



Market strong despite drop in take-up

The North West

The North West saw a drop in take-up during the first half of this year, but agents in the region believe that the market is fundamentally strong.

According to regional logistics specialist B8 Real Estate, there were eight units above 90,000ft² bought or sold during the first half, totalling 1.7 million ft². This was a fall on the take-up of 3 million ft² recorded in the first half of 2015, but there is a further 800,000ft² of deals agreed and in solicitors' hands.

In addition, there is a number of occupiers with large requirements, agents said, including Lidl, which is thought to be looking for 30 to 40 acres of development land, and online furniture and homewares retailer Wayfair, which is looking for a building of 300,000ft² to 400,000ft².

Amazon is among others to have signed for new space this year, taking 270,000ft² at Manchester Airport and 175,000ft² at Trafford Park. Also in Trafford Park, Evander Properties and Legal & General completed a 250,000ft² warehouse for XPO Logistics. Meanwhile, DPD has signed for a 60,000ft² unit in Chadderton (below), near Oldham, to be developed by Chancerygate.

Savills said the North West has the highest amount of speculative space of any UK region and 2.2 million ft² is due to be delivered this year and in 2017. This includes a 357,000ft² warehouse being built at Logistics North in Bolton, the largest speculative unit being constructed in the UK.

However, CBRE director Paul Cook said the pattern so far has been for any speculative space to be snapped up quickly. "Most of it goes on or close to practical completion of the building. We will have no more than six months' supply by the end of the year," he said.

Prime rents in the region have risen by 4.3%

to £6/ft² over the past year, according to Cushman & Wakefield's Industrial Market Snapshot.

Brexit

The property sector was affected in the days following the Brexit vote when several large investment funds suspended withdrawals. However, this mainly affected retail property and those in logistics warehousing say that, while there is some uncertainty, there has not so far been a huge effect on their sector.

Mark Webster, head of European logistics and industrial at Cushman & Wakefield, believes factors affecting the market, such as the growth in online retailing and occupiers' efforts to improve the supply chain, remain constant. Occupiers already committed to taking space are not rethinking their decisions. "Deals that were already under way are not being affected. We haven't lost one so far," he said.

However, he believes a significant moment could come in October or November after the traditional summer slowdown when any effect would become more apparent. This is also the belief of Bilfinger GVA head of industrial and logistics Nick Collins. "It will be interesting to see how enquiry levels compare with a year ago. There are new enquiries in the market and it will be telling how those pan out," he said.

So far, the signs are encouraging, however, and he believes that occupiers such as parcel delivery companies and discount retailers will continue to look for space. Several deals have been announced since the referendum, including Amazon taking 170,000ft² in Banbury and Chinese logistics firm 4PX Express agreeing to lease a 240,000ft² warehouse at Prologis Park in Dunstable (above).

In addition, development is still taking place. Industrial Securities and St Francis Group are to build a 200,000ft² speculative scheme at the former Rolls-Royce factory in Bristol, with funding from BP Pension Fund. Similarly, Graftongate and Exeter Property Group are to develop 370,000ft² speculatively in Cannock.



SPECULATIVE DEVELOPMENT REVIVAL COOLS OFF



The revival in speculative development seen in the past few years has cooled in 2016, according to Savills' Big Shed Briefing for H1. There have been just 11 announcements of new speculative schemes this year compared with 19 in H1 2015 and 28 in H2 2015. This comes at a time when availability has fallen by 14% to 29 million ft² since the start of the year and when demand for units of more than 100,000ft² is high, with 14.5 million ft² taken up in H1 – well above the long-term average of 11.3 million ft². Savills believes that speculative development could reduce further. "We expect H2 2016 will see few announcements detailing new speculative delivery as developers lease existing space and await the effect of Brexit to become clear," the report said.