

Occupier and investment market trends in the West Yorkshire & The Humber logistics and industrial sector.



LOGIC: West Yorkshire & The Humber Q1 2022

knightfrank.com/research

Research, April 2022



MARKET OVERVIEW

The industrial market in West Yorkshire & the Humber saw an 18% annual uplift in take up over the last four quarters, but activity is hampered by an acute shortage of available stock.

5.2 million sq ft
Occupier take up
(last four quarters)

£1.03 billion
Investment total
(last four quarters)

3.8%
Prime annual rental
growth

Lack of stock hampering take up activity

The first quarter of 2022 recorded 398,300 sq ft of industrial and logistics occupier take up in West Yorkshire & the Humber (units over 50,000 sq ft). While this is over half the level recorded in Q1 2021, the reduction is a reflection of the shortage of stock available in the market rather than of any dampening in demand.

The total for the twelve months to end-March 2022 stood at 5.2 million sq ft, 18% higher than the comparable period last year and ahead of the five-year annual average. The retail sector dominates, accounting for 58% of activity over the past year.

Vacancy rate at an acute record low

Total availability of units over 50,000 sq ft has more than halved over the past year, standing at 802,800 sq ft at end-March, all of which is second hand, more dated stock. The region's vacancy rate now stands at a record low of 1.2%, compared to 3.0% in Q1 2021.



IAIN MCPHAIL, PARTNER,
LEEDS COMMERCIAL

“There is no doubt that the reduction in transaction levels is a consequence of the non-existent supply of immediately available warehouse space, rather than any slowdown in occupational demand or enquiry levels. With only 360,000 sq ft of speculative construction underway, there is nowhere near enough development to satisfy current demand which will inevitably lead to a ‘development lag’ during 2022.”

Development boost on the horizon

The shortage of stock has led to a developer response, with a surge of new reserved matters planning applications being submitted during the past few months alone. Our latest figures suggest that there is circa 1.5 million sq ft which has now been granted full consent, with another 3.3 million sq ft proposed in the pipeline (speculative units over 50,000 sq ft).

At the end of quarter one, there was only just under 360,000 sq ft of speculative space under construction in the region (units over 50,000 sq ft). New developments include Tungsten's 230,000 sq ft Super B and 4th Industrial's two unit development, both at Interchange 26, Cleckheaton and CBREIM's OP 65 (65,000 sq ft) in Leeds.

Investment reaching new heights

Investment in the West Yorkshire industrial sector hit a quarterly high of £566 million in Q1 2022. This compares to £529 million invested in the whole of 2021.

Activity was driven by one particularly large deal; Arrow Capital Partners purchased the 2 million sq ft distribution centre at Wakefield Hub, for £233 million in February, making up 41% of the three-month total.

Q1 2022 volumes amplify the four quarter rolling total for West Yorkshire, which stands just over £1 billion. This compares to the five-year average of £352 million. Overseas capital continues to be a significant source, accounting for 44% of the rolling total.

Rental levels & Outlook

The constrained level of supply is driving rental growth across all size units in West Yorkshire & the Humber. Prime rents in both Leeds and Wakefield, for units over 50,000 sq ft, have risen by 3.8% annually, to stand at £6.75 psf at end-March. However, new speculative units are coming to the market at quoting rents in the mid-£7.00s or higher, therefore we expect further significant rental growth this year. Average rental growth of 5.8% is forecast for Yorkshire & the Humber in 2022. Higher expectations are evident in Leeds, with 6.5% average rental growth forecasted (RealFor).

OCCUPIER MARKET

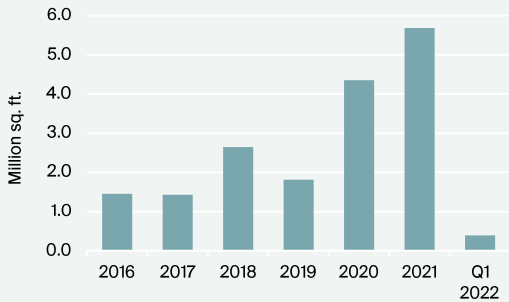
398,300 sq ft
Occupier take up
Q1 2022

58%
Retail take up
(last four quarters)

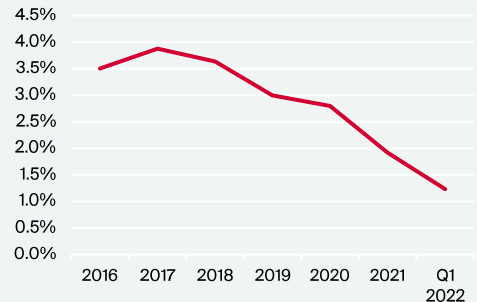
£6.75 psf
Prime rents

1.2%
Vacancy rate

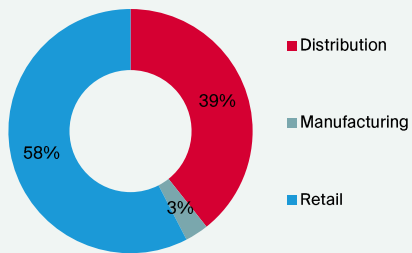
Take up (sq ft)



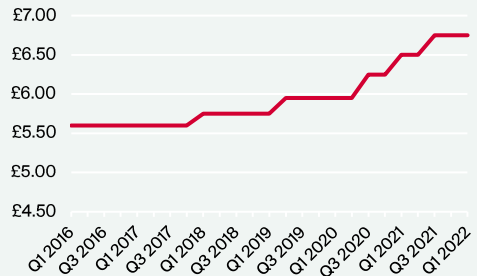
Vacancy rate (%)



