

LOGIC: South Yorkshire & North East Derbyshire



Q1 2023

Occupier and investment market trends in the South Yorkshire & North East Derbyshire logistics and industrial sector.

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Occupier Market

Supply-side pressures in the South Yorkshire and North East Derbyshire industrial market are eased by development completions.

TAKE UP REMAINS AHEAD OF FIVE-YEAR ANNUAL AVERAGE

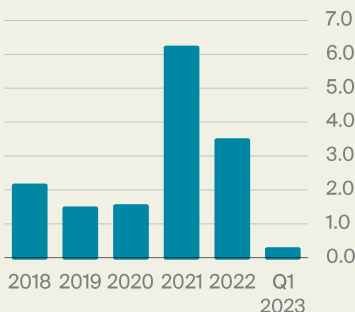
The first quarter of 2023 recorded 247,600 sq ft of take up in South Yorkshire and North East Derbyshire (units over 50,000 sq ft), 60% lower than the comparable quarter last year. Wider UK economic pressures may have weighed on occupiers in the first quarter and resulted in a moderation in transaction levels.

This brings total take up for the twelve months to end-March 2023 to 3.1 million sq ft and while 39% lower annually, this is 5% above the region's five-year annual average.

NEW, HIGH QUALITY SPACE DOMINATING TAKE UP

The region saw a rise in speculative development last year in response to the supply shortage. Occupier demand is increasingly focused on better quality, more sustainable buildings which has led to a combination of newly developed buildings and build-to-suit units comprising 62% of take up over the past year. This trend is expected to continue with demand for new units supporting take up levels in the region as the year progresses.

Take up (sq ft)
millions square feet



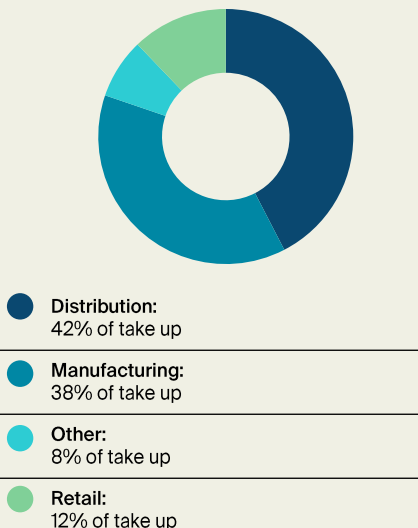
Source: Knight Frank Research

RISE IN DEMAND BY MANUFACTURERS

The past year has seen a significant uplift in space taken up by manufacturing companies, accounting for 38% of the total. This is up from 8% recorded in the same period the previous year. Demand has also continued from distribution occupiers, comprising a further 42% in the year, with retailers less active, at 12%.

Occupier deals in quarter one included a 164,366 sq ft unit at Nimbus Doncaster, let to Bowker Transport on a 10-year lease. A 83,237 sq ft unit at Phase 2 of PLP's Bessemer Park, Sheffield, was also pre-let to ITM Power, which is being constructed to a BREEAM 'Very Good' standard and EPC 'A' rating, and practical completion is expected in late-2023.

Take up by sector
Q2 2022 - Q1 2023



Source: Knight Frank Research

MARKET VIEW

The pressure on occupiers to secure space has cooled



BY REBECCA SCHOFIELD, PARTNER,
SHEFFIELD LOGISTICS & INDUSTRIAL
AGENCY

“The region has a strong pipeline of speculative development on site, due for completion during 2023/early 2024. A number of second-hand buildings that have recently been vacated have come back to the market, resulting in a healthy supply of buildings.

Whilst we have seen a slow start to 2023 take up, there are a number of occupier requirements in the market and buildings under offer. The pressure on occupiers to secure space, which was evident in the region last year, has cooled, as occupiers enjoy more choice and they are taking time to select the right property. Locally, we have seen a mix of activity from distribution and manufacturing occupiers.”

Occupier Market

247,600 sq ft

Occupier take up
Q1 2023

3.7%

Vacancy rate
Q1 2023

£7.95 psf

Prime rents
Q1 2023

14%

Prime annual rental growth

“The region has seen a significant increase in space taken up by manufacturing companies, accounting for 38% of the annual total.”

DEVELOPMENT ACTIVITY BOOSTS SUPPLY

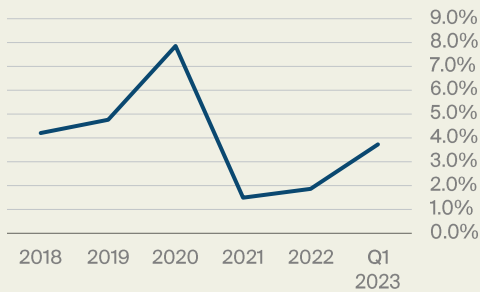
At the end of Q1 2023, approx. 2.2 million sq ft of floorspace was immediately available across the region (units over 50,000 sq ft). This brings the vacancy rate to 3.7%, up from a low of 1.3% recorded a year ago, with the improvement largely owing to a number of development completions. A further 3.5 million sq ft is under construction, up 68% year on year.

