

There is a lot of space available in the North at the moment. Nevertheless, occupiers looking for deals should be quick about it, for the deals won't be long on the table. LIZA HELPS reports.



Hurry, hurry, sale now on

There is no doubt about it – there is an awful lot of available space in the North and North East; Yorkshire in particular. According to Atisreal, there is 13 million sq ft of brand new space available in units over 50,000 sq ft, which rises to a staggering 33 million sq ft if you take into account second-hand space in Yorkshire alone.

Obviously it is a buyer's market and one would expect this surplus, coupled with the government's insistence on Empty Rates, to lead to a drop in rent levels. However, Owen Holder of Knight Frank says there is a note of caution. "As yields have moved out tremendously on sheds – now 8.5 per cent plus for new, high quality, well located and well let – the end values are significantly reduced and therefore the landlords holding these premises are taking an even bigger hit."

Andrew Gent of Gent Visick says: "Headline rents have not tumbled because they are a function of notional value and any landlord will want to protect that albeit that they will have to give away more in incentives to do so."

If you have a 100,000 sq ft shed with a headline rent of £4.75 per sq ft it has a notional value based on that rent even if it has a 12-month void period. If it is rented out at £2.50 per sq ft the problem is you have to value it at that level and therefore the yield will not be as good as if you had rented it out at the headline rent and given a year's rent free.

Bargains

Gent says: "There are bargains to be had but they will not be around forever. About 18 months ago you may have got a 12-month, rent-free period. Now you are more likely to secure an 18-month to two-year rent-free incentive depending on who is in the driving seat. Landlords have been turning stupid deals away; there has been a line drawn in the sand."

Rob Oliver of GVA Grimley agrees: "The owners have taken a knock in terms of value – many may feel they have taken all the punishment they can and they sense the bottom [of the market] is there so they don't need to do a panic deal at the moment. As for occupiers, now is the time to do a deal."

The fact that there are still enquiries and deals being done is probably another reason why landlords will be reluctant to reduce rents across the board. Holder says that since September 2008 there has been over 1.5 million sq ft worth of enquiries for the region in lots over 100,000 sq ft, made up of seven enquiries breaking down as roughly 60 per cent existing buildings and 40 per cent design and build (D&B). Of course there will be those who do cut rent but these will be the exception, rather than the rule and will depend on an individual's circumstances. Nick Baker of Atisreal says: "It has been noted that many more developers are saying they would sell rather than wait to let [their buildings]. It seems many are keen to get rid of the liability."

This of course has been made more pertinent with the advent of Empty Rates. The Darling effect can be seen in the number of perfectly adequate second-hand buildings which are being demolished all over the country. With these buildings gone the amount of cheap available space becomes scarcer. With such dire economic conditions it is not surprising that the development pipeline has all but dried up.

Holder says there are only two schemes in Yorkshire currently being speculatively built. The first is Capitol Park, Thorne where PRUPIM is forward funding to the tune of £12.59m, representing a capital value of circa £57 per sq ft; the speculative development of Cirrus, an 83,500 sq ft warehouse which is under offer to Croda at £4.60 per sq ft, and Strata,



totalling 137,250 sq ft. Developer Stoford is building the warehouses. Strata boasts 12m eaves as well as ten dock and two level access doors. Both buildings have 50kN/sq m floors and five per cent office space. Letting agents are Gent Visick and King Sturge. Capitol Park is located next to Junction 6 of the M18 motorway.

The second development is PPG Land's Link 62 scheme at Junction 31 of the M62 motorway. There are two newly built warehouses, one of 63,000 sq ft, and one of 105,000 sq ft known as Unit 2000, which is part of the first speculative phase at the 108-acre Link 62 development. Due to the low site density of 32 per cent, the unit has ample parking provisions, with additional lorry parking to the rear. Joint agents are Carter & Co and Strutt & Parker.

The developer has secured two further detailed planning

Benyon Park Way in Leeds.



Provincial Park, the 300,000 sq ft second-hand warehouse in North Sheffield sits on Junction 35 of the M1 motorway.



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consents on the site near Wakefield in West Yorkshire. The consents are granted for two separate distribution warehouse D&B options; either a single warehouse of 470,000 sq ft or two self-contained units of 250,000 sq ft and 270,000 sq ft.

For those looking to secure land in the region, Gent says they could be in for a shock – the majority of it is already tied up in developer hands, and owing to the fact that the Local Development Framework is out of step with demand there is limited land supply for the foreseeable future.

One would expect that developers would be only too willing to sell the land at a reasonable price in current market conditions, but Gent points out that having bought the land at values considerably higher than at present and taken the risk and cost to service it, occupiers will not be getting it at a discount. Rather, developers will be keen to get D&B contracts to secure a decent return on their investment.

