

APPENDIX 5: JLL MARKET REPORT 2020

April 2020

Dear Mr Gardner,

Omega Zone 8, St Helens

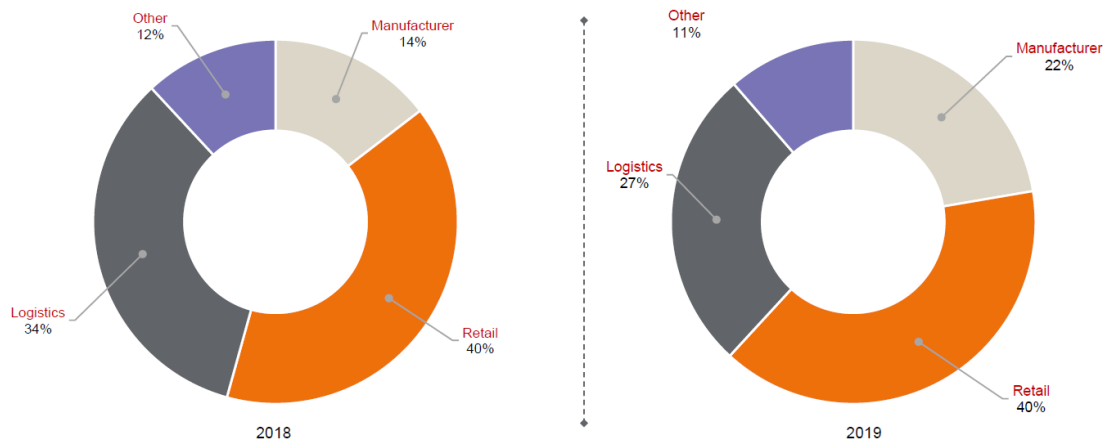
As requested, I have pleasure in outlining our current thoughts and recommendations in relation to market requirements and specification for the above site with an overview of the north west market. This report considers the merits of the site as an industrial and logistics location in both a local and regional context for units over 100,000 sq. ft.

Executive summary

- North West take up of Grade A space over the last ten years has varied reflecting the socio-political and economic conditions and averages c2.3m sq. ft per annum.
- St Helens has proven an attractive location with over 1,226,000 square feet of warehousing being taken up in three speculative and build to suit transactions in the last three years.
- Several large regional sites are built out – Omega, Warrington and Logistics North, Bolton.
- Sites of this size are developed out over a number of years which often includes periods of financial prosperity and recession. This results in a timescale that will vary depending on the size of the development site and the correlation between the stage in its development lifespan and the economic cycle.
- There are over 5 million sq. ft of requirements which would consider the site.
- The site adjoins Omega South, an established employment location of significant scale and will utilise its motorway access and infrastructure.
- Distribution and production units are becoming larger and require higher building heights to satisfy production, storage and automation.
- Automation delivers higher quality jobs in the maintenance of the automated handling systems whilst automation allows employees to undertake better quality roles.

General market summary

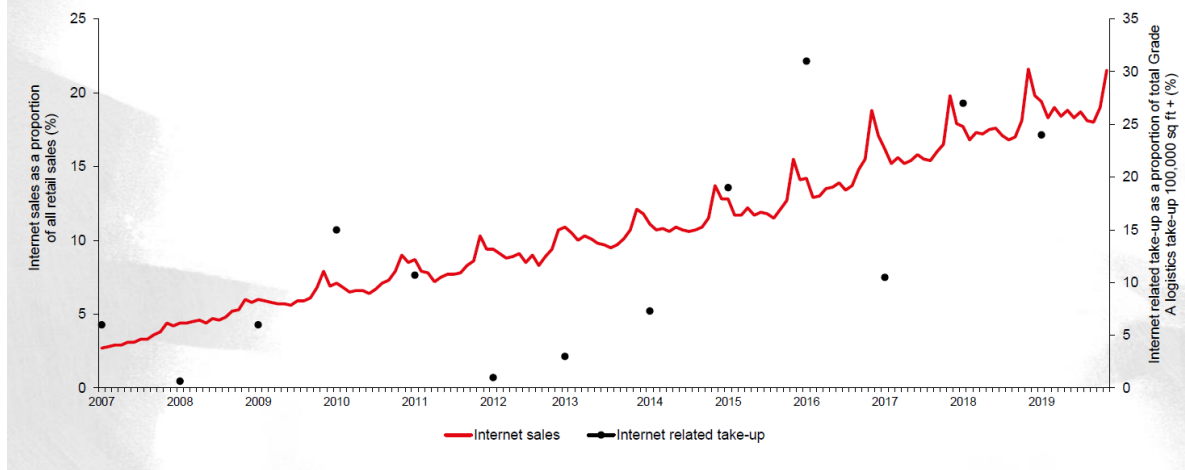
The national industrial and logistics market is characterised by a mixture of occupiers from the e-commerce; logistics and manufacturing sectors. The main driver for growth has been e-commerce/retail and the industrial sectors. The diagram below illustrates the sectoral change with retail/e-commerce remaining constant at 40% market share.



