

# LOGIC: North West



Q1 2024

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

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Image: Building 401, World Freight Terminal, Manchester Airport

# Occupier Market

Although take up has moderated, demand for new developments continues to push headline rents

## SUBDUED FIRST QUARTER FOR TAKE UP VOLUMES

Occupier take up of industrial units over 50,000 sq ft totalled 485,200 sq ft in the North West region in the opening quarter of 2024, across six transactions. This marks a 38% decline on Q1 2023 and the lowest quarterly total recorded for several years, though Q1 2023 volumes were boosted by one significant deal.

Economic headwinds and elevated operational cost pressures continue to weigh on occupiers, causing the time taken to complete transactions to lengthen.

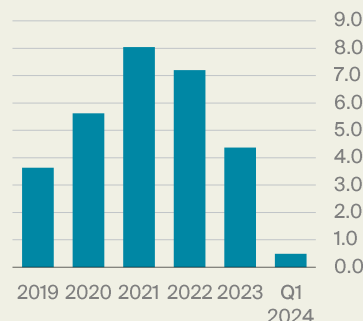
## BUT MANY REASONS TO BE POSITIVE

Nevertheless, the occupier market remains active. With approx. 1.5 million sq ft of space under offer at quarter-end and expected to complete over the coming months, the pace of occupier take up is expected to gain momentum later in the year and re-align with long-term trends.

For context, annual take up to Q1 amounted to 4.1 million sq ft, and while 28% below the comparable period last year, this is closer to the pre-pandemic, five-year annual average, of 4.3 million sq ft.

### Take Up (Sq ft)

million square feet



Source: Knight Frank Research

Two notable deals completed at the World Freight Terminal at Manchester Airport during the first quarter. Over 176,000 sq ft of freight forwarding space was committed, which set new rental levels for the estate. The remaining four units taken in Q1 were second-hand units.

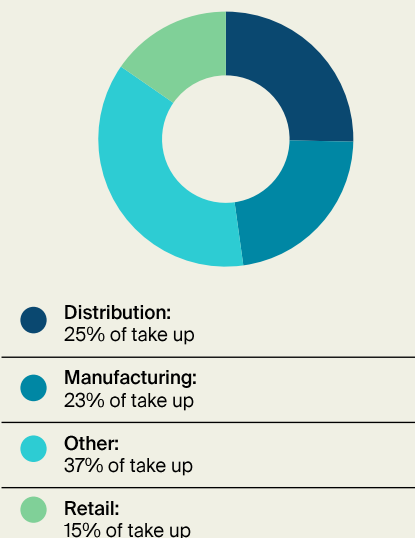
## BROAD RANGE OF OCCUPIERS TAKING SPACE

The share of take up by distribution firms and manufacturers remain relatively consistent. Meanwhile, take up by other, non-traditional occupiers has risen over the past year and accounted for 37% of take up annually to Q1.

Although the new MOD facility accounts for a considerable portion of this, when excluded, non-traditional occupiers still comprise 17%. This compares to 4% in the same period last year. Recently active 'other' occupiers include waste processing and automotive maintenance companies.

### Take up by sector

Q2 2023 – Q1 2024



Source: Knight Frank Research

## MARKET VIEW

Market statistics to reflect higher activity levels later this year



BY SAM ROYLE, PARTNER,  
MANCHESTER LOGISTICS & INDUSTRIAL  
AGENCY

“Whilst overall market take up has remained relatively flat, there are many reasons to be positive. With c. 1.5 million sq ft of industrial space currently in solicitors' hands, we expect to see the region's overall market statistics to reflect higher levels of activity in the latter part of the year and fall in line with longer-term trends.”

# Occupier Market

485,200 sq ft

Occupier take up  
Q1 2024

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5.4%

Vacancy rate  
Q1 2024

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£10.00 psf

Prime rents  
Q1 2024

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24%

Prime annual rental growth

“Take up by other, non-traditional occupiers accounted for 37% of take up annually to Q1”

## VACANCY RATE SOFTENS

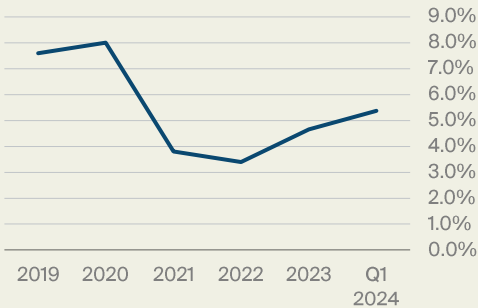
Supply levels continue to trend upwards due to a combination of development completions and second-hand space returning to the market. Approx. 8.1 million sq ft of existing floorspace was available at end-Q1 (units 50,000 sq ft+), 16% higher than the previous quarter and softening the vacancy rate to 5.4%, from 4.7% in Q4 2023. A further 3.7 million sq ft is under construction speculatively, across 23 units. This is highest volume of speculative development recorded in the region since Q1 2022. Construction commenced on several new units in Q1, the majority of which are on the M56 corridor.

