

# LOGIC: South Yorkshire & North East Derbyshire



2023 Review

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

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# Occupier Market

Whilst occupier take up reduced in 2023, we continue to see headline rental growth

## TAKE UP RETURNING TO PRE-PANDEMIC AVERAGES

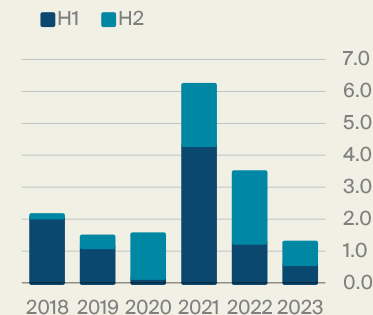
Occupier take up of industrial units over 50,000 sq ft in the South Yorkshire & North East Derbyshire region reached 1.3 million sq ft in 2023.

Following the broader macroeconomic challenges that led to a decrease in UK industrial occupier transactions last year, the annual total for the region was 64% below 2022 volumes, and closer to its five-year pre-pandemic average, of 1.9 million sq ft.

Occupiers remained cautious throughout the year and this, combined with supply-side increases providing more choice, resulted in a slower pace, and a lower volume, of deals completing.

Demand in 2023 was focused on units under 250,000 sq ft, in comparison to 2021/22 where several large deals drove take up in the region to record-highs. Distribution firms dominated, comprising over half of the annual total. Other, non-traditional, occupiers accounted for a further 22%, while manufacturers comprised 15% of the total.

Take up (sq ft)  
million square feet



Source: Knight Frank Research

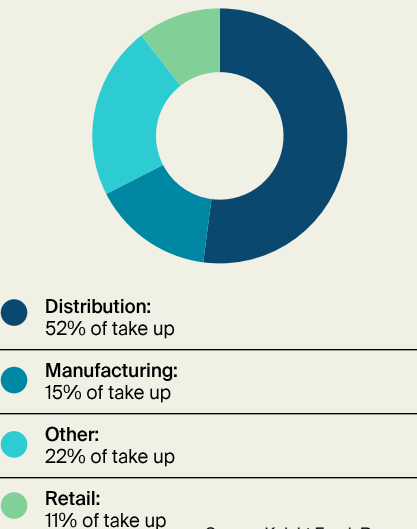
## SUSTAINED PRIME HEADLINE RENTAL LEVELS

The letting of Unit 1 Catalyst, a 109,167 sq ft new build to JLA on a 15-year lease, was the stand-out deal of the year that set a new headline rent of £8.20 psf in Sheffield. Another notable deal included the pre-letting of 73,000 sq ft at Advanced Manufacturing Park in Rotherham, to Insight.

Prime rents in Sheffield and Rotherham are 15% and 11% higher year-on-year, respectively (units 50,000 sq ft+), as landlords held firm on rents during the year despite supply-side increases and take up levels moderating. As we enter 2024, we will see headline rents continue to move forward.

Occupiers continue to prioritise quality and ESG standards, with 72% of space leased in 2023 comprising new-builds (55%) and second-hand, good-quality grade A space (17%).

Take up by sector  
2023



Source: Knight Frank Research

## MARKET VIEW

New requirements across all sizes have entered the market



BY REBECCA SCHOFIELD, PARTNER,  
SHEFFIELD LOGISTICS & INDUSTRIAL  
AGENCY

“2023 take up was more in line with pre pandemic take up levels, with the majority of units let being sub-250,000 sq ft.

There was a shortage of larger transactions, with third-party logistics companies (3PLs) almost absent from the market. We understand that a number of 3PLs had their own surplus 'grey' space which was their main focus.

We have started to see a number of new requirements enter the market across the size spectrum which we hope to see move forward during the first half 2024.

The region has seen a number of new development completions, along with second-hand stock returning to the market, resulting in a healthy supply of buildings.

Occupier requirements in the market appear serious but decision making has slowed, as occupiers carefully consider options.”

# Occupier Market

1.3 million sq ft

Occupier take up  
2023

7.7%

Vacancy rate  
Q4 2023

£8.20 psf

Prime rents  
Q4 2023

15%

Prime annual rental growth

“1.4 million sq ft of speculative space was under construction at end-December, 54% lower year-on-year“

### SUPPLY-SIDE UPLIFT DRIVEN BY DEVELOPMENT COMPLETIONS

Supply levels in the region gradually rose over the course of 2023 and stood at 4.9 million sq ft at year-end (units 50,000 sq ft+). This resulted in the vacancy rate increasing to 7.7% in Q4, from 1.9% recorded in Q4 2022. The rise in vacancy was primarily driven by several development completions, but also the return of second-hand space to the market. In Q4, approx. 1.2 million sq ft of speculative space completed, adding to the supply of immediately available stock.

Elevated development costs and interest rate rises resulted in a notable decline in construction starts in 2023. Just over 1.4 million sq ft of speculative space was under construction at end-December, 54% lower year-on-year. We therefore anticipate a slowdown in the delivery of new space to the South Yorkshire industrial market in 2024, and currently no further speculative development is planned.

