LOGIC: North West

2024 Review

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

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Image: Crewe 335, Weston Road, Crewe

Occupier Market

Take up returns to growth, while prime rents continue to rise

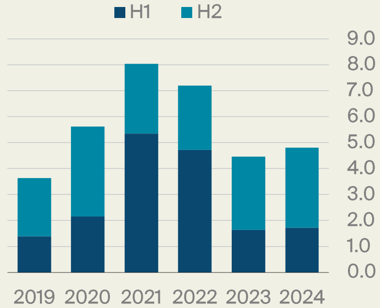
OCCUPIER TAKE UP RETURNS TO GROWTH

Occupier take up of industrial and logistics units over 50,000 sq ft returned to growth in the North West region in 2024, following two consecutive years of decline. The second half of 2024 was particularly robust; after a very strong Q3, the final quarter recorded 1.2 million sq ft of take up, which brought the full-year total to over 4.8 million sq ft. 2024 volumes represented a 7.5% uplift on the 4.5 million sq ft that transacted in 2023 and an 11% increase on the region's five-year pre-pandemic average of 4.3 million sq ft.

RISE IN DEMAND FROM MANUFACTURERS

The manufacturing sector led the North West market in 2024 and accounted for 38% of the year's take up, up from 24% last year. The volume of space signed to manufacturers rose by 71% year-on-year. In Q4, Oldham 369, a 369,251 sq ft speculative new build in Oldham, was let to food manufacturer Inspired Global Cuisine (IGC) at £8.75 psf, who supply supermarkets including Iceland. The distribution and retail sectors also performed well, with take up rising by 47% and 25% annually, respectively. Retailers' 26% share of 2024 take up was propped up by the signing of the 654,255 sq ft Link 655 at Ellesmere Port to retailer B&M Home Store in Q3. Following this, tyre wholesaler Oak Tyres signed a 15-year lease on the new 89,214 sq ft speculatively built Hathaway 89 at Omega Business Park, Warrington, at £11.50 psf, in Q4.

Take up (sq ft)
million square feet



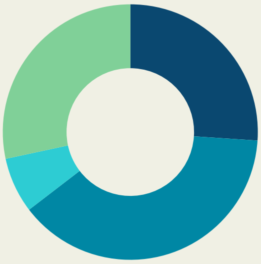
Source: Knight Frank Research

DEMAND FOR NEW UNITS DRIVES RENTAL GROWTH

While second-hand space dominated activity in 2024, accounting for 61% of take up, new, speculatively built stock comprised 34% of the annual total, increasing from 22% in 2023. In terms of volume, 1.6 million sq ft of new speculative space transacted, a 68% uplift on the previous year, though this was notably boosted by some of the larger lettings including Link 655 and Oldham 369.

Robust demand for new units continues to drive rental growth, with the letting at Hathaway 89 setting a new headline rent in Q4. At £11.50 psf, prime rents in Manchester were 9.5% higher in Q4 and 15% higher annually (units 50,000 sq ft+).

Take up by sector
2024



- **Distribution:** 26% of take up
- **Manufacturing:** 39% of take up
- **Other:** 7% of take up
- **Retail:** 28% of take up

Source: Knight Frank Research

MARKET VIEW

We expect competitive tension from occupiers for best-in-class units

BY SAM ROYLE, PARTNER,
MANCHESTER LOGISTICS & INDUSTRIAL AGENCY

"The big box development pipeline is limited for the North West region, with only seven units over 100,000 sq ft currently under construction and scheduled for practical completion in the next 12 months. Quoting rents on these new builds are averaging £9.00 - £10.00 psf.

With the slowdown in big box development and lack of grade A units in the market, we anticipate further competitive tension from occupiers to secure best-in-class units. This is likely to lead to upward pressure on quoting rents as we head into 2025."

Occupier Market

4.8m sq ft

Occupier take up
2024

7.5%

Vacancy rate
Q4 2024

£11.50 psf

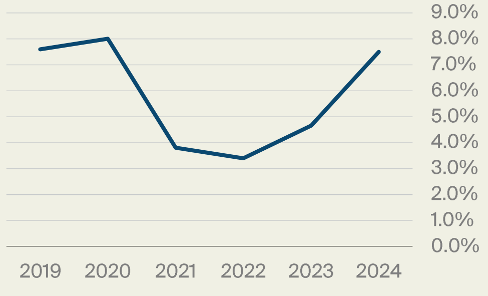
Prime rents
Q4 2024

15%

Prime annual rental growth

Vacancy rate

% of stock



Source: Knight Frank Research

"New stock comprised 34% of total take up, increasing from 22% in 2023"

"The annual rise in supply of new units was less than 350,000 sq ft"

