

LOGIC: West Yorkshire & The Humber



Q3 2023

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

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Occupier Market

Gradual rebound in take up levels, but supply of new units remains tight

STEADY REBOUND IN TAKE UP LEVELS DESPITE ECONOMIC CHALLENGES

Amidst the wider UK economic challenges, the industrial occupier market in West Yorkshire & the Humber is performing well so far in 2023 and is the only UK regional industrial market to see occupier take up ahead of last year.

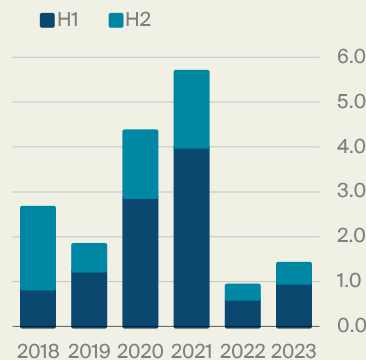
Whilst there remains an element of cost conservatism among occupiers, the steady delivery of new speculative space to the market, (which was absent in 2022), is providing more opportunities to occupiers and driving a gradual rebound in take up levels.

The third quarter of 2023 saw take-up reach 417,800 sq ft across five deals (units 50,000 sq ft+), bringing the total for the nine months to September to almost 1.4 million sq ft.

Activity so far this year has surpassed the total for 2022 by 54% with the final quarter still to go and is 73% ahead of the comparable year-to-date period last year.

A further 11% of all existing available space was under offer at the end of September.

Take up (sq ft)
million square feet



Source: Knight Frank Research

A key deal in Q3 included the letting of OP65, Overland Park, Morley in Leeds, to Leadbeater Transport, at a new headline rent of £8.75 psf. The 65,755 sq ft new build is rated EPC 'A+' and BREEAM 'Excellent'.

DISTRIBUTION FIRMS DOMINATE

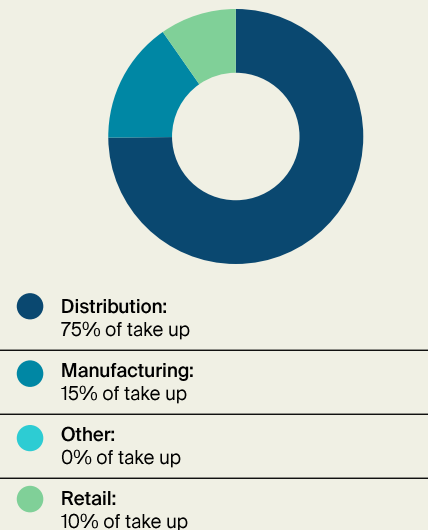
Take up for the 12 months to end-September 2023 stood at 1.5 million sq ft, 16% higher than the same four-quarter period last year.

Distribution firms continue to grow their share of the market and account for 75% of the annual total. This is up from 52% over the comparable period last year and 16% in the previous year. Manufacturers comprise a further 15% of the 12-month total to September.

A RETURN TO NORMALITY?

We are seeing a return to a pre-pandemic market, illustrated by take up but further evidenced by the shrinkage in e-commerce requirements and 3PLs looking to fill 'grey-space' in their own property portfolio.

Take up by sector
Q4 2022 – Q3 2023



Source: Knight Frank Research

MARKET VIEW

Headline rents continue to grow in 'prime' West Yorkshire



BY IAIN MCPHAIL, PARTNER,
LEEDS LOGISTICS & INDUSTRIAL
AGENCY

"Despite the ample supply of new build warehouses in other UK regions, West Yorkshire still has a dearth of grade A new build availability in prime locations.

The supply imbalance is driving the industrial and logistics occupational market in the region, despite the vacancy rate increasing to 4.3% in recent months.

Notably, there has been a surge of grade C space returning to the market, although new build prime options are still 'thin on the ground'. Consequently, we expect prime rents to continue to grow in the short-medium term."

Occupier Market

1.4 million sq ft

Occupier take up
YTD 2023

4.3%

Vacancy rate
Q3 2023

£8.75 psf

Prime rents
Q3 2023

17%

Prime annual rental growth

“Take up so far this year is 73% ahead of the comparable year-to-date period last year”

SUPPLY UPLIFT CONCENTRATED IN OLDER STOCK

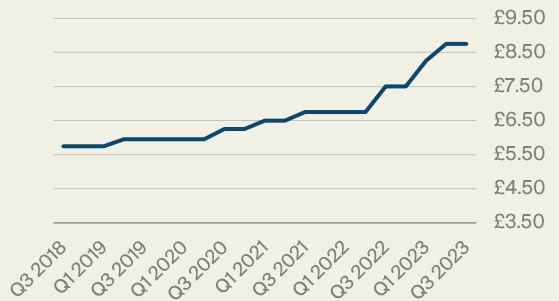
Whilst the supply of immediately available space rose by 42% during Q3, to stand at 2.8 million sq ft (units 50,000 sq ft+), this was entirely driven by the return of second-hand space and resulted in the vacancy rate increasing from 3.0% in Q2 to 4.3% in Q3. Second-hand grade B and C stock comprises 76% of all available space in the region. In contrast, the supply of new, high-quality space declined, with only two units over 50,000 sq ft immediately available to occupiers. A further 1.4 million sq ft of space remains under construction speculatively.

