

# LOGIC: South Yorkshire & North East Derbyshire



Q1 2024

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

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# Occupier Market

Supply levels trend upwards, but significant slowdown in new space being delivered this year

## STEADY FIRST QUARTER FOR OCCUPIER TAKE UP

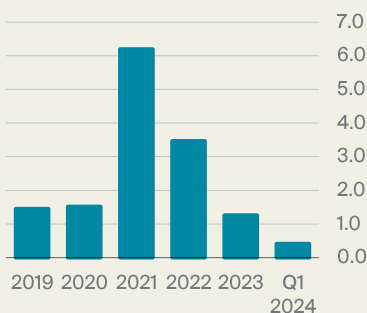
A positive start to the year was witnessed in the South Yorkshire and North East Derbyshire industrial and logistics market. Recording 412,500 sq ft of space committed in Q1 2024, take up was two-thirds higher than the comparable quarter last year (units over 50,000 sq ft). Some notable transactions completed while enquiry levels improved across all size ranges.

## PRIME RENTAL LEVELS EDGE UPWARDS

The letting of the 135,625 sq ft Unit 4 at Bessemer Park, Sheffield to tool supplier, Dormole, was the standout deal which set a new headline rent for the region of £8.25 psf. Construction of the unit completed in February and the development has been delivered in accordance with the UK Green Building Council's Carbon Net Zero standard.

Other leases signed in the quarter included homeware retailer, Dusk, agreeing a 10-year lease on the speculatively developed 174,381 sq ft iP2F at iPort, Doncaster, while 102,515 sq ft at Markham Vale, Chesterfield, was let to Restore plc for 25 years. Units under offer at the

**Take up (sq ft)**  
million square feet



Source: Knight Frank Research

end of Q1 will see headline rents move further forward in Q2.

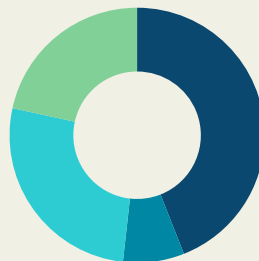
New and modern space remains the focus for many occupiers as ESG moves higher up occupiers' agendas. Space that has been built speculatively accounts for over half of take up over the past year, though fewer pre-let deals are completing. In addition, demand over the past year has been focused on units under 250,000 sq ft.

## BROAD RANGE OF OCCUPIERS TAKING SPACE

Demand from distribution firms and retailers remains relatively consistent, while other, non-traditional occupiers such as document storage and IT solutions companies have also been active over the past year. Third-party logistics companies (3PLs) were almost absent from the market during the second half of last year, due to a number of firms having surplus 'grey space' within their own portfolios. However, the first quarter of 2024 saw a gentle re-emergence of 3PL requirements.

### Take up by sector

Q2 2023 – Q1 2024



**Distribution:**  
44% of take up

**Manufacturing:**  
8% of take up

**Other:**  
27% of take up

**Retail:**  
21% of take up

Source: Knight Frank Research

## MARKET VIEW

New enquiries have come forward early in 2024



BY REBECCA SCHOFIELD, PARTNER,  
SHEFFIELD LOGISTICS & INDUSTRIAL  
AGENCY

“The South Yorkshire region witnessed improved levels of enquiries across all size ranges in Q1. We have seen requirements progress to transactions, although this has been focussed on units sub 200,000 sq ft in size during the first quarter.

The requirements that are in the market appear serious about taking space and we have seen a good number of new enquiries come forward early in 2024. Whilst decision-making is taking longer, there are signs of increased activity in the market.

We have started to see a number of new requirements from the 3PL sector enter the market, the majority being contracted from customers seeking single user facilities, better quality accommodation and, in some cases, bespoke facilities (due to operational requirements).”

# Occupier Market

**412,500 sq ft**

Occupier take up  
Q1 2024

**10.0%**

Vacancy rate  
Q1 2024

**£8.25+ psf**

Prime rents  
Q1 2024

**3.8%**

Prime annual rental growth

“Prime rents for units over 50,000 sq ft rose by 0.6% in Q1 and by 3.8% annually”

## DELIVERY OF NEW SPACE WILL SLOW

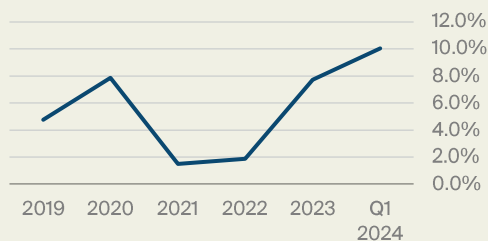
Supply levels continue to trend upwards, standing at 6.6 million sq ft at end-Q1 (units 50,000 sq ft+). This represents a 33% increase on the previous quarter and brings the vacancy rate to 10.0%, from 7.7% recorded in Q4 2023. This increase in supply is a result of new developments reaching completion in Q1 2024 and also a number of second-hand buildings returning to the market. Additional second-hand space is expected to become available in Q2 following the recent announcements of several corporate administrations.

