

LOGIC: North East



Q2 2025

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

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Image: L7 Intersect 19, Tyne Tunnel Estate, North Tyneside

Occupier Market

Modest first half for take up, but pipeline points to a stronger H2

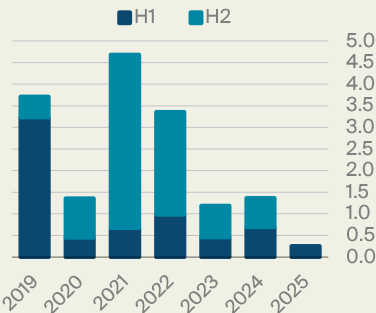
QUIET H1 FOR TAKE UP, BUT MOMENTUM IS BUILDING

The North East industrial and logistics market experienced a quieter first half of 2025 for take up of units over 50,000 sq ft, with three transactions totalling 254,300 sq ft completing. This compares with 695,300 sq ft during the same period last year, as occupier decision-making remains slower than usual. Two units transacted in Q2, amounting to 115,400 sq ft.

But momentum may be building. Although take up was limited this quarter, just under 800,000 sq ft was under offer at the end of June, across eight units. If these progress to completion over the coming months, it will make for a bumper Q3 and could reduce availability by up to 18%.

In Q2, flooring retailer Connection Flooring agreed to a 10-year lease on Sunrise Real Estate's Connect 63, Integra 61 in Bowburn, Durham, at £7.50 psf. The 63,396 sq ft unit will support the company's expansion plans and serve as one of its primary nationwide distribution hubs. This marks the second letting at the Integra 61 scheme, leaving three units available. All benefit from strong sustainability credentials, including BREEAM 'Excellent' ratings.

Take up (sq ft)
million square feet



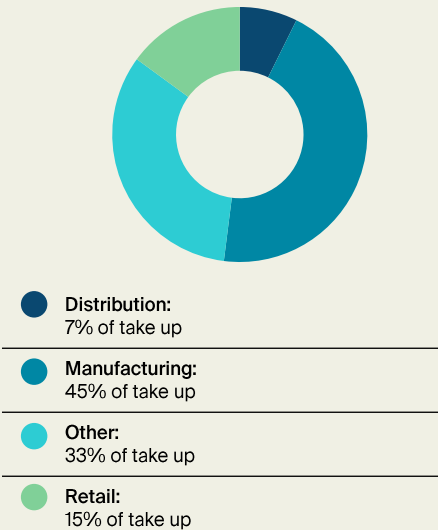
Source: Knight Frank Insight

MAJOR INVESTMENT IN AUTOMOTIVE AND ADVANCED MANUFACTURING

Demand in the region over the past year has come from a broad range of occupiers, though manufacturers continue to lead the way. Manufacturers account for 45% of take up annually to Q2 2025.

Major investment in the automotive and advanced manufacturing sectors is reinforcing confidence in the North East's industrial market, most notably through recent commitments from Nissan and its supply chain partners. This includes global transmission specialist JATCO, which took Unit 6 at the International Advanced Manufacturing Park in Q1 to support the next generation of electric vehicle production in Sunderland. These advances may drive further demand across the region's local supply chains.

Take up by sector
Q3 2024 – Q2 2025



Source: Knight Frank Insight

MARKET VIEW

Welcome news for the North East region



BY MARK PROUDLOCK, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL
AGENCY

“After a period of uncertainty around the future of Nissan’s Sunderland manufacturing plant, the North East region welcomed news that the factory has been selected to build its third-generation Leaf electric vehicle. This follows the announcement that AESC, Nissan’s battery production partner, has secured £1bn to build a second gigafactory next to its existing plant on the International Advanced Manufacturing Park (IAMP) on Wearside. The plant will be capable of producing 300,000 batteries per year and will supply the new Nissan Leaf.”

