

Triple whammy Landlords have a lot of space to shift and empty rates to pay. No wonder they go all out for any requirement. By *Lisa Pilkington*

BAG A BARGAIN

The retail market may still be in the doldrums but, if retailers can access the cash, they could well pick up a warehouse in South Yorkshire at a bargain-basement price.

A flurry of speculative building just as the recession set in has left a raft of large sheds looking for tenants. And, as if the economic situation was not bad enough, the introduction of empty property rates has compounded landlords' misery.

In South Yorkshire, there are 15 warehouses of more than 100,000 sq ft on the market, and their owners are keen to get the empty space off their hands. Andrew Gent, partner at niche agency Gent Visick in Leeds, sums up the situation: "Most owners are clearly aware of market conditions and, in the majority of cases, are prepared to offer aggressively to interested parties."

Dave Cato, associate director for industrial agency at CB Richard Ellis in Leeds, says empty rates have helped occupiers to get a good deal.

"The packages on offer to occupiers have put a lot of pressure on landlords and their agents," he says. Those packages can include up to three-and-a-half years rent-free on

a 15-year lease, plus a capital payment for a fit-out on top.

"These deals equate to savings of up to 65% on deals being done two or three years ago," says Owen Holder, partner at Knight Frank's Leeds office.

Understandably, owners are reluctant to broadcast their plight or

to reveal the full extent of deals done.

By far the biggest done for some time was for the 1m sq ft supershed that Marks & Spencer signed for three years ago (see box). This year, the largest was for 256,000 sq ft to Vasanta Group at ProLogis's Wakefield Europort.

No surprise as CBRE acquires a specialist

Yorkshire's agents were not surprised when news broke in March about CB Richard Ellis' takeover of specialist agent M3.

Lambert Smith Hampton's head of industrial in Leeds, Rob Whatmuff, says: "Talks had been ticking over for quite some time, so the deal wasn't wholly unexpected. In fact, it was seen as a foregone conclusion."

M3's 22 staff, in Sheffield, Birmingham and London, are being integrated into CBRE.

The acquisition makes sense, with CBRE's industrial team now being buoyed up by M3, while the 10-year old niche player will have the support of a long-standing

global agent behind it.

While CBRE is seen as a strong force in the market, Whatmuff says that it did not have a big industrial agency presence in Leeds. "M3 does have a large presence though, especially in the South Yorkshire big shed market," he says. "This deal gives CBRE the firepower it needs in that area."

Could the news herald the start of more consolidation in the market?

"It depends if the price is right," says Whatmuff. "The price was right for M3 to sell. Its reliance solely on agency would have definitely had an impact on its business during the credit crunch."



As a result, headline rents have shown little movement (see p97), even though actual rents may be significantly lower. For example, £2.50 per sq ft was recently offered for a new 500,000 sq ft unit.

Philip Ryan, chairman of developer JF Finnegan and owner of several schemes in South Yorkshire, admits: "Where there have been requirements, they have been fiercely contested, and it has been a case of 'how low can you go?'"

But, even with a good financial package on offer, take-up of the large buildings littering South Yorkshire has been slow. "Large requirements are few and far between," says Cato. "Third-party logistics operators prefer two or three smaller units rather than one large building."

In neighbouring West Yorkshire, however, it is a different story. Alan Sarjant, senior vice-president of ProLogis, says: "Although take-up is

"Where there have been requirements, they have been fiercely contested, and it has been a case of 'how low can you go?'"

Philip Ryan, JF Finnegan

relatively low, there's very little immediate supply."

Across Yorkshire, Sarjant confirms that demand is driven largely by retailers. "There seems to be more interest from internet-based businesses as they can distribute from secondary areas far more easily," he says. This will be welcome relief to a market that had hoped to see more take-up from companies in the waste-recycling sector – one where considerable hype has not so far translated into deals.

Landlords are keeping a hopeful eye on the Midlands, where units typically offer access to a wider geographic area. A surplus of space there has helped lure occupiers away from Yorkshire.

But Rob Whatmuff, head of industrial at Lambert Smith Hampton's Leeds office, believes that dynamic is about to change. "As stock begins to dry up in the Midlands, availability of good quality units in South Yorkshire should prove an attractive option to occupiers," he says.

Positive approach nets M&S warehouse

It is not every day that a 1m sq ft requirement comes into the market so, when Marks & Spencer put feelers out three years ago for a mega-warehouse in the Yorkshire area, the race was on to net the deal. The retailer plumped for a prelet on a site in Bradford owned by the city council and jointly let on a long lease to M&S and ProLogis. ProLogis completed the 1.1m sq ft supershed at the end of

March, and M&S is now stocking it before it begins operations later this month.

"There weren't that many locations that could accommodate this size of footprint," says Alan Sarjant, senior vice-president of ProLogis. "But, although M&S's initial focus was further west on the M62, Bradford city council's positive approach to issues such as planning was very helpful."

Although warehouse schemes are not

known for being major work generators, Bradford council hoped that M&S might bring up to 3,000 jobs to the warehouse. The figure has bounced up and down. Andrew Gent, partner at local industrial specialist agency Gent Visick, says: "M&S was going to build a third mezzanine floor but for now has settled at two floors, so I suspect the original job targets are probably not too far apart from where the council anticipated them."