



NORTH EAST

Logistics and Industrial Commentary H2 2012

Knight Frank



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H2 2012 market commentary

- Enquiry levels picked up in October following a particularly quiet summer. Overall take-up of buildings over 50,000 sq ft was nevertheless 914,000 sq ft in H2, down only 24% on H1's robust total.
- Headline deals in H2 included Twinings' sale of their 106,000 sq ft tea manufacturing plant in North Shields to rival Spicers and Capita Business Services' lease of Stead House in Darlington, comprising 167,000 sq ft of high bay warehousing, for document storage.
- Nissan continues to dominate the news headlines with the announcement that their Washington plant will build a model from the Infiniti range, which is expected to secure 1,000 jobs at Washington and across the UK.
- There is now a shortage of modern units in the Tyne & Wear and South East Northumberland areas, particularly for sizes greater than 10,000 sq ft. The only new speculative scheme on the horizon is UK Land's proposed development on the Team Valley Trading Estate. This is expected to go on site in the summer and will comprise three units of 11,000 sq ft, 18,000 sq ft & 24,000 sq ft.
- UK Land is also looking to bring forward similar sized developments in North Shields and Cramlington but they will be dependent upon securing European Regional Development Fund grant assistance.
- While headline rents continue to flat line, the growing shortage of quality floorspace had led to much reduced incentive packages. UK Land are likely to be seeking rents of £6.50 and £6.75 per sq ft for their new Team Valley development and it will be interesting to see whether they achieve their targets without excessive tenant inducements.
- There is a general consensus that sales values hardened during 2012. However the volume of freehold sales are still relatively low, with companies continuing to experience difficulties in raising bank finance to fund such a move.

Q4 2012 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q4 2013			
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 ◀▶



In September 2012, Glacier Energy Services Ltd leased 14,697 sq ft at 11 Burford Way, Boldon Business Park, Boldon at an agreed headline rent of £4.75 per sq ft. Knight Frank acted for the landlord.

Regional outlook

- The lack of new and modern product may well encourage landlords of some of the more 'tired' but well-located estates to follow the successful lead of UK Land at Tyne Tunnel Estate to embark on comprehensive refurbishment programmes.
- Development land supply in the Tyneside conurbation is extremely limited, a concern which may frustrate those companies looking to secure design and builds in the absence of new and modern existing stock in the region. While planning authorities are actively trying to address these shortcomings, the process is slow and the land earmarked for release is generally in the green belt.

Selected North East transactions in H2 2012

Address	Tenant	Size (sq ft)	Rent / Price (per sq ft)	Date
Former Twinings Premises, Royal Quays, North Shields	Spicers	106,149	undisclosed*	July 12
Fmr EMC unit, Nelson Way, Cramlington	B.E.L. Properties	78,533	£25.50*	July 12
Unit 2, Tenth Avenue Trade Park, Gateshead	Multi Tile Limited	3,587	£8.40	Aug 12
Stead House, Faverdale Ind. Estate, Darlington	Capita Business Services	166,734	£2.50	Nov 12

* Freehold transaction