

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



LOGIC: South Yorkshire & North East Derbyshire Q3 2022

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MARKET OVERVIEW

Rising speculative development in response to the shortage of stock, with 3.1 million sq ft under construction.

2.2 million sq ft
Occupier take up
YTD 2022

£249 million
Investment total
YTD 2022

10%
Prime annual rental
growth

Record level of speculative development

The South Yorkshire & North East Derbyshire industrial market has witnessed a solid uplift in development activity during Q3 2022. At the end of September, over 3.1 million sq ft of space was under construction, three times greater than Q3 2021. This spans across 16 units, with the number of units under construction doubling in just three months.

Panattoni began construction on its new 629,417 sq ft speculative unit, Panattoni Park in Rotherham, for which a letting has been agreed. Barnsley 340 is also under way and will provide 340,400 sq ft of space on completion, while PLP have broken ground on four units totalling 605,500 sq ft at Bessemer Park, Sheffield. All of these are due for practical completion next year.

There remains a severe shortage of immediately available space in the region. Availability has declined by 12% on an annual basis, to stand at



REBECCA SCHOFIELD, PARTNER,
SHEFFIELD COMMERCIAL

“Demand for prime units in South Yorkshire & North East Derbyshire continues to support rental growth, particularly for larger units where we are seeing a higher rate of growth on quoting rents for new buildings coming forward.”

1.2 million sq ft at end-September (units over 50,000 sq ft). This brings the vacancy rate for the region down to 2.1%, from 2.5% in Q3 2021. However, the pipeline of new development coming through should alleviate some of this supply-side pressure next year.

Robust demand for newly developed space

Turning to occupier activity, the third quarter of 2022 recorded 915,900 sq ft of take up in the region (units 50,000 sq ft+). This brings the total for the year to date (YTD) to 2.2 million sq ft.

Take up in Q3 was largely boosted by one significant deal; transportation and freight services company, Maersk, signed a 15-year lease on the newly-built Mammoth 602 in Doncaster, comprising 601,761 sq ft of space. Distribution occupiers remain the most active, accounting for 47% of YTD occupier activity.

Reflecting the strong demand for new, high quality space, almost half of take up so far this year comprises new, speculative buildings, while a further 32% are build-to-suit units.

Increasing share of domestic investment

The third quarter of 2022 recorded £97.1 million of investment into South Yorkshire industrial, bringing the YTD total to £249 million. This is down 48% YOY, as we see some caution emerging in investor activity.

The largest transactions of the quarter included Blackbrook Capital Europe's £50 million forward-funding of a 405,411 sq ft unit at Plot E1, Unity, Doncaster. Blackbrook also purchased a 444,180 sq ft unit at Carr Industrial Estate, Doncaster, for £44 million / NIY 4.65%. The property is currently let to Tesco until 2030.

Rental levels & Outlook

Prime rents in Sheffield are 10% higher than last year, at £7.15 psf (units over 50,000 sq ft). While the rental market remains positive, a slower rate of average rental growth is expected for 2023, with 3.8% growth forecast for Yorkshire and the Humber overall, and 4.9% forecast for Sheffield specifically (RealFor).

OCCUPIER MARKET

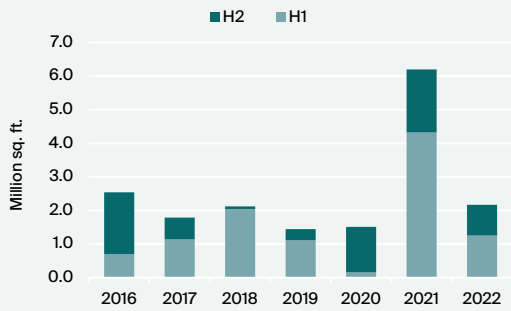
915,900 sq ft
Occupier take up
Q3 2022

47%
Distribution
take up
YTD 2022

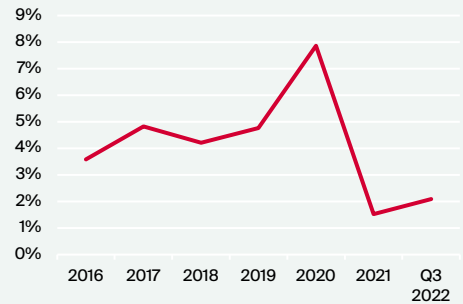
£7.15 psf
Prime rents

2.1%
Vacancy rate

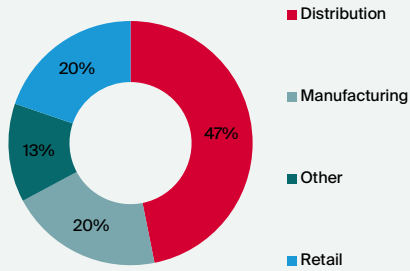
Take up (sq ft)



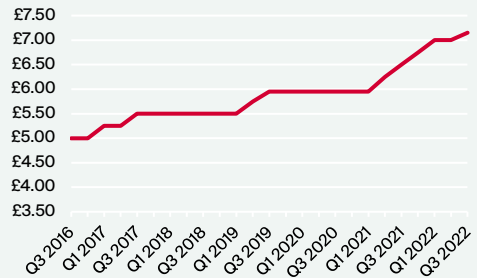
Vacancy rate (%)



Take up by sector (sq ft), YTD 2022



Sheffield - Prime rents (£psf)



KEY OCCUPIER DEALS Q3 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Mammoth 602, Doncaster	601,761	Maersk	Confidential	Speculative Build
Barbot Hall, Rotherham	81,882	SAS	£5.00 psf	Second-hand

Source: Knight Frank

