

# SHEDS

## INDUSTRIAL EVOLUTION

### The recession has spawned a new generation of industrial property start-ups.

*Nick Duxbury reports*

With gloom and inertia still hanging over the UK industrial market, it is easy to forget that 2009 was also the year of the entrepreneur. Until six months ago, no one had heard of Roxhill Developments, First Industrial Developments, M7 Real Estate, Cedarwood Asset Management, Centurion Industrial Asset Management, **Altyon Investments** — or indeed Dowley Turner Real Estate.

Established developers, property companies and agencies have watched as the next generation of competitors emerges from within their own ranks — long-nurtured talent and the grey hairs of experience their main currency.

As *Property Week* illustrates (right), these firms have been born from the same, small, pool of shed heads. In fact, this pedigree can be traced back to one company, Kingspark, which was set up by John Cutts in 1993.

After it was taken over by Prologis — formerly Security Capital Industrial Trust — in 1998, names such as Alan Curtis, David Keir, Ken Hall, Steve Ferris and Richard Saint have since gone on to spawn the start-ups of each successive downturn. Now, from this pool, some new competitors have joined them.

#### **DEVELOPERS: FIRST AMONG EQUALS**

The first new industrial shed developer to emerge from this property cycle was First Industrial — a company, like so many before it, that has emerged out of US developer Prologis. It was set up by former Prologis development director Matthew Byrom and global managing director Ken Hall in November. As revealed by *Property Week* (20.11.09), the pair led an 11-strong team with the backing of entrepreneur Terry Lister and private equity investors to develop design-and build sheds in the Midlands, where it plans to carry out only carbon-neutral development.

This week former Prologis head of project delivery Fergie Taylor and development associate Oliver Bertram have started work at First Industrial's Solihull office. The company has already formed its first joint venture with Clowes Developments on the 111 acre, rail-linked East Midlands Distribution Centre site that Clowes bought from Wilson Bowden Developments in December 2008. It is understood to be the frontrunner, ahead of established developer Prologis at DIRFT II near Daventry and Gazeley at Crick to land the largest prelet in the country — a 900,000 sq ft facility for Marks & Spencer — on the site.

First Industrial would not comment on the deal or any of the other joint ventures it has planned. However, Byrom hopes the company will be differentiated by its approach in which it considers itself a “service provider”, rather than a client. “After 10 years we wanted to work in a more niche business,” he says. “As a team we have become known for a particular style of business. And we have found ourselves in a market we understand.

“For most investors, speculative development will be as appealing as considering a tequila slammer for breakfast after a big night out.” Taylor adds: “2010/11 will be best characterised by competitive, low-margin build-to-suit development. However, this is an area in which we feel best able to compete.”

They certainly will have to compete, as other old development hands are also sensing opportunities in the development market. David Keir, co-founder of Ashford, Kingspark and Rosemound, last month left Goodman to undertake his fourth start-up. Until then he was executive chairman of UK logistics at Goodman, which bought Rosemound in 2007.

With former Goodman logistics finance director Hodge and Kate Bedson, former vice-president for development at Prologis, he has set up Roxhill. The company is contractually restricted by Goodman on the type of transactions it can carry out for the next two months. However, it has set up an office at Lemonics House at Swift Valley in Rugby and expects to undertake its first schemes shortly after the “lock-out” period has expired. Roxhill is funded with Keir and Hodge’s own equity rather than by external backers. It is understood that instead of buying a land bank to develop, Roxhill plans to form joint venture partnerships with landowners. It may enter into investment deals as well as developments. And the recession spawned another start-up last month. Helios Properties co-founder Mike Hughes broke away from the company and his longstanding business partner, Trevor Cartner, to set up Helios Europe, which will focus on European development opportunities. Hughes is looking for funding partners for his new venture and declined to comment on his immediate plans.

### **ASSET MANAGERS/INVESTORS: MANAGEMENT BUY-UPS**

Three new investment and asset management companies have started on the premise that development, as a money maker, is on the backburner, but asset management is in demand. Paul Reid, former development director at Brixton and Equity Estates, started up an asset management division at the beginning of last year at Parkridge — Parkridge Asset Management — to take advantage of this. Then, in June, with Cutts’ blessing, he left Parkridge and agreed a spending mandate with Scottish Widows Investment Partnership. He went on in September to form Centurion Industrial Asset Management, a joint venture with Julian Rooth’s Centurion Properties, which has spent £75m on light industrial estates since the summer. The vehicle made its debut purchase in the same month: a £41m subportfolio from the Equiton Partnership that was sold by Universities Superannuation Scheme. Since then, it has bought parts of the Industrious portfolio from Nick Leslau and Mike Brown’s AIM-listed Max Property. It is now considering development opportunities on the new estates to increase their value.

“Julian had the asset management platform and experience, and I brought Scottish Widows’ backing and development and asset management experience. The Equiton properties we bought were the same ones I managed when I was at Brixton. I can look at those and see so many development opportunities to add value. They had these estates for 10 years but had a dry asset management remit, and so missed the more entrepreneurial elements.”

Reid does not intend to make the same mistake. On one estate he plans to build a food store. On another he is negotiating to bring in a hotel operator and restaurants. And there is a vacant shed that he is close to buying and letting to a supermarket.

