

NORTH EAST

Logistics and Industrial Commentary



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H1 2014 Review

- The North East saw healthy take-up of 1.28m sq ft in H1 2014, more than double H2 2013 total and 72% above the five year bi-annual average. Activity was focused in the early part of the year, reflecting the strong pent-up demand evident at the end of 2013.
- H1's figures were boosted by Hitachi commencing construction of their new 460,000 sq ft rail plant at Newton Aycliffe, with completion expected in late 2015. H1's largest deal for existing space was the sale of the 188,000 sq ft Reckitt Benckiser pharmaceutical plant in Peterlee, Co. Durham to Luton based Bristol Laboratories.
- Occupier confidence has certainly improved in the North East, although companies remain both cautious and cost conscious in their property strategies. Export market demand for products manufactured in the North East is strong, maintaining its position as one of the UK's only net exporting regions. Nissan continues to expand and invest, with a record half a million cars built in its Sunderland plant in 2013, driving property demand across the supply chain in the Tyne and Wear.
- The availability of new and modern stock is becoming increasingly scarce. The anticipated pipeline of new schemes is proving slow to come forward, with only two small starter-unit schemes currently on site in the region. Developer confidence in speculative build remains fragile, while the anticipated appetite for bespoke pre-lets is yet to materialise.
- In terms of land supply, H1 saw Highbridge Properties secure an 82 acre site in North Tyneside close to the A1. This is one of very few major strategic sites in the region to be actively marketed and promoted for development without the constraints many of the other sites suffer from. Highbridge is promoting the site in conjunction with North Tyneside Council which is the majority land owner.

Q2 2014 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2015			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000+ sq ft
Newcastle / Gateshead	£6.00 ▲	£5.50 ▲	£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 ◀▶



Hitachi's new plant at Newton Aycliffe is presently under construction. The £82m investment will see the assembly of nearly 900 new train carriages with the creation of 730 jobs.

Regional outlook

- While occupier confidence is expected to continue to improve, owner occupier activity is expected to soften given expectations of forthcoming interest rate rises. Increasing demand is expected from trade park occupiers, largely fuelled by increased house building and home improvement activity.
- There is little indication that developers are willing to bring forward speculative development in the region, meaning new development is only likely to come forward via design and build agreements.
- The supply of available modern buildings will continue to shrink in the absence of new development, and this is expected to put upward pressure on rental levels in the region.

Selected North East transactions in H1 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Reckitt Benckiser, Whitehouse Business Park, Peterlee	Bristol Laboratories	188,004	£17.25*	Mar 14
13/14 Shaftesbury Avenue, South Shields	RTC	99,104	£2.27	Mar 14
Unit 16, Boldon Business Park, Boldon	Nippon Express	50,908	£3.54	Apr 14
Unit 4 Queens Park, Team Valley, Gateshead	Flowserve	39,516	£5.82	May 14
7&8 Foxcover Industrial Estate, Dawdon, County Durham	Andrew James Ltd	125,087	£24.00*	Jun 14

* Freehold transaction