RENTAL LEVELS & FUTURE OUTLOOK

Combining the existing available space and units under construction equates to approx. 16 months' supply against the region's five-year average annual take up. Beyond the development that is on site, the speculative pipeline is limited due to the absence of institutional funding which is hindering new developments. As a result, we expect the medium-term supply pipeline of units over 50,000 sq ft to remain constrained in the region.

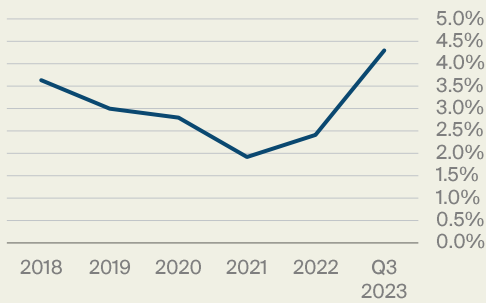
Prime rents in both Leeds and Wakefield for units over 50,000 sq ft are 17% higher annually to Q3, at £8.75 psf, with prime new build mid-box units quoting up to £8.95 psf.

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



Source: Knight Frank Research

Vacancy rate % of stock



Source: Knight Frank Research

“The supply of new, high-quality space declined, with only two units over 50,000 sq ft immediately available to occupiers”

Key Occupier Deals Q3 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Lowfields Business Park, Elland	127,000	Exertis	£7.25 psf	Second-hand
Headlands Road, Liversidge	70,414	Bed Kingdom	£3.2m	Freehold purchase – second-hand
OP65, Overland Park, Morley, Leeds	65,755	Leadbeater Transport	£8.75 psf	Speculative build

Source: Knight Frank Research

Investment Market

£80 million

Investment total
YTD 2023

£7.2 million

Average lot size
(last four quarters)

63%

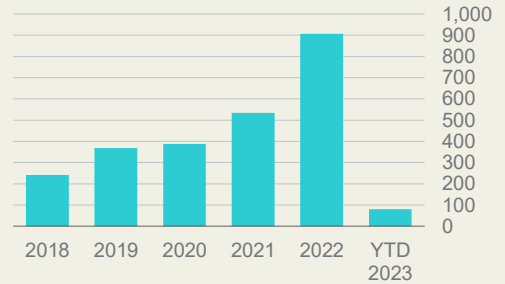
Investment by UK private property companies
(last four quarters)

5.50%

Prime yield
Q3 2023

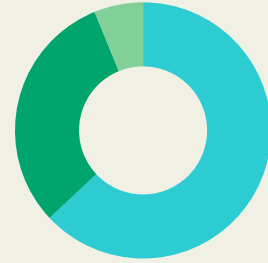
“UK private property companies have accounted for 63% of the capital invested over the past 12 months”

Investment totals
(£m)



Source: Knight Frank Research

Investment by purchaser type
Q4 2022 – Q3 2023



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

- **Listed Property Company:**
0% of investment

- **Private Property Company:**
63% of investment

- **Overseas Investor:**
31% of investment

- **Private/Other:**
6% of investment

Source: Knight Frank Research

INVESTMENT VOLUMES REMAIN THIN

Transaction activity in the region’s industrial investment market has been notably slower in 2023 to date. Approx. £80 million across 11 deals completed in the nine months to September, significantly below the £880 million recorded over the same period last year. UK private property companies have accounted for 63% of the capital invested over the past 12 months, while institutional investors have been virtually absent from the West Yorkshire & the Humber industrial investment market.

Following a 100bps softening of prime industrial yields in Leeds over the past year, prime yields remained stable in Q3 2023, at 5.50%, in tandem with the stabilisation of prime yields across all UK regional markets.

“Prime industrial yields remained stable in Q3 2023, at 5.50%”

Key Investment Deals

Q3 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Wakefield 41, Brindley Way	Wakefield	£13.2m	5.50%	Crossbay	F&C REIT Asset Management
Thornbury Industrial Estate, Gain Lane	Bradford	£10m	-	Leftfield Capital	CDP Marshall
Roundwood Industrial Estate	Wakefield	£2.7m	6.55%	Private	M7 Real Estate

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.



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