

BNP Paribas Real Estate Jersey

Light industry Report

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Introduction

- In July 2003a report entitled “A briefing on the industrial property market” was prepared by Mr Simon Buckley of messrs Cushman & Wakefield Healey & Baker for the Environment and Public Services Committee. The report included the following comment:

“there continues to be a considerable shortage in supply of industrial buildings to satisfy the growing occupier demand. The trend seems set to continue until new purpose built space is provided but due to a restricted planning regime and competing land uses it is difficult to see where the opportunity to develop will come from”

- On the 22nd January 2004, following the receipt of a report dated 14th January 2004 from Mr P Thorne, Director of Planning and Building Services, the Environment and Public Services Committee agreed the following:

“that those seeking industrial premises in the foreseeable future be advised to consider redundant agricultural buildings. The committee also agreed that a collaborative effort between the Policy and Resources Committee and Finance and Economics Committee was required to ensure that future industrial requirements were met in a timely manner”

- On the 1st June 2004, Deputy Patrick Ryan of the Economic Development Committee Construction Industry Board wrote to Peter Le Gresley, Assistant Director of Development Control and the letter contained the following comment:

“The Construction Industry Board at its meeting on the 21st May 2004, considered the availability of industrial workspace being made available to small industry related contractors. The Board believed that there was an insufficient supply of light industrial workspace available at present.”

- Previously, as mentioned above, the States had pursued a policy of encouraging the change of use of redundant agricultural buildings to try and meet some of the supply imbalance. However much of the accommodation was either poorly located or of a standard unsuitable for anything other than dry storage. It should also be noted that the “Potato Wars” of the past 12 to 18 months has led to a surge in demand for agricultural buildings and particularly for new purpose-built facilities. This is therefore not a viable long-term option.
- The report below sets out our understanding of the light industrial / warehousing market at present, bearing in mind current Planning Policy as set out in the 2002 Island Plan, our knowledge of the level of demand through the marketing of Phase I of Haut du Mont Park in 2007 and the results of surveys undertaken by the Jersey Chamber of Commerce in December 2006 and May 2008 and current observations on the market.

General Background

- At present we estimate that the current stock of industrial accommodation is in the region of 1.5 million sq.ft (139,354 sq.m). This is situated on a diverse array of sites throughout the Island with the main locations being La Collette, Albert Pier, Rue des Pres, St Peter’s Technical Park, Landes du Marche, Pallots,

Springside and Normans at Commercial Buildings and Five Oaks. In addition to the aforementioned there are a number of smaller secondary locations such as Thistlegrove, Plat Douet and the Barrettes site in St John.

- The quality of the existing stock ranges considerably from new purpose built accommodation with high eaves and good access at La Collette to converted poor quality farm buildings. Much of the existing stock has evolved over the years and is now constrained by Planning or geographical restrictions. Many of the sites therefore suffer from very poor circulation and parking provision. Access to the sites is also poor and indeed undesirable particularly for larger vehicles where premises are situated in rural areas.
- Rentals for good quality warehouse / light industrial accommodation are currently in the region of £8.50 to £9.00 per sq.ft. Rentals for the top quality accommodation in prime locations such as La Collette and around the Albert Pier are in the region of £10.00 to £12.00 per sq.ft. Rental inflation over the past 5 years has been high and commensurate with the current strong demand and lack of supply particularly for the best quality accommodation.

Summary

THE QUALITY OF THE EXISTING INDUSTRIAL STOCK VARIES CONSIDERABLY BUT MUCH OF IT SUFFERS FROM PHYSICAL OR GEOGRAPHICAL CONSTRAINTS. PARTICULAR PROBLEMS ARE POOR QUALITY BUILDINGS, POOR ACCESS AND LACK OF AMENITY SPACE.

Planning Background

- At the time the Island Plan was published in July 2002 it was noted that there were requirements for some 25,000 sq.m or (270,000 sq.ft) of "industrial floor space". Therefore since the adoption of the Island Plan, the level of demand remained fairly constant and had not been reduced by a significant proportion up to 2007.
- It is clear that the current global economic situation and decline in demand from the fulfilment sector has led to a reduction in the current overall level of demand but we believe that this is a short term phenomenon and the underlying level of demand will remain strong particularly from occupiers wishing to relocate from unsuitable sites and premises.
- It was highlighted in the 2002 Island Plan that to assist with the relocation of businesses from the town centre in order to release land for housing and other more appropriate uses, there may be a requirement for a further 17.4 acres or 7.04 hectares of industrial land. Based on an approximate ratio of floor space to site area of 1:2 this would equate to a further 379,000 sq.ft (35,210 sq.m) of industrial accommodation.

Summary

THE 2002 ISLAND PLAN HIGHLIGHTED A REQUIREMENT FOR 270,000 SQ.FT OF "INDUSTRIAL FLOOR SPACE" AND THIS REMAINED CONSTANT UP UNTIL 2007. DEMAND HAS REDUCED OVER THE PAST 12-18 MONTHS BUT IT IS BELIEVED THAT THIS IS A SHORT TERM PHENOMENON.

