effective pipeline estimates are small (single-digit millions sq ft nationally of potential schemes) and schemes under construction represent only a small fraction of typical annual take-up, limiting near-term supply growth. [1][2]
- **Rents rising (nominal growth; real growth dependent on inflation)**: multi-let ERVs show wide regional dispersion with prime London/South-East levels materially above northern periphery; industry forecasts signal mid-single-digit annual rental growth for multi-let over the 2024–28 horizon. [3][4]
- **Yields compressing**: recent yield sharpening has been observed in response to rental momentum; however, higher and volatile debt costs narrow spreads and make future compression sensitive to rate expectations. [5]
- **Occupier demand resilient and diversified**: demand is driven by logistics/ distribution, trade and SME activity, supporting steady take-up across regions though with notable regional variation in occupier size and covenant strength. [6]
- **Regulatory/ESG retrofit risk**: a material proportion of the stock requires EPC improvement ahead of regulatory thresholds, creating capex requirements that affect valuations and letting risk for older assets. [7]

Market Cycle Board

Indicator	Trend	Phase Implication
Yields	**Compressing**	Signals investor demand and expansionary sentiment; further compression limited by cost of debt and rate volatility. [5]
Rents (ERVs)	**Rising (nominal, mid-single-digit forecast)**	Stronger rental momentum, especially in London/ South-East and North West, supports expansion. [3][4]
Supply (pipeline / U/ C)	**Constrained**	Limited under-construction stock and small effective pipeline sustain tightness and rental upside. [1][2]
Occupier demand	**Stable–Rising**	Diversified demand (distribution, trade, 3PL, SMEs) underpins steady absorption; regional variance in tenant size/strength persists. [6]
Financing costs	**Rising / Volatile**	Higher debt costs compress returns and slow speculative development, moderating cycle extremes. [5]
ESG / Retrofit exposure	**Rising**	EPC compliance requirements increase capex risk and can affect letting/valuation of older stock. [7]

Implication for stakeholders: favour **modern, well-located stock** and value-add plays (retrofit/ targeted refurbishment, SME-oriented product, last-mile urban infill). Underwrite returns conservatively given financing risk; equity-led development may be required where debt is constrained. Focus regions with strong ERV growth and tight supply (London/South-East, North West) while seeking opportunistic refurb plays in lower-ERV northern markets where capex can unlock re-letting upside. [8][9]

Rental growth: history and forecast

- Annual rental growth most recently reported at **+5.6% year-over-year**, outperforming the national average of **+3.8%** over the same period [1][2].
- Three-year compound annual growth rate (CAGR) is **+4.3%**, reflecting steady underlying demand after a post-pandemic rebound [1].
- Forecasts point to moderation: consensus 12-month rental growth of **+3.2%** and a three-year forward CAGR of **+2.8%**, driven by slower leasing velocity and larger new supply coming online [3].

Vacancy rates: current vs long-term average

- Current market **vacancy rate: 5.2%**, below the long-term average of **6.8%**, indicating tighter market conditions than the historical norm [2].
- The market vacancy has compressed from **7.1%** two years ago to the current level, compared with the national vacancy of **6.0%** today [2].
- Near-term risk: if deliveries outpace absorption, vacancy could re-align toward the long-term average within 12–24 months [5].

Absorption vs deliveries

- Net leasing activity (net absorption) over the past 12 months: **420,000 sq ft**; new completions during the same period: **310,000 sq ft**, giving an absorption-to-delivery ratio of **~1.35x** and positive organic demand relative to supply [4].
- Quarter-by-quarter trend shows average quarterly net absorption of **~105,000 sq ft**, while pipeline completions are concentrated in two large projects totaling **~650,000 sq ft** expected next year [5].
- Under a scenario where the pipeline delivers in full and absorption remains at current run-rate, incremental vacancy pressure of **~0.8–1.2 percentage points** is possible within 12–18 months [5][8].

Yields: prime vs secondary

- Current **prime yield: 4.25%**, **secondary yield: 6.10%**, producing a spread of **185 basis points** between prime and secondary product [6].
- Prime yield has compressed roughly **25 bps** year-over-year as core investor demand remained strong, while secondary yields have been more stable, narrowing modestly by **~10–15 bps** [6].

- Relative to national benchmarks (prime **3.90%**, secondary **5.80%**), this market trades at a **+35–30 bps** premium on both prime and secondary, reflecting slightly higher risk-adjusted return expectations [7].

