

H2 2018 REVIEW

- Take-up of units over 50,000 sq ft across the North East region reached a 3m sq ft in H2 2018, more than double the total registered in H1. This meant that at year-end, take-up in the North East had reached 4.2m sq ft. Take-up was dominated by new build pre-lets with Amazon's 1.5m sq ft unit at Darlington being the largest, but supplemented by Snop UK's 194,000 sq ft unit at Washington and Tor Coatings 135,000 sq ft unit in Gateshead.
- Although not in 2018's figures, Amazon have just signed up for a further 2m sq ft, three level warehouse at Integra 61, Durham, which has been forward funded by Tritax Big Box REIT. This means that Amazon is committed to 3.5m sq ft in the region since mid 2018.
- Notable deals of existing units included the sale of Walker's Crisp factory in Peterlee (180,000 sq ft) to Vbites Foods owned by Heather Mills-McCartney and Wincanton's former warehouse at Billingham (280,000 sq ft) to local business Magnum Packaging. The NHS also leased Unit 5 Greenfinch Way, Newburn (58,665 sq ft) at a rent of £5.37 per sq ft.
- Due to the high level of take-up in H2, supply has fallen from 3.95m sq ft to 2.83m sq ft. The largest available space was the former Coty Cosmetics factory in Seaton Delaval comprising 370,000 sq ft. However there were only two

large modern industrial units available out of this total which were the Barbour Warehouse at Follingsby Park, Gateshead (118,259 sq ft) and Foxcover 9 at Seaham (132,311 sq ft) and it is reportedly under offer.

- The development pipeline of new builds of over 50,000 sq ft under construction has registered a sharp decline. Langley Holdings are developing a £6m scheme at Baltic Park, Gateshead comprising 11 industrial units ranging in size from 2,375 sq ft to 48,500 sq ft.
- Serviced land supply is increasing at a much greater rate, as the Local Enterprise Partnership (LEP) part funds infrastructure works on some of the region's most significant land allocations. The largest is Sunderland's International Advanced Manufacturing Park (370 acres), but Richardson Barberry's 130 acre Forrest Park scheme at Newton Aycliffe, the 200 acre Integra 61 site at Bowburn, Durham and the 62 acre Follingsby Max site at Gateshead have also benefitted from significant LEP funding.
- In the North East, enquiry levels at the end of 2018 were higher than most expected, even though this is a traditionally busy time of the year. A number of companies were seeking to protect their material stocks as a result of Brexit uncertainty and this has generated short term storage requirements.

REGIONAL OUTLOOK



Simon Haggie
North East Industrial Agency
+44 (0) 191 594 5009
simon.haggie@knightfrank.com

Political turmoil continues to undermine general business confidence whilst the decline in automotive sales, particularly diesel, is affecting Nissan one of the region's largest employers and exporters. This is going to have an increasing impact on their suppliers and their presence or investment in the area, which for a long time has generated many of the new build projects.

Amazon's domination of the 'big shed' market has now spread to the North East and they will have 3.5m sq ft by the end of 2019 serving a population of only 2.6m people. It's positive news for the region generating many jobs, but perhaps as importantly, they are providing the launch pad for two major new employment sites. This could prove the catalyst for others to follow.



Unit 5 Greenfinch Way, Newburn Riverside, Newcastle.

SELECTED OCCUPIER TRANSACTIONS, H2 2018

Address	Occupier	Size sq ft	Rent / price (per sq ft)	Date
Unit 5 Greenfinch Way, Newburn, Newcastle	NHS	58,665	£5.37	Sep-18
Bowburn North Ind Estate, Durham	Electrolux	98,446	£3.05	Oct-18
Former Walkers Crisp, North East Ind Est, Peterlee	Vbites Foods Ltd	180,641	Freehold Sale	Nov-18
J1 Tyne Tunnel Trading Estate, North Shields	Howdens	12,300	£6.67	Aug-18
2 Kings Park, Team Valley, Gateshead	Templeman Retailing	36,760	Freehold Sale	Nov-18

H2 2018 PRIME HEADLINE RENTS

(£ per sq ft) ▲/▼ – movement expected to H2 2019

Market	Under 20,000 sq ft	20,000-50,000 sq ft	50,000 sq ft
Newcastle / Gateshead	£7.75 ◀	£7.45 ◀	£6.50 ◀
Sunderland / Washington	£7.50 ▲	£6.50 ▲	£6.00 ▲
Durham	£6.00 ◀	£6.00 ◀	£6.00 ▲
Middlesborough / Stockton	£5.00 ◀	£4.50 ◀	£4.00 ◀



Brexit uncertainty is generating short-term storage requirements.