

LOGIC: South Yorkshire & North East Derbyshire



2024 Review

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

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Occupier Market

Improving sentiment, coupled with increased choice, positions South Yorkshire for growth

SUBDUED FINISH TO 2024 FOR TAKE UP

The South Yorkshire and North East Derbyshire industrial occupier market experienced a subdued end to 2024 with only one transaction completing in the final quarter.

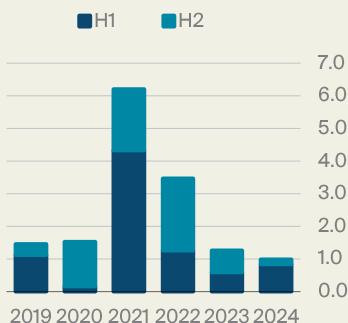
Unit 3, Ecclesfield 35 in Sheffield (52,545 sq ft) was let to Hartwell Engineering for 10 years at £7.00 psf. Take up for the year amounted to 986,000 sq ft, marking a 22% decline from 2023 and 55% below the region's long-term average.

A combination of cautious occupiers amid broader macroeconomic challenges, as well as increased supply providing more choice, slowed the pace and volume of deals during the year.

RESILIENCE IN DEMAND FOR BEST-IN-CLASS SPACE

Transactions in 2024 highlight the resilience in demand for best-in-class and sustainable industrial space. Six out of the nine lettings were for new-builds, accounting for 73% of annual take up volumes, up from 55% last year.

Take up (sq ft) million square feet



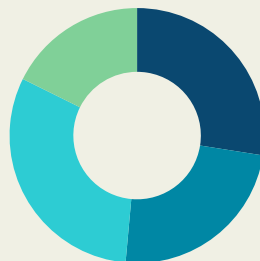
Source: Knight Frank Research

The signing of Unit 5 at Bessemer Park in Sheffield (96,000 sq ft) to BAE Systems marked the third letting at Phase 2 of the Bessemer Park development, following earlier lettings to ITM and Dormole for Units 3 and 4. Only one unit (294,000 sq ft) now remains available at the park. The scheme has been delivered to the UK Green Building Council's Carbon Net Zero standard.

In addition, the 91,923 sq ft Unit 2, Catalyst in Sheffield, was let to Octopus Energy. The BREEAM 'Excellent' rated development secured a new headline rent in Sheffield at £9.00 psf. Prime rents in Sheffield - where supply is now tightest - rose by 9.8% annually (units 50,000 sq ft+), with prime rents in Doncaster and Rotherham standing at £7.75 psf.

Demand in 2024 was focused on units under 200,000 sq ft, with manufacturers and alternative occupiers active in taking space.

Take up by sector 2024



● Distribution:
27% of take up

● Manufacturing:
24% of take up

● Other:
31% of take up

● Retail:
18% of take up

Source: Knight Frank Research

MARKET VIEW

The region is well-placed to capitalise on occupier requirements



BY REBECCA SCHOFIELD, PARTNER,
SHEFFIELD LOGISTICS & INDUSTRIAL
AGENCY

"The South Yorkshire and North East Derbyshire region has seen an increase in supply during 2024, following a number of new developments reaching completion and some second-hand buildings returning to the market. The region is well-placed to capitalise on occupier requirements for immediate space, and we are seeing demand in the market from both the B8 and B2 sectors."

Occupier Market

986,000 sq ft

Occupier take up
2024

12.7%

Vacancy rate
Q4 2024

£9.00 psf

Prime rents
Q4 2024

9.8%

Prime annual rental growth

“Six out of the nine lettings were for new-builds”

DESPITE SHARP UPLIFT IN SUPPLY, SOME AREAS FACE CONSTRAINTS

The supply of existing units over 50,000 sq ft continued its upward trend from 2023, reaching 8.3 million sq ft by year-end (+68% year-on-year). The vacancy rate therefore rose to 12.7% by Q4, from 11.5% in Q3 and 7.7% in Q4 2023. Most of this increase stemmed from the return of second-hand stock, which rose by 132% during the year, while new-build availability saw a more modest 24% rise and remained stable in Q4.

