

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



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# LOGIC: North East Q3 2022

**Research, October 2022**



# MARKET OVERVIEW

*Strong third quarter in the North East industrial market brings take up in the year to date to 2.6 million sq ft, with a number of owner occupier deals transacting.*

**2.6 million sq ft**  
Occupier take up  
YTD 2022

**£555 million**  
Investment total  
YTD 2022

**15%**  
Prime annual rental  
growth

## Active third quarter boosts take up volumes

A very robust third quarter of 2022 was recorded in the North East industrial occupier market, with over 1.6 million sq ft of space taken up (units over 50,000 sq ft). This follows a relatively slower first half of the year and brings the year to date (YTD) total to over 2.6 million sq ft. Supply levels continue to hamper the occupier market, therefore 2022 is unlikely to see the record high levels seen last year during which a number of large new builds completed.

Occupier activity in the year to date comprises an even mix of both lease and owner occupier deals, the largest of which is South Korean steel manufacturer SeAH Wind's 1.13 million sq ft, 40m tall factory at Teesworks, Middlesbrough, costing an estimated £300 million. The 800m long building will eventually produce monopiles up to 120m in length, 15.5m in diameter and weighing 3,000 tons, used to support offshore wind turbines. Lanchester Wines are also self-building a new bottling plant at Greencroft Industrial Estate, Stanley.



SIMON HAGGIE, PARTNER,  
NEWCASTLE COMMERCIAL

"It has been a quarter that started slowly but finished with some sizeable deals and in particular, significant owner occupier self builds. A noteworthy letting was the former 100,000 sq ft Amazon warehouse in Washington, which was let for the owners Fergusons Blyth Limited to Nissan on a 10-year lease, at a rent of £6.20 sq ft. There was additional serious interest in the building which represented the only available grade A space of that size in the Tyne & Wear area."

Manufacturing occupiers remain the most active, accounting for 63% of space occupied YTD.

## Supply levels remain constrained

The volume of immediately available space in the North East decreased by 7% in Q3 and by 22% on an annual basis, to 2 million sq ft (units over 50,000 sq ft). This results in a vacancy rate of 4.4%, compared to 5.7% one year previous. All of this available space consists of second hand stock, while the vast majority (84%) is under 250,000 sq ft in size.

In response to supply constraints, speculative development activity in the North East is beginning to accelerate, with 339,000 sq ft of space under construction in Q3 2022 (units over 50,000 sq ft). Construction remains under way at the first phase of Hillthorn Business Park, Washington, providing over 363,000 sq ft of new, high speculative warehousing across eight units, three of which will be over 50,000 sq ft. A further 119,000 sq ft of space is also under construction at Turbine Business Park, Washington.

## Investment activity remains robust

Investment in the North East in Q3 2022 reached £428 million, bringing the YTD total to £555 million. This compares to just £144 million recorded in the YTD Q3 2021. Overseas investors account for 78% of the capital deployed. Q3 investment volumes were significantly boosted by the sale of Project George to Singaporean sovereign wealth fund, GIC Real Estate, by Northwood Investors for £425 million / NIY 4.50%. The portfolio includes c. 3.25 million sq ft of industrial space across the North East region.

## Outlook

The weighted average yield for assets transacted across the North East region in the YTD 2022 has fallen to 4.6%, from 6.8% recorded in the comparable period last year, though a softening of yields has become evident as the industry reacts to increased debt costs.

Prime industrial rents in Newcastle for units over 50,000 sq ft stood at £7.50 psf in Q3, 15.4% higher annually. Heading towards the end of 2022, average annual rental growth of 6.9% is predicted for Newcastle for the year. A slower rate of average rental growth is forecast for 2023, of 2.8%, and 1.6% for the wider North East region (RealFor).

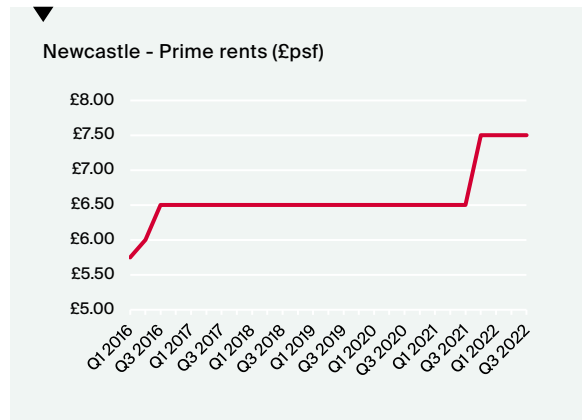
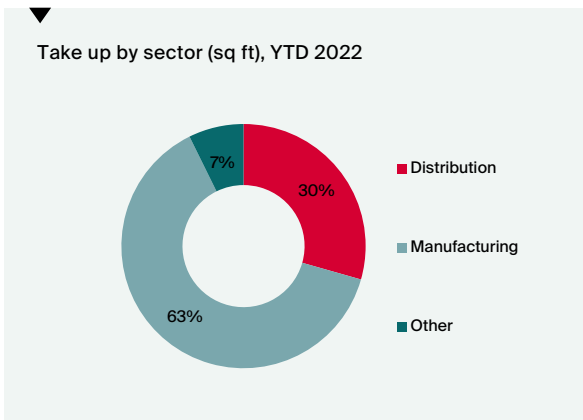
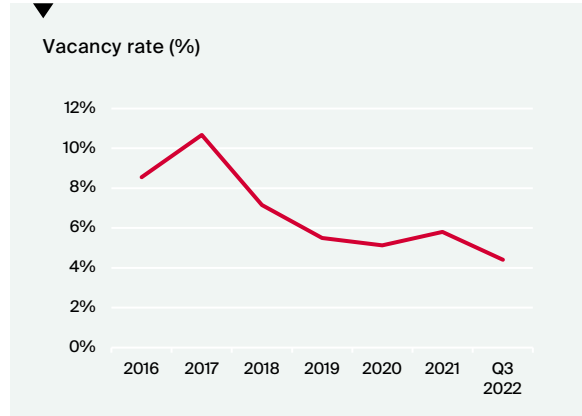
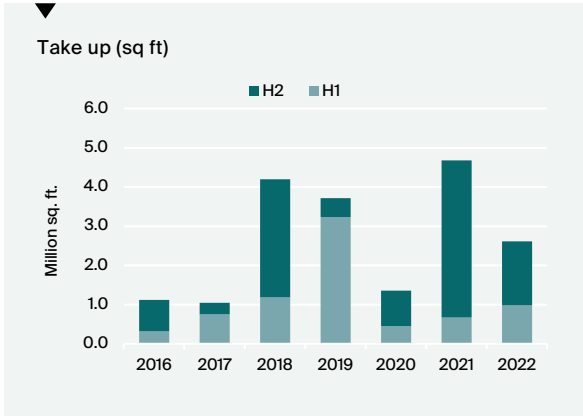
# OCCUPIER MARKET

