

LOGIC: North East



2025 Review

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

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Occupier Market

Take up levels remain relatively flat in 2025 for the North East, manufacturers dominate throughout, while supply constraints cause vacancy rates to tighten

TAKE UP SLOWS THROUGH Q4 BUT REMAINS RELATIVELY STABLE Y/Y

Occupier take up of industrial units over 50,000 sq ft in the North East region totaled 1.3 million sq ft in 2025, 4% behind the level recorded in 2024, but 9% ahead of the level for 2023. There was a clear slowdown in take-up in the final quarter after a strong Q3, with 140,000 sq ft transacted across two units. This brought total deals for the year to 11, slightly below the 14 recorded in 2024, comprising seven leasehold and four freehold transactions.

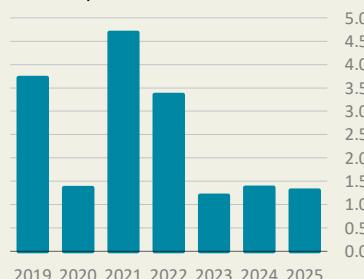
Q4 saw Dunster House, the Bedford-based manufacturer of wooden garden buildings, continue its UK expansion, acquiring the 69,163 sq ft former DHL Trade Team Facility at Wagonway Road in Hebburn. The second transaction recorded in Q4 was Lynx Precast, who committed to 70,420 sq ft of space in Ashington.

2025 TAKE UP DOMINATED BY MANUFACTURING

Manufacturing remains the dominant sector in the region. Both transactions recorded in Q4 were by manufacturers, continuing to boost its proportion of take up over the

Take up (sq ft)

million square feet



Source: Knight Frank Insight

course of 2025 to 79%. Manufacturers from a range of sectors—including advanced manufacturing, biochemicals, electrical manufacturing and engineering—have taken space.

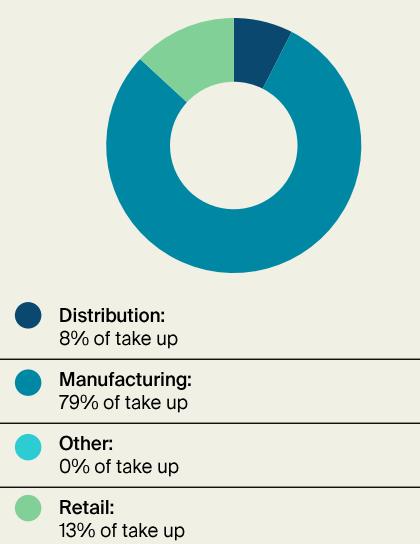
Retail firms accounted for only 13% of take up in 2025, down from 26% in 2024. Distribution firms accounted for just 8% of floorspace taken up, down from 20% at the end of 2024.

LIMITED NEW BUILD OPTIONS FORCE OCCUPIERS TO TURN TO SECOND-HAND STOCK

Second-hand stock has dominated throughout 2025 in the North East market, comprising 87% of take up in 2025, up from 78% of the total in 2024. This stems from limited supply of new-build options and a constrained development pipeline. However, several of these buildings are currently being refurbished to meet modern occupier standards, allowing them to achieve stronger rents as a result.

Take up by sector

2025



Source: Knight Frank Insight

MARKET VIEW

A year of uncertainty and selective growth



BY MARK PROUDLOCK, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL AGENCY

“2025 saw some positive announcements including the North East AI Growth Zone which follows Blackstone’s £10 billion data centre commitment in Blyth. Another included JATCOs construction of a Sunderland based EV powertrain manufacturing facility to supply Nissan from early 2026, firmly positioning the region in strong growth sectors.

However, overall, 2025 felt like a year of uncertainty where without an unavoidable need for more space, decision makers within companies much preferred a ‘do nothing’ approach to property acquisition. Take up of new and second hand Grade A units was limited with disposals better described as a ‘mixed bag’ across a broad spectrum of modern, second hand and low-cost secondary space.

The post Autumn Budget run up to Christmas felt busier than usual suggesting a slight loosening of the brakes across logistics and industrial sectors. However, only time will tell whether this will manifest as an improved and consistent picture of take up in 2026.”

Occupier Market

1.3m sq ft

Occupier take up
2025

8.1%

Vacancy rate
Q4 2025

£8.00 psf

Prime rents
Q4 2025

Stable

Prime annual rental growth

"Second-hand stock has dominated throughout 2025 in the North East market."

