

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



LOGIC: South Yorkshire & North East Derbyshire Q1 2022

knightfrank.com/research

Research, April 2022



MARKET OVERVIEW

Take up in the South Yorkshire and North East Derbyshire industrial market is hampered by an acute shortage of stock, but speculative development is on the rise.

5.1 million sq ft
Occupier take up
(last four quarters)

£595.1 million
Investment total
(last four quarters)

18%
Prime annual rental
growth

Shortage of stock hampering take up activity

Following a record year for industrial and logistics occupier activity in South Yorkshire and North East Derbyshire in 2021, the first quarter of 2022 recorded just 623,900 sq ft of take up (units over 50,000 sq ft). This is 64% lower than the comparable quarter last year, however, take up so far this year has been hindered by the severe lack of stock available on the market. Activity was largely boosted by the pre-let of 430,000 sq ft at Symmetry Park, Doncaster to B&Q and the pre-sale of 113,872 sq ft at Horizon 29, Chesterfield.

The total for the twelve months to end-March 2022 stood at 5.1 million sq ft, 65% higher annually, with distribution occupiers accounting for 71% of the total.

Acute levels of available stock

As at the end of Q1 2022, approx. 754,800 sq ft was immediately available (units over 50,000 sq ft), of which 78% was under offer. With stock levels in South



REBECCA SCHOFIELD, PARTNER,
SHEFFIELD COMMERCIAL

“Looking at the smaller end of the market, there also remains a severe lack of availability. We have seen rental growth across both new build and second hand accommodation and we expect that this will continue as new speculative development of such sizes is much more limited.”

Yorkshire now at its lowest in years, the corresponding vacancy rate is now at an acute low of 1.3%.

Speculative development rising in response to shortages

The strong level of occupier demand coupled with the low levels of available stock is boosting appetite for development in the region. There is approx. 2.07 million sq ft currently under construction across 12 units in the region and expected to complete later this year / early 2023. Speculative development under way includes schemes such as Mammoth 602, G Park, Doncaster; iPort Doncaster; and Ergo Park, Sheffield. Demand for these units is good and we expect this to boost take up figures in the coming quarters.

Investment activity driving continued yield compression

Investment into the logistics and industrial sector in South Yorkshire totalled £105.5 million in the first quarter of 2022, 29% higher than Q1 2021 volumes.

In the twelve months to end March 2022, a total of £595.1 million was invested, the majority of which was from overseas, 58%. The four quarter rolling total is also considerably ahead of the five-year average for the region, of £213 million.

The average weighted yield for assets transacted across the South Yorkshire region over the past twelve months was 4.7%. This compares to 6.5% recorded in the comparable period last year and demonstrates the level of yield compression taking place across the industrial market at present.

Rental levels & Outlook

There has been strong double-digit growth in rents across all size units in South Yorkshire over the past year. Prime rents in both Sheffield and Doncaster, for units over 50,000 sq ft, rose by 18% year-on-year, to stand at £7.00 psf at the end of March 2022.

Average rental growth of 5.8% is forecast for Yorkshire & the Humber in 2022, with similar expectations for the Sheffield market, at 5.9% (RealFor).

OCCUPIER MARKET

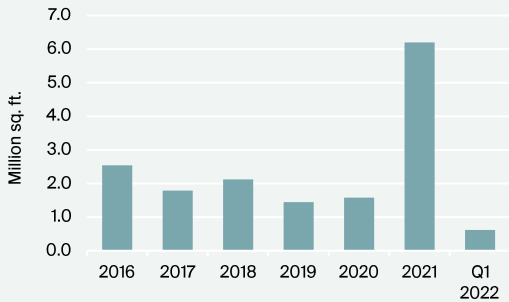
623,900 sq ft
Occupier take up
Q1 2022

71%
Distribution
take up
(last four quarters)

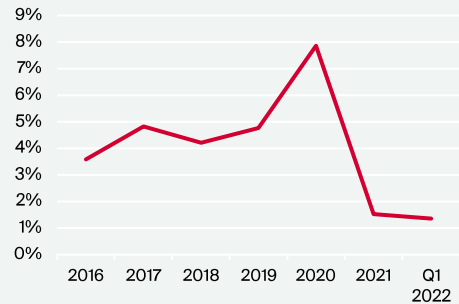
£7.00 psf
Prime rents

1.3%
Vacancy rate

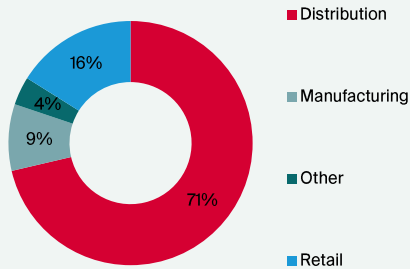
Take up (sq ft)



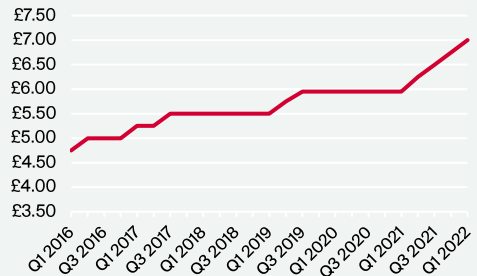
Vacancy rate (%)



