



REAL ESTATE

www.b8re.com

Market report

For



In relation to

Land adjacent to Atlas Business Park

Simonsway

Wythenshawe

Manchester

M22 5PR

12th September 2023

1. **INTRODUCTION**

B8 Real Estate (B8RE) & JLL have been instructed on behalf of Aviva Investors to support a planning application in relation to the plot of land located adjacent to Atlas Business Park in Wythenshawe ('the site') to deliver 381,300 sq ft of new industrial development with E/B2/B8 planning consent.

This report provides an update to our previous market report dated December 2022. It provides up to date market commentary in the South Manchester and wider North-West Industrial markets, considering the ongoing limited supply of industrial property in the surrounding area and the recent record levels of demand.

In providing the commentary B8 Real Estate is a niche practice specialising in the disposal and acquisition of industrial properties, sites, investments, and general strategic property development advice across the North-West region. JLL are a leading global property consultancy business providing advice to both institutional landlords and corporate occupiers. Both companies have significant experience in the industrial sector and have advised on many transactions over the past 20 years, being involved in the largest transactions and development sites throughout Manchester and the North-West, including Logistics North in Bolton, Omega in Warrington, and ICON at Airport City in Manchester.

2. **THE SITE & PROPOSED DEVELOPMENT**

The site itself extends to circa 24 acres and is bounded by Simonsway to the North, Styal Road to the East, Jetparks airport parking to the South and the office development at Atlas Business Park to the West. The site is of rectangular shape with an existing access point off Simonsway and with a potential second access point via the office development at Atlas Business Park. It is mostly overgrown scrubland which has been partly cleared making it suitable for redevelopment. However, approximately half of the site is identified as Green Belt. There is also a small area in the south-east corner that cannot be developed due to it being within a safety zone for aircraft landing at Manchester airport, factored into the masterplan for the site.

In terms of location, the site benefits from excellent connectivity both with public transport (bus routes / Metrolink) and the M56 and M60 motorways within close proximity. The nearby A555 Manchester Airport Relief Road and also the M56/M6 relief road between Junction 7 M56 and Junction 19 M6 help connect the site to the wider North-West. The connectivity of the site has been set out in further detail in the Accessibility Transport Note.

The subject site is being considered for the development of one big-box, albeit at the smaller end of the big-box size bracket, and four mid-box units. The big-box logistics market is defined as units over 90,000 sq ft and are large-scale warehouse/distribution facilities. The mid-box logistics market is defined as those units between 20,000 sq ft to 89,999 sq ft. Both big-box and mid-box markets experienced continued strong demand in 2022 and this has continued into

Commented [EH1]: Suggest adding brief comment in relation to the previous report prepared and how this updates the previous.

Commented [EH2]: Suggest noting that connectivity of the site has been set out in further detail in the Accessibility Transport Note.

2023. The increasing dominance of the online retail market has fueled demand in both the big-box and mid-box sectors, particularly given the recent emergence of last mile logistics and urban logistics markets. Last mile logistics is a term used for transportation of merchandise from the nearest distribution hub to the final destination, such as a home or business. Urban logistics relates to the movement of goods within or near urban areas. The speed and efficiency of e-commerce businesses is a key differentiator in them remaining competitive by getting products to doorsteps as fast as possible.

The site offers an attractive last mile logistics opportunity due to its proposed mid-box unit sizes and strategic location close to Manchester Airport, while also benefitting from the excellent road and motorway connections and consequently a large catchment population from the surrounding areas.

The proposed scheme as set out below in drawing no: 20071 PL 206 shows a five-unit scheme, comprising of 381,300 sq ft of industrial / warehouse development on a total site area of approximately 24 acres. Our opinion is that the size of the site allows it to be developed to a sufficient scale and institutional standards conforming with occupier demand.



Commented [EH3]: Please can it be set out what this means?

2.1 Building Summaries

	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5
Office	6,400	2,600	2,600	8,200	8,200
Warehouse	77,700	37,300	46,900	66,000	128,000
GIA (Sq Ft)	84,100	37,300	49,500	74,200	136,200

2.2 Key Specification

- Steel portal frame construction
- Dedicated office accommodation
- VRF Heating and cooling in all offices
- 50KN m/2 floor loading
- Provision for Electric Vehicle (EV) charge points on every unit
- Photovoltaic (PV) Panels to a minimum of 10% of the building outline with provisions to allow PV coverage for the whole roof.
- Minimum BREEAM Excellent and EPC rating of A
- Fenced and gated service yards
- Dedicated car parking
- Level access and dock level loading

3. THE INDUSTRIAL PROPERTY MARKET

3.1 North-West Market Overview

Notwithstanding the current economic conditions and knock-on effects of Covid 19, the industrial and logistics sector remains extremely buoyant with continued strong demand in the North West recorded at 6.06M sq ft for 2022, hindered by the dwindling supply of good quality units.

