

Occupier and investment market trends in the North West logistics and industrial sector.



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LOGIC: North West Q1 2022

Research, May 2022



MARKET OVERVIEW

Industrial occupier demand in the North West continues to strengthen, with a 24% annual uplift in take up over the last four quarters and 6.9% annual growth in prime rents.

8.1 million sq ft
Occupier take up
(last four quarters)

£1.3 billion
Investment total
(last four quarters)

6.9%
Prime annual rental
growth

Occupier activity ahead of five-year average

The opening quarter of 2022 saw 2.4 million sq ft of industrial space taken up in the North West region across units over 50,000 sq ft. While this is just slightly lower than Q1 2021 volumes (-11%), the total for the twelve months to end-March 2022 stood at 8.1 million sq ft, 24% higher than the comparable period the previous year and ahead of the five-year average.

Demand for all size bands driving rental growth

Retail and distribution occupiers combined account for more than three-quarters of the space taken over the past twelve months. Manufacturing occupiers were active in Q1, accounting for 5 out of the 11 deals, all within the 50-100,000 sq ft size band, while the larger floor plates are being pre-let to 3PLs and retailers. All of the manufacturing deals were for second hand, refurbished accommodation, which is experiencing significant rental growth. The most notable of these deals includes 80,000 sq ft at Howley 80, let to ESS Modular in January, at £6.50 psf.



SAM ROYLE, PARTNER,
MANCHESTER COMMERCIAL

“We are seeing an increasing number of pre-lets on new build accommodation, with three large scale units under construction going under offer at the start of this year and headline rents reaching £7.75 psf. In total, we estimate there to be c.2.5 million sq ft under offer as we enter Q2 2022.”

Strong pre-let activity in the big box market

The recent pre-lets in Q1 2022 were some of the largest recorded for the North West. While demand for 400,000 sq ft+ units in 2021 more than doubled on 2020 levels, with 1.2 million sq ft taken up, 2022 could be a record year for big box activity with 1.8 million sq ft already transacted in Q1 and numerous large scale, active requirements in the market. Growth is underpinned by the strength of the e-commerce market driving retail and distribution occupiers, with both L'Oréal and Amazon rumoured to have big box requirements.

Vacancy rate at a record low but large-scale speculative development under way

The current volume of readily available space is just under 5 million sq ft, resulting in the vacancy rate declining to a new low of 3.5% in Q1. This represents a 200 basis point reduction over the past year.

As the market struggles to satisfy demand and with little good quality, second hand space available, we are seeing a surge in activity from developers looking to secure sites and speculatively develop units, resulting in a climb in land values. A total of 4.1 million sq ft was under construction at the end of Q1 2022.

Investors showing confidence in occupier market

Investment into the industrial sector in the North West totalled £249 million in Q1 2022. While this is 33% lower than Q1 2021 volumes, the total for the four quarters to end Q1 2022 showed £1.3 billion invested, 41% of which was sourced overseas.

Rental growth & Outlook

Prime rents for all size bands across the North West region have risen over the past twelve months. Prime rents in both Manchester and Warrington increased by 6.9% annually, to stand at £7.75 psf at end-March.

With occupier demand continuing to outpace supply, strong rental growth is expected to continue through 2022, with landlords in a position to command longer leases and more favourable terms as occupiers compete to secure space. Average rents in Manchester and Warrington are forecast to grow by 8.2% and 6.0%, respectively, for 2022 (RealFor).

OCCUPIER MARKET

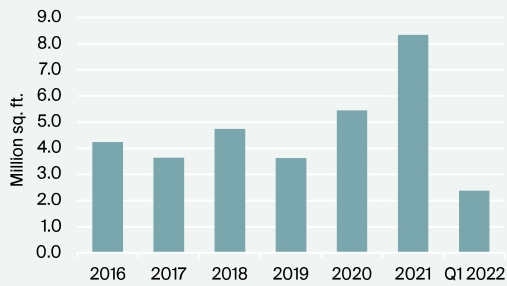
2.4 m sq ft
Occupier take up
Q1 2022

40%
Retail take up
(last four quarters)

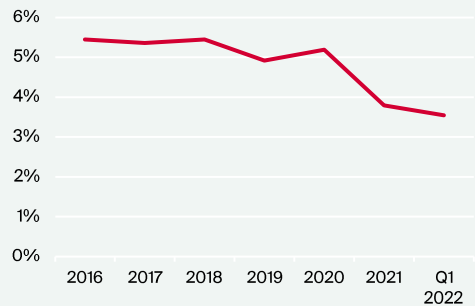
£7.75 psf
Prime rents

3.5%
Vacancy rate

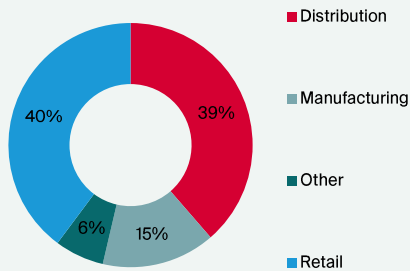
Take up (sq ft)



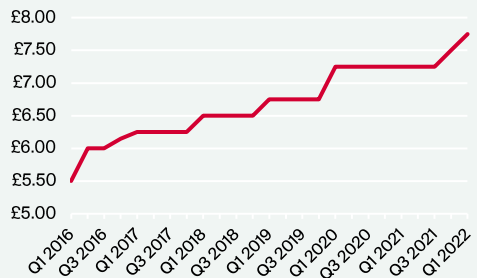
Vacancy rate (%)