Baker says: "There are a number of developments that are not being built which might have been in a better market."

These include Tornado at Redhouse Interchange, which could be developed to provide a single cross-docked unit of up to 300,000 sq ft or detached units from 100,000 sq ft.

The proposed cross dock specification included 36 HGV parking spaces, 15m eaves height, 250 car parking spaces, 15,000 sq ft of two storey office accommodation as well as 30

dock and four ground level loading doors. Letting agent is Gent Visick. Another scheme that might have conceivably been built speculatively is Gladman Developments' £20 million, 317,859 sq ft industrial and distribution scheme at Wentworth Distribution Park, Tankersley, in South Yorkshire, less than one mile from Junction 36 of the M1 motorway.

The developer was renowned for daring to be one of the first to build massive sheds on a speculative basis five years ago before the market really took off. Gladman Developments is offering pre-sales and pre-lets on four detached industrial units, ranging in size from 50,000 sq ft to 100,000 sq ft.

According to Tim Matthews of Gladman Developments, there is a strong demand for such units. He says: "As a result of the trend to build bigger, there is an absence of these sizes of industrial units in South Yorkshire, and a demand in the market for occupiers looking for up to 100,000 sq ft of space."

With planning permission secured, ground preparation works have already begun on the 25-acre site. Services are already available, so buildings can be ready for occupation less than six months after a sale or let is agreed. Letting agents are Colliers CRE and M3.

For occupiers seeking cheaper space there is a bit of good fortune – there seems to be a number of excellent fully fitted warehouse units on the market. These include a 478,723 sq ft

warehouse in Scunthorpe being marketed by sbh.uk. The building was formerly an RDC for B&Q located on the Foxhills Industrial Estate. It is capable of subdivision from 98,236 sq ft and is available on a rent of £1.3m a year – just £2.36 per sq ft.

Following the decision by Ilva, a Danish rival to Ikea, to withdraw from the UK, Beast & Whopper are back on the market in South Yorkshire. This time the buildings are available at a rent of £2.50 per sq ft – £1 less per sq ft than their original quoting rent. Whopper represented the first refurbished phase at Wheatley Hall Park in Doncaster and totalled 250,000 sq ft. The second phase of the scheme totalling 400,000 sq ft of warehousing, is known as Beast. The buildings boast 5.5m eaves and 24-hour access.

Paul Mack of DTZ says another prime example of a second-hand unit, and very attractive to operators, is the 300,000 sq ft warehouse in North Sheffield called Provincial Park, which sits on Junction 35 of the M1 motorway. "It's good second-hand accommodation with a good eaves height of 9.1m. It is already fully fitted with sprinklers, racking, heating and lighting. It boasts a substantial yard area and trailer parking."

Letting agents DTZ and Lane Walker are quoting £4.50 per sq ft and can be flexible. The building can be split into anything from 50 – 300,000 sq ft.

DTZ is also letting a 170,000 sq ft warehouse in Worksop at Claylands Distribution Park. The unit has eaves up to 13.3m as well as dock and ground level loading doors. It is cost effective and flexible with quoting rent of £4 per sq ft.

Despite the financial conditions developers are still keen to secure sites in the region and to pursue planning permissions.

Battling

Both Gazeley and PPG Land are battling it out with local protesters to develop two distribution schemes in the region, which could provide up to 4,000 jobs. The Council for the Protection of Rural England South Yorkshire branch has lent its support to Thorne Against Bradholme, a protest group concerned about the proposed development of a 2.05 million sq ft warehouse scheme at Bradholme Farm, near Thorne being put forward by PPG Land and Warmfield Group, and to ArmNogeddon, a protest group against Gazeley's proposed 115-acre development at Armthorpe, near Doncaster.

The CPRE is campaigning for the expansion of the green belt around Doncaster which currently does not include the countryside to the east of the borough. It warns: "Without it countryside close to the M18 and M180 will come under increasing threat from the proliferation of giant tin sheds."

John King, planning officer at the Campaign to Protect Rural England's South Yorkshire branch, says: "Sites for major developments like this should be earmarked when the borough's future development plans are first written, so that sustainable growth and environmental protection can be given thorough consideration."

Doncaster Council is under pressure to provide land for economic development as allocated sites run out. Unfortunately the process to bring forward the Local Development Framework is taking longer than expected.

Outline plans for the Gazeley scheme, being brought forward in conjunction with Blue Anchor Leisure, have recently been submitted to Doncaster Council. The site, situated at Junction 4 of the M18 motorway, forms the natural extension to the existing West Moor Park development. Upon completion it is estimated that the total value of the scheme would be approximately £125m. Jones Lang LaSalle advised Gazeley while DTZ is advising Blue Anchor Leisure.