Market Report and Analysis

Logistics & Industrial Demand

Land North of Mollison Avenue,

Enfield EN3 7NJ

6th March 2020

Contents

Executive Summary

- JLL's Industrial and Logistics Agency team has been asked to provide market advice and analysis to support Gazeley's promotion of land to the north of Mollison Avenue in response to Enfield's Call for Sites request in preparation of the New Local Plan.

- The report sets out the demand and supply for industrial employment use across Greater London and the London Borough of Enfield.

- At the end of 2019 there were just four Grade A logistics units over 100,000 sq ft available across Greater London totalling 510,000 sq ft. It should also be noted that available supply at the end of 2019 represented a big box logistics vacancy rate of 4% in Greater London which was lower than the GB average at 9%.

- In simple terms, taking into account the supply and demand dynamics for London's big box logistics market, available supply at the end of 2019 represented less than one year (8 months) of demand when compared with the average level of take-up over the last five years.

- Alongside the increasing demand for industrial employment space, London's population has significantly grown and the demand for new housing to support this has seen a loss of industrial land to other uses.

- According to the BPF, for every new home built in London around 40 sq ft of new floorspace is needed for the e-commerce demand from the new home (What Warehousing Where? BPF, 2019). This would equate to an additional 2.6 million sq ft of industrial space needed per annum if the target was met.

- In the London Borough of Enfield over the period 2001-2015 almost 40 hectares of industrial land was lost in the borough which is the equivalent 2 million sq ft of developable industrial floorspace.

- Demand for modern industrial and logistics units has been strong in Enfield. When considering units of 30,000 sq ft and above, 642,191 sq ft has been taken up over the last 12 months marking an 87% increase when compared with the 5-year average (343,750 sq ft per annum).

- In terms of supply, currently at the end of February 2020 there are seven modern logistics units of 30,000 sq ft + available in Enfield totalling 710,000 sq ft. This available supply represents just over 1.3 years' worth of demand when compared with the average level of take-up over the last five years within the Borough.

- In terms of consented pipeline there is very little coming forward in Enfield. There only two industrial sites currently consented are available on a design and build basis totalling 235,000 sq ft.

- In view of the current demand and supply dynamics in this market, there is a strong case for green belt release to accommodate further industrial and logistics floorspace within the Borough.

1 Greater London Industrial & Urban Logistics

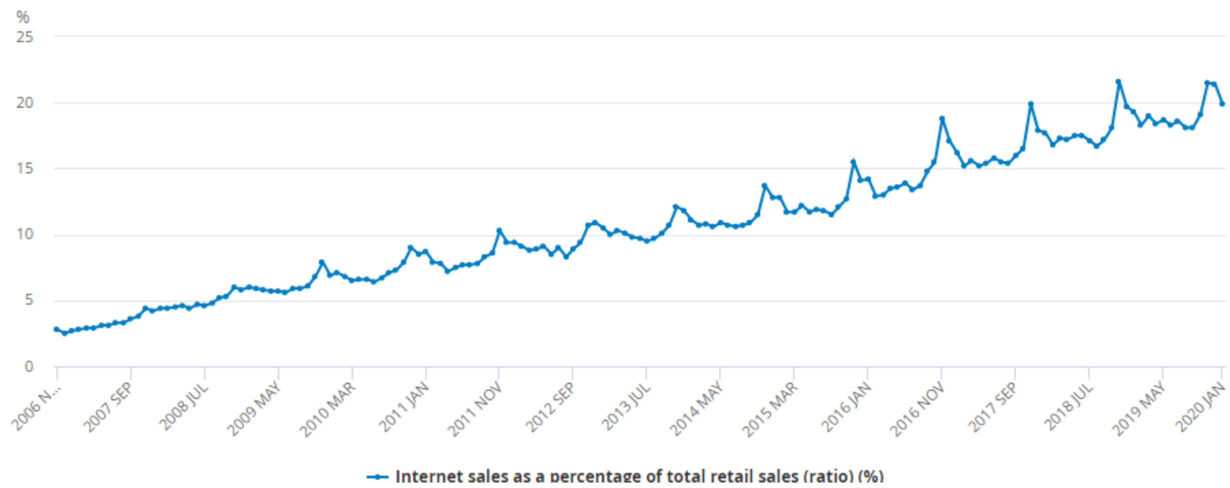
1.1 Occupational drivers

London's industrial market has evolved over the last ten years, structural changes in the market have brought new drivers of demand, including e-commerce, increasing an already diverse occupier base.

