

NORTH EAST

Logistics and Industrial Commentary

H2 2014 Review

- H2 2014 take-up was 15% down on a strong H1. Nevertheless, take-up was 78% up on the second half of 2013. For the year 2014 as a whole take-up was 49% up on last year.
- The largest deal in H2 saw a packaging manufacturer, Coveris Rigid Ltd, lease 266,885 sq ft of space at Drum One in Chester-Le-Street. Another large leasing transaction was the letting of 138,027 sq ft in the former Acxiom 2 Touch building at Doxford Park in Sunderland to Calsonic Kansei, a major parts supplier to Nissan.
- Despite the good level of take-up, sentiment at the year-end was less positive compared with the beginning of 2014, particularly in the north east's manufacturing sector. This is mainly driven by offshore and subsea industries which have been affected by falling oil prices and the continued weakness in the Eurozone with many businesses in the region suffering from reduced exports to mainland Europe.
- Availability of second hand units over 50k sq ft reached nearly 1.2m sq ft at the end of 2014, representing a 51% increase compared with the end of H1. Nevertheless, availability was 17% lower compared with the end of 2013. Although there are a few new schemes currently under construction, new space delivered is unlikely to be sufficient to satisfy strong demand for units in excess of 20,000 sq ft.
- There are proposals for release of 250 acres of land lying immediately to the north of the Nissan Plant in Washington. However, as a result of planning issues, this land is unlikely to come forward for another two to three years.
- Rental levels remained broadly stable throughout 2014, although inducements continued to reduce, particularly on modern stock.

Selected North East transactions in H2 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit 2, Monument Park, Pattinson Industrial Estate, Washington	Pacifica Group	60,234	£26.15*	Aug 14
Unit 10, Wearfield Sunderland Enterprise Park, Sunderland	Royal Mail	31,540	£3.50	Oct 14
Unit B, Aquarius Park, Team Valley, Gateshead	Interlink Express	17,897	£5.59	Nov 14
Doxford International Technology Park, Sunderland	Calsonic Kansei UK Ltd	138,027	£2.90	Dec 14
Drum 1, Drum Industrial Estate, Chester Le Street, Durham	Coveris Rigid Ltd	266,885	Undisclosed	Dec 14

* Freehold transaction



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Q4 2014 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q4 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 ◀▶



138,000 sq.ft unit recently let to Calsonic Kansei (a major parts supplier to Nissan) at Doxford International Technology Park in Sunderland.

Regional outlook

- Despite general improvement in the economic climate across the UK, uncertainty is likely to persist in 2015.
- Demand from trade park occupiers is expected to increase largely fuelled by increased house building and home improvement activity.
- Developers remain reluctant to build larger units speculatively. This means that new development is only likely to come forward on a pre-let basis.
- In the absence of new development, available modern supply will continue to shrink. This in combination with relatively strong demand is expected to put upward pressure on rental levels in a number of markets.