



CREDIBLE THINKING

A NEW PRESENCE IN THE NORTHERN POWERHOUSE



WRITTEN BY

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Staying Safe, Staying Open for Business

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Manchester, once the heart of the industrial revolution, it is now a major cultural hub and more recently the driving force behind the Northern Powerhouse. It has a thriving industrial and logistics market, with a quarter of all UK logistics businesses based within this region. In terms of steel portal frames and concrete (which is our real love) this equates to nearly 500 million sq ft of space.

We will not dwell on the well documented take up of floorspace throughout Covid, but instead focus on the unprecedented lack of supply of up and built floor space across all sizes and grades within the sector and what this means for the future. There is currently only 1.5 years supply of consented development land remaining – this is worrying if you're an occupier seeking to expand your business, but great for landlords capitalising on rental growth in the sector.

Key Markets:

- Icon Manchester Airport - Last remaining plot now being developed
- Trafford Park - Overall void sub 3%
- Logistics North - Last remaining plot now being developed
- Omega North & South - Last remaining plot now being developed

This supply / demand imbalance has resulted in there only being nine Grade A buildings over 100,000 sq ft currently available in the North West, totalling 1.4m sq ft with an average unit size of 152,000 sq ft. To put this in context, the average annual North West Grade A take up is running at 4.8m sq ft.

DTRE are a strong believer in the latent rental growth potential in the North West market – developers should take the same forward-looking approach to setting new rental tones as has happened in recent years in the South East.

Brexit & Covid uncertainty remains, but the case for speculative development and driving rental growth is compelling when presented with the take up and supply dynamic. Combine this with online retail growing more in six months than the past six years and now rising to 26.6% of all retail demand, we do not see the trend changing.

Looking forward the appetite for speculative development is returning and there are currently seven large scale projects in the North West, amounting to nearly 2m sq ft of built space being mobilised to commence construction in 2021.

How long this return to speculative development will last is unknown, but the severely constrained supply of land is not

going to ease anytime soon. The sector needs to come together to ensure there is adequate allocations of logistics sites within Local Plans with provisions for large scale logistics development. At the end of the day, these large-scale logistics developments will replace the jobs lost on the high street and the wider retail sector.

Through DTRE's North West Investment and Occupational teams, we have our finger on the pulse of the market and our advice for the rest of 2020 and onwards into 2021 is:

1. If you have access to land in the North West, be it through direct ownership or options to develop – get the development scheme ready for planning to enable future development. Investors now have the appetite to commit to speculative development.
2. The property basics - asset management / lease regears / rent reviews - nothing new but now is the time to start reviewing your North West holdings.

DTRE's core belief is that good client advice needs a joined-up approach between Occupational and Investment teams, and our book of business in the region has blossomed on the back of this. With Henry Bunting relocating from London and Andrew Lynn joining the business in March this year, **DTRE have made the decision to open an office at One St. Peter's Square, Manchester. We can now offer an on the ground service that brings with it over 15 years' local knowledge and expertise in Investment and Agency in the North West industrial/logistics sector.**

Please get in touch, or come and visit, Covid 19 restrictions permitting.

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