E-commerce

As at November 2019, online retail continued to take a larger share of the retail market and accounted for a record 21.5% of overall retail sales. This boosts the 12-month rolling average to circa 18%. We are seeing the impacts of online retail on the market in many different ways. In the logistics market, retailers are reacting to consumer demand by incurring considerable capital outlay in expanding and perfecting their online platforms. In order to compete and gain an advantage in the e-commerce market, where location of the nearest store is no longer a factor, retailers are seeking to deliver the product to the consumer's doorstep in the shortest time possible.

The rise of e-commerce: internet sales as a percentage of total retail sales (ratio) (%)



Source: ONS, Retail Sale, GB 2020

Occupiers are adopting varied strategies, with larger retailers such as Next, using stand-alone warehouses to fulfil online orders as evidenced by their recent planning application at Waltham Abbey for a new 322,335 sq ft distribution centre.

Online retailer Amazon currently operates from more than 20 locations in the Greater London area, including three corporate offices housing thousands of employees along with its London R&D hub, a fashion photography studio which provides all of its fashion imagery for Europe, a sortation centre, delivery stations and 'Prime Now hubs' (smaller facilities that stock high demand products that can be delivered within 1-2 hours).[1]

[1] Amazon UK Services Ltd (2829) Draft London Plan Examination in Public Written Statement – Matter M62

Post & Parcels

As a direct result of e-commerce, we are seeing increased demand across London for services of parcel delivery companies. As online retail becomes more saturated and competitive, retailers are having to continuously improve their service to satisfy consumer demands. Retailers are under increasing pressure from their customers to improve their delivery infrastructure, with greater emphasis on 'just in time' supply chain and the final mile logistics, which has quickly developed the requirement for accommodation in core logistics locations. This infrastructure is critical for these businesses, and those with poor infrastructure are likely to see a negative impact on sales. This in turn has led to parcel operators to seek greater efficiencies within their networks, often by signing for new, purpose-built facilities in urban locations.

GeoPost and its subsidiary DPD, have been at the forefront of this activity and have been active in the past three years, acquiring further sites for their cross-docked parcel hubs.

Film & Media

Production spend on film and TV in the UK reached £3.6bn in 2019; a 16% increase from the year before and the highest UK production spend figure ever reported (BFI's Research and Statistics, 2019). The UK's film economy continues to grow facilitated by tax reliefs, and with it there is now increasing presume on film studio space in London and associated storage and distribution requirements. In 2019 alone Netflix acquired 130,000 sq ft in Uxbridge, HBO (through the Collective) acquired 140,000 sq ft in Enfield and Sky acquired a 32-acre site in Elstree. Furthermore, Universal, ITV and Disney have active requirements that remain unsatisfied.

Traditionally this demand for warehousing space centred on North West/ West London and Park Royal. However in recent years, we are seeing more footloose requirements across the inner M25 and further afield looking for production, editing and storage space within a suitable drive times to Central London.

1.2 Loss of Industrial Land

Alongside the increasing demand for industrial employment space, London's population has significantly grown and the demand for new housing to support this has seen a loss of industrial land to other uses. London needs to build 66,000 homes a year to address a chronic housing shortage (Draft New London Plan, Policy H1, 2017). According to the BPF, for every new home built in London around 40 sq ft of new floorspace is needed for the e-commerce demand from the new home (What Warehousing Where? BPF, 2019). This would equate to an additional 2.6 million sq ft of industrial space needed per annum if the target was met.

Over the period 2001-2015 around 1,300 hectares of industrial land in London was lost to other uses (London Industrial Land Supply & Economy Study, AECOM 2015) which is the equivalent of up to 64 million sq ft of developable industrial floorspace lost in London assuming a 50% build site density.

