

NORTH EAST

Logistics and Industrial Commentary



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H1 2013 Review

- The first half of 2013 has been more active than H2 2012, with improved take-up and more deals seen. Overall take-up of buildings over 50,000 sq ft was 984,147 sq ft, down 19% year on year, but up some 7.6% on the H2 2012 total.
- With new-build availability above 50,000 sq ft restricted to a single unit, secondhand space dominated H1 take-up. H1's only new-build deal was Parcelforce's freehold purchase of Drum 3, Chester Le Street.
- Occupier demand has shown gradual improvement in 2013, with the majority of enquiries for units below 10,000 sq ft. While enquiry levels for units in excess of 100,000 sq ft have fallen, demand for units between 20,000 and 50,000 sq ft has been on the rise.
- Although there was not a single new-build of any consequence on site in H1, two large purpose-built facilities will soon commence construction. These comprise Hitachi's 463,000 sq ft rail carriage plant at Newton Aycliffe and Rolls Royce's new 322,000 sq ft purpose built facility at Wear Industrial Estate, which will see the engine manufacturer relocate from their present site in Sunderland.
- Strong demand continues to be seen from the advanced engineering sector, particularly the offshore and subsea sectors along with Nissan Automotive. However, Nissan and its top level suppliers will play less of a headline role in 2013 due to the fact that most expanded in 2012 in preparation for production of the new Leaf electric car.
- There is an acute shortage of new and modern units in the Tyneside area, predominantly in the 20,000 to 50,000 sq ft range, where there has been a noticeable increase in demand. There is also strong demand from the engineering sector for high bay buildings with craneage.
- Land supply remains static, with a notable shortage of large serviced plots within the Tyneside conurbation.

Q2 2013 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q2 2014

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000+ sq ft
Newcastle / Gateshead	£6.00 ▲	£5.00 ▲	£4.50 ▲
Sunderland / Washington	£5.00 ▲	£4.50 ▲	£4.00 ▲
Durham	£4.75 ◀▶	£4.25 ◀▶	£3.50 ◀▶
Middlesbrough / Stockton	£4.75 ◀▶	£4.00 ◀▶	£3.00 ◀▶



Knight Frank has commenced marketing this 188,000 sq ft specialist pharmaceutical plant at 5 Traynor Way, Whitehouse Business Park, Peterlee on behalf of Reckitt Benckiser. The asking price is £3.45m.

Selected North East transactions in H1 2013

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Boldon Business Park, Boldon	Matthew Clark, Ltd.	10,063	£5.32	Feb 13
Dukesway, Team Valley, Gateshead	ADM Pressings, Ltd.	25,795	£3.49	Feb 13
Drum 3, Drum Industrial Estate, Chester Le Street	Parcelforce	83,270	£41.80*	Mar-13
ST160 Simonside Industrial Estate, South Shields	British Engines, Ltd.	159,102	£12.57*	Apr 13
Unit 1, Whitehouse Business Park, Peterlee	Durham Police	89,430	£16.77*	Jun 13

* Freehold transaction

Regional outlook

- Although no sudden upturn is predicted, the marginal improvement in enquiries and take-up seen in H1 are expected to build into H2 2013.
- However, despite tight levels of supply, headline rents will continue to flat line across the region. That said, pressure on supply will continue to harden rental incentives, particularly for Grade A space.
- A number of speculative schemes are expected to commence over the next twelve months; however due to increased construction costs and rental stagnation, there is little expectation of a large increase in stock.