

LOGIC: South Yorkshire & North East Derbyshire



Q2 2023

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

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Image: Mammoth 602, Doncaster

Occupier Market

Steady demand and continued prime rental growth in the South Yorkshire and North East Derbyshire industrial market.

ECONOMIC CHALLENGES DELAY OCCUPIER DECISION-MAKING

The second quarter of 2023 recorded 341,800 sq ft of take up in the South Yorkshire and North East Derbyshire industrial market (units 50,000 sq ft+), bringing the total for the first half of the year to 589,400 sq ft. This is 53% lower than the H1 2022 levels.

Economic pressures continue to weigh on occupier decision-making, resulting in a slowdown of transaction levels in the first half of the year. We continue to see new requirements enter the market but occupiers looking in the region have choice and are carefully considering acquisitions. Those that are in the market appear serious and take up is therefore expected to improve over the latter half of the year. A further 8% of the available space (existing and under construction) was under offer at quarter end.

Occupier deals this quarter included Unit 1 Catalyst, Sheffield, a 109,167 sq ft new build let to commercial equipment supplier, JLA, on a 15-year lease, at £8.20 psf. The unit is rated EPC 'A' and BREEAM 'Very Good'. At Advanced Manufacturing Park, Rotherham, Insight have

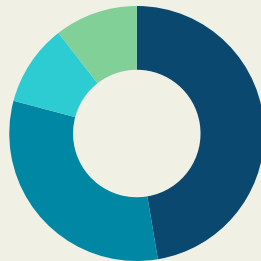
signed a 15-year lease on a 73,000 sq ft unit, which is being constructed on a design and build basis.

INCREASE IN DEMAND FROM MANUFACTURERS

Total take up for the four quarters to end Q2 2023 amounted to 2.8 million sq ft, 11% lower annually. Demand from manufacturing occupiers has risen, comprising almost a third of the annual volume, up from 15% over the same period last year. While distribution firms remain active, comprising 47% of annual take up, activity is 16% down year on year. Retailers have also been less active, accounting for a further 11%, down from 24% recorded last year.

A combination of speculatively developed and built-to-suit units comprise 62% of take up over the past year, as occupier demand increasingly focuses on better quality, more sustainable buildings.

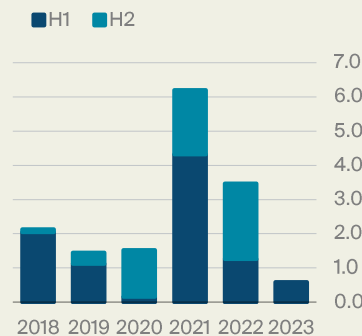
Take up by sector Q3 2022 – Q2 2023



- **Distribution:**
47% of take up
- **Manufacturing:**
32% of take up
- **Other:**
10% of take up
- **Retail:**
11% of take up

Source: Knight Frank Research

Take up (sq ft) millions square feet



Source: Knight Frank Research

MARKET VIEW

Supply of small to medium-sized units is more limited



BY REBECCA SCHOFIELD, PARTNER, SHEFFIELD LOGISTICS & INDUSTRIAL AGENCY

“Availability of units over 50,000 sq ft has increased as a result of new developments that have now become available, alongside second-hand space coming back to market which is surplus to occupiers’ requirements. Beyond the development that is on site, no further speculative development is planned across the region, leaving approx. 21 months’ worth of supply against the region’s 5-year annual average take up.

Looking at the small to medium end of the market (sub 50,000 sq ft), supply is more limited as there have been fewer new developments in this size range.

We are seeing ongoing occupier demand from distributors, but we have also seen a notable increase in demand from manufacturers, and we expect this trend to continue given the region’s manufacturing heritage coupled with the strong reputation of the universities in the area.”

Occupier Market

589,400 sq ft

Occupier take up
H1 2023

4.4%

Vacancy rate
Q2 2023

£8.20 psf

Prime rents
Q2 2023

17%

Prime annual rental growth

“The supply uplift was driven by a combination of new development completions and a return of second-hand space“

SUPPLY BOOSTED BY NEW COMPLETIONS

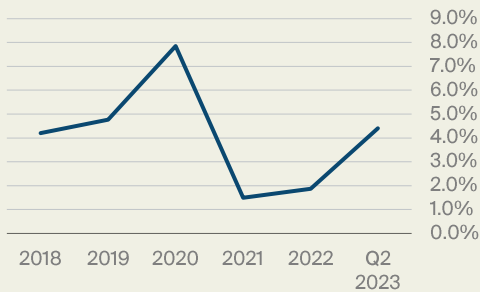
Supply levels within the region currently stand at 2.7 million sq ft (units over 50,000 sq ft), a 19.8% increase on the quarter, with the uplift driven by a combination of new development completions and a return of second-hand space to the market. The vacancy rate therefore rose to 4.4%, from 3.7% in Q1 2023.