In Enfield over the period 2001-2015 almost 40 hectares of industrial land was lost in the borough which is the equivalent 2 million sq ft of developable industrial floorspace. JLL does not have a figure that quantifies the amount of industrial land that has been lost to other uses in London since 2015 but expects that further land has been lost. The London Industrial Land Supply & Economy Study which was produced by AECOM in 2015 comments on the amount of industrial land that was lost over the period 2010-2015 and how the amount of industrial land released to other uses accelerated over this period and exceeded the SPG benchmark recommendation and what impact this would have on the industrial market this release rate continued.

The report stated:

'Past trends in industrial land release show an accelerated rate of release significantly above the GLA's Land for Industry and Transport SPG benchmark rates of release. The trend rate of release for 2010 to 2015 is 105ha per annum, compared with the SPG recommended rate of release of 37ha per annum.

If these trends continue then the total stock of industrial land in London will decline from around 6,980ha in 2015 by a further 2,300ha to around 4,700ha in 2041, a 33% decline over this period. This is around 1,900ha more than the SPG 2031 industrial land benchmark projected to 2041 (around 6,500ha). Overall if the trend release for the period 2010 to 2015 continues in the future then the SPG target will be reached by around 2017 and exceeded significantly by 2031.'

1.3 Intensification

The solution on the part of the GLA is to intensify industrial development through greater density of building to site ratio up to 65% or through the construction of multi-level and multi-storey buildings.

Not all sites are suitable for this type of intensification. Increasingly, occupiers need generously sized yards to efficiently run their operations particularly in the case of larger warehouses in excess of 50,000 sq ft and final mile logistics operations that involve fast throughput of goods and speed of delivery.

Successful new build urban logistics schemes both within the London Borough of Enfield and across Greater London are typically 45-55% site density. **Appendix A** below shows site densities at G-Park Enfield which was developed out by Gazeley, **Appendix B** at ENDP was developed in phases by Aberdeen Standard and Graftongate and **Appendix C** shows plot ratios at Navigation Park which was speculatively developed by SEGRO in 2016. All schemes are now fully occupied, with the exception of the last remaining unit at Urban 85, ENDP where JLL are retained agents and can confirm there is currently strong interest.

2 Market Analysis

The following reports demand and supply within London's 'big box' logistics market focusing on Grade A (new and good quality secondhand) units of 100,000 sq ft and over. This geography comprises the areas inside the M25 motorway.

2.1 Greater London Logistics Take-up (100,000 sq ft +)

Over the last five years (2015-2019) approximately 3.8 million sq ft of Grade A logistics floorspace involving units of 100,000 sq ft + was taken up in London, averaging around 750,000 sq ft per annum. In 2019 1.2 million sq ft of Grade A space was taken up.

Of the 3.8 million sq ft of space taken up over the last five years, 65% comprised new build floorspace with the remaining 35% consisting of good quality secondhand floorspace. Retailers accounted for the largest share of demand over the last five years accounting for 40% of the 3.8 million sq ft taken up. This was followed by Logistics companies who accounted 27% of take-up. Manufacturers accounted for 12% of demand and 'Other' companies which has included film and data centres accounted for the remaining 21%.

2.2 Greater London Logistics Supply (100,000 sq ft +)

At the end of 2019 there were just four Grade A logistics units of 100,000 sq ft + available in London totalling 510,000 sq ft. The four units available at the end of 2019 were:

- Heathrow Logistics Park which is a new speculatively developed unit that completed in Q4 2016 and totals 109,893 sq ft
- One Mollison Avenue Enfield which is a good quality secondhand unit that totals 139,060 sq ft
- Victory Park, East Lane Wembley which is a good quality secondhand unit that totals 145,439 sq ft
- SEGRO Park Enfield which is a new speculative development that is due for completion in Q1 2019

Since the end of 2019 speculative development has started on one more big box unit in London, namely Prologis Park Beddington Lane Croydon which when completed at the end of 2020 will total 146,120 sq ft. But it should be noted that it is being marketed that the unit could be split. In addition to this, we understand that Goodman is currently refurbishing a good quality secondhand unit in Enfield which totals 187,466 sq ft and will be fully available in the summer.

In simple terms, taking into account the supply and demand dynamics for London's big box logistics market, available supply at the end of 2019 represented less than one year (8 months) of demand when compared with the average level of take-up over the last five years.

It should also be noted that available supply at the end of 2019 represented a big box logistics vacancy rate of 4% in London which was lower than the GB average at 9%.

