

LOGIC: North West



2023 Review

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

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Image: Bolton 280, Bolton

Occupier Market

A return to pre-pandemic take up levels, while a shortage of very large units persists

TAKE UP RETURNS TO PRE-PANDEMIC NORMS

A robust fourth quarter of 2023 recorded over 2 million sq ft of industrial and logistics occupier take up in the North West region (units 50,000 sq ft+). This brings the full-year total to 4.4 million sq ft.

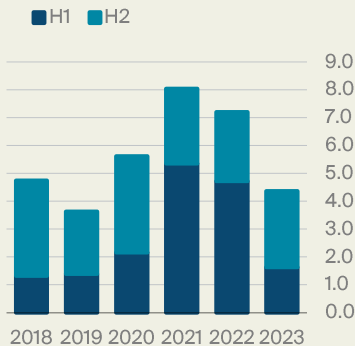
Following two record-breaking years, the market has now settled back to pre-Covid norms. 2023 take up was 39% lower compared with 2022 volumes, but 1.5% ahead of the five-year pre-pandemic annual average for the region, of 4.3 million sq ft.

CONSISTENT GROWTH IN HEADLINE RENTS

A key deal in the final quarter included the letting of the 110,000 sq ft Unit E, Botnay Bay in Chorley, to Donaldson Timber on a 20-year lease, which set a new headline rent for the region of £10.00 psf. Q4 also saw MOD committing to an 807,300 sq ft distribution centre in Cumbria.

Prime rents in Manchester for units over 50,000 sq ft were 5.3% higher on a quarterly basis and 24% higher year-on-year in Q4. Further prime rental growth is anticipated, with several new build mid-box units quoting up to £11.00-£11.50 psf.

Take up (sq ft)
million square feet



Source: Knight Frank Research

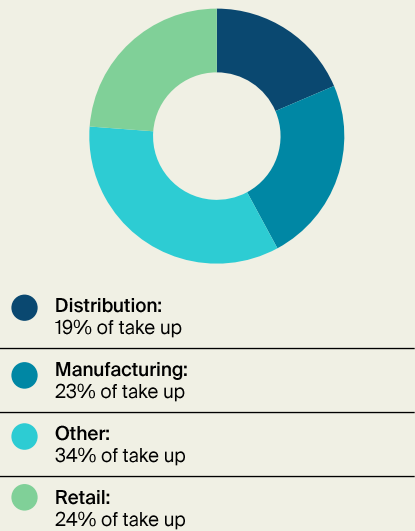
PREFERENCE TOWARDS EXISTING UNITS

Development and financing cost increases led occupiers to lean towards existing buildings last year (both speculatively developed and second-hand) over build-to-suit or pre-let options. Notably, the share of take up that is second-hand space rose to 57% in 2023, from 29% in 2022, while only one pre-let and two built-to-suit transactions completed last year.

DIVERSE MIX OF OCCUPIERS

Demand in the North West region during 2023 came from a diverse mix of occupiers. The market continues to see robust demand from wholesale and 3PL (third-party logistics) businesses, as well as from large retailers, with lettings to TK Maxx, Gefco and John K Phillips completing earlier in the year. Notably, the share of take up by other, alternative occupiers rose to 34% in 2023, from 4% in 2022.

Take up by sector
2023



Source: Knight Frank Research

MARKET VIEW

Scarcity of Grade A stock means that rental growth seems certain



BY ROB TILLEY, PARTNER,
MANCHESTER LOGISTICS & INDUSTRIAL
AGENCY

“2023 saw a return to pre-pandemic levels of take up in the North West industrial occupier market compared to the preceding bumper years, though a late surge in the final quarter fuelled by a flurry of leasehold and freehold deals paints a healthy outlook. Requirements remain active, though the constrained availability in the region and the scarcity of Grade A stock mean that a continuation of rental growth for the upcoming year seems certain.”

Occupier Market

4.4 million sq ft

Occupier take up
2023

4.7%

Vacancy rate
Q4 2023

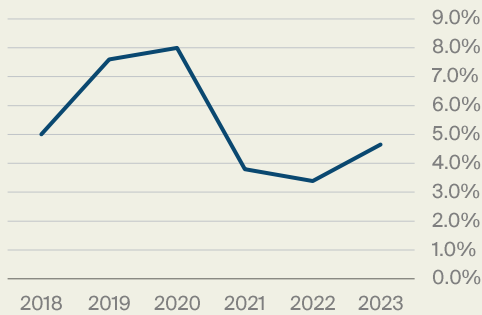
£10.00 psf

Prime rents
Q4 2023

24%

Prime annual rental growth

Vacancy rate
% of stock



Source: Knight Frank Research

“The share of take up that is second-hand space rose to 57% in 2023, from 29% in 2022”

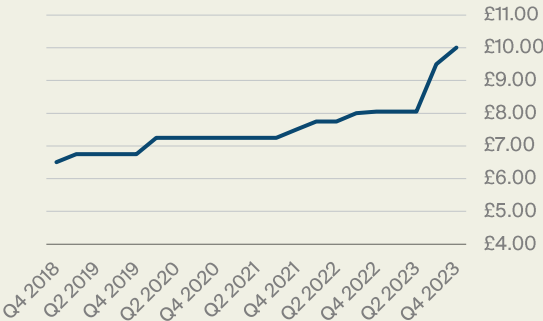
SHORTAGE OF LARGER UNITS PERSISTS

Driven by the completion of several new developments as well as the return of second-hand space, supply levels rose by 39% in 2023 and stood at 7 million sq ft at year-end (units 50,000 sq ft+), though the increase in Q4 was more modest (+1.2%). The vacancy rate rose to 4.7% in Q4, from 3.4% at end-2022. The region continues to experience a shortage of units over 400,000 sq ft, with only one new, speculatively developed unit available at end-2023, and another under construction (the 494,750 sq ft Arc Royal in Merseyside).