To put the overall market in context we must consider the evolving retail / e-commerce sector. This market has increased exponentially but due to changes in product handling and delivery strategies, acquisitions have been sporadic. The graph below highlights this.

Online sales and internet related logistics take-up

In 2019 approximately 24% of all Grade A logistics units taken up was for dedicated internet fulfilment



The demand for better specified buildings and sophisticated handling systems in the logistics and e-commerce sectors has resulted in the construction of large warehouse/ industrial units on a speculative or build to suit basis.

The increased building height enables companies to make a more efficient use of the building's cubic capacity, recent examples of increased building heights include:

• Asda, Omega South	630,000 sq. ft	30m
• Heinz, Wigan	96,000 sq. ft	30m
• Newcold, Wakefield Hub,	417,000 sq.ft	42m
• Ikea, Westmoor Park, Doncaster	1.3m sq.ft	35m (part)
• Coca Cola, Wakefield	775,000 sq.ft	40m (part)
• Aldi, Interlink South, Bardon	1.2m sq. ft	Proposed 30m
• Amazon Magna Park	574,000 sq.ft	21m

The above examples show the increased building heights that are required by businesses. These are usually driven by the automation of part of the facility and the cost saving on building footprint.

North West

The North West market tends to mirror the national trends and makes up approximately 15% of the national market. The major factors that attract occupiers to a specific property/site are plot/building size, delivery timescale, access to a motorway intersection and labour availability.

In the North West since 2016 we estimate that the e-commerce sector has acquired approximately 5.69 million square feet of warehouse accommodation. The parcel delivery sector has taken a further 693,000 square feet and manufacturing approximately 1.03 million square feet. General warehousing has occupied a further 1.6 million square feet. The total speculative build/build to suit take up is approximately 8.3 million square feet since 2016.

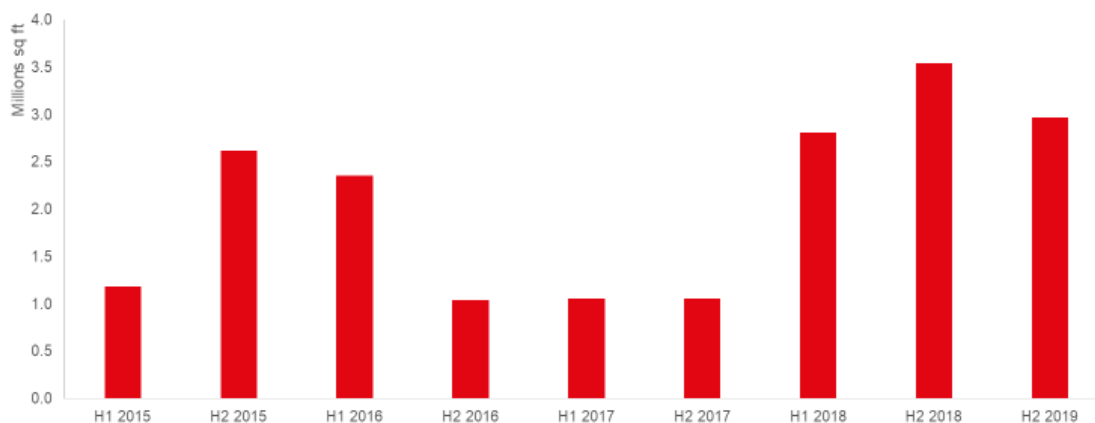
Amazon have acquired 1.97 million square feet in the North West since 2016. 465,000 square feet has been acquired in the last 18 months at M6 Major, Haydock (365,000 sq. ft) and a build to suit at Deeside (100,000 sq. ft.). We are aware of additional requirements for the retail and e-commerce sectors as part of their longer-term strategies with the changing retail marketplace.

