



BLACK COUNTRY INDUSTRIAL & WAREHOUSING MARKET ASSESSMENT

On behalf of:

CWC Group



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1.0 INTRODUCTION

We have been asked to provide a market assessment on the suitability on a proposed employment site at Wall Heath, Kingswinford, commentating on levels of likely demand and current supply. In this report we provide:

- A brief overview of Harris Lamb
- Our suitability to provide this advice.
- Information about the site
- Demand and supply information
- Market commentary
- Our view on site suitability

Harris Lamb Property Consultancy:

Harris Lamb was established in Birmingham in 1992 as a specialist industrial and logistics agency. In the early years many of the practice clients were occupiers and corporate businesses. Over time the business has evolved, driven by an ethos of both hard work and honest advice which is embedded in all our staff. This has in turn led to our strong board presence, robust occupier database and recognised enquiry dominance. The result of which is more and more property owners, in whatever guise (property companies, developers, funds, manufacturers and distributors) seek to use Harris Lambs services. Harris Lamb now has 85 staff across six offices in Birmingham, Dudley, Nottingham, Telford, Worcester and Stoke-on-Trent.

Harris Lamb has 12 dedicated industrial agents making it the largest agency team in the Midlands who, combined have in excess of 200 years of experience across all sectors gained in both good and challenging markets. The range of skills across the practice and geographical coverage provide a good awareness of what is driving each market at any one time and the competition. This enables us to provide proactive, not reactive, advice to clients.

THE FACTS:

- Recognised by EGi as the West Midlands most active industrial agent for eight consecutive years.
- Recognised by Costar as the most active industrial agent in the Midlands.
- Transacted over 4.5 million sq.ft. in the last 12 months.
- Expansion into the East Midlands commercial market with the opening of the Nottingham office.
- Our award-winning team act for some of the largest plc's, developers and property owners in the UK



2.0 THE SITE

The site is located on the edge of Wall Heath, Kingswinford which is circa 6 miles (9 km) west of Dudley Town Centre. The site extends to approximately 176 acres (71.2 hectares). Whilst the site is located within South Staffordshire District, it is located immediately adjacent to the edge of Dudley Metropolitan Borough which is part of the Black Country where there is a substantial and outstanding requirement for employment land.

The property is within 2 miles (3 km) of the Pensnett Trading Estate which is one of the largest industrial estates in Europe.

In respect of Motorway connections, the site is within 12 miles (19 km) of Junction 2 of the M54 and 9 miles (15 km) of Junction 2 of the M5.

The site is within close proximity of the B4176 and the A449 Wolverhampton Road. The A449 provides a link between Wolverhampton to the north and Kidderminster to the south.



3.0 WALL HEATH MASTER PLAN DESCRIPTION

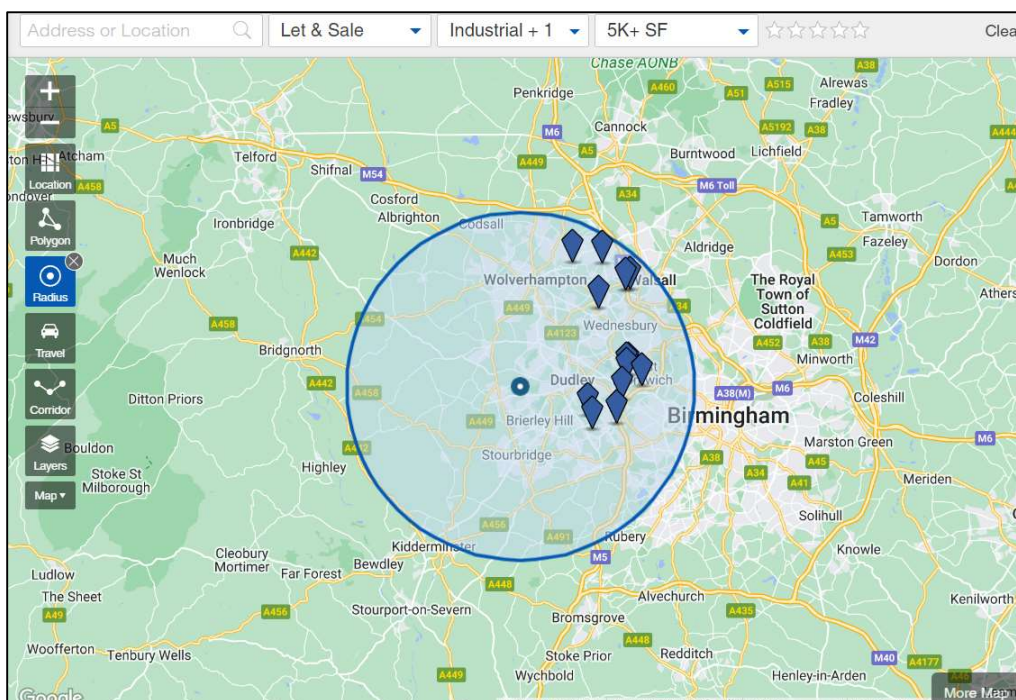
The proposed development comprises a range of warehouse/industrial accommodation. The accommodation will provide a range of units for a variety of occupiers in light industrial, general industrial and B8 warehousing use classes between c.5,000 sq.ft. (2,787 sq.m.) to 200,000 sq.ft. (18,580 sq.m.)

