

NORTH EAST

Logistics and Industrial Commentary

H2 2017 Review



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- Take up of units over 50,000 sq ft across the North East region totalled 295,122 sq ft in H2 2017. While this is less than half the volume of take-up in the first half of the year, it brings the annual volume to 1.1m sq ft, which is in line with 2016.
- The stand out transaction during H2 was the sale of the former Visage Clothing warehouse in Washington totalling 175,000 sq ft. However, the letting of UK Land's new build 57,000 sq ft unit on Tyne Tunnel Trading Estate is arguably more of a landmark. This unit was let during construction in September at a rent of £6.00 per sq. It was the speed at which the unit went under offer in the first month after construction commenced which should give encouragement to other developers sitting on planning permission for larger units.
- The North East continues to suffer from a lack of good quality stock. The statistics show that there is around 4.2m sq ft currently available, however only 485,000 sq ft of that space could be considered modern. Significantly, there is no new stock above 20,000 sq ft available although Hellens are on site with a development of two units of 16,000 sq ft and 26,500 sq ft on the Monkton Business Park, Hebburn, which completes within the next few months.
- Demand is good for larger units between 50,000 sq ft and 150,000 sq ft and is partly being fuelled by Nissan's launch of a new model in 2020. A number of part suppliers are currently tendering for contracts from Nissan and if successful will need to be in premises by Q2 2019 in order to trial initial production runs. Interestingly in anticipation of Brexit, Nissan is pulling most, if not all, of its suppliers into the region to avoid potential duties on its parts post Brexit.
- In terms of land supply, the International Advanced Manufacturing Park (IAMP) proposed for land north of Nissan (150 ha/370 acres) has cleared most of the planning hurdles to release it from the greenbelt and Henry Boot has been chosen as the preferred developer by Sunderland and South Tyneside Councils. There remain some questions on the land ownership and in particular, a key part of the site is in the hands of a rival developer intent on bringing forward their own proposals. This will not necessarily conflict with the Council's ambitions but it may divert control away from them.

Q4 2017 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q4 2018			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000+ sq ft
Newcastle / Gateshead	£8.10 ◀ ▶	£7.45 ◀ ▶	£6.50 ▲
Sunderland / Washington	£6.50 ▲	£6.00 ▲	£5.00 ▲
Durham	£5.25 ◀ ▶	£5.25 ◀ ▶	£5.25 ◀ ▶
Middlesbrough / Stockton	£5.00 ◀ ▶	£4.50 ◀ ▶	£4.00 ◀ ▶



UK Land Estates letting to Pryme Group at Tyne Tunnel Trading Estate, North Shields was a significant H2 highlight

Regional outlook

- Nissan's current tendering for suppliers has given some hope to developers and owners of large factories that 2018 could be a good year, although we have yet to see how many of these companies will ultimately secure contracts and take space.
- Timescales may pose a problem. The IAMP development model for 2020 will just not come forward in time for those suppliers requiring purpose built premises, although there will be others going forward.
- The market is otherwise proving to be resilient. We expect to see continued enquiries in the sub 10,000 sq ft range, but less activity in the mid-range size between 15,000 sq ft to 35,000 sq ft. We believe that there will continue to be steady demand for larger units in the 50,000 sq ft to 150,000 sq ft size range but fewer enquires for buildings in excess of 150,000 sq ft.

Selected North East leasing transactions in H2 2017				
Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit 11 Follingsby Park, Gateshead	Ikea	62,778	Undisclosed	Dec-17
Unit 5 St. Andrew's Trade Park, Durham	Floors 4 U	3,193	£8.50	Dec-17
Unit L5, Intersect 19, Tyne Tunnel Trading Estate, North Shields	Pryme Group	57,404	£6.00	Sep-17
Former Visage Premises, Parsons Road, Washington	Ashworth & Parker	174,940	£28.00*	Aug-17
Units A3 - A5 Benfield Business Park, Newcastle	Card Tricks Ltd	69,162	£1.81	Aug-17

* Freehold transaction