

Relocation, Relocation, Relocation – The Growing Problem at the Heart of CPOs

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*(From September – Senior Director, Ardent
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#CPA2018

Relocation! Relocation! Relocation!

A Growing Problem

The CPA National Conference 2018

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Matters to Consider



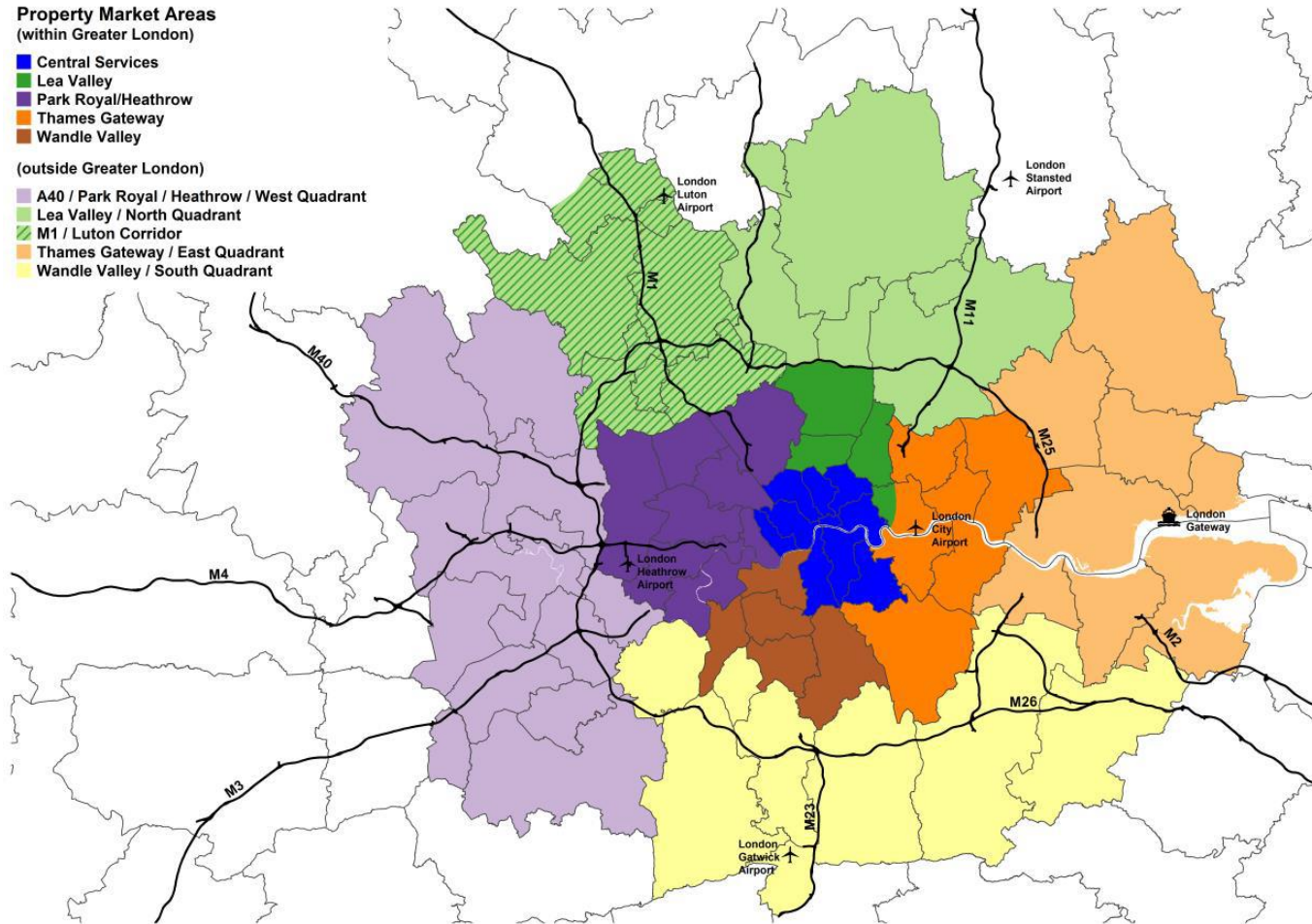
- The Cause
- The Problem
- Possible Solutions

