



# MONTAGU EVANS TALKS...

## VIRAL RESILIENCE IN GLASGOW'S TRADE COUNTER RENTS

**12 months on from the first lockdowns we reflect on the impact of the virus in the context of Glasgow's trade counter market.**

In June last year we reported that during the first national lockdown around half of the top 50 trade operators in the UK closed temporarily. Notable exceptions included national multiples such as Screwfix and Toolstation who remained open as essential suppliers. At that time we predicted that the trade sector would weather the ensuing economic storm better than most sectors and retain its status as one of the most sought after asset classes in the UK property market.

Understandably there was concern and uncertainty over the potential impact of the virus on the trade sector. First and foremost how would the lockdowns affect the revenues of its sprawling occupier base, how would the operators react in terms of their annual acquisition programmes and in terms of the demand-supply imbalance we had been seeing pre-virus, what would the impact of the virus mean for rental growth which had become the main added value driver underpinning investment rationale in the sector.

### RECENT TRENDS

Fast forward to the latest national lockdowns across the UK and almost every trade occupier has remained open. We have seen national multiple occupiers such as Howdens and Screwfix repay furlough cash and rates relief thanks to booming trading figures well above revised forecasts post lockdown. Howdens, the kitchens, joinery and hardware group reported in November that it would be repaying £30m to the public purse after surging demand for home improvements. The FTSE 250 company said sales had risen 12.3% between June 14 and October 31. It would repay £22m from the Coronavirus Jobs Retention Scheme and £8m of business rates relief.

Following a strong rebound from the first lockdowns the largest trade brands are once again actively seeking to open new outlets. Screwfix opened around 40 branches by the end of its financial year in January 2021 and has increased its target for the current year. Rival Toolstation opened 60 new branches in 2020 and is targeting around the same number of new branches

this year. Howdens, meanwhile, opened around 20 new depots in 2020 but are also expected to increase this number in 2021.

There are long term structural attributes that support the trade sector and we are of the view that these have only strengthened throughout the pandemic. The trade sector benefits from fragmentation of construction supply chains, meaning more points of purchase. It is these supply chains that fuel our commercial construction sector; our fundamental long term need for more housing and infrastructure; the DIY sector which continues to see a prolonged boom as disposable household expenditure and increased time at home have been used for a multitude of home improvement projects; and, most importantly, climate change, which to the built environment means more mitigation, upkeep and maintenance.

### DEMAND-SUPPLY IMBALANCE

The trade counter team at Montagu Evans are retained to provide agency and lease advisory services on over 120 trade parks across the UK. Fundamentally, there remains a shortage of good quality stock. There tends to be a focus on London but the reality is it's much the same throughout the UK and Glasgow is a good example of this. There's still a shortage of new builds and modern stock, so the overall vacancy position is very low and rents have continued to rise throughout 2020 and into the first quarter of 2021. Despite the turmoil of the wider economy, trade counters have proven not just to be resilient but are thriving and a star performer.

We are retained to provide lease advisory services on all of Glasgow's prime trade parks including the combined ownerships of Phases 1 and 2 at Kingston Bridge Trading Estate for Canmoor Asset Management and Scottish Midland Co-Operative Society respectively, The Point Trade Park for Aegon Asset Management and Inner City Trading Estate for Eskmuir Group. We also act for IPIF on secondary trade clusters at Baird Street and Helen Street industrial estates and for Standard Real Estate at Shawfield Trade Park.

At over 150,000 sq ft Kingston Bride Trading Estate to the immediate south west of the city centre is one of the UK's largest inner city trading estates and is super prime in the context of Glasgow. The estate is fully let with a



Grade A trade tenant line up including Arco, Benchmarx, City Electrical Factors, Dulux, Edmundson Electrical, Howdens, HSS, Screwfix, Speedy Hire and Toolstation. In 2019 we agreed with Howdens a new record rent on review of £9.00 per sq ft for 9,000 sq ft. Despite the impact of the virus and questions over what this would mean for lease events in 2020 and 2021, we have recently completed another 5 transactions on the estate all showing significant rental growth.

