
Market Report

For



In relation to

Land adjacent to Atlas Business Park

Simonsway

Wythenshawe

Manchester

M22 5PR

December 2022

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 to deliver 411,300 sq ft of new industrial development with E/B2/B8 planning consent.

This joint report 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 an 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 and this has been 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 & Junction 19 help connect the site to the wider North-West.

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 2021 and has continued into 2022. 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 units required to serve nearby conurbations with same-day/next-day delivery serviced from a larger Regional Distribution Centres (RDC) or National Distribution Centres (NDC). The speed and efficiency of e-commerce businesses is now a key differentiator in remaining competitive by getting products to doorsteps as fast as possible.

Atlas Business Park 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: SK201 shows a five-unit scheme, comprising of 411,300 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.



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	158,000
GIA (Sq Ft)	84,100	37,300	49,500	74,200	166,200

2.2 Key Specification

- Steel portal frame construction
- Dedicated office accommodation
- VRF Heating and cooling in all offices
- 12.5m – 16 meters to underside of the haunch eaves height
- 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 what was a record year of take-up in 2021. National take up for 2021 reached over 50m sq ft shattering the previous record of 37.8m sq ft set in 2016.

Take-up of units over 90,000 sq ft in the North-West averages 4.2m sq ft per year, with 2021 reaching 6.2m sq ft, 38% above the long-term average and 20% above 2020. The main driver of demand in 2021 was occupiers opting to take speculatively constructed space with 2.55m sq ft transacted, the highest amount ever recorded and due to the extremely limited good quality second-hand availability. Whilst take-up was led by online retailers who accounted for circa 30% of space, the North-West market is fairly evenly spread between other tenant types signifying a diverse tenant mix.

The first half of 2022 has seen no letup in demand with take up in the North-West equating to 4.19M sq ft, up from 25% from 2021 and the highest H1 take-up on record where supply of new build remains at record lows with there being only three new build industrial units over 100,000 sq ft available across the North-West with two units being located in Ellesmere Port and the other in Middlewich but no Grade A availability in the Manchester region.

These strong occupier dynamics, fueled by the rise of e-commerce, last mile logistics and renewed focus on supply chains, are also filtering through to the investment market, as a significant volume of investors seek greater exposure to the sector.

3.2 South Manchester Market Overview

South Manchester is acknowledged to be one of the regions 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.

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 most recent 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 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: -

- 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 allow greater operational efficiencies, better staff welfare and a well-presented modern image. Take-up in South Manchester has been stifled when occupiers have had to take space outside of the area in order to get a new or modern buildings. Examples include occupiers such as Cardinal Logistics who are based in Sharston but due to no suitable modern options are having to look for larger premises in areas such as Warrington & Merseyside where there is more supply.

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

Supply

Due to such strong levels of demand and limited development, there are currently no Grade A Big Box units over 90,000 sq ft available in South Manchester.

Take-Up

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

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

Supply

There is a chronic lack of supply of available Grade A Mid Box units in South Manchester as evidenced by the schedule below:

Property	Size	Comment
Unit 5 Carrington Gateway Carrington	21,451 sq ft	Grade A Second-hand <i>Under Offer</i>
Vulcan One Adlington Business Park	75,000 sq ft	Grade A New build Under construction
Vulcan Two Adlington Business Park	44,000 sq ft	Grade A New build
George Richards Way Broadheath Altrincham	25,000 sq ft 37,000 sq ft	On site in October 2022

Take-up

Take-up of Grade A Mid 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 between 20,000 sq ft to 89,999 sq ft recorded in South Manchester within the last 2 years.

Property	Size	Comment
Unit A Orion Business Park Cheadle	38,968 sq ft	PL Distribution Grade A Second-hand Q3 2022
Unit B Orion Business Park Cheadle	30,823 sq ft	Hamilton Pharmaceuticals Grade A second hand Q4 2022
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

3.5 Future Pipe-Line Supply

Despite record demand, the difficulty faced in the South Manchester is the lack of sites coming forward for industrial development due to high land values and competing alternative users. This has resulted in there currently being only one consented site coming forward in the area over 50,000 sq ft, which is Skylink147 in Cheadle. Much of the new build future development pipeline is aimed at Mid Box due to the limited availability of land and in particular the smaller plot sizes.

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

- Skylink 147, Cheadle

Developer Pin Property are in the process of demolishing an existing office building to construct a single 147,000 sq ft unit across a 7.5-acre site with detailed planning permission in place.