Scope of the Discussion

- Mainly CPOs used to deliver regeneration
- Focused on commercial property
- Experience from London and the South East
- General view rather concentrated on specific markets
- Current 'snap shot'



Industrial Land in London



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Industrial Uses

- **Manufacturing/Industrial**
 - Legacy Manufacturing
 - High Set up costs
 - Time sensitive product delivery
 - Skilled labour
 - London Brand
- **Distribution and Logistics**
 - Larger buildings
 - Less skilled workforce
 - Greater potential for substitution and intensification
- **Transport and Waste**
 - 27% of land
 - Needed to keep the City functioning
- **Service Activities**
 - 29% of floor space
 - Hybrid offices/industrial
 - Clean uses
 - Growing demand
 - Greater potential for co-location



The Cause Lack of Supply

London Industrial Land Supply & Economic Study 2015



- Total area of industrial land in SILs contracted by 5% 2010-2015
- Total area of industrial land in LSIS' contracted by 23% 2010-2015
- 17.9% reduction in industrial floor space London wide 2001-2012
- Release of Industrial land by local authorities
 - *Recommended Rate 37 ha per annum*
 - *Actual Rate 106 ha per annum*
 - *Revised Recommendation 9 ha per annum*
- At current rates further 33% decline by 2041

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The Cause

Lack of Supply – New Development



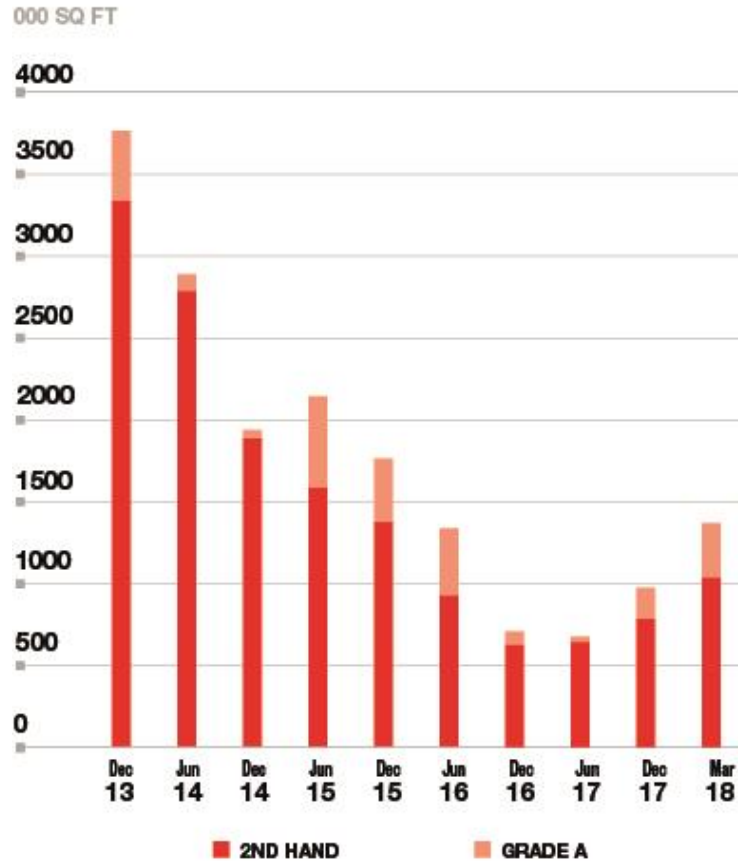
- Uncertainty
- Slow down in speculative development
- Limited Funding
- Focus on Larger Units
- Intensification of use
- Co-location with residential
- High Cost