The proposed total floor area extends to approximately 913,250 sq.ft. (84,843.8 sq.m.) approx.

4.0 AVAILABLE INDUSTRIAL BUILDINGS SUPPLY WITHIN THE BLACK COUNTRY & SOUTH STAFFORDSHIRE

Using Costar, we have undertaken a search for available industrial properties (for sale and to let) from 5,000 sq.ft. and above (no limit) within 10 miles of Wall Heath.

The search indicated that there were only 13 properties available, however, 6 of these were new build development sites. The existing buildings are as follows.



- Cakemore Road, Rowley Regis

This is a new development extending to 52,888 sq.ft. which is being offered as smaller freehold properties from 6,641 sq.ft. at quoting figures of £130.00 per square foot for the freehold and £9.50 per square foot for rental. We are advised that there is one remaining unit available, which is about to go under offer.

- Crystal Drive, Smethwick B66 1QG

This comprises a small unit of 1,888 sq.ft. being offered at £9.95 per square foot.

- 41 Fountain Lane, Oldbury B69 3BH

This comprises an existing building of 31, 828 sq.ft. which has now been let.

- 3 Houghton Street, Oldbury B69 2BB

This comprises a 1970's building of 21,051 sq.ft with a prominent frontage to the A4034 Churchbridge Road being offered at a rent of £5.50 per square foot.

- Sapcote Trading Centre, Powke Lane, Cradley Heath B64 5QR

This is a compromised (poor access/estate roads) freehold property of 6,340 sq.ft. being offered to the market at offers in excess of £325,000. This is currently under offer.

- Spring Lane, Willenhall WV12 4HL

This comprises a refurbished building of 16,001 sq.ft. which has just been let at a rent of £5.75 per sq.ft.

- Waterfall Lane, Cradley Heath B64 6PS

This comprises 1970's office building of 14,322 sq.ft. being offered For Sale or To Let.

Looking at the search radius and results, it should be noted that all of the properties are within the Black Country. There are no results for properties within South Staffordshire.

Below is a table showing a number of the larger single ownerships, Black Country Industrial Estates within single ownership.

Unit Availability – Single Ownership Black Country Industrial Estates
(July 2022)

ESTATE	TOTAL SQ.FT. (SQ.M.)	AVAILABILITY SQ.FT.	PERCENTAGE OF TOTAL FLOOR AREA
Pensnett Estate, Kingswinford	2,557,007 (237,554)	Units of 9,652, 2,069, 53,490, 26,882, 7,259 Total: 99,352	4% This is the lowest it has been, and new development of speculative units has been undertaken due to the low availability.

Stourbridge Industrial Estate, Stourbridge	261,844 (24,330)	Fully Let	0%
Woods Bank Estate, Wednesbury	279,044 (25,924)	60,525, 52,670 Total: 113,195	41% (2 secondary units have just come back available).
Grazebrook Industrial Park, Dudley	410,652 (38,151)	New units of 1,946, 2,907, 3,506, 4,703, 5,870, 39,224, 15,995, 28,632 Total: 102,783	25% A new build development scheme, as the existing stock is fully occupied.
Izons Industrial Estate, Oldbury	122,624 (11,392)	No units available Small yard available	0%
Wellington Industrial Estate, Coseley	570,000 (52,955) excluding offices.	2 units totalling 30,033	5%
Bescot Estate, Walsall	415,731 (38,623)	Fully let	0%
Charles Street, West Bromwich	44,211 (4,107)	1 unit of 6,351	14%
Dunstall Hill, Wolverhampton	178,212 (16,556)	Fully let	0%
Hill Top Estate, West Bromwich	466,889 (43,375)	Fully let	0%
Parkway Business Park, Tipton	75,551 (7,019)	Fully let	0%
Springfield Estate, Oldbury	65,882 (6,121)	1 unit of 8,321	13%

