

# Trafford Park – overview

Mar 24 2004

BRIXTON

Tim Wheeler, Chief Executive

Q.

**The big news at Brixton is your acquisition last week of an industrial property portfolio, Trafford Park in Manchester. So why Manchester?**

A.

Manchester has got quite a lot of things going for it in a general sense. Ten per cent of the GDP comes from the Manchester area. Communications are superb. Trafford Park itself sits in a location where you can access 25 per cent of the country's population in an hour's drive and half the manufacturing base. We also like specifically about Trafford the fact that it is constrained. It is constrained obviously at one end by the Trafford Centre, which is larger than Lakeside as a shopping location. It is constrained at the other end by Old Trafford, the ship canal and the M60. So it's not going anywhere. Its juxtaposition is similar to Park Royal, that is it's next to a conurbation. Indeed it's the second largest industrial estate in the country after Park Royal where of course we're quite dominant players.

So we've looked at it in a macro sense and we quite like also what we can at a more detailed level.

Q.

**But in terms of industrial property how well do you know Manchester?**

A.

I've been looking at Trafford Park since the early '90s and obviously re-looked at it when we got involved in the late '90s and we've been keeping a roving brief on it. We know all the estates up there. We've looked at them all. Trafford Park is unique. It's unique really within the country and it's certainly unique within Manchester.

Q.

**What were the specifics of the deal?**

A.

It's a £101m acquisition, 2.7m square feet. It's 127 acres. The important thing is the rents are low. The rents are £2.40 a foot on average over the estate and we believe conservatively at £3.00 a foot. Some of the units up there are already being let at between £5.50 and £6.00. I think there is quite a lot of potential there.

Q.

**But to what extent is this a different market and what are your plans in that market?**

A.

It's a different market but the principals are the same. What we have prided ourselves in doing through the partnership route of construction and refurbishment procurement is being more efficient at doing that. We own 78 other estates and we're very used to having to refurbish lots of buildings of varying qualities. So we've got the procurement end of it right. We think the B-Serv customer side of it is important. I don't think customer care and Trafford Park have actually gone together yet. So I think there is a huge opportunity there.

Part of it is because it has still got a sort of disparate feel about it. Although we're buying a big chunk, in acreage terms it's only something like 12 per cent of the whole land area. It's a massive park.

The third thing that we've got there is the opportunity to change some of the uses. If it's not physically changing to a different use, it's certainly enhancing the uses. So better quality industrial and warehousing, perhaps some hire-office content, accommodation. It cries out for some facilities and certainly the planners are keen to expand upon the proximity to Old Trafford in terms of some leisure uses as well.

So there's all sorts of things to play with up there

Q.

**To what extent will you be knocking down buildings and starting again?**

A.

There's about 17 acres of land within the 127 acres that is already sites. There is not an overbuild situation, but it's unlikely we'll start on the new stuff. We'll enhance what's there first. We'd rather leave the land for bespoke and we'd rather get on and improve the physical aspects of those buildings that are let at 60p a foot.

Q.

**How well will it work in terms of management? Will you have to get a new team on board? Will there be some sort of management stretch until you do so?**

A.

There are always different aspects to management. What we have, which is probably different, is the customer services end of things. We will have people on site, a small team. We'll have the help desk, which is just a freephone away and then we'll have the strategic and financial management run from the head office. It will be supported by local agents, local rent-for-use surveyors because it's very important if you're coming into a new area to actually employ some of the local people because they've lived and work and know it far, far better than we can ever do as remote landlords.

Q.

**But you are the fourth owners since the late '90s. What can you do that the others couldn't?**

A.

All I can say is that in our business we specialise in the industrial and warehousing sector. We specialise in upgrading and refurbishing older estates. We also build new stock. It's what we do all day long. Ninety per cent-odd of our portfolio is in this sector and we're probably now the biggest owner of industrial property in the country.

Q.

**So how much have you allocated to redevelopment, over what time scale and when can we expect to see a return?**

A.

In terms of where we want to push the rents, the rents at £3.00 a foot will spin off a reversionary yield of about 8 per cent. So it's a higher yield than we get on the stock in the South East. We expect to see that sort of return in about three years.

In terms of physical commitment, or physical improvement, certain elements of the work will be done in partnership with the tenants because there will be tenant responsibility issues. If we look specifically at the development sites, 17 acres of development, if we were to blitz it in one go it would cost us something in the order of £17m-£20m. So it's really how long is a piece of string and how quickly are you going to do it. But we think with just a bit of physical attention and property attention, we think we should get the yields up from the 6.5 per cent that we're buying it at - or 6.6 per cent - up to 8 per cent within three to four years.