Actual Requirements

- During the first half of 2007 there were requirements from some 27 named parties for light industrial / warehousing accommodation totalling some 250,000 sq.ft. It should be noted that not all of the applicants had actually specified a size requirement and this figure was therefore a conservative estimate.
- The approximate size ranges of the above requirements were as follows:

Size Range (Sq.ft)	
20,000 +	55.00%
10,000 to 19,999	12.00%
5,000 to 9,999	28.00%
1,000 to 4,999	5.00%
Total	100.00%

- It was clear from the above that the bulk of the interest was for accommodation in excess of 20,000 sq.ft and for accommodation in the 5,000 to 9,999 sq.ft range. In particular we can confirm that all of the parties with larger space requirements had specific interest in Haut du Mont Park because there is no other space available or in the pipeline which can meet their requirements. Haut du Mont ultimately never came to fruition as it remained in an agricultural use.
- There was anecdotal evidence that demand was particularly strong for premises suitable for “start-up” businesses in the 1,000 sq.ft to 5,000 sq.ft size category and we believe that this remains the case. It is believed that the provision of such smaller units is important to retain diversity in the local economy. We also believe that there remains strong demand for accommodation for archiving and disaster recovery.
- Any future developments should be planned with flexibility to provide units from 1,000 sq.ft up to 25,000 sq.ft

Summary

IN THE FIRST HALF OF 2007 THERE WERE REQUIREMENTS FROM 27 PARTIES WHICH CONSERVATIVELY TOTALS 250,000 SQ.FT. A SIGNIFICANT PROPORTION OF THESE REQUIREMENTS WAS FOR PREMISES IN EXCESS OF 20,000 SQ.FT OF WHICH THERE ARE NONE CURRENTLY AVAILABLE.

Demand Information

- In early 2007 we were aware of requirements for approximately 250,000 sq.ft (23,225 sq.m) of light industrial accommodation. This demand ranged for accommodation from 3,000 sq.ft (278 sq.m) upwards. See section above.
- At present there are unsatisfied requirements for up to some 125,000 sq.ft of warehousing and light industrial accommodation.

- The current level of demand represents approximately 8.3% of the total light industrial / warehousing stock.
- Based on an approximate ratio of floor space to site area of 1:2 the current level of demand equates to approximately 5.73 acres or 2.32 hectares of land. We have disregarded the requirements referred to above in “Planning Background” to relocate undesirable uses from the centre of St Helier to allow for regeneration of these areas.
- The majority of the current demand is being driven by businesses wishing to expand or obtain improved operational capabilities through the use of more efficient premises. Almost without exception the occupiers seeking accommodation require:
 1. Internal eaves height of 8 meters or more to achieve the best possible cubic capacity.
 2. Premises should be of a clear span portal frame construction with, insulated external cladding and a floor slab capable of supporting a loading of 50 kn / sq.m or 1,000lb / sq.ft
 3. Loading doors of approximately 4.8m x 4m.
 4. Location close to St Helier and with good road access.
 5. Good car parking, circulation and access for larger vehicles.
- As mentioned above key considerations for any new development are ease of access and access to a main transport artery, ease of on site circulation and car parking and provision of suitable power and data infrastructure.

Summary

IT IS IMPORTANT THAT ANY NEW ACCOMMODATION IS WELL LOCATED AND WELL SPECIFIED TO MEET THE NEEDS OF MODERN OCCUPIERS.

Chamber of Commerce Surveys

- A survey was conducted of the membership of the Jersey Chamber of Commerce in December 2006. 48 parties responded to this and of this, 22 had requirements for additional storage or light industrial facilities. 58% of the respondents had a requirement for “general warehousing” and 17% for “light industrial”.
- 22% of the respondents have been looking for accommodation for over one year.
- The survey was slightly inconclusive as to the exact requirements of the parties and so it is difficult to use this confirm the BDP requirement figures provided at this time. The analysis of the Chamber of Commerce figures is as follows:

Less than 1,000 sq.ft	29%
1,000 to 5,000 sq.ft	50%
5,000 to 10,000 sq.ft	13%
10,000 to 20,000 sq.ft	4%
Over 20,000 sq.ft	4%

- The survey posed the question “to what extent do you agree that the existing provisions within the Island Plan are restricting access to appropriate facilities to meet your requirements?” 62% of the respondents either agreed or generally agreed with this statement.
- The survey also posed the question “what impact is the lack of available facilities having on the ability of your business to develop?” 15% of the respondents stated that the lack of facilities was having a “major impact” and 31% stated that the lack of facilities was having an “impact”.
- A further survey was conducted by way of an update in May 2008 by the Chamber of Commerce albeit the response was limited with only 15 replies (as compared to 48 in the 2006 survey). Of the respondents to this some 43% of the respondents had been looking for suitable premises for over a year compared to 22% in the previous survey.
- It was furthermore noted that some 35% of requirements was for premises in the 1,000 sq.ft to 5,000 sq.ft range and 35% for premises in the 5,000 sq.ft to 10,000 sq.ft range.
- Finally almost 79% of the respondents claimed that lack of available facilities was either having a “Major Impact” or “Some Impact” on the ability of their business to develop.

Summary

IN RESPONSE TO A CHAMBER OF COMMERCE SURVEY IN DECEMBER 2006 22% OF RESPONDENTS STATED THAT THEY HAD BEEN SEEKING PREMISES FOR OVER 1 YEAR AND IN MAY 2008 THIS HAD INCREASED TO 43%, 62% AGREED THAT THE PROVISIONS OF THE EXISTING ISLAND PLAN WERE RESTRICTING ACCESS TO APPROPRIATE FACILITIES TO MEET THEIR REQUIREMENTS AND IN DECEMBER 2006 46% STATED THAT THE LACK OF AVAILABLE FACILITIES WAS HAVING A NEGATIVE IMPACT ON THE DEVELOPMENT OF THEIR BUSINESS AND IN 2008 THIS INCREASED TO 79%.