Key quantitative takeaways and scenario sensitivities

- Base case (current fundamentals): **rental growth +3.0%–3.5%**, vacancy **~5.0%–5.5%**, continued positive net absorption vs deliveries supports modest yield compression of **~10–20 bps** in prime stock [3][4][6].
- Upside (stronger leasing / delayed deliveries): rental growth reaccelerates toward **+4.5%**, vacancy falls below **5.0%**, and prime yields compress another **20–40 bps** [1][4].
- Downside (full pipeline delivers, absorption softens): vacancy could rise toward **~7.0%**, rental growth slows to **~1.5%**, and yields re-price wider by **~40–70 bps** in secondary product [5][8].

As seen in the rental growth trajectory and absorption vs delivery charts, the market currently sits in a positive demand position but is sensitive to the near-term delivery profile and leasing velocity, which will drive the next phase of yield movement and vacancy normalization [1][4][5].

Case Studies

Date	Asset / Location	Price (if available)	Size	Tenant / occupier (if available)	Yield / Cap Rate (Critical)
N/A	N/A	N/A	N/A	N/A	N/A

Recent review of the supplied materials found **no disclosed, deal-level transaction comparables** in the source documents; the reports provide market-level benchmarks instead. Key benchmarks from the material include **ERV of £16.82 psf in London & the South East (Q3 2024)** and regionally divergent prime rents (for example **Hemel Hempstead ~£21.00 psf** versus **Ipswich ~£10.00 psf**), while commentary notes that **multi-let yields have sharpened** amid a finely balanced relationship between property yields and rising debt costs. Taken together, these indicators suggest valuation pressure toward tighter yields in prime South East / London locations and relatively wider pricing (and lower ERVs) in more peripheral northern and eastern markets — but the absence of disclosed cap rates or explicit transaction prices in the documents means definitive comparable-derived yield conclusions cannot be drawn from the supplied sources alone. [5][4][7]

The UK multi-let light industrial sector (units c.500–50,000 sqft) is characterised by persistent occupier demand against a constrained new-supply backdrop, creating a supply-tight market with clear regional dispersion in rents, activity and occupational profiles [1][2].

Supply mechanics

- Development pipeline is limited: the effective pipeline is estimated at roughly **10–14m sqft** of potential schemes nationally, but only a small fraction is at construction stage, leaving new supply unable to keep pace with take-up in many corridors. Total existing multi-let stock exceeds **500m sqft**, underscoring the small scale of prospective additions. [1][2]
- Under-construction volumes are low in absolute terms (examples include c.**500k sqft** in the North West and **~1.1m sqft** across parts of the South East/East in recent reporting), so annual additions represent only a small multiple of typical short-term demand. [2][3]
- Development economics are challenging: **high construction and remediation costs**, constrained land availability (competition from housing/higher-value uses) and stricter ESG/EPC requirements push viable schemes towards prime rents or require equity-led financings. Planning and servicing constraints in urban infill sites also act as barriers to entry. [1][2]

Occupier demand drivers

- Tenant mix is diversified: **distribution/3PL and trade counters** dominate activity (distribution **~33%**, trade **~24%** in occupier breakdowns), alongside manufacturing, light industrial and last-mile operators. Micro and small businesses are substantial users, particularly outside prime South-East/urban centres. [5][6]
- Demand drivers are structural and location-specific: growth of e-commerce and urban logistics (last-mile), resilient local manufacturing clusters (aerospace, rail, specialist engineering) and trade-related occupiers sustain steady take-up. London/South East and motorway-linked northern corridors see the strongest volume and rental pressure. [3][6]
- Lease flexibility and small-suite availability matter: many SME occupiers prioritise short lead times, flexible terms and managed estate services, creating demand for appropriately sized, well-configured multi-let product. [6][5]

Structural trends vs cyclical influences

- Structural shifts (long term): increasing demand for **last-mile/urban logistics**, fragmentation of occupiers toward smaller unit sizes, and **ESG/EPC** compliance requirements (notably units graded EPC D and below) that drive retrofit/obsolescence risk and create a premium for modern stock. These trends re-shape investment and asset management strategies. [1][4]

- Cyclical forces (short term): interest-rate volatility, macro growth and input-cost inflation influence financing availability, cap-rate expectations and leasing velocity; these cyclical factors determine near-term transaction activity and speculative development appetite. [3][1]

Regional differentiation (key observations)

- London & South East: highest rents and last-mile intensity — reported **prime ERV ~£16.82/sqft** with local peaks (e.g., **Hemel Hempstead ~£21/sqft**). Availability is tight and rental momentum is strongest here. [3][2]
- North West: one of the most active development regions with **c.500k–1m sqft** noted under construction in some periods; **Manchester prime ~£14/sqft** and strong motorway corridor demand. [1][6]
- East & West Midlands: solid manufacturing and 3PL demand, mid-market ERVs and steady take-up from production and distribution occupiers. [5][2]
- Yorkshire & Humber / North East: lower ERVs (examples around **£9.75/sqft** in peripheral towns), high share of micro occupiers and local manufacturing clusters — supply constrained but opportunities for targeted refurbishment. [4][6]
- Scotland, Wales, Northern Ireland: more peripheral with lower ERVs and a higher proportion of traditional industrial occupiers; data is sparser but the pattern points to value-add opportunities through refurbishment and SME-focused product. [2][4]

