

The dimensions that decide lettability

Appendix A. Read before the visit, fill in on site. Eight numbers that behave as cliffs rather than slopes. A threshold not established is not a threshold passed.

Asset		Analyst	
Date		Source of figures	

Dimension	This building	Threshold the target occupiers need	Source (laser, drawing, brochure)	Pass / fail / not established
Clear height to the LOWEST obstruction, less sprinkler clearance (and the whole rack levels it gives at 1.65 m)				
Yard depth, dock face to nearest obstruction (35 m: one movement; below 28 m: shunting)				
Floor: design load, POINT load at rack legs, flatness standard				
Dock ratio: one door per ... square meters				
Column grid against whole rack bays, both directions				
Site coverage on the USABLE site area				
Incoming power: connected, available headroom, confirmed by the network operator (kVA)				
Sprinkler: design standard, commodity class, storage height				

Also record	Answer
Occupier types that can physically operate here, and how many are in the market for this size here	
What an equivalent building on an equivalent site nearby would cost today, and could it get consent	
What happens to the income if this occupier leaves in year one rather than the last year	

Chapter 1: write these three answers before writing a price. A long list, a big number with a long timeline and a manageable void mean the price is a negotiation; one occupier, cheap and quick, and two years empty mean no yield makes the deal work.

Specification checklist, part one: site, yard, structure, floor

Appendix A. Write down the measurement, not the adjective. Record where each figure came from: a brochure and a laser have different standing.

Asset		Analyst	
Date		Source of figures	

Item	Measured / stated	Source	Verdict
Site and access			
Junction distance AND driving time, route driven at the occupier's hours			
Access geometry: road width, entrance radius, can an artic enter without crossing the centre line			
Site area, gross and USABLE (after landscaping, attenuation, easements, setbacks)			
Neighbouring uses, especially housing; operating hour and vehicle restrictions			
Labor catchment at 30 and 45 minutes; public transport to the gate at shift change			
Yard and vehicle movement			
Yard depth, measured, not the brochure's deepest point			
Circulation and one-way flow; gatehouse and holding capacity			
Trailer spaces, separate from dock positions			
Car and van spaces against the headcount the building is sized for			
Yard surface, construction and condition; drainage			
Envelope and structure			
Frame type and condition; column strike damage			
Cladding: material, insulation, low-level damage			
Roof: covering, age, rooflight share, last survey, remaining life			
Gutters: concealed valley gutters, maintenance access			
Expansion: can the frame and site extend, which way			
Floor and internal dimensions			
Clear height to the lowest obstruction; sprinkler and services clearance			
Column grid and any clear-span area			
Floor loading: kN per sq m AND point load under rack legs			
Flatness standard; joints, spalling, curling			
Internal obstructions: mezzanines, plant enclosures, walls			

Specification checklist, part two: doors, services, fire, office, energy, documents

Appendix A. Treat every blank as an open question. An uncosted upgrade is an unavailable upgrade.

Asset		Analyst	
Date		Source of figures	

Item	Measured / stated	Source	Verdict
Doors and docks			
Dock doors: count, and one door per ... sq m			
Level access doors, counted separately			
Dock equipment: leveller type and capacity, shelters, powered doors			
Dock apron depth and canopy			
Services and power			
Incoming supply (kVA), substation position, spare network capacity			
Upgrade route: who owns the constraint, cost, time			
Heating, ventilation, lighting: type, age, controls			
Water, drainage, gas, trade effluent; data and telecoms			
Fire and safety			
Sprinkler: design standard, storage height, commodity class			
Compartment walls and their positions			
Smoke ventilation and detection; insurer restrictions			
Means of escape assumptions against a racked floor			
Office and welfare			
Office area as a share of the floor (excess office is a defect)			
Fit-out age and condition; welfare capacity against full manual headcount			
Energy and roof			
Roof structural capacity for equipment			
Roof life left against the life of any equipment on it			
Existing installations: owner, contract, what happens at lease end			
Energy rating and metering: a fact and a date			
Documents obtained			
Measured survey with convention and date; title, easements, covenants			
Planning consent and every condition (hours, vehicles, use)			
Slab design, fire strategy and sprinkler design, network operator's supply confirmation			
Roof warranty and survey; ground and environmental reports; asset registers; leases, side letters, licences, roof and yard agreements			

Location: the occupier's score and the investor's

Chapter 4. Same facts, two sets of weights. Invert rent level and adjacent land for the investor, and raise the barrier weight. The weights are judgments: write them down so the argument is about the right thing.

