Occupier and investment market trends in the South Yorkshire & North East Derbyshire logistics and industrial sector.

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LOGIC: South Yorkshire & North East Derbyshire 2022 Review

Research, January 2023

MARKET OVERVIEW

New, speculative buildings and build-to-suit units dominate industrial take up in South Yorkshire & North East Derbyshire in 2022.

3.1 million sq ft
Occupier take up 2022

£290 million
Investment total 2022

5.9%
Prime annual rental growth

Strong demand for new, high quality space

The final quarter of 2022 recorded 927,300 sq ft of industrial and logistics occupier take up in the South Yorkshire & North East Derbyshire region (units 50,000 sq ft+). This brings the year end total to 3.1 million sq ft and while notably below the record levels seen last year, take up is 8% ahead of the five-year annual average for the region.

Take up in Q4 was boosted by one significant pre-let deal; automotive distributor AAG signed a 25-year lease on a 629,417 sq ft facility at Panattoni Park in Rotherham. Completion of the unit is expected during 2023 and it will be built to a minimum BREEAM rating of 'Very Good' and an EPC rating of 'A'.

Reflecting the robust demand for new, high quality industrial space, 76% of take up in 2022 comprised of new, speculative buildings and build-to-suit units. This compares to 53% last year.

REBECCA SCHOFIELD, PARTNER,
SHEFFIELD COMMERCIAL

"The South Yorkshire & North East Derbyshire region saw strong take up throughout 2022, with 3.1 million sq ft transacted. In response to demand witnessed, there are a number of speculative schemes on site due to reach completion during 2023. We're expecting demand to continue from B8 users and we're also witnessing demand from other sectors, including manufacturing and vertical farming."

Large units coming on stream are quickly absorbed

Supply levels remain tight as new, high quality, larger units that have been made immediately available have been quickly absorbed. Availability stood at 1.4 million sq ft at year end (units over 50,000 sq ft), with a vacancy rate of 2.3%. There are only two units over 250,000 sq ft in size immediately available for large occupier requirements.

2022 saw a significant uplift in development activity in the South Yorkshire & North East Derbyshire region in response to the shortage in supply (units 50,000 sq ft+). Almost 3.1 million sq ft of speculative space was under construction at year end, across 18 units.

Developments under way include four units totalling over 605,000 sq ft at PLP's Bessemer Park, Sheffield; three units comprising almost 572,000 sq ft at iPort, Doncaster; and two units totalling over 200,000 sq ft at Catalyst, Sheffield.

Investment ahead of five-year average

Investment into South Yorkshire & North East Derbyshire industrial property in 2022 totalled £290 million. This is 51% decline on the record levels seen in 2021, as a slowdown in investor sentiment was seen towards the latter half of 2022, however, it is still 8% ahead of the five-year average.

The largest transaction of the year was Blackbrook Capital Europe's £50 million forward-funding of a 405,411 sq ft unit at Plot E1, Unity, Doncaster. The facility is expected to achieve a BREEAM 'Excellent' certification.

Outlook 2023

Prime rents in Sheffield are 5.9% higher on an annual basis, at £7.15 psf (units over 50,000 sq ft), with new builds quoting £7.50 - £7.95 psf at year end. Based on the latest RealFor average rental growth forecasts for Q3 2022, 2.7% and 4.0% growth is predicted for Yorkshire & the Humber and Sheffield, respectively. Robust demand particularly from distribution and retail occupiers for large, high quality units should support take up activity and rental growth this year.

