

The Size and make up of the UK Warehousing Sector



In Association
with Savills



The UK warehousing sector is at the centre of a seismic shift in consumer habits, manufacturing processes and government planning policy.

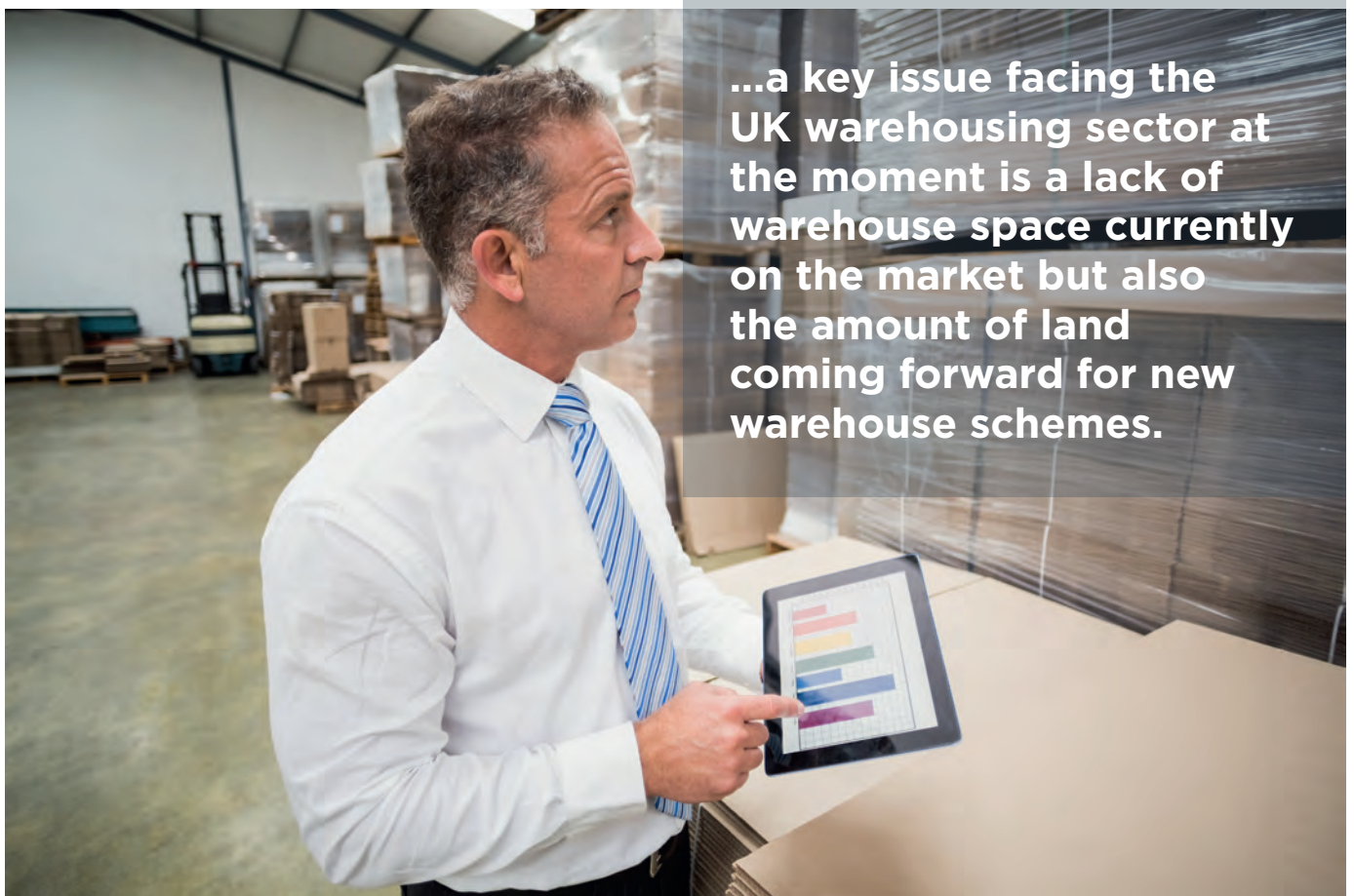
The paradigm shift towards omni-channel retailing is well documented and is placing demands on our warehousing sector that have not been seen in the past. Order patterns, order volumes, speed of delivery and narrowing margins are ensuring that warehouse space is being used more efficiently and in greater quantum's than ever before. Coupled with the grocers' refocus on convenience food retail, especially in urban locations, more and more warehouse space will be required on the edge of conurbations to replenish stock in the time frames required.

