

Bridge Point, Weybridge Business Park

Market Assessment





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Executive Summary

This report finds that the appropriate scale of industrial development for the proposed redevelopment of Weybridge Business Park is a large premises defined as being greater than 100,000 sqft. Bridge UK Properties 7 LP ('Bridge') is submitting a planning application to Runnymede Borough Council ('Runnymede') for Building 100 which a single large unit of about 160,000 sqft (GEA) on the southern part of its site and two smaller units (Buildings 210 and 220) on the more constrained northern part. During pre-application discussions with Runnymede, alternative proposals for two mid-sized units (less than 100,000 sqft) on the southern part were also investigated..

The report finds that the most appropriate form of development on the southern part of the site is unambiguously the large premises option which is Building 100. There is strong market evidence of an acute shortage of and strong demand for large units (greater than 100,000 sqft) in Runnymede and the wider property market area (PMA). There is currently no vacant or available floorspace in Runnymede or the wider PMA comprising 100,000 sqft of contiguous floorspace.

This report combines a review of economic demand drivers for larger premises with market evidence. Fundamentally, Weybridge Business Park is advantageously located for large industrial and logistics premises because of its strategic location and good access to the M25 and M3 motorways which is critical infrastructure that is part of the UK's strategic road network.

Several profound macroeconomic changes have gained traction that disproportionately increased demand for larger units (greater than 100,000 sqft). The growth in e-commerce has increased the requirement for larger premises that enable tenants to optimise the efficiency of their operations and provide sufficient space so they can flexibly adjust to changes in their operational requirements to manage higher volumes of goods at greater speeds.

Additional pressures from the forces of globalisation mean companies must ensure their supply chains are operating with optimal efficiency. Events such as the Covid-19 pandemic and Brexit have made clear the need to ensure stable supplies. Such pressures have forced foreign companies who service the UK market to find new premises in the country. They have also forced UK companies to secure additional industrial floorspace so they can more efficiently store, manage and distribute goods. These forces have disproportionately increased the need for larger units.

The aforementioned pressures arising from e-commerce and globalisation, as well as an ongoing labour shortage, have also forced operators to rely on new technologies such as robotics, digital tracking and a variety of other means which ensure ever more efficient operations. The deployment of new technologies require larger units to provide sufficient flexibility to accommodate new and unanticipated technologies.

The macroeconomic forces and their impact on the demand for larger premises is reflected in both national and local property market statistics. Take-up of units over 100,000 sqft has roughly tripled in the past 15 years and has significantly exceeded the growth in supply. Whilst the changes to the economy have clearly increased demand for all industrial premises, demand for larger industrial premises (greater than 100,000 sqft) has grown disproportionately.

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The shortage of larger premises is particularly evident and acute in Runnymede and the wider PMA because the opportunity to develop new employment land of any kind is so limited. This is clearly indicated by market data which shows that there is virtually no availability of large units (greater than 100,000 sqft) and no new supply coming forward. Market dynamics strongly indicate that the greatest need is for larger units and that the appropriate option for development at Weybridge Business Park is Building 100 which is the large premises option which meets the market's most pressing floorspace requirements and alleviate the current acute shortage.

1. Introduction

1.1. Overview and Summary

- 1.1.1. This report finds that for Bridge UK Properties 7 LP's ('Bridge') proposed redevelopment at Weybridge Business Park, the appropriate scale of industrial development is for a large premises defined as being greater than 100,000 sqft. Bridge is submitting a planning application to Runnymede Borough Council ('Runnymede') for a Building 100 which is a single large unit of approximately 160,000 sqft (GEA). Alternative proposals including two mid-sized units (less than 100,000 sqft) were also investigated
- 1.1.2. The report finds that the most appropriate form of development on the subject site is the large premises option. Chapter 3 shows that the demand for larger units (greater than 100,000 sqft) has accelerated disproportionately over the past decade due to economic pressures from e-commerce, globalisation and the deployment of new technology compared to small and medium-sized premises. Chapter 4 shows that there is an acute shortage of large premises in Runnymede and the defined property market area (PMA) and there is current strong demand that cannot be satisfied - the property market area is unable to respond to market demand for large premises because there is no availability.

1.2. Structure

1.2.1. The chapters of the report are:

- **Chapter 1 – Introduction**
- **Chapter 2 – Development Context and Proposals** which includes a description of the site, its connectivity to the wider market via strategic transport corridors, its current use and two options for the proposed development.
- **Chapter 3 – Why Demand For Larger Units Increased Dramatically** which provides an overview of demand drivers for large industrial spaces and sets out the national context.
- **Chapter 4 – Property Market Review** summarises the relevant property market dynamics in the identified property market area (PMA) within which Weybridge Business Park is located.
- **Chapter 5 - Conclusion**

2. Development Context and Proposals

2.1. Introduction and Summary

2.1.1. This chapter presents the Weybridge Business Park site and its spatial context. It then covers its current office use and the primary redevelopment options.

