

SOUTH YORKSHIRE

Logistics and Industrial Commentary

H2 2016 Review

- H2 2016 saw a marked improvement in occupier demand, with take-up well ahead of the half yearly average. Take-up of units above 50,000 sq ft reached 1.8 million sq ft in H2, which is more than double the level of take-up over the previous six months. This brings the total for the whole of 2016 to 2.5 million sq ft, compared with 1.5 million sq ft in 2015.
- Take-up in H2 was however underpinned by activity at I-Port, with lettings to Amazon and Ceva. I-Port has outperformed the rest of the market and set new headline rents for the region of £5.50 per sq ft for units of 140,000-200,000 sq ft.
- Demand continues to be driven by a variety of sectors, including warehousing, production and manufacturing. Parcel carriers are still active with many still looking to expand. 3PLs still dominate demand for large distribution units. Whilst there is less supply for them to choose they are still cautious about committing to long lease terms and generally look for lease terms which mirror contract lengths, resulting in them seeking five year breaks in some cases.
- Regionally we are also witnessing good levels of demand from the manufacturing sector, which is evident by the continued success at The AMP (Advanced Manufacturing Park) where headline rents of £7.25 per sq ft have now been achieved on sub 20,000 sq ft units.
- In terms of speculative development - there is 52,000 sq ft across six units at The AMP under construction; 75,000 sq ft has just been completed at Helix, J36 M1 and 195,000 sq ft at I-Port, Doncaster is on site due for completion May 2017. Phase 2 Vantage Park, Sheffield is expected to be on site in the Spring with 17 units of 4,500 sq ft upwards.
- There is land around the M1 and M18 with outline consent. Schemes include Capitol Park, Barnsley (12 acres) able to accommodate up to 150,000 sq ft in a single building; Smithywood, J35 M1 (29 acres) able to accommodate 30 - 350,000 sq ft units; Doncaster Distribution Centre, able to offer 100,000 - 1,000,000 sq ft, and at Tudor Cross, J29a M1 remediation is due to be completed in March and is able to offer land sales or buildings of up to 400,000 sq ft.
- Due to the shortage of supply we have witnessed rental growth and incentives are continuing to harden. Small to medium sized units are now offering three to six months' rent free, while larger distribution units are offering six to nine months on the basis of a 5 year term.



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Q4 2016 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q4 2017

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Sheffield	£5.50 ▲	£5.50 ▲	£5.00 ▲
Doncaster	£5.50 ▲	£5.25 ▲	£5.25 ▲
Rotherham	£5.50 ▲	£5.25 ▲	£5.00 ▲
Barnsley	£5.50 ▲	£5.25 ▲	£5.00 ▲



West Moor Park, Doncaster, J4 M18, 190,000 sq ft.

Regional outlook

- Looking ahead, we expect to see continued demand and subsequent rental growth.
- We expect continued developer response to the lack of quality stock.
- We anticipate a return to Design and Build.
- Small unit development will still be difficult to make viable. Although there is demand and rents have improved, build costs often make it prohibitive.
- As a result of the limited new supply of small to medium sized units expected to enter the market, good quality second hand stock will witness increased demand and rental growth.

Selected South Yorkshire transactions H2 2016

Address	Occupier	Size (sq ft)	Rent/Price (per sq ft)	Date
Former Carcraft Site, Sheffield Business Park, Sheffield, J33 M1	Motor Point	109,000	P&C	Q4
Victory Park, Sheffield	Amazon	135,000	£5.35	Q4
Aldwarke Wharf Business Park	The Bed Shop	70,000	£3.50 psf	Q3
IP2C I-Port, Doncaster, J3 M18	Amazon	1,100,000	P&C	Q3
IP2A, I-Port, Doncaster, J3 M18	Amazon	214,600	P&C	Q3