

LOGIC: North East



Q1 2025

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

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Image: L7 Intersect 19, Tyne Tunnel Estate, North Tyneside

Occupier Market

Speculative development pipeline at its lowest in five years

QUIET Q1 2025 FOR TAKE UP

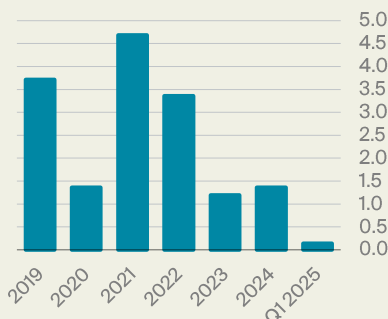
It was a quiet first quarter of 2025 for occupier take up of units over 50,000 sq ft in the North East industrial and logistics market, with just one transaction completing.

Global automobile transmission manufacturer JATCO committed to the 138,840 sq ft Unit 6 at the International Advanced Manufacturing Park (IAMP) in Washington. The facility was built in 2019 and will undergo extension and upgrade. Upon completion, it will be used to produce electric vehicle powertrains to supply new generations of Nissan electric vehicles for Nissan’s neighbouring Sunderland plant. An important boost for the region, investment in the new facility was supported by a grant from the UK Government. The IAMP is part of the North East Investment Zone created to drive growth in advanced manufacturing and green industries.

DEMAND LED BY MANUFACTURERS

While demand in the region over the past year has come from a broad range of occupiers, it has been led by manufacturers who account for 38% of take up annually to Q1 2025. In addition to the new JATCO facility, transactions last year included the

Take up (sq ft)
million square feet



Source: Knight Frank Insight

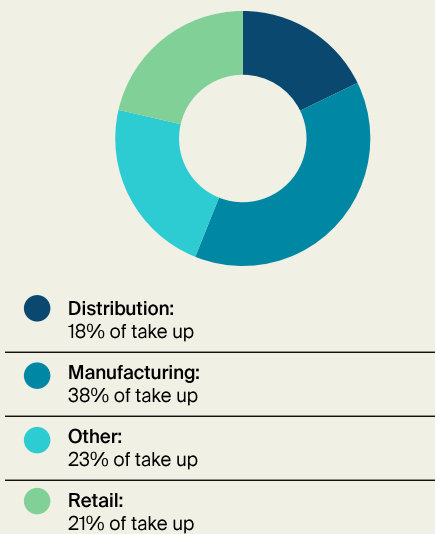
Ministry of Defence (MOD)’s acquisition of Coherent’s former semiconductor factory at Newton Aycliffe to secure supply lines of semiconductors for the military, while battery manufacturer AESC signed two units at the newly built Hillthorn Business Park, Washington.

OCCUPIER CAUTION IMPACTING DECISIONS

Take up annually to Q1 2025 stood at 1.3 million sq ft, 3.3% lower than the same period last year. Occupier caution amid economic and geopolitical challenges continues to impact enquiry levels and decision-making, keeping volumes relatively subdued. Submarkets within the region still face a squeeze in the supply of new, high-quality units, which is likely restricting take up. However, a number of units are under offer, including the last remaining Unit 5 at Hillthorn Business Park and the former Biffa waste management site in South Shields, which will be renovated and repurposed into a new 100,000 sq ft logistics base for DHL.

Take up by sector

Q2 2024 – Q1 2025



Source: Knight Frank Insight

MARKET VIEW

Investors and developers are keeping a keen eye on take up in Darlington



BY MARK PROUDLOCK, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL
AGENCY

“Construction has finished on two major schemes, UK Land Estates’ 72,872 sq ft L7, which completes the Intersect 19 scheme at Tyne Tunnel Estate, and Citivale’s Greenbox scheme at Darlington, which has delivered three units ranging from 84,000 to 213,000 sq ft in size. Investors and developers are keeping a keen eye on take up in Darlington, where there is a healthy supply of allocated B2/B8 land; however, with limited speculative development over recent years, the market is relatively untested. Early indications of occupier interest are, however, promising.

Separately, Blackstone-owned digital firm QTS has secured planning consent for a £10 billion data centre to be built at Cambois, Northumberland, on the site formerly proposed for Britishvolt’s gigafactory. As part of the deal, Blackstone will contribute to a £110 million fund set up by the council aimed at driving long-term investment and economic development. While there were initial concerns that the data centre may not deliver the level of jobs hoped for, this additional investment, if targeted effectively, offers great potential as a catalyst for job creation and growth in Northumberland.”