UK manufacturing, particularly the automotive sector has also seen somewhat of a renaissance in recent years with strong levels of investment, although often centred on specific geographies or industry clusters. The transport companies that serve these clusters will therefore be looking to take new space or invest in existing infrastructure to service these needs.

However, a key issue facing the UK warehousing sector at the moment is a lack of warehouse space currently on the market but also the amount of land coming forward for new warehouse schemes. Under pressure to build more homes Local Authorities are struggling the balance to needs of a land hungry logistics sector which will become even more important should Government ambitions be realised to build 240,000 homes per year.

This UKWA commissioned white paper examines the size and make-up of the UK warehousing sector and answers the following questions.

- How much warehouse space is there in the UK
 - Where is it?
 - Who occupies it?
 - How big is it?
- What warehouse space is currently on the market?
- What is the development pipeline for new warehouses?




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A photograph of two men in business attire standing in a large warehouse. The man on the left is pointing upwards at a high shelf filled with cardboard boxes. The man on the right is holding a tablet and looking at the same area. The warehouse has high ceilings and industrial shelving units. A semi-transparent dark blue box containing white text is overlaid on the right side of the image.

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A woman in a dark jacket is operating a yellow forklift in a narrow aisle of a warehouse. The aisle is lined with high industrial shelving units filled with cardboard boxes, many of which are wrapped in clear plastic. The forklift is positioned in the center of the aisle, and the woman is looking forward. The lighting is bright, typical of a warehouse environment.

In order to ascertain what the current make-up of the UK warehousing sector is, UKWA has worked with leading property consultancy Savills to analyse data from a number of sources, including the Valuation Office, Savills in-house data and other secondary sources.

Methodology & Caveats

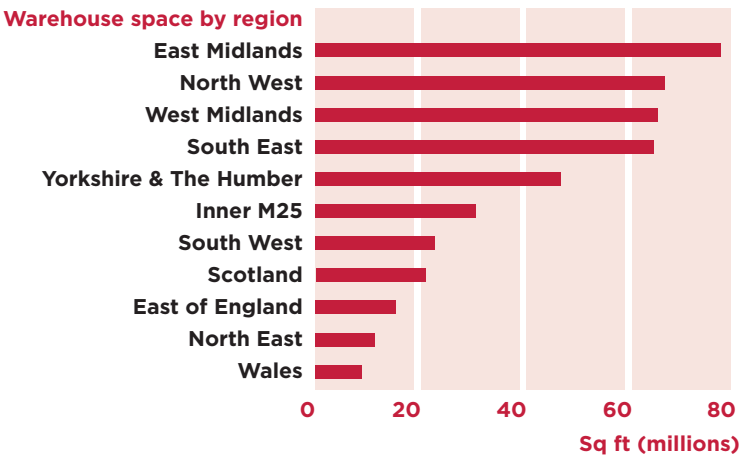
In order to ascertain what the current make-up of the UK warehousing sector is, UKWA has worked with leading property consultancy Savills to analyse data from a number of sources, including the Valuation Office, Savills in-house data and other secondary sources.

We have examined data for warehouses over 100,000 sq ft and where possible verified the current tenant to provide analysis by industry sector.

Using data from the Valuation office however does have certain time lags as properties may not enter the rating list until occupied.