Whilst overall take-up was slightly down on the year before demand for speculative new build / design & build increased significantly with a combined total of 4.96M sq ft (82% of overall take up), demonstrating the ongoing occupier request for new build accommodation.

In particular, 2022 saw continued levels of strong occupier demand in the mid box / SME market (units less than 90,000 sq ft) with the North West demand increasing from 976,000 sq ft (29 transactions) in 2021 up to c 1.15M sq ft (40 transactions). The first half of 2023 has seen no change with transactional numbers up by 80% on the year before.

These strong occupier dynamics, fueled by the rise of e-commerce, last mile logistics and a renewed occupier focus on better units with ESG credentials being increasingly important, continues to benefit the industrial property sector.

3.2 South Manchester Market Overview

South Manchester is acknowledged to be one of the North-West region's prime industrial / warehouse locations, alongside Trafford Park and Warrington, with consistent strong demand and premium rentals achieved. Industrial and warehouse supply in the South Manchester locality has been constrained over the last 20 years due to limited employment sites being available and competition from higher value uses in the area. We have defined the area of South Manchester in Appendix 1 of this report. It is an area bounded by the Manchester ship canal to the west of Manchester and south of the A57 towards the M67 motorway to the east side of Manchester.

The South Manchester industrial market, attracts interest from a wide range of local, regional and national occupiers, due to its location being strategically attractive by benefiting from its excellent accessibility with direct links to the national motorway network via the M60. The location, in close proximity to Manchester City Centre and Manchester Airport, means it is superbly placed to benefit from the main economic growth areas in the Greater Manchester area.

Leasehold demand for good quality space in South Manchester is consistently strong but this has not been reflected in terms of take-up, which is constrained due to the lack of available new and modern buildings.

Despite the boom in industrial demand, the past 3 years has only seen one new build industrial scheme in South Manchester. This took place at ICON at Global Logistics, Airport City next to

Manchester Airport, a joint venture between Stoford & TPG Real Estate comprising 868,000 sq ft on a 45-acre site and occupied by THG Plc and Alpha LSG, with all buildings occupied achieving premium values and minimal voids.

Prior to ICON, the last other development in South Manchester took place at Alpha, which is located next to ICON at Global Logistics, Airport City. It was developed speculatively in 2017 by a joint venture between Manchester Airport Group and LaSalle Investment Management. It comprised a terrace of 6 Mid-Box units between 17,300 to 35,000 sq ft. Three of the units were let to occupiers Jet2, Move Online Dance and Storage World. The whole estate was then sold to The Hut Group in 2020 as a part incoming producing asset with them occupying the three vacant units.

The Manchester Airport sub-market includes Atlas Business Park which attracts demand from industrial and warehouse occupiers generally as well as airport related end users looking to serve the airport. The Hut Group already occupied offices premises at Manchester Airport before they acquired warehouse/logistics accommodation creating a campus at ICON. Other examples include Alpha LSG, Jet2 and DHL who are all based at Global Logistics, Airport City.

There are a number of principle industrial employment locations in the South Manchester catchment area, which include the following. These locations are comparative to Atlas Business Park and are plotted on a map in Appendix 2.

- Bredbury Industrial Estate
- Stockport
- Hazel Grove
- Poynton
- Bird Hall Lane, Cheadle
- Stanley Green Industrial Estate, Handforth
- Shartson
- Wythenshawe
- Manchester Airport
- Broadheath, Altrincham
- Carrington

Due to the lack of Grade A new build and second-hand buildings on the market over recent years, occupiers have been forced to consider older second-hand refurbished buildings. This has resulted in the supply of second-hand space being at a record low in the area, with minimal void across most estates.

However, many second-hand buildings that are Grade B quality and below are not suitable for those occupiers requiring high specification (Grade A) accommodation, which offer greater operational efficiencies, better staff welfare and a well-presented modern image. Take-up in South Manchester has been stifled when local occupiers have had to take space outside of the area in order to get new or modern buildings. Examples include occupiers such as Cardinal Global Logistics who are based in Sharston (2 miles from the Atlas Business Park site) but due to there being no suitable modern options in South Manchester, they are having to look for alternative premises in areas such as Warrington and Merseyside where there is more supply. This occupier requirement could be accommodated at the proposed development at Atlas Business Park if it was available.