Occupier Market

138,840 sq ft

Occupier take up
Q1 2025

9.8%

Vacancy rate
Q1 2025

£8.00 psf

Prime rents
Q1 2025

Stable

Prime annual rental growth

“Manufacturers account for 38% of take up annually to Q1 2025“

VACANCY RATE LIFTED BY NEW STOCK, BUT PIPELINE IS NOW LIMITED

The supply of existing units over 50,000 sq ft increased by 14% in Q1 2025 to 4.6 million sq ft. This was mostly due to construction completing on four speculative units totalling 475,000 sq ft. A small number of second-hand units were also added, increasing second-hand supply by 3.1%.

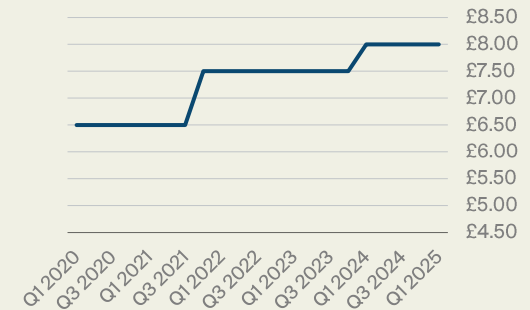
As a result, the vacancy rate rose to 9.8% in Q1, from 8.6% at year-end 2024, but this was expected given the impending new-build supply which is well-needed for the North East market. Last year, new, prime space represented 20% of total supply; this has now risen to 26%. However, the development pipeline is now at its lowest level in five years; construction commenced on MP52, Merchant Park, Millennium Way in Newton Aycliffe in Q1, but beyond this, no further development is planned.

RENTAL LEVELS & OUTLOOK

Prime industrial rents for units over 50,000 sq ft in Newcastle remained stable in Q1 2025, at £8.00 psf. According to RealFor, average rental growth of 3.0% is forecast for the North East region for 2025, with stronger growth of 3.3% expected for Sunderland.

Newcastle - Prime Rents

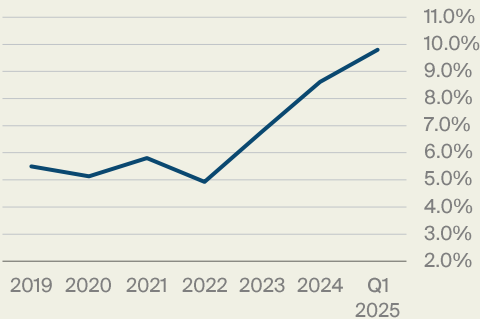
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Insight

Vacancy rate

% of stock



Source: Knight Frank Insight

“Stronger average rental growth of 3.3% is expected for Sunderland“

Occupier Deals

Q1 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Unit 6 International Drive, IAMP, Washington	138,840	JATCO Ltd.	£6.00 psf	Second-hand Grade A refurbishment

Source: Knight Frank Insight

Investment Market

5.75%

Prime NIY - Newcastle
Q1 2025

-25 bps

YoY movement in prime yields

NEW PRIME PRICING CYCLE FOR NEWCASTLE

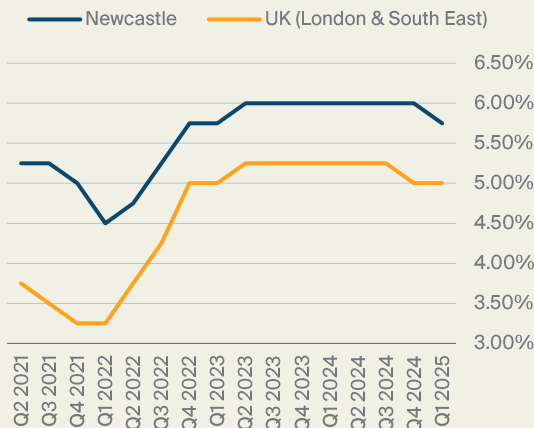
Prime industrial yields in Newcastle sharpened by 25 bps in Q1 2025, to 5.75%, marking the first compression in the market's new prime pricing cycle. Prime yields are now just 125 bps softer than their previous peak of 4.50% recorded in Q1 2022.

While pricing and sentiment in the investment market have turned positive, transaction volumes remain hindered by a lack of available product.

Quarter one saw Northern Trust strengthen its presence in the North East industrial market by acquiring the South Nelson Industrial Estate in Cramlington for £5 million. The 47,000 sq ft multi-let estate comprises 33 units and sits adjacent to Northern Trust's existing Nelson Park Industrial Estate.

Prime Yield

Net initial yield %



Source: Knight Frank Insight

MARKET VIEW

Positive outlook in a stock constrained market



BY DICKON WOOD, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL
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“The investment market remains positive but frustrated by a lack of product. Any industrial stock offered to the market is well received by a captive audience, especially if a buyer can see a reversion in the next 24 months.

We anticipate an increase in buying opportunities as vendors come under a collective of external forces such as fund redemptions, refinancing, and LTV (loan-to-value) breaches.”

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 Commercial Insight.

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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