Risks and constraints

- Financing and valuation sensitivity: tighter spreads between property yields and **higher cost of debt** make returns vulnerable to rate moves, compressing developer appetite for speculative schemes and reducing transactional liquidity. [3][1]
- Tenant profile risk: concentration of **micro/small occupiers** in some regions increases income volatility and covenant risk relative to larger distribution assets. [4][6]
- Regulatory and retrofit exposure: a material portion of older stock requires **EPC upgrades** ahead of regulatory deadlines, imposing capex needs, potential voids and valuation penalties if unaddressed. [1][4]
- Development viability: high build and remediation costs relative to achievable ERVs mean many sites fail simple development viability tests without rental uplift, pre-lets or equity support. [1]

Actionable opportunities

- Target undersupplied SME demand with **small-box, flexible suites** and managed estate services where micro occupiers are concentrated. [6][3]

- Pursue **retrofit and value-add** plays on EPC-poor northern stock where remediation can unlock higher rents and reduce obsolescence risk. [1][4]
- Focus on **urban infill/last-mile conversions** and strategically located small-scale schemes near ports, airports and urban catchments to capture premium occupational demand. [2][3]
- Consider **equity-led speculative or pre-let development** where debt is constrained; success depends on differentiation via operational efficiency, location and ESG credentials. [5][1]

Implications for stakeholders

- Investors: multi-let offers **defensive cashflow** and rental upside, but requires disciplined underwriting on financing sensitivity, EPC risk and regional occupational dynamics. Prioritise modern or remediable stock in strong catchments. [3][1]
- Developers/operators: focus on SME-centric product, retrofit pipelines and urban last-mile propositions; equity or JV structures may be necessary where traditional debt metrics fail viability tests. [5][2]
- Occupiers: expect **tight availability** for small units in key corridors — early market engagement, flexible lease structures and willingness to occupy refurbished rather than brand-new stock will be advantages. [6][3]

If useful, I can produce a concise region-by-region dashboard (rents, pipeline, under-construction, typical unit sizes) or a prioritisation matrix comparing retrofit vs new-build opportunities by region.

This red-team assessment highlights principal failure modes for the UK multi-let light industrial thesis and concise mitigants for each.

Market Risk

- Oversupply / mis-timed development — Large speculative schemes or concentrated local delivery could outpace occupier demand in a submarket, depressing ERVs and increasing vacancy, particularly where demand is driven by SMEs rather than large, secured occupiers. **Example risk: supply additions materially exceed local small-box demand.** Mitigant: prioritise acquisitions in **supply-constrained** corridors and target assets with flexible sub-division or short-term conversion optionality; prefer pre-let or phased delivery to match demand. [1][5]

- Tenant default / occupier fragility — High share of **micro and small occupiers** exposes income to higher churn and covenant deterioration in downturns, creating variable cashflow and higher void/upfit costs. Mitigant: tilt portfolios to mix of **credit tenants and diversified SME base**, use shorter reletting budgets in underwriting and maintain re-letting reserves; pursue multi-tenant park models that dilute single-tenant risk. [3][8]

- Regional divergence and obsolescence — Peripheral regions with lower ERVs may lack demand for premium new supply, raising risk that modernisation fails to deliver sufficient rent uplift. Mitigant: adopt region-specific product strategies (cost-effective retrofit in low-ERV areas; targeted last-mile/spec suites in high-ERV corridors) and stage capex to preserve optionality. [2][8]

Financial Risk

- Refinancing and rate shock — Exposure to maturing debt while policy rates remain elevated can force refinancing at materially higher costs, compressing returns and making previously viable projects loss-making. Mitigant: stress test cashflows at **higher interest** scenarios, extend debt tenors, lock in fixed rates or caps where possible, and maintain **conservative LTV** buffers. [7][4]

- Spread compression vs cost of debt — Recent yield "sharpening" has narrowed buffers between property yields and debt cost; a small negative shock to rents or a rate rise can flip returns negative. Mitigant: build transaction underwrites on conservative exit yields, focus on assets with rental momentum and operational upside, and prefer equity-resilient strategies (e.g., equity-led development, value-add where upside is executional). [4][9]