2.1.2. The key features of the site are its relative size and proximity to strategic transport links M25 and M3. The site currently comprises six office buildings on two proximate land parcels. The proposed scheme would redevelop the site for industrial and logistics premises.

2.2. Site, Current Use and Proposed Development

2.2.1. **Figure 2.1** sets the site within its spatial context. Weybridge Business Park is located between Addlestone and Weybridge in Runnymede. It is strategically located close to two motorways: a 5-minute drive to J11 on the M25 and a 7-minute drive to J12 on the M3. The two junctions are shown on the map.

2.2.2. The site's location provides good access to Greater London, the wider South East and the South West via the M3.

Figure 2.1 Site In Its Wider Context



Source: Savills (2022)

2.2.3. **Figure 2.2** presents the site within its local context. It is currently an out-of-town office premises comprised of seven Grade B and C buildings built in the 1980s and 2010s. The redline boundary in **Figure 2.2** is an approximation of the subject site. The site is in two parts and comprises about 3.3 hectares and accommodates about 180,000 sqft of offices.

Figure 2.2 Application Site



Source: CoStar; Savills (2022)

2.2.4. Bridge Industrial intends to redevelop the site for industrial use and is exploring how to optimise the site's economic viability and commercial attractiveness in discussions with the Council. This report is being used to assist Bridge and the Council in demonstrating the appropriateness of the submitted scheme.

2.2.5. The proposed planning submission involves Building 100 which is a single large unit of about 160,000 sqft (GEA) on the larger of the two land parcels. Alternative scheme options for the larger land parcel included two mid-sized units (less than 100,000 sqft).

3. Why The Need For Larger Units Dramatically Increased

3.1. Introduction

3.1.1. This section explains why the demand for larger units (100,000 sqft or greater) has increased dramatically over the past decade. It first presents an overview of the national market for large units and then discusses the particular economic drivers that have accelerated demand.

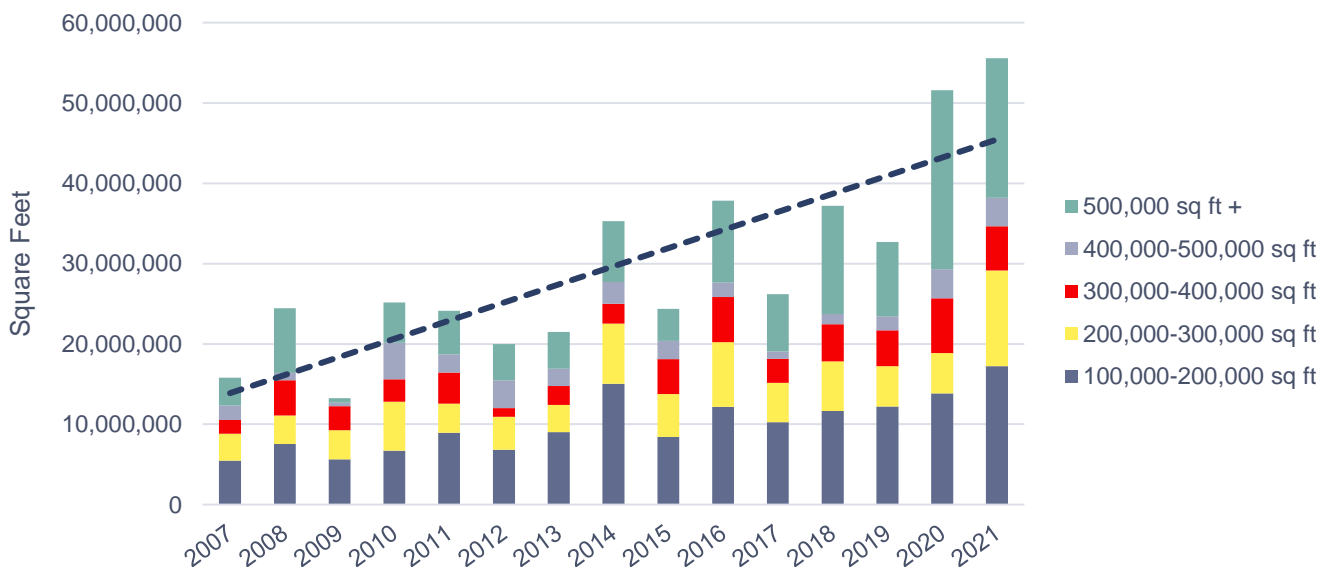
3.1.2. Large units are typically defined as those 100,000 sqft or greater. This is the size category for Savills' Big Sheds Briefing which is the industry's benchmark publication on the market for large industrial premises. This section reviews the dynamics of the national industrial market for large premises and summarises the relevant demand drivers.