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The Cause

Lack of Supply – East London

INDUSTRIAL MARKET AVAILABILITY



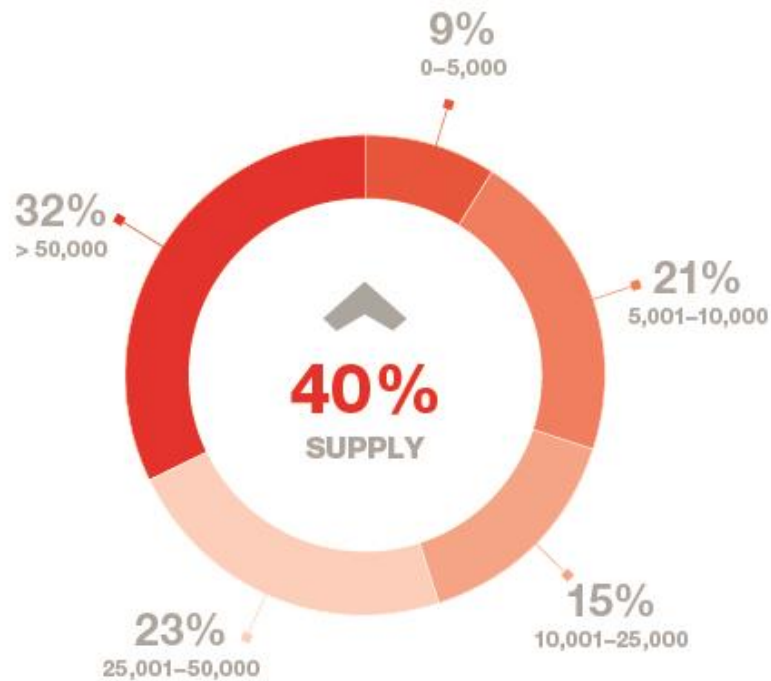
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The Cause

Lack of Supply – East London

INDUSTRIAL MARKET AVAILABILITY

(as at March 2018)

