



THINK OUTSIDE THE BIG BOX

Looking elsewhere Demand for sheds from traditional sources is weak in Yorkshire so landlords, facing large empty rates bills, are having to think creatively to find alternative uses and occupiers. By *Daniel Cunningham*

You are a Yorkshire-based landlord with a vacant shed on your books, a hefty empty rates bill in the post and a few industrial occupiers knocking on your door. What do you do?

For an increasing number of landlords in Yorkshire, the answer is to find alternative uses for their stock, rather than relying on traditional demand from manufacturers and distributors.

“It’s definitely a growing trend,” says Rupert Visick, partner with Leeds-based industrial specialist Gent Visick. “It is driven in part by landlords considering the natural life cycles of their buildings, but also by the market.

“Landlords are forced to think in terms of ‘I have an industrial building, but I don’t have a host of occupiers knocking at my door, so whose door

Where there’s muck: the waste-to-energy sector is a growth area for industrial landlords – but sites need consent for change of use

should I be knocking on?”

Several options are open to landlords, say agents. For some, the priority is simply to avoid empty rates liability by paying firms to store merchandise temporarily (see box), or allowing charities to make use of space for free and foot the reduced rates bill that charities benefit from. Others are seeking longer-term alternatives, by either signing a

variety of operators on three- to five-year leases, or pursuing a change of use for sites.

Using the space for storage, for car auctioneers or caravans for example, is an obvious short-to-medium term option. Late last year at Trax Park in Sheffield, The Car Shop opened a car supermarket within a 160,000 sq ft former industrial unit, which had previously been operated by a white goods retailer.

While some storage uses can generate low rents, agents argue that others can be lucrative. Visick points to mass filing for professional companies. Rather than tie up office space, says Visick, firms are willing to pay market headline levels of £4-£5 per sq ft for shed space.

He adds that, with office occupiers desperate to cut operational costs, owners of sheds in the 10,000-20,000 sq ft size bracket in the suburbs of cities such as Leeds are offering their space.

Pitching a deal

Other medium-to-long term uses can drive values, says Nick Baker, associate director at BNP Paribas Real Estate's Sheffield office. He says that a leading five-a-side-football pitch operator is looking for opportunities in the region, and recently came close to signing for a 50,000 sq ft unit in Doncaster at £3 per sq ft.

Landlords willing to invest capital in industrial units also have the option of developing data centres, which JF Finnegan plans to do in Sheffield, with a £9m fit-out of a 15,000 sq ft shed.

"Data centres require the right power supply and fibre connection, but, in certain cases, retrofits are an option," says Visick.

Then there is the waste-to-energy sector, which is an increasingly attractive source of demand for those

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Nick Baker, BNP Paribas Real Estate

that own industrial land. Baker says: "The waste recycling sector is projected to need millions of square feet of space in order for government guidelines to be met, as landfill sites shut down."

Baker says that such occupiers need high-bay warehouses that can accommodate the heavy plant machinery needed for such uses. He adds that a 40-acre former industrial site in Sheffield is under offer to such an operator. In addition, chemical waste firm Cyclomax is understood to be looking for 200,000 sq ft of space in Yorkshire.

Visick agrees that waste-to-energy is a growth sector, but adds that such schemes require changes of use consent: "There is a strong nimby attitude towards such facilities, and landlords need to convince locals that they will not be inundated with lorries and seagulls hovering overhead."

Other landlords are simply using the downturn to work up planning applications for industrial sites that they envisage as mixed-use opportunities. This the case with investor Threadneedle, which is waiting to hear from Leeds' planners whether it has consent for a mixed-use scheme at the former Vickers tank factory in the city (see below).

While Yorkshire agents stress that there is a rise in manufacturing and distribution demand in their region, it is clear that landlords are increasingly hedging their bets.

"There are plenty of angles and opportunities out there," says Visick. "People are pushing the boundaries."

Pay to store: a way to avoid empty rates

For some industrial landlords, simply keeping their heads above water and avoiding rates liabilities on empty units is the priority.

One firm that has pitched its services to Yorkshire property people in recent months says it has the answer. London-based logistics firm Variation Ltd is running what it calls "the turnstile solution".

The deal is this: Variation supplies landlords with merchandise to store for as little as 43 days, which is the legal amount of time that a unit needs to be occupied in order for the landlord to become eligible for six months' rate relief.

Bill Howie, chief executive of Variation, says: "We have a supply-chain background and have many clients with short-to-medium term storage requirements. We act as brokers, placing warehouse demand and supply together."

The deal is that landlords pay Variation to provide stock and, in turn, the landlord saves on its rates bill. Howie estimates that clients can save an average 70% of their rates payable.

Howie says: "Most of our work is done through the blue-chip property agents, and our clients that provide the stock are also blue-chip."

He adds: "We occupy these buildings properly. If we don't have enough stock to constitute a serious occupation, then we won't do it. We don't invent the demand; we need the space and there is a knock-on effect for landlords."

Other uses: cars sold where tanks rolled

● In March, Sheffield-based developer JF Finnegan announced plans for a £9m fit-out of a 15,000 sq ft shed in the city, to create a data centre with a dedicated power supply.

● Threadneedle has submitted plans for the complete transformation of its 350,000 sq ft former Vickers tank factory in Leeds into a 63-acre residential-led, mixed-use project. The unit is let to online car auction firm Autoquake on a five-year lease, with ability to

break from January 2012. ● Last year, recycling firm Sterecycle announced plans to double the capacity of its waste management facility at a former British Steel works site owned by Loxley Land & Property in Rotherham, where it processes waste from Rotherham, Doncaster and Barnsley councils.

● Other alternative uses include storage space for car auctioneers, caravan storage, and five-a-side football pitches.