Washington Centre, Netherton	196,000 (18,209)	Fully let	0%
City Estate, Cradley Heath	40,000 (3,716)	Fully let	0%
Britannia Park, Wednesbury	231,000 (21,461)	Fully let	0%
Old Forge Trading Estate, Stourbridge	100,000 (9,290)	Fully let	0%
Hayes Trading Estate, Stourbridge	222,500 (20,671)	1 unit of 15,537	7%

It should be noted that the Pensnett Trading Estate would provide the most direct competition to the subject site (when developed). At this point in time, the availability of industrial space on the Pensnett Trading Estate comprises only 4% of the total gross internal floor area of 2,557,000 sq.ft.(237,554 sq.m.) i.e., 102,280 sq.ft.(9,502 sq.m.)

Of the 17 estates detailed within the table, 10 of them are fully let and of the others, several have built new units to cater for the high demand and shortage of availability.

It is evident therefore that the table demonstrates there remains a substantial lack of commercial floor space available within the Black Country .

Historically, the voids within industrial estates are generally in excess of 10% . Landlords aim for availability around 7.5 – 10% for a well performing Estate. This enables occupiers to move within Estates, also allowing for an ongoing refurbishment and upgrading programme for the existing units. The low levels of void detailed above are unheard of in our lengthy experience.

5.0 VACANCY RATES WITHIN DUDLEY METROPOLITAN & SANDWELL METROPOLITAN BOROUGH COUNCIL, WOLVERHAMPTON CITY COUNCIL & WALSALL COUNCIL

We have contacted the Estates Teams within the above local Authorities in order to ascertain their information and views on the availability/ vacancy rates in industrial and warehousing property within their regions.

The published vacancy rates within Dudley, Sandwell, Wolverhampton, and Walsall Councils are as follows.

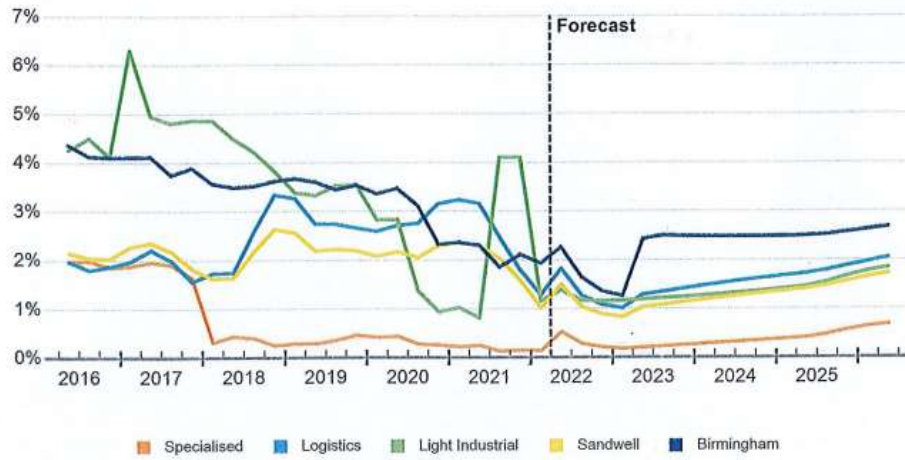
- Dudley M.B.C. – 1.7%
- Sandwell M.B.C. – 1.2%
- City of Wolverhampton – 1.7%
- Walsall Council – 2.5%

These are historically low levels. The forecast is for the vacancy levels to remain at or around the same levels.