3.3 Big Box Market (90,000 sq ft+)

Supply

There are currently only three existing Grade A Big Box units over 90,000 sq ft available in South Manchester with one still under construction.

Property	Size	Comment
Skylink147 Stanley Green Business Park Handforth	147,367 sq ft	Grade A New Build Under construction expected to practically complete in Q4 2023.
Icon3 Airport City South	138,375 sq ft	Grade A Second-hand Formerly occupied by THG
Icon4 Airport City South	103,433 sq ft	Grade A Second-hand Formerly occupied by THG

Skylink147 is still under construction and Icon3 and Icon4 have recently been put on the market. We expect these units to be let within the next 6 to 12 months due to strong occupier demand.

Take-Up

Take-up of Grade A Big Box units has been restricted by the lack of available units being brought to the market. When these units have become available, there has been strong demand for them resulting in minimal or no letting void.

We have listed below the Grade A deals over 90,000 sq ft recorded in South Manchester within the last three years.

Property	Sizes	Comment
Icon Manchester Airport	459,000 sq ft	The Hut Group Freehold Design & Build Q3 2020
Icon138 Manchester Airport	138,000 sq ft	The Hut Group Speculative new build Freehold sale Q3 2020
Unit 1 Carrington Gateway Carrington	104,000 sq ft	Hilti Speculative new build Leasehold Q3 2020



Mid Box Market (20,000 sq ft – 89,999 sq ft)

Supply

We have listed below the Grade A Mid Box units between 20,000 to 89,999 sq ft currently available in South Manchester, which includes six units under construction.

Property	Size	Comment
Vulcan One Adlington Business Park Adlington	75,000 sq ft	Grade A New build
Vulcan Two Adlington Business Park Adlington	44,000 sq ft	Grade A New build
Q37 George Richards Way Broadheath Altrincham	37,119 sq ft	Grade A New Build Under construction. Practically completing in October 2023. Under offer
Unit 1A 401 World Freight Terminal Manchester Airport	36,167 sq ft	Grade A New Build Under construction. PC Q3 2023 Planning restriction permitting airport sector uses only.
Alpha6 Airport City South Manchester Airport	34,916 sq ft	Grade A Second-hand Planning restriction permitting B8 airport sector uses only.
Unit 1C 401 World Freight Terminal Manchester Airport	26,803 sq ft	Grade A New Build Under construction PC Q3 2023 Planning restriction permitting airport sector uses only.
Q25 George Richards Way Broadheath Altrincham	25,312 sq ft	Grade A New Build Under construction Practically completing in October 2023. Under offer

Alpha3 Airport City South Manchester Airport	21,746 sq ft	Grade A Second-hand Planning restriction permitting B8 airport sector uses only. Under offer
E1 Broadheath Network Centre Altrincham	21,528 sq ft	Grade A New Build Under construction Practical completion November 2023 Under offer
Unit 1B 401 World Freight Terminal Manchester Airport	21,474 sq ft	Grade A New Build Under construction PC Q3 2023

Take-up

Take-up of Grade A Mid Box units has been restricted by the lack of available Grade A units being brought to the market. Grade A is defined as new build or units being less than 20 years old and built to a current institutional standard. Where these units have become available there has been strong demand for units with a good specification to include ample yard space, satisfactory eaves height and ESG credentials.

We have listed below the Grade A deals between 20,000 sq ft to 89,999 sq ft recorded in South Manchester within the last three years.

Property	Size	Comment
Unit 5 Carrington Gateway Carrington	21,451 sq ft	Max Fame Paper Products Grade A Second-hand Q1 2023
E2 Broadheath Network Centre Altrincham	28,729 sq ft	Xpand Logistics Grade A New Build Q2 2023
Unit F Broadheath Network Centre Altrincham	41,000 sq ft	Maersk A/S Grade A New Build Q1 2023
Unit B Orion Business Park Cheadle	30,823 sq ft	Hamilton Pharmaceuticals Grade A Second-hand Q4 2022
Unit A Orion Business Park Cheadle	38,968 sq ft	PL Distribution Grade A Second-hand Q3 2022

Commented [EH4]: Can we distinguish between new build and second hand also?

