

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



LOGIC: West Yorkshire & The Humber Q3 2022

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Research, October 2022



CGI image: Switch, Castleford
Indicative Image Only

MARKET OVERVIEW

The lack of available industrial stock continues to hamper take up levels, though speculative development has gathered pace.

808,200 sq ft
Occupier take up
YTD 2022

£766 million
Investment total
YTD 2022

11%
Prime annual rental
growth

Speculative development gathering momentum

The West Yorkshire & the Humber industrial market saw a much needed boost in speculative development activity during Q3 2022. At the end of September, 607,500 sq ft of space was under construction speculatively (units over 50,000 sq ft), spanning across six schemes, with three commencing in the third quarter.

UBS began construction on the 108,500 sq ft Unit 5 at the new urban logistics park, Velocity Point, in Leeds, while Howden 62 also commenced, providing 86,808 sq ft of space. Tungsten's 230,000 sq ft Super B and 4th Industrial's two unit development, both at Interchange 26, Cleckheaton are also well under way.

Vacancy rate remains persistently low

Availability remains an issue for occupiers, particularly in the large and new-build market. The volume of immediately available space declined by 17% in Q3 to stand at 1.3 million sq ft (units over 50,000 sq ft), all of which comprises second-hand stock, mostly grade B & C, while there are no units



IAIN MCPHAIL, PARTNER,
LEEDS COMMERCIAL

"Despite the wider economic outlook, the occupational industrial market is showing continued robustness with requirements remaining at strong levels.

The issue in the region is the distinct lack of options for occupiers. Neighbouring South Yorkshire, for example, has enjoyed just under 1 million sq ft of take up in Q3 and has 3.1 million sq ft of new speculative space under construction, showing that if there is available space, the demand is there."

over 250,000 sq ft available for larger occupier requirements. This results in a sub 2% vacancy rate.

Low supply continues to hamper take up levels

Turning to occupier activity, Q3 2022 recorded just 192,500 sq ft of take up in West Yorkshire (units over 50,000 sq ft), as the shortage of stock continues to hamper the occupier market. Take up in the year to date (YTD) totals 808,200 sq ft, significantly lower than levels recorded over the same period last year (-84%). Second-hand units make up 93% of YTD leasing activity, with just one unit taken on a build-to-suit basis.

Quarter three saw just two transactions, namely the 140,000 sq ft Dianthus House unit in East Riding and the 52,000 sq ft Astonish House warehouse in Bradford. Distribution firms remain the most active this year, accounting for 58% of take up.

Investment volumes ahead of last year

Investor activity in the West Yorkshire industrial market remained robust in Q3 2022 with a further £111 million transacting. This brings the YTD total to a record high of £766 million, with the fourth quarter still to go. Overseas investors account for 42% of YTD activity.

The most salient deal involved Greater Manchester Pension Fund who forward-funded Leeds Valley Park for £49.3 million. The scheme brought forward by Caddick Developments will comprise 300,000 sq ft of warehouse space across six units.

Outlook

While the weighted average yield for assets transacted across the region compressed to 4.7% YTD Q3 2022, a softening of yields is clearly evident as the industry reacted to increased debt costs. No doubt this market volatility will be reflected in quarter four's transactions.

Industrial rental growth across the region continues to be underpinned by the supply/demand imbalance, leading to new quoted headline rents on units being speculatively developed. Prime rents in Leeds for units over 50,000 sq ft have risen to £7.50 psf in Q3 2022, representing 11% growth year on year. Looking ahead to next year, although remaining positive, a slower rate of average rental growth of 2.7% is predicted for Yorkshire and the Humber region, and 3.0% for Leeds (RealFor).

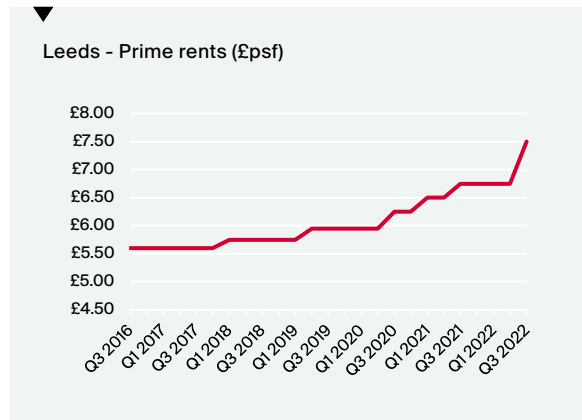
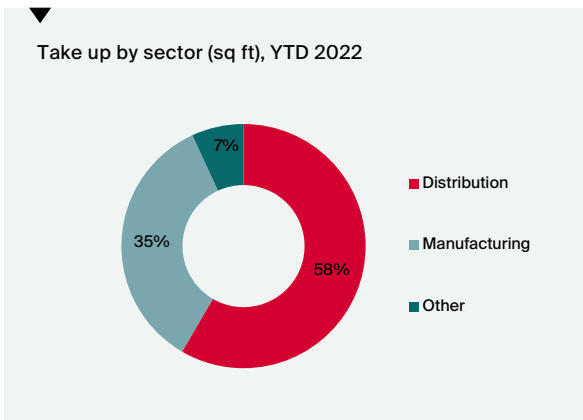
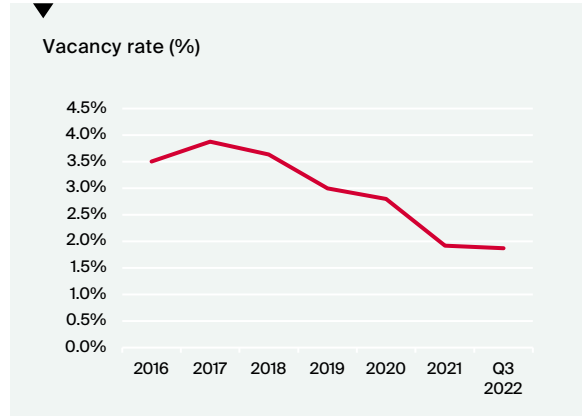
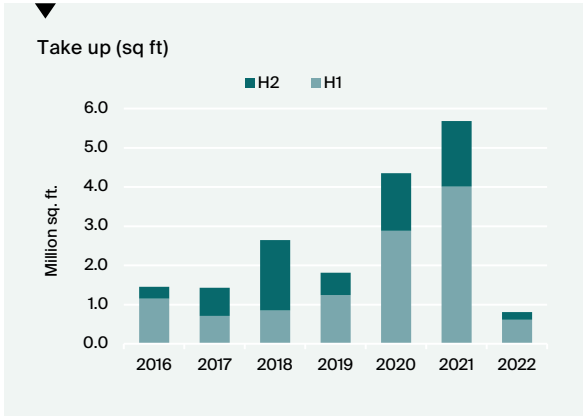
OCCUPIER MARKET

