



LOGISTICS DEMAND IS SURGING IN THE 300,000 SQ FT + BIG BOX WORLD



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The last five months have been unusual by anyone's standards. Despite the huge impact that COVID-19 has had on all of our personal and professional lives, it has never been more apparent that we are extremely fortunate to have chosen the industry, and indeed sector, within which we work. I can speak for all of my colleagues when saying how encouraged we have been with the continued demand for 'big box' logistics space in the UK since mid-March.

No one really knew if the market would grind to a halt with businesses being unwilling to make multi-million pound decisions on the brink of an almost certain economic recession. In spite of this, the take up numbers over the last five months alone have been staggering.

"Of these 16 deals, 10 have occurred since the Covid-19 pandemic hit the UK... accounting for 65% of the past 12 months' take up"

Within the last 12 months we have seen 16 deals on units over 300,000 sq ft,

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amounting to 6.9m sq ft of take up. Of these deals, 10 have occurred since the COVID-19 pandemic hit the UK. This totals 4.5m sq ft, or 65% of the year's take up. DTRE also understand that a further three buildings in the East Midlands are under offer, equating to an additional 1.5m sq ft.

It will come as no surprise that the majority of these 10 buildings have been acquired by retailers looking to improve/increase their online presence as a result of the changes in shopping habits exacerbated by COVID-19. A good example being Gousto, the online food delivery service, acquiring 307,000 sq ft at Mountpark Omega II, which is being speculatively developed.

The supply dynamic is being aided by some developers/funds who are currently on site speculatively developing units of 300,000 sq ft +, examples include: -

- GLP - developing 300,000 and 746,000 sq ft on Magna Park South in Lutterworth
- GLP – developing 313,000 sq ft at Magna Park in Milton Keynes
- Panattoni – developing 515,000 sq ft in Wakefield
- PLP - developing 343,000 sq ft in Sheffield
- Trebor – developing 408,000 sq ft in Doncaster
- BGO - developing 385,000 sq ft at Peterborough Gateway

Added to this timely speculative development, we have seen a number of buildings brought to the market due to lease expiries or marketed by way of assignment/sub-lettings. Eddie Stobart, Staples, Network Rail, Mothercare and Steinhoff are all marketing the remainder of their leases in the Midlands (1.86m sq ft combined) and Prologis are on site refurbishing the former Bosch unit in Kettering (427,000 sq ft) which will be available for occupation later this year.

At the end of July, there were 25 buildings over 300,000 sq ft either immediately available or under construction in the UK, totalling 9.9m sq ft with an average building size of 395,000 sq ft.

If we have witnessed 4.5m sq ft of take up in the past five months, it's hard to see, without further speculative development, how the supply is going to keep up with demand. Will this force occupiers down the design and build route? Potentially. Businesses however are trying to react quickly to new consumer habits and my view is that fortune will favour the brave and those willing to commit to a speculative programme will be rewarded.

Either way, it's a nice problem to have and long may the demand continue!