

NORTH EAST

Logistics and Industrial Commentary

H2 2016 Review

- Take-up of units over 50,000 sq ft totalled 795,885 sq ft in H2 2016. This is more than double the level of take-up in H1, bringing the total annual volume for the whole of 2016 to 1.1 million sq ft, compared to 2.2 million sq ft in 2015.
- The H2 position really only rallied in December when two transactions totalling 428,870 sq ft completed. Both were for old industrial stock, namely the former Filtrona premises on the Bede Industrial Estate, Jarrow (271,527 sq ft) and the Jus Rol premises in Berwick upon Tweed (157,343 sq ft).
- The supply of buildings over 50,000 sq ft across the North East region is largely made up of aging stock - with only 14% of the 3.4 million sq ft of stock being less than 25 years old.
- There is a shortage of supply of large modern industrial stock. Currently only one unit over 50,000 sq ft is planned for 2017, which is UK Land Estate's Intersect 19 development, where a building of 57,425 sq ft is due to start on site in February.
- The lack of new supply is holding back the region, but given the current level of rents it is simply not viable for developers to build unless rents improve - even with some of the lowest yields seen on investment sales for new/modern sheds.
- There are however encouraging signs that rents on new build are moving, with the letting of units on Team Valley agreed at £8.10 per sq ft for 11,600 sq ft unit and £7.25 per sq ft on a larger unit of 26,834 sq ft, which completes at the end of February. This offers some hope to developers that these rental levels can be achieved elsewhere in the region and that will represent a viable figure. Encouragingly two companies with a presence in the region are also seeking to build or have built large warehouses of 200,000 sq ft and 130,000 sq ft respectively. Both are in advanced negotiations with land owners/developers. In the past these companies would have taken existing standing stock but it is a reflection on the limited amount of modern space available that they are now looking at purpose builds.

Selected North East transactions in H2 2016

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Former Jus Rol premises, Berwick upon Tweed	Countrystyle Foods	157,343	undisclosed	Dec-16
Unit 12 Queens Court, Team Valley, Gateshead	Adept Fasteners	11,614	£8.10	Dec-16
1 Fiennes Road, Peterlee	Bristol Laboratories	97,778	£3.00	Sep-16
Coniston Road, Blyth	Tharsus Group	101,347	£10.00	Jul-16
Unit 2 Easter Park, Cramlington	Interlink Express	16,367	£4.85	Jul-16



Simon Haggie, North East Industrial Agency
+44(0)191 221 2211
simon.haggie@knightfrank.com

Q4 2016 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q4 2017

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000+ sq ft
Newcastle / Gateshead	£8.10 ◀ ▶	£7.25 ◀ ▶	£6.50 ▲
Sunderland / Washington	£6.50 ▲	£6.00 ▲	£5.00 ▲
Durham	£5.25 ▲	£5.25 ▲	£5.25 ▲
Middlesbrough / Stockton	£5.00 ◀ ▶	£4.50 ◀ ▶	£4.00 ◀ ▶



Western Approach Trade Park, South Shields - a development by Travis Perkins Properties

Regional outlook

- The outlook for 2017 is optimistic. The Government's reassurances to Nissan post Brexit regarding duties has secured two new models from the parent company which has boosted moral and confidence both locally within the workforce and regionally amongst suppliers. Casualties are still occurring in the oil and gas sector although that is also offering some hope of recovery as oil prices rise.
- Interestingly OGM Group, which closed the 75 acres/461,000 sq ft offshore yard in Wallsend a little over 12 months ago, is now planning to re-occupy for the manufacture of wind turbines. It is unlikely as many people will be employed in this new venture, but this is a welcome investment in one of the hardest hit areas of Tyneside.