

Leasing Strategy Report for

SEGRO Park, Kentish Town

Prepared by JLL and Knight Frank for

SEGRO



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1. INTRODUCTION

SEGRO instructed JLL and Knight Frank as joint agents in November 2020 at SEGRO Park, Kentish Town to identify a suitable occupier for the space at Spring Place, Kentish Town once it had been comprehensively refurbished.

To accommodate a number of these suitable users a change of use is most likely to be required so within this report the agents have commented on the following:

- Summary of Central London and Urban Logistics Industrial market.
- Commentary on the appropriateness of the property and how SEGRO plan to improve it in terms of sustainability.
- An overview of occupier types.
- Current available supply.
- Summary and overview of enquiries.

2. THE CENTRAL LONDON AND URBAN LOGISTICS AND INDUSTRIAL MARKET

The Central London logistics and industrial market has changed considerably over the last few years and continues to evolve due both to a loss of industrial land to alternative uses, especially residential and infrastructure projects in line with Government policies and consumer trends. The loss of industrial throughout Greater London cannot be underestimated. It has created significant stress for industrial occupiers and a real threat to their operations in meeting London's growing population and the continued need to provide the population with goods and services.

There continues to be an acute supply/demand imbalance within the Greater London region with a shortage of both new build and good quality secondary industrial accommodation currently available. Demand remains strong with plenty of enquiries across the size spectrum. The good level of demand that has been witnessed since 2014, has continued and accelerated until the present day. Supply has continued to reduce as secondary stock and grade A space has been taken up. Supply is currently at an all-time low with many funds, institutions and landlords reporting their lowest ever void rates for industrial/warehouse space. The imbalance is more pronounced in certain parts of the region, particularly in the Inner, North West, West and South London areas and especially in the Central London area.

Within the last 12 months, there has been a significant rise in Q-Commerce, e-commerce, and parcel delivery due to continued high levels of demand and which has been accelerated by various national lockdowns that have occurred due to Covid 19 and by consumers seeking to obtain goods quickly, conveniently, and efficiently, which is a trend that will continue. The pandemic has highlighted the importance of supply chains elevating employees in the sector to key worker status. Growth has been particularly acute within densely populated areas, where B2B deliveries make up nearly half the urban logistic demand in major cities as on-line retailers and delivery companies need to be close to their customers to ensure they can fulfil their promises of delivering goods within 24 hours although in areas of London this is being reduced from 15 minutes – 3 hours, in certain sectors. There has been growth in dark kitchens and convenience food deliveries from the likes of Deliveroo, REEF, Just Eats, Weezy and Getir to name just a few.

The Mayor of London's ULEZ is already in operation 24/7 every day of the year and the boundaries have recently expanded to the North and South Circular roads. As a result, logistics operators are coming up with more innovative ways in order to get goods to customers, which most notably includes moving closer and closer to their customer base, but also looking into changing their fleets to electric vehicles where possible to responsibly meet their sustainability obligations and green credential targets. This though is hampered by the limited range of EVs and so the key to ensuring that business meet their ESG pledges is their selection of their premises in relation to the consumer base within the city. Business premises located close to the consumer base translates into operational efficiencies with less transport miles per item. Forcing operators further out of Central London will equate to high volumes or larger vehicles travelling into the central area to service their customers.

The movement to 'Ultra Urban' locations driven by unprecedented demand, in the main from the ecommerce sector and exacerbated by the pandemic, has been compounded by the acute lack of available supply particularly in Zones 1-3, with little sign of abating. The imbalance is significant and should not be underestimated.

3. THE PROPERTY

SEGRO Park, Kentish Town is located within 3-6 Spring Place opposite the Camden Council's refuse truck depot (operated by Veolia), adjacent to Autograph Sound and within easy walking distance of Kentish Town railway station (a zone 2 location).

The property comprises a brick built industrial building with a steel truss roof and incorporates 5 railway arches to the rear. The total employment floorspace is approximately 21,807 sq.ft. Within the unit there are currently some poor-quality offices (some at first floor level) and a welfare block. Accessed to the industrial area is via four roller shutter doors directly off Spring Place and there is a pedestrian fire exit onto Grafton Way.

At present the property is in a poor state of repair, although some initial stabilizing works have been carried out, and needs to be comprehensively refurbished including the waterproofing of the various railway arches to enable new businesses to thrive in the property for many years to come, subject to a suitable change of use being obtained.

3-6 Spring Place was previously occupied by Addison Lee for the servicing of their fleet prior to SEGRO purchasing the vacant property. We understand that the current planning consent is for the servicing of vehicles, which falls under B2 General Industrial of The Town and Country Planning (Use Classes) Order 1987 (as amended). SEGRO are seeking to widen the consent to within a flexible E, B2 and B8 use to meet the strong demand.