The delivery of new space to the market is expected to significantly slow this year. Just two units over 50,000 sq ft were under construction speculatively at end-March, totalling 120,000 sq ft. This compares with 3.4 million sq ft under way one year ago. Beyond these two units, no further speculative development is planned.

## RENTAL LEVELS & OUTLOOK

Rental growth continues, albeit at incremental levels, as landlords remain firm on asking rents. Instead, larger incentive packages are being offered to secure tenants. Prime rents for units over 50,000 sq ft increased by 0.6% in Q1 and by 3.8% annually, to £8.25 psf. Average rental growth forecasts for Sheffield for 2024 have been revised upwards, to 4.1% (RealFor).

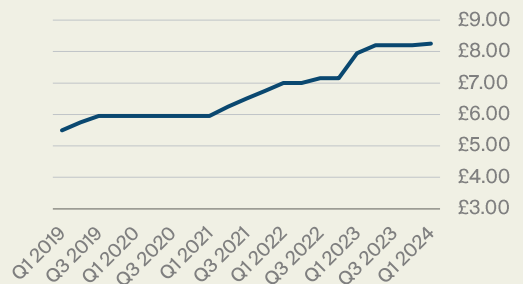
### Vacancy rate % of stock



Source: Knight Frank Research

### Sheffield - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

“Just two units were under construction at end-March totalling 120,000 sq ft”

## Key Occupier Deals Q1 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	135,625	Dormole Ltd.	£8.25 psf	Speculative Build
Markham Vale, Chesterfield	102,515	Restore plc	£6.95 psf	Second-hand

Source: Knight Frank Research

# Investment Market

## 5.75%

Prime NIY - Sheffield  
Q1 2024

## +25 bps

YOY movement in prime yields

### INDUSTRIAL INVESTMENT MARKET REMAINS CHALLENGED

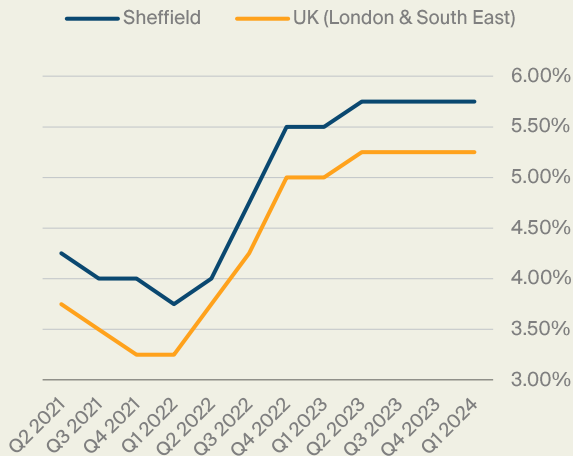
Prime yields in Sheffield have remained stable over the past four quarters, at 5.75%. This is 25 bps softer than that recorded one year ago. Since the turn of the investment market in Q2 2022, prime yields in the region have softened by circa 200 bps.

Transaction volumes in the region remain challenged by the high cost of debt and sellers reluctant to exchange at current levels of pricing. However, at the prospect of base rates being reduced later this year, investor optimism has begun to re-emerge, albeit cautiously.

Q1 2024 saw Network Space Investments acquiring Unit 2, 4 Cowley Way, Ecclesfield in Sheffield, from EMSc UK, for £2.75 million (net initial yield 6.76%).

### Prime Yields

Net initial yield (%)



Source: Knight Frank Research

### MARKET VIEW

Optimistic for a resurgence in deal activity this year



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

“Although inflation is falling more quickly than previously expected, interest rates remain elevated, and for debt to be accretive to investment performance, pricing remains key to securing sales. That said, there is an increasing consensus that we have hit the bottom of the market, so we remain positive about the prospects for a resurgence in deal activity later this year.”

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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