Supply

The five-year supply is shown in the chart below. Over the five-year period the supply has varied from c 1 m sq. ft to 3.5million sq. ft. This reflects the number of starts on site in specific years and lease expiries post-recession in 2018. At the end of 2019 there was approximately 3m sq. ft of Grade A accommodation available.

Grade A available supply in North West

Involving units of 100,000 sq ft and over



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At the end of March 2020 there was approximately 2.623 million square feet of speculatively built units completed or under construction and a further existing Grade A supply of 702,000 sq. ft.

Type	Total sq. ft	Number of Units
Available units 10 units	1,739,000 sq. ft	10
Under construction 5 units	884,000 sq. ft	5
Grade A units	702,000 sq. ft	3
Total	3, 325,000 sq. ft	18

In terms of available supply of units over 100,000 sq. ft there are ten speculatively built units available in the size range 107,000 to 375,000 sq. ft.

Property	Size (sq. ft)	Comment
375 @ Logistics North, Bolton	375,000	Available
Venus 217 Knowsley	217,000	Available
Kingsway 216, Rochdale	216,000	Available

4 Mountpark Omega Warrington	184,000	Available
Multiply Logistics Nth. Bolton	149,198	Available
H2 Heywood Distribution Park	146,000	Under offer
Aviator Park, Ellesmere Port	125,000	Available
Q110, Crewe	110,000	Under offer
Academy BP, Knowsley	110,000	Available
Liberty Park, Widnes	107,000	Available
Total	1,739,000	

Units under construction

There are a further five units under construction in the size range 103,000 sq. ft to 308,000 sq. ft as listed below

Unit 1 Mountpark Omega Phase 2	308,000	PC December 2020
Unit 2 Mountpark Omega Phase 2	203,000	PC December 2020
Icon 138, Mcr Airport	138,000	PC June 2020 Under offer
Eclipse, Irlam	132,000	PC July 2020
Carrington Gateway, Carrington	103,000	PC June 2020
Total	884,000	

Grade A Supply

Link 6/56, Stretton Green	145,000	Available
Frazer Place, Trafford Park	207,000	Available
Martland 350, Wigan	350,000	Available July 2020
Total	702,000	

The three buildings that are under offer are all speculative build. If these buildings are excluded this would reduce the speculative supply by 394,000 sq. ft to 2.229m sq. ft.

From the above you will note that none of these buildings are located within St. Helens Borough Council administrative area.

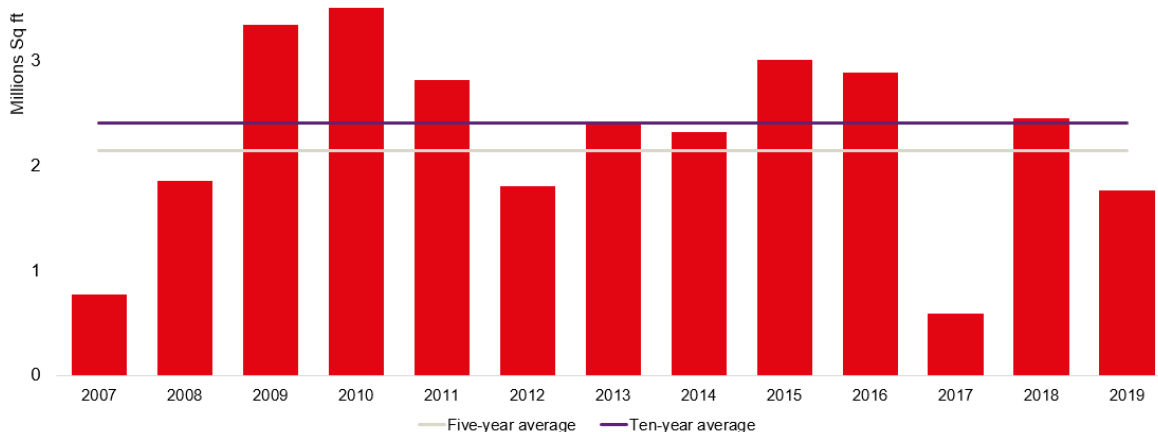
Take up

The chart below shows the Grade A take up since 2007. The ten-year average is c2.3m sq. ft with the five-year average c2.1m sq. ft. The volatility of the market due to Brexit and more recently the General Election has resulted in a lower five-year average.