3.1.3. The key macroeconomic drivers of demand for large premises are e-commerce, globalisation and the increased requirements for efficient and flexible premises. Demand has far exceeded supply across the industrial market but demand has grown disproportionately for large premise compared to mid-sized and smaller size categories.

3.2. The Large Premises Supply-Demand Imbalance Has Been Gaining Momentum For a Decade

3.2.1. **Figure 3.1** shows that national demand for large industrial units has increased considerably over the past decade and has particularly accelerated in the past two years. The demand trajectory reflects the broad macroeconomic trends that have gained further pace as a result of the Covid-19 pandemic and Brexit.

Figure 3.1 National Take Up by Size Categories



Source: Savills (2022)

3.2.2. **Table 3.1** shows that take-up (net absorption) of large units has increased disproportionately compared to units less than 100,000 sqft. Between 2010 and 2015 large units captured less than half of total take-up. In more recent years large units increased its share of take-up to 60% currently. CoStar's forecast expects

that over the next five years large units will capture 71% of total net absorption.

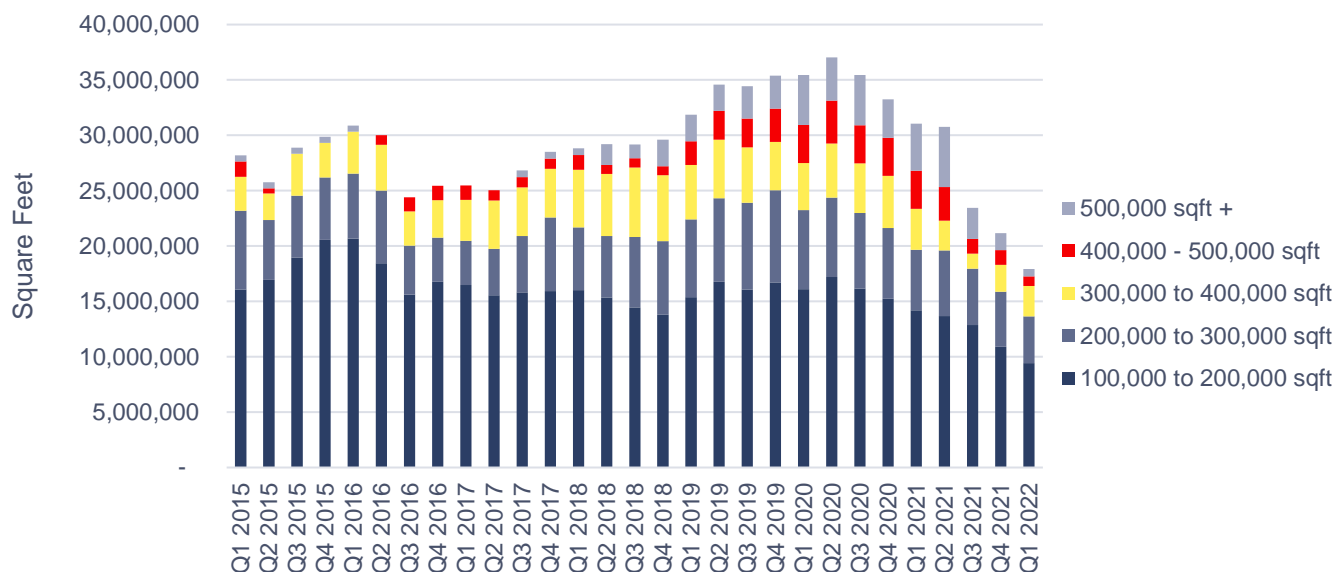
Table 3.1 Historic and Forecasted Share of Total Net Absorption by Size Band in England

Period	Less than 20,000 Sqft	20,000 to 100,000 Sqft	Greater than 100,000 Sqft
2010-2015	21%	33%	47%
2016-2021	11%	30%	60%
2021-2026	5%	25%	71%

Source: Savills (2021); CoStar (2021)

3.2.3. Demand has been increasing against the backdrop of contracting supply. **Figure 3.2** shows that supply of large industrial properties had been steadily decreasing except for a brief uptick in 2019 to 2020. Supply of floorspace decreased by 7 million sqft since 2015 whilst take up increased by nearly 18 million sqft over the same period.

Figure 3.2 National Supply by Size Categories



Source: Savills (2022)

3.3. Macroeconomic Pressures Make Large Units Ever More Critical to the Global Economy

3.3.1. The key macroeconomic drivers of demand are (1) the increase of online retail purchases and the need to accommodate greater product throughput; (2) globalisation which is forcing companies to rationalise their supply chains and (3) ongoing introduction of new technologies to manage and execute industrial process and logistics. Each of these is driving the increase in the demand for large units that is shown in **Figure 3.1**.