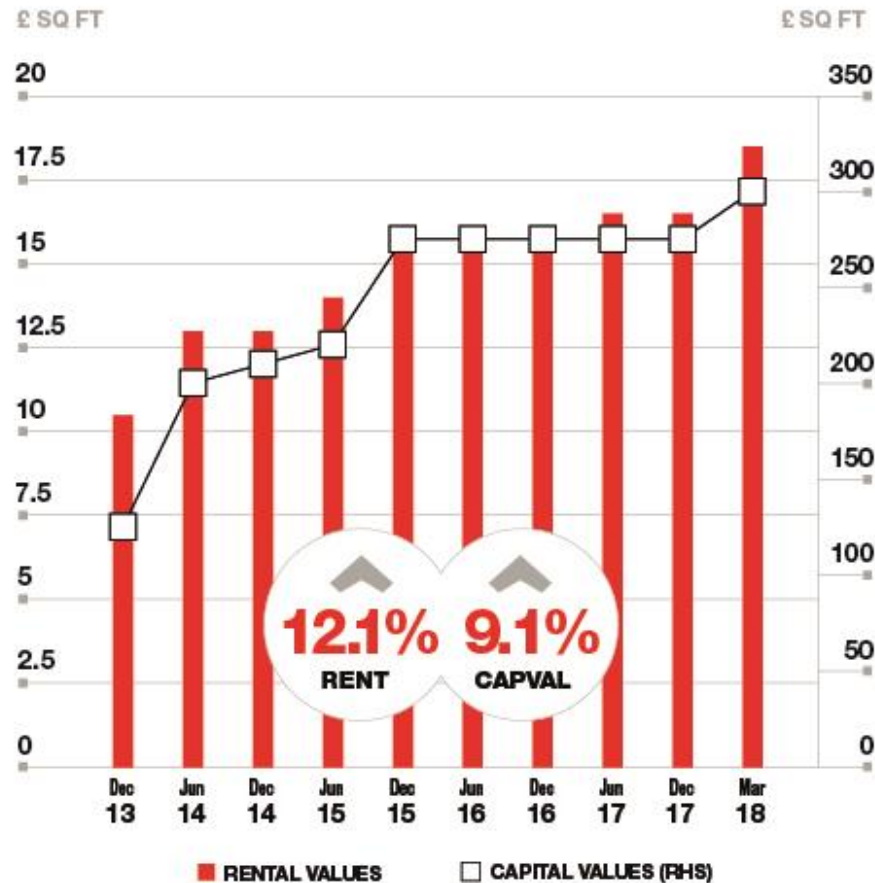


TOTAL AVAILABILITY 1.4M SQ FT

The Cause

Increasing Cost – East London

RENTS & CAPITAL VALUES INDUSTRIAL



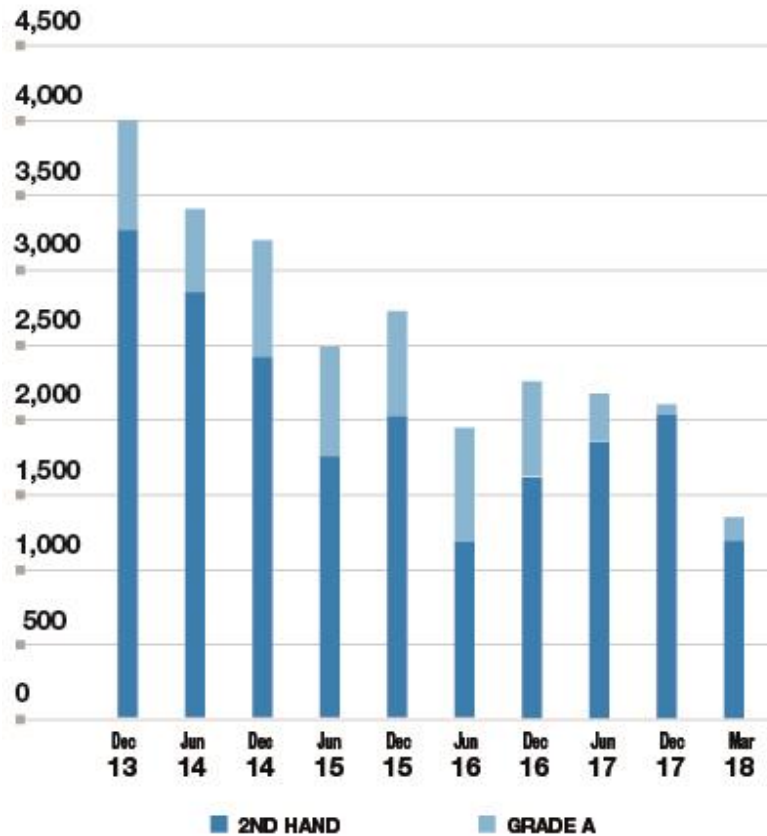
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The Cause

Lack of Supply – North London

INDUSTRIAL MARKET AVAILABILITY

000 SQ FT



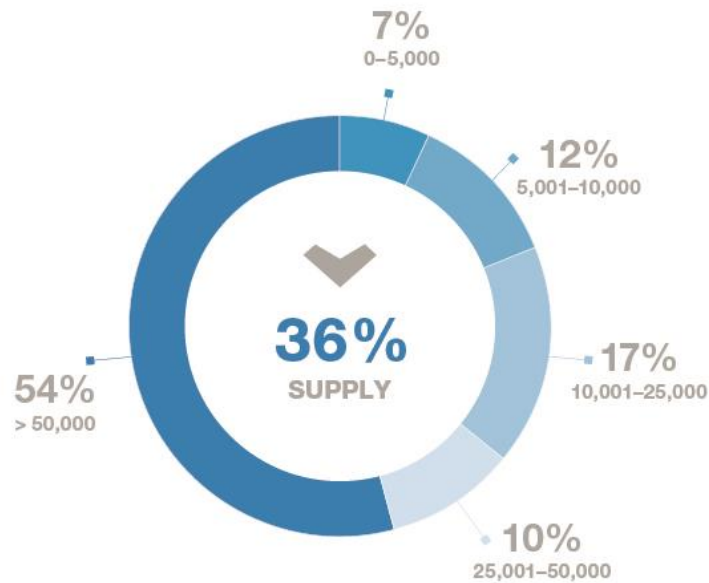
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The Cause

