

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



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LOGIC: North West 2021 Review

Research, January 2022



MARKET OVERVIEW

Record year for occupier activity in the North West region in 2021, with take up reaching 8.3 million sq ft, 61% ahead of the five-year average.

8.3 million sq ft
Occupier take up 2021

£1.4 billion
Investment total 2021

3.4%
Prime annual rental growth

Record year for occupiers taking space

Across the North West region, take up reached a new record high of 8.3 million sq ft in 2021 (units over 50,000 sq ft). This is 53% higher than 2020 levels and is 61% ahead of the five-year average of 5.2 million sq ft. Activity was strongest in the first three quarters, with take up in Q4 easing to just 780,500 sq ft, attributable to the lack of immediately available stock particularly at the larger end of the market. E-commerce continues to drive demand in the North West, with retail occupiers accounting for 39% of total take up in 2021.

Lack of available product causing supply/demand pressures

Total availability of units over 50,000 sq ft stood at 5.3 million sq ft at the end of 2021, -27% below last year. Low stock levels have driven down the vacancy rate to a new low of 3.8%. While the development pipeline has been bolstered with 3.5 million sq ft of speculative development currently under way,



SAM ROYLE, PARTNER,
MANCHESTER COMMERCIAL

“With 2.3 million sq ft under offer as we enter 2022, we are expecting occupational take up to remain buoyant. However, activity this year could be impacted by the time lag of new build product hitting the market, with rising build costs and delays impacting development schedules.”

the total supply pipeline of 8.8 million sq ft is just a fraction below requirements in the market.

Strong pre-let activity encouraging developer appetite

2021 was a strong year for pre-lets due to declining immediately available stock levels and accounted for 37% of leasing activity in the year. For example, the Fragrance Shop agreed a pre-lease of 15 years on 190,000 sq ft at Metro 190, Trafford Park in Q4 2021. Another significant deal in the fourth quarter was manufacturing firm; Intertape Polymer, leasing 109,000 sq ft at Liberty Park, Widnes.

Robust occupier market boosts investor confidence

The strength of demand in the North West occupier market is driving investor activity and resulting in ongoing yield compression. 2021 was a particularly strong year with £1.4 billion of investment recorded, up from £845 million in 2020.

In line with trends across the UK during the year, overseas investors were highly active, and accounted for 37% of total acquisitions.

2022 Outlook

Prime rents for units over 50,000 sq ft have increased by 3.4% over the course of 2021, to £7.50 psf, while the wider regional market has recorded average rental growth of circa 8% year-on-year. Looking to the year ahead, average rental growth of 5.4% is forecast for the North West in 2022, while expectations for the Manchester market are particularly high, with average rental growth of 6% predicated (RealFor).

New development coming to the market this year will provide opportunities to satisfy occupier requirements for modern facilities and will result in new headline rents being achieved. The lack of big box units in the pipeline, however, remains a concern.

OCCUPIER MARKET

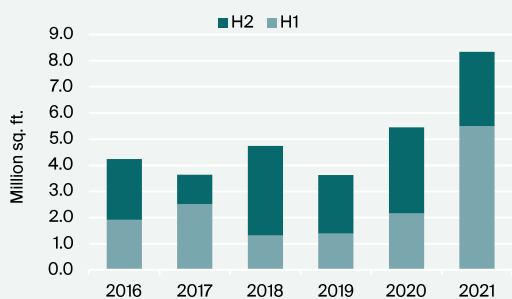
8.3 m sq ft
2021 occupier
take up

39%
Take up from
retail sector

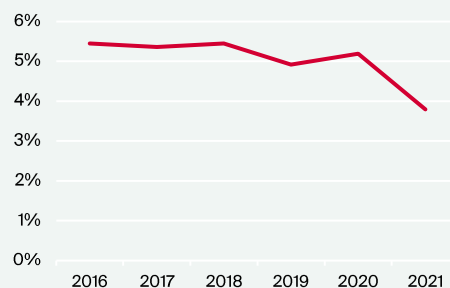
£7.50 psf
Prime rents

3.8%
Vacancy rate

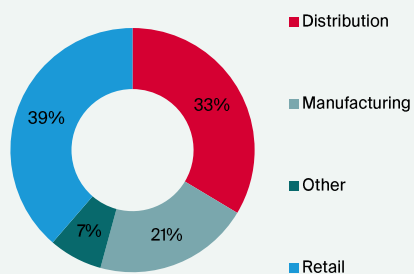
Take up (sq ft)