E-commerce Driving Greater Volumes and Faster Order Fulfilment

3.3.2. The growth in online retail is the most quantifiable of the changes that is driving demand for large premises.

E-commerce fulfilment requires large flexible premises to ensure that freight handling efficiencies are optimised. It is estimated that businesses require around three times the logistics space of traditional bricks-and-mortar retailers.¹ Online retailers account for 35% of take-up of large industrial premises.²

- 3.3.3. Over the past decade internet sales have accounted for an increasing proportion of all retail sales, having increased from around 7% in 2010 to 20% in early 2020. The Covid-19 pandemic boosted online shopping. Expectations are that online retail will continue to grow and is expected to reach 37% of all retail sales by 2025.³ This will drive overall demand but particularly for large and smaller units. The driver for smaller units is for last mile delivery.

Globalisation Makes Larger Units Integral to Rationalisation of Supply Chains

- 3.3.4. Globalisation has increased the spatial complexity of sourcing, manufacturing/assembling and distributing goods. The need for companies to rationalise these activities is an ongoing process that began in the last century, continues in fits and starts and has accelerated in recent years due to disruptive events such as the Covid-19 pandemic, Brexit, the Ever Given's obstruction in the Suez Canal.⁴

- 3.3.5. These events highlight the global economy's interconnectedness and the fragility of international supply chains. Companies are responding by building up the resilience of their operating models to minimise the impact of these disruptions. The phenomena of near-shoring⁵ and re-shoring⁶ will only further contribute to the process.⁷ This is leading to higher domestic inventory requirements and further increases the demand for large industrial units.⁸

- 3.3.6. Another related driver of demand for large units is the increased cost of land and the need industrial buildings also provide efficiencies gained from footprint. Price per acre of Industrial & Logistics land continues to rise at exceptional rates, so large units offer economies of scale. There is also a benefit of supply chain consolidation: many larger companies now find it more cost effective to have fewer but larger premises in core areas.

Technological Solutions to Efficient Logistics Management Requires Large, Flexible Premises

- 3.3.7. The aforementioned pressures arising from e-commerce and globalisation, as well as the current and ongoing labour shortage, have forced operators to rely increasingly on new technologies such as robotics, digital tracking and other means of ensuring continuity and efficiency in that their operations. To accommodate new technologies and unanticipated operational processes, especially on a large scale, requires larger units that offer sufficient floorspace to enable flexibility.

3.4. Conclusions

- 3.4.1. The need for large industrial premises has put this sector of the market under immense pressure that has

¹ Same-day delivery: The next evolutionary step in parcel logistics, McKinsey & Company (2014),

² Savills Big Shed Briefing, January 2022

³ Based on forecasts by Forrester Research

⁴ Savills Big Shed Briefing, January 2022

⁵ 'Near-shoring' is the transfer of business operations to a nearby country instead of a more distant one (i.e. off-shoring)

⁶ 'Re-shoring' is moving a business that had gone overseas back to the country from which it had originally come

⁷ According to a survey carried out in July 2020 by the Institute for Supply Management, 20% of firms are planning to or have already started to nearshore or re-shore. These findings are corroborated by a survey carried out by Savills whereby over 80% of respondents expected the Covid pandemic to either 'greatly increase' or 'somewhat increase' on-shoring.

⁸ The impact of Covid-19 on Real Estate, Savills (2020) (Online Article: <https://www.savills.com/impacts/market-trends/the-impact-of-covid-19-on-real-estate.html>)



caused available supply to decline on a national scale. E-commerce, globalisation and increasing requirements to ensure supply chain efficiency and stability have accelerated this demand. This is reflected in the national statistics that show take-up of units over 100,000 sqft having tripled in the past 15 years and has far exceeded supply. Large industrial segment has also grown disproportionately when compared to medium and small categories. This sets out an important context for assessment of Runnymede and the property market area around Weybridge Business Park that is assessed in Chapter 4.

4. Property Market Assessment

4.1. Introduction and Summary

4.1.1. This section assesses the property market dynamics in the property market area within which Weybridge Business Park is located. The market is significantly supply-constrained but the shortage is most acute in large units. The shortage of large units is more grave locally than on the national level. There is literally no available floorspace of any kind that accommodates a requirement of more than 100,000 sqft.

4.2. Property Market Area (PMA)

4.2.1. **Figure 4.1** presents the PMA for Weybridge Business Park. The subject site is indicated by the grey diamond in its south west corner. The PMA is primarily defined by its two strategic roads: the M3 and M25. The key employment land clusters are in Sunbury, Chertsey, Egham and Addlestone. The PMA is in close alignment with the Upper M3 submarket identified studies by Runnymede and the County of Berkshire that define the areas' functional economic market areas.

