

Trammell Crow Company

Sophie Watkin – Via Email

28.11.2022

Dear Sophie

Heywood Stores, Manchester Road, Heywood, OL10 2PZ

I understand you require an opinion regarding the potential marketability of the units situated at the above address. Having marketed the facility on behalf of the previous owner I am extremely familiar with the units in terms of their size, condition and functionality.

By way of experience, I am a Partner at Gerald Eve heading up the Industrial Agency function in the Manchester office. I have worked in the sector for in excess of 25 years disposing of and acquiring a range of units from 1,000 sq ft to 500,000 sq ft across the North West region. I have also completed a number of transactions in Heywood so am very familiar with the area.

Location

The facility is situated in an excellent location less than half a mile from J19 M60, which is an “all points” junction. The location is an established commercial location with well known industrial estates such as Heywood Distribution Park, Hareshill Business Park, Birch Industrial Estate and Broadfield Industrial Estate all within 1 mile of the subject premises.

Description

The facility consists of 8 detached single storey unit ranging in size from circa 5,000 sq ft to 64,000 sq ft with varying eaves heights and loading facilities as set out in the schedule below:

Unit	Total GIA (sq ft)	Total GIA (sq m)	Eaves Height	Doors Docks (D) Level (L)	Comments
101 & 102	5,637	523.7	N/A	N/A	Small office units
110	63,748	5,922.4	9.20m	3 x L	Detached warehouse and office building
111	34,872	3,239.7	8.70m	2 x L	Detached warehouse and office building
119	24,561	2,281.8	8.70m	1 x L	Detached warehouse and office building
Plant	502	46.6	N/A	N/A	Detached Plant Room
112	42,682	3,965.3	5.85m	1 x D 3 x L	Detached warehouse and office building

Plant	301	28.0	N/A	N/A	Detached Plant room
113	43,055	3,999.9	5.86m	2 x D 1 x L	Detached warehouse and office building
Plant	663	61.6	N/A	N/A	Plant room
114	4,521	420.0	5.62m	1 x L	Detached warehouse and office building
114/115/Pump House	6,614	614.4	5.62m	2 x L	Detached warehouse and office building
116	4,521	420.0	5.62m	1 x L	Detached warehouse and office building
117	29,871	2,775.1	5.62m	3 x D 1 x L	Detached warehouse and office building
118	29,922	2,779.8	5.50m	2 x D	Detached warehouse and office building
Total	291,470	27,078.3			

Source: Hollis Measured Survey Report 27.07.2021

Market Activity

The best evidence in the area is Heywood Distribution Park where many of the units are similar in age and construction and some more modern stock. Generally the units are refurbished by the Landlord when they become vacant but the level of refurbishment varies and is dependant upon whether the Landlord sees the unit as having longevity (full refurbishment) or it is a redevelopment site in the short/medium term (light touch refurbishment).

In terms of evidence the following were transacted at Heywood Distribution Park in the last 18 months:

Unit	Tenant	Approximate Size (GIA sq ft)	Rent (£/sq ft)	Lease & Comments
M1	Dodd Products	96,000	£3.25	5yr lease, 3yr break option, unit in poor condition
P6	James Cargo	77,000	£6.25	10yr lease, unit refurbished
B6	Macfarlane Packaging	86,000	£6.20	15yr lease, 10yr break, modern unit
B4 (9&10)	360 Brand GP Ltd	15,000	£5.75	5yr lease

B4 (3&4)	Uni Express	26,500	£5.95	5yr lease, 3yr break option
B2	Millers Vanguard	42,300	£5.50	3yr lease
B11	Envair	63,500	£5.00	10yr lease, 5yr break
P15	Ecoscape	31,000	£5.95	5yr lease, 3yr break option
H2	Iron Mountain	146,500	£5.50	10yr lease
B8F	Medrescue	7,750	£5.75	5yr lease
B8B	Capital Belling	3,000	£6.75	5yr lease
B12E	Linear Supplies	4,200	£7.25	5yr lease
B4 (5&6)	Under Offer	26,500	£6.00	UNDER OFFER

Heywood Distribution Park extends to a total of some 2m sq ft of accommodation, we understand current availability at the park comprises of two 5,000 sq ft units and one 100,000 sq ft unit which has an asking rent of £4.50 per sq ft and is already attracting strong interest.

