

Westwood Logistics Update Report June 2014

LOCATION

The 'Westwood Connect' site is located in a very prominent position adjacent to the M5 Motorway and the A361 North Devon link road, with direct access to the motorway via Junction 27 to the M5.

The site has the potential to become a key logistics location enabling occupiers to distribute to the South West region of the UK. In recent years the region's profile as a logistics location has been enhanced with the arrival of major retail distribution occupiers such as Morrison's at Bridgwater (1,000,000 sq ft); Sainsbury's, Exeter (450,000 sq ft); and Argos, Bridgwater (175,000 sq ft). With the Hinckley scheme approved in Bridgwater, this will only increase the location's potential importance as a commercial centre within the South West.

PROPERTY

The proposed Westwood Connect site for commercial/logistics development extends up to 60 acres and has been designed to accommodate large format industrial / logistics (B1 (c), B2 and B8) uses. Initial proposals include layouts for three large format B8 buildings of circa 250,000 sq ft each set within a landscaped framework. Scheme design would be demand led within the overall development envelope, with larger building formats included as an option. The site benefits from the following characteristics, which would support a high-profile logistics operator. Notably the location is distinct from other opportunities that are currently available in Mid Devon and development here would accord with the Council's 2012-15 Economic Development Strategy, which seeks to exploit the potential of the M5 corridor.

The site benefits from:

- Excellent transport links by road and mainline rail.
- Buildings of up to 750,000 sq ft could be accommodated
- Prime logistics location with direct access to an all movements motorway junction and trunk road
- Readily available workforce: currently 43% of the economically active residents of Mid Devon must commute for work outside the district ([MDDC Economic Development Strategy 2012-2015](#)).

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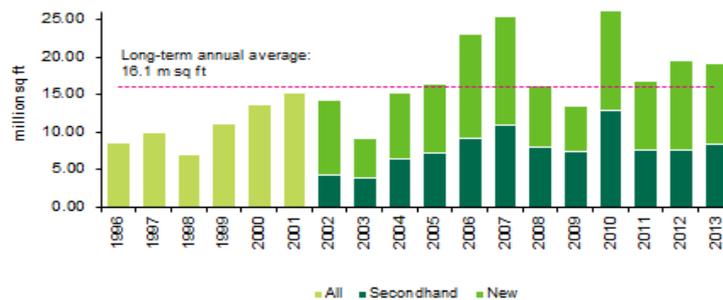
- Demand for distribution space within the region has increased following commencement of EDF Hinckley Point development

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UK LOGISTICS MARKET

Since the start of the economic downturn in Q3 2008, there has been a distinct lack of speculative development within the distribution market. There has been a re-emergence of speculative development, albeit this is a very recent phenomenon, which has been limited solely to the South East and Midlands. New developments have predominantly been undertaken via bespoke design & build schemes between developers and occupiers. Demand has been driven by occupiers looking to improve the efficiency of their distribution network and to move into e-commerce markets. The result of this continued demand, coupled with the lack of speculative development, is a lack of supply within the core locations of the UK's distribution market.

UK LOGISTICS TAKE-UP 1996 – 2013



Source: CBRE

CBRE Logistics data covers units of 100,000 sq ft only
CBRE | UK LOGISTICS MARKET REVIEW

Budget retailers have provided a significant proportion of the demand for logistics space with major deals to occupiers such as Poundland, Aldi and B&M Bargains amongst the significant new sites acquired in 2013. Further demand has come from the parcel and postal delivery sector with activity from occupiers such as Geopost for cross docked parcel hubs.

This demand has been coupled with increased activity in the automotive industry where growth plus investment in new plants has seen demand emerge from the wider supply chain.

SOUTH WEST MARKET

The picture in the South West market is similar to that being experienced nationally; due to the lack of development over the last 8 years supply levels of good quality logistics units of more than 100,000 sq ft are at their lowest level in the region for some considerable time.

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However, there are a number of consented development sites which are capable of providing large-format logistics units in the region, predominantly situated along the M4 and M5 Motorways.