Take up by sector (sq ft),
Q2 2021 - Q1 2022



Sheffield - Prime rents (£psf)



KEY OCCUPIER DEALS Q1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Symmetry Park, Doncaster	430,000	B&Q	-	Build to Suit
Horizon 29, Chesterfield	113,872	PCT Healthcare	-	Build to Suit
Don Road, Sheffield	80,000	Gripple	-	Second hand

Source: Knight Frank

INVESTMENT MARKET

£105.5 million

Investment total
Q1 2022

£18.6 million

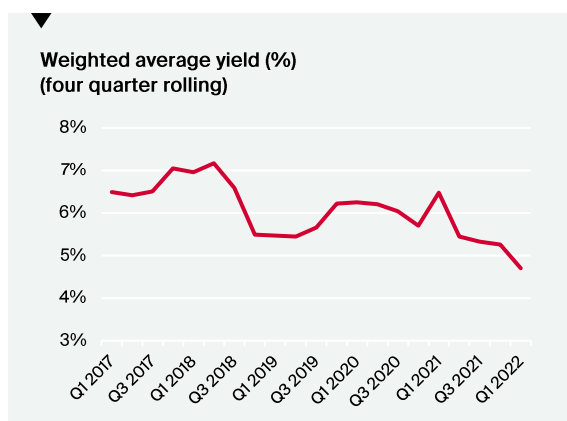
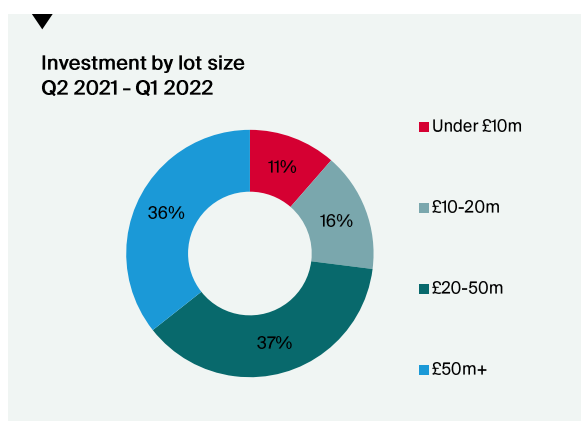
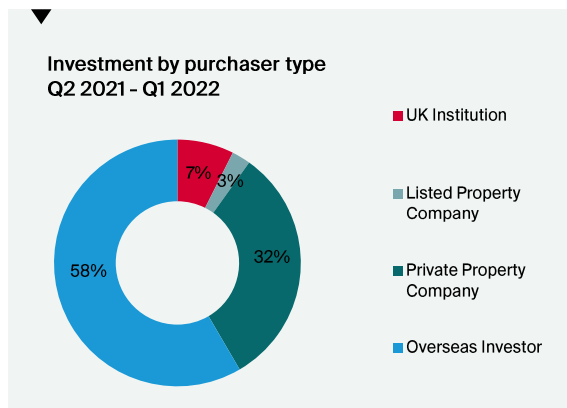
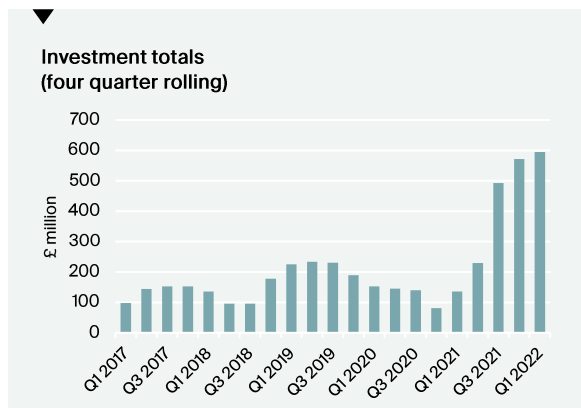
Average lot size
(last four quarters)

58%

Overseas capital
(last four quarters)

4.7%

Average yield
(last four quarters)



KEY INVESTMENT DEALS Q1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Catalyst Park	Sheffield	£42.5m	-	Mirastar REIM	Peveril Securities
51 Cart Road	Sheffield	£15m	-	Vengrove Ltd	Undisclosed
Waterside Park	Wombwell	£9.25m	5.44%	Realty Income	Aegon

Source: Knight Frank, Property Data

CONTACTS

LOGISTICS & INDUSTRIAL RESEARCH

Claire Williams

claire.williams@knightfrank.com
+44 203 897 0036

Deirdre O'Reilly

deirdre.oreilly@knightfrank.com
+44 203 995 0785

SHEFFIELD COMMERCIAL LOGISTICS & INDUSTRIAL AGENCY

Rebecca Schofield

rebecca.schofield@knightfrank.com
+44 114 253 7194

John Jarman

john.jarman@knightfrank.com
+44 114 241 3910

SHEFFIELD COMMERCIAL CAPITAL MARKETS

Nick Wales

nick.wales@knightfrank.com
+44 114 241 3906

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.

Knight Frank Research
Reports are available at
knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2022 This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.