The above demonstrates and number of points:

- Strong occupational demand in the location
- Occupational demand for all types of stock
- Occupational demand for both long leases on good quality stock and flexible lease on secondary “functional” stock
- Rental range from £3.50 per sq ft to £7.25 per sq ft subject to size and quality

We would also highlight that the void rate at Heywood Distribution, and consequently supply of available units, is extremely low meaning occupiers have limited choice if they require additional premises.

Comparable Availability

We are aware that Unit B10 Heywood Distribution Park (marketing brochure attached) has just been placed on the market on a To Let basis by way of a sub lease or assignment of the existing lease which expires in February 2024. The unit is similar to the units at Manchester Road Heywood as follows:

- Same construction
- Similar eaves height (5.80m)
- Similar loading provision but more loading doors
- Large yard

The passing rent for the unit equates to £4.75 per sq ft which we assume was set at the 2019 rent review. This is very good evidence of the rental a similar unit at Manchester Road Heywood could command if additional loading doors were created as part of a refurbishment program.

Marketability of Existing Accommodation

If the units were to be placed on the open market To Let we are extremely confident there would be good occupational demand for the units which can cater for a wide range of occupiers by offering a good spread of unit sizes from 4,521 sq ft to 63,748 sq ft.

In their current format the units will not appeal to the entire market. The units, especially the larger units, have eaves heights that are lower than required by a modern day occupier looking to make a long term commitment. This cannot be addressed by refurbishment works as it is not economically viable to increase the height of the units.

Similarly the loading arrangements are unlikely to suit occupiers with fast moving stock who may need to have numerous vehicles loading and unloading at the same time. This can be resolved by way of refurbishment/adaptation works and adding more loading doors where possible.

Given the above and in light of the current transactional evidence from neighbouring Heywood Distribution Park we anticipate the majority of demand being from:

- 3PL's/Distribution operators looking for functional accommodation and a flexible basis
- Distributors who store bulky goods that can only be block stored and require limited loading/unloading
- Local/regional occupiers who want to remain in the area to retain staff
- Local/regional occupiers who are growing and don't want to commit to a long term lease which may hamper future expansion plans
- Local occupiers who may be viewed by some institutional landlords as being an unneighbourly use

In order to appeal to occupiers we consider the following refurbishment works are likely to be required

- Ensuring all units provide clear and clean space for occupiers i.e. racking removed a floors made good
- Sub division of services
- Refurbishment of offices and W.C. facilities
- Update/creation of loading doors
- Repair works to ensure all units are at least wind and watertight
- Works to ensure all units have a minimum EPC Rating of "E" or higher to meet EPC Regulations effective from 1st April 2023, under current proposals a "C" Rating will be required by 2027 and a "B" Rating will be minimum from 2030.
- Site management procedures such as one way traffic system
- Robust 24 manned security provision

Lease Lengths and Terms

In light of the physical aspects of the accommodation and the types of occupiers we anticipate being forthcoming we envisage the majority of the units would be let on 5 year leases, likely to include 3 year break options and it may be necessary to consider 2 year lease terms or 2 year break options.

Turning to lease terms we anticipate occupiers would agree FR&I leases but only subject to Schedules of Condition. Rent reviews are unlikely to be applicable given the length of lease likely to be required but if applicable they would be on standard institutional terms.

ERV's

If a refurbishment was undertaken and the units offered To Let on flexible bases we anticipate rents in the region of:

- £5.25 per sq ft for units less than 10,000 sq ft
- £4.50 per sq ft for units ranging from 20,000 to 50,000 sq ft
- £4.00 per sq ft for units in excess of 50,000 sq ft

Incentives

Given we anticipate the vast majority of leases will be flexible lease we envisage incentives being minimal, likely to be in the region of 1 month per year term certain.

Void

The facility comprises of effectively 10 units (excluding plant room and the two small office units at the front which would likely be security), given the quality of the units, the fact we anticipate flexible leases, which will lead to a high turn over of tenants, we envisage there will always be an element of void accommodation.

Conclusion

We are confident the units are capable of successfully being marketed To Let providing refurbishment works are undertaken.

The units are likely to be let to occupiers wanting functional accommodation available on cost effective flexible lease terms.

We anticipate many of the occupiers will be regional and local occupiers who recognise the excellent accessibility of the location and view the units as a flexible solution.

I hope the above is of use and naturally should you require any additional information please do not hesitate to contact me.

Kind regards



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