

Glenny
Logistics Manager

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logistics
manager

Deal of the year – what's yours?

Liza Helps reports on some of the deals of the year and what they meant for the logistics warehouse market in 2018.

There were an awful lot of deals last year, but a few stood out and made us think or reassess our previous stance. Here are some of the ones we felt needed a closer look.

Unit 5, Enfield Distribution Park

Farmdrop, an online grocer, secured a 10-year lease on a 24,298 sq ft warehouse at Aberdeen Standard Investments and Graftongate's Enfield Distribution Park at a rent of £13.75 per sq ft. Joint agents were Glenny, JLL and DTRE.

For Ivan Scott of Glenny this deal stood out, not just because he was involved in the deal, but because it typified so many aspects of the new logistics market.

"We did not formally quote a rent on the property, while it was under construction, but mid-build we thought it would go for roughly £12 – 12.50 per sq ft. However, the market sentiment between December 2017 and June 2018, when the property completed, changed dramatically and we let the property just after practical completion for £13.75 per sq ft. It set a new level for rent in this location – only a few years previously it would have been let at £9.50 per sq ft.

"It was a solid deal there for someone who wanted to be in an urban location."

Farmdrop is a relatively new business with not much of a track record, but it is typical of the new breed of technologically based start up e-tailers changing the way we shop.

It is an online food delivery company that distributes foods to consumers that is sourced from local farmers and fishermen. The company provides farm-to-table foods and fresh fish for consumers in the London, Bristol and Bath areas.

Online grocery is the next battlefield for the consumer pound. According to food and grocery research organisation IGD, the UK food and grocery market is forecast to grow by 14.8 per cent to 2023, giving it a value of £218.5 billion.

Growth is predicted across all major grocery channels, with online and discount retailers set to account for over half of the increase in market value to 2023.

While discounters will achieve the biggest cash gain in sales to 2023 (30 per cent of the total) as they benefit from further store openings and format development, it is online grocery that will remain the fastest growing channel with growth expected to hit 52 per cent.

According to IGD, smaller and more recent channel entrants will drive growth as they scale up their operations and target emerging shopper needs. Simon Wainwright, Director of Insight at IGD says: "Growth is increasingly being driven by recent entrants to the channel and more delivery options."

The UK is forecast to become the second largest online grocery market worldwide after China by next year. It is no wonder that Amazon is set to step up its game in this sphere in 2019.

But back to Farmdrop, originally set up as a click and collect venture the company opted to start door to door delivery and last year took the space in Enfield – with the backdrop of what is happening in grocery retailing and the fact that Farmdrop has secured considerable funding for expansion from some fairly big hitters in the new technology world – meant that the landlords felt comfortable to proceed with the letting on a 10-year lease basis.

With the new London hub, the company is looking to double the number of households it delivers to, initially in the Southeast.

Logicor 615, Sheffield

3PL Clipper Logistics took Logicor's second hand 615,000 sq ft warehouse in Sheffield, known as Logicor 615, on a 10-year lease at an unspecified rent. JLL advised Clipper Logistics, while CBRE, CPP and DTRE acted for Logicor.

It was the biggest deal of an existing warehouse in the UK in 2018 and according to Jonathan Compton of CBRE: "It was a standout letting. If anything could be used as a barometer of the logistics warehouse market it is this deal. It was the most impressive deal of the year because of its second hand nature."

The 614,497 sq ft warehouse was originally built by Gazeley as a design and build for printing company Polestar in 2004, when quoting rents were £4.50 per sq ft. The facility was rented on a 30-year lease. On 31st May 2016 Polestar shut up shop abruptly with the loss of 500 jobs, having gone into administration.

Logicor, which had acquired the property through previous investment vehicle Blackstone Real Estate in 2013 for £26.5 million, was left with a very bespoke property, which it had to re-let as soon as possible.

Mike Best of Logicor says: "We wanted to create a more



Unit 5, Enfield Distribution Park

institutional building. The site needed remediation, it needed new doors to increase the through flow of the building and reconfiguration, which led us to looking at redeveloping some underused land on the site for car parking and providing a new 360 degree circulation road."

The £4 million refurbishment also saw new sustainability features added, including LED lights, electric vehicle charging points and upgraded ventilation and air-conditioning systems. These changes contributed to an improved EPC rating of B(42) compared to the previous rating of E(119).

At this time Clipper was working to land the Prettylittlething.com contract and the building being in the North close to where the ecommerce retailer's parent company boohoo.com is based, meant that it got on to the short list. Clipper brought Logicor in on the deal to persuade Prettylittlething.com that the project was deliverable with the result that Logicor, Clipper and Prettylittlething.com working collaboratively to deliver the facility exactly as wanted. The refurbishment took 9 months start to finish and the property was officially let to Clipper in May 2018 bringing with it some 1,000 jobs.