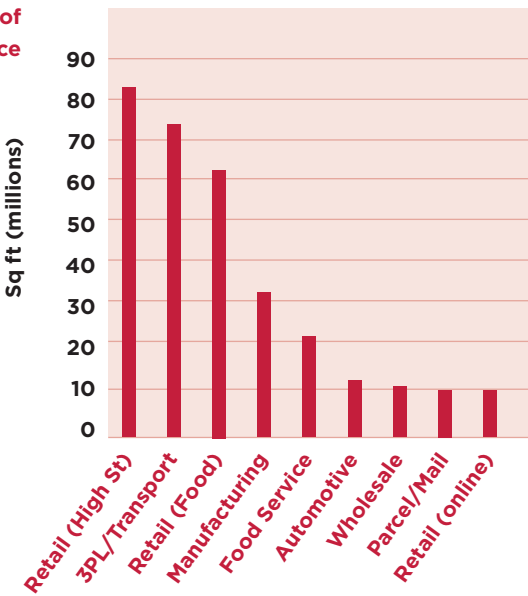
The UK Warehousing sector

Within the UK we have identified over 1,500 individual warehouse units used for storage and distribution, which in total account for almost 424m sq ft of warehouse space.



By region it comes as no surprise that the majority of warehouse space is located either near the major population centres or within the "Golden Triangle" at the centre of the country. Indeed the East Midlands accounts for 18% of all warehouse space in the country, equating to 78m sq ft. However, by combining London and the South East together this region accounts for 25% of all warehouse stock, just over 93m sq ft.

The occupiers of warehouse space



Grouping all of the occupiers of warehouse space into key industry sectors highlights a trend that will come as no surprise, which is the domination of the retail sector with almost 85m sq ft of space occupied by High St or homewares retailers and 62m sq ft occupied by food retailers, cumulatively equating to 35% of all users. This will undoubtedly rise however if contracts run by 3PL's for retailers are taken into account.

A sector worth mentioning is online retail, which currently accounts for 8.5m sq ft of space, however, with the next iteration of valuation office data this sector is expected to account for more space in the future.

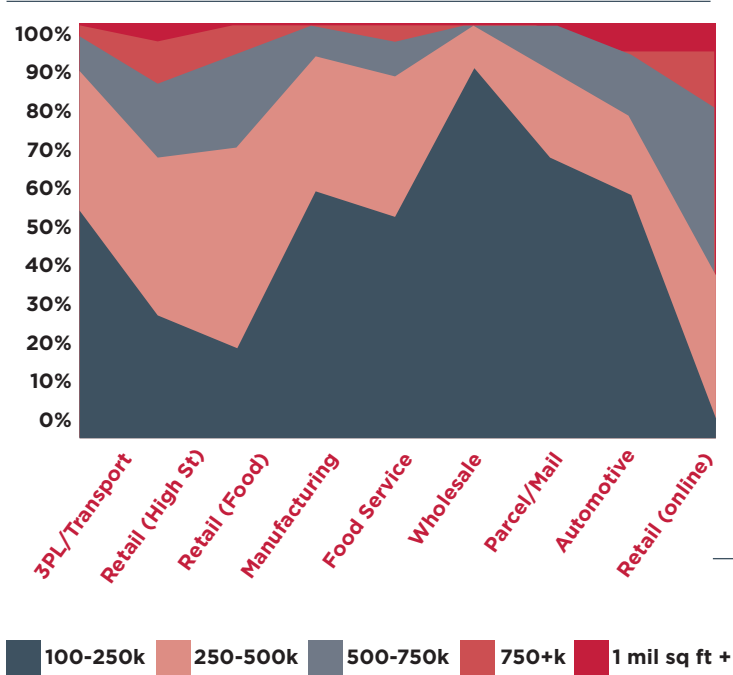
Examining data by the size of warehouse unit also yields some interesting results, particularly when compared against the type of occupier, as some clear trends emerge.



United Kingdom Warehousing Association



The chart below demonstrates how certain industry sectors favour certain sizes of unit. Here we can see that 80% of the units occupied by the wholesale sector are below 250,000 sq ft whereas in the food retail sector 80% of the units occupied are above 250,000 sq ft.



