

SOUTH YORKSHIRE

Logistics and Industrial Commentary



Rebecca Schofield, South Yorkshire Industrial Agency
 +44(0)114 272 9750
 rebecca.schofield@knightfrank.com

H1 2015 Review

- H1 2015 has remained positive. The depletion of existing stock has resulted in a critical shortage of good quality accommodation. Currently, there is only 500,000 sq ft of good quality units over 100,000 sq ft available in South Yorkshire, with 380,000 sq ft under offer.
- Although demand is coming from a variety of sectors, B8 occupiers dominate the market. We expect this trend to continue whilst the market adapts to demand from on-line retailing and occupiers assess their requirements.
- Requirements are now being satisfied through new design and build solutions as demonstrated by the success of Markham Vale; lettings include 480,000 sq ft to Great Bear and 100,000 sq ft to Smurfit Kappa.
- We have started to see developers respond to the shortage of stock with a proposed speculative development of 120,000 sq ft and 200,000 sq ft at IPort Doncaster.
- With regard to small to medium sized units, there continues to be a severe shortage of premises of any quality. The only speculative developments that we are seeing are underpinned by the Local Authority or grant subsidised as they continue to be unviable from a financial perspective. Where we are seeing new development it is well received in the market.
- Land prices currently range between £200,000 and £250,000 per acre, but where it is owner occupier driven, premium land prices are being achieved.
- Investor demand for prime properties remains strong, underpinned by improving occupier fundamentals. Supply constraints are a relatively recent feature across the region following a flurry of recent lettings and as a result yield polarisation between prime and secondary assets is narrowing, with rental growth now a realistic prospect in the near term.
- Buildings let with short unexpired leases are increasingly coming into focus and there has been a push for opportunities further up the risk curve in pursuit of more attractive yields that meet institutional criteria.

Q2 2015 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2015			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Sheffield	£5.00 ▲	£5.00 ▲	£4.75 ▲
Doncaster	£5.00 ▲	£4.75 ▲	£4.75 ▲
Rotherham	£5.00 ▲	£5.00 ▲	£4.50 ▲
Barnsley	£5.00 ▲	£5.00 ▲	£4.50 ▲



Unit A Brookfields Park, Rotherham, sold to Blue Tree

Selected South Yorkshire transactions H1 2015				
Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Bays 1-4 Dearne Mills Barnsley	The Range	256,638	Stepped rent	Q2
Brookfields Park Unit A	Blue Tree	86,915	VP Sale	Q1
V276, First Point Doncaster	Victoria Plumb	276,000	£4.35	Q1

Regional outlook

- We anticipate good levels of demand across all size ranges, although many occupier requirements are unlikely to be satisfied by existing accommodation.
- Developers are responding to the lack of good quality stock in the market, albeit small to medium sized units continue to see a viability issue due to construction costs.
- Proposed speculative development and enhanced rents will encourage others to consider speculative development going forward. We anticipate rental growth across all size ranges within the next 6-12 months.