



MONTAGU EVANS TALKS...

WHAT IMPACT HAS COVID-19 HAD ON THE INDUSTRIAL & LOGISTICS SECTOR?

In these uncertain times, the industrial team at Montagu Evans have adapted successfully into home working with our twice daily video calls across the team to discuss the market and what our clients and agency peers are observing and experiencing.

With all the questions at play, we thought we would answer a few questions on our initial observations:

WHAT HAS THE IMPACT BEEN FOR LANDLORDS WITH TENANT REQUEST FOR RENT HOLIDAYS?

Anecdotally we have seen our clients recoup as much as 80% of their normal rent roll, far higher than landlords who have a greater exposure to physical retail. The occupiers who are likely to be most affected will be fashion retail (online), food, leisure, beverage and the trade counter market (most of whom have now closed business).

Most institutional landlords have been increasing communication with their customers to find solutions, some extending lease terms or arranging repayment plans to recoup any rent concessions.

HAVE LAND SALES BEEN AFFECTED?

We have witnessed a few development sites which were on the market now being taken off. For our developer clients it will be difficult to put together an accurate development appraisal currently with such uncertainty and concern over their supply chain for construction.

New speculative development would be a risk, and we would expect developers to wait until there is more certainty on an expected return to work timetable, at which point we would anticipate a flurry of activity.

APPETITE FOR PRIME SCHEMES AND LAND?

The fundamentals for industrial remain strong. Will Covid-19 accelerate the upward trend of online shoppers? Perhaps too early to say but we would anticipate a likely continued shift in shopping patterns with online reaching a far wider audience than before. Will retailers start to hold more stock to avoid the supply chain issues we have all witnessed with supermarkets and online grocery shopping? We would also expect so. Warehouse operations will become more essential moving forward.

THE ROLE INDUSTRIAL HAS IN SUPPORTING THE NHS?

Our healthcare and industrial teams have discussed in detail the different roles the public and private sector play in supporting our NHS and business recovery overall. We encourage all to actively play their part now in supplying short term occupation or vacancies on sites here:

<https://do-some-good.co.uk/space>.

HOW DO YOU SEE DEMAND FOR WAREHOUSING BEING IMPACTED BY COVID-19?

The jump in consumer trends for e-commerce will likely further expedite demand away from physical stores to logistics.

UK businesses we predict will require higher inventories to reconcile any future mismatches in supply and demand and future-proof businesses in preparation for market shocks.

There will be less dependence on the global economy given the disruption on international supply chains. Globalised firms may seek to become more localised in terms of manufacturing and distribution. This also comes at a time when the UK are leaving the EU – which is likely to have a greater impact on our future 'independence' with respect to trade.

HOW HAS THE INVESTMENT MARKET REACTED?

Industrial and logistics is likely to be the most robust sector and is perhaps the sector that will have the greatest beneficial consequences as a direct result of Covid-19. Current events have helped underline the importance of this sector to the infrastructure of the UK.

Generally, investors have adopted a "wait and see" approach given the uncertainty over timescales, valuations, physical barriers to carrying out due diligence and new lending will be very limited. Good quality assets have seen little change in values so far, whilst more secondary and tertiary assets are likely to come under pressure as SMEs feel the pinch.

On a positive note, government fiscal intervention has been quick, there will be a limited level of bank-led sales versus post GFC, gearing has been more conservative and the development pipeline is constrained with limited supply.

RECENT PROJECTS

INVESTMENT SALE OF WESTGATE 40, SOUTH RUISLIP

Advised Aberdeen Standard Investments on the sale of the long-leasehold interest of this 130,364 sq ft industrial and trade park investment to Valor Real Estate Partners for £29,750,000, reflecting 4.02% NIY.

DEVELOPMENT FUNDING, MKM & HOWDENS, LUPTON ROAD, WALLINGFORD

Advised L3P on the development funding of this trade park, pre-let for a WAULT of 18 years. The development is being funded by London Metric at £5,000,000, reflecting a 5.00% NIY.

CSM SPORT & ENTERTAINMENT, SOUTH CENTRAL, ORPINGTON

On behalf of Marchmont Investment Management, Montagu Evans delivered a significant refurbishment across 53,587 sq ft and sourced the tenant during works, allowing for a significant reduction in void against our client's business plan.

PUMA, SUPER 6, GLASSHOUGHTON

Acting on behalf of PUMA to occupy over 260,000 sq ft across several buildings in Yorkshire owned by landlords Tungsten Properties and Barwood Capital. This rationalised their operation and we acquired the best in class facility on their behalf.

PRIME RENTS ACHIEVED IN PARK ROYAL

Acting for various landlords including Segro, L&G, Railpen and CBRE GI in agreeing a variety of rent reviews and lease renewals on various 2019 and 2020 lease events on units of 15,000 – 100,000 sq ft at rents of £15.00per sq ft-£18.50 per sq ft.

RENT SAVINGS IN BATLEY

Acting for two of the main occupiers Puma and HSL Chairs on warehouse and production facilities of over 100,000 sq ft and agreeing rent savings of over £100,000 per annum each (from the landlord quoting rents).

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TALK TO ONE OF THE TEAM



JOHN HULME

IS A PARTNER, HEAD OF INDUSTRIAL & LOGISTICS SPECIALISING IN LEASE ADVISORY

M 07976 237 904

E john.hulme@montagu-evans.co.uk



GERRY YOUNG

IS A PARTNER SPECIALISING IN INDUSTRIAL AND LOGISTICS INVESTMENT

M 07738 816 102

E gerry.young@montagu-evans.co.uk



MATT MORAN

IS AN ASSOCIATE SPECIALISING IN INDUSTRIAL AND LOGISTICS INVESTMENT

M 07826 552 591

E matt.moran@montagu-evans.co.uk



TOM PATON-SMITH

IS A PARTNER SPECIALISING IN INDUSTRIAL AND LOGISTICS INVESTMENT

M 07818 012 440

E tom.paton-smith@montagu-evans.co.uk



PAUL LONDRA

IS A PARTNER SPECIALISING IN INDUSTRIAL AND LOGISTICS

M 07779 269 290

E paul.londra@montagu-evans.co.uk



MATT RICKMAN

IS A SENIOR SURVEYOR SPECIALISING IN INDUSTRIAL AND LOGISTICS INVESTMENT

M 07818 012 408

E matthew.rickman@montagu-evans.co.uk



JODY SMITH

IS A PARTNER SPECIALISING IN INDUSTRIAL AND LOGISTICS

M 07971 588 334

E jody.smith@montagu-evans.co.uk



LUCA NARDINI

IS AN ASSOCIATE SPECIALISING IN INDUSTRIAL AND LOGISTICS

M 07818 012 455

E luca.nardini@montagu-evans.co.uk



CHRIS KERRISON

IS A SURVEYOR SPECIALISING IN INDUSTRIAL AND LOGISTICS INVESTMENT

M 07933 370 999

E chris.kerrison@montagu-evans.co.uk