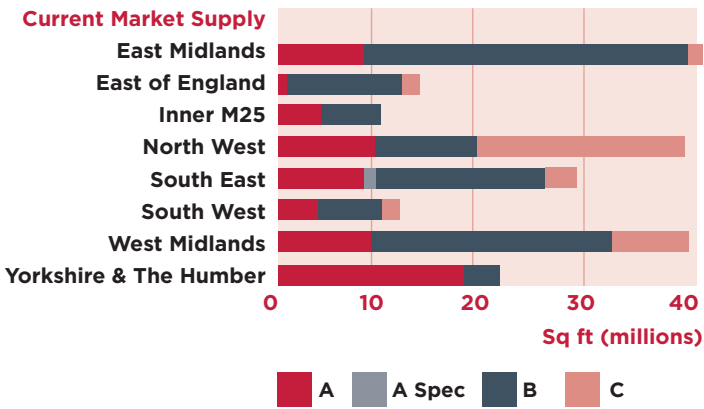
The table below shows the dominant industries occupying warehouse space in each region along with their market share. There are clear regional biases identified such as the strong focus on food distribution in the South East and the importance of manufacturing in the Midland regions.

Current Market Supply

The current market supply of warehousing in UK currently stands at just 21.9 million sq ft across 131 units. This is a sharp decrease from recent times when as recently as 2009 the choice of units on the market across the country reached 94 million sq ft.

The economic downturn saw development, and finance for development, decrease rapidly. As a consequence stock was not replaced once an occupier was found. Indeed, based upon current supply levels and long terms average take-up levels, most regions of the UK have less than a years worth of supply left.

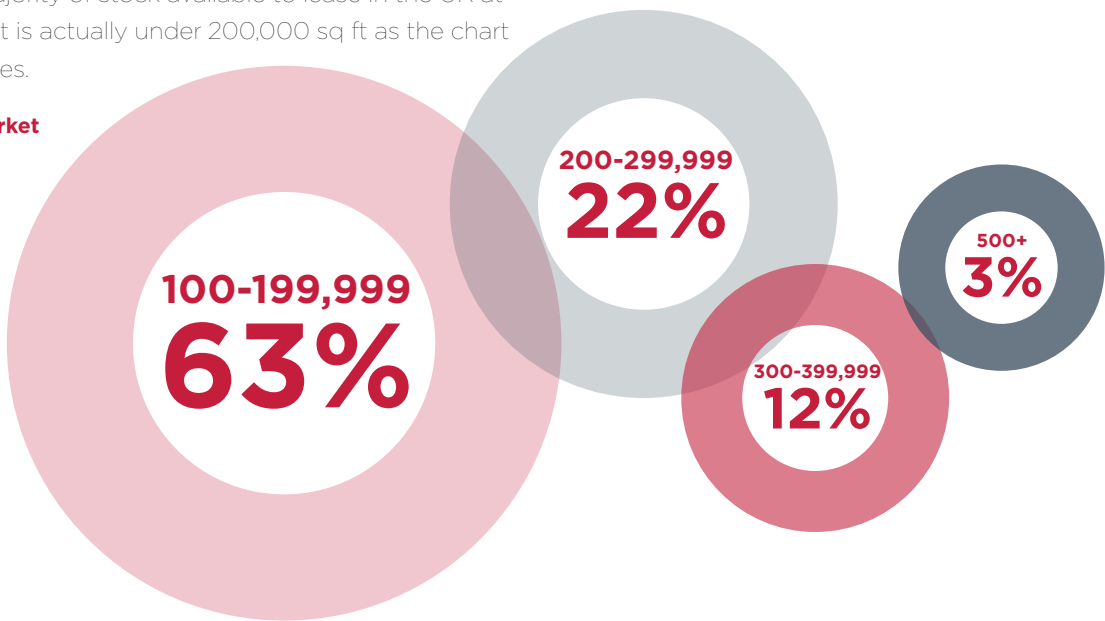
The current availability of units varies dramatically by region and also by quality. For example within the M25 there are no units we would classify as grade C, this in the most part due to land being taken for competing and higher value uses such as residential as the chart below demonstrates.



