

# LOGIC: North West



Q1 2023

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

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# Occupier Market

Robust demand for best-in-class buildings in the North West, while a shortage of new, larger units persists.

## ROBUST TAKE UP IN OPENING QUARTER OF 2023

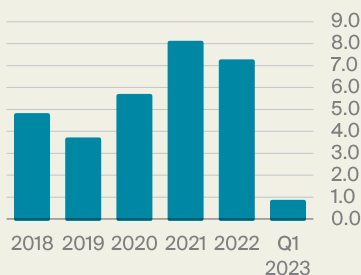
The first quarter of 2023 recorded 787,200 sq ft of take up in the North West region (units over 50,000 sq ft), two-thirds lower than the comparable quarter last year. This brings take up in the twelve months to end-March to 5.7 million sq ft and while this is more subdued compared to the record levels seen in 2021/22, it is just 3.1% below the region's five-year annual average.

Take up in quarter one was boosted by one significant deal. PLP's newly developed Crewe460 was leased to discount retailer, TK Maxx, upon practical completion in January, on a 15-year lease at £7.50 psf. The 456,735 sq ft building has strong ESG credentials, rating EPC 'A' and BREEAM 'Very Good'.

## STRONG DEMAND FOR BEST-IN-CLASS BUILDINGS

Occupiers are demanding higher standards of sustainability and energy efficiency criteria, resulting in units under construction being let prior to, or on, practical completion. This has led to a combination of new, speculative buildings, build-to-suit units and

### Take up (sq ft) millions square feet



Source: Knight Frank Research

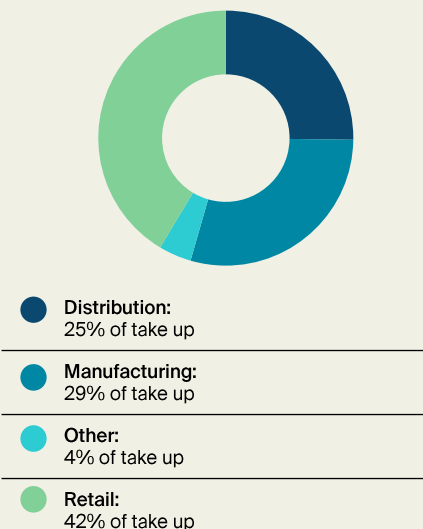
pre-lease agreements comprising 65% of take up over the past year.

Additionally, demand for larger sized units is robust; while take up for the four quarters to Q1 2023 is 27% lower annually, units over 250,000 sq ft comprise 51% of this volume, up from 44% over the same period last year.

## INCREASED ACTIVITY BY MANUFACTURING OCCUPIERS

Retail occupiers continue to account for the largest share of industrial and logistics space taken up in the North West, comprising 42% of the annual take up. However, the past year has seen a 23% uplift in space taken up by manufacturing companies, accounting for a further 29% of the total, up from 18% recorded over the same period the previous year.

### Take up by sector Q2 2022 - Q1 2023



Source: Knight Frank Research

## MARKET VIEW

Continued lack of good quality units available



BY ROB TILLEY, PARTNER, MANCHESTER LOGISTICS & INDUSTRIAL AGENCY

“Despite a slower Q1 for take up in the North West compared to two exceptional years, we expect that existing requirements in the market should boost take up during the second quarter.

The current lack of good quality units available to occupiers will continue to drive rental growth, with new headline rents being achieved in prime locations.”



# Occupier Market

**787,200 sq ft**

Occupier take up  
Q1 2023

**3.7%**

Vacancy rate  
Q1 2023

**£8.05 psf**

Prime rents  
Q1 2023

**3.9%**

Prime annual rental growth

“The past year has seen a 23% uplift in the volume of space taken up by manufacturing companies.”

## SHORTAGE OF NEW, LARGER UNITS PERSISTS

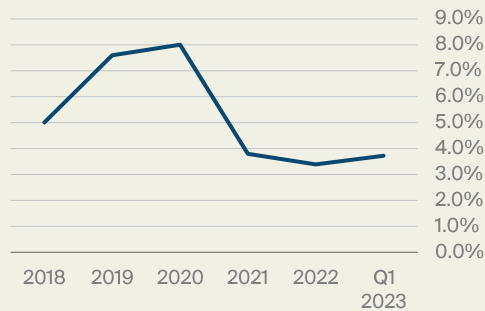
Availability of units over 50,000 sq ft increased by 9.9% in Q1, to stand at 5.5 million sq ft. This reflects a vacancy rate of 3.7%, up from 3.4% in Q4 2022. The supply uplift was wholly driven by a return of second-hand stock, while the availability of newly developed space remained stable. A shortage of new, larger units persists, with only one new unit over 250,000 sq ft immediately available at end-Q1.

