

LOGIC: South Yorkshire & North East Derbyshire



Q2 2024

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

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Occupier Market

Demand for new units, combined with a slowdown in development activity, continues to drive prime rental growth

OCCUPIER TAKE UP AHEAD OF LAST YEAR

The second quarter of 2024 recorded 421,700 sq ft of take up in the South Yorkshire and North East Derbyshire industrial market (units 50,000 sq ft+), bringing the total for the first half of the year to 834,200 sq ft. H1 2024 take up is 42% ahead of the level recorded in H1 2023, as the market softly recovers to pre-pandemic levels of take up.

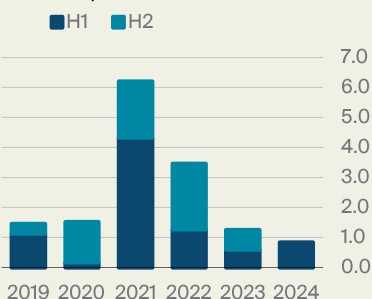
The largest building signed in the second quarter was Newhall 130 in Sheffield, a 132,977 sq ft new-build, let to parcel delivery company, Evri, on a 10-year lease at £7.75 psf.

HEADLINE RENTS CONTINUE TO TREND UPWARDS

A key letting in Q2 was the 91,923 sq ft Unit 2, Catalyst in Sheffield, to Octopus Energy. The 10-year lease secured a new headline rent in Sheffield, at £9.00 psf. Construction of the unit completed last year and the development was delivered to BREEAM 'Very Good' and EPC 'A' standards.

This represents the third consecutive quarterly rise in prime industrial rents for units over 50,000 sq ft in Sheffield, with 9.1% growth recorded in Q2, and 9.8% over the past year. In Doncaster and

Take up (sq ft)
million square feet



Source: Knight Frank Research

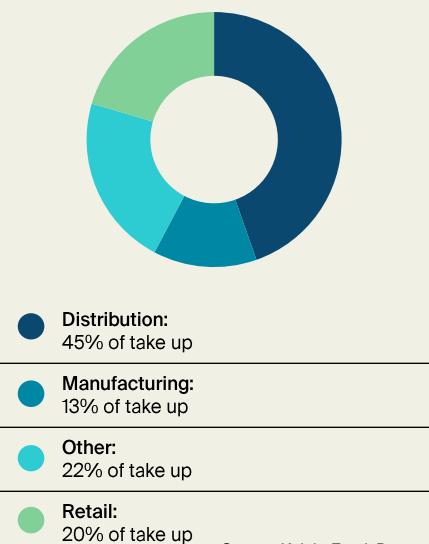
Rotherham, prime rents remain stable. In areas where occupiers have greater choice, incentives (rent-free periods) have trended upwards, as landlords look to protect headline rents, yet offer competitive terms to attract occupiers.

NEW UNITS MOST IN DEMAND

A combination of speculatively developed, pre-let and built-to-suit units comprise 70% of take up over the past year, as occupier demand increasingly focuses on better quality, more sustainable buildings.

Distribution firms remain the most active in the region, comprising 45% of take up annually to Q2. Meanwhile, demand from retailers and other (non-traditional) occupiers, such as renewable energy and document storage companies, has risen. Non-traditional occupiers have taken 13.4% more space over the past year to Q2 2024, compared to the same period the previous year, while take up by retailers has increased by 4.2% annually.

Take up by sector
Q3 2023 – Q2 2024



Source: Knight Frank Research

MARKET VIEW

Improving economic outlook is expected to boost occupier sentiment



BY REBECCA SCHOFIELD, PARTNER,
SHEFFIELD LOGISTICS & INDUSTRIAL
AGENCY

“We have seen good levels of take up in respect of units sub 200,000 sq ft, which has moved headline rents upwards. This has been especially evident along the M1 at J33 / 34, where lettings at schemes including Catalyst, Bessemer Park and the Advanced Manufacturing Park have seen rents of £8.25-£9.00 psf achieved.

Whilst the market has returned to pre-pandemic levels, the fundamentals in terms of a return to growth in online retail sales, growth in manufacturing and a growing population, all support continued demand within the logistics and manufacturing sectors.

The economic outlook is improving; inflation has fallen and as we look to the second half of the year, interest rate cuts are expected. We expect the change in direction to boost occupier sentiment and help spur activity. As the cost of debt falls, and the economy and consumer sentiment improve, we are likely to see more occupiers ready to commit to their expansion plans or facility upgrades.”