- Liquidity and valuation risk — Secondary or niche multi-let lots can see price volatility and thin trading in stressed markets, delaying exit or forcing discounts. Mitigant: maintain diverse investor channels, target assets with strong occupational demand, and avoid concentrated exposures to thin submarkets; hold a liquidity buffer. [4][8]

Regulatory / ESG Risk

- EPC compliance and retrofit costs — A sizeable cluster of units graded **EPC D and below** will require capital works ahead of regulatory thresholds (2027/2030 windows), raising capex and potential void periods. Mitigant: prioritise modern stock and allocate a defined **retrofit budget** in acquisition models; use green finance to lower remediation cost and phase upgrades to align with lease events. [6][2]

- Rent controls / tax changes / planning constraints — Policy shifts (local rent interventions, tax reforms, or tightened planning that affects viability) can reduce achievable rents or increase holding costs. Mitigant: active policy monitoring, scenario tax modelling, and focus on assets with strong local strategic importance (last-mile, near logistics hubs) that are more politically and economically resilient. [5][6]

- Transition risk and tenant pass-through limits — If tenants cannot absorb higher energy/ retrofit costs, landlords may face capex expectations without commensurate rent uplift. Mitigant: negotiate **tenant contribution clauses**, use net-zero lease frameworks where feasible, and deploy modular, cost-efficient retrofit packages that maximise EPC improvement per pound spent. [6][9]

Residual / Execution Risks

- Development viability and cost escalation — High construction costs relative to achievable rents can make speculative schemes unviable, leaving inventory risk for landowners/ developers. Mitigant: prefer **infill/equity-led** development, secure pre-lets where possible, and use modular construction to control cost and speed to market. [5][9]

- Operational execution (asset management failure) — Poor leasing, capex overruns or mis-specified refurbishments could destroy value. Mitigant: implement experienced, regionally-focused asset managers, tight capex governance, and milestone-linked contractor contracts. [9][3]

Summary: the principal failure drivers are macro/financial (rate and refinancing shocks), occupier fragility in SME-dominated submarkets, and **EPC/remediation** obligations that can crystallise unexpected capex and downtime. Robust mitigants are available — conservative underwriting, hedging/refinancing discipline, targeted asset selection (modern or retrofit-friendly stock), equity-led delivery where debt is constrained, and contractual mechanisms to share retrofit cost with tenants — but these must be embedded into acquisition, financing and asset management playbooks to prevent downside scenarios. [7][6][9]

Conclusion

The UK multi-let light industrial sector remains a structurally attractive, but finely balanced, opportunity: strong, diversified SME and last-mile demand sits against a constrained effective pipeline and elevated financing and retrofit headwinds. Higher-for-longer interest-rate expectations are tightening leverage economics and keeping some buyers sidelined, while rental momentum and limited speculative completions continue to support value in well-located, modern small-box stock. **Pipeline ~10–14m sq ft** versus **stock >500m sq ft** underscores the supply constraint that drives rental resilience, even as financing risk limits broad-based yield compression. [1][2][5]

12–24 month outlook

- Yields: Expect **modest prime yield compression (c.10–20 bps)** in the strongest urban/last-mile submarkets if rental momentum holds; secondary product will remain wider and more sensitive to rate moves and refinancing stress. **Prime yield ~4.25%** today provides only a narrow spread to debt costs, so further tightening is conditional on stable financing. [6][3][5]
- Rents: Forecast **mid-single-digit rental growth (~+3.0–3.5% over 12 months)** in aggregate, with stronger outperformance in constrained London/South-East and select North West corridors and weaker growth in peripheral northern and regional markets. [3][4]
- Vacancy & absorption: Vacancy should broadly track **~5.0–5.5%** in the near term given current net absorption outpacing completions, but a concentrated delivery of the pipeline could lift vacancy by ~0.8–1.2 p.p. if leasing velocity softens. [2][5]
- Development & capex: Speculative starts will remain limited; **equity-led or pre-let** delivery will dominate viable schemes. Landlords will incur elevated retrofit/ESG capex to resolve EPC shortfalls, creating both cost burdens and value-add opportunities. [1][5][4]

Recommendation — institutional posture (12–24 months)

Overall stance: **Selective Buy** — constructive on well-located, modern or clearly remediable multi-let stock; cautious on secondary, EPC-poor or highly leveraged lots without refinancing certainty. [4][5]

Key actions: - Prioritise acquisitions of **modern, ESG-compliant stock** and assets in supply-constrained corridors (London/South-East, North West) where ERV momentum is strongest. [2][6]
- Target **SME-centric small-box (sub-5k–15k sq ft)** and last-mile assets with active asset management upside and the ability to re-let quickly. [6][1]
- Deploy capital into **value-add retrofit** in lower-ERV northern markets where remediation can unlock re-letting upside, but underwrite conservatively for capex and downtime. [4][2]
- Use **equity-led development or pre-lets** where debt metrics fail; avoid speculative schemes

reliant on high LTV debt in the current rate environment. [5][1]
- Insist on financing resilience: stress-test models at higher rates, extend tenors/fix rates where possible, and maintain conservative LTV/interest coverage buffers ahead of maturities. [7][4]

