

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



knightfrank.com/research

LOGIC: North West Q3 2022

Research, November 2022



CGI image: Connect 6, Preston

MARKET OVERVIEW

Pre-lease agreements and speculative development dominate the North West industrial occupier market, with almost 6 million sq ft taken up in the year to date.

6 million sq ft
Occupier take up
YTD 2022

£823 million
Investment total
YTD 2022

10%
Prime annual rental
growth

Second highest year on record for take up

Occupier demand in the North West industrial market remains robust with a further 1.2 million sq ft of space taken up in the third quarter, bringing the year to date (YTD) total to almost 6 million sq ft (units over 50,000 sq ft). Although total take up for 2022 is unlikely to reach the record levels seen last year, 2022 is already the second highest year on record with the fourth quarter still to go.

Pre-lease agreements and speculative development continue to drive the occupier market, accounting for 71% of YTD take up. Notable deals in Q3 included Farm Foods signing a 25-year lease on 246,136 sq ft at the newly developed Super W in Warrington and the pre-let to DB Schenker at Ergo Park, Middlewich, which totals 123,000 sq ft.

Distribution and retail operators most active

Distribution and retail occupier were particularly active in Q3, combined accounting for 93% of take up and 71% YTD. Distributors in particular have



SAM ROYLE, PARTNER,
MANCHESTER COMMERCIAL

“We have started to see a downward adjustment in land values across the North West region, most likely due to a combination of increasing build costs, yields shifting outwards and movements in interest rates. We are however still seeing competitive bidding on prime sites in the region, albeit from a narrow range of parties.”

been more resilient to rising occupational costs and are choosing to invest in robust supply chains.

Availability of large, new builds remains an issue

While availability remains an issue for occupiers, particularly in the large, new-build market, quarter three saw construction completing on several new builds across the region. Notably, Ergo completed construction on a new 367,163 sq ft unit at Broadway Green, Oldham.

This has led to the volume of immediately available space increasing by 17% in Q3, to stand at 5.9 million sq ft (units over 50,000 sq ft), shifting the vacancy rate up to a healthier level of 4.0%. The majority of this available space still comprises second-hand grade B and C units (77%), while there remains a shortage of new, larger units available in the region. Just one of the recently completed new builds is over 250,000 sq ft.

The volume of space under construction speculatively in Q3 stood at 2.9 million sq ft (units over 50,000 sq ft). As a result of the lack of readily available options, occupiers are increasingly signing space prior to practical completion to help secure opportunities.

Moderation in investment activity

Industrial investment volumes in the region totalled £171 million in Q3 2022. This brings the YTD total to £823 million, 9.5% lower YOY as we see some volatility enter the capital markets. The largest transaction in Q3 included GMPF's £47.8 million forward-funding of Imperial at Plot M, Kingsway Business Park in Rochdale, from Wilson Bowden Homes. The distribution / manufacturing facility will comprise three units totalling 286,330 sq ft.

Rental growth & outlook

Prime rents in Manchester for units over 50,000 sq ft continue to rise, standing at £8.00 psf at end-September. This represents 3.2% growth in the quarter and 10.3% annually. Looking ahead, average rents are forecast to increase by 3.8% next year in Manchester and by 2.3% in the North West region overall, according to RealFor.

We also anticipate an increasing number of design and build opportunities next year, as speculative development remains capped due to rising development and borrowing costs.

OCCUPIER MARKET

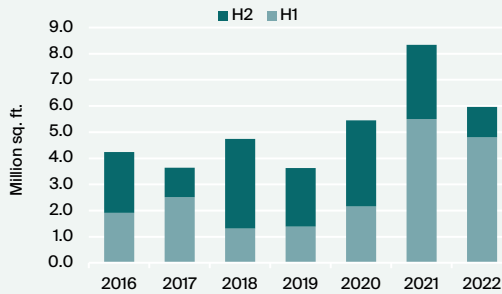
1.2 million sq ft
Occupier take up
Q3 2022

41%
Retail take up
YTD 2022

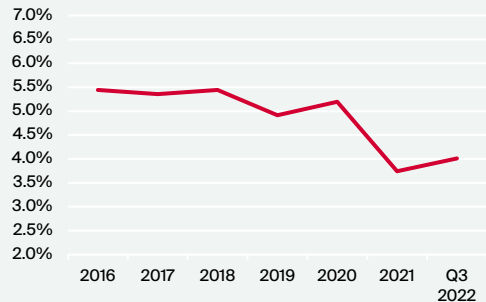
£8.00 psf
Prime rents

4.0%
Vacancy rate

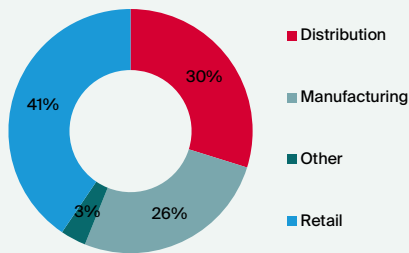
Take up (sq ft)



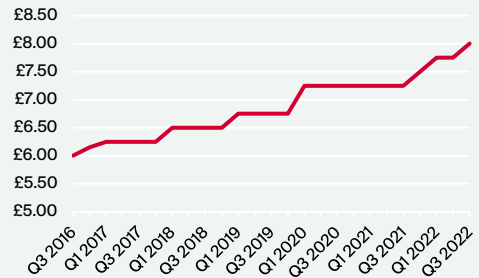
Vacancy rate (%)



