



CREDIBLE THINKING

ONCE UPON A TIME IN... INDUSTRIAL FILM, TV PRODUCTION AND INDUSTRIAL REAL ESTATE



WRITTEN BY

Charlie Wing | +44 (0)74 8306 8030 | charlie.wing@dtre.com

2020 was an extraordinary year for the logistics and warehouse sector **with reported take up of 45m sq ft for units over 100,000 sq ft, an increase of approximately 29% over the previous record set in 2016.**

Online retailers and 3PL's sharing the vast majority of the headlines.

...but Amazon steal the show.

Amazon alone were responsible for approximately 22% of the reported take up statistics.

However, in Greater London and the South East it wasn't all just e-commerce.

A significant development recently observed is the explosion in demand for warehousing from the film and television sector. **A fact demonstrating the significance of this sector is that the largest M25 existing industrial building transaction in 2019 was to a filming studio, Access 300, Acton, which extends to 297,352 sq ft.**

London is acknowledged as one of three leading global filming hubs, alongside Los Angeles and New York. This is a result of generous tax incentives (introduced in 2007) and an abundant and well qualified talent pool (c.57% of the UK film sector workforce based in the SE and London).



'West is Best' has and remains the preference for production.

West London, where a lot of the key cast and crew reside, offers good infrastructure networks and quick access to Heathrow Airport and Central London for filming.

However, the absence of suitable warehousing and increasing rents has spread the demand through all areas of London and the Western and Northern Home Counties.

The sector is worth approximately

£6.5bn

to the UK economy each year
(BFI statistics)

The market dynamic is also not limited to the South East. There are a growing number of studios regionally, including MediaCityUK Manchester, The Bottle Yard Studios, Bristol, and Littlewoods Studios in Liverpool, anticipated to become the 'Pinewood of the North'.

Film studio productions have traditionally leased units on a short-term basis (6-12 months) or to match the length of individual projects. However, over the past 3 years it has been observed that studio operators are taking 'institutional' leases of up to 10 years and sub-letting the space for shorter individual productions.

Some of the dominant players in acquiring units for this purpose are **Manhattan Beach Studios (MBS), Hudson Pacific Properties and Sequoia Group.**



It is believed that the drivers propelling the change in this sector are:

1. The industry has seen the rise in popularity of streaming services and in particular High-End TV (HETV) – Game of Thrones, The Crown and Stranger Things are a few examples of TV shows that have enormous budgets of c.\$10-\$15m per episode. This has instilled confidence in the studio operators to take traditional leases in the knowledge there is production demand for the duration of the lease.
2. The volume of content now available through streaming services has increased exponentially.

DTRE

www.dtre.com

There is a particular focus on platforms releasing original content in a continued effort to secure market share and lifelong subscribers.

NETFLIX

Covid-19 and global lockdown restrictions has prompted a huge rise in viewership with **Netflix attracting 37 million new subscribers over the past 12 months and pushing their audience to over 200 million for the first time.** In the same period, Apple, NBC Universal, Warner and Disney have joined the race with their own streaming platforms.

3. Productions have also become increasingly ambitious to release not only more content but more challenging content, with deep pockets and modern studios seemingly required to make the most headway.
4. The acute lack of supply of warehouse accommodation has meant that landlords do not need to consider leasing their building for 12 months – unless it fits in with their longer-term intentions or to mitigate business rates.

Vacancy rates are at 3.5% and record take up figures were recorded at

8.3M sq ft

2020

+11%

increase on 2019

Film studio requirements typically require the following:

- Extensive parking
- High eaves (10m +)
- Large power supply or capacity to upgrade
- Close to public transport
- Good quality accommodation, ideally away from lots of background noise

We spoke with James Hanford at Location Collective, another active film occupier and currently managing over 300,000 sq ft of studio stage space in London. In 2020, they acquired 1 Mollinson Avenue, in Enfield, totalling 139,000 sq ft.

He told us that *'As well as an immediate need for safe space, we need to be ensuring that London continues to be first choice for the big studio occupiers, or we risk losing productions to overseas facilities.'*

Available studio space in London

+53%

following Location Collective's acquisition of 1 Mollinson Avenue, Enfield

In London, the largest production facilities are regarded to be:

- **Pinewood Studios** (Pinewood Group) provides 23 stages. Disney have taken a 10-year lease over the facility until 2030 – **don't worry, Bond has retained the rights to film at Pinewood!** There are plans for a 77-acre development referred to as 'Screen Hub UK' and will include a 350,000 sq ft visitor attraction.
- **Shepperton Studios** (Pinewood Group) and occupied by Netflix until 2029 has achieved outline planning for a £500m expansion to include 16 new stages and making it the second largest studio in the world, extending it to over 100 acres.

- **WB Leavesden Studios** (Warner Bros. Studios). The former Rolls Royce factory near Watford, and home to Harry Potter, now one of the leading studio facilities in the world, thanks largely to Warner Bros. takeover and added continued investment on site, which extends to 200 acres.

Sky Studios (Comcast/NBC Universal) to be delivered in 2022

32 14
acre plot stages

+2,000

UK jobs

Despite the already extensive production facilities in London, demand from the film and television sector continues to outweigh existing supply and has translated into ongoing requirements and take up, that include but are not limited to;

- HBO leasing Access 300 in Acton, a 300,000 sq ft facility whereby a 5-year lease was agreed in January 2019.
- In August 2019, Pinewood MBS Lighting leased UX1, Uxbridge Industrial Park, 134,000 sq ft on a 10-year term, which Netflix occupy as an extension of Shepperton.
- In 2019, Location Collective acquired the former 1 Mollinson Avenue, Enfield facility at 140,000 sq ft.
- Versa Studios exchanged in February 2020 on 30,000 sq ft at Unit 16 Vision, Acton on a 25-year lease at £20.60 per sq ft.
- In May 2020, MBS Equipment leased 60,000 sq ft at Cross-Dock 60, Heathrow on a 10-year lease.

DTRE understand there to be various active requirements for long term warehouse space in London with some studios in advanced discussions in North London.

Our discussions with Location Collective and Netflix suggest that the industry is showing no signs of slowing. Media groups have more confidence than ever to continue their expansion. The rapid growth has coincided with similar increases in demand for 'Urban Logistics' accommodation from Data Centres and 3PLs.

With so many parties chasing such a finite supply of accommodation, it will be interesting to see how this impacts rental growth across the South East over the coming years.

DTRE

www.dtre.com