

# UK Land Estates signals growth intentions and plans to attract businesses to the North East

North East industrial estates owner UK Land Estates says it will continue to acquire and speculatively develop in the region this year.

The Gateshead-based commercial property specialist, which operates estates now home to more than 600 businesses, says there are few signs of deterioration in the market and opportunity to attract top businesses to the region. In addition to its portfolio including three main estates at Team Valley, Tyne Tunnel and Teesside, the recently acquired firm has its sights on other locations across the region.

Speaking to BusinessLive, UK Land Estates managing director Keith Taylor said: “There’s been a bit of a dislocation in the market because of rising interest rates and prices having got toppy and then having fallen away. There’s an opportunity to buy at the moment.

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“Whilst we haven’t got an appetite to move out of the region we certainly have to buy assets within the region, and most definitely expand the footprint of what we’ve got here. We hope and think that some opportunities will come to us during the course of the year.

“Where we don’t put capital out to develop, we’ll buy. It isn’t a reining in of plans but rather a reallocation and the movement in pricing has allowed us to do that.”

Sobering talk of the country's poor economic background has so far not translated into material differences in rent collection and demand, Mr Taylor said. He added: "We're not naive enough to think it might not start."

"For example the impact of energy cost increases is still perhaps to come. Businesses might have fixed their interest costs and you could well see the impact of that. Plus, we've got inflation. There's obvious risk that there is going to be economic deterioration, but firstly, we've not seen and secondly, there's still a real fundamental shortage of good quality industrial stock in the region."

"And I guess what's happened over the last six to nine months makes it harder for our competitors or others to build. So, I don't see a whole load of new stock coming on to the market. We've positioned our three principle estates as best in class and we've really invested hard in them to make them super places to run and operate their businesses."

That ability to invest is now underpinned by GIC, the Singaporean sovereign wealth fund that [bought a majority stake](#) in the North East business in summer 2022. Having been marketed at the peak of an industrial property market driven by demand for logistics space on the back of booming online retail, the longstanding UK Land Estates quickly attracted interest from several potential suitors.

Mr Taylor said: "We had a list of what was essentially the best industrial-based investors from across Europe. But as the sales process went on the Ukraine war kicked off and the market soured – things started to come off the top. Eventually we concluded a deal with GIC – and it's fair to say, we couldn't have hoped for more. Along with Blackstone they are one of the leading investors in Europe, if not the world."

The timing of the £425m deal, which saw the exit of former majority stakeholders Northwood, was fortunate. Less than two

months later Liz Truss became Prime Minister and introduced a 'mini Budget' that rocked markets and spooked inward investors.

Mr Taylor acknowledges the deal may not have gone ahead given another few weeks, but he says the outcome is a high level vote of confidence, not just for the UK Land Estates business, but for the region. He added: "Management have continued with a substantial stake in the business and GIC are really long term. They see the opportunity to grow and invest further in the business. The structure that's been put together with them enables us to expand and improve the quality of estates and the assets on it."

Given confidence by what it sees in the market, UK Land Estates is still building speculatively. Recent projects include a 60,000 sqft unit at Tyne Tunnel Trading Estate, let to printing firm Elanders; a 50,000 sqft unit on the flagship Team Valley estate that looks set to be let and four smaller units yet to be built in Teesside where demand for other properties on the estate has made the case for further development.

Local enterprise partnership support has helped some of that activity at Tyne Tunnel, and UK Land Estates argues that by supporting their established estates, local authorities facilitate "best bang for their buck" properties capable of attracting top rate-paying and job-creating businesses with gyms, places to eat and transport links – all amenities that have to be established in regeneration areas.

Asked if the firm's wealthy backers make that pitch more difficult, Mr Taylor said: "You still can't build if it's not economically viable to do so. And at times, it's not. The rent levels in the region have grown but they've still not grown to a level that automatically makes development work. That's particularly when when building costs have increased as much as they have in the last 12 months. You're looking at build

costs having gone from £70/£80 per sqft to £100 per sqft – it's quite a hit to absorb."

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