Asset		Analyst	
Date		Source of figures	

Criterion	Occupier weight	Score, site 1	Score, site 2	Investor weight	Score, site 1	Score, site 2
Population / delivery-point reach at the promised drive time						
Labor availability, cost, competition on the estate						
Road access and journey time at the real hours						
Power capacity						
Occupancy cost (investor: rent level, INVERTED)						
Expansion land (investor: scarcity of adjacent land, INVERTED)						
Barriers to competing supply						
Weighted total						

The barrier test	Answer
What exactly is the constraint: physical, policy, infrastructure, higher-value use? Name it.	
Who could remove it, and how long would it take? (A single reluctant landowner is a negotiation.)	
Historic delivery record: space completed here in the last ten years	
Add 25 per cent to the rent and rerun the residual: does land value then beat the competing use?	

Worked in workbook 5, sheet 4: 340 against 390 for the occupier, 435 against 270 for the investor. Moving the barrier weight from 30 to 15 does not reverse the investor's answer (Ashford still leads by 60 in the best case for Kelbrook); only a weight below 6.4 would. Test your own sensitivity before quoting it.

The occupier's total cost of occupation

Chapter 5. Rent is about a tenth of the cost of running the operation. Express every saving as a rent equivalent per square meter and you know what the occupier can afford.

Asset		Analyst	
Date		Source of figures	

Cost line	Annual amount	Share of total	Driver
Rent, net of incentives			
Outgoings: property taxes, insurance, service charge, repair			
Energy			
Labor: headcount x fully loaded cost			
Transport, inbound and outbound			
Fit-out and equipment amortization			
TOTAL			

Change to the operation	Annual effect	Rent equivalent per sq m	As a rent premium
Rent up 10 per cent (reference)			
Transport down ... per cent (site closer to the delivery area)			
Labor down ... per cent (looser labor market)			
Energy down ... per cent (fabric, lighting)			

Third-party operator	Answer
Lease term, to break and to expiry	
Underlying customer contract: length, break, volume terms	
Rent committed against rent covered by contracted revenue	
Single client or many? Whose covenant is economically in the building?	

Chapter 5: at 90 a square meter on 20,000, property is 10.2 per cent of 25.6 million; a five per cent labor saving is worth 32 a square meter, a 36 per cent rent premium. Five per cent of the rent is 0.35 per cent of the total cost.

Fit-out, stickiness and the renewal

Chapter 6 and Chapter 10. Annualize the occupier's relocation cost and set it against the rent: that number, not sentiment, sets the range at renewal.

Asset		Analyst	
Date		Source of figures	

Fit-out stack	Installed?	Owner / funder	Removal at expiry: whose, how secured
Wide-aisle racking			
Narrow-aisle racking with guidance			
Mezzanine or multi-tier pick module			
Conveyors and sortation			
Goods-to-person robotics			
High-bay automated storage			

The renewal range	Value
Relocation cost, all in (decommissioning, reinstallation, parallel running, recruitment)	
Annuity factor over the forward horizon at the occupier's rate	
Annual cost of moving = relocation cost / factor	
Market rent of the building	
Operating penalty of staying, a year (specification gap)	
Room above market: annual cost of moving less the penalty	

Landlord works: the two-part test	Next occupier would pay for it?	Survives their arrival?	Improvement or incentive
Item 1			
Item 2			
Item 3			
Item 4			

Chapter 6: 18,000,000 over ten years at 8 per cent is 2,682,531 a year against a rent of 1,800,000. Value the overage as a term-certain annuity at a higher rate, and set against it the building coming back configured for one process.