Unit 2 Carrington Gateway Carrington	26,812 sq ft	Hilti Grade A New Build Q4 2020
Unit 3 Carrington Gateway Carrington	36,650 sq ft	Peugeot PSA Grade A New Build Q4 2020
Unit 5 Carrington Gateway Carrington	21,451 sq ft	Drop the Hammer Grade A New Build Q4 2020

3.4 Future Pipe-Line Supply

Whilst some development has come forward in South Manchester, there is current strong interest from occupiers, and most modern or new build premises currently under construction will be absorbed in the next 12 – 18 months as evidenced by take up levels.

The difficulty faced in the South Manchester market and in the wider context of the North West industrial market, is the lack of sites coming forward for industrial development due to higher land values for competing alternative uses and the rising cost of debt, restricting developers viability.

Much of the new build future development pipeline is aimed at Mid Box units due to the limited availability of land and in particular the smaller plot sizes restricting larger buildings.

We have set out below the details of all comparable sites in the South Manchester market.

Property	Comment
World Freight Terminal, Manchester Airport Planning Application reference: 136879/FO/2023	Owned by Colombia Threadneedle, a detailed planning application has been submitted for a single 92,000 sq ft unit. The property has a planning use restriction permitting only uses within the airport sector and will replace Hangar 4 at the Manchester Airport World Freight Terminal.
Voltage Park, Carrington Planning Application reference: 97261/FUL/19	Owned by Blackrock & PLP, Voltage Park comprises 70 acres of land with detailed planning permission in place for five units ranging in size between 62,487 to 283,964 sq ft. This site is unlikely to be brought forward until the Carrington Relief Road is completed, the timing for which is currently unknown.
The Junction, Carrington Planning Application reference: 109755/OUT/22	Owned by Wain Estates, an outline planning application has been submitted for a major new logistics hub providing up to 1 million sq ft with a decision expected in October 2023.

Commented [TL5]: Might be better to lay the below out in a table as you have done above.

Commented [EH6R5]: Yes, agreed - in this section, we're looking to highlight whether there are any constraints on these developments which are likely to affect deliverability in comparison to this development so setting this out in a table will help.

Commented [TL7]: Can you confirm the application details and expected timescales for determination? It would be useful for Turley to review this application to add any further commentary

Commented [TL8]: Can you confirm the application details? It would be useful for Turley to review this application to add any further commentary

Commented [TL9]: Can you confirm the application details? It would be useful for Turley to review this application to add any further commentary. Reserved Matters approval will also be needed before development can commence on each unit/plot

	Development is unlikely to come forward unless pre-sales or pre-let's are achieved to occupiers.
Carrington Boulevard, Carrington Planning Application reference: TBC	Owned by Wain Estates, the site has outline planning permission for 260,000 sq ft of logistics space. Development is unlikely to come forward unless pre-sales or pre-let occupiers are achieved to occupiers with the site requiring remediation and until the Carrington relief road is committed.
Carrington Enterprise Park, Carrington Planning Application reference: TBC	Owned by Wain Estates, has outline planning consent. A detailed planning application has been submitted for 10 units delivering a total of 268,000 sq ft on a 19-acre site on Manchester Road. Development is unlikely to come forward unless pre-sales or external funding is obtained in the immediate future and until the Carrington relief road has been finalised.
Avro Business Park, Adlington Planning Application reference: 23/2419M	Owned by Chancerygate/Bridges, the site extends to 7.8 acres. A detailed planning application has been submitted for 163,000 sq ft across 11 units. The site has only been recently acquired by Chancerygate / Bridges meaning development may be less viable due to change in interest rates, yields & build costs.

Commented [TL10]: Can you confirm the application details? It would be useful for Turley to review this application to add any further commentary. Reserved Matters approval will also be needed before development can commence on each unit/plot

Commented [TL11]: Can you confirm the application details? It would be useful for Turley to review this application to add any further commentary

Commented [TL12]: ?? Above you state that it has outline permission??

Whilst the above future pipeline shows a number of schemes in South Manchester, the likelihood of them coming forward in the immediate future remains to be seen with a number of the developer owned sites likely to require external third party funding to commit to development, better infrastructure and securing deals on a design and build basis. Along with this, the recent rises in interest rates and build costs are becoming increasingly more challenging for developers to make schemes viable where higher land values have been paid or where sites are more constrained due to high abnormal costs.