VACANCY RATES FALL DUE TO A REDUCTION IN SUPPLY OF SECOND-HAND STOCK

Supply continued to decline through 2025, with availability of units over 50,000 sq ft down 5% y/y to 3.8 million sq ft, pushing the vacancy rate from 8.6% to 8.1%. Second-hand stock declined 10% y/y, while new-build availability was 43% higher y/y with some development completions taking place in 2025. At the end of 2025, there were two units under construction speculatively, totalling 117,000 sq ft.

Available space is largely comprised of second hand units which account for almost three quarters of available floorspace in the region. Supply is heavily focused in the 50,000-250,000 sq ft band (86% of the market).

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Newcastle remain at £8.00 psf (50,000 sq ft+ units) for the eighth consecutive quarter. Meanwhile, prime rents in Middlesbrough, Stockton-on-Tees and Darlington saw a 14% annual rise, also reaching £8.00 psf. Regional average rental growth is forecast at 3.6% and 2.5% for 2025 and 2026 (Knight Frank Insight).

Vacancy rate % of stock



"Availability is predominantly focused in the 50,000-250,000 sq ft size band, accounting for 86% of total supply."

Newcastle - Prime Rents £ per sq ft (units over 50,000 sq ft)



Occupier Deals 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Former Cleveland Bridge Premises, Darlington	389,997	Pyrol Group Ltd.	£4.50 psf	Second-hand
Former Prysmian Site, Crowther Industrial Estate	174,573	Ronbar Ltd	£2,625,000	Second-hand
Unit 6 International Drive, IAMP	138,840	JATCO Ltd.	£6.00 psf	Second-hand
Unit 2, Greenbox, Tornado Way, Darlington	107,775	Wolseley	Confidential	Speculative build
Biffa, Shaftsbury Ave, Simonside Industrial Estate, South Shields	97,801	DHL Trade Team	£7.20 psf	Second-hand

Source: Knight Frank Insight

Investment Market

5.75%

Prime NIY - Newcastle
Q4 2025

-25 bps

YoY movement in prime yields

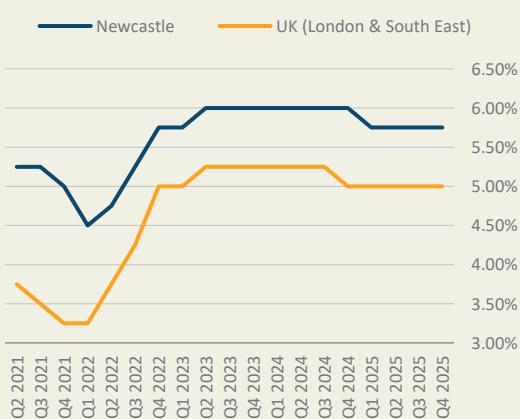
YIELDS REMAIN STABLE AFTER A QUIET Q4

Prime industrial yields in Newcastle for units over 50,000 sq ft have remained stable through most of 2025, at 5.75%, following a 25bps compression in Q1. Following an active Q3, the final quarter saw limited transaction activity, with investors taking a more cautious approach while awaiting improved performance. Looking ahead into 2026, we expect modest yield compression through improved investment transaction volumes alongside falling interest rates.

In the final quarter of 2025, the Dukeries, a multi-let estate in Gateshead was purchased by UK Land for £7.5 million, representing a NIY of 8.01%. The Dukeries is a four-unit estate which forms part of the wider Team Valley Industrial Estate, located adjacent to the A1 and just a short distance from Newcastle International Airport.

Prime Yield

Net initial yield %



Source: Knight Frank Insight

MARKET VIEW

We anticipate an uptick in investment volumes moving into 2026



BY DICKON WOOD, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL CAPITAL
MARKETS

“Industrial stock continues to be the most sought-after sector with continued strong occupational demand and rental growth.

Transactional volumes were reduced in 2025 as some investors preferred to hold for performance rather than exit. Knight Frank transacted over 50% of the industrial market in the North East in 2025 which is a positive reflection on our occupational advice and strong market coverage.

Overall, we anticipate an uptick in investment transaction volumes in 2026 and reducing interest rates should allow room for a modest downward shift in property 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 Commercial Insight.

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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