



# DOES VERTICAL FARMING HAVE A FUTURE IN URBAN LOGISTICS?

Emerging sector has potential to push on rental levels

WRITTEN BY



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With an ever-growing population, increasing pressures on land uses and more erratic and unpredictable climate conditions, is vertical farming the solution to meeting rising food demands and is there enough urban logistics space to accommodate them?

Since 2017 over £500m has been invested in the vertical farming sector and includes backing from Ocado, Google, IKEA and Amazon. Amazon purchased a start-up called Plenty Inc back in mid-2017, IKEA invested \$40m in AeroFarms in August 2017 and Google Ventures invested \$90m in Bowery Farming in December 2018.

## GOVERNMENT SUPPORT

Over the next six years it is anticipated that the industry itself is to be worth more than \$11bn, and has recently seen a commitment from the UK government, which is preparing to invest \$24.8m through its Industrial Strategy Challenge Fund in innovative projects that boost agricultural productivity at a time when traditional farming is facing an uphill battle. One of the main purposes of vertical farming is increasing the efficiency of food production and reducing the distance to the end consumer. The produce is designed to be of a higher quality because it is grown in the 'perfect' environment and without chemicals, making the restaurant and leisure industry a primary consumer. Travel times into cities are therefore a big determining factor when selecting new facilities.

## BREAKING BOUNDARIES

DTRE has been tracking the new business line, making contact with 'In Farm' approximately 18 months ago. The Berlin based start-up, which was founded in 2013, recently received \$100m of investment through a number of private equity firms and have subsequently established warehouse facilities in Germany. The business aims to continue their expansion across major European cities. In September 2019 DTRE leased them the remaining 8,800 sq ft in Phase 1 of Edmonton Industrial

Park (EIP). The extensively refurbished accommodation is situated 1 mile from the North Circular, making it the ideal location for urban logistics. Argo Real Estate Management and Melburg Capital recognised the opportunity to acquire a secondary asset in a prime location and through significant capital expenditure completely repositioned the estate, achieving £14.00 per sq ft in the process. One hurdle we did face with In Farm at Edmonton Industrial Park is that vertical farms draw on a substantial power supply, requiring approximately 500kVa for every 8,000 – 12,000 sq ft of accommodation, but that is something we could accommodate as part of the refurbishment works.

## FOOD FOR THOUGHT

Going forward the challenge facing urban farmers is clear, identify warehouse accommodation in some of the most undersupplied areas of the country that already benefit from a power supply akin to data centre uses. The technology and the business model has been market tested across Europe, and British landlords should take note of the recent introduction to the UK. Whilst the power demands associated with vertical farming are much higher than many other traditional industrial occupiers, this sector has the potential to grow rapidly and help to support rental growth across urban centres.

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