

LOGIC: North East



Q3 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

Q3 boosts year-to-date performance, with supply edging down

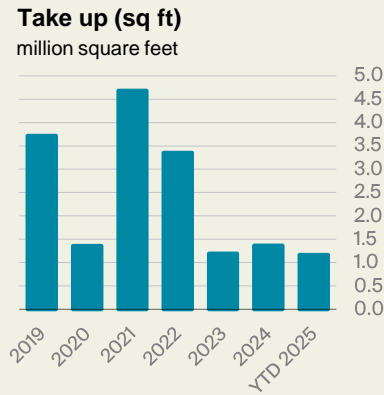
STRONGEST QUARTER RECORDED IN THREE YEARS

A bumper third quarter for take up of industrial and logistics units over 50,000 sq ft in the North East followed a relatively quiet first half of the year. A total of 902,200 sq ft of space transacted across six units, marking the region’s strongest quarter since Q3 2022. The acceleration has lifted year-to-date take up to 1.2 million sq ft, 9.8% ahead of the same period last year.

This robust quarter, combined with the 237,000 sq ft of space currently under offer, now puts the region in a strong position to meet, or even exceed, both 2023 and 2024’s totals.

During Q3, a prominent UK plumbers’ merchant, Wolseley, agreed to lease the newly built Unit 2 Greenbox Darlington (107,775 sq ft). This marks the first letting at the three-unit Greenbox development, which completed in March to net zero carbon construction and operational standards, BREEAM ‘Excellent’ and EPC ‘A’ standards.

The largest transaction in Q3 and year-to-date was Pyrol Group Ltd.’s commitment to the 390,000 sq ft Former Cleveland Bridge manufacturing premises, Yarm Road, Darlington.

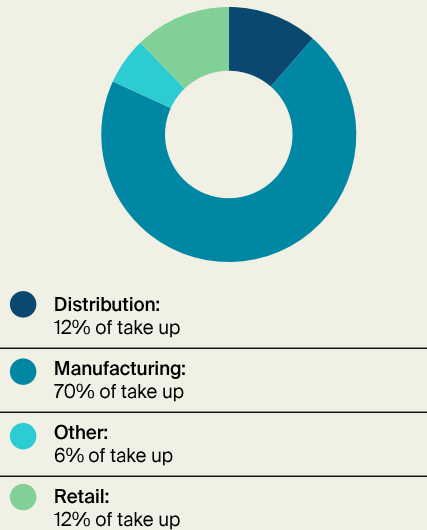


Four of the six transactions in Q3 were by manufacturers, boosting its proportion of take up over the past four quarters to 70%, from 47% last year.

TAKE UP LED BY EXISTING (IF MODERNISED) STOCK

Second-hand stock continues to dominate the North East market, comprising 85% of year-to-date 2025 take up. However, some of these buildings are undergoing refurbishment to bring them up to modern occupier standards, and as such, are achieving stronger rents. Parcel carrier DHL has leased the former Biffa waste management site at Simonside Industrial Estate, South Shields. The 97,800 sq ft building was extensively renovated by owners Kans and Kandy Property, including the installation of solar panels and a change of use from general industrial to storage and distribution, while DHL added car parking spaces and EV charging facilities. The lease was agreed at £7.20 psf.

Take up by sector Q4 2024 – Q3 2025



MARKET VIEW

The buildings that have transacted are a ‘mixed bag’



BY MARK PROUDLOCK, PARTNER,
NEWCASTLE LOGISTICS & INDUSTRIAL
AGENCY

“Some long-awaited deals completed this quarter, significantly boosting take up. The buildings that have transacted are a ‘mixed bag’ of brand new, modern second-hand and low-cost secondary space offering no discernible pattern to extrapolate other than conclude the market is predictably unpredictable.”

Occupier Market

1.2m sq ft

Occupier take up
YTD 2025

8.7%

Vacancy rate
Q3 2025

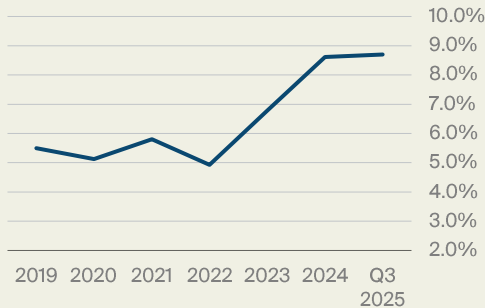
£8.00 psf

Prime rents
Q3 2025

Stable

Prime annual rental growth

Vacancy rate
% of stock



Source: Knight Frank Insight

“Second-hand stock continues to dominate, comprising 85% of year-to-date 2025 take up.”