RENTAL LEVELS & OUTLOOK

Robust demand for new units has led to prime rents in both Sheffield and Barnsley (units over 50,000 sq ft) growing by 14% annually, to stand at £7.95 psf.

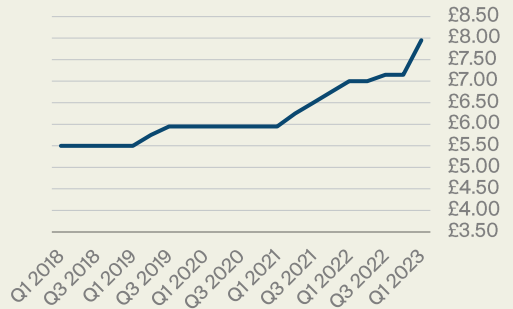
Average rents are expected to rise at a more modest rate, with 2.4% and 3.5% growth predicted for Yorkshire & the Humber and Sheffield, respectively, according to RealFor.

Vacancy rate
% of stock



Source: Knight Frank Research

Sheffield - Prime Rents
£ per sq ft (units >50,000 sq ft)



Source: Knight Frank Research

“Prime rents in both Sheffield and Barnsley grew by 14% annually, to £7.95 psf.”

Key Occupier Deals Q1 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Nimbus 164, Doncaster	164,366	Bowker Transport	Confidential	Second-hand
Bessemer Park	83,237	ITM	Confidential	Pre-let

Source: Knight Frank Research

Investment Market

£127 million

Investment total
Q1 2023

£21 million

Average lot size
(last four quarters)

62%

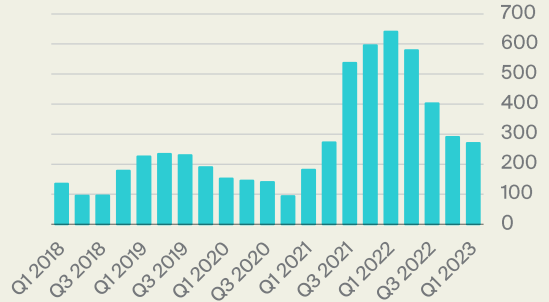
Overseas capital
(last four quarters)

5.50%

Prime yield
Q1 2023

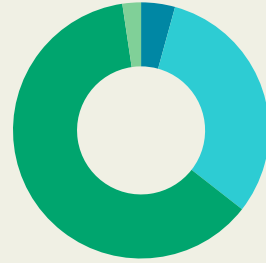
“Approx. £271 million was invested in the four quarters to end-March, in line with the five-year rolling average.”

Investment totals (£m)
(four quarter rolling)



Source: Knight Frank Research

Investment by purchaser type
Q2 2022 - Q1 2023



- **UK institution:**
0% of investment

- **Listed Property Company:**
4% of investment

- **Private Property Company:**
32% of investment

- **Overseas Investor:**
62% of investment

- **Private/Other:**
2% of investment

Source: Knight Frank Research

OVERSEAS INVESTORS DOMINATE

Investment into the industrial sector in the region totalled £127 million in Q1 2023, 14% lower than Q1 2022. A key deal was Brookfield AM purchasing a distribution centre in Worksop for £88 million (NIY 5.84%) in a sale and leaseback. The facility was sold by DHL and is occupied by retailer Wilko.

Approx. £271 million was invested in the four quarters to end-March, in line with the five-year rolling average for the region. Overseas buyers accounted for 62% of investment.

Prime industrial yields in Sheffield remained stable in Q1 2023, at 5.50%, though this is a 175 bps outward shift on Q1 2022 levels in tandem with the softening of prime yields across all UK markets.

“Overseas buyers accounted for 62% of investment.”

Key Investment Deals

Q1 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
DHL/Wilko DC, Roebuck Way	Worksop	£88m	5.84%	Brookfield Asset Management	DHL International
The Arrow, Claylands Avenue	Worksop	Undisclosed	4.60%	Brookfield Asset Management / Copley Point	Tritax Big Box
Parkway One Business Centre	Sheffield	Undisclosed	Undisclosed	Paloma Capital	Marcol

Source: Knight Frank Research

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

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Methodology

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.

The South Yorkshire & North East Derbyshire market as reported by Knight Frank does not align to standard regional UK geographies and includes South Yorkshire along with Lincolnshire, North East Derbyshire and parts of the North East Midlands.



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