4. Target market / delivery – Occupational demand

The site can accommodate end users looking for space between 37,300 sq ft to 136,200 with the possibility of units being combined.

Due to the location of the site, we consider that interest will likely come from the following occupiers:-

- Existing South Manchester SME industrial and warehouse occupiers, looking for more modern or new build premises.



- Occupiers closely linked to Manchester Airport and needing to be in close proximity.
- Local, regional, and national distribution occupiers requiring 'last mile' and 'urban logistics' locations.

As highlighted above, demand for units of this size remains very strong. B8RE and JLL are tracking the following live requirements which could potentially be suitable for the proposed scheme.

Company	Size (sq ft)	Comments
Cardinal Global Logistics	100,000 – 120,000	Based in Sharston and looking for premises along M56 corridor in close proximity to existing unit.
Swissport	100,000	Manchester airport occupier.
Atlantic Pacific	20,000	Manchester airport occupier.
Fed Ex	30,000 – 40,000	Manchester airport occupier.
UCH Logistics	30,000 – 40,000	Manchester airport occupier.
GXO	80,000 – 150,000	3PL needing space close to Manchester airport.
Bridges Worldwide	20,000 – 25,000	Freight forwarding company needing space close to Manchester airport.
Geodis	30,000 – 40,000	Based in Sharston. Need to be close to Manchester airport. Freight forwarding company.
Dnata	100,000 +	Manchester airport occupier. Short term renewal until 2027 but landlord wants to redevelop their site. Require new premises close to the airport.
Expeditors	100,000	American logistics operator based on Trafford Park and require additional premises.
Woodland Group	150,000 – 200,000	Manchester airport occupier. Logistics operator requiring a North West presence and strong preference for Manchester.
Arigi Bianchi	40,000	Furniture company based in Macclesfield. South Manchester search.

Commented [TL13]: Please can this be defined above alongside the last mile logistics description

Commented [EH14R13]: Yes, agreed. Last mile is not set out above so please add some description.

Commented [EH15]: Any engagement with these?

Commented [JR16R15]: Yes we are tracking a number of them

Commented [TL17]: Can we put this one at the top and emphasise its proximity to the site? Are there any others in this list who are located in close proximity to our site? If yes make this clear and add at the top of the list

Vida Living	20,000 – 30,000	South Manchester based furniture business requiring additional space.
Dow Chemicals	20,000 – 30,000	South Manchester occupier wanting to relocate to modern warehouse premises within the area.
Gails Bakery	30,000 – 40,000	Require a new South Manchester distribution due to expansion of cafes in the North of England.
Seko Logistics	80,000 – 100,000	Logistics operator requiring a North West presence. Very strong preference for South or West Manchester.
Freshlinc	120,000 – 160,000	Requirement for new distribution depot in Manchester for ambient and chilled food storage.
TVS Supply Chain Solutions	120,000	Consolidation exercise of operations in Manchester, Chester & Warrington.

The above list of requirements totaling over 1,450,000 sq ft provides a snapshot of known companies who have active requirements looking for modern space covering South Manchester and the locality of Atlas Business Park in order to either retain staff employed in the area or to bring new business making a significant impact to the area for new jobs and economic growth.

The above total requirements of 1,450,000 sq ft is broken down into 550,000 sq ft for requirements needing to be in South Manchester only and 900,000 sq ft for requirements that will also consider outside of South Manchester.

JLL and B8RE are also aware of developments specifically at Manchester Airport whereby a number of occupiers will require relocation from units at the World Freight Terminal in the next two years, receiving enquiries direct from some airport users. The Airside units at 'Transit West' & 'Transit East' are proposed to be demolished due to the airport requiring more space, which will result in a number of occupiers being displaced and having to re-locate to alternative premises. For example, Fed Ex, Swissport, Marquis, Blacksmith Freight & Worldwide Flight Services need or are all likely to need space within the next 2 years. By having good quality industrial/warehouse units available at Atlas Business Park in close proximity to the airport, it will allow them to relocate, to retain staff, expand and create new jobs in the area.



5. Conclusion

The industrial/warehouse sector in South Manchester and the wider North-West remains extremely buoyant with a significant supply / demand imbalance. Consequently, there is a critical need for more new build industrial/warehouse supply at well-connected sites in this area to meet the ongoing strong demand from industrial/warehouse occupiers wanting to remain in the area or relocate into the area.

By not meeting this strong demand, South Manchester is losing out on opportunities to generate business growth, employment and business rates revenue. We are confident that a development of this scale would not only satisfy local demand but would also attract occupiers from outside the area and could bring a significant number of new jobs.