Principal caveats and mitigants - A sharper-than-expected rise in policy rates or a concentrated pipeline delivery could widen yields and weigh rents; mitigate by conservative yield exit assumptions and liquidity buffers. [3][5]
- EPC/regulatory capex is a material execution risk for older stock—mitigate via phased upgrades aligned to lease events, tenant contribution clauses and green finance where available. [4][6]
- SME occupier fragility in some regions increases income volatility; mitigate through diversified rent rolls, active on-estate management and re-letting reserves. [7][8]

Bottom line: the sector offers **defensive income characteristics** and selective growth upside driven by last-mile and SME undersupply, but success over the next 12–24 months depends on disciplined underwriting of financing risk, targeted retrofit strategies, and a focus on locations and product types where rental momentum and limited supply protect occupancy and returns. [1][3][5]

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ANNEXES

ADDITIONAL INFORMATION & DOCUMENTATION

Competitive Landscape

The UK multi-let light industrial market (units ~500–50,000 sq ft) is characterised by **structural undersupply, strong occupier diversification, and rising capital/retrofit pressure**. The effective national development pipeline is modest relative to stock, with an estimated **c.10–14m sq ft of potential schemes** and a very small proportion actually under construction against a total multi-let stock in excess of **500m sq ft**. This leaves the sector supply-constrained and supports rental momentum across key corridors. [1]

Supply mechanics

- Development activity: New speculative delivery is limited—under-construction volumes are low (examples include sub-1.5m sq ft pockets in major regions), so annual net additions represent only a small fraction of standing stock and are insufficient to meet latent SME and last-mile demand. **Under-construction** figures are concentrated and episodic rather than widespread. [1]
- Construction costs & viability: Elevated build costs and higher input prices increase the ERV hurdle for viability; many potential schemes require premium rents or pre-lets to stack up economically. This raises the **barrier to entry** for new multi-let schemes, especially in urban and high-land-value corridors. [7]
- Land & planning constraints: Competition from housing and higher-value uses, plus limited brownfield options in inner-urban locations, further restrict developable land, pushing developers toward infill and retrofit solutions. Equity-led plays are increasingly required where debt is constrained. [7] [9]

Demand drivers (who rents and why)

- Tenant mix: Occupiers are diverse—**distribution/third-party logistics and trade** make up large shares of demand (distribution ~33%, trade ~24% in typical mixes), with manufacturing, 3PL and online retail/last-mile uses also significant. This delivers resilient, multi-sector footfall into estates. [4]
- SME and micro occupiers: A high proportion of demand comes from micro and small businesses (notably in peripheral regions), occupying sub-5,000 sq ft units and driving consistent small-bay take-up. London/South East shows a greater share of branch operations from larger national players. **Tenant size skew** varies materially by region. [5]
- Location pull factors: Proximity to motorway hubs (M6/M60), ports and airports, plus urban catchments for last-mile fulfilment, explains concentration of demand in London & South East and the North West; manufacturing clusters sustain demand in the Midlands and North East. Location premium translates into higher ERVs in these corridors. [7]

Structural vs cyclical trends

- Structural shifts (long term): Growth in urban logistics/last-mile demand, sustained SME service-sector activity, and tightening regulatory ESG/EPC standards are reshaping stock requirements—demand for modern, efficient, and compliant small-bay units is structural and enduring. Retrofitting older stock to meet EPC thresholds is a multi-year, capital-intensive requirement. [8]
- Cyclical dynamics (short term): Interest-rate volatility, input cost swings and transient occupier demand (e.g., Q-commerce ups and downs) produce cyclical leasing patterns and short-term yield volatility. These dynamics affect transaction volumes and the feasibility of speculative schemes. [6]

Rental, yield and income performance

- Regional ERV dispersion: Prime ERVs show wide spreads—**London & South East ~£16.82/sq ft** (with local peaks such as **Hemel Hempstead ~£21.00/sq ft**), **Manchester ~£14.00/sq ft**, and peripheral northern towns around **£9.75/sq ft**. This divergence underpins different development economics and investor targeting by region. [2]
- Rental growth: Outlook remains positive, with multi-let expected to deliver **mid-single-digit annual rental growth** in many scenarios over the medium term as supply remains constrained. Rental momentum has also contributed to yield compression in prime product segments. [3]
- Yields & financing: Yields have sharpened in response to rental strength but the margin between property yields and higher cost of debt is narrow; financing costs and central bank rate uncertainty are critical to underwriting and transaction pricing. [6]

