

NORTH EAST

Logistics and Industrial Commentary



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H1 2015 Review

- Take-up of 50,000 sq ft + units in H1 2015 marginally increased from H2 2014, totalling 1.1 million sq ft, with an increased number of transactions rising from 10 to 13.
- H1 saw the completion of two of the largest deals by floor space. This included Lancaster Wines, which purchased the 225,738 sq ft warehouse formerly owned by Morrisons in Gateshead, while Sunderland City Council acquired the former Littlewoods warehouse, which is c.225, 000 sq ft.
- The north east market has steadily improved from previous years but continues to face shortages of new and modern buildings. Portobello Trade Park in Gateshead is a new scheme, which was developed by Ravensworth Properties and will help add some much need new stock. The scheme consists of 7 units, totalling 100,300 sq ft and has already gathered strong interest.
- Generally, there appears to be little appetite to speculatively build any large units (over 50,000 sq ft) unless there are pre-lets or pre-sales agreed.
- On the owner occupier front, the big news which emerged in H1 was that Vantec (a subsidiary of Hitachi) had started on site for a 441,000 sq ft warehouse at Washington to service the nearby Nissan plant. The building should be finished in the spring of 2016, making it the second warehouse in this location which has been developed by Vantec (Previous warehouse built in 2013 adding 421,000 sq ft).
- The main influx of big sheds to the market will be from three new buildings in Port of Tyne, which will be available from the end of the year. These units will range from 86,000 sq ft to 173,500 sq ft and are located within the Port complex at South Shields.

Q2 2015 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2016			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000+ sq ft
Newcastle / Gateshead	£6.00 ▲	£5.75 ▲	£5.00 ▲
Sunderland / Washington	£5.25 ▲	£5.25 ▲	£5.00 ▲
Durham	£5.25 ▲	£5.25 ◀▶	£4.50 ▲
Middlesbrough / Stockton	£5.00 ▲	£4.50 ▲	£4.00 ▲



S3 Tyne Tunnel Trading Estate, North Shields (103,950 sq.ft.) recently let to Kitwave Ltd.

Regional outlook

- Uncertainty in the Eurozone is expected to continue to have a significant impact on occupiers in the North East region, particularly those which trade heavily with Europe.
- However, the regional economy in contrast has been resilient, and has shown steady improvements over the last 12 months, and it is likely this trend will continue.
- The market still suffers from an absence of speculatively built units, especially larger units over 50,000 sq ft. It appears the lack of built units will prolong in the short-term.
- This shortage of new units to the market is expected to push rents up in the next 12 months.

Selected North East transactions in H1 2015

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Cathedral Park, Belmont Industrial Estate, Durham	Geopost	50,345	£5.25	May-15
Unit 40 Pallion Industrial Estate, Sunderland	Sunderland AFC	11,549	£4.25	Mar-15
A4 Tyne Tunnel Trading Estate, North Shields	Chirton Engineering	52,000	£3.57	Mar-15
Abbotsford Road, Felling, Gateshead	Lancaster Wines	225,738	£2,000,000*	Mar-15
Belmont Industrial Estate, Durham	Godfrey Syrett	112,465	£1,963,000*	Jan-15

* Freehold transaction