Take-up in the North West



Grade A take-up involving units of 100,000 sq ft and over

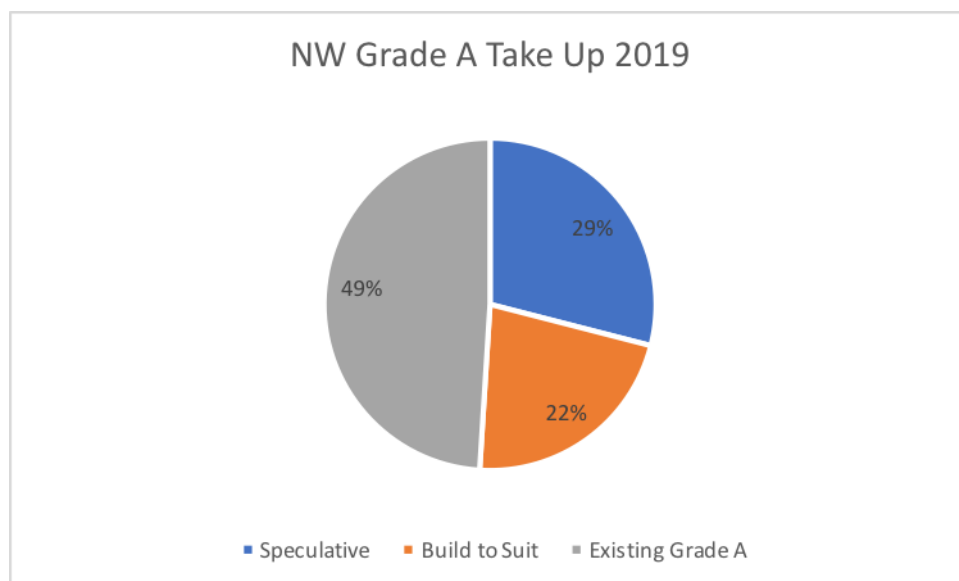


Take up in Q1 2020 is

- Kellogg's 523,500 sq. ft at M6 Major, Haydock (let 6 months after practical completion)
- Swizzells 158,000 sq. ft facility (build to suit) on a site of c 35 acres for expansion

Take up in 2019 included

- NWF/Boughey Distribution - 237,000 sq. ft at Crewe 240, Crewe Commercial Park
- The Delivery Group 137,865 sq. ft at Omega Mountpark, Warrington
- MBDA 120,000 sq. ft at Frontier Park, Blackburn
- Alpha LSG 102,500 sq. ft at Icon, Manchester Airport
- HUT Group 168,000 sq. ft at Manchester Airport
- DNata 145,000 sq. ft at Manchester Airport
- Movianto 152,000 sq. ft Runcorn
- Honeywell 210,000 sq. ft at Pioneer 210



Take up of Grade A accommodation in 2019 was 1,720,500 sq. ft focussed mainly on existing buildings. This was due to a number of short to medium term requirements due to stockpiling and the uncertainty created by Brexit related issues. Over 850,000 sq. ft or 49% of take up was existing/second-hand Grade A accommodation as shown on the chart below.

The total immediately available Grade A supply is 2,441,000 sq ft (speculative stock 1,739,000 and existing Grade A stock 702,000 sq ft). Based on the last years take up of 1,720,500 this would equate to 1.42 years supply. Based on the 5 year average take up of 2.1m sq.ft. this would equate to 14 months supply.

If the built units that are under offer are excluded this would reduce the supply to 2,185,000 sq ft. Based on last years take up of 1,720,500 sq ft this would equate to 1.27 years supply. . Based on the 5 year average take up of 2.1m sq.ft. this would equate to 12 months supply.

Requirements

There are over 5 million sq ft of active requirements for Grade A or build to suit which the subject site could satisfy based on a geographic or size criteria. These are listed below by agent if confidential or occupier name.