Leasing

Sandwell Industrial

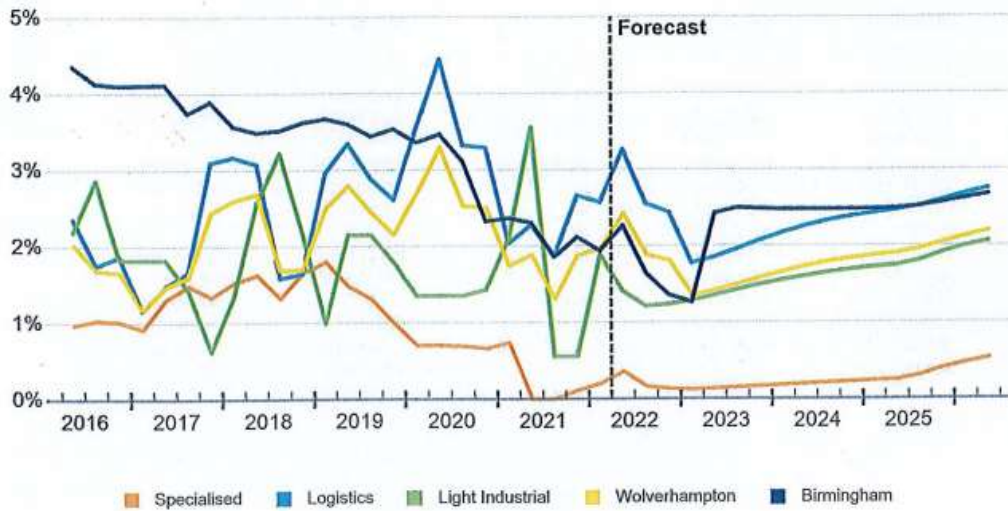
VACANCY RATE



Leasing

Wolverhampton Industrial

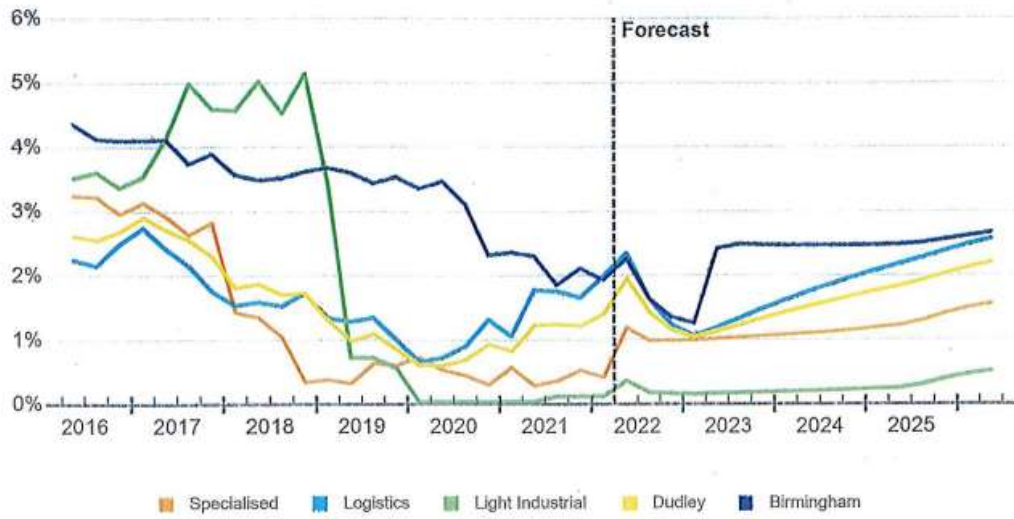
VACANCY RATE



Leasing

Dudley Industrial

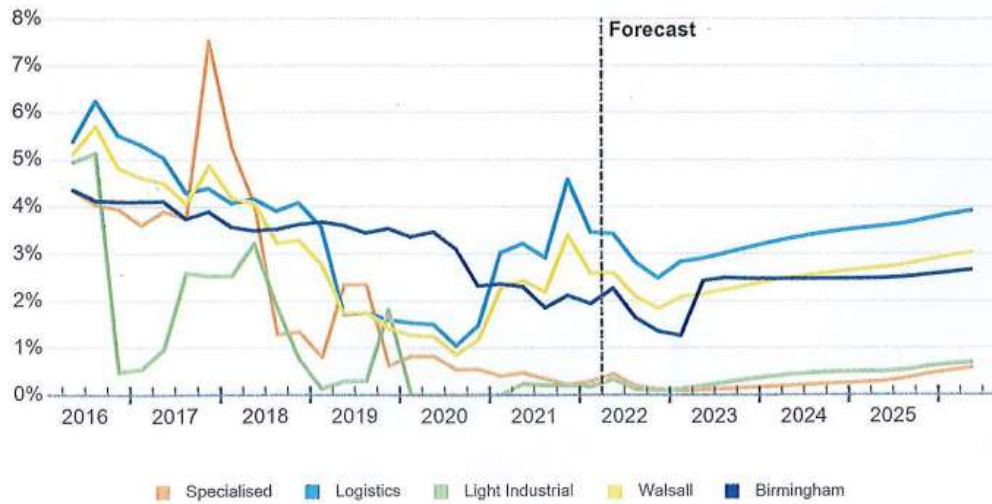
VACANCY RATE



Leasing

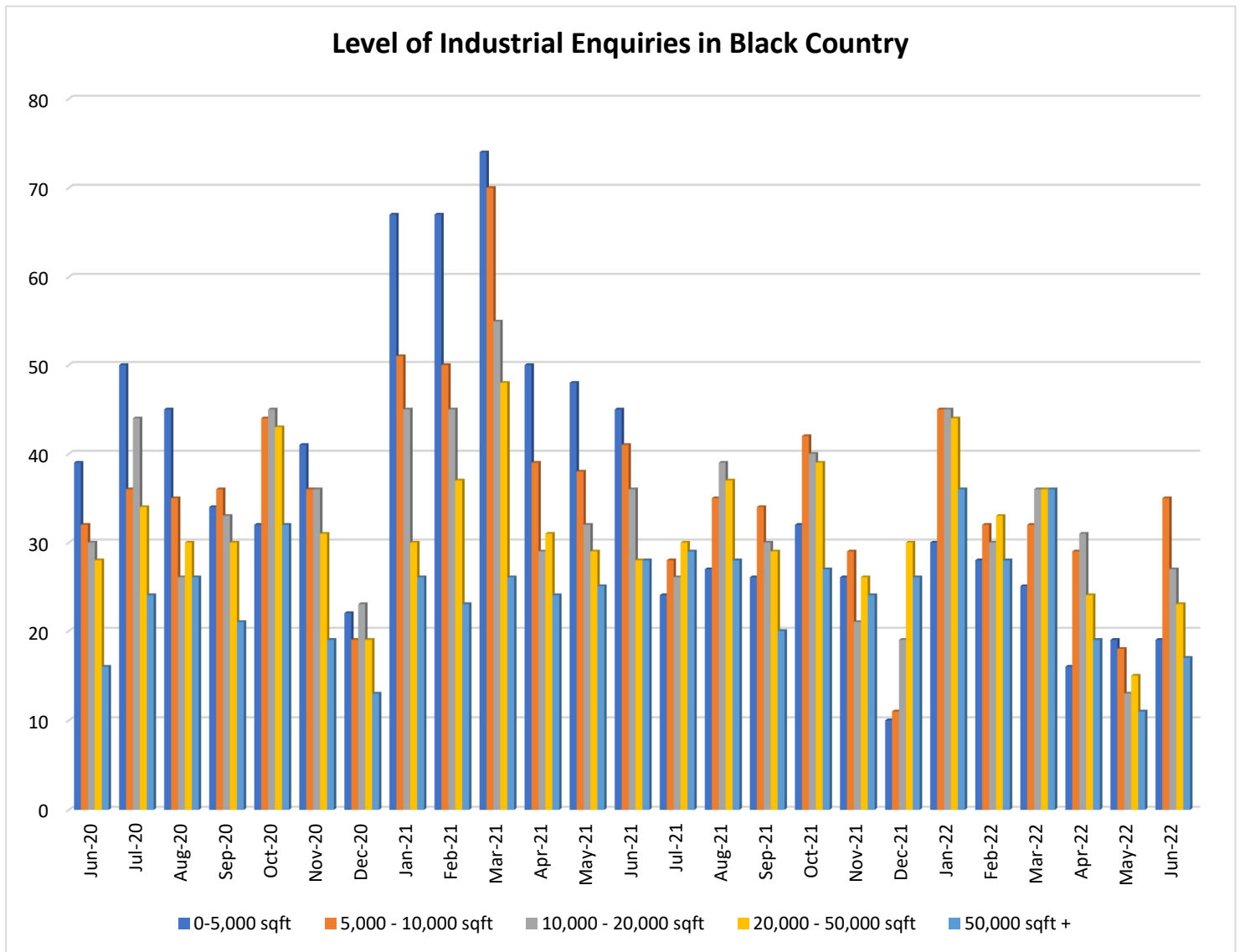
Walsall Industrial

VACANCY RATE



6.0 DEMAND

Please note the graph below which details the level of industrial enquiries for industrial space within the Black Country between June 2020 and June 2022. The graph clearly demonstrates that demand for commercial floorspace continues unabated.