Occupier Market

254,300 sq ft

Occupier take up
H1 2025

9.6%

Vacancy rate
Q2 2025

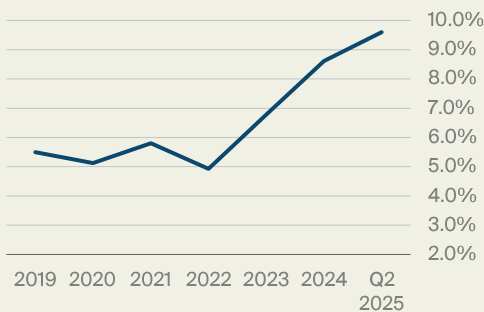
£8.00 psf

Prime rents
Q2 2025

Stable

Prime annual rental growth

Vacancy rate
% of stock



Source: Knight Frank Insight

“Just under 800,000 sq ft was under offer across eight units at the end of June“

SUPPLY EDGES DOWN DESPITE LACKLUSTRE TAKE UP

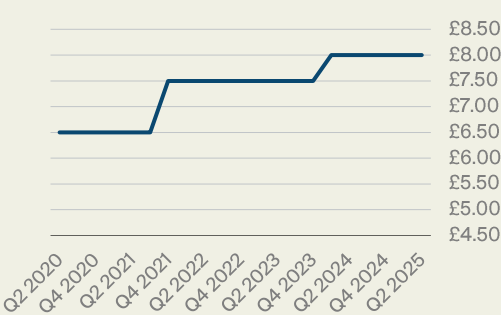
The supply of existing units over 50,000 sq ft edged down by 1.6% in Q2 2025 to 4.5 million sq ft. This shaved 20bps from the previous quarter’s vacancy rate, to 9.6%. The vacancy rate remains 110bps higher than that seen one year ago due to a number of new development completions earlier this year. However, the majority (75%) of the existing supply comprises second-hand space, and 82% of which is grade B or below.

In terms of new development, there are two units totalling 117,600 sq ft under construction speculatively. UK Land Estates recently started work on Centralway 65 at Team Valley Trading Estate in Gateshead. The 65,000 sq ft unit is designed to high sustainability standards, targeting an EPC ‘A+’ rating.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Newcastle for 50,000 sq ft+ units have been stable over the past 18 months, at £8.00 psf. Strong annual growth of 25% has been recorded in the Middlesbrough, Stockton-on-Tees and Darlington areas, to £7.50 psf. Average rental growth forecasts remain positive, with 3.3% expected for the North East for 2025, and 3.6% for Newcastle (Knight Frank Insight).

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



Source: Knight Frank Insight

“Strong annual rental growth of 25% has been recorded in the Middlesbrough, Stockton-on-Tees and Darlington areas“

Occupier Deals H1 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Unit 6 International Drive, IAMP, Washington	138,840	JATCO Ltd.	£6.00 psf	Second-hand Grade A refurbishment
Connect 63 at Integra 61, Bowburn, Durham	63,396	Connection Flooring	£7.50 psf	Speculative build
1 Millennium Way, Newton Aycliffe	52,048	Molekula	£2.2 million	Freehold purchase - second-hand

Source: Knight Frank Insight

Investment Market

5.75%

Prime NIY - Newcastle
Q2 2025

-25 bps

YoY movement in prime yields

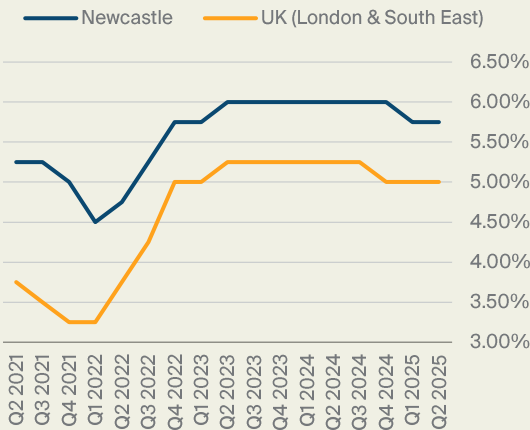
STEADY INVESTOR APPETITE, BUT PRIME STOCK REMAINS TIGHT

Prime industrial yields in Newcastle remained stable in Q2 2025, at 5.75%, following a 25bps contraction in the previous quarter. At this level, prime yields are 125 bps softer than their previous low of 4.50% in Q1 2022.

A shortage of high-quality, prime stock continues to limit transactional evidence and suppress further yield compression. However, investor interest remains evident. A notable transaction in Q2 includes Realty’s acquisition of a HGV sales and service centre on Westland Way, Stockton-on-Tees, for £10.1 million, reflecting a net initial yield of 6.75%. The asset was pre-let to Scania (Great Britain) Ltd in 2023 on a long-term lease.

Prime Yield

Net initial yield %



Source: Knight Frank Insight

MARKET VIEW

Quality industrial stock offers a low-risk, diversified income stream in a volatile world



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

“Due to the various macro challenges, we continue in a start/stop market, which is more start for quality assets, albeit there is a dearth of stock available.

Liberation Day and tariffs from over the pond have dented investor appetite, as has the Government’s Budget impact on staffing costs. Notwithstanding this, quality industrial stock offers a low-risk, diversified income stream in a volatile world.”

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

**Logistics & Industrial
Research**

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 0036

Deirdre O'Reilly
deirdre.oreilly@knightfrank.com
+44 20 3995 0785

**Newcastle Commercial
Logistics & Industrial Agency**

Mark Proudlock
mark.proudlock@knightfrank.com
+44 191 594 5019

**Newcastle Commercial
Capital Markets**

Dickon Wood
dickon.wood@knightfrank.com
+44 191 594 5036

Valuation & Advisory

Adam Harley
adam.harley@knightfrank.com
+44 191 323 3286

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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