TJ Morris	800,000 sq. ft	Build to suit
Colliers	400,000 sq. ft	Build to suit or existing unit. Prefer cross docked unit
CBRE	500,000 sq. ft	Build to suit specific
Lambert Smith Hampton	450,000 - 600,000 sq. ft/ 25 – 35 acres	Build to suit
Cushman &	130,000 sq. ft	Build to suit or existing unit

Wakefield		
Avison Young	500,000 – 1,000,000 sq. ft	Build to suit or existing unit
Avison Young	250,000 – 375,000 sq. ft	Build to suit or existing unit. 24m eaves red for smaller size unit
Vail Williams	350,000 – 400,000 sq. ft	Build to suit or existing unit
CBRE	150,000 – 200,000 sq. ft	Build to suit or existing unit
Gerald Eve/JLR	300,000 sq. ft	Build to suit – cross loading
Savills	300,000 sq. ft	Build to suit - part chilled
JLL	100,000 – 200,000 sq. ft	Existing building or under construction
Savills	100,000 – 150,000 sq. ft	Existing building or under construction
JLL	150,000 – 250,000 sq. ft	Existing building
CBRE	300,000 – 400,000	Existing building
Davies Harrison	200,000 – 300,000 sq. ft	Existing building

The schedule highlights the strong demand in the North West for units in excess of 100,000 sq. ft. The majority of the existing building requirements need to be satisfied in the next 6 – 12 months. The build to suit requirements usually have a longer timescale of 18 – 24 months.

The main criteria for any build to suit is certainty on the delivery of a fully serviced site where an implementable planning consent can or has been granted. Examples of this include: -

- Florida Farm, Haydock
- Omega, Warrington
- Logistics North, Bolton
- Kingsway Business Park, Rochdale
- Matrix/Revolution Park, Chorley
- Liverpool International Business Park

These sites have all had significant success.

- Florida Farm - is virtually built out with units for Amazon (360,000 sq. ft) and Kellogg's (523,500 sq. ft). The scheme was part pre let to Amazon and the speculative unit was let within 6 months of practical completion.

- Omega South - the last phase of Omega South is being built out.
- Logistics North – there is one site available which can accommodate a single unit of up to 130,000 sq. ft.
- Kingsway – there are several sites available, the maximum building size is 250,000– 275,000,000 sq. ft
- Matrix/Revolution Park, Chorley – the site is fully built out.
- Liverpool International Business Park – there are several sites remaining available

The Subject Site

Given the level of demand we are confident that a large number of occupiers would consider the site as it

- can deliver large floorplate buildings
- has excellent motorway access and
- has access to a large labour supply within a 30-minute drive time.

This puts the site in a regional context due to the limited availability of sites which can accommodate units in excess of 300,000 sq. ft.

Target Market - the target market for the site is;

- National and regional logistics/distribution companies
- Retailers and e-commerce companies
- Major regional and national companies already located in the area
- Port related companies - access to Liverpool 2/Atlantic Gateway

Delivery - the site is in the control of a recognised developer who has the expertise and funding to deliver the serviced site to end users. This is an important factor as it delivers certainty to the occupier.

Conclusions

Omega Zone 8 is a key site for the delivery of logistics/industrial units in the region. It benefits from excellent motorway access and can accommodate a range of unit sizes to satisfy local and regional requirements, although it is expected that the minimum unit size will be c 300,000 sq.ft in response to a lack of alternative, available options in the region.

The build to suit market has become more sophisticated with occupier requirements being more specific in terms of layout, size and building height. There is still a need for speculatively institutionally built units for occupiers whose timescales will not allow build to suit. The site is large enough to accommodate both.

There are few sites in the North West that can offer plots in excess of 300,000 sq. ft. Omega Zone 8 is able to provide a number of plots capable of accommodating units in excess of this floor area. From the requirements that have been highlighted there would be demand for the site on both a build to suit and speculative basis.



The site can offer opportunities for various employment sectors other than warehousing including advanced manufacturing, automotive, food and engineering sectors.

Given the prevailing market conditions there are several short-term factors affecting the market. The logistics/manufacturing sectors are more resilient, which means, given the size of the site that it is expected to take up to five years to develop the site out based on other examples such as Omega and Logistics North. This is a reason to ensure that there are deliverable sites available to the market to assist the regional/sub-regional economy with recovery.

I trust this letter provides you with a comprehensive update of the industrial/logistics market for your purposes

Yours sincerely

Andrew Pexton

Director – UK Industrial & Logistics Agency