SOUTH YORKSHIRE

Logistics and Industrial Commentary

Rebecca Schofield, South Yorkshire Industrial Agency
+44(0)114 272 9750
rebecca.schofield@knightfrank.com

H1 2013 Review

- For units in excess of 50,000 sq ft, South Yorkshire saw relatively subdued take-up of 351,000 sq ft in H1 2013, a marked fall from the 1.65m sq ft seen in H2 2012, the highest seen since H2 2010. H1 activity comprised four deals, the largest of which was Parcel Force's 151,215 sq ft lease of Unit 1, Magna 34 Business Park, Rotherham.
- We have continued to see steady demand for small to medium sized units below 30,000 sq ft. Consequently, supply of good quality stock in this size-band has become limited, particularly in the prime locations adjacent to the M1 motorway.
- While prime headline rents are broadly stable, rent free incentives have definitely hardened. Stock that was until recently carrying up to 12 months rent free on a five year term has reduced to circa 6 months.
- South Yorkshire has just under 30% of the UK's available big-shed space. However, while the market for units above 200,000 sq ft remains tough, there are now only two units of sub 200,000 sq ft available, both of which are seeing reasonable interest due to the lack of supply elsewhere in the UK. We anticipate that the generous terms currently available on large units will begin to harden once one or two buildings find an occupier.
- The success of the Advanced Manufacturing Park continues to strengthen the region's profile, with more advanced manufacturers opting to locate in the region. The AMP is proposing a speculative development called Revolution, comprising a second phase of mid-sized units on the site. While asking rents will be a premium, the quality and location are likely to prove attractive.
- Land values vary significantly and while the general tone around Sheffield is £200k per acre, we have seen sales in excess of £300k at the prime location around J33 / 34. These have been owner occupier deals, with companies acquiring land to procure a bespoke facility.

Selected South Yorkshire transactions H1 2013

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit 1, Magna 34 Business Park, Rotherham	Parcel Force	151,215	£4.75	Apr 13
Lymme Street, Rotherham	Booth Ltd	89,308	£7.83*	Apr 13
Sceptre Point, Barbot Hall, Rotherham	Principle Building Products	50,000	£20.00*	Apr 13
Unit 1, Thorncliffe Distribution Centre	Zapp	22,400	£4.20	May 13
Fall Bank Industrial Estate, Barnsley	AE Davis Haulage	55,000	P&C	Jun 13

*Freehold transaction

Q2 2013 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q2 2014

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Sheffield	£5.00 ▲	£4.75 ◄►	£4.50 ◄►
Doncaster	£4.75 ◄►	£4.75 ◄►	£4.50 ◄►
Rotherham	£4.75 ◄►	£4.75 ◄►	£4.50 ◄►
Barnsley	£4.75 ◄►	£4.75 ◄►	£4.50 ◄►

In April, Parcel Force leased Unit 1, Magna 34 totalling 151,215 sq ft. Knight Frank acted for the landlord.

Regional outlook

- Aside from AMP, we expect speculative development to remain off the agenda in the short term, with activity largely driven by design and build deals. That said, a developer may be willing to build a small unit speculatively on a site where a design and build deal has been agreed.
- The lack of availability is expected to generate more enquiries in the market that will be willing to consider design and build solutions. However, occupiers will need to adapt to longer lease terms of 15 years and can expect to pay an increased level of rent to ensure that the development is viable for the landlord.