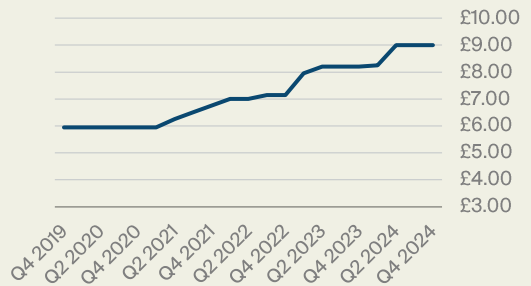
Despite these figures indicating a healthy level of supply, some parts of the region face challenges. Sheffield, for example, is experiencing a shortage of new stock, with just two new-build units available. The speculative development pipeline remained stable in Q4 at 1.9 million sq ft across seven units, none of which are in Sheffield.

2025 OUTLOOK

The supply-side uplift has positioned the region well to meet both new and existing requirements, and growing enquiry levels signal a strengthening in demand. With 9.1% of availability under offer at the turn of the year, take up is expected to improve. Rental growth is forecast to continue in 2025, albeit at a slower pace, with 3.5% projected for Sheffield and 3.6% for Yorkshire & the Humber (RealFor).

Sheffield - Prime Rents

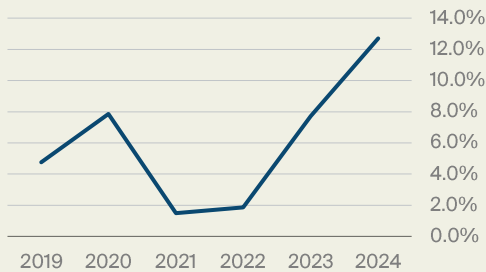
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Vacancy rate

% of stock



Source: Knight Frank Research

“Sheffield is experiencing a shortage of new stock”

Key Occupier Deals 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
iPort iP2F, Doncaster	174,381	Dusk Ltd.	£7.50 psf	Speculative build
Unit 4, Bessemer Park, Sheffield	138,093	Dormole Ltd.	£8.25 psf	Speculative build
Newhall 130, Sheffield	132,977	Evri	£7.75 psf	Speculative build
Unit 5, Bessemer Park, Sheffield	96,805	BAE Systems	Confidential	Speculative build
Unit 2 Catalyst, Sheffield	91,923	Octopus Energy Group Ltd.	£9.00 psf	Speculative build

Source: Knight Frank Research

Investment Market

5.50%

Prime NIY - Sheffield
Q4 2024

-25 bps

QoQ movement in prime yields

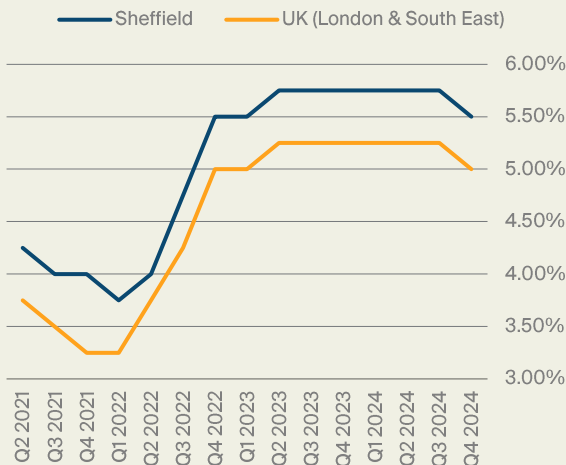
PRIME INDUSTRIAL YIELDS SHARPEN

Prime industrial yields in Sheffield sharpened by 25 bps to 5.50% during Q4, marking the first compression in a new prime pricing cycle for the region. This follows six consecutive quarters whereby prime yields bottomed at 5.75%.

Q4 saw some competitive bidding and strong pricing completed on units under offer. A key transaction in the region in Q4 included Harworth Estates Investments' acquisition of Catalyst, a 285,000 sq ft estate in Rotherham for £43.7 million, reflecting a net initial yield (NIY) of 5.37%. The logistics scheme has five units and is 90% let to a range of occupiers. Q4 also saw Markham Vale in Chesterfield sold to Wesleyan Finance for £11.3 million (NIY 5.90%). The 102,500 sq ft unit was let to Restore PLC in Q1 2024, for 25 years.

Prime Yield

Net initial yield %



Source: Knight Frank Research

MARKET VIEW

There is pressure for raised capital to be deployed



BY NICK WALES, PARTNER,
SHEFFIELD LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“Pricing has rebased over the course of the year and Q4 has seen the start of the transition into what we expect will be a much more active 2025. Although some leveraged buyers may still be finding it difficult to make the numbers work, debt finance costs are expected to ease as interest rates fall, once again making debt accretive.

Meanwhile, capital continues to be raised from a variety of sources, and there is pressure for this to be deployed. Therefore, we expect to see an uptick in investment activity and a recovery of capital values in 2025.”

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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