

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



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LOGIC: North West Q2 2022

Research, July 2022



CGI Image: Crewe460 - PLP

MARKET OVERVIEW

The North West industrial market continues to see strong occupier activity, with take up totalling 4.8 million sq ft in the first six months of the year.

4.8 million sq ft
Occupier take up
H1 2022

£553 million
Investment total
H1 2022

6.9%
Prime annual rental
growth

Occupier activity ahead of five-year average

Another strong quarter was recorded in the North West industrial market, with 2.5 million sq ft of occupier take up recorded in Q2 (units over 50,000 sq ft). This brings the half year total to 4.8 million sq ft, 58% ahead of the five-year H1 average for the region. Grade A space comprised 77% of H1 2022 take up between new builds, pre-lets and build-to-suit units.

Demand driven by a diverse mix of tenants

The occupier spread is varied with a diverse mix of tenants securing space. Retail occupiers accounted for 40% of take up in the first half of 2022, with manufacturing and distribution firms also active.

Lack of Grade A units immediately available

Demand continues to outstrip supply, particularly in the new build market. With availability standing at just under 5 million sq ft (units over 50,000 sq ft), the vacancy rate compressed to 3.5% at end-June. This compares to 4.0% at the same point last year.



SAM ROYLE, PARTNER,
MANCHESTER COMMERCIAL

“Occupiers in the region are increasingly opting for new build accommodation to improve their operational efficiencies together with more focus on securing buildings that reflect their own ESG targets and values.”

There are currently only three Grade A units above 50,000 sq ft in size immediately available in the region.

A total of 3.3 million sq ft was under construction at the end of Q2 (units over 50,000 sq ft). A large number of these units already have occupiers committed, or they are in advanced discussions, which is likely to leave the region with extremely limited Grade A stock.

Strong pre-let and build-to-suit activity

The majority of Grade A speculative development has been pre-let during construction, while there is increasing focus on design and builds with several large-scale transactions occurring. Significant deals in H1 2022 include both Home Bargains and Iceland committing to 830,000 sq ft and 505,000 sq ft respectively on a turnkey basis at Miller’s Omega West scheme. Peugeot also agreed a pre-let with Stoford on 667,185 sq ft for a new national distribution centre in Ellesmere Port.

Investment remains robust and above average

Investment in the North West industrial sector in Q2 totalled £231 million. This brings the H1 2022 total to £553 million, while in the 12-month period to end-June, over £1.3 billion was invested, 64% ahead of the rolling five-year annual average. The average weighted yield for assets transacted across the region also continues to decline, standing at 5.2% in the 12 months to end-June.

Rental growth & Outlook

Momentum in the occupier market combined with the lack of stock continues to drive rental growth. Prime rents in Manchester for units over 50,000 sq ft are 6.9% higher on an annual basis, standing at £7.75 psf in Q2. Expectations for the final half of the year are for prime rents to reach £8.00 psf. Overall, average rents in the North West are forecast to grow by 7.3%, with rents in Liverpool and Manchester expected to see 10.3% and 9.3% growth for the year, respectively (RealFor).

Development activity is expected to be slightly more subdued towards the end of 2022, with land values also plateauing in response to the current investment / funding challenges coupled with record build costs and supply constraints, albeit the latter is starting to see signs of improvement.

OCCUPIER MARKET

2.5 million sq ft

Occupier take up
Q2 2022

40%

Retail take up
H1 2022

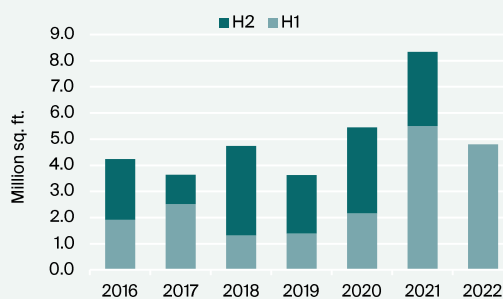
£7.75 psf

Prime rents

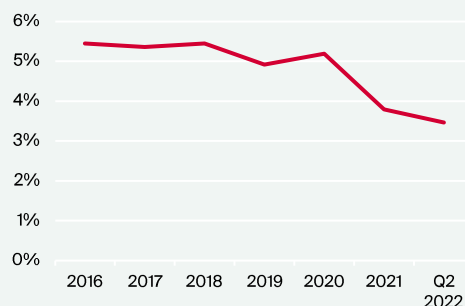
3.5%

Vacancy rate

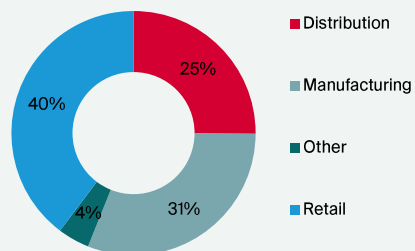
Take up (sq ft)



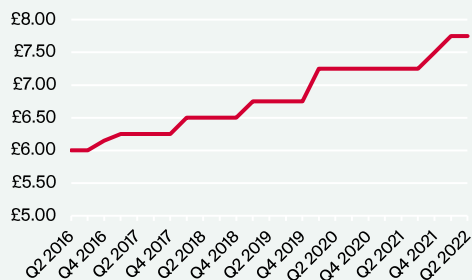
Vacancy rate (%)