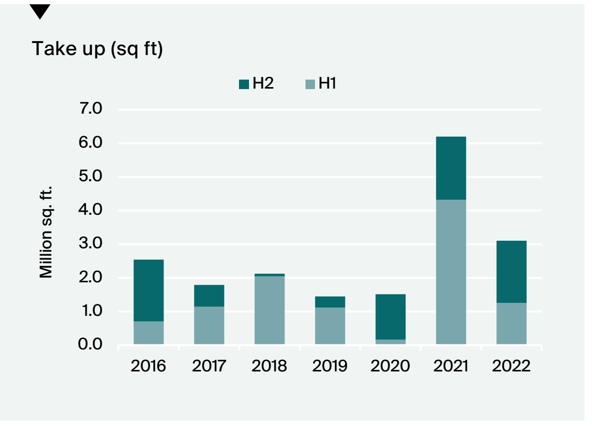
OCCUPIER MARKET

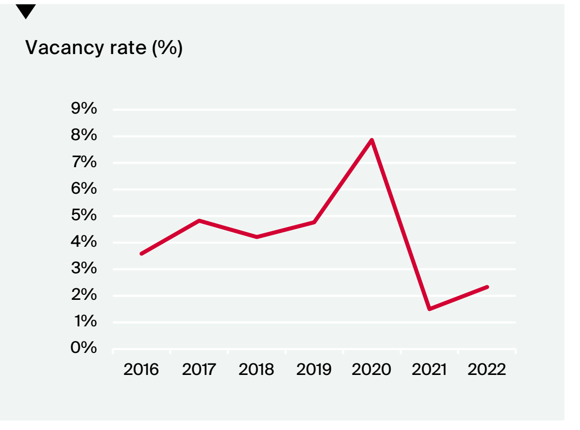
3.1 million sq ft
Occupier take up 2022

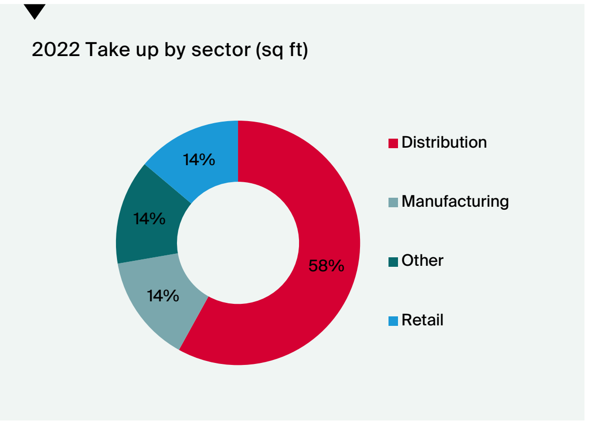
58%
Take up from distribution occupiers

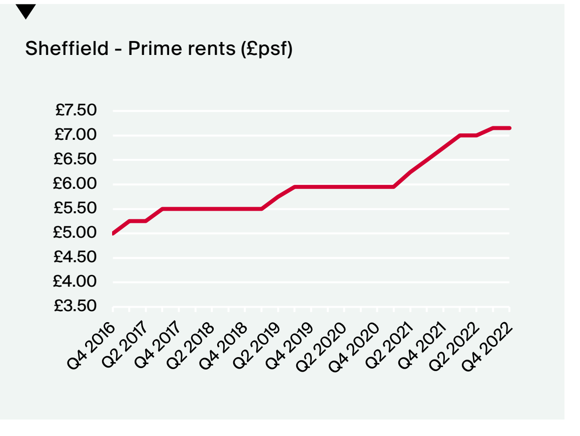
£7.15 psf
Prime rents

2.3%
Vacancy rate









KEY OCCUPIER DEALS 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Panattoni Park, Rotherham	629,417	Alliance Automotive Group	Confidential	Pre-let
Mammoth 602, Doncaster	601,761	Maersk	Confidential	Speculative Build
Symmetry Park, Doncaster	430,000	B&Q	£6.30 psf	Build to Suit
iport iP1b, Doncaster	130,458	Woodland Group	£7.00 psf	Speculative Build
iPort iP1a, Doncaster	116,036	EPS Distribution	£7.00 psf	Speculative Build

Source: Knight Frank

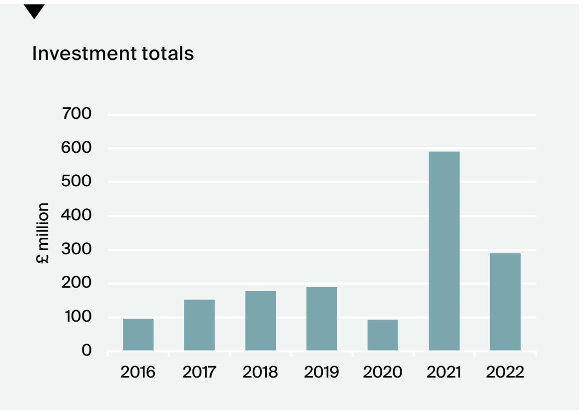
INVESTMENT MARKET

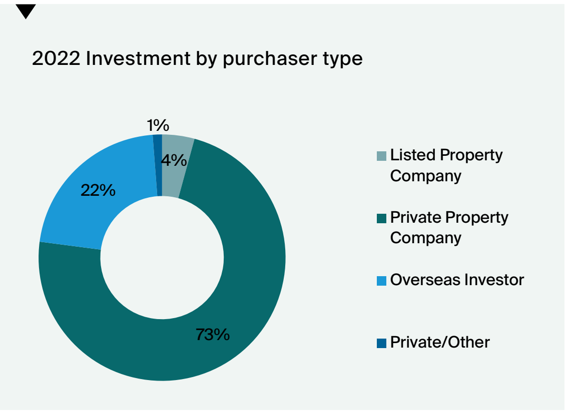
£290 million
Investment total

£19.4 million
Average lot size

22%
Overseas Investment

5.50%
Prime yield





KEY INVESTMENT DEALS 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Plot E1, Unity	Doncaster	£50m	Funding	Blackbrook Capital Europe	Hargreaves Land / Waystone (JV)
Carr Industrial Estate	Doncaster	£44m	4.65%	JD Property / Cromwell	CBRE Global Investors
Catalyst Park	Sheffield	£42.5m	Funding	Mirastar REIM	Peveril Securities
Bawtry 1, High Common Lane	Doncaster	£32m	7.61%	ARA Dunedin Ltd.	Clearbell Capital LLP
Royal Mail Distribution Centre	Sheffield	£22.8m	3.83%	Marchmont IM Ltd.	abrdn

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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