Figure 4.1 Property Market Area



Source: CoStar (2022), Savills (2022)

4.2.2. To determine the PMA we first considered the Runnymede FEMA analysis⁹ which defines the Upper M3 submarket as a relevant PMA for Runnymede. We also reviewed the Berkshire FEMA study¹⁰ which doesn't include Runnymede in the submarket influenced by Heathrow Airport. Like the Runnymede FEMA analysis it finds that Runnymede belongs to a separate Upper M3 submarket. This was corroborated by discussions with Savills industrial agents.

4.3. PMA Vacancy Rate of 0.0% for Large Industrial Premises (Greater than 100,000 sqft)

4.3.1. **Table 4.1** shows that the industrial markets of all geographies is tight but that the shortage of large premises (greater than 100,000 sqft) in the PMA and Runnymede is acute. Within the PMA, the overall market has a vacancy rate of 2.7% which is highly supply constrained. However the PMA vacancy rate for large premises is 0.0%. Part of the reason for this is that the PMA has so few large premises. The PMA's large premises sector represents just 0.2% of total stock in the South East and London regions. Runnymede has no large units. This is surprising given the district's strategic location on the edge of Greater London with good access to strategic roads.

Table 4.1 Industrial Market Indicators by Geography

Market	Inventory	Vacancy Rate	Average Asking Rents
South East & London regions	482,000,000	3.8%	£11.45
South East & London regions (premises greater than 100,000 Sqft)	154,000,000	4.1%	£10.14
PMA	5,000,000	2.7%	£13.90
PMA (premises greater than 100,000 Sqft)	380,000	0.0%	n/a (£14.95 in 2020)
Runnymede District	1,200,000	4.1%	£13.60
Runnymede District (premises greater than 100,000 Sqft+)	n/a	n/a	n/a

Source: CoStar (2022), Savills (2022)

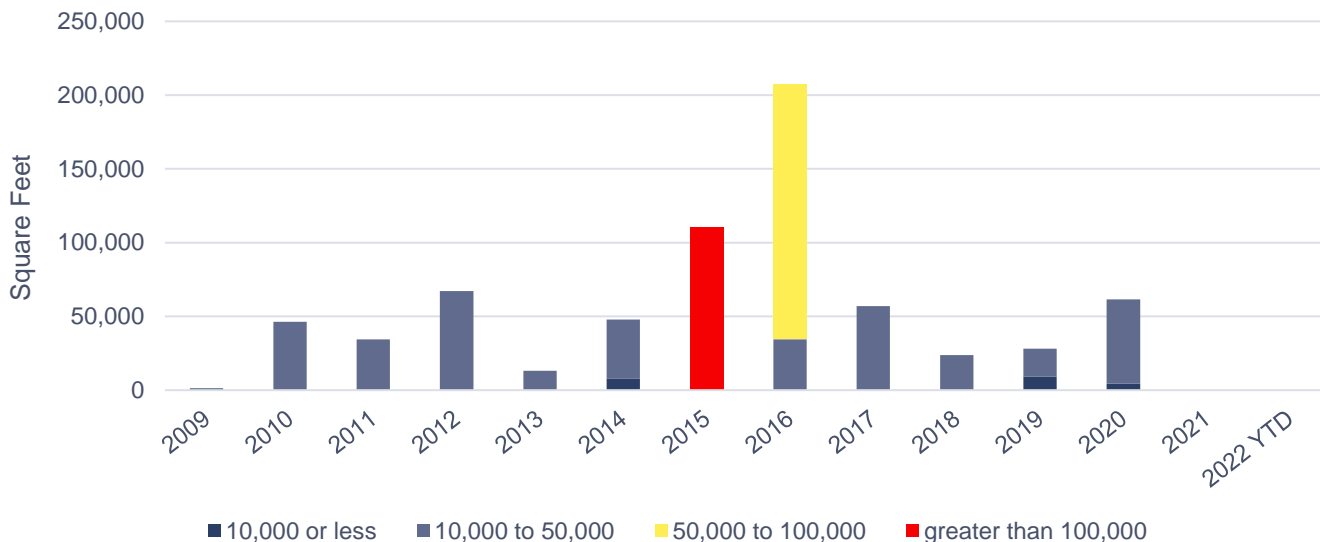
4.4. Low Level of Historic Delivery of Large Industrial Premises in the PMA

4.4.1. **Figure 4.2** shows that over the past decade just one large industrial unit (greater than 100,000 sqft) was completed in the PMA. This unit was 110,000 sqft at the Heathrow Logistics Park in the northern edge of the PMA. The unit took considerable time to lease because, despite its name, it was viewed by the market as being too far from the airport to service it.

