NORTH WEST

Logistics and Industrial Commentary

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H1 2014 Review

- Take-up amounted to 2.58m sq ft (for 50,000 sq ft+ units) in H1 2014, a slight decrease compared with the second half of 2013 and 29% below the 5-year bi-annual average. However, lower take-up clearly reflects the current lack of new build stock rather than occupier demand, which remains strong.
- 55% of overall take-up in H1 comprised leasehold transactions while the remaining 45% involved freehold sales. The largest leasing transaction in H1 was MMP's lease of 167,000 sq ft of industrial floorspace at Expressway 56 on Deeside. Meanwhile, the largest freehold transaction in H1 saw Mainetti purchase the 269,998 sq ft former Tetra-pak site in Wrexham.
- While there are plenty of design and build opportunities in the region, there are currently still a number of unsatisfied occupier requirements. This is in some instances due to the fact that occupiers want more flexible lease terms than landlords are able to offer on design & build solutions. Ultimately, with the continued and well documented shortage of Grade A stock, this will inevitably mean occupiers have to look to the longer term to satisfy their requirements.
- In terms of the current supply, there are still only three new build units over 50,000 sq ft that are available for occupation. These comprise Matrix Court in Chester (102,028 sq ft) and two units at Lancashire Business Park each totalling 166,000 sq ft. Meanwhile, second-hand availability remains over 20m sq ft, but much of it is poor quality accommodation and hence not suited to occupiers' requirements.
- With strong competition for good quality space and the market moving into the landlords' favour, occupier incentives are continuing to tighten. However, this has not as yet led to any significant upward pressure on headline rental values within the North West over the last year.
- There is a significant depth of investment demand for both multi-let and single-let units in the North West. Turnover increased from £228.1m in H2 2013 to £249m in H1 2014.

Selected North West transactions in H1 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Expressway 56, Deeside	MMP	162,116	£3.97	Apr 14
M3 Distribution Park, Heywood	Foot Asylum	133,145	£3.00	Apr 14
Tame 115, Dukinfield	Ritrama	115,101	£3.70	Mar 14
Maximus, Winsford Industrial Estate	Tiger Trailers	105,059	£3.75	May 14
L1 - L3 Lyntown, Eccles	LSE Retail Group	80,097	£3.24	Jun 14

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
Manchester	£5.50 ◂ ▸	£4.95 ◂ ▸	£4.75 ◂ ▸
Warrington	£4.25 ◂ ▸	£3.75 ◂ ▸	£3.50 ◂ ▸
Liverpool	£4.25 ◂ ▸	£4.00 ◂ ▸	£3.75 ◂ ▸

In April 2014, MMP leased 162,116 sq ft at Expressway 56 on Deeside. Knight Frank acted for the landlord.

Regional outlook

- As the supply of good quality buildings continues to diminish, we anticipate that occupiers will have no other option but to consider design and build solutions over the next 12 months.
- In line with improved economic and property market fundamentals, speculative big box development is expected to return to the region in the near future. Most of these schemes are likely to come to fruition in established industrial locations such as Trafford Park.
- Nevertheless, prime headline rents are expected to remain broadly flat over the next 12 months with perhaps a slight uplift in some prime locations.

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