Examples of current Black Country Commercial Space enquiries

OCCUPIER	AREA OF SEARCH	SIZE Sq.Ft.	COMMENTS
AWS Ltd	West Midlands	40,000 - 60,000	Looking for good quality. B8 Use. Q3 22 occupation
Kitchen Magic	West Midlands	40,000 - 60,000	Kitchen Refurbishment company. Based in Bham and assessing options.
Harris Lamb	West Midlands	60,000 - 100,000	B8 requirement for confidential client. Have multiple operations and looking to occupy single building
Continental Engineering Services	North Birmingham	50,000 - 70,000	Vehicle technology centre. Currently in 60,000sq.ft. @ Fradley Lichfield. Lease expiry in 15 months
NSK Fulfilment	West Midlands	30,000 - 100,000	Have multiple operations in Northampton. Looking for West Midlands depot. Looking to satisfy immediately.
Transervice Group	Black Country	30,000 - 60,000	Transport business. B8 use
Lyburn Supplies	Black Country	30,000 - 60,000	Suppliers of packaging products
HV Systems	Black Country	70,000 – 100,000	Scottish manufacturer of hydrogen powered HGV's/vans
Zeus Packaging	Black Country	60,000 – 100,000	Supplier of packaging to McDonalds
Knight Frank	North Birmingham/Black Country	60,000	On behalf of car manufacturer.

Examples of recent transactions include:

ADDRESS	SIZE Sq.Ft.	RENT	COMMENTS
Apex 54 Wolverhampton	67,884	£7.25	<ul style="list-style-type: none"> • New build with restricted B2 planning • 12m eaves • 2 dock/4 ground level doors • 8,000 sq. ft. 2 storey offices
Unit 3 Pioneer Park, Halesfield 18, Telford	40,000	£5.75	<ul style="list-style-type: none"> • New build • 9m eaves • Let to Sirane Ltd
Hawthorns 70 West Bromwich	70,280	£7.00	<ul style="list-style-type: none"> • New build • 5 dock/2 ground level access • 12m haunch height • Let to World Depot Inc
Impact Park, Willenhall Lane, Bloxwich, Walsall	1 – 37,030 2 – 46,760 3 – 26,370 4 – 34,210 5 – 90,990 6 – 39,916	£6.75 - £7.25	<ul style="list-style-type: none"> • 6 Unit new build scheme • 10-12 m internal height • Dock level and level access doors • UNIT 1 Let to Furdeco. £7.03 psf • UNIT 2 Let to CMY Ltd. £6.75 psf • UNIT 3 and 4 let to Furdeco. £6.80psf • UNIT 5 let to Supersmart • UNIT 6 let to DNEL Ltd. £7.25psf
Pantheon Park Wednesfield Way Wolverhampton	83,466	£6.25	<ul style="list-style-type: none"> • 15 year lease - 2 years rent free @ £6.25 psf (February 2021) • Let to Supersmart
Antar 2, Stafford Road, Wolverhampton	88,000	£5.65	<ul style="list-style-type: none"> • 7.5m eaves • Cross loading • Exchanged subject to Landlord's works
Discovery Park Wobaston Road Wolverhampton	56,473	£6.50	<ul style="list-style-type: none"> • New speculatively developed unit. • 12m eaves. • Let to Rothley Engineering (10 years)

7.0 BLACK COUNTRY INDUSTRIAL SPACE – ISSUES FACING EXISTING BUSINESSES

- Due to low vacancy rates within established industrial sites, companies are finding it difficult to find new and additional space which restricts the ability to grow their businesses. In our experience companies often occupy a number of units within the same estate/locality which reduces the efficiency of their business through increased management costs/overheads
- The size of buildings available - we are aware of two confidential existing requirements from Black Country based manufacturing businesses of buildings between 160-200,000 sq.ft.(14,864 -18,581 sq.m.) There are no available buildings within this size range.
- The reluctance for companies to move too far from their existing bases due to the fear that their workforce will not move with them. Their workforce is often within walking distance, typically 800m, of the factory or commute via public transport.
- The age/specification of existing buildings. The increasing demand from logistics/warehousing companies has brought about requirements for buildings with a higher-than-average height (8m and above).
- Power – manufacturing companies who have a large power requirement struggle to find buildings/sites to move to. Many speculatively built new units do not have sufficient power and the costs of bringing in more power is prohibitive.

