

Onward Holdings Ltd

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LAND SHORTAGE COULD STALL GROWTH IN LOGISTICS FACILITIES

Onward Holdings MD Neil Storey on the challenges facing the UK logistics property market

Online shopping has led to a spectacular growth of warehouse space, but there are competing land uses, particularly in the south east where industrial property developers are reportedly frustrated by housing developments being given preference leading to a depletion of potential warehousing sites.

While brownfield or urban sites are being snapped up to meet the country's need for more housing, there was around 235 million sq ft of warehouse space leased or purchased between 2007 and March 2018*, with major companies spending top dollar to set up distribution centres in the East Midlands, the 'Golden Triangle' of logistics due to its geographical position and transport network.

A shortage of industrial space does not currently appear to be the case in the East Midlands where construction is underway of 11 mammoth warehouse units* to cater for the phenomenal growth in e-commerce, which has contributed to the near doubling in demand for warehousing over the past 10 years, according to figures from research firm CBRE for the BBC*.

However, premium space comes at a premium price and while land values are increasing all over the country, there are many operating reasons why businesses planning their supply chain strategy should consider locations in Yorkshire and the North East.

North-shoring – the buzzword for moving southern operations to the north – is boosting the need for more logistics hubs north of the East Midlands as companies see the economic benefits for their supply chains of lower operating costs, a higher availability of labour and less congestion on the roads, resulting in faster transport links.

The north of England can become a logistics powerhouse and rival the East Midlands for prime warehousing sites if more land is freed up for industrial use.

At Onward Holdings we believe that the UK logistics property market needs millions more square feet of new warehouse space in the north of England, especially in the middle size market (below 100,000sqft) which is of less interest to the big institutional players, to accommodate north-shoring and the growing demand for storage, distribution and fulfilment hubs to satisfy the need for speed to the consumer and delivering goods on a 24/7 basis.

Yorkshire's major motorway network makes it a gateway to UK markets and beyond. Places like Castleford offer easy reach of the northern container ports, Doncaster Airport and the railway freight network via the nearby Wakefield Europort. Around 80% of the UK's population is accessible in four hours, making this location ideal for bulk distribution items.

Many companies are already establishing logistics operations in the region with the likes of DHL, Amazon, e.buyer.com, LEMAN International Transport Ltd and Freemans to name but a few. The switch from high street shopping to internet purchasing is here to stay so we need to continuing investing in space for building logistics facilities.

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To meet this trend Onward is currently looking for land to increase its portfolio of warehouse and industrial units. We have been successful in securing some prime locations in Yorkshire for logistics facilities, but more land near to the motorway junctions needs to be allocated.

The loss of industrial space is also a fall-out from the financial crisis of 2008 when empty warehousing fell into disrepair and sites were cleared and given consent for housing because businesses couldn't risk building new facilities due to the economic meltdown. Then as a result of the upturn in the economy since 2014, driven by the e-commerce bandwagon, growth of the discount grocery chains and third-party logistics, there has been this huge surge in demand for high quality warehousing.

Some warehouse providers are being very savvy to overcome the potential shortage of new sites by investing in extending facilities to meet tenants' internal growth requirements to prevent them having to move on, or maximising facilities by snapping up adjacent land to attract the bigger players with design and build opportunities, subject to planning permissions.

Onward recently received consent for 66,000sqft at Phoenix Park and has received planning permission for building just under 10,000sqft of premium, modern, open plan office space at its managed Castleford warehouse, which will offer existing customers the opportunity to further integrate and expand their operations.

Obviously, the housing crisis in the UK needs to be addressed and local authorities face tricky decisions over valuable land resources, but they will be missing an economic trick if not proposing to allocate any new sites for primary warehousing and distribution centres.

We need to have a fair playing field to create the high quality and strategic logistics and warehousing sites that the country is crying out for, which will bring long-term benefits and thousands of jobs to local areas that in turn can help increase affordable homes provision.

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* <https://www.bbc.co.uk/news/business-45210148>

Onward Holdings F6a Warehouse Space continued:

Background

Onward Holdings is a fourth generation family-run business founded in 1930 which is renowned for developing and operating warehousing and industrial units. This includes the provision of bespoke or shared multi-sized warehouse facilities and managed 3PL warehousing in the M62/M1/A1 corridor of West Yorkshire.

In addition to offering warehousing and fulfilment services at its sites, the business has developed a former coal mine near Barnsley into a gleaming new retail park. ONYX Retail Park, comprising 17,500 square feet of retail space, is based in Wath-Upon-Dearne and is located at the former Manvers main colliery, an area of major regeneration.

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