Lease abstract: what each clause does to the income

Chapter 9. Record the clause, then its effect on income and the trap. The unexpired term runs to the earliest date the tenant can leave.

Asset		Analyst	
Date		Source of figures	

Clause	What the lease says	Effect on income	The trap to test
Term: to break / to expiry			
Break: unconditional, conditional (which conditions), penalty			
Review: fixed, index (cap, collar, index named), open market (assumptions)			
Open-market assumptions: term assumed, fit for occupation, improvements disregarded, dispute route			
Repair: keep AND put into repair? schedule of condition? renew or replace?			
Yard, drainage, boundaries: inside or outside the demise			
Reinstatement: what, enforceable, licences for alterations on file			
Insurance: loss of rent period (long enough?), rent suspension			
Service charge: caps, exclusions, void share, capital items			
Alienation: assignment, subletting, guarantees, release on assignment			

Chapter 9: on 1,000,000 over ten years a 4 per cent cap on a 6 per cent index gives up 1,174,688 of rent and 266,167 of year-ten rent, 4,839,400 of value at 5.5 per cent: just over 6 million in all, in the scenario the indexation was bought for.

Net effective rent, both methods, to the break

Chapter 10 and Appendix D. State the period and the method: both change the answer. Split landlord works between improvement and incentive before spreading anything.

Asset		Analyst	
Date		Source of figures	

The letting	Value
Area; headline rent; term; break	
Rent-free months, valued	
Capital contribution (occupier-specific: incentive)	
Landlord works that the next occupier would pay for (improvement: not spread)	
Landlord works that leave with the tenant (incentive)	
Total incentive to spread	

Method	Annual	Per sq m	Of headline
Straight-line to the break			
Straight-line to expiry			
Discounted to the break (rate: ...)			
Stepped rent: rents actually received / years			

What the deal is worth	Value
Market rent capitalized in perpetuity	
Plus the overage to the break, as an annuity at a higher rate	
Less incentives the buyer must still fund (unexpired rent-free, unpaid contributions)	
Value, against the headline capitalized	

Chapter 10: 72 headline, nine months free, 750,000 of contribution and 500,000 of works: 51.20 straight-line to the break, 61.60 to expiry, 48.04 discounted. Neither is 72. Valued properly, 27,106,867 against 32,727,273.

Residual land value, with its sensitivity

Chapter 11 and Appendix D. Never present a residual as a single number. The table is the answer; the point estimate is a distraction.

Asset		Analyst	
Date		Source of figures	

Line	Base	Rent +5%	Rent -5%	Yield -25 bp	Yield +25 bp	Cost +5%
Rent						
Gross value; net of purchaser's costs						
Construction; infrastructure						
Fees; contingency						
Letting fee; sale fee; marketing						
Finance						
Profit (on value or on cost: say which)						
Residual						
Land finance and acquisition factor						
LAND VALUE						
Change against base						

Pipeline item	Size (sq m)	Category	Treat as supply?	Year it arrives	What must happen first

Category	Weight as competing supply
Under construction	Fully
Consented, serviced, power secured	Almost fully
Consented, power not secured	Partially, with a long delay
Under option, no application	Lightly
Allocated, uncontrolled	As a warning, not as supply

Chapter 11: 4,181,000 of land on 60,845,000 of value; 5 per cent on rent moves it by half, a quarter-point of yield by 44 to 48 per cent, 5 per cent on construction and infrastructure by 45 per cent.

Reading a cost plan, and pricing a delay

Chapter 12. Ask three numbers first: what share is firm, what share is provisional, and the monthly preliminaries. Contingency covers the unforeseen, not the cost of time.

