

What's the latest in the shed market?



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After many years of warehousing/distribution being a humdrum, low growth sector of the market, it has been experiencing a lot of change over the past 2 to 3 years.

Recently we have seen:

- Bigger “mega” sheds commonly >500,000 sq ft and some 1m+ sq ft being developed
- Buildings getting taller with commonly 15m+ eaves and often 20m+
- Longer/thinner cross-docked buildings with low site density for delivery/parcel operations
- Environmentally friendly sheds with green/living roofs, photovoltaic roofs/elevations, wind turbines, water harvesting and low carbon components
- Quicker developed sheds in c35-40 weeks on enabled plots
- Sheds with greater elements of automation/handling/delivery systems

These developments have been driven by occupiers seeking greater efficiency in their distribution networks to reduce their costs and carbon footprint to meet the demands of their customers.

At the forefront of this has been the prodigious growth of internet/direct sales activity which includes the pure on-line operators, such as Amazon, and also the e-tail arms of traditional food and non-food retailers as they compete with each other for market share and defend their market presence against the march of the new entrants.

Last mile delivery

The various delivery formats all have speed and efficiency at their core but also have distinct offers such as click and collect in-store or at a pick up point, next day home/office delivery and returns. All of these require an element of “last mile” and quick access to customer markets which dictates a need for smaller satellite sheds in urban fringes being fed

by large national or regional hubs located on strategic motorway junctions.

One of the major issues facing the market has been a lack of land supply in these urban and metropolitan fringe locations. The supply of employment land has been squeezed by other competing uses and particularly by residential use which has the advantage of a strong political will for more housing development nationally.

Securing strategic sites

This has played into the hands of the key logistics developers such as SEGRO, Goodman, ProLogis, IDI Gazeley and others who had the foresight to secure strategic sites throughout the national trunk road network and take these through the planning and enabling process. They are now well placed to respond rapidly to the evolving demands of occupiers. In previous development cycles there was vastly more speculative development undertaken, but scarred by the large number of buildings remaining void for years after the financial crash, the market, particularly in the 100,000 sq ft + bracket, is more of a build to suit one nowadays.

This has led to minimum lease lengths pushing out to 10 or 15 years, tenant incentives such as rent free shortening significantly and rents showing the most sustained period of growth ever recorded.

What's next on the horizon for the market?.....greater automation including autonomous vehicles and drone deliveries....and perhaps underground sheds?

For any further information on the warehouse/distribution market, please contact Colin Steele.