

LOGIC: North East



2024 Review

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

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Occupier Market

Steady demand in the North East industrial market, while vacancy rate edges downwards

2024 TAKE UP AHEAD OF LAST YEAR

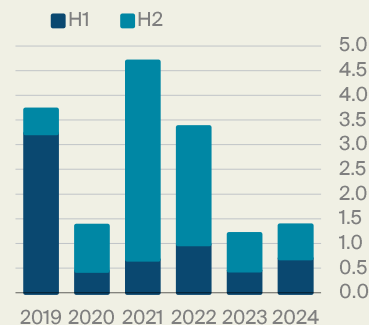
Occupier transactions of industrial units over 50,000 sq ft in the North East region totalled 1.4 million sq ft in 2024, 14% ahead of the 1.2 million recorded in 2023. Take up in Q4 2024 amounted to 303,500 sq ft across four units. Over the year, 14 transactions completed - ten leasehold and four freehold – notably better than the eight units that traded in 2023.

OCCUPIERS PRIORITISE SUSTAINABILITY

While caution amidst elevated operational costs remained a factor for occupiers throughout the year, sustainability and quality were also strong priorities. A notable deal in Q4 was the letting of the first of a five-unit scheme—Connect at Integra 61, Bowburn, in Durham. Connect 84 (84,175 sq ft) was let to data management company Restore PLC at £7.00 psf, and at year-end, at least one other unit was under offer at the park. Construction of the logistics hub was completed in 2023 and delivered strong sustainability credentials, including EPC ‘A’ and BREEAM ‘Excellent’ ratings.

In addition, parcel delivery firm DPD signed a 25-year lease for a new

Take up (sq ft) million square feet



Source: Knight Frank Research

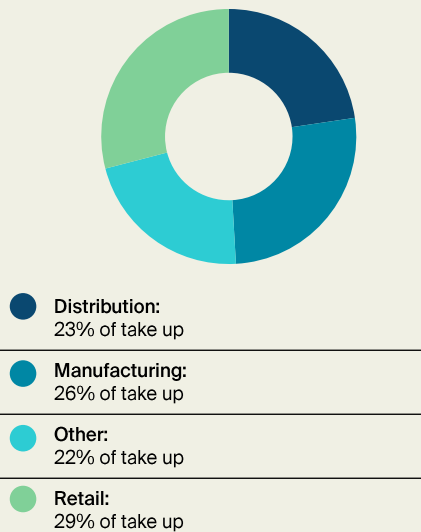
distribution centre at Forrest Park, Newton Aycliffe. Joint venture developer and investor Richardson Barberry will develop the 63,000 sq ft build-to-suit unit to BREEAM ‘Excellent’ standard. Planning consent has been secured for eight warehouses in total at Forrest Park.

Despite these lettings, second-hand space dominated take up in 2024, accounting for 78% of the total, due to the limited supply of new-build options and a constrained development pipeline.

BROADER RANGE OF ACTIVE OCCUPIERS

2024 saw a broader range of occupiers taking industrial and logistics space in the North East region compared with 2022 and 2023. E-commerce, retail, and distribution operators were more active, accounting for over half of the year’s take up (52%). Meanwhile, manufacturers’ share declined to 26%, from 69% in 2023 and 72% in 2022.

Take up by sector 2024



Source: Knight Frank Research

MARKET VIEW

Developers with sites will be closely monitoring take up



BY MARK PROUDLOCK, PARTNER, NEWCASTLE LOGISTICS & INDUSTRIAL AGENCY

“Demand continues to hold up, with occupiers closing in on some of the remaining new stock and units under construction.

Q1 2025 will see just under half a million sq ft of new speculative stock hit the market across four units, and developers with sites in our area will be closely monitoring the speed of take up.”

Occupier Market

1.4m sq ft

Occupier take up
Q4 2024

8.6%

Vacancy rate
Q4 2024

£8.00 psf

Prime rents
Q4 2024

6.7%

Prime annual rental growth

“E-commerce, retail, and distribution operators were more active, accounting for 52% of take up”

VACANCY RATE EDGES DOWNWARDS

After five consecutive quarters of increasing supply, the trend shifted downward in Q4 2024. During the quarter, availability of units over 50,000 sq ft declined by 11.3% to just over 4 million sq ft, with both new and second-hand stock reducing. This brought the vacancy rate down to 8.6% from 9.7% in Q3, though it remains higher than the 6.8% recorded in Q4 2023 and 4.9% seen two years ago.