Take up by sector (sq ft), YTD 2022



Manchester - Prime rents (£psf)



KEY OCCUPIER DEALS Q3 2022

| PROPERTY | SIZE (SQ FT) | OCCUPIER | RENT (OR PURCHASE PRICE) | COMMENTS |
|------------------------------------------|--------------|-------------------------|--------------------------|-------------------|
| Super W, Warrington | 246,136 | Farm Foods | £6.91 psf | Speculative Build |
| Unit 1, Symmetry Park, Prescot | 161,900 | Yodel | £7.25 psf | Pre-let |
| Cheshire Green Employment Park, Nantwich | 150,000 | Everything Genetic | £7.25 psf | Build-to-Suit |
| Alpha, Walton Summit, Preston | 134,780 | Montgomery Distribution | £6.50 psf | Second-hand |
| Ergo 123, Crewe | 123,000 | DB Schenker | £7.25 psf | Speculative Build |

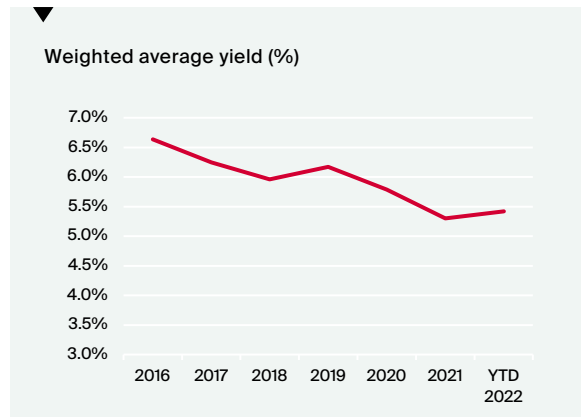
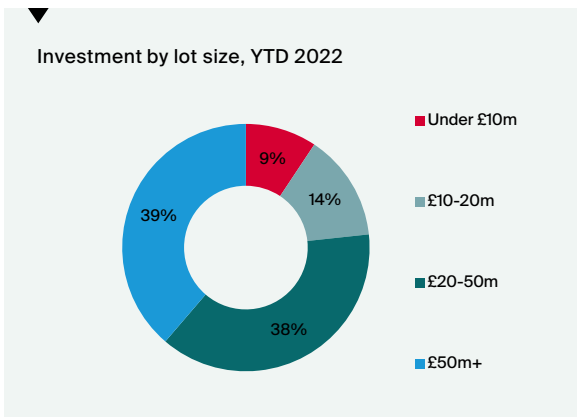
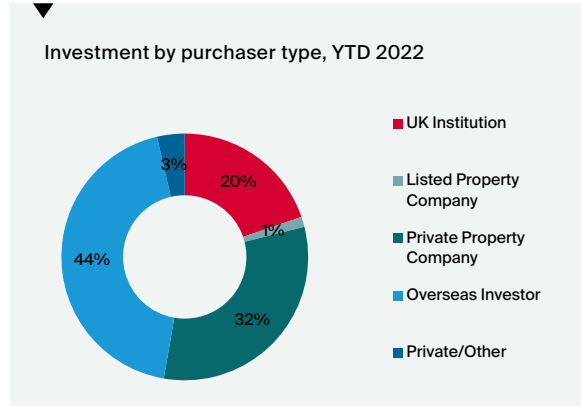
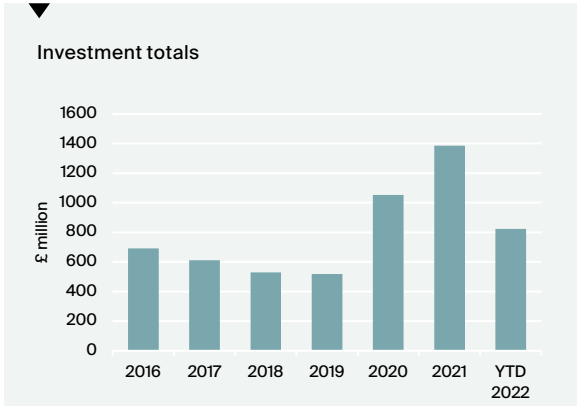
INVESTMENT MARKET

£171 million
Investment total
Q3 2022

£19.6 million
Average lot size
YTD 2022

44%
Overseas capital
YTD 2022

5.4%
Average yield
YTD 2022



KEY INVESTMENT DEALS Q3 2022

| PROPERTY | TOWN | PRICE | YIELD | PURCHASER | VENDOR |
|---------------------------------|------------|--------|----------------------|-------------------------|-----------------------|
| Kingsway Business Park - Plot M | Rochdale | £47.8m | Spec forward-funding | Greater Manchester PF | Wilson Bowden Homes |
| Swan Lane Industrial Estate | Wigan | £15m | 6.85% | Richardsons Capital LLP | Melburg Capital Ltd. |
| Europa Way, Manchester | Manchester | £6.6m | 4.14% | Network Space | CBRE Global Investors |

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

Bradley Norton

bradley.norton@knightfrank.com
+44 161 470 0611

MANCHESTER COMMERCIAL CAPITAL MARKETS

Matt Stretton

matt.stretton@knightfrank.com
+44 161 470 0610

Craig Barton

craig.barton@knightfrank.com
+44 161 833 7734

Holly McLeman

holly.mcleman@knightfrank.com
+44 161 833 7690

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. The North West region's

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.

Knight Frank Research
Reports are available at
knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2022 This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.