Take up by sector (sq ft)
Q2 2021 - Q1 2022



Manchester - Prime rents (£psf)



KEY OCCUPIER DEALS Q1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Home Bargains, Warrington	830,000	TJ Morris	-	Pre-let
Omega, Warrington	505,000	Iceland	-	Pre-let
Widnes 400, Widnes	393,000	SCCL/ Unipart	£6.50 psf	Pre-let
Former Alpa, Golbourne	120,815	Masters Removers	£7.75 psf	Pre-let
Howley 80, Warrington	80,000	ESS Modular	£6.50 psf	Second hand

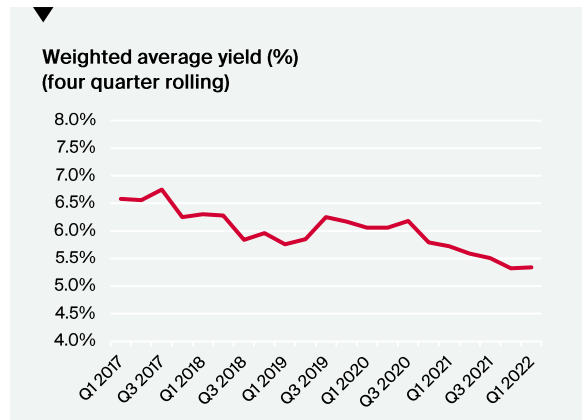
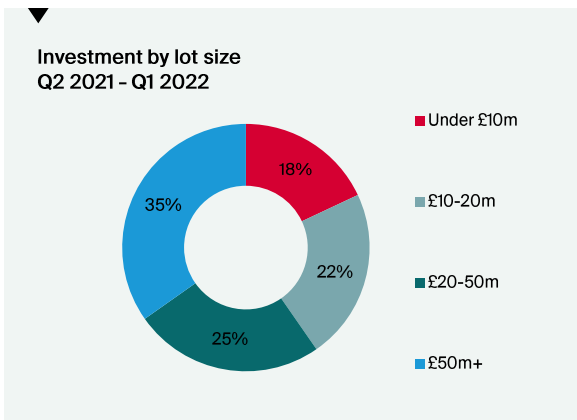
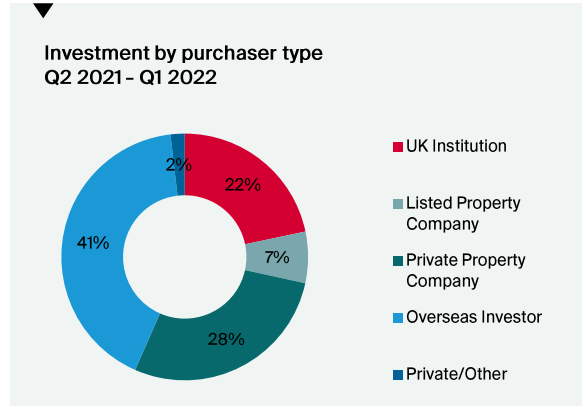
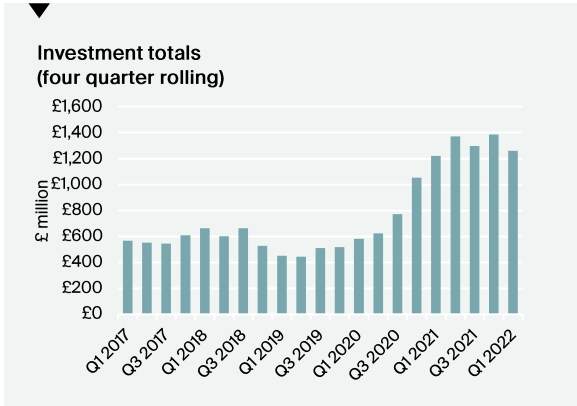
INVESTMENT MARKET

£249 million
Investment total
Q1 2022

£14.3 million
Average lot size
(last four quarters)

41%
Overseas capital
(last four quarters)

5.3%
Average yield
(last four quarters)



KEY INVESTMENT DEALS Q1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Monarch 330	Rochdale	£40m	N/A	Greater Manchester PF	Wilson Bowden Properties
Oldham Road	Manchester	£20.2m	7.15%	Greater Manchester PF	Rock Co Ltd.
Europa Boulevard, 110	Warrington	£12.3m	N/A	CBRE Global Investors	Telereal Trillium

Source: Knight Frank, Property Data

CONTACTS

LOGISTICS & INDUSTRIAL RESEARCH

Claire Williams

claire.williams@knightfrank.com

+44 203 897 0036

Deirdre O'Reilly

deirdre.oreilly@knightfrank.com

+44 203 995 0785

MANCHESTER COMMERCIAL LOGISTICS & INDUSTRIAL AGENCY

Rob Tilley

rob.tilley@knightfrank.com

+44 161 833 7719

Sam Royle

sam.royle@knightfrank.com

+44 161 833 7714

MANCHESTER COMMERCIAL CAPITAL MARKETS

Matt Stretton

matt.stretton@knightfrank.com

+44 161 470 0610

Craig Barton

craig.barton@knightfrank.com

+44 161 833 7734

Methodology

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.

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