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 Q2 2022

Research, July 2022

MARKET OVERVIEW

Occupier demand in the South Yorkshire and North East Derbyshire industrial market is being held up by a lack of immediately available stock, though the speculative pipeline is strong.

1.26 million sq ft
Occupier take up (H1 2022)

£151.8 million
Investment total (H1 2022)

12%
Prime annual rental growth

Robust occupier demand and enquiry levels

Occupier demand and enquiries remains robust in the South Yorkshire and North East Derbyshire industrial market despite the lack of immediately available supply. The first half of 2022 recorded 1.26 million sq ft of take up (units 50,000 sq ft+). In the twelve months to end Q2 2022, take up totalled 3.13 million sq ft, with quarter two representing approx. 635,100 sq ft of this, or 20%. Distribution occupiers remain the most active, accounting for 57% of take up over the past year.

Lack of immediately available supply supporting appetite for speculative development

At the end of Q2 2022, there was a total of 1.83 million sq ft of space immediately available. However, 73% of this is under offer with further available space in advance discussions. The vacancy rate for the region stands at 3.2%, a healthier level than the previous few quarters due to the completion of new, larger sized units at iPort Doncaster and Mammoth 602, Doncaster.

REBECCA SCHOFIELD, PARTNER,
SHEFFIELD COMMERCIAL

"There is a pipeline of further speculative development planned to address the supply and demand imbalance at the likes of Panattoni Park, Rotherham, Barnsley 340, Bessemer Park Sheffield, Horizon 29 Bolsover and Unity Doncaster for which we expect good demand."

In addition, a number of units which completed construction during quarter two have been occupied, enhancing take up figures for the region. Approximately 130,500 sq ft at iPort iP1b, Doncaster, was let to Woodland Group on a 10-year lease, while Unit 4 Ergo Park, Sheffield, comprising 54,500 sq ft of space was also let on a 10-year lease.

A further 1.28 million sq ft of space is under construction speculatively across eight units, with PC expected later this year and early 2023. The largest of these at Shepcote Lane, Sheffield, will extend to 367,200 sq ft in size on completion.

Taking into account the volume of immediately available space that is currently under offer, this leaves just circa eight months' worth of supply available in the South Yorkshire region to satisfy demand requirements.

Continued compression in average yields

While occupier demand remains robust, we have seen caution emerging in investment activity. The first half of 2022 saw £151.8 million invested in the sector, 25% lower than the comparable period last year. That said, in the twelve months to end June 2022, £541.5 million was invested, compared to £267.9 million in the same period last year. Over half of transactions over the past year were from overseas investors, 56%.

The average weighted yield for assets transacted across the region stood at 5.2% in the twelve months to end June. This compares to 5.5% recorded in the comparable period last year.

Rental levels & Outlook

Prime rents have risen for all size industrial units in South Yorkshire due to continued supply/demand pressures, particularly at the smaller end of the scale where prime industrial rents in Doncaster have increased by up to 15% year on year to Q2.

Overall for 2022, average rental growth of 7.0% is forecast for Yorkshire and the Humber, with Sheffield in particular expected to see 8.5% rental growth.

OCCUPIER MARKET

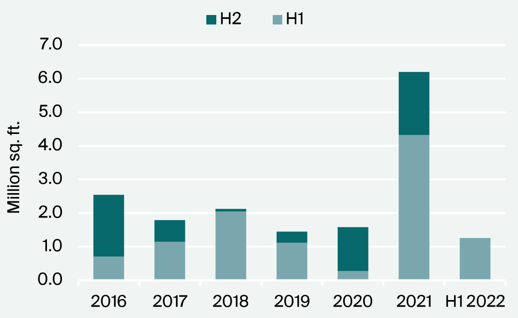
3.13 million sq ft
Occupier take up (last four quarters)

57%
Distribution take up (last four quarters)

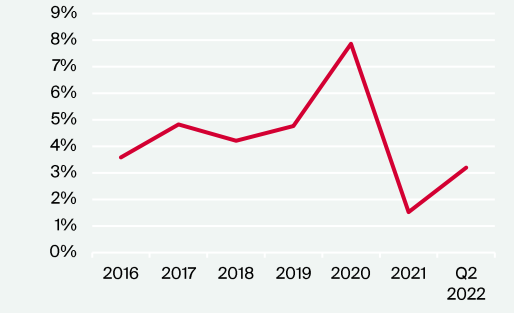
£7.00 psf
Prime rents

3.2%
Vacancy rate

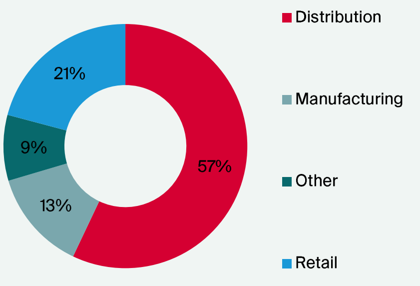
Take up (sq ft)