SEGRO as part of their refurbishment plans are ensuring this 90 year old property becomes London's most sustainable industrial accommodation powered by renewal energy and:

- Targeting an EPC rating of A+ (carbon neutral)
- Targeting a BREEAM rating of Excellent
- Creating a building that reduces the number of delivery miles
- Enabling sustainable methods of transport be electric vehicle, bike or on foot
- Providing electric vehicle infrastructure to enable electric delivery fleets
- Enhanced insulation and energy efficiency
- Controlled and restricted vehicle sizes and numbers
- Internal parking
- Job creation

4. POTENTIAL SUITABLE OCCUPIERS

SEGRO Park Kentish Town is an exceptionally rare industrial property well located in a strategic Zone 2 location with the benefit of column free space and multiple loading doors enabling flexibility and suitability to meet the proposed use. As such many companies that are the “heartbeat of the community” in terms of the service and employment they provide to the local economy, which be attracted to the opportunity. SEGRO Park Kentish Town is a property that SEGRO are committed to speculatively refurbish in order to attract a high-quality business.

Whilst there is certainly to secure a tenant under the existing B2 use, the potential increase in range of occupiers, subject to a change of use are as follows:

B8	B1C/B2	B2	E
Last mile logistics	Food and beverage	Vehicle maintenance	Leisure including climbing / bouldering centres, gyms, trampolining and padal
Online retailing	Dark kitchen		Educational
Grocery delivery	Managed serviced dark kitchen		Creative studios / photographic studios
Dark supermarket	Brewery / distillery		Creative Industries
Film associated uses	Laundry		Health care
Theatre related	Food preparation and production		Office with combined production
Trade counter			
Artefacts Storage			
Art and high value storage			

Planning use categories subject to confirmation by planning consultant

As can be seen in the table above the majority of uses fall under B8 consent, which we believe would be a good use for the building in the longer term. There is a misconception that these businesses are noisy and will use only large HGV vehicles for distribution purposes. The reality will be very different with these companies very aware of the local vicinity and the limitations. The building benefits from a substantial internal loading area, where the new roller shutter doors can be closed behind the vehicles to reduce noise levels when loading and unloading occurs. Also due to its location the occupier will be seeking to run a clean and efficient businesses from it which is likely to include a fleet of small commercial vehicle sizes, many of which are likely to be electric or even cargo bike deliveries, as has been shown by companies such as DPD in London as part of their final mile sustainability strategy.

5. CURRENT SUPPLY

At present industrial and logistics supply in London is at an all- time low due in part to the loss of industrial land and stock to alternative uses, including residential and increased demand. This trend is not likely to change.

Within a 3 mile radius of the NW5 3BA the only available properties of between 10,000 – 30,000 sq.ft are as follows:

56 - 69 Holmes Place, Kentish Town NW5 3AU - ground, basement and sub-basement accommodation totaling 21,044 sq ft.

Greenwood and Gospel Oak, Highgate Road, Kentish Town NW5 1TN - 2 older industrial units up to 53,165 sq ft plus various open storage plots.

392 Camden Road N7 - industrial / car workshop accommodation totaling 10,500 sq ft.

100 Brewery Rd, London N7 9PG - ground floor warehouse under office accommodation of 10,424 sq ft.

6. RECENT ENQUIRIES

JLL and Knight Frank have been marketing the property for the last 12 months. The agents have received and traded 34 enquiries resulting in a number of viewings and discussions with occupiers. These are encouraging numbers considering the condition of the property. The key enquiries are as follows:

Occupier Type	Size sq ft	Perceived planning Use	Comments
Fast food delivery and dark kitchen	8-10,000	B2	Interest from a well know dark kitchen operator.
On-line grocery	5,000 -20,000	B8	Interest from a well know online grocery operator
E-commerce	5-20,000	B8	For serviced micro warehousing.
Electric vehicle storage and charging	20-30,000	B1c/B8	Occupier seeking suitable space to charge electric vehicles.
Italian food producer	20-30,000	B2	Production and distribution to London restaurants.
Archive storage	20-30,000	B8	On behalf of a well-known music company based in Kings Cross seeking suitable secure accommodation for archives and educational / community use.
Last mile delivery	20-30,000	B8	Kentish Town works as a location.
Gin distillery	10,000	B2	Location works and keen to discuss further
Vehicle and cycle storage	10,000	B8	Operator seeking suitable options for vehicle storage
Bouldering Centre	10-30,000	E	Bouldering operation and rope centre. Want occupation ASAP to refurbishment timings and issue.

Whilst there are some occupiers that could operate within the existing B2 use, the vast majority require the wider planning consent that SEGRO seek. In addition, these enquiries require occupation within the next 6 months. Whilst SEGRO Park Kentish Town remains un-refurbished and compounded by the lack of appropriate planning consent these occupiers have no choice but to continue to seek alternative solutions resulting in the local community missing out on significant job creation and investment within the area that such businesses would bring. As such the joint agents' marketing efforts continue to be hampered. We estimate that, with a refurbished product and a flexible planning consent in place, the property will be let within 6 months of completion of the necessary works.

7. CONCLUSION

To conclude:

The London industrial market remains robust underpinned by an acute lack of available stock and a healthy level of enquiries across the size spectrum.

Demand from Q-commerce and e-commerce is accelerating with new entrants.

Whilst there is a strong preference to obtain the wider permitted use to include B8, it is anticipated that there are sufficient numbers of occupiers to target within the current use combined with alternative use sectors.

Alternative property options available to the occupier remains extremely limited.

Due to the longer timescales anticipated for the change of use and the refurbishment we have lost a number of occupier enquiries.



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