

Cheshire & Warrington



Property Review

2013





Introduction

The Cheshire and Warrington sub-region comprises the three unitary local authority areas of Cheshire East, Cheshire West and Chester and Warrington. Each authority area produces an Annual Property Report and the 2013 reports that detail activity during the 2012 calendar year are now published. Details on how to access copies are provided at the back of this document.

Under the aegis of the Cheshire and Warrington Local Enterprise Partnership the three authorities work closely together to promote the sub-region and address the challenges and opportunities where collective action is more appropriate or beneficial. Consequently for the first time the findings of the three individual Property Reports are drawn together to give an overview of the sub-regional property market performance over the last twelve months and to look ahead in terms of emerging developments and opportunities.



The Economy

Cheshire and Warrington is a large sub-regional economy. Current GVA is in excess of £21 billion, an economic output equivalent to about half that of Wales and three quarters that of Northern Ireland. In economic terms the sub-region is more important to UK output than Birmingham, Leeds, Edinburgh or Glasgow.

Evidence of the area's business credentials was delivered in 2012 published studies which placed Warrington as the most improved 'city' in Britain, based on economic performance since the start of the twentieth century, and identified it as England's second-ranking location for business investment. Cheshire East was also ranked with Warrington in the top ten areas to locate a business.



Cheshire and Warrington is home to some 41,000 companies, employing 416,000 people. It has nearly 40,000 business units. It is the headquarters location for more than 26 percent of the North West's Top 500 companies. This reflects the fact that Cheshire East has more than any local authority area outside Manchester and in Warrington there are more headquarters in a single location apart from Manchester. Altogether Cheshire and Warrington has no less than six of the eight top ranked companies.

Manufacturing remain a major component of the sub-region's economy and involves the automotive, pharmaceutical, chemicals, petrochemicals, food and paper production sectors. Scientific R&D, nuclear, energy, engineering design and financial service activities represent other key sectoral strengths.

Cheshire and Warrington is home to a number of iconic brands and sector leaders, some of whom announced new investments or achieved milestones during 2012. Crewe-based Bentley secured Regional Growth Fund support to help fund a new engine R&D project geared to expansion into new overseas markets, as well as funding for a supplier capacity building programme.

GM Motors announced a £125 million investment in their Ellesmere Port Vauxhall plant, geared to production of the new Astra and increased levels of UK-sourced supply chains, with the potential for almost 4,000 direct and indirect employment opportunities.

AstraZeneca decided to close its Alderley Park R&D facility in order to consolidate this function in Cambridge, but Macclesfield will continue to be the company's second largest manufacturing site and its European centre for packaging.

Attention to retail has seen online businesses started in Cheshire and Warrington now successfully established on the international stage. Northwich-headquartered The Hut Group, which has logistics facilities in Warrington, is now the UK's leading multi-website online retailer, with over a third of its sales being international. Macclesfield-based Entertainment Magpie is a recommerce company that enables consumers to go online and sell a wide range of unwanted items quickly and easily. Both companies have featured in The Sunday Times Tech Track 100 for their growth profile.

Entrepreneurial activity contributes to Cheshire and Warrington's success and 2012 saw two Warrington-based business owners securing UK Entrepreneur of the Year titles. Fred Done of Betfred won Ernst & Young's sponsored national award. Colin Stevens of Better Bathrooms was the recipient at Orange's UK business awards.

Investments

There remains an investor appetite for opportunities in Cheshire and Warrington. Although the total value of reported investments saw a drop for the second successive year the number of transactions involved was similar to 2011. Thirty eight transactions generated over £127 million.

The retail sector dominated the largest deals and all three local authority areas evidenced sub-five percent initial yields for foodstore investments. The sale of Tesco's Congleton store represented the keenest yield at four percent. However, 2012 also saw evidence that if prime industrial opportunities come to the market then there is keen demand. The first logistics development at Omega Warrington, let to food supplies company Brakes, was forward funded at six percent, the lowest yield reported for an industrial property investment in Cheshire and Warrington for at least three years.

Nevertheless economic conditions do continue to exert influence with a sizeable share of the transactions being driven by the banks, resulting in yields of in excess of ten percent.

Industrial and Logistics

The strength and diversity of Cheshire and Warrington's local economy underpinned a strong performance in the industrial and logistics property market sector in 2012. The year saw take-up of 3.2 million sqft (297,375 sqm), which represented around one quarter of the total for the North West. The two percent uplift from 2011, though small, was in stark contrast to the North West, which despite having the biggest share of UK regional activity saw take-up at a five year low and recording a fall of 12.5 percent in comparison to the previous year. The contrast with the UK trend was even greater, as nationally take-up hit its lowest level in a decade.