MODEST RISE IN SUPPLY OF NEW UNITS

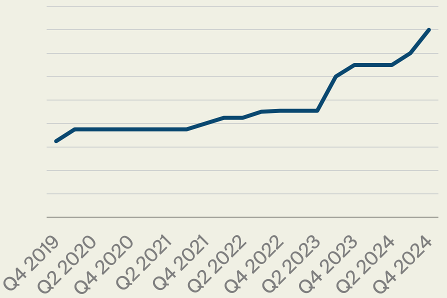
The supply of existing units over 50,000 sq ft rose throughout 2024 and reached 11.7 million sq ft by year-end (+67% year-on-year). By year-end, the vacancy rate had softened to 7.5% from 4.6% recorded in Q4 2023. Most of this increase stemmed from the return of second-hand stock, which rose by 94% during the year, while the availability of new units increased by a more modest 14%. Despite construction completing on several units during 2024, robust activity in the new-build market meant that the annual rise in supply of new units was less than 350,000 sq ft. New-build availability accounts for just 23% of all existing supply.

2025 OUTLOOK

Looking ahead, speculative space under construction was 20% lower annually in Q4 2024, with 2.8 million sq ft underway across 15 units (units over 50,000 sq ft). A slowdown in the delivery of new stock is expected this year, which is likely to limit further softening to the vacancy rate. Rental growth is expected to continue, with 4.5% predicted for the North West region for 2025, and stronger growth of 5.7% predicted for Manchester, according to RealFor.

Manchester - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Key Occupier Deals

2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Link 655, Ellesmere Port	654,255	B&M	£6.95 psf	Speculative build
Oldham 369, Oldham	369,251	Inspired Global Cuisine (IGC)	£8.75 psf	Speculative build
Imperial 164, Rochdale	164,305	Cleland McIvor	£9.50 psf	Speculative build
Hathaway 89 Omega Business Park, Warrington	89,214	Oak Tyres	£11.50 psf	Speculative build
Unit 1, Cobalt 2, Chadderton	61,500	ADI Global Distribution	£10.50 psf	Speculative build

Source: Knight Frank Research

Investment Market

5.25%

Prime NIY - Manchester
Q4 2024

-25 bps

QoQ movement in prime yields

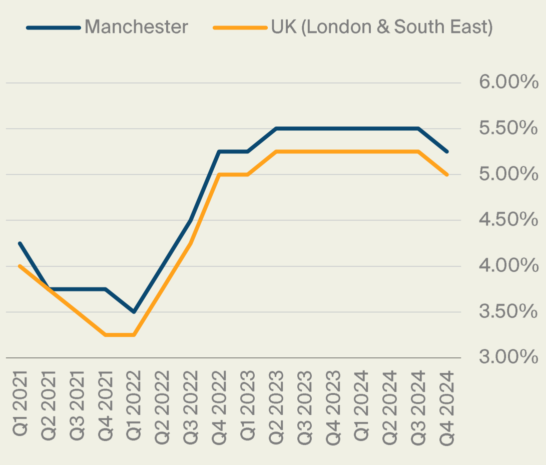
FIRST YIELD COMPRESSION IN NEW CYCLE

Prime industrial yields in Manchester sharpened by 25 bps to 5.25% during Q4, following six consecutive quarters in which Manchester's prime yields had bottomed out at 5.50%. The adjustment signals the beginning of a new prime pricing cycle and a transition toward what is anticipated to be a more active market in 2025. At 5.25%, Manchester's prime yield maintains a 25-bps discount compared with prime London & South East industrial.

Q4 was a busy quarter with some competitive bidding and a number of high-profile transactions. A standout deal was the sale of Premier Park at Trafford Park, Manchester, for £46.9 million. Acquired by M&G from Lothbury Investment Management, the price reflected a net initial yield of 3.32%. The 20-unit 197,000 sq ft multi-let industrial complex is fully let, with 62% of the income subject to a lease event within the next 24 months.

Prime Yield

Net initial yield %



Source: Knight Frank Research

MARKET VIEW

Depth of buyers remains strong, particularly for prime locations

BY MATT STRETTON, PARTNER, MANCHESTER LOGISTICS & INDUSTRIAL CAPITAL MARKETS

"Pricing has turned a corner and begun to moderately compress, with continued investor demand from a combination of institutional investors and overseas capital.

Investment volumes in Q4 were held up by the off-market sale of a cluster of five logistics units and an office next to Manchester Airport, all of which are let to The Hut Group. The transacted price of £180 million reflects 5.35% NIY and c. £160 psf. The unexpired lease (WAULT) is c. 16 years, although the Hut Group is not in occupation of two of the units, presenting an opportunity for a lease surrender to create rental growth.

Most of the activity has been in the multi-let sector, as opposed to logistics, where there are a number of estates that have either traded or are under offer. This demonstrates the depth of buyers, particularly for prime locations. Premier Park at Trafford Park saw competition from most of the traditional UK funds, which drove pricing from a quote of £37.5 million (4.15% NIY) to the price paid by M&G, reflecting £46.9 million (3.32% NIY, with an equivalent yield of circa 5-5.25%)."

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 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.