Take up by sector (sq ft), H1 2022



Manchester - Prime rents (£psf)



KEY OCCUPIER DEALS H1 2022

| PROPERTY | SIZE (SQ FT) | OCCUPIER | RENT (OR PURCHASE PRICE) | COMMENTS |
|----------------------------|--------------|----------------|--------------------------|-------------|
| West Road, Ellesmere Port | 667,185 | Peugeot | £5.75 psf | Pre-let |
| Omega West, Warrington | 505,000 | Iceland | £7.75 psf | Pre-let |
| Widnes 400, Widnes | 393,000 | SCCL / Unipart | £6.50 psf | Pre-let |
| Warrington 379, Warrington | 378,942 | Kammac | £4.93 psf | Second-hand |
| Stakehill 185, Middleton | 185,000 | Fanatics PLC | £7.75 psf | Pre-let |

Source: Knight Frank

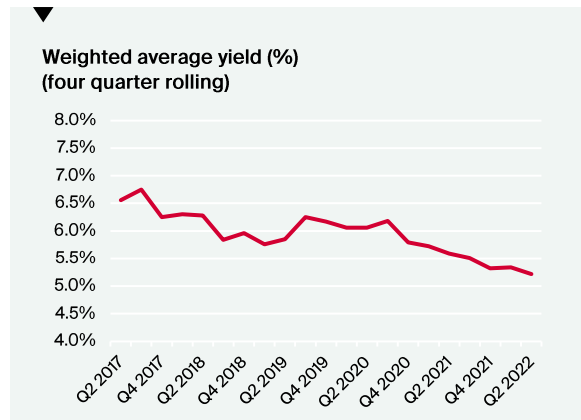
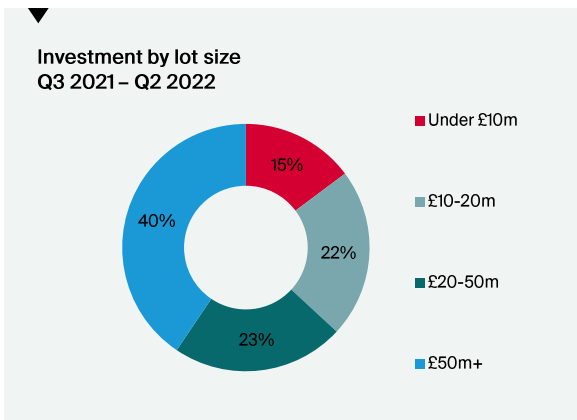
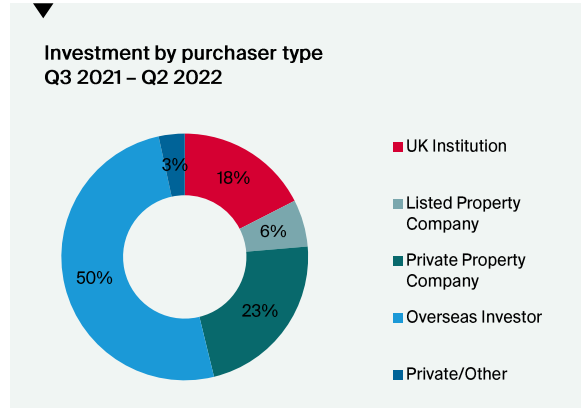
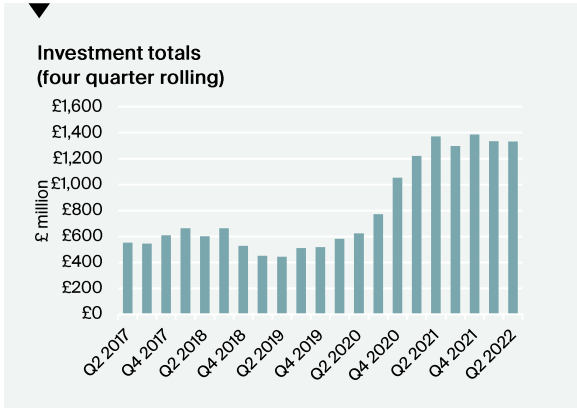
INVESTMENT MARKET

£1.3 billion
Investment total
(last four quarters)

£16.6 million
Average lot size
(last four quarters)

50%
Overseas capital
(last four quarters)

5.2%
Average yield
(last four quarters)



KEY INVESTMENT DEALS H1 2022

| PROPERTY | TOWN | PRICE | YIELD | PURCHASER | VENDOR |
|----------------|----------------|--------|-------|--------------------------------------|---------------------------|
| West Road | Ellesmere Port | £101m | 3.77% | Frasers Logistics & Commercial Trust | Stoford Developments Ltd. |
| Artis Park | Winsford | £22.8m | 4.25% | Albert Gubay Charitable | Winsford Devco LLP |
| Tornado 70 | Speke | £12.7m | 3.69% | CBREIM | Marshall CDP |
| Amethyst Court | Preston | £8.35m | 3.73% | London Metric Plc | Marshall CDP |

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. The North West region's

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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