

NORTH EAST

Logistics and Industrial Commentary

H1 2017 Review

- Take-up of logistic and industrial units over 50,000 sq ft across the North East region totalled 755,582 sq ft in H1 2017, down 5% on the previous half year, but 33% up on the same period last year.
- This total comprised six transactions, the largest of which was a 461,128 sq ft letting of a riverside complex at Hadrian Yard to Smulders in February 2017. Transactions in the larger size ranges have been extremely scarce in general however, mainly due to the lack of modern stock rather than the lack of demand in these size ranges.
- On-going Brexit discussions and the snap General Election have unsettled the market and as a consequence businesses are adopting a wait and see approach before committing to any new investment.
- Rental evidence for new buildings is difficult to find because there has been very little development over the last 10 years. UK Land has recently completed a series of smaller units on the Team Valley Trading Estate and let an 11,000 sq ft unit off a rent of £8.10 per sq ft and a 26,000 sq ft unit to All Good Ltd off a rent of £7.45 per sq ft.
- UK Land are also developing a 57,425 sq ft unit on the Tyne Tunnel Trading Estate in North Shields which commenced on site in February and has gone under offer at a rent of £6.00 per sq ft. The developer has received a grant from the local enterprise partnership which has allowed them to offer the building at this rental rate. It does however provide some confidence in the market for larger new sheds.
- The supply figures for units of over 50,000 sq ft gives the impression of a vast supply at just over 4m sq ft, but in reality only the above unit is new and of the remainder less than 500,000 sq ft could be described as modern. Nonetheless there is nothing of any scale in the immediate pipeline so if a developer did decide to speculatively build it would take almost two years for it to become available.



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Q2 2017 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q2 2018

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000+ sq ft
Newcastle / Gateshead	£8.10 ◀ ▶	£7.45 ◀ ▶	£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 ◀ ▶



Unit 1 Dukesway Central, Team Valley – let to All Good Ltd*

Regional outlook

- With businesses rationalising and centralising, stock levels are likely to rise over the next six months and this may discourage developers. The key is to build sizes where demand is greatest in the 40,000 – 60,000 sq ft size range.
- The outlook for 2017 appears to be much of the same, although there is a little more second hand stock coming to the market, much of it is old and in need of investment.

Selected North East transactions in H1 2017

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit 1 Dukesway Central, Gateshead	All Good Ltd	26,630	£7.45	Jun-17
Grindon Way, Newton Aycliffe	Stiller Warehousing	69,000	£3.25	May-17
17 Burford Way, Boldon Business Park	Northern Switchgear & Controls Ltd	12,401	£5.25	Apr-17
380 Princesway, Team Valley, Gateshead	Pyramid Displays	16,819	£8.10	Feb-17
Hadrian Yard	Smulders	461,128	£1,500,000	Feb-17

* Freehold transaction