In addition, the proposed scheme offers a high-specification airport-occupier clustering opportunity due to its close proximity to Manchester Airport. This has been proven at nearby ICON/Global Logistics at Airport City and also at Ringway Trading Estate, which is located adjacent to Atlas Business Park. The proposed future development at Atlas Business Park will therefore assist with the airports expansion strategy by offering alternative nearby accommodation to those occupiers being displaced.

Factoring in the current market conditions, we would expect there to be very strong levels of interest shown by occupiers during the construction period with a number of pre-lets agreed on the proposed scheme ahead of practical completion with occupiers needs for more modern industrial premises. Other nearby South Manchester schemes such as Broadheath Network Centre in Altrincham has over 60% of the total floor space either let or under offer ahead of practical completion towards the end of November 2023 that B8RE are involved in. From a marketing perspective a flight for quality (mover more better quality new/modern accommodation) amongst occupier interest is now more prevalent than ever through businesses implementing ESG targets and wanting to occupy more sustainable buildings in line with their strategies.

Whilst part of the site is in the Green Belt, a large proportion is allocated for employment and is surrounded by other employment uses, for example industrial, offices and airport car parking.

We trust this report provides you with the appropriate information and recommendation for you to progress the planning application. Should you require any further information at this stage please contact either JLL or B8RE.

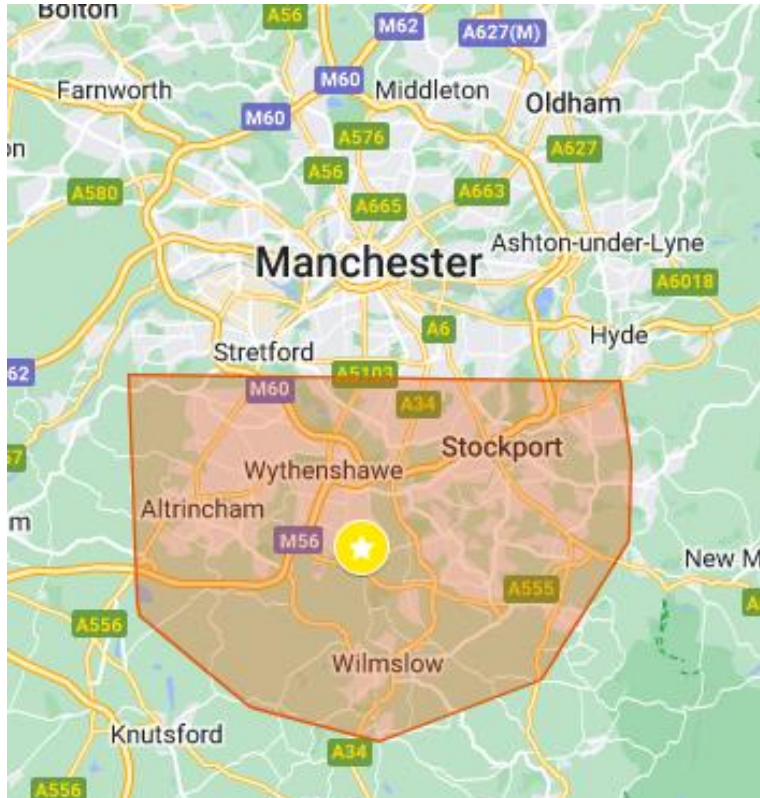
Yours sincerely

Richard Johnson, JLL & Will Kenyon, B8RE

Commented [EH18]: Can this be expanded upon and highlight the fact that this is new and how it would compare to the second hand units referred to above.

Commented [EH19R18]: Any engagement so far that suggests this take up? Appreciate only limited details may be able to be provided.

Appendix 1 – Map of South Manchester



Map of Greater Manchester showing 11 locations for the Greater Manchester Local Enterprise Partnership (GLEP) business parks. The map includes major roads like the M60, M56, and A57, and labels for various towns and districts. A legend on the right lists the 11 locations: 1. Bredbury Park Industrial Estate, 2. Stockport Industrial Estate, 3. Hazel Grove, 4. Poynton Industrial Estate, 5. Bird Hall Lane, 6. Stanley Green Business Park, 7. Sharston, 8. Roundthorn, Wythenshawe, 9. MCR Airport, 10. Broadheath, 11. Carrington. A yellow star icon represents the Atlas Business Park.