2024 OUTLOOK

Looking ahead, the market is expected to maintain a steady supply of speculative space and demand anticipated to remain focused on quality. Approx. 2.5 million sq ft of space was under construction at year-end, across 18 units (units over 50,000 sq ft), with four developments breaking ground in the final quarter. Though with 12% of supply under offer (existing and under construction), this leaves just 17 months’ supply against the region’s five-year average annual take up. Average rental growth is forecast to remain positive, with 4.5% growth predicted for the North West region for 2024, and 2.5% for 2025, according to RealFor.

Manchester - Prime Rents
£ per sq ft (units >50,000 sq ft)



Source: Knight Frank Research

“The region continues to experience a shortage of units over 400,000 sq ft”

Key Occupier Deals 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
MOD Distribution Centre, Longtown, Cumbria	807,300	MOD	Undisclosed	Built-to-Suit
Crewe 460, Crewe	456,735	TK Maxx	£7.50 psf	Speculative build
Unit E, Botnay Bay, Chorley	110,000	Donaldson Timber	£10.00 psf	Speculative build
Unit 3 Omega, Warrington	91,247	SGI	£9.50 psf	Second-hand
K53, Acornfield Road, Knowsley	52,947	MAC Logistics	£9.00 psf	Speculative build

Source: Knight Frank Research

Investment Market

£1.2 billion

Investment total
2023

£27.1 million

Average lot size
2023

69%

Overseas capital
2023

5.50%

Prime yield
Q4 2023

UPLIFT IN INVESTMENT VOLUMES

The final quarter of 2023 recorded over £85 million of investment into the North West industrial market. This brings the total for the year to over £1.2 billion, 9.1% higher than that recorded in 2022 and 17% ahead of the five-year annual average. Several large portfolio transactions in 2023 boosted the region’s investment total to exceed the previous year.

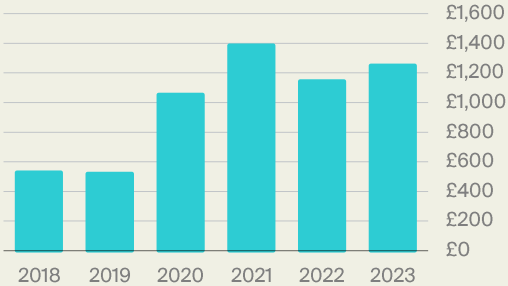
The largest deal in Q4 was Cabot Properties’ acquisition of Ergo Park, Pochin Way in Manchester for £27.75 million, representing a net initial yield of 5.60%.

Prime industrial yields in Manchester remained stable in Q4, at 5.50%. The outlook for yield compression will largely rely on the timing of a decrease in base rates this year.

“Investment in 2023 was 9.1% higher than that recorded in 2022”

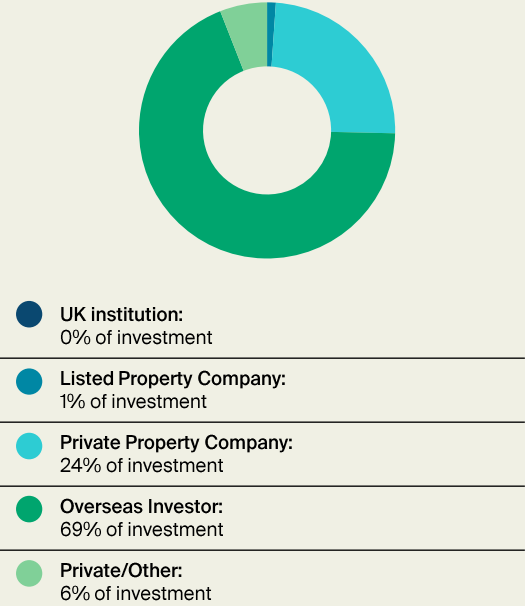
“Several large portfolio transactions in 2023 boosted the region’s industrial investment total”

Investment totals
£m



Source: Knight Frank Research

Investment by purchaser type
2023



Source: Knight Frank Research

Key Investment Deals
2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Harbert UK Portfolio	Manchester / Heywood	£480m	4.40%	Blackstone	Harbert Management Corporation
Units 1, 2 & 3 Gorsey Point	Widnes	£89m	5.30%	Clarion Partners	Mirastar
Central Trading Estate, Mosley Road, Trafford Park	Manchester	£66.3m	5.50%	Blackstone / St Modwen	Legal & General
Ergo Park, Pochin Way	Middlewich	£27.8m	5.60%	Cabot Properties	Ergo
Units 1-3, Carrington Gateway	Carrington	£20m	5.26%	Cabot Properties	Wain Estates

Source: Knight Frank Research

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

Logistics & Industrial Research

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 0036

Deirdre O'Reilly
deirdre.oreilly@knightfrank.com
+44 20 3995 0785

Manchester Commercial Logistics & Industrial Agency

Rob Tilley
rob.tilley@knightfrank.com
+44 161 833 7719

Sam Royle
sam.royle@knightfrank.com
+44 161 833 7714

Bradley Norton
bradley.norton@knightfrank.com
+44 161 470 0611

Manchester Commercial Capital Markets

Craig Barton
craig.barton@knightfrank.com
+44 161 833 7734

Matt Stretton
matt.stretton@knightfrank.com
+44 161 470 0610

Holly McLeman
holly.mcleman@knightfrank.com
+44 161 833 7690

Valuation & Advisory

Richard Moor
richard.moor@knightfrank.com
+44 161 833 7730

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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