Some of the 2012 achievement in Cheshire and Warrington reflects that parts of the sub-region, in particular Ellesmere Port and Winsford, still had some large scale building stock available. Jaguar Land Rover and horticultural products company William Sinclair each took buildings in excess of 400,000 sqft (37,000 sqm) in Ellesmere Port. William Sinclair's buildings came with 41 acres of land, as the company concluded a national search for the relocation of its headquarters and consolidation of existing operations into a single site.

For Warrington and Cheshire East the previous two years had seen the large, modern stock snapped up. The Hut Group leased the last big shed in Warrington and as the lack of readily available space pushed large space users towards bespoke development the North West's largest strategic regional employment site, Omega, saw its first commitment, with a pre-let to Brakes. The building of 198,000 sqft (18,395 sqm) was forward funded at a yield of six percent, the first time for seven years an industrial property in Warrington has been sold at that level. A sign that when prime assets become available there is keen demand.

Putting Brakes on at Omega appears to have opened the floodgates. At the time of writing this report three further deals have been agreed and planning secured or sought that will deliver a further 1.45 million sqft (135,000 sqm) of logistics-based development.

The continuing importance of the manufacturing sector was reflected in large commitments within Cheshire West and Chester. Amongst these were The Box Works and Morrisons (in its role as the UK's second largest fresh food manufacturer) who took buildings in Winsford totalling 307,300 sqft (28,550 sqm); and Cygnet Group, in Northwich, and Meadow Foods in Chester.

A feature of 2012's industrial and distribution property sector was the take-up associated with the 'mid-sized box', premises of 50,000 to 100,000 sqft. The year saw deals for such buildings, with parts of the sub-region reporting transactions of this size for the first time in at least three years.

Influenced by the diminishing amount of Grade A stock and the consequent erosion of secondary supply as demand had to be accommodated somewhere, prime rents saw growth and secondary rents stabilised alongside some cutback in landlords' incentives. Nevertheless evidence remains that some properties continue to be marketed and let on terms that are geared to eradicating overheads liabilities – particularly business rates for empty property.

Offices

The offices market delivered a twenty percent increase in the level of take-up and number of deals from 2011. All three local authority areas experienced this. The largest transaction involved Muse's acquisition of Lloyds Banking Group's Pioneer House in Chester, although this is to facilitate the site's redevelopment to bring forward a currently absent product in the city centre – Grade A offices space.

The biggest occupier deal was Swiss company Phonak's commitment to a new headquarters in Warrington. For much of the sub-region office deals were dominated by out of town locations such as Birchwood, Chester Business Park and Cheshire Business Park. The most significant scheme to start during the year was the previously trailed Waters Corporation Mass Spectrometry HQ at Stamford Lodge, Wilmslow. This will deliver 208,000 sqft (19,300 sqm) of office, R&D and manufacturing space. And it was also announced that Jodrell Bank will be the headquarters for another science based project – the Square Kilometre Array radio telescope programme. The data collecting sites will be in the southern hemisphere but the 13,500 sqft (1,250 sqm) HQ will be near Holmes Chapel.

A letting in Wilmslow town centre attracted the year's headline rent of £18.50 per sqft (£199 per sqm). Chester Business Park saw deals at around £17 per sqft (£183 per sqm) and Warrington achieved £15 per sqft (£161 per sqm). The current absence of any recent speculative build space has resulted in a number of landlords committing to refurbishment programmes to bring empty buildings up to Grade A specifications.



Retail

Whilst the retail sector was somewhat subdued during 2012, there was a trend towards pioneering in Cheshire and Warrington. Experiential retailing has become part of the next wave of a technical revolution with the latest digital innovations seamlessly bridging the gap between the online, and some would say real world, creating interactive, socially integrated and personally tailored user experiences as part of everyday activities like shopping. And in Marks & Spencer's Cheshire Oaks store (their largest in the UK outside of London), which opened in 2012, there is a leading example of experiential retailing.



Cheshire Oaks is the UK's largest designed outlet development. During the year it added another sixteen stores, including Miss Sixty's first UK outlet shop and the first outlet in the North West for UGG Australia. The development recorded double digit sales growth for the third successive year and the highest single day trading figure in its eighteen year existence. The lure of the location saw Travelodge opening a hotel at the adjacent The Coliseum scheme, as well as Debenhams announcing it would be opening a 60,000 sqft (5,600 sqm) store there in 2013.