2.3 London Borough of Enfield

More locally to the subject site, JLL has looked at modern industrial and logistics units of 30,000 sq ft + that have been taken up over the last 5 years and those which are currently available in the London Borough of Enfield. This analysis therefore looks at both 'mid-box' 30,000 – 100,000 sq ft units which we typically classify as 'urban logistics' as well as 'big-box' logistics units in excess of 100,000 sq ft.

Demand for modern industrial and logistics units has been strong in Enfield. Occupiers that have taken space at these estates have taken units so there are able to service both London and / or the surrounding South East market. North Enfield in particular benefits from good road access to the M25 and radial routes into London. As a result, warehousing and logistics have a strong presence here. Occupiers in the vicinity include national retailers Tesco, John Lewis and Iceland, as well as specialist courier firms such as Yodel, Hermes and DHL.

Approximately 1.71 million sq ft of industrial and logistics floorspace involving units of 30,000 sq ft was taken up in the London Borough of Enfield over the last 5 years (2015-2019), averaging 343,750 sq ft per annum. Over the last 12 months, 642,191 sq ft has been taken up marking an 87% increase when compared with the 5-year average.

In addition to the take up within **Appendix D**, there are other occupiers who are actively looking in the Borough either recently or expected to return in the next 12 months. These occupiers include:

- Arrow XL (75,000 – 120,000 sq ft)
- LIDL (20,000 – 30,000 sq ft)
- XPO Supply Chain (60,000 – 100,000 sq ft)
- Amazon (75,000 – 150,000 sq ft)
- Loon Fung (30,000 – 70,000 sq ft)
- DHL Express (40,000 – 60,000 sq ft)

In terms of supply, currently at the end of February 2020 there are seven modern logistics units of 30,000 sq ft + available in Enfield totalling 710,000 sq ft. Appendix E lists these available units. This available supply represents just over 1.3 years' worth of demand when compared with the average level of take-up over the last five years within the Borough.

2.4 Enfield Industrial Land Supply

Given the lack of available land around Enfield, JLL believes that there is very little speculative development in the pipeline going forward. The below table lists only two sites currently consented and available on a design and build basis.

Consented industrial pipeline in the London borough of Enfield:

Property	Size (sq ft)	Rent (psf)	Landlord
Unit 6 Enfield Distribution Park East Duck Lees Lane Enfield	50,000	£14.00	Graftongate / Aberdeen Standard
Segro Park Tottenham	Up to 185,000	£18 - £20	Segro

2.5 Rents and Rental Growth

JLL monitors prime headline light industrial rents across six locations in London. Over the last five years, Q4 2014 – Q4 2019, prime headline light industrial rents have increased 51% on an unweighted average which equates to around 10% per annum. Reducing industrial supply and limited new development has resulted in strong rental growth over this period where demand has remained robust.

JLL believes the loss of industrial land (approximately 2 million sq ft between 2001-2015) to other uses in Enfield has impacted industrial supply in the market and played a factor in the rental growth that has been recorded in the market. In Enfield JLL has reported prime headline light industrial rents increasing 47% over the same period, averaging around 9% per annum. Prime rents now stand at £14.00 per sq ft whilst secondary rents are in the region of £13 – £13.50 per sq ft.

3 Conclusion

The M25 London logistics market remains strong for opportunities that offer scale with the market being characterised by limited supply of new or Grade A stock. With the predicted increase in London's population coupled with the growth of on-line retail, and 'city logistics' there will be an increasing need to service this consumer market in London and the Greater South East from a range of logistics real estate and occupiers will be attracted to opportunities within the M25 and close to Central London.

Demand for modern industrial and logistics units has been strong in Enfield. Available supply over 30,000 sq ft represents just over 1.3 years' worth of demand when compared with the average level of take-up over the last five years within the London Borough of Enfield.

In terms of consented pipeline there is very little coming forward in Enfield. There only two sites currently consented and available on a design and build basis for industrial totalling 235,000 sq ft of accommodation.

In view of the current demand and supply dynamics in this market, there is a strong case for green belt release to accommodate further industrial and logistics floorspace within the Borough.