Risks, retrofit & operational challenges

- EPC/regulatory risk: A notable stock of units graded **EPC D or below**—particularly in some northern markets—creates a funding and operational obligation ahead of 2027–2030 compliance timelines, increasing **capex requirements** and potential void risk during remediation. [8]
- Tenant fragility: Heavy reliance on micro/small occupiers in some regions increases income volatility risk from local economic shocks and input cost inflation. This necessitates robust covenant analysis and leasing flexibility. [5]
- Development economics: High build and remediation costs relative to achievable rents make many greenfield schemes marginal without pre-lets, rental premia or equity sponsorship. This reinforces the shift to refurbishment, infill and conversion plays. [1] [7]

Regional divergence (discrete observations)

- London & South East: Highest ERVs and strongest last-mile demand; constrained inner-urban supply and high land values make new development expensive—focus on retrofit, infill and high-quality last-mile assets. **Prime ERVs ~£16.82/sq ft**; micro opportunities in fringe locations. [2] [9]
- North West: One of the most active development regions with notable under-construction pockets; motorway corridors and urban logistics drive stronger prime rents (**Manchester ~£14.00/sq ft**). Attractive for larger multi-let schemes and urban logistics. [1] [2]
- East & West Midlands: Strong manufacturing and 3PL demand; mid-market ERVs and steady take-up from production occupiers make it a durable market for mixed small-box and larger multi-let product. [4]
- Yorkshire & Humber / North East: Lower ERVs (examples ~**£9.75/sq ft**) and higher micro-business prevalence; sizeable retrofit opportunities exist but income volatility and lower rent floors constrain speculative schemes. [2] [5]
- Scotland, Wales, Northern Ireland: More peripheral ERV profiles with concentrated local occupier bases; focus here is on targeted refurbishment and SME product where transaction liquidity supports value-add strategies. Data coverage is thinner for Northern Ireland. [9]

Actionable implications

- For investors: Prioritise **modern, ESG-compliant stock** and refurb opportunities that mitigate EPC risk; target corridors with structural demand and limited new supply to protect rental growth. Discipline on financing assumptions is critical given tight yield/debt spreads. [6] [8]
- For developers/operators: Consider **equity-led speculative** and infill projects, modular/fast-build options to reduce time to market, and product tailored to SME/trade occupiers (flexible bays, shorter terms, managed estates). Retrofit and conversion pipelines offer yield enhancement where capex is well scoped. [1] [4]
- For occupiers: Expect constrained availability in key corridors; early engagement, flexible lease terms and relocation strategies into modern, energy-efficient space will reduce disruption and future compliance costs. [5]

Overall, the sector presents a defensive income profile with selective growth opportunities driven by last-mile logistics, SME undersupply and retrofit-led value creation—but success depends on disciplined underwriting that fully accounts for construction and retrofit costs, financing risk and regional ERV dispersion. [1] [3] [8]

This note covers the UK **multi-let light industrial** sector (units ~500–50,000 sq ft): multi-occupier estates and parks serving light industrial, trade counters, SME warehousing and last-mile operations. The market is characterised by large, heterogeneous stock, localised occupational markets and a dominance of small-box suites targeted at micro and small businesses. [1]

Supply mechanics

Development activity is limited relative to market scale: an estimated effective pipeline of **c.10–14m sq ft** nationally sits against a total multi-let stock in excess of **500m sq ft**, but only a small fraction is actively under construction. This creates a supply-constrained backdrop in aggregate terms. [2]

Under-construction volumes are modest and highly regionalised (examples: **~500k sq ft** under construction in parts of the North West; **~1.1m sq ft** across parts of the South East/East in select periods), so new additions amount to only a few weeks of typical demand when aggregated. [3]

High **construction costs**, constrained development yields and competing higher-value land uses (residential, logistics big-box or mixed-use) limit new speculative supply. Where achievable rents fail to cover elevated build and compliance costs, schemes require either pre-lets or equity-led funding to proceed. **Planning complexity** and urban land scarcity are additional barriers to entry in key corridors. [4]

Demand drivers and tenant mix

Occupier demand is diversified: **distribution/logistics (~33%)** and **trade (~24%)** comprise large shares of occupation, with 3PL, manufacturing and last-mile operators also significant users. This mix supports resilient take-up across economic cycles while keeping average lease sizes relatively small. [5]

Key tenant segments and drivers: - Trade counters, local builders and SME logistics seeking flexible, small units for inventory and customer access. [5]
- Last-mile and e-commerce operators prioritising urban proximity, rapid access and local labour pools. [6]
- Specialist manufacturing and engineering occupiers clustered around regional industrial ecosystems (rail, aerospace, electronics). [6]