⁹ Runnymede 2035 Functional Economic Area Analysis (2015), pp.20-21

¹⁰ Berkshire Functional Economic Market Area Study (2016), pp.62-63

Figure 4.2 Completions of Industrial Premises by Size Category (Sqft)



Source: CoStar (2022), Savills (2022)

4.5. The Large Premises Segment of the PMA Industrial Market Has Most Acute Shortage

4.5.1. **Table 4.2** provides greater detail of how inventory is distributed across the size categories in the PMA. Whilst the overall market is tight, the shortage is most acute for large premises (greater than 100,000 sqft). The small to mid-sized size category (10,000 to 50,000 sqft) is by far the largest category by inventory and it also has the most availability.

4.5.2. The distribution of floorspace by size category in the PMA is imbalanced. Most markets' stock is more evenly distributed across the size categories. The imbalance suggests that the market is highly constrained because insufficient development has come forward to provide a more typical balance of premises by size.

Table 4.2 Market Indicators in the PMA (2022 YTD)

Size Category (Sq.ft)	Inventory	Vacancy Rate	Average New Supply (Per Annum)	Average Asking Rents
Under 10,000	516,981	0.5%	2,000	£14.56
10,000 to 50,000	3,138,261	4.2%	30,000	£14.44
50,000 to 100,000	913,231	0.2%	13,000	£12.83
Greater than 100,000	379,640	0.0%	8,000	n/a (£14.95 in 2020)
Total	4,948,113	2.7%	54,000	£13.90

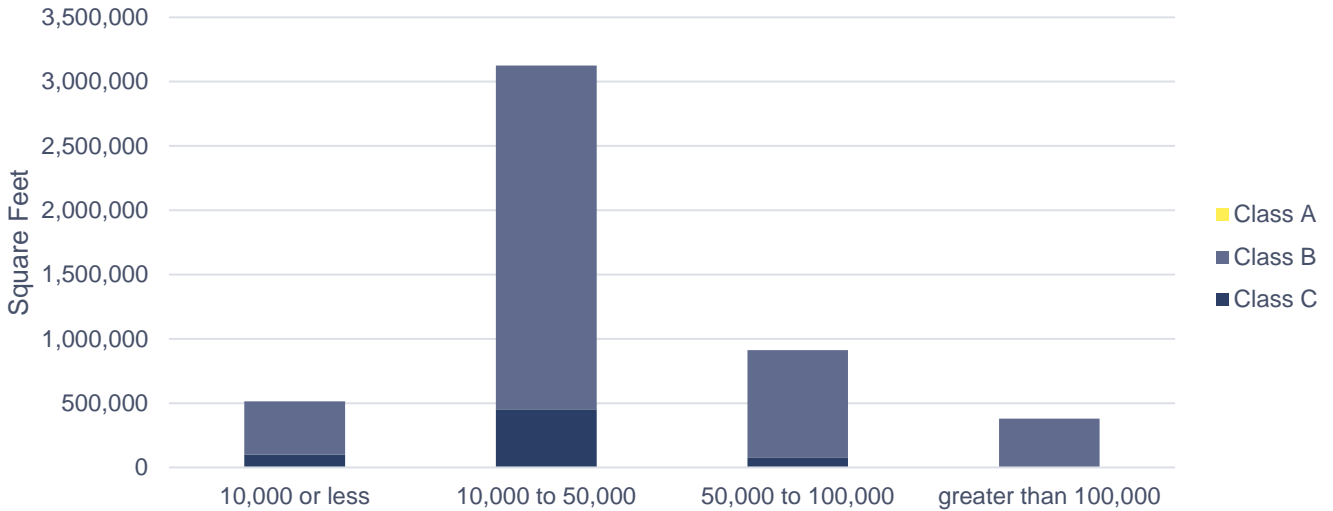
Source: CoStar (2022), Savills (2022)

4.6. There Are No Class A Units of Large Premises (Or Any Premises!)

4.6.1. **Figure 4.3** shows the lack of Class A industrial stock in the PMA, including amongst large premises.