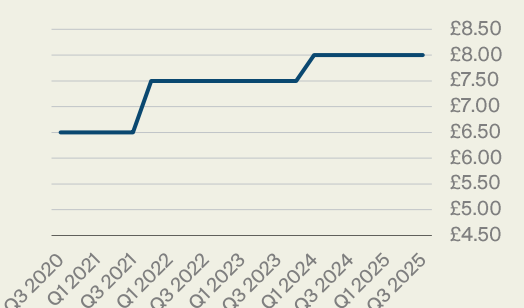
CONTRACTION IN BOTH NEW AND SECOND-HAND SUPPLY

Availability of existing units over 50,000 sq ft declined by 9.8% in Q3 to 4.1 million sq ft, reducing the vacancy rate by 90bps to 8.7%. Both new and second-hand supply contracted during the quarter, by 9.4% and 9.9%, respectively. However, new-build stock remains 18% higher year-on-year due to several development completions in Q1. New-build units are proving ‘sticky’, with some cost-conscious occupiers prioritising value in secondary stock over prime. Availability is most heavily concentrated in the 50,000–100,000 sq ft size band, which accounts for nearly two-thirds of supply (by count). Speculative development was unchanged in Q3, with two units totalling 117,600 sq ft under construction.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Newcastle remain at £8.00 psf (units 50,000 sq ft+). Meanwhile, Q3 recorded a 6.7% uplift in prime rents in the Middlesbrough, Stockton-on-Tees and Darlington areas, also reaching £8.00 psf, and representing 33% growth annually. Average rental growth of 2.2% is forecast for the North East region in 2025 and 1.9% for 2026 (Knight Frank Insight).

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



Source: Knight Frank Insight

“Q3 recorded a 6.7% uplift in prime rents in the Middlesbrough, Stockton-on-Tees and Darlington areas”

Occupier Deals YTD 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
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
Connect 63 at Integra 61, Bowburn, Durham	63,396	Connection Flooring	£7.50 psf	Speculative build
Unit L5, Intersect 19, Tyne Tunnel Estate, North Shields	57,707	IBSL Ltd.	£6.61 psf	Second-hand

Source: Knight Frank Insight

Investment Market

5.75%

Prime NIY - Newcastle
Q3 2025

-25 bps

YoY movement in prime yields

BUSY SUMMER PERIOD DESPITE A LACK OF PREFERRED PRIME STOCK

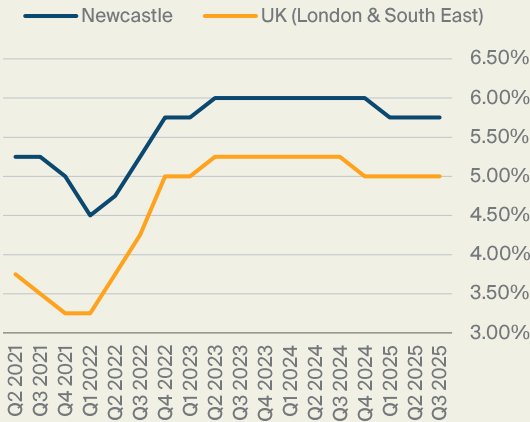
Although there continues to be a significant lack of prime investment opportunities, the summer period was quite a busy one for transactions- mostly single-let acquisitions by UK private property companies.

A notable transaction was Cable Properties’ acquisition of a 115,000 sq ft building in Sedling Road Wear Industrial Estate, Washington, for £5.25 million, representing a net initial yield of 7.44%. The unit is let to GXO Logistics with just over seven years remaining on the lease. With a low passing rent and a rent review in 2027, there is strong revisionary potential for the asset.

Yields for prime industrial units over 50,000 sq ft in Newcastle have remained stable over the past two quarters, at 5.75%, following a 25bps compression in Q1 2025.

Prime Yield

Net initial yield %



Source: Knight Frank Insight

MARKET VIEW

We envisage a greater acceptance of good-quality secondary assets



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

“There remains a clear preference for prime industrial stock and, if anything, the divide between prime and secondary is widening. However, as competition and pricing escalate, we envisage a greater focus and acceptance of good-quality secondary assets.

The upcoming Autumn Statement is dominating the headlines and has somewhat unsettled the market due to the uncertainty surrounding it. We anticipate a temporary watching period and a slowing in activity whilst this is digested.”

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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