Take up by sector (sq ft),
Q2 2021 - Q1 2022



Leeds - Prime rents (£psf)



KEY OCCUPIER DEALS Q1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Castle Mills, Cleckheaton	166,679	Lassic Group	Confidential	Second hand
Centre 31, Foxbridge Way, Normanton Industrial Estate, Wakefield	68,992	Bell Lighting	£6.75 psf	Second-hand modern
Dealburn Road, Bradford	55,397	Leadbeater Transport	£5.00 psf	Second-hand

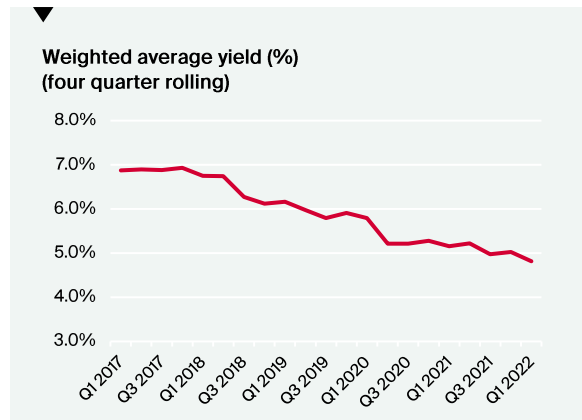
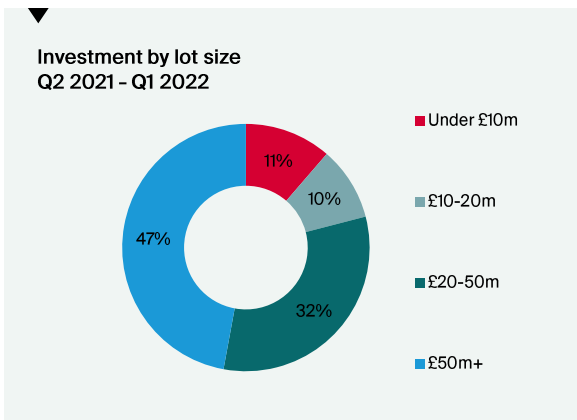
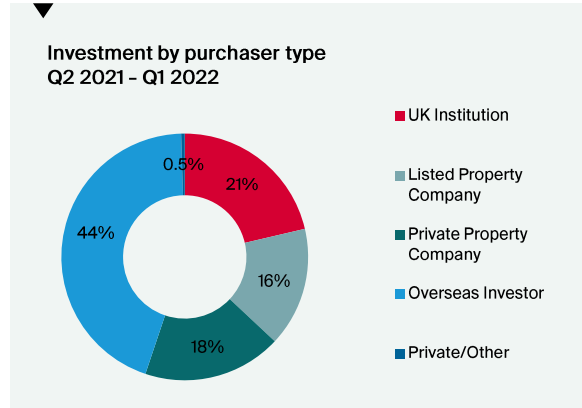
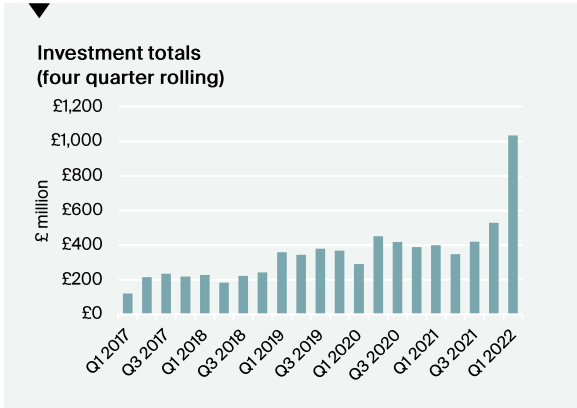
INVESTMENT MARKET

£566 million
Investment total
Q1 2022

£22.5 million
Average lot size
(last four quarters)

44%
Overseas capital
(last four quarters)

4.8%
Average yield
(last four quarters)



KEY INVESTMENT DEALS Q1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Wakefield Hub, Newmarket Lane, Stanley	Wakefield	£233m	-	Arrow Capital Partners	Mountpark
Plot 6, Wakefield Hub, Newmarket Lane, Stanley	Wakefield	£43m	3.43%	abr dn	Henry Boot Developments / Yorkcourt Properties
20 Cross Green Industrial Estate, Cross Green Approach	Leeds	£8.4m	4.69%	Savills IM - Charities Property Fund	Onward Holdings Ltd.

CONTACTS

LOGISTICS & INDUSTRIAL RESEARCH

Claire Williams

claire.williams@knightfrank.com

+44 203 897 0036

Deirdre O'Reilly

deirdre.oreilly@knightfrank.com

+44 203 995 0785

LEEDS COMMERCIAL LOGISTICS & INDUSTRIAL AGENCY

Iain McPhail

iain.mcphail@knightfrank.com

+44 113 297 1843

Tom Goode

tom.goode@knightfrank.com

+44 113 288 5264

LEEDS COMMERCIAL CAPITAL MARKETS

Graham Foxtton

graham.foxtton@knightfrank.com

+44 113 297 1950

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.

Knight Frank Research
Reports are available at
knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2022 This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.