Figure 4.3 Quality of Industrial Stock by Size Categories

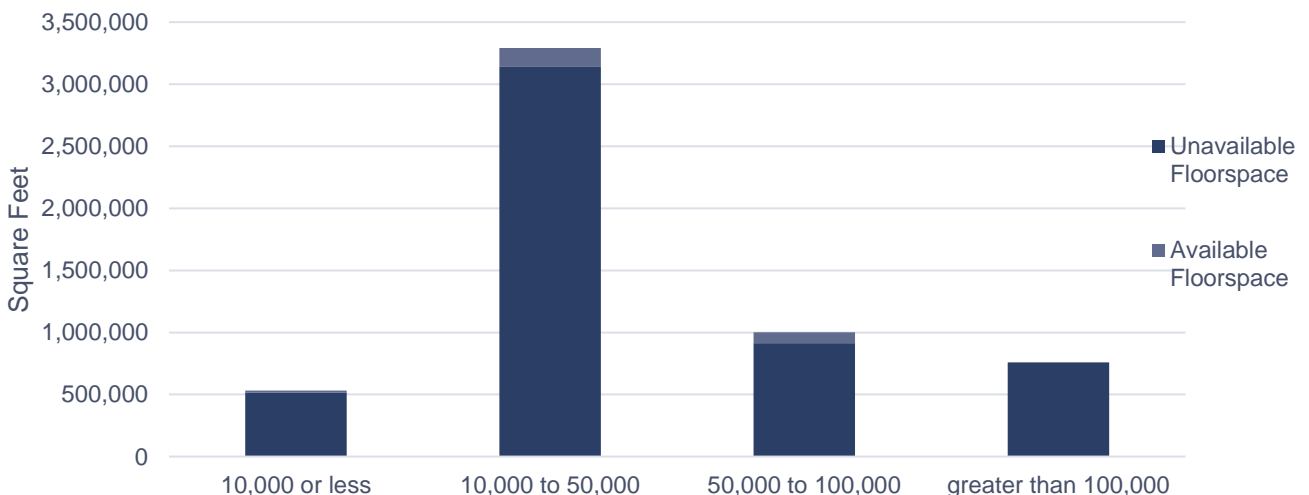


Source: CoStar (2022), Savills (2022)

4.7. There is No Availability of Large Premises in the PMA

4.7.1. **Figure 4.4** presents available floorspace in the PMA by size category. Whereas vacant premises refer to buildings that are unoccupied, available floorspace combines vacant floorspace with occupied floorspace that is available for letting. For occupied floorspace, the tenant’s lease is soon to expire or the tenant will vacate the premises imminently due to financial duress or some other circumstance. There is no available floorspace in the large unit size category.

Figure 4.4 Available Floorspace by Size Categories in the PMA (2022 YTD)



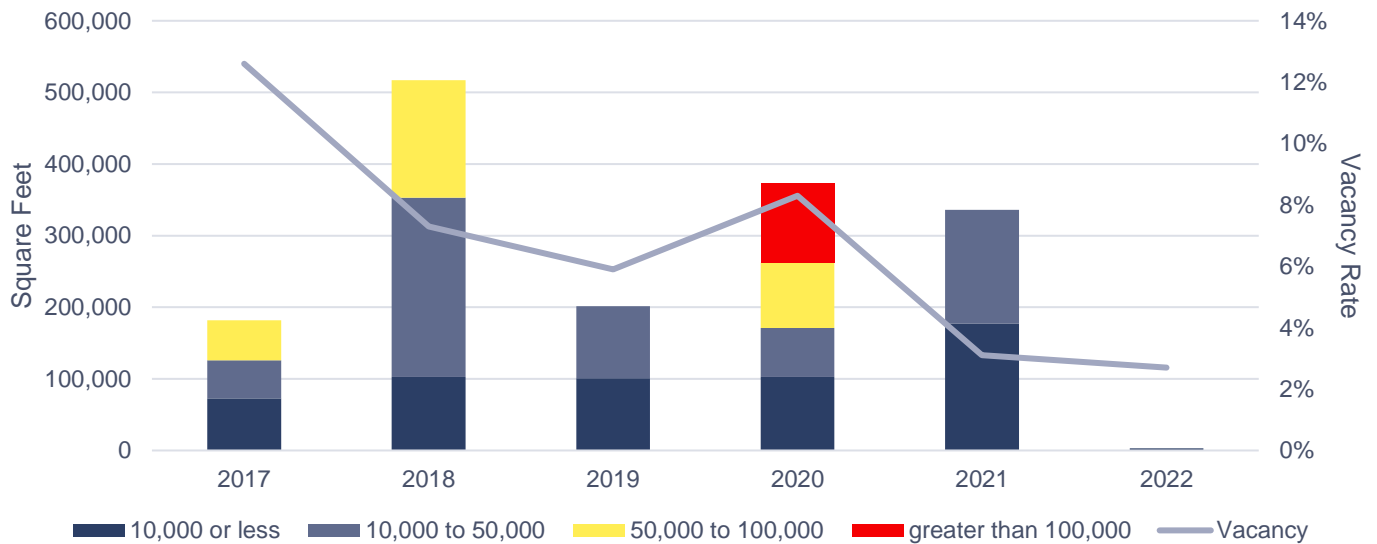
Source: CoStar (2022), Savills (2022)

4.8. Demand in the PMA Has Been Strong Despite Limited Supply

4.8.1. Net absorption is an indicator of demand. **Figure 4.5** shows that demand for units has been relatively strong

in spite of the constrained supply, with more than a half of absorbed floorspace in 2020 comprising units over 50,000 sqft and more than a quarter comprising large units over 100,000 sqft. This dynamic was accompanied by steadily falling vacancy.