Construction of the unit is expected to start at the end of 2022 with the unit being available

from Q4 2023.

- 401, World Freight Terminal, Manchester Airport

Previously owned by Manchester Airport Group, Colombia Threadneedle have demolished the former dilapidated 100,000 sq ft warehouse. The site will be redeveloped to create three new build terrace units measuring 21,000 sq ft, 26,000 sq ft & 36,000 sq ft. Construction is due to start in November 2022 with practical completion targeted for June 2023. JLL are the letting agents and have confirmed strong interest from one airport related occupier to take all three units.

- George Richards Way, Altrincham

Owned by developer, Quorum, George Richards Way, located in the Broadheath area of Altrincham, comprises a 3-acre site with detailed planning in place. A two-unit scheme of 25,000 sq ft and 37,000 sq ft is due to start on site imminently with practical completion expected in Summer 2023.

- Broadheath Network Centre, Altrincham

Developer Network Space acquired circa 11 acres at the former Cartwright Trailers facility in 2021 and are now on site building a 25-unit scheme ranging from 2,000 sq ft – 39,500 sq ft. The largest two units on the scheme, 28,700 sq ft and 39,500 sq ft, are both under offer with the largest unit to an occupier requiring close proximity to the airport.

- Voltage Park, Carrington

Owned by Blackrock & PLP, Voltage Park comprises 70 acres of land with outline planning in place but with highway works required. The development can accommodate up to 1 million square feet. The site can accommodate Big Box development over 100,000 sq ft and phase 1 comprises 5 units up to 270,000 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 above sites highlight the limited amount of pipeline industrial development coming to the market over the next 2 years.

There is the potential for additional longer-term pipeline development from two emerging allocations in Places for Everyone (PfE), which are Global Logistics (25,000 sq m / 269,000 sq ft) and Carrington (350,000 sq ft / 3.76M sq ft).

These are draft allocations currently at examination so cannot be considered as forming part

of the existing supply. Moreover, the Places for Everyone plan is unlikely to be adopted until later in 2024 so there is a significant lead in time for these sites to come on stream.

We understand that Global Logistics will likely focus on large scale big-box logistics development due to the success of the adjacent ICON scheme. Carrington will likely focus on a mix of both big-box and mid-box development due to its location and accessibility from the M60 motorway.

4. Target market / delivery – Occupational demand

The site can accommodate end users looking for space between 37,300 sq ft to 166,200 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 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 aware of the following live requirements which could be suitable for the proposed scheme.

Company	Size (sq ft)	Comments
Vida Living	20,000 – 30,000	South Manchester based furniture business requiring additional space.
Xpand Logistics	20,000	Logistics operator requiring larger premises in close proximity to Wythenshawe.
Dow Chemicals	20,000 – 30,000	South Manchester occupier wanting to relocate to modern warehouse premises within the area.
DB Schenker	20,000 – 40,000	Logistics operator based on the World Freight Terminal at Manchester Airport. Require more modern premises.
Berwin Rubber Components	20,000 – 50,000	Based in Dukinfield and looking for warehouse premises within a 20-minute drive of current

Company	Size (sq ft)	Comments
		location.
Exton Foods	65,000 – 90,000	Food manufacturer based in Wythenshawe. Very interested in relocating to Atlas Business Park in order to retain existing staff.
Seko Logistics	80,000 – 100,000	Logistics operator requiring a North West presence. Very strong preference for South or West Manchester.
Dnata	100,000 +	Lease expiry in mid 2024 and landlord has served notice for the tenant to vacate. Require new premises as close to the airport.
Cardinal Logistics	100,000 – 120,000	Based in Sharston and looking for premises along M56 corridor in close proximity to existing unit.
Expeditors	100,000	American logistics operator based in Manchester and require additional premises.
Woodland Group	150,000 – 200,000	Logistics operator requiring a North West presence and strong preference for Manchester.
TVS Supply Chain Solutions	120,000	Consolidation exercise of operations in Manchester, Chester & Warrington.

The above list of requirements totalling over 1,000,000 sq ft provides a snapshot of known companies who have active requirements looking for modern space in the 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.

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. 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 & Worldwide Flight Services 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, will allow them to relocate, to retain staff, expand and create new jobs in the area.

5. Conclusion

The industrial 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 supply at well-connected sites in South Manchester to meet the ongoing strong demand from industrial/warehouse occupiers wanting to remain in, 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 this could bring a significant number of new jobs to the area.

In addition, Atlas Business Park 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.

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

Appendix 1 – Map of area regarded as South Manchester