AVAILABLE SITES

The sites listed below are known to be available for occupiers with requirements in the South West for premises over 100,000 sq ft:

LOCATION	SIZE	COMMENTS
Clevedon Business Park Kenn Road Clevedon BS21 6TH	26 acres	Site is adjacent to M5 Motorway close to J20 of the M5. Design & Build option available up to 450,00 sq ft
WestPark 26 Wellington TA21 9AD	13-26 acres	Mixed use development that can accommodate units of up to 250,000 sq ft. Summerfield are the developers who have undertaken projects in Exeter. Access to J26 of M5 Motorway (0.5 mile)
Cullompton Business Park Cullompton EX15 1BS	8 acres	Constructed site situated on J28 of M5 Motorway. Building up to 150,000 sq ft can be constructed on the site. Gladman are the developers
Matford Green Business Park Exeter EX2 8LB	27 acres	Extension to constructed site that can offer design & build units with an overall floorspace of up to 500,000 sq ft. Recognised on Exeter's largest commercial centre. Access via J30 and J31 of the M5 Motorway – no direct link.
Sky Park Exeter EX5 2DS	25 acres	Design & build opportunities available up to 200,000 sq ft. St Modwen are the developers. Good access to J29 of the M5 Motorway
Huntspill Energy Park Bridgewater TA7 8AD	222 acres	Former Royal Ordnance Factory Site is being marketed as an energy park to link with Hinckley Point. Access to J23 M5 Motorway. Various uses considered including logistics and manufacturing
Central Park Western Approach Bristol	640 acres	Design & build opportunities up to 1,000,000 sq ft available. Roxhill are the developers. Most recent land sale to Farm Foods for 175,000 sq ft building
Westgate Western Approach Bristol BS35 4BR	296 acres	Design & build opportunities up to 1,000,000 sq ft available. Harrow Estates and Robert Hitchins are the joint developers
Access 18 Avonmouth	212 acres	Design & build opportunities up to 1,000,00 sq ft available. St Modwen are the developers

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Bristol

BS11 8HY

Bridgwater Gateway Junction 24 M5	50 acres	Design & Build Opportunities up to 750,000 sq ft available. BDI are the developers.
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All these sites have planning consent for B1(c)/B8 industrial use classes and are promoting the schemes on a design & build basis. A number of these developers will also consider straight land sales.

As can be seen from the above list, Westwood scheme is the largest proposed development site south of Bridgwater and is the only site that could accommodate a single requirement of over 300,000 sq ft south of Junction 24 of the M5. Sites south of Bridgwater represent only 5.6% of the acreage in this list.

EXISTING BUILDINGS – CURRENT AVAILABILITY

There is only one substantial (comparative) new warehouse unit currently available on the market in the South West. Unit 1 Crossflow, Cabot Park, Bristol comprises 338,000 sq ft of logistics space and forms the remaining part of a single 550,000 sq ft building. Culina took a lease on 212,000 sq ft in 2013. It is worth noting that the very nature of the unit being split, and therefore being for mixed occupancy essentially would undermine its appeal to the majority of occupiers. It is also notable that it is located approximately two miles from the motorway.

The table below identifies available units in excess of 100,000 sq ft with a minimum eaves height of 10m. In our view the properties would not provide direct competition to a prime development site either because they are too bespoke and therefore of limited appeal to prime occupiers; situated in secondary locations; or have inferior specification, or a combination thereof:

PROPERTY	SIZE	QUOTING RENT	COMMENTS
Brabazon, West Way, Bristol	406,000 sq ft	£1.50 per sq ft	Aircraft hangar style of accommodation made up of 3 bays.
Former Morrison's Unit, Cribbs Causeway	385,000 sq ft	£5.23 per sq ft (passing rent)	This has just been let on a 3 year lease to The Range
Block B Crossflow, Cabot Park	338,000 sq ft	£5.25 per sq ft	Split building, not ideal from a security point of view. Block A let to Culina

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Great Western RDC, Armstrong Way, Yate	254,689 sq ft	£4.85 per sq ft	Poor location and dated building which is part temperature controlled
The Deceuninck Building, Calne	115,925 sq ft	£4.50 per sq ft	Poor location and under offer to a residential developer
Former Co-Op RDC Hunstworth Business Park, Bridgwater	122,178 sq ft	£5.00 per sq ft	Good location but poor specification with low eaves height

TRANSACTIONS

The chart below illustrates take up figures over the last few years of logistics units in excess of 100,000 sq ft. One of the main reasons that the 2013 figures are lower than that of 2012 was due to the lack of good quality units in the marketplace and no design and build projects agreed.