In other examples of Cheshire and Warrington being the frontier for new retail initiatives, Costa Coffee opened its first drive-through facility in the North West, at Deva Retail Park, Chester. New Look introduced a new format store (the only one outside London) at Golden Square, Warrington – where Barclays also signed up to provide a new concept in banking. Marks and Spencer announced their bank, headquartered at Chester Business Park, with Cheshire Oaks, Handforth Dean and Gemini, Warrington three of the initial phase of in-store operations. And the original pioneer at Gemini, IKEA, marked its twenty fifth anniversary with plans for a 80,000 sqft (7,430 sqm) extension. Shopping channel QVC, leased larger space at Birchwood Shopping Centre – one of only two outlets it has in the UK.

Plans progressed to revitalise and enhance the shopping facilities and experience of several of Cheshire and Warrington's town centres. The culmination of two years of research saw the approval of the draft 'One City Plan' for Chester City Centre. This is a 15-year masterplan containing proposals for commercial and tourism-related regeneration, construction and renovations, which are expected to create a thousand jobs and add £100 million in economic value in the first three years. The second half of the year saw a major consultation exercise being conducted on the plan. Linked with this Cheshire West and Chester Council has produced a new masterplan for the development of Northgate. Waitrose also prepared plans for the redevelopment of the Boughton Centre, which they will anchor with their first full sized store in the city.

Two complementary mixed-use schemes came forward in Northwich, with the private sector in the shape of developers H2O at Northwich Marina, and Cheshire West and Chester at Barons Quay. In Warrington as the Council's joint venture with Muse saw pre-development activity intensify for the Bridge Street Quarter, the Council signed a second joint venture with Iliad for the Stadium Quarter. Wilson Bowden submitted revised plans for a £90 million redevelopment of Macclesfield town centre, to be anchored by Debenhams.

Leisure and Culture

In Chester Zoo and Tatton Park the sub-region has two of England's top twenty paid attractions by visitor numbers. Both announced further investment plans during the course of the year. The £30 million 'Islands' project for Chester Zoo will recreate tropical islands and build the UK's biggest indoor zoo attraction and is seen as confirming the Zoo's position as a world leader.

Chester East Council produced a five year investment plan for Tatton Park that includes a proposed £6.5 million new family orientated outdoor adventure attraction, BeWilderwood.



In May 2012 Her Majesty The Queen opened the UK's largest Olympics legacy facility outside of London, the £32 million Orford Neighbourhood Jubilee Hub. This provides community, sport, health and education facilities within a single complex on a grand scale. Her Majesty also opened Chester Zoo's Diamond Jubilee Gateway.

Sustaining and enhancing leisure facilities was an agenda item for Cheshire and Warrington's local authorities in 2012. Cheshire West and Chester announced proposals, and/or committed funds to, separate theatre and cinema complexes in Chester; a sports and leisure village in Ellesmere Port; leisure facilities within Northwich's Barons Quay masterplan. Cheshire East signed agreements with Curzon, to run the council-owned cinema in Knutsford, and HQ Theatres, to manage the Lyceum Theatre, Crewe. Warrington progressed with Muse the Bridge Street Quarter proposals that include a new town centre based cinema complex.

Residential

Residential completions presented a mixed picture. Warrington saw completions increasing for the fourth year in a row, with 2012 exceeding targets by almost 40 percent. For Cheshire East and Cheshire West and Chester completion numbers were down on previous years, with the emphasis by house builders being more about putting planning permissions in place than putting bricks in place. As a result the combined housing completions target of 3,874 for the sub-region fell short by 50 percent, yet the reservoir of consented dwellings increased.



Looking Ahead

Setting the framework for future employment, residential, retail and leisure provision is a function of the new Local Plan process. The process is a complex one and whilst all three local authorities within Cheshire and Warrington have yet to have Core Strategies agreed by Government, progress was made during 2012. Cheshire East published 'Shaping Our Future' – a development strategy for jobs and sustainable communities which sets out the delivery of 27,000 new homes, 20,000 new jobs and the infrastructure needed to make it happen. Warrington submitted its Local Plan Core Strategy to the Government, and this will be the subject of independent examination in June 2013. Cheshire West and Chester produced preferred policy directions and will be issuing the draft publication plan for consultation in mid-2013.

For much of the sub-region responsibility for overseeing delivery of development strategies lies with a series of place teams. In Cheshire West and Chester, Chester Renaissance, Ellesmere Port Development Board and the Weaver Valley Partnership have been joined by the Rural and Market Towns Board. Warrington is overseen by Warrington & Co and Cheshire East has Make it Macclesfield and All Change for Crewe. Cheshire East has also announced 2013 will see it establishing a new development company to further accelerate the growth agenda using the Council's strategic land assets to promote housing and jobs growth.