## RECENT DEALS

These include two July 2020 rent reviews, immediately after the easing of the first lockdown, agreed with Hire Station at record rents of £9.50 per sq ft on two units of just under 6,500 sq ft. Subsequent to that in late December and early January we completed a hat-trick of lease renewals with Speedy Hire, PPG (Johnstone's Decorating Centre) and City Electrical Factors, all effective from March 2021. Speedy Hire agreed a 5 year lease based on £9.50 per sq ft for 6,012 sq ft, PPG agreed a 10 year lease without break at £9.50 per sq ft for 5,013 sq ft whilst City Electrical Factors agreed a 15 year lease subject to a tenant break at year 10 at £9.75 per sq ft for 3,511 sq ft. The rental growth is very strong on all of these deals at approximately 5-7% pa from £7.00-£7.50 per sq ft set 5 years prior in 2015-2016.

The Point Trade Park, extending to 150,000 sq ft to the north of the city centre, is also fully-let with national tenants including Benchmarx, Euro Car Parts, Howdens, HSS, Screwfix and Toolstation. In April 2020 we completed a 10 year lease renewal with Howdens at a record rent for the estate at £8.75 per sq ft for 10,650 sq ft up from £5.75 per sq ft. As recent as January 2021 we agreed and completed a re-gear with HSS with the rent increasing from £7.00 per sq ft to £9.00 per sq ft for 5,433 sq ft. The pattern has been similar at Inner City Trading Estate to the north east of the city centre where the rental tone is now £9.00 per sq ft up from £7.00 per sq ft 5 years ago. Adjacent to Inner City we also have

7,000 sq ft under offer at Baird Street Industrial Estate to a national trade occupier at £9.00 per sq ft.

We have also seen a number of occupiers invest in their existing units across the city since the first lockdown including Howdens' comprehensive refurbishment of their Helen Street branch to the west of the city centre which at 20,000 sq ft regularly features as one of the group's top performing UK depots. One of the few available letting opportunities in the Glasgow trade counter market currently exists next door to this Howdens branch with 8,000 sq ft available to let. The unit is owned by IPIF and is available on the basis of a new lease at a rent in the order of £7.50 per sq ft.

## MOVING FORWARD

Almost all trade counter rent reviews are reversionary. Lease expiries also present the opportunity for significant rental growth for landlords and potential difficulties for tenants due to the absence of security of tenure from the Scottish leasing system. Unlike in England there is no equivalent to the 1954 Landlord & Tenant Act and so there are no protected tenancies in Scotland. It is therefore crucial that both landlords and tenants consider their lease events well in advance with the benefit of specialist market advice.

We would advise landlords and tenants to engage early with their respective lease advisory agent – landlord's to put in place a strategic plan to maximise rental value and rental uplift on review or expiry – and for tenant's to mitigate against and budget for rental increases as best they can. The Montagu Evans trade counter team will continue to work closely with the sector's major landlords and tenants to produce creative leasing solutions and outcomes across our specialist trade agency and lease advisory functions.

SUBSCRIBE  
TO READ  
MORE

## TALK TO ONE OF OUR SPECIALIST TRADE COUNTER TEAM.



### STEVE MCDONALD

IS A PARTNER SPECIALISING IN  
INDUSTRIAL AND TRADE

T 07768 034 155

E [steven.mcdonald@montagu-evans.co.uk](mailto:steven.mcdonald@montagu-evans.co.uk)



### ANDREW VEITCH

IS A PARTNER SPECIALISING IN  
INDUSTRIAL AND TRADE

T 07826 947 321

E [andrew.veitch@montagu-evans.co.uk](mailto:andrew.veitch@montagu-evans.co.uk)



### MOHAMMED QAMAR

IS A SENIOR SURVEYOR SPECIALISING IN  
INDUSTRIAL AND TRADE

T 07770 331 038

E [mohammed.qamar@montagu-evans.co.uk](mailto:mohammed.qamar@montagu-evans.co.uk)

MONTAGU-EVANS.CO.UK