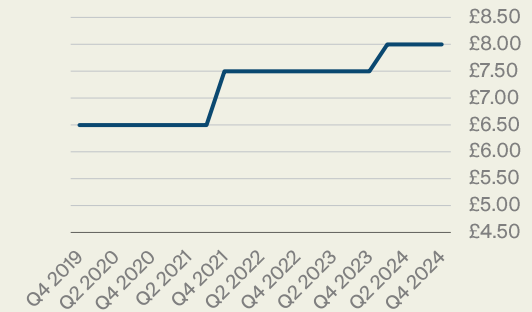
Just four units totalling 475,000 sq ft are under construction speculatively across the region (units 50,000 sq ft+), all of which are expected to complete in Q1 2025. Although the completion of these units may soften the vacancy rate again in early 2025, this is likely to be temporary, and beyond these units, no further speculative development is planned.

2025 OUTLOOK

Prime industrial rents in Newcastle grew by 6.7% during 2024 to £8.00 psf, albeit remaining stable in the fourth quarter (units 50,000 sq ft+). According to RealFor, average rental growth of 2.8% is forecast for the North East region for 2025. Stronger growth of 3.6% is predicted for Newcastle.

Newcastle - Prime Rents

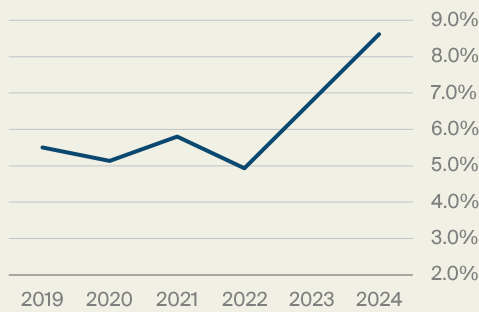
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Vacancy rate

% of stock



Source: Knight Frank Research

“Availability of units over 50,000 sq ft declined by 11.3% in Q4”

Key Occupier Deals 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Nelson Way, Cramlington	204,821	Templeman Retail Vending	Confidential	Freehold purchase – Second-hand
Connect at Integra 61, Bowburn, Durham	84,175	Restore PLC	£7.00 psf	Speculative build
Unit 3 Hillthorn Business Park (Phase 1), Washington	84,036	AESC Group	£7.50 psf	Speculative build
Unit 2 Hillthorn Business Park (Phase 1), Washington	66,872	AESC Group	£7.50 psf	Speculative build
Forrest Park, Newton Aycliffe	63,000	DPD	Undisclosed	Build-to-Suit

Source: Knight Frank Research

Investment Market

6.00%

Prime NIY - Newcastle
Q4 2024

Stable

YOY movement in prime yields

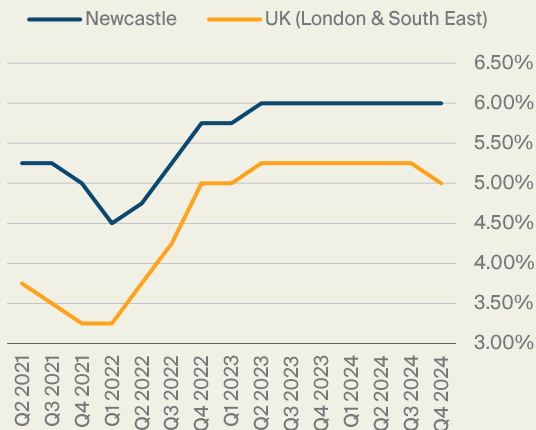
PRIME INDUSTRIAL YIELDS HOLD STEADY

Prime industrial yields in Newcastle remained unchanged at 6.00% in Q4, marking the seventh consecutive quarter at this level. There can typically be a 3 to 6-month lag in yield movements between the North East region and its more southern counterparts; yield compression is anticipated in the coming months amidst a broad market consensus that the repricing phase has concluded.

Following an active Q3, the final quarter of the year was quieter in terms of transaction volumes. One worth noting was Waterfall PropCo Ltd's acquisition of Turbine Business Park in Sunderland from Block Industrial for £18.1 million (NIY 1.97%). The development, built in 2023, comprises four industrial and warehouse units extending to 169,500 sq ft. Two units are respectively let to Bathroom Cladding Direct and Rheal Superfoods, with the remaining two still available.

Prime Yield

Net initial yield %



Source: Knight Frank Research

MARKET VIEW

Prime assets can benefit from the continued positive rental growth story



BY DICKON WOOD, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“While the investment market remains constrained by a lack of product and opportunity, there remains an underlying strong demand for prime and core plus assets. These units can benefit from the continued positive rental growth story in the occupational market, which remains constrained by low supply levels and negligible new-build opportunities.”

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

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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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