At the sub-regional level the Cheshire and Warrington Local Enterprise Partnership continues to be given more powers and resources as Government directs post-Regional Development Agency responsibility to LEPs. The Heseltine report on regional growth, published in 2012, has contributed to the Government's commitment. The Heseltine report also refers to the Atlantic Gateway initiative, which Cheshire and Warrington lies at the heart of. It concludes the attraction of significant overseas investment into the Atlantic Gateway should be a national priority for UKTI and Government given the potential contribution impact on national growth and economic rebalancing. With potential for more than 250,000 jobs; £14 billion new investment and an annual economic impact of £6 billion it presents a major opportunity to grow the sub-region's economy.

To this must be added the announcement of the HS2 rail link, which will see Crewe as the interchange with the West Coast Main Line, introducing rail times of less than 60 minutes to London. The planned Manchester Airport station on the route will provide easy access for businesses and residents living in the north east of the sub-region.

Key Deals 2012

Industrial

Address	Vendor/Lessor	Purchaser/Lessee	Size (sqm)	Price/ Rent (£/sqm)	Agents
South Road, Ellesmere Port	Morley Estates	William Sinclair Ltd	38,090	4.25 million Freehold	WHR
Phoenix, North Road, Ellesmere Port	Highcross	Jaguar Land Rover	37,626	35.01	CBRE/Jones Lang LaSalle/B8RE
Winsford Industrial Estate, Winsford	LPA Receivers	The Box Works Ltd	18,700	10.76	Sanderson Weatherall/Jones Lang LaSalle
Omega North, Warrington	Omega Warrington Ltd	Brakes	18,395	55.44	Jones Lang LaSalle/GVA
Link 6/56 , Stretton, Warrington	Stobart Group	The Hut Group	13,482	Undisclosed	CBRE/GVA
South Road, Ellesmere Port	Morley Estates	Sims Group	12,542	3.2 million Freehold	DTZ

Office

Address	Vendor/Lessor	Purchaser/Lessee	Size (sqm)	Price/ Rent (£/sqm)	Agents
Pioneer House, Queens Park Road, Chester	Lloyds Banking Group	Muse Developments	6,038	Freehold	CBRE
Lakeside, Centre Park, Warrington	Marshall CDP	Phonak Group	4,171	161.5	Eileen Bilton Partnership
Hartfield House , Northwich	Hurstwood Holdings	Crystal	1,514	Freehold	Hurstwood
610-613 Birchwood Boulevard, Warrington	LPA Receivers	First Recruitment	1,458	Freehold	BE Group/ Riddell TPS
Chadwick House, Birchwood Park, Warrington	MEPC Birchwood Park	Nuvia	1,443	145.3	BE Group/Jones Lang LaSalle
60 Panton Road, Hoole, Chester	NHS Estates	Muir Group PLC	1,440	Undisclosed	
Ashwood Court, Tytherington Business Park, Macclesfield	Orbit Developments	Metro Rod	1,304	107.6	Orbit
Eden House, Lakeside, Chester Business Park, Chester	Private Landlord	Target Group	1,068	146.3	Legat Owen

Investment

Address	Vendor	Purchaser	Size (sqm)	Price (£m)	Tenants	Initial yield (%)	Agents
Riverside Retail Park, Warrington	PRUPIM	Brockton Capital LLP	14,725	29.00	Various	8.0	Jones Lang LaSalle/Cushman and Wakefield
Barn Road, Congleton	Tesco	Standard Life Investment	4,580	21.00	Tesco	4.0	Morgan Williams/Strutt and Parker
Omega North, Warrington	Omega Warrington Ltd	LIM Group	18,395	18.83	Brakes	6.0	Jones Lang LaSalle/ GVA/ Lambert Smith Hampton
Santa Rosa Boulevard, Chapelford, Warrington	Wilson Bowden	Greater Manchester Pension Fund	3,707	13.57	Sainsburys	4.9	Savills/Tushingham Moore
21 Leicester Street, Northwich	Private Investor	Aberdeen Asset Management	3,055	6.47	Marks and Spencer	5.0	Christopher Dee/CBRE
London Road, Alderley Edge	Bluemantle	Aberdeen Asset Management	1,394	6.40	Coop / Waitrose	4.7	Christopher Dee/Harvey Spack Field

BE Group is a property agency, regeneration and planning consultancy and has over 30 years experience of working in the Cheshire and Warrington commercial property market.

This report has been carefully prepared. However it is for general guidance only and Cheshire East Council, Cheshire West and Chester Council, Warrington Borough Council, Marketing Cheshire and BE Group cannot guarantee that there are no errors or omissions. The information, forecasts and opinions set out herein should not be relied upon to replace professional advice on specific matters. No part of this report should be published, reproduced or referred to without prior permission.

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