An additional 2.4 million sq ft of speculative development was under way at end-March (units over 50,000 sq ft), 2.9% lower on the previous quarter, with three new units commencing in Q1. Underpinned by the rise in construction and financing costs, speculative development in the region has slowed over the past year.

## RENTAL LEVELS & OUTLOOK

Demand for new, high-quality space has led to prime annual rental growth in Manchester of 3.9%, to £8.05 psf (units 50,000 sq ft+). Average rental growth of 7.8% is forecast for the North West region in 2023, with 9.8% forecast for Manchester. This compares to 5.1% for the UK as a whole (RealFor).

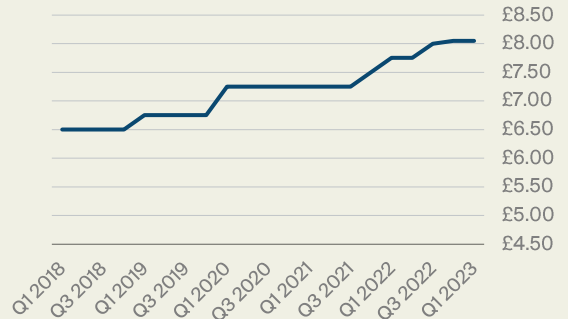
**Vacancy rate**  
% of stock



Source: Knight Frank Research

“The availability of newly developed space remained stable in the quarter.”

**Manchester - Prime Rents**  
£ per sq ft



Source: Knight Frank Research

## Key Occupier Deals Q1 2023

| PROPERTY                       | SIZE (SQ FT) | OCCUPIER       | RENT (OR PURCHASE PRICE) | COMMENTS          |
|--------------------------------|--------------|----------------|--------------------------|-------------------|
| Crewe 460, Crewe               | 456,735      | TK Maxx        | £7.50 psf                | Speculative build |
| Unit 8, Walker Park, Blackburn | 97,290       | Steel dynamics | £5.95 psf                | Second-hand       |
| Unit B, Prime Point, Blackburn | 50,977       | Spiroflow Ltd. | £8.00 psf                | Pre-let           |

Source: Knight Frank Research

# Investment Market

**£533 million**

Investment total  
Q1 2023

**£22.8 million**

Average lot size  
(last four quarters)

**61%**

Overseas capital  
(last four quarters)

**5.25%**

Prime yield  
Q1 2023

## STRONG QUARTER FOR INVESTMENT

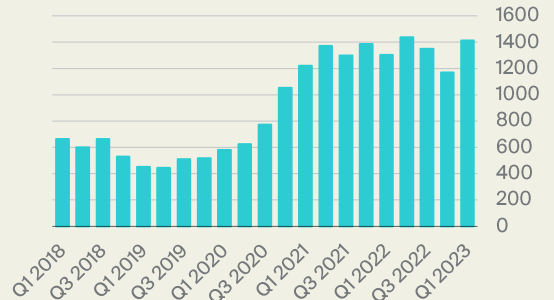
Approx. £533 million was invested into industrial property in the North West in Q1 2023. This brings the total for the four quarters to end-March to over £1.4 billion, with 61% coming from overseas investors. The annual total is 8.4% ahead of the same period last year and significantly ahead of the region's five-year rolling annual average. A key deal in Q1 was Blackstone's acquisition of the Trafford Park Portfolio comprising 15 industrial assets in Manchester, from Harbert Management Corporation, for £260 million (NIY 4.28%).

Following the outward shift of prime yields in the latter half of 2022, prime industrial yields in Manchester remained stable in Q1 2023, at 5.25%.

"Investment for the four quarters to end-March totalled £1.4 billion, 8.4% higher YOY."

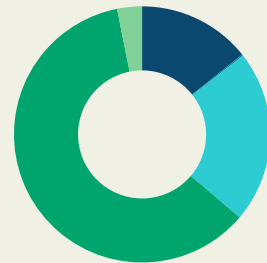
"Overseas buyers accounted for 61% of investment over the past year."

## Investment totals (£m) (four quarter rolling)



Source: Knight Frank Research

## Investment by purchaser type Q2 2022 - Q1 2023



- **UK institution:**  
14% of investment

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- **Listed Property Company:**  
0% of investment

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- **Private Property Company:**  
22% of investment

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- **Overseas Investor:**  
61% of investment

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- **Private/Other:**  
3% of investment

Source: Knight Frank Research

## Key Investment Deals

Q1 2023

| PROPERTY                    | TOWN       | PRICE  | YIELD       | PURCHASER  | VENDOR                         |
|-----------------------------|------------|--------|-------------|------------|--------------------------------|
| Trafford Park Portfolio     | Manchester | £260m  | 4.28%       | Blackstone | Harbert Management Corporation |
| Central Park Trading Estate | Manchester | £66.3m | 5.50%       | Blackstone | Legal & General                |
| Warrington 379, Dallam Lane | Warrington | £22.5m | Undisclosed | Hines UK   | M&G Real Estate                |

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

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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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