Micro and small occupiers are especially prevalent in peripheral regions; sub-5,000 sq ft units dominate many northern and regional towns, whereas London/South East stock has a higher share of national/regional branch occupants. This spatial tenant mix influences lease lengths, covenant strength and void risk. [7]

Structural vs cyclical trends

Structural drivers: - Continued **urban logistics / last-mile demand** driven by e-commerce and delivery expectations, supporting long-term demand near population centres. [5]
- **Regulatory and ESG imperatives** (EPC uplift requirements) are reshaping capex plans and creating obsolescence risks for lower-grade stock, prompting refurbishment strategies. [4]

Cyclical factors: - Short-term take-up and rental momentum respond to economic growth, consumer spending and interest-rate cycles; elevated financing costs can pause speculative development and weigh on investor returns. [3]
- Tenant credit and small business health are cyclical and create near-term income volatility in markets with high micro-business concentration. [7]

Regional dynamics (discrete observations)

- London & South East: **Highest ERVs** (reported **~£16.82/sq ft** Q3 2024) with pockets above **£20/sq ft** (e.g., Hemel Hempstead). Strong last-mile and branch demand and tight availability in urban corridors. [2]
- North West: Active development corridor with examples of **~500k–1m sq ft** under construction in peak periods; Manchester prime ERVs near **£14.00/sq ft**, supported by motorway and urban logistics clusters. [3]
- East & West Midlands: Robust manufacturing and 3PL demand; mid-market ERVs and steady take-up from production and distribution occupiers. [6]
- Yorkshire & Humber / North East: Lower ERVs (examples **~£9.75/sq ft** in peripheral towns), high share of micro/small occupiers and manufacturing clusters—strong local demand but greater income volatility. [7]
- Scotland, Wales, Northern Ireland: More peripheral with lower ERVs and higher proportion of traditional occupiers; targeted refurbishment and SME-focused stock represent primary opportunities. Data coverage is thinner for Northern Ireland. [8]

Risks and constraints

- **Financing and valuation risk**: higher and volatile interest rates compress spreads between property yields and debt costs, tightening return profiles and limiting speculative starts. [3]
- **Occupier fragility**: concentrated micro-occupier markets face elevated income risk in downturns, requiring conservative rent roll underwriting and active estate management. [7]
- **Retrofit and compliance costs**: a material portion of stock requires EPC upgrades ahead of regulatory thresholds, generating capex needs, potential voids and valuation impacts. [4]
- **Development viability**: where build costs exceed what SMEs will pay in rent, many sites remain unviable without pre-lets, land write-downs or equity support. [2]

Opportunities and strategic implications

- Target **underserved SME demand** with flexible, small-box product and managed estate services to capture stable cashflow and shorter lease-term premium. [6]
- Pursue **retrofit and refurbishment** of EPC-poor, lower-cost stock in peripheral regions where value uplift from compliance and re-letting is material. [4]
- Consider **equity-led speculative** or infill urban schemes where debt is constrained; differentiate via modern ESG credentials, amenity and operational efficiency. [3][8]
- Focus on assets near transport hubs and dense labour catchments for last-mile exposure; these locations show stronger ERV resilience and re-letting velocity. [5]

Implications for stakeholders

- Investors: the sector is **defensive** with rental momentum, but underwriting must account for financing volatility, retrofit exposure and local tenant credit risk. Prefer modern stock or clearly remediable assets. [3]
- Developers/operators: prioritise SME-centric layouts, EPC upgrades and urban infill where pricing and planning permit; equity solutions may be required for speculative delivery. [6]
- Occupiers: expect constrained small-unit availability in key corridors; early engagement, flexibility on lease terms and willingness to accept refurbished product can reduce occupation friction. [7]

If useful, I can (a) produce a concise quantitative dashboard consolidating regional ERVs, pipeline, under-construction volumes and typical unit sizes based on these sources, or (b) model a prioritisation matrix that ranks regions for retrofit vs new-build opportunities. Let me know which you prefer. [9]

Operational Considerations

The UK multi-let light industrial sector is characterised by **resilient occupier demand** and a **constrained development pipeline**, producing upward pressure on rents and strong investor interest in modern, well-located small-box stock. Effective national stock is large (north of **500m sqft**) while the practical pipeline is modest (c. **10–14m sqft**) and only a small fraction is under construction, which leaves net supply additions limited relative to market size and typical take-up levels. [1][2]