Appendices

Appendix A: Deals at G-Park, Mollison Avenue, Enfield a development by Gazeley

Scheme	Deal Date	Grade	Size (sq ft)	Plot ratio
Phase 1 sold to Tesco	Jul-09	New D&B	151,865	**36%**
Phase 2 let to Yodel	Nov-15	New spec	97,952	**43%**

Source: JLL & Google Maps

Appendix B: Plot ratios at ENDP, East Duck Lees Lane, Enfield a development by Aberdeen Standard and Graftongate

Scheme	Date	Grade	Size (sq ft)	Plot ratio
Urban 85 Vacant	Available	New spec	84,805	**47%**
Phase 2 let to Beavertown Brewery	Feb-19	New D&B	127,000	**44%**
Unit 5 let to Farmdrop	Aug-18	New spec	24,298	**52%**
Unit 3 let to Tottenham Hotspurs	Nov-17	New spec	42,236	**53%**
Unit 1 let to DFS	Mar-17	New spec	44,971	**45%**
Unit 2 let to Cooks Delight	Aug-16	New spec	50,283	**49%**

Source: JLL & Google Maps

Appendix C: Deals at Navigation Park, Enfield a development by SEGRO

Unit	Date	Grade	Size (sq ft)	Plot ratio
Unit 1 let to Camden Town Brewery	Mar-16	New spec	57,420	**52%**
Unit 2 let to UK Mail	Aug-17	New spec	67,958	**53%**

Unit 3 let to Caesarstone	Nov-16	New spec	47,330	**55%**

Source: JLL & Google Maps

Appendix D: Industrial & logistics take-up in Enfield involving units of 30,000 sq ft + (last 12 months)

Scheme	Date	Grade	Size (sq ft)	Rent (psf)	Term	Landlord Tenant
Unit 1 Chalkmill Drive, Enfield	Feb-20	Secondhand	29,480	**£13.50**	10 years	Aberdeen Standard / CCF
Unit C Crown Road, Enfield	Feb-20	Secondhand	54,000	**£11.57**	13 years	Aberdeen Standard / British Car Auctions
One Mollison Avenue	Feb-20	Secondhand	139,060	**£10.00**	8 years Break 4th & 7th (assignment)	Findel / The Collective
Units 2 & 3 Chalkmill Drive, Enfield	Nov-19	Secondhand	69,800	**£9.25**	15 years Break 10th	Aberdeen Standard / Royal Free London
Nobel Road, Enfield	Aug-19	Secondhand	58,224	**£6.39**	17 years	Cayliff Investments Ltd/ TOT Shirts
The Grid, Enfield	Mar-19	New spec	54,100	**£13.50**	15 years	RLAM / Autolus
Former ASDA, Southbury Road	Feb-19	Second hand	110,527	**£8.85**	6 years	M&G / Waitrose
Phase 2 ENDP	Feb-19	New D&B	127,000	**£12.25**	15 years	Aberdeen Standard / Beavertown

Source: JLL

Appendix E: Current modern supply in Enfield involving units of 30,000 sq ft +

Property	Grade	Size (sq ft)	Rent (psf)	Landlord	Specification
Unit 1 Segro Park Enfield	New spec PC Q1 2020	64,590	£14.00	Segro	• 12m eaves • 5 dock level doors • 2 level access door • 45m yard
Unit 2 Segro Park Enfield	New spec PC Q1 2020	48,330	£14.00	Segro	• 12m eaves • 3 dock level doors • 2 level access doors • 62m yard
Unit 3 Segro Park Enfield	New spec PC Q1 2020	115,480	£14.00	Segro	• 12m eaves • 7 dock level doors • 2 level access doors

					• 60m yard
Urban 85, ENDP, East Duck Lees Lane	New spec PC Q4 2019	84,805	£13.50	Graftongate / Aberdeen Standard	• 12m eaves • 6 level access doors • 6 dock level doors • 42m yard
54 Jeffreys Road, Midpoint, Enfield	New spec PC Q1 2020	66,845	£14.00	Newable	• 10m eaves • 50 k/N floor loading • 28m yard
Unit 5 Delta Park, Enfield	Existing	55,350	£13.00	DTZ IM	• 11.2 m eaves • 4 dock level doors • 2 level access doors
Unit 4 Delta Park, Enfield	Existing	30,005	£13.00	DTZIM	• 8.1m eaves • 4 level access doors

Source: JLL

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