A further 3 million sq ft of space is under construction across 15 units.

RENTAL LEVELS & OUTLOOK

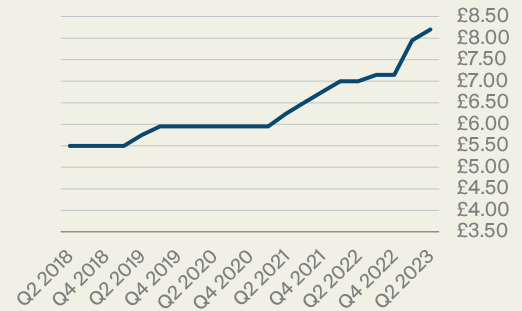
Prime headline rents continue to grow incrementally, albeit at a more gradual pace. Prime rents in Sheffield for units over 50,000 sq ft increased by 3.1% in Q2 2023 and by 17% year on year, to £8.20 psf. For small-medium sized units, prime rents increased by 6.3% in the quarter, to £8.50 psf.

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 Sheffield for units over 50,000 sq ft increased by 3.1% in Q2, to £8.20 psf”

Key Occupier Deals H1 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Unit 1 Catalyst, Sheffield	109,167	JLA	£8.20	Speculative Build
Hellaby 90, Rotherham	89,648	Fit Out UK	£4.85m	Freehold purchase - Second-hand
Advanced Manufacturing Park, Rotherham	73,000	Insight	Confidential	Pre-let (Build to Suit)

Source: Knight Frank Research

Investment Market

£151 million

Investment total
H1 2023

£21 million

Average lot size
(last four quarters)

70%

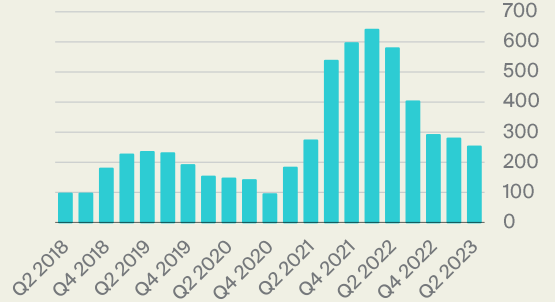
Overseas capital
(last four quarters)

5.75%

Prime yield
Q2 2023

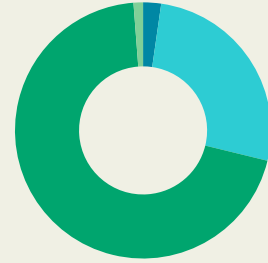
“Approx. £252 million was invested in the four quarters to end-June 2023”

Investment totals (£m)
(four quarter rolling)



Source: Knight Frank Research

Investment by purchaser type
Q3 2022 – Q2 2023



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

- **Listed Property Company:**
2% of investment

- **Private Property Company:**
27% of investment

- **Overseas Investor:**
70% of investment

- **Private/Other:**
1% of investment

Source: Knight Frank Research

“Overseas buyers account for 70% of investment over the past year”

OVERSEAS INVESTORS DOMINATE

The first half of 2023 saw £151 million invested into the industrial sector in the region, 20% lower than H1 2022. In quarter two, Northern Trust purchased Units 1-19, Vesuvius, Worksop for c.£6.5 million (NIY 6.75%) from CEG.

The total invested over the 12 months to end-June 2023 amounted to £252 million. This is down from £579 million recorded over the same period last year (-56%), though in line with the 5-year rolling average. Approx. 70% of the capital invested over the past year came from overseas investors.

Prime industrial yields in Sheffield moved out by 25bps in Q2, to 5.75%, in tandem with the softening of prime yields across all UK regional markets.

Key Investment Deals

H1 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
Units 1-19, Vesuvius Way	Worksop	c.6.5m	c.6.75%	Northern Trust	CEG
Fallbank Industrial Estate	Barnsley	£4.65m	7.50%	Glenbrook Property	Prop Co.

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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