SOUTH WEST: LOGISTICS TAKE-UP 2006 – 2013



Source: CBRE

CBRE Logistics data covers units of 100,000 sq ft only

CBRE | UK LOGISTICS MARKET REVIEW

Due to this lack of availability, transactions have been somewhat limited. However, the most relevant transactions and significant deals during 2013 include the lettings to Culina Logistics (220,000 sq ft) and PCL/Arla (115,000 sq ft) which support the size range being proposed for a design & build basis.

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The most recent design and build deals over 100,000 sq ft were undertaken in 2012 to ASDA in Avonmouth and Sainsbury's in Exeter. Both deals were agreed on a freehold turnkey basis.

The ASDA deal was a 60 acre site with a pre-sale agreement for 680,000 sq ft for a Regional Distribution Facility. This was practically completed in October 2013 within a 12 month delivery period. Sainsbury's in Exeter was on the same basis and is a 450,000 sq ft Regional Distribution Facility.

In addition Farm Foods have just agreed a deal to take a 175,000 sq ft design and build unit at Central Park in Avonmouth and The Range have agreed a design and build deal for 500,000 sq ft in Chippenham.

DEMAND

Enquiries currently in the market which are preferably looking for an existing unit but unable to find it include the following:-

- Lambert Smith Hampton – 250,000 sq ft
- WGH – 250,000 sq ft
- Colliers CRE – 300,000 sq ft
- Clews & Co 150,000 sq ft
- c/o Gerald Eve – 100-110,000 sq ft
- Speedy hire c/o Knight Frank – 120,000 sq ft
- c/o SLP Consulting – 175,000 sq ft
- c/o Colliers CRE – 150-200,000 sq ft
- c/o BNP Paribas – 160-200,000 sq ft
- Amazon 50-100,000 sq ft
- NAI Hayward's – 60-100,000 sq ft

THE OPPORTUNITY AT WESTWOOD

In comparison with other sites in this part of the region, Junction 27 has a unique position of having all the necessary characteristics to attract and accommodate large scale logistics development.

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The size of the site is large enough to accommodate a single building of up to 750,000 sq ft. This puts it in an elite bracket of being one of only a handful of schemes in the South West capable of accommodating large scale logistics buildings of this nature.

The location provides direct access, via Junction 27, to the M5 Motorway and therefore the access to the national motorway network is not compromised in any way. Other schemes, even those which seem as if they are located close to motorway junctions elsewhere on the M5, can be subject to major disruption if traffic flows on the feeder roads are compromised.

The location is the furthest site south on the M5 capable of accommodating logistics space over 500,000 sq ft in a single building. Therefore major occupiers wishing to service Exeter, Plymouth and beyond, as well as areas located further up the M5 and onto the M4 would consider this site an ideal location.

The location will have outstanding amenities for staff and customers immediately available adjacent to the site. Many of the other schemes across the region do not have amenities such as a hotel, restaurant, petrol station and convenience store in the immediate vicinity which is an attraction to major occupiers and also to staff and clients.

What do major logistics occupiers look for?

- Excellent transport links – the site has direct access to Junction 27 M5
- 24 / 7 access – this is not an issue on this site.
- Within a certain drive time of the mass population – the site is a 4 hour drive time of 59% of the total UK population.
- Local work force.
- Local amenities for staff and clients – The motorway services adjacent to the site provide this and Westwood will greatly extend the range of amenities.
- 35 % site cover – The 60 acres we can accommodate a single building of up to circa 750,000 sq ft
- Minimum 15 metre eaves height – subject to planning there is no reason why this could not be achieved.
- 50 metre yard depths - this should be achievable on the site.

This site is a unique opportunity and compliments the other industrial opportunities in the region by providing a location for Large Logistics development which is not available elsewhere in the County. A large occupier at Junction 27 would have a positive impact on smaller business occupiers offering a “food chain” of supporting work. It will complement other development sites, including those of other use classes such as residential and retail. The scale of a scheme such as this will promote Mid Devon and benefit the region.

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SUMMARY

Junction 27 offers a significant opportunity to capitalise on the increased commercial demand for logistics space in the South West. The progression of the 'new nuclear' industry which is being created as a result of the Hinckley Point development in Bridgwater is generating increased interest in the region and demand from occupiers seeking to be involved or benefit from the Hinckley project. This coupled with the J27 M5 location would provide an ideal position for large scale logistics operators and could quickly create a critical mass of major distribution companies which gives the site a fantastic opportunity to become a significant strategic regional commercial centre within the South West.