Total supply (existing and under construction) amounts to 11.8 million sq ft, though with 13% under offer, this equates to just 20 months’ supply against the region’s five-year average annual take up.

## RENTAL LEVELS & OUTLOOK

Although the pace of take up has moderated, demand for new developments continues to drive headline rents. Prime rents in Manchester remained stable in the quarter, at £10.00 psf (units 50,000 sq ft+), though new-build units will see prime rents edge towards £10.50 psf this year. Average rental growth of 4.5% is forecast for the North West region for 2024, according to RealFor.

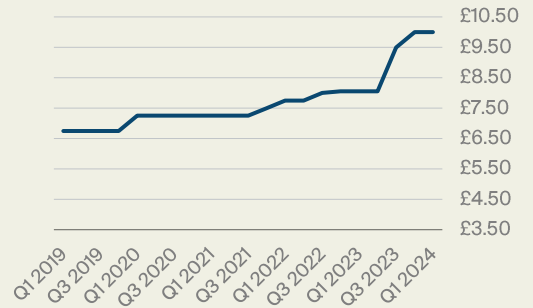
**Vacancy rate**  
% of stock



Source: Knight Frank Research

**Manchester - Prime Rents**

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

“Total supply amounts to 11.8 million sq ft, though 13% of this was under offer at end-Q1”

## Key Occupier Deals Q1 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Link 95, Heywood	95,116	N Brown	£8.00 psf	Second-hand
Box 4, Manchester Airport	92,000	Confidential	Confidential	Speculative build
Building 401, Manchester Airport	84,098	Confidential	Confidential	Speculative build

Source: Knight Frank Research

# Investment Market

## 5.50%

Prime NIY - Manchester  
Q1 2024

## +25 bps

YOY movement in prime yields

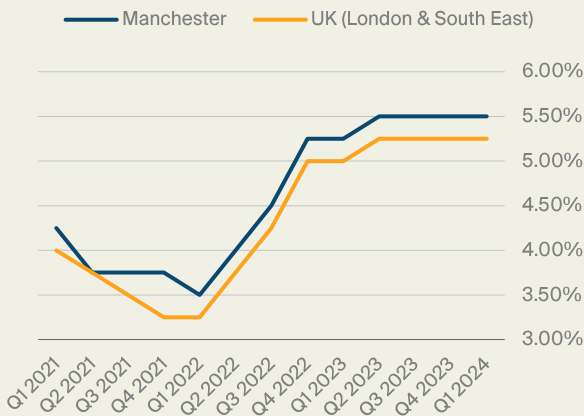
### PRIME YIELDS MAINTAIN STABILITY

Investment volumes in Q1 2024 totalled £294 million, across 15 transactions. This is notably ahead of the previous quarterly total and 9.5% higher than Q1 2023. Though looking at the number of completed transactions, deal activity remains relatively challenged, as Mirastar’s acquisition of Mountpark, Omega II in Warrington for £105 million significantly boosted investment volumes for the quarter. A total of £1.3 billion was invested in the year to Q1, and while 14% ahead of the comparable period last year, the annual total is also somewhat skewed by the Harbert UK Portfolio that completed in Q2 2023.

Prime yields in Manchester have remained stable over the past four quarters, at 5.50%. This is 25 bps softer than that recorded one year ago. Prime yields in the region have softened by circa 200 bps since the turn of the investment market in Q2 2022, with the outlook for compression largely reliant on the timing of interest rate cuts later this year.

#### Prime Yield

Net initial yield %



Source: Knight Frank Research

### MARKET VIEW

Significant investments that are under offer support our view on prime yields



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

“Q1 2024 was quite limited in the number of transactions completing in the North West region, but we have seen a couple of significant prime multi-let transactions, which continued the trend of prime locations, driving strong investor demand.

Mirastar completed on their acquisition of Mountpark Warrington Omega II for circa £105 million, reflecting 4.75% NIY and circa 5.50% equivalent yield, whilst M&G perhaps signalled the return of some UK funds, in a market that has been dominated by US investors over recent years, with their acquisition of Stockport Trading Estate for circa 5.00% NIY and an equivalent yield north of 6.00%.

We are aware of a number of significant logistics investments in the North West, which are currently under offer and expected to complete in Q2, that will support our view on prime yields.”



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.