### 2024 OUTLOOK

We anticipate the market returning to a more normalised, pre-Covid market in 2024, with a continued focus on quality. Rental growth is expected to remain positive, with average growth of 2.6% forecast for 2024 for Yorkshire & the Humber, and 3.1% forecast for Sheffield (RealFor).

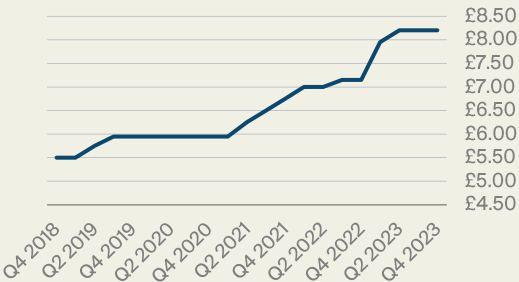
Vacancy rate  
% of stock



Source: Knight Frank Research

“Prime rents in Sheffield and Rotherham are 15% and 11% higher year-on-year, respectively”

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



Source: Knight Frank Research

### Key Occupier Deals 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Arrow 186 Arrow Point, Barnsley	186,000	Gem Imports	£7.75 psf	Speculative Build
Symmetry Park, Doncaster	132,750	Butternut Box	£7.60 psf	Speculative Build
Unit 1 Catalyst, Sheffield	109,167	JLA	£8.20 psf	Speculative Build
Unit 4 Horizon 29, Chesterfield	105,487	Anixter	Confidential	Pre-let
Advanced Manufacturing Park, Rotherham	73,000	Insight	Confidential	Pre-let (Build to Suit)

Source: Knight Frank Research

# Investment Market

£190 million

Investment total  
2023

£14.6 million

Average lot size  
2023

66%

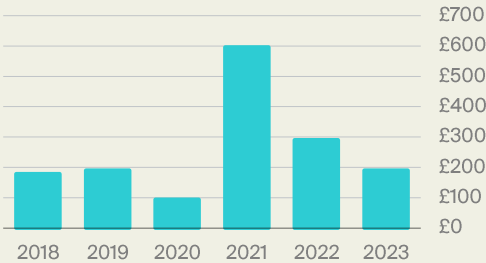
Overseas capital  
2023

5.75%

Prime yield  
Q4 2023

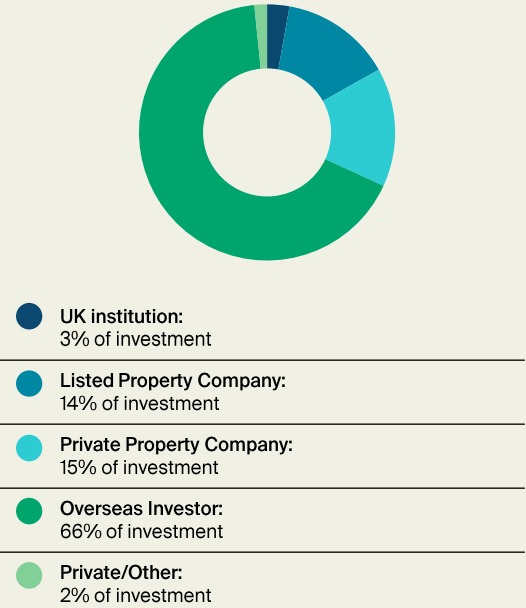
“13 deals totalling £190 million transacted in 2023, 35% lower annually”

Investment totals  
£m



Source: Knight Frank Research

Investment by purchaser type  
2023



Source: Knight Frank Research

## INVESTMENT BACK TO PRE-COVID LEVELS

Investment into the region’s industrial sector was reasonably robust in 2023 despite the challenging environment. 13 deals totalling £190 million transacted, 35% lower annually, but back to levels seen in 2018/19 (pre-Covid). Just one deal completed in Q4; London Metric acquired the 265,000 sq ft Next distribution centre in Worksop, from BlackRock, for £21.2 million (NIY 6.25%). Cross-border capital continues to be the driving force of the region’s industrial investment market, with two-thirds of investment in 2023 coming from overseas.

Prime industrial yields in Sheffield remained stable in Q4, at 5.75%. Expectations around when base rates begin to fall this year will impact both investor sentiment and the outlook for yield compression.

“Cross-border capital continues to be the driving force of the investment market”

## Key Investment Deals 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
DHL/Wilko DC, Roebuck Way	Worksop	£88m	5.84%	Brookfield Asset Management	DHL International
The Arrow, Claylands Avenue	Worksop	Undisclosed	4.60%	Brookfield Asset Management / Copley Point	Tritax Big Box
Next Group plc DC, Redhouse Interchange	Doncaster	£21.2m	6.25%	London Metric	BlackRock
Cogne UK Ltd., 19 Don Road	Sheffield	£5.3m	6.01%	Principal Real Estate Ltd.	Urban Logistics

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.

The South Yorkshire & North East Derbyshire market as reported by Knight Frank does not align to standard regional UK geographies and includes South Yorkshire along with Lincolnshire, North East Derbyshire and parts of the North East Midlands.



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