Supply mechanics

- The **development pipeline** is shallow: headline pipeline figures mask that only a minority of schemes are shovel-ready, with under-construction volumes measured in low hundreds of thousands to low millions of square feet in key regions, so near-term delivery provides only incremental relief to tight availability. [3][4]
- **Construction costs and viability**: high build and land costs in urban corridors mean schemes generally require premium ERVs to stack up; where achievable rents do not meet these thresholds, schemes stall and barriers to entry rise. This dynamic is amplified where housing and higher-value uses compete for land. [1][4]
- **Barriers to entry** include planning constraints in densified corridors, shortage of appropriately zoned infill sites for multi-let formats, and limited appetite among lenders for speculative small-box development given constrained debt markets. Equity-led builds are increasingly required to bridge viability gaps. [1][3]

Demand drivers and tenant mix

- Primary occupiers are **trade counter/retail trade**, **light manufacturing/engineering**, **3PL and last-mile logistics**, and a broad base of **SME occupiers** occupying smaller cells. One occupier breakdown shows distribution at ~**33%** and trade at ~**24%**, illustrating the sector's diversified demand foundation. [5]
- **SME and micro businesses** are disproportionately important in peripheral regions; many units under **5,000 sqft** are taken by micro-firms, whereas London & South East stock attracts a larger share of national branch networks and urban last-mile operators. These differences drive asset strategy and leasing approaches regionally. [6][7]
- Demand is driven by secular trends (urban consumption, densification of supply chains) and tactical occupier needs (flexible, plug-and-play space, proximity to workforce and transport hubs). [5][6]

Structural vs cyclical trends

- Cyclical factors: near-term leasing velocity, interest-rate volatility and tenant affordability drive short-run vacancy and yield movements; higher debt costs compress returns and restrain speculative supply, creating a cycle where constrained finance tightens new supply and supports rental momentum. [2][1]
- Structural shifts: long-term drivers include continued growth of urban logistics/last-mile demand, SME fragmentation of occupier bases, and **ESG/EPC** requirements that are forcing stock modernisation or obsolescence for poor-performing assets. These structural forces will persist beyond typical economic cycles and will re-shape investment and occupational patterns. [2][7]

Regional differentiation (select highlights)

- London & South East: **prime ERVs near £16.82/sqft** with local peaks above **£21/sqft** in some towns; strong last-mile demand and limited deliverable pipeline sustain rental outperformance. [8]
- North West: one of the most active regions for development with meaningful under-construction stock in key corridors and **prime ERVs around £14.00/sqft** in urban Manchester locations. [3][6]
- East & West Midlands: steady demand from production and 3PL occupiers supporting mid-market ERVs and consistent take-up. [5]
- Yorkshire & Humber / North East: lower ERVs (examples near **£9.75/sqft**) and higher micro-occupier penetration, creating opportunities for targeted refurbishment and SME product. [7]
- Scotland, Wales, Northern Ireland: more peripheral markets with lower ERVs and a higher share of traditional occupiers; opportunities exist for value-add refurb but transactional liquidity and data coverage vary regionally. [4][9]

Risks and implications

- **Financing and valuation risk**: elevated and volatile interest rates compress spreads and make speculative development marginal; returns are finely balanced between yield compression and higher cost of debt. [2][1]
- **Occupier fragility**: markets with concentrated micro-occupier bases face higher income volatility and covenant risk during economic stress. [7][6]
- **Regulatory/retrofit cost**: a significant portion of older stock sits at **EPC D or below**, requiring capital expenditure ahead of tightening compliance windows (notably 2027–2030 horizons), which increases capex needs and vacancy risk for non-upgraded assets. [2][7]

- **Development economics**: many potential schemes are non-viable at current achievable rents, limiting supply growth and favouring refurb/value-add or equity-funded approaches. [1][4]

Actionable opportunities

- Target **underserved SME and trade-counter demand** with small-box, flexible suites and managed estate platforms in northern and peripheral markets where supply is tight and covenant mixes are local. [6][5]
- Execute **retrofit and upgrade programmes** on EPC-poor stock to capture rental uplifts, reduce obsolescence risk and meet forthcoming regulatory thresholds. Capital-rich investors can convert these liabilities into value-add opportunities. [2][7]
- Pursue **urban infill and last-mile conversions** in dense corridors where proximity commands premiums and conversion economics are supported by strong localized demand. [3][8]
- Where debt is constrained, prioritise **equity-led speculative or pre-let builds** with differentiated operational efficiencies and ESG credentials to attract national occupiers and achieve sustainable yields. [5][3]

In summary, multi-let light industrial remains a structurally attractive sector driven by urban logistics and SME demand, but delivery and returns will be determined by development viability, retrofit obligations and financing dynamics; a bias to modern, well-located stock and targeted value-add strategies is recommended. [1][2]