Region	Dominant tenant sector (market share %)	Secondary tenant sector (market share %)
East Midlands	3PL/Transport (35%)	Retail, High St (28%)
North West	Retail, High St (33%)	3PL/Transport (22%)
West Midlands	Retail, High St (27%)	Manufacturing (16%)
South East	Retail, Food (27%)	Retail, High St (23%)
Yorkshire & The Humber	Retail, High St (34%)	3PL/Transport (24%)
Inner M25	Retail, Food (32%)	3PL/Transport (30%)
South West	Retail, High St (31%)	Retail, Food (25%)
Scotland	3PL/Transport (25%)	Manufacturing (21%)
East of England	3PL/Transport (37%)	Retail, High St (32%)
North East	Retail, Food (52%)	3PL/Transport (14%)
Wales	Retail, Food (23%)	3PL/Transport (21%)

Moreover, as we have already demonstrated certain sectors of the market require certain sizes of unit. At the time of writing there is only one unit in the country on the market over 500,000 sq ft, located to the North of Leeds. The vast majority of stock available to lease in the UK at the moment is actually under 200,000 sq ft as the chart demonstrates.

Sq Ft on market



Development Pipeline

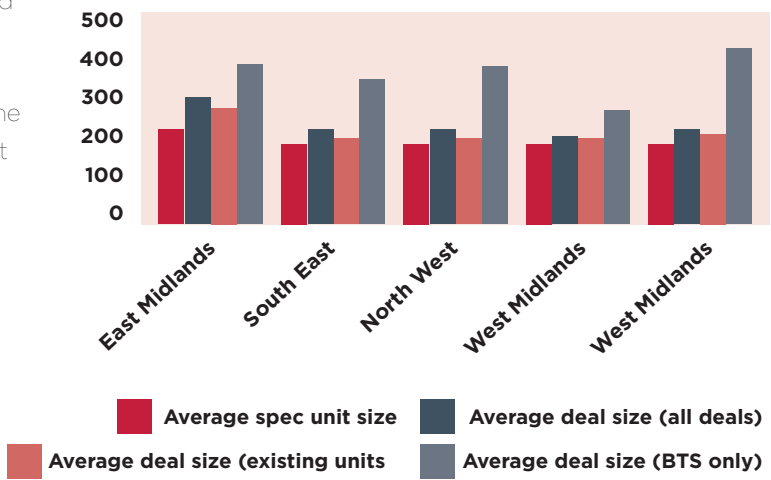
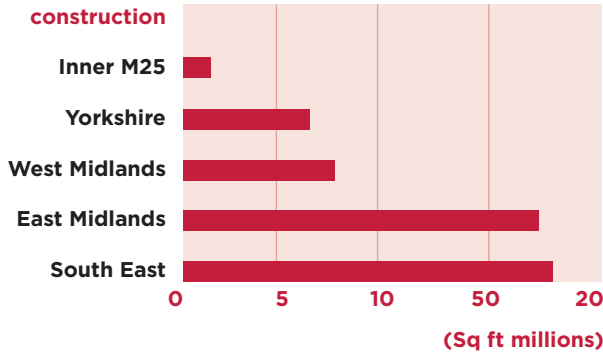
At the time of writing there are currently 31 schemes across the country being developed on a speculative basis, which total 5.8m sq ft. Whilst this may sound substantial if we add this to the existing levels of stock there would still be a shortfall if occupier demand remains strong.

Also, not all regions are benefitting from the increase in developer confidence and many requirements are remaining unfulfilled by a lack of options.

Also, comparing this development to long term average deal sizes demonstrate that not all areas are being catered for in the appropriate manner.

For example, the average size unit being constructed in the East Midlands is 242,000 sq ft, whilst the average size unit occupied in recent years has been 273,000 sq ft.

Warehouses under construction



UKWA Conclusion

For the UK logistics sector to continue to thrive and to feed and cloth our people a key requirement is often overlooked by policy makers: The warehouse.

This report has allowed UKWA, for the first time, to quantify the scale of warehousing in the UK, over 1500 individual units making up 420 million sq ft of property.

Of this the importance of the retail sector can not be understated, as it makes up almost 35% of all stock.

It is however clear that property has the potential to become a pinch point for the industry as this paper shows the lack of supply and also development.

We acknowledge this paper doesn't quantify the amount of land which has been allocated for future logistics development, however much of this will require "anchor tenant" type deals to deliver the infrastructure required to bring these schemes forward.

We call on policy makers, both nationally and locally, to acknowledge the importance of the logistics industry and to deliver policy which allows for the growth of space required for our industry to continue delivering.



United Kingdom Warehousing Association

The Voice of the UK Logistics Industry