Occupier Market

834,200 sq ft

Occupier take up
H1 2024

11.1%

Vacancy rate
Q2 2024

£9.00 psf

Prime rents
Q2 2024

9.8%

Prime annual rental growth

“New-build units comprise 70% of take up over the past year”

HIGH CONCENTRATION OF SECOND-HAND UNITS

Availability of units over 50,000 sq ft rose by 11% in Q2, to stand at 7.3 million sq ft, resulting in the vacancy rate increasing to 11.1%, from 10.0% recorded in Q1. The uplift was wholly driven by the return of second-hand space to the market and had been anticipated given the number of corporate administrations announced in the region earlier this year. Second-hand availability alone rose by 37% during the quarter. In addition, three quarters of second-hand supply comprises lower quality, grade B or C stock. Meanwhile, the supply of newly completed speculative space declined by 5.6% during the quarter, due to the absence of any completions combined with take up of new units.

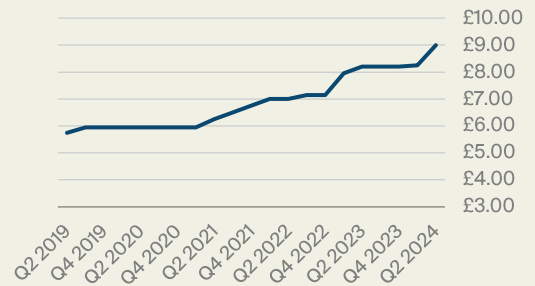
OUTLOOK

Development activity of units over 50,000 sq ft is limited in the region. Two units totalling 120,000 sq ft remains under way at Total Park in Doncaster and beyond these, no further speculative development is planned. This compares to circa. 3 million sq ft of space under way one year ago.

Average rental growth forecasts for Sheffield remain positive, with 4.1% predicted for 2024 and 2.3% for 2025, according to RealFor.

Sheffield - Prime Rents

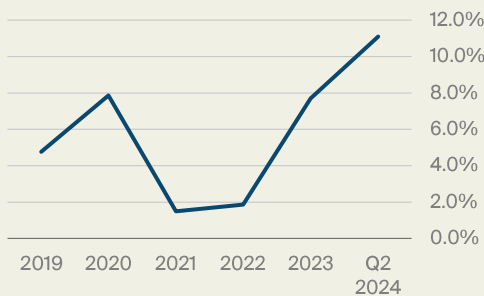
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Vacancy rate

% of stock



Source: Knight Frank Research

“Three quarters of the second-hand availability is made up of lower quality, grade B or C stock”

Key Occupier Deals

H1 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
Newhall 130	132,977	Evri	£7.75 psf	Speculative build
Unit 2 Catalyst, Sheffield	91,923	Octopus Energy Group Ltd.	£9.00 psf	Speculative build

Source: Knight Frank Research

Investment Market

5.75%

Prime NIY - Sheffield
Q2 2024

Stable

YOY movement in prime yields

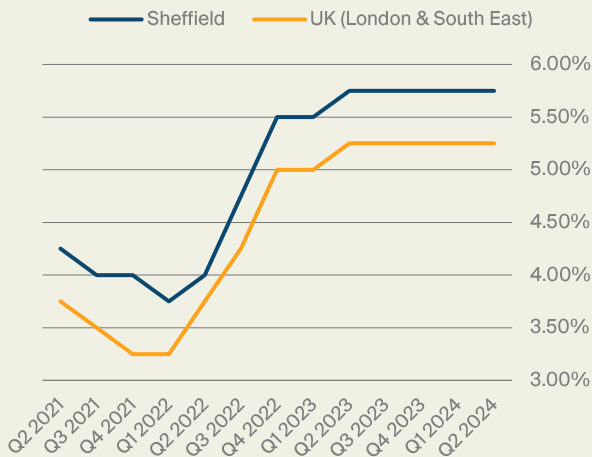
INVESTMENT ACTIVITY GATHERS PACE

Investment activity is gathering momentum as investor sentiment improves. Some notable deals in the region in Q2 include DHL Manton Wood in Worksop, which was acquired by a private investor from Alpha Real Estate for £54.1 million (NIY 5.25%). In addition, the 500,000 sq ft Amazon Fulfilment Centre, Balborough Links in Chesterfield, was sold by Warehouse REIT to an undisclosed purchaser for £46 million. The sale was part of a larger £57.5 million disposal by Warehouse REIT involving single-let assets across three locations.

Prime yields in Sheffield remain stable, at 5.75%, though sentiment is trending positively. Prime yields in the region have softened by circa 200 bps since Q2 2022.

Prime Yield

Net initial yield %



Source: Knight Frank Research

MARKET VIEW

Increasing consensus that now is an opportune time to enter the market



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

“With values having stabilised, there is an increasing consensus that now presents an opportune time to enter the market. For those that have raised capital, the usual quiet summer period may also represent a good time to capitalise before the anticipated uptick in activity during Q4.”

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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