

SOUTH YORKSHIRE

Logistics and Industrial Commentary

H1 2014 Review

- In line with improving economic fundamentals, occupier demand was upbeat in H1 2014. Take-up amounted to circa 695,000 sq ft, nearly double that of the same period last year.
- We are witnessing an increasing number of enquiries from manufacturers as the economy improves and manufacturing output recovers. In addition, the announcement that Factory 2050 is moving to Sheffield Business Park is likely to attract additional occupiers to the region.
- As a result of strengthening demand and falling supply, the market is starting to move into landlord's favour. Occupier incentives on smaller units (sub 25,000 sq ft) hardened further over the course of H1, to circa six months per five-year term.
- There is now a shortage of supply of units across all size ranges within South Yorkshire. Only three modern buildings over 100,000 sq ft (together totalling 620,000 sq ft) are currently available for occupation.
- Improving economic fundamentals and limited supply are starting to facilitate speculative development. Two units are now under construction at the Advanced Manufacturing Park (22,000 and 30,000 sq ft), which have been supported by RMBC. These are likely to be taken-up rapidly as occupier interest in this scheme remains strong.
- There are also a number of small to medium sized schemes which are expected to be delivered to the market in the second half of this year - on the back of the award of ERDF grants.
- In terms of future supply, there are a number of business parks along the M1 / M18 corridor, where planning consent has been obtained and which are now ready for development. These include G Park Doncaster, Smithywood, Sheffield Business Park and iPort Doncaster.
- Investment demand continued to improve in H1, driven by the UK institutions and overseas investors. Consequently, prices have increased with prime yields (for 20-year leases) hardening to well below the 6.00% mark.



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Q2 2014 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2015			
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 March 2014, Great Bear leased 412,000 sq ft at LPP Sheffield. Knight Frank negotiated the deal on landlord's behalf.

Regional outlook

- Due to limited availability of stock, we expect incentives to move in further while we are also likely to witness the return of headline rental growth over the next 12 months.
- We also expect a growing number of occupiers to consider bespoke design and build solutions, where lease terms are less flexible than for standing stock.
- Meanwhile, speculative development is starting to return to the market. We expect more of it to come forward at specific schemes such as First Point and Vantage Park.

Selected South Yorkshire transactions H1 2014				
Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
LPP Sheffield	Great Bear	412,000	£4.50	Mar 14
Goldthorpe Power Park	Kostal	65,000	£3.00	Mar 14
Sheffield Parkway	Approved Foods	59,000	£3.00	Mar 14
Brightside Lane	PC	107,000	Confidential	Jun 14
Dorehouse Industrial Estate	Whyte Chemicals	53,900	Confidential	Jun 14

*Freehold transaction