Figure 4.5 Absorption by Size Categories in the PMA (2017-2021)

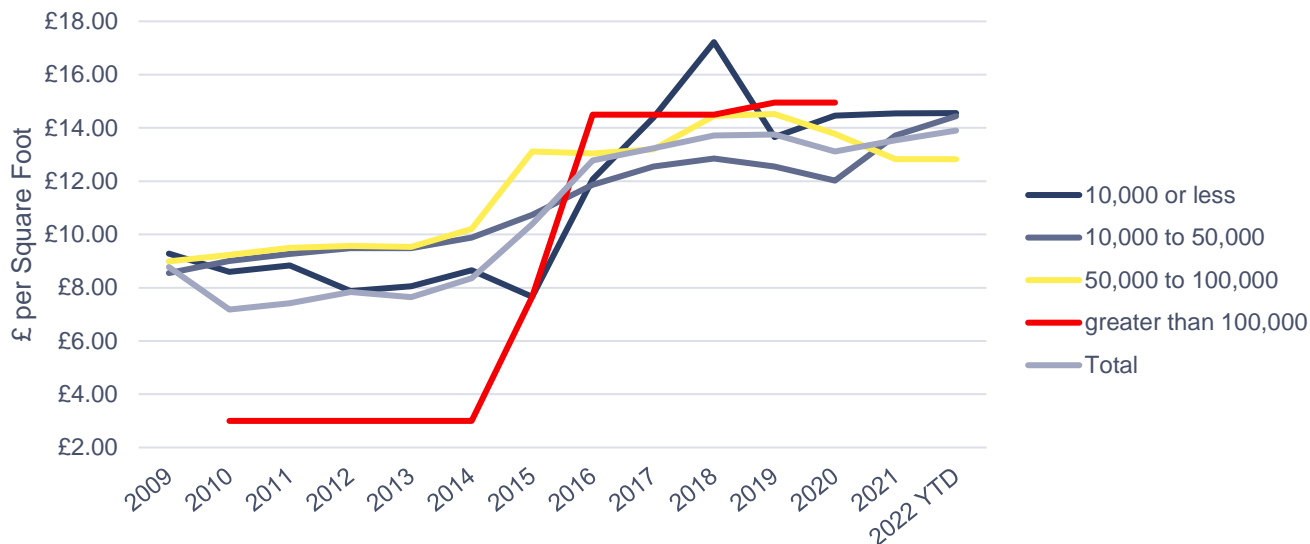


Source: CoStar (2022), Savills (2022)

4.9. Particularly Strong Rental Growth In the Large Premises Element of the PMA

4.9.1. Rental levels are an important indicator of demand. **Figure 4.6** shows that rent values for large units grew significantly faster than the rest of the market. Typically larger properties have lower rental values on a per sqft basis. The opposite situation is observed in the PMA which indicates particularly strong demand for large buildings against the backdrop of very limited supply.

Figure 4.6 Average Asking Rent by Size Category in PMA



Source: CoStar (2022), Savills (2022)

4.10. Conclusions

4.10.1. This chapter has the following key findings:

- The site's PMA is largely defined by its access to the strategic road network that includes the M25 and M3.
- The PMA generally and the large industrial segment in particular have lower vacancy rates as compared to the wider region. The large industrial segment is disproportionately supply-constrained.
- Only one large industrial building was delivered in the PMA in the last decade.
- The quality of the stock in the PMA is of average or below average quality. There are no Class A premises including in the large premises segment.
- There has been strong rental growth in the large premises part of the market. Unusually, rental levels are highest amongst large premises.

5. Conclusions

- 5.1.1. This report provides evidence to inform the decision about how Weybridge Business Park could be redeveloped to address the most pressing need of the industrial market in the PMA. That is for the delivery of Building 100 which is a single large premises (defined as being greater than 100,000 sqft) for which there is an acute shortage.
- 5.1.2. Given Weybridge Business Park's strategic location, the redevelopment of the site is ideally suited for a large premises that will make optimal economic use of the site and exploit its access to the strategic road network.
- 5.1.3. It would also address the macroeconomic forces that have dramatically increased demand for large premises. These forces (which include e-commerce, globalisation and the increased requirements for efficient and flexible premises), combined with a limited supply of employment land, have left Runnymede and its wider PMA with no availability in the large unit element of its industrial market.
- 5.1.4. This report's conclusion is unambiguous. The redevelopment option that delivers Building 100 as a large unit of 160,000 sqft is most appropriate.