We are aware of a Dudley based manufacturing company who are looking for a new facility of up to 200,000 sq.ft. The reality of the situation however is that there are no commercial units of this size available within the locality. As mentioned above, this company are mindful that a number of their employees either walk, cycle to work or use public transport and as such they risk losing some of the workforce if they were to move out of the area.

8.0 INDUSTRIAL AND LOGISTICS MARKET GENERAL & WEST MIDLANDS

- Fuelled by the global pandemic the pace of change and levels of activity in UK industrial and logistics sector were pushed into overdrive in 2021. This has essentially “fast forwarded” structural change driving improvements in occupiers supply chain and expanding online fulfilment. Furthermore, Brexit has given impetus to greater on-shoring of goods. The industrial logistics market in general has exhibited huge resilience, with record levels of occupier demand, falling levels of supply, rising rents (and land values), record levels of investment demand and low yields. This has all occurred despite a deep economic recession in 2020 and patchy economic recovery.
- Demand for multi-let and mid-box space (5,000 to 99,999 sq.ft.) includes trade counter operators, self-storage, manufacturing, and engineering and last-minute delivery, including E fulfilment. Increasing demand is coming from on demand grocery operators and providers or users of “dark kitchen” space.
- Reflecting these demand and supply dynamics, rents for small units (e.g., 10,000 sq.ft.) and mid-box space have increased over the past 12-18 months.
- The pandemic accelerated the rise of ecommerce with online sales as a proportion of all retailing hitting a peak of 36.5% at the height lockdown in February 2021 compared with a pre-pandemic high of 19.2%.
- Due to the unparalleled levels of occupier demand, developers have embarked upon UK wide speculative development.
- In respect of large units (100 to 250,000 sq.ft.), at the end of 2021, 7.3 million sq.ft was under construction in the UK with the West Midlands being the most active region for development being home to 9 of the UK’s 49 large unit schemes.
- In respect of the new mid box market in 2021, the West Midlands was the third most active region for take-up of mid-box space accounting for 19% of the UK’s mid box development.
- In respect of general speculative development, the West Midlands recorded the strongest increase in speculative development in 2021 rising from one scheme of 120,000 sq.ft. under construction at the end of 2020 to 4.2 million sq.ft. a year later. The take-up of 9.7 million sq.ft. produced the best year since 2014.

In summary we are firmly of the opinion that the market should stay strong as demand still outstrips supply which is reflected in feedback from landlords who are reporting record low voids on estates.

9.0 BLACK COUNTRY/ SOUTH STAFFORDSHIRE MARKET COMMENTARY

South Staffordshire:

South Staffordshire is a mid-sized submarket containing around 6.8 million square feet of industrial space. The recent economic turmoil has not negatively impacted this submarket's vacancies, in fact, the vacancy rate has dropped by 13.4% over the past four quarters. It is now running at approximately 3.8% of the total stock.

Rents grew by 7.3% over the past 12 months, easily exceeding the 3.7% average annual change over the past decade.

This has been a somewhat active submarket for industrial transactions in recent years, and the number of properties sold/let in the past year has surpassed the three-year average.

Black Country:

Dudley:

With more than 24 million sq.ft. of space, Dudley is the fourth-largest industrial submarket in the Birmingham Market and among the 20 largest submarkets in the UK. The area encompasses Dudley, Stourbridge, Brierley Hill and Halesowen. There is just one unit sized over 300,000 sq.ft. here, nine over 200,000 sq.ft. and about 30 over 100,000 sq.ft. Noteworthy occupiers include Alan

Nuttall, ACCO UK, Eaton Fluid Power Group, Somers Forge, Thomas Dudley and Servosteel, each of which have facilities larger than 200,000 SF in the submarket.

Strong demand for industrial space in Dudley brought vacancies down to a record low as the pandemic struck in 2020. While demand has softened a little since, running counter to the wider market trend, Dudley's industrial vacancy rate (1.7%) remains at historically low levels, and below the Birmingham average. Rents are rising strongly as a result, expanding by 10.6% over the past 12 months.

Wolverhampton:

Wolverhampton has around 20 million sq.ft. of stock. There are no units larger than 500,000 sq.ft. but there are eight over 300,000 sq.ft. and more than 40 over 100,000 sq.ft. Easy access to the M6, M54, M5 and M42 motorways help to link occupiers with the rest of the UK.

