



NORTH WEST

Logistics and Industrial Commentary



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H2 2014 Review

- The North West saw take up increase by 3% up to 2.65million sq ft in H2. This brings total take up 2014 up to 5.24m sq ft, which is 26% down on 2013.
- We are also seeing confidence return to occupiers at the smaller end of the market, with enquiry levels being high and take-up improving as we move into 2015.
- The continued lack of new build stock and dearth of good quality supply continues to have a significant impact on take up in the North West region.
- Over the last 6 months speculative developments have returned to the big box market in the North West. Canmoor / Harbert are on site constructing a speculative unit of 63,580 sq ft at their Mosley Road scheme in Trafford Park and Graftongate / Aviva are also speculatively developing a 95,116 sq ft facility at Hareshill Distribution Park in Heywood, north Manchester. Venus 110 in Knowsley will also provide a unit of 110,000 sq ft and construction is underway.
- The single largest transaction announced in the second half of the year is on-line retailer The Hut Group committing to a 690,000 sq ft design and build facility at Omega in Warrington.
- In terms of existing buildings, DHL at the XL facility in Skelmersdale made a freehold purchase and then subsequently completed a sale & lease back of the 519,000 sq ft facility.
- Incentives for leasehold transactions are continuing to tighten. So far however this has not led to any significant upward pressure on rental values.
- Owner Occupiers are becoming more prevalent with the increase in business confidence encouraging them to expand and review their occupational requirements. AKW, a Trafford Park based distribution company, expanded into the former Regatta warehouse in Trafford Park which extends to 184,000 sq ft. While Birchall Food Service Group purchased the refurbished 64,000sq ft Cobalt House at Burnley Bridge Business Park.

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
Manchester	£5.75 ▲	£5.50 ▲	£5.25 ▲
Warrington	£5.50 ▲	£5.25 ▲	£5.25 ▲
Liverpool	£4.95 ◀▶	£4.95 ◀▶	£4.95 ◀▶



RobeDHL purchased the XL facility in Skelmersdale during 2014 before agreeing a sale and leaseback transaction shortly after.

Selected North West transactions in H2 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
XL Distribution Centre, Skelmersdale	DHL Supply Chain	518,620	£4.25	Aug 14
Chesford Grange, Warrington	Crest Medical	102,000	£3.50	Sep 14
Everest Mercury Way, Trafford Park	Bathroom Takeaway	51,400	£ 5.50	Oct 14
Alba Way, Trafford Park	AK Worthington	185,310	£ 24.28*	Oct 14
Omega South, Warrington	The Hut Group	690,000	£ 5.46	Dec 14

*Freehold transaction

Regional outlook

- With the supply of good quality buildings in the right location continuing to diminish we expect to see an increase in design and build transactions.
- Occupiers will need to take a longer term view on lease length however in order to secure design and build solutions which work for developers financially.
- We expect to see the announcement of further speculative schemes in the key North West distribution locations.
- Rental values will start to increase where there is a lack of availability but good levels of demand.