192,500 sq ft
Occupier take up
Q3 2022

58%
Distribution
take up
YTD 2022

£7.50 psf
Prime rents

1.9%
Vacancy rate



KEY OCCUPIER DEALS Q3 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Dianthus House, Newport, Goole	140,232	Planatex Ltd.	TBC	Second-hand
Astonish House, Staithgate Lane, Bradford	52,308	Confidential	£6.50 psf	Second-hand

Source: Knight Frank

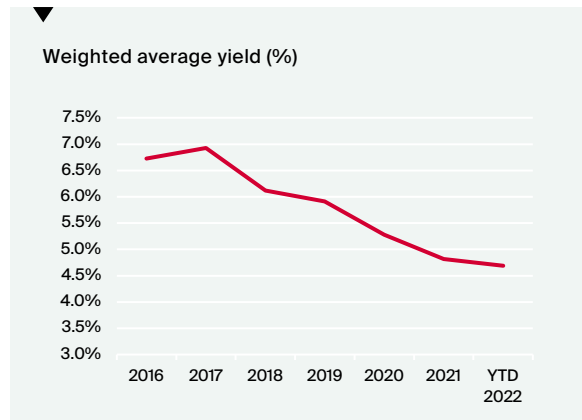
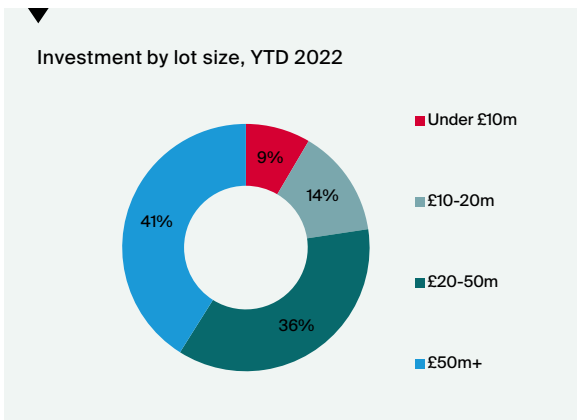
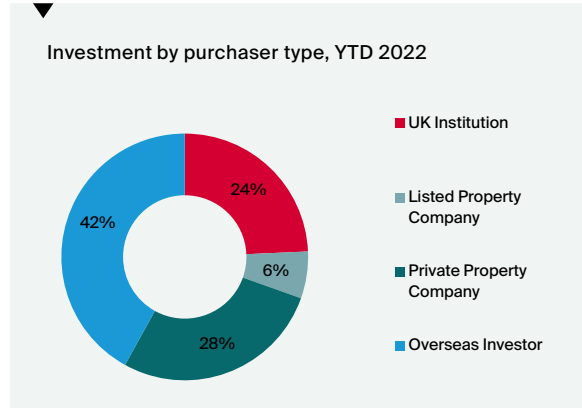
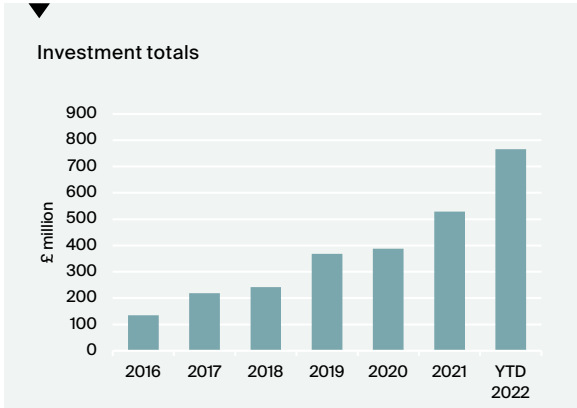
INVESTMENT MARKET

£111 million
Investment total
Q3 2022

£25.5 million
Average lot size
YTD 2022

42%
Overseas capital
YTD 2022

4.7%
Average yield
YTD 2022



KEY INVESTMENT DEALS Q3 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Leeds Valley Park	Leeds	(6 units) £49.3m	Funding	Greater Manchester PF	Caddick Developments
Torque Logistics, Wortley Moor Road	Leeds	£23.2m	4.75%	Polimeks	Investcorp (Bahrain)
Wakefield Hub	Wakefield	£11.4m	3.27%	abrdrn	Henry Boot Developments
Bridge Works	York	£5.8m	7.41%	Learmonth Property Investment Co.	Columbia Threadneedle

Source: Knight Frank, Property Data

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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.

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