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NEWS & ANALYSIS

M&G provides £200m across UK retail warehousing and logistics loans

The manager has provided the facilities to a partnership between Delancey and Tritax, and PineBridge Benson Elliot.

Daniel Cunningham - 2 hours ago

M&G Investments has provided £200 million (€241 million) of financing across two facilities in the UK retail warehousing and logistics sectors, which the manager described as “resilient” parts of the country’s real estate market.

In the largest of the two facilities, which closed in the third quarter, M&G’s real estate finance team provided a £150 million refinancing facility to MetroBox, an urban retail warehousing joint venture between UK property company Delancey and logistics manager Tritax.

The 53 percent loan-to-value facility is being used to refinance the JV’s existing debt held against its four prime retail warehouse parks, comprising Ladymead Retail Park in the town of Guildford in Surrey, County Oak Retail Park in Crawley in West Sussex, Luton Retail Park in Bedfordshire, and Solihull Retail Park in the West Midlands. The parks are fully let to tenants including retailers Next, B&Q, Halfords and Marks & Spencer.

“Despite the refinancing exercise being undertaken during an uncertain time in the debt market, we were pleased to see significant interest from lenders,” commented a spokesperson for MetroBox.

The MetroBox JV was launched in 2020 with the aim of investing in and repurposing undervalued urban retail warehousing. According to Tritax, the JV’s four-asset portfolio had a value of £277.2 million as of 30 September 2023, with contracted rent of £19.1 million.

In an August report, property consultant Savills said there were 307 new store openings in the UK retail warehousing sector in the first half of 2024, significantly below the long-term average of 860 per year. However, Savills

It added this was not due to lower retailer appetite but was due to a lack of supply. It added the vacancy rate fell to 4.4 percent in July, the lowest level recorded since 2017.

In the second of the two financing deals, M&G provided a £50 million construction loan, at a 72.5 percent loan-to-value, to manager PineBridge Benson Elliot for the ongoing development of two prime logistics assets in the Woodford and Enfield areas of north London. The sites have planning consent for seven warehouse units, totalling 175,000 square feet of speculative space, with practical completion expected within 18 months.

M&G said London continues to face supply constraints for prime logistics real estate. According to Savills research from July, London's logistics vacancy rate stood at 5.92 percent.

The two loans were provided solely by M&G with no syndication. The firm said the assets the loans are secured against reflect its real estate underwriting expertise, which focuses on "investment-grade assets underpinned by positive credit profiles and growth prospects".

It added the sectors it has financed in the two deals have resilient tenant and investor demand against a backdrop of constrained supply in core markets.

Dan Riches, head of real estate finance at M&G Real Estate, said the firm is committed to financing prime logistics and retail warehousing which meets the "evolving needs" of modern businesses. "Growth in manufacturing and e-commerce are driving demand for grade A logistics space and our focus remains on supporting this uptick in sentiment through investments on behalf of our clients that are secured against well-located assets."

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