Centurion Industrial Asset Management has agreed terms on two more estates in more regional locations as Reid says the south-east market has become too expensive, and intends to have spent £150m by this time next year.

One of the first start-up asset managers off the blocks was Richard Croft's M7, which was launched last April. Having left asset manager Halverton, which had been bought by Australian GPT Group and has now been taken over by Jos Short and Andrew Thornton's Internos Real Investors, Croft set up M7 and secured backing from Europa Capital.

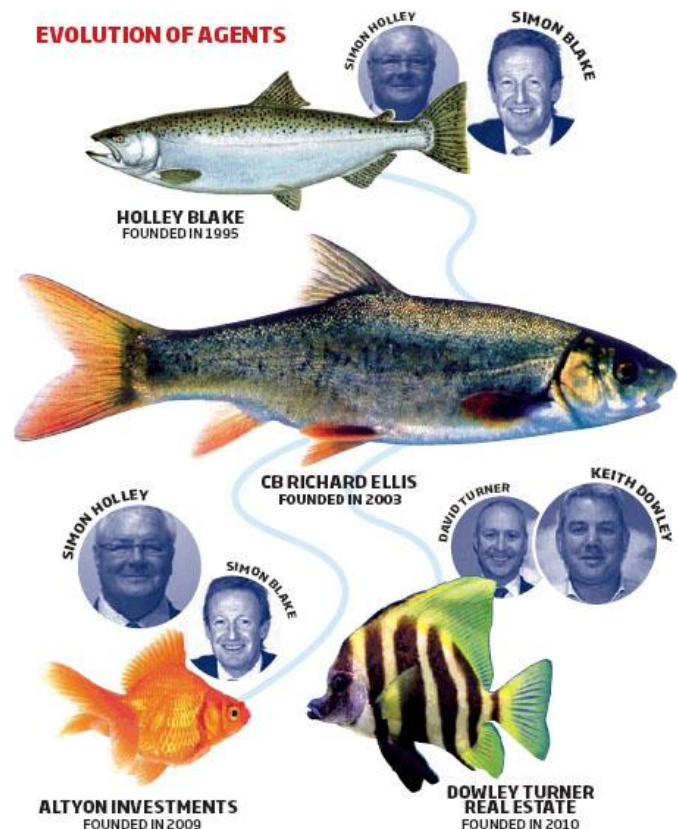
Their joint venture is called the Light Industrial Property Partnership and can buy up to £130m of multi-let light industrial estates. So far, Croft has spent around £30m, and M7 is now buying a portfolio of larger industrial sheds from UBS's Triton fund and is understood to be doing so with equity from new backers. Charlie Withers and Paul Jenkins, both former directors at Chancerygate, have also started up a company to buy light industrial estates. After leaving Chancerygate as part of a restructuring of the company in June, they set up Cedarwood in September (above, left). The pair have agreed to launch the Tritax Industrial Opportunity Fund with private investor syndicate Tritax. Cedarwood will be the asset manager for the fund, which is raising up to £50m of equity and could, with gearing, have £140m to spend.

The third new fish in the asset management pond is Rhys Lewis. The former principal at Rockpoint left the company in May to set up his own vehicle, Anglesea Capital, which was named after his local pub in west London, the Anglesea Arms.

## AGENTS: FINDING FUNDING

Industrial specialist agency **Holley Blake**, which was bought by CB Richard Ellis in 2006, has spawned two new businesses. First to leave were CBRE agency stars Keith Dowley and David Turner, who this week ended their garden leave and opened up shop in Mayfair as Dowley Turner Real Estate (above, right). The pair have made four hires and leased a 1,700 sq ft office at 106 New Bond Street. Their new firm will specialise in industrial agency and investment, but will look towards the south-east office market next year and possibly cross over to the retail warehouse market after that. The term "real estate" in their company name betrays their international ambitions.

"It is almost as if the Holley Blake gap was never refilled by any other agency," says Turner. "We like to think that the investment advice we can give is backed up by the agency side — the two



elements are complementary of each other.”

Both Dowley and Turner anticipate a return of the build-to-suit shed development market over the next year, and are positioning the new firm to take full advantage of the business that could bring.

“We will specialise in sourcing development funding,” says Dowley. “This year and next there will be a big question hanging over how to fund schemes. People will need ingenious funding sources. We have a good track record of finding them.”

**“People will need ingenious funding sources”**  
*Keith Dowley*

Speaking to *Property Week* from their temporary office, a Mayfair cafe, a few weeks before they are allowed to open up shop, neither of them have worn a suit in months, but it is evident that both are desperate to get back into the market.

“Our time at CBRE was great, but you can’t really beat doing it yourself,” says Turner.

A five-minute walk around the corner from Dowley & Turner is **Altyon, set up by their former CBRE colleagues, Simon Holley and Simon Blake, who were also the founding partners of Holley Blake.** Unlike Dowley and Turner, the pair decided to move buyer side and raise equity for a new fund to invest across all sectors.

From offices at 22-23 Old Burlington Street owned by John Cutts, they have raised £300m from Dubai fund-of-fund investors and are looking at investing across the property sectors and in strategic land. ■

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