**1.6 million sq ft**  
Occupier take up  
Q3 2022

**63%**  
Manufacturing  
take up  
YTD 2022

**£7.50 psf**  
Prime rents

**4.4%**  
Vacancy rate



## KEY OCCUPIER DEALS Q3 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Teesworks, Middlesbrough	1.13 million	SeAH Wind	Self-build	Owner occupier new build
Greencroft Industrial Estate, Stanley	240,000	Lanchester Wines	Self-build	Owner occupier new build
Unit C Paragon, Mill Hill, Peterlee	159,771	The Storage Place	£3.75 psf	Second-hand refurbished Grade B
3 Cherry Blossom Way, Washington	100,815	Nissan Motor Manufacturing UK	£6.20 psf	Second-hand Grade A

Source: Knight Frank

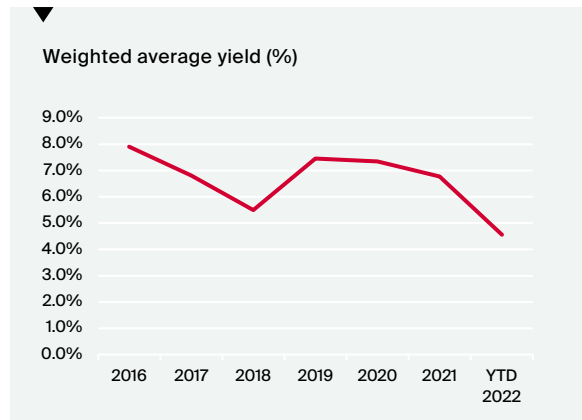
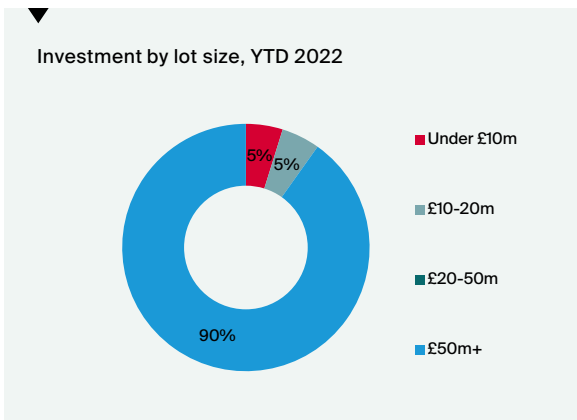
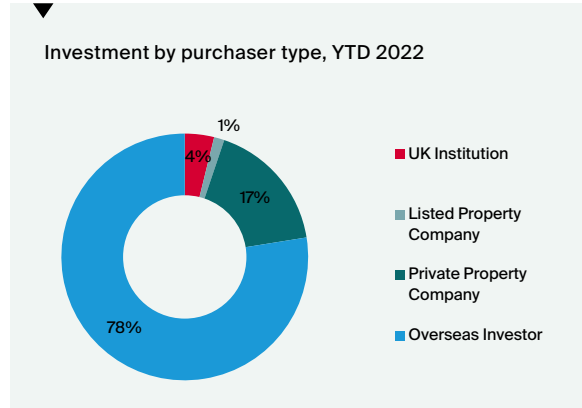
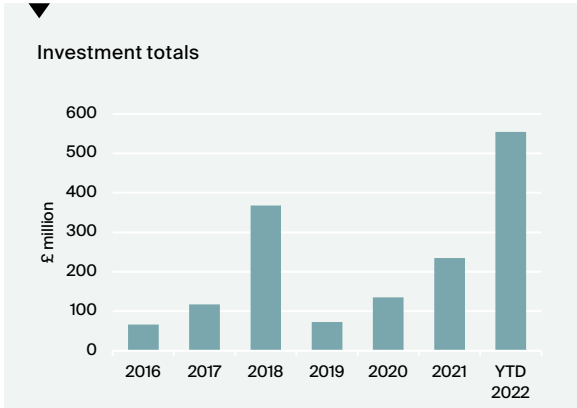
# INVESTMENT MARKET

**£428 million**  
Investment total  
Q3 2022

**£55.5 million**  
Average lot size  
YTD 2022

**78%**  
Overseas investment  
YTD 2022

**4.6%**  
Average yield  
YTD 2022



## KEY INVESTMENT DEALS Q3 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Project George Portfolio	Various locations	£425m	4.50%	GIC Real Estate	Northwood Investors
Middle Engine Lane	North Tyneside	£3.4m	5.84%	Confidential	Confidential

Source: Knight Frank, Property Data

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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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