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SME shed take-up is a positive sign

By [Julian Carey](#) | Thu 9 July 2020

A bit less 'just-in-time' and a bit more 'just in case': it's one of my favourite adages from the business car crash of recent months.



Julian Carey

Most agree that enhanced supply chain resilience and deeper penetration of e-commerce are here to stay, which should have a positive impact on the multi-let industrial and logistics sectors, but what evidence of this have we seen so far?

Big box logistics lettings are small in number and big in value but are often weeks if not months in the making, so it takes time for the picture to emerge. That said, DTRE reports that year-to-date take-up for 50,000 sq ft-plus sheds is marginally ahead of the same point in 2019 and says it expects 2020 to finish ahead of last year and the five-year average – not bad given two months of the year were in lockdown.

Multi-let industrial is far more opaque, with thousands of deals between small firms not usually represented by big agents with research departments. To see what is happening here, Stenprop uses data from our leasing call centre, Industrials.co.uk website and customer engagement managers, to give an up-to-the-minute picture.

Our call centre data shows 2019 was a relatively flat year, with weak business confidence. The tide turned with the post-election 'Boris Bounce' and enquiry levels doubled in January and February. Then Covid-19 reared its ugly head, eviscerating economic activity. By April, our call centre data was akin to an average Christmas Day.

However, green shoots sprouted in the third week of lockdown, since when we have seen a sustained and significant tick-shaped recovery, with enquiry levels settling at roughly four times the 2019 average and double that during the brief Boris Bounce.



Source: Shutterstock/ hans engbers

Our web traffic shows similar levels of activity, with consecutive record months in May and June. Perhaps more importantly, these strong volumes were paired with higher-quality visitors who spend more time on the site, look at more units and make more enquiries. This is not just window shopping.

Is this just pent-up demand? Possibly. But when we look at who is making the enquiries, the picture develops further. Of the 28 new lettings we exchanged on or completed in June, 57% were to e-commerce businesses or those taking additional space to support lockdown growth. This trend looks set to continue, with roughly half the units we had under offer at the end of June being to businesses seeking to meet requirements (at least partly) for growing e-commerce operations.

It is encouraging to see how many businesses have been agile enough to adapt and exploit new trends, from restaurants opening dark kitchens to support new home delivery, to traditional manufacturers branching out into hand sanitiser production.

While there is plenty of negative news that could snuff out sparks of a recovery, the resilience of the SME sector is encouraging. This is arguably the best barometer for the health of UK plc and, after enforced hibernation, SMEs seem to be coming out with confidence to meet the challenges ahead, which has to be good news for us all.

Julian Carey is managing director of Stenprop