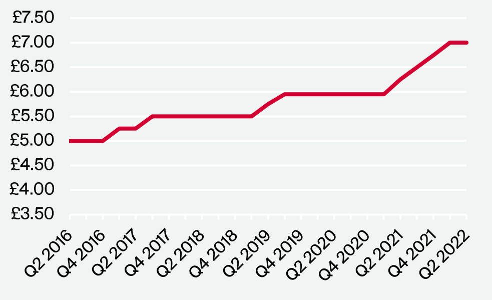
Vacancy rate (%)



Take up by sector (sq ft), Q3 2021 – Q2 2022



Sheffield - Prime rents (£psf)



KEY OCCUPIER DEALS H1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Symmetry Park, Doncaster	430,000	B&Q	£6.30 psf	Build to Suit
iport iP1b, Doncaster	130,458	Woodland Group	Confidential	Speculative Build
iPort iP1a, Doncaster	116,036	EPS Distribution	Confidential	Speculative Build
Horizon 29, Chesterfield	113,872	PCT Healthcare	-	Freehold purchase - for refurbishment / Build to Suit

Source: Knight Frank

INVESTMENT MARKET

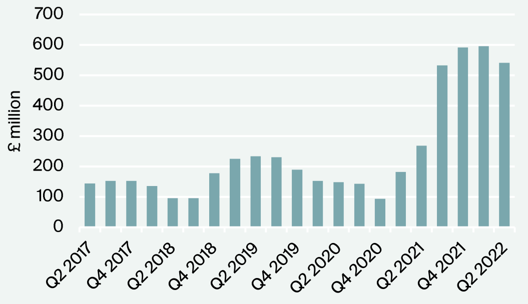
£541.5 million
Investment total (last four quarters)

£18.7 million
Average lot size (last four quarters)

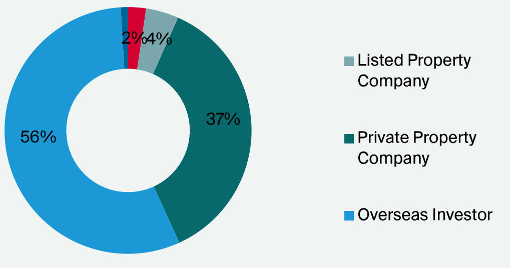
56%
Overseas capital (last four quarters)

5.2%
Average yield (last four quarters

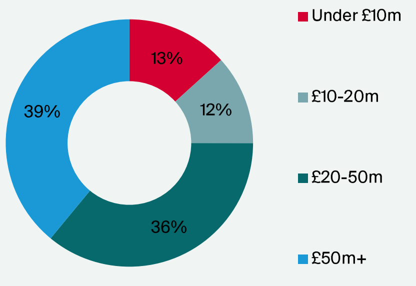
Investment totals (four quarter rolling)



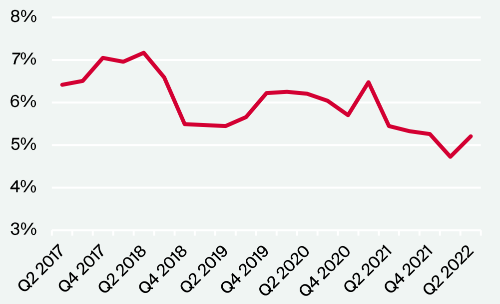
Investment by purchaser type Q3 2021 – Q2 2022



Investment by lot size Q3 2021 – Q2 2022



Weighted average yield (%) (four quarter rolling)



KEY INVESTMENT DEALS H1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Catalyst Park	Sheffield	£42.5m	-	Mirastar REIM	Peveril Securities
Bawtry 1, High Common Lane	Doncaster	£32m	7.61%	ARA Dunedin Ltd.	Clearbell Capital LLP
51 Cart Road	Sheffield	£15m	-	Vengrove Ltd.	Undisclosed
Waterside Park	Wombwell	£9.25m	5.44%	Realty Income	Aegon

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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