Lack of Supply – North London

INDUSTRIAL MARKET AVAILABILITY

(as at March 2018)

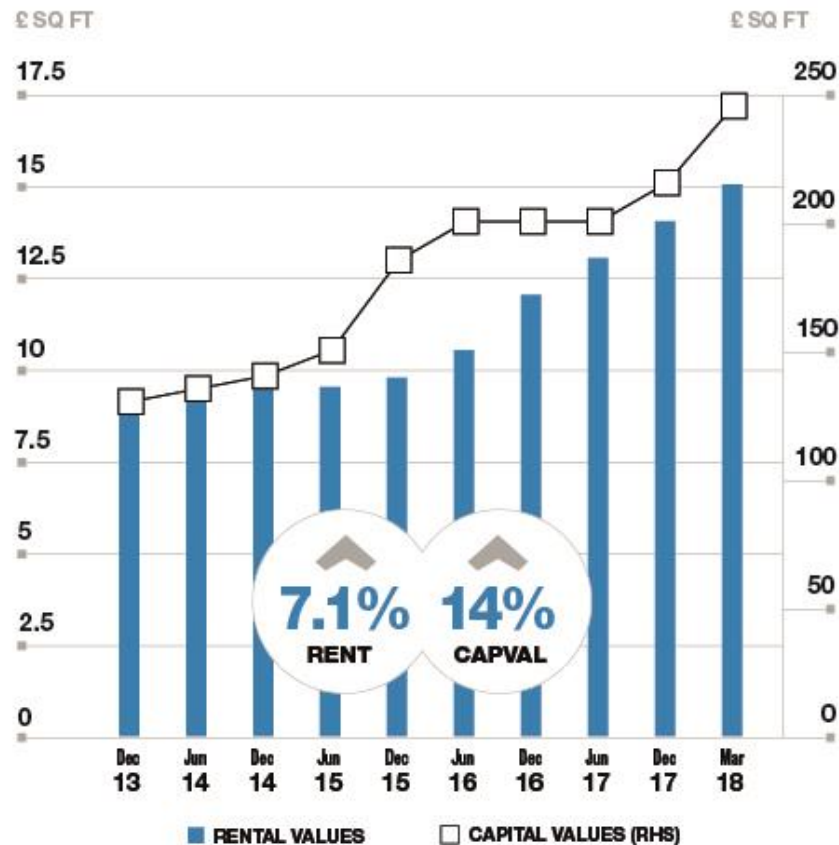


TOTAL AVAILABILITY 1.3M SQ FT

The Cause

Increasing Cost – North London

RENTS & CAPITAL VALUES INDUSTRIAL



The Problems

Finding Replacement Premises

- Reduced number of relocation opportunities
- Available property in the wrong location
- Available properties don't meet needs
- Lack of available freehold premises
- Cost



The Problems Compensation



- Funding the gap
- Greater risk of extinguishment
- Increased Compensation
- Impact on viability
 - EUV + disturbance v development value

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The Solutions?

- AA's making greater efforts to assist with relocation
- The importance of early engagement
- Payment of reasonable fees for site searches
- AA providing replacement premises



The Solutions?



- Relocation on site
- Equity stakes/loans
- More flexible approach to compensation?
- CPOs to deliver industrial land?