Asset		Analyst	
Date		Source of figures	

Cost line	Amount	Firm / provisional	What most often overruns
Substructure and ground works			
Frame and cladding; roof			
Ground floor slab			
Doors and levellers; fire systems; warehouse services			
Office fit-out			
External works and yard			
Incoming utilities (connection and reinforcement)			
Professional fees; contingency			

The delay test	Value
Monthly preliminaries	
Delay assumed, months (the connection date, not the contractor's programme)	
Extra land finance and construction finance	
Overruns: ground, provisional sums replaced, extended preliminaries	
Profit before and after; per cent on cost	
Contingency against the overruns: what it absorbs, what it cannot	

Chapter 12: a four-month delay moves cost per square meter by 2.7 per cent and profit by 21 per cent. The 1,701,300 contingency covered all of the 1,600,000 of ground and supply overrun and none of the finance cost of the delay.

Speculative or pre-let: the carry and the two dates

Chapter 13 and Appendix C, Case 3. Fix the monthly carry first. Then let the terms move with the void: the rent-free, not the headline, is what a soft market changes.

Asset		Analyst	
Date		Source of figures	

The carry	Value
Finance on the full development cost, a month	
Property taxes, insurance, security, heating, grounds, a month	
CARRY A MONTH	

Void band (months)	Rent	Rent-free	Exit yield	Profit	Probability
At completion					
6					
12					
18					
24 and beyond / sold empty					

Result	Value
Pre-let profit (rent, yield, rent-free, delivery damages)	
Speculative profit if let at completion	
Break-even void = profit / carry	
Parity with the pre-let = (speculative less pre-let profit) / carry	
Expected speculative profit, and its range	

Chapter 13: carry 218,333 a month; break-even 24.7 months and parity 6.9 with terms held constant. Let the rent-free grow three months for every six of void and the parity falls to 3.2 months (case one of the archive).

Obsolescence, the capital cycle and the land check

Chapters 15 and 16. Sort every deficiency into two columns before forming a view on value. Then compute the floor.

Asset		Analyst	
Date		Source of figures	

Deficiency	Curable?	Remedy and cost	Year	Occupiers lost if untreated
Clear height below current standard				
Yard depth / coverage				
Dock doors				
Slab loading / flatness				
Power capacity				
Lighting and heating				
Roof at end of life				
Office undersized or dated				
Yard surface				
Location outside the network				

The land check	Value
Site area x serviced land value, less demolition = cleared land value	
Cleared land as a share of the price (the floor)	
Building value per sq m, against the cost of a new one	
Remaining economic life; building value / life = depreciation a year, as a share of rent	

Roof equipment	Answer
Roof life left against the contract term	
Strip-and-refit cost at the recovering (the only part of the roof event the contract causes)	
Ownership at expiry; reinstatement secured by bond, guarantee or retention; step-in on operator failure	

Chapter 15: 18,940,000 conveniently, 12,530,000 honestly; cleared land 3,960,000. Chapter 16 corrected: on a twelve-year roof the contract bears the 500,000 strip-and-refit (222,006 today), not the 1,700,000 recovering due anyway.

Exit: the buyer, the file, and the lease event

Chapter 18. Everything a buyer discovers after exclusivity is a price reduction. Everything they are told before bidding is a bid.

Asset		Analyst	
Date		Source of figures	

Buyer type	What they underwrite	What kills it	In the process?
Core institutional			
Core-plus			
Value-add			
Developer-trader			
Owner-occupier			
Specialist platform			

Item	Done	Evidence	Owner
The file, before marketing			
Reviews settled and documented			
Current measured survey on a stated convention			
Repair and dilapidations position documented (no served-and-abandoned schedule)			
Service charge reconciled, no disputed years			
Title, substation, wayleaves and easements verified			
Side letters, licences, warranties and collateral warranties collected			
Planning conditions discharged; statutory notices; fire strategy matches what is stored			

The lease-event test	Value
Sell now: value with the break underwritten	
Wait: value if the occupier renews, and if it breaks	
Probability of staying; expected value of waiting; its range	
What an incentive to secure the renewal is worth	

Chapter 18 corrected: with the renewal rent-free counted once, waiting is worth 1,586,047 more in expectation, not 816,013, over a range of 17.1 million. Buy the better branch: negotiate the renewal before the break date.