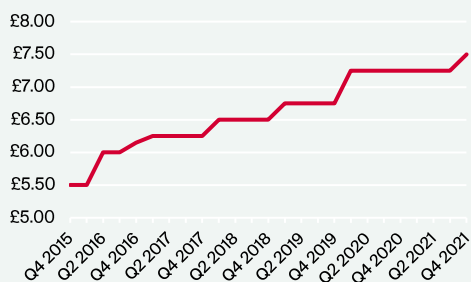
Vacancy rate (%)



2021 Take up by sector (sq ft)



Manchester - Prime rents (£psf)



KEY OCCUPIER DEALS 2021

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
PLP Knowsley	650,000	Amazon	-	Build to Suit
Martland Park, Wigan	346,526	Makita UK	£5.75 psf	Second hand
Crewe 305, Crewe	305,360	AO	£6.25 psf	Pre-let
Panattoni 280, Bolton	280,698	UPS	£7.25 psf	Pre-let
Logistics North 50, Bolton	50,809	Amscreen	£7.50 psf	Pre-let

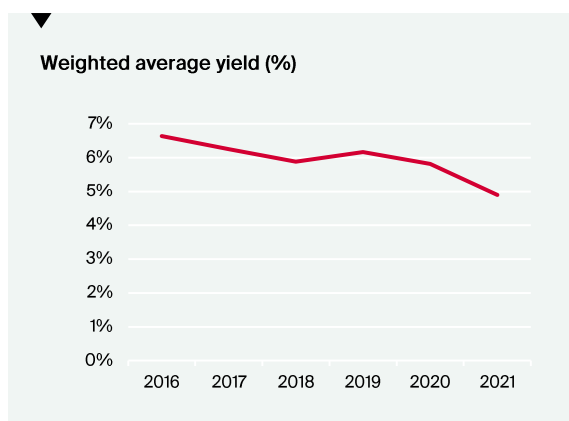
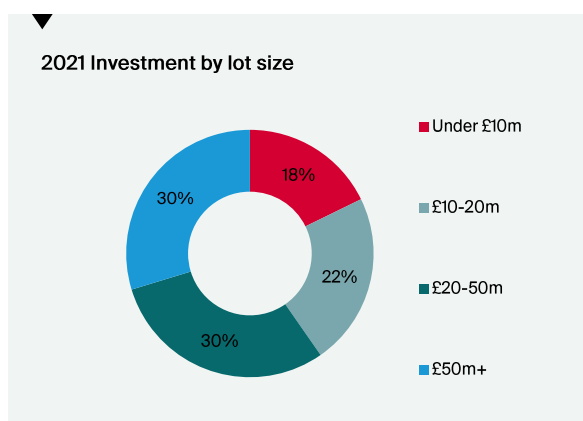
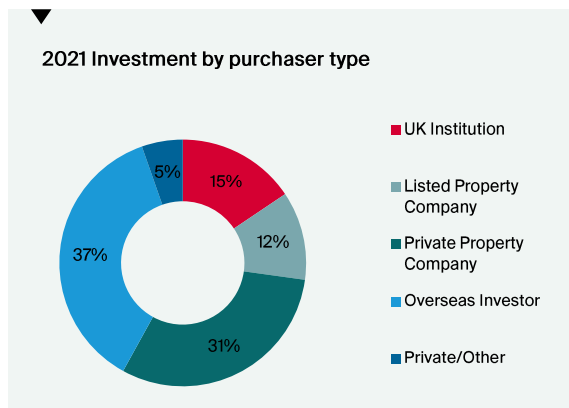
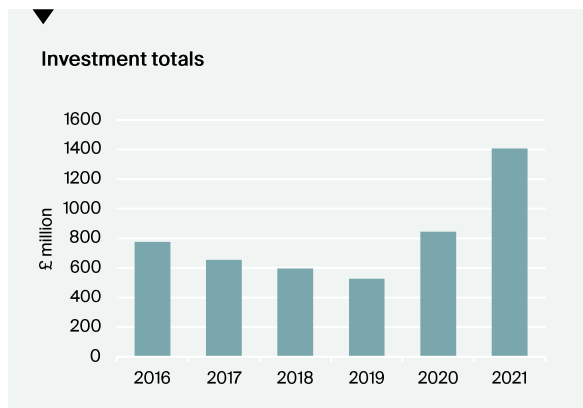
INVESTMENT MARKET

£1.4 billion
Investment total

£13.7 million
Average lot size

37%
Overseas capital

4.9%
Average yield



KEY INVESTMENT DEALS 2021

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Icon Manchester (Unit 2)	Manchester	£58.8m	-	-	TPG Capital
McManus Drive	St Helens	£54m	4.25%	Standard Life PIT	Network Space
Oldham Road, 77	Manchester	£45m	2.75%	UK Private Investor	Aviva Investors

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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