Demand has been strong for many years, with new units being leased very quickly. Some of the major occupiers include Goodyear, Mueller Europe, Wiggle and TATA Steel, which all have facilities larger than 300,000 sq.ft. Wolverhampton's industrial vacancy rate is amongst the region's lowest at 1.7%. Historically, the 10-year vacancy is 3.3%. It has tracked significantly lower than that of Birmingham Core, where the 10-year average vacancy stands around 5.1%.

Demand for mid-box units and green, sustainable buildings is driving leasing trends. Most of the recent lettings in this size band have been for speculative or build-to-suit space with environmental criteria behind their builds. DPD, which is looking to become the nation's most sustainable delivery company, preleased 60,000 SF of build-to-suit space at Trebor Developments and Schroder's, Revolution Park development, which features net zero and BREEAM "Excellent" standards. Rents have increased rapidly in recent years, supported by limited supply and low vacancy.

Sandwell:

With more than 45 million sq.ft. of space, Sandwell is the third-largest industrial submarket in the Birmingham market and one of the largest submarkets in the UK. The area encompasses West Bromwich and Wednesbury, where most of the submarket's large buildings are located. There are two units larger than 500,000 sq.ft., but there are eight over 300,000 sq.ft. and nearly 100 over 100,000 sq.ft. Some noteworthy occupiers include Solvay Rhodia, Caparo, Lidl and Metsec, which each have facilities larger than 300,000 sq.ft. in the submarket.

Demand has been strong in Sandwell for some time and reached a high point in 2021, when around 1.5 million sq.ft. was leased. Despite strong occupier demand in the submarket, little has been delivered in recent years. There is more than 200,000 sq.ft. currently under way, with more than a third of those projects pre-let. Most notably West Midlands Ambulance Service pre-let 76,000 sq.ft. in May 2021 at Rounds Green Road. Low vacancy rates have remained below 3% for several years, with the lack of speculative construction and strong demand from a diverse tenant base meaning vacancies are likely to remain historically should remain low. Current vacancy rate is 12% of the total stock.

Rental growth increased rapidly over the last seven years, and annual growth continued to climb, and has grown by 10.6% over the past 12 months, broadly in line with the UK national average.

Walsall

With over 21 million SF of space, Walsall is a midsized Birmingham submarket with 10% of the market's inventory. Still, it is among the largest industrial submarkets in the UK. It comprises mostly small and midsized buildings, with no units larger than 400,000 SF; there are 27 units greater than 100,000 SF and nine greater than 200,000 SF. Some noteworthy occupiers include TK Maxx, Castings, Poundland and Caparo Atlas Fastenings, which each have facilities larger than 250,000 SF in the submarket.

Demand has been strong in the submarket, with new units leasing up quickly. However, some notable move-outs due to renovation works and new deliveries in recent quarters put upward pressure on vacancies, but not by much. Recent deliveries have seen 280,000 SF delivered in the last 12 months.

There is 35,000 SF underway at Reedswood Park which has been pre-let in its entirety to Love Shopping Direct Ltd for a 10 year term for £7.50/SF.

Rental growth has been robust in the submarket, recently reaching an all-time high, but a slowdown is expected in the near term. Although investment activity slowed down in 2020, some notable deals pushed the volumes in 2021 to one of the highest marks on record. Most notably, Blackstone's European last mile logistics vehicle, Mileway B.V. purchased the Bloxwich Industrial Estate in Walsall for £11.5m in September 2021. The industrial estate was fully let at the time of sale. Private equity and private investors have been the most active in the submarket in the past 12 months.

10.0 CONCLUSION

More modern institutionally acceptable commercial stock is required across the Black Country to satisfy ongoing and future business/spatial needs of both existing local and regional firms and to attract new inward investment to the area. These buildings need good yard space, car parking provision, suitable offices, robust power supply and eaves heights along with an attractive environment for staff needs, break out area etc. as well as green, efficient buildings to keep up with occupier and staff demands and planning policy requirements.

The Wall Heath site provides a substantive parcel of land in order to assist with ongoing occupier demand and limited availability of stock. Its future provision will mean occupiers will be able to stay in the Black Country region whilst continuing to grow. It will also attract new occupiers to the region. As well as providing the type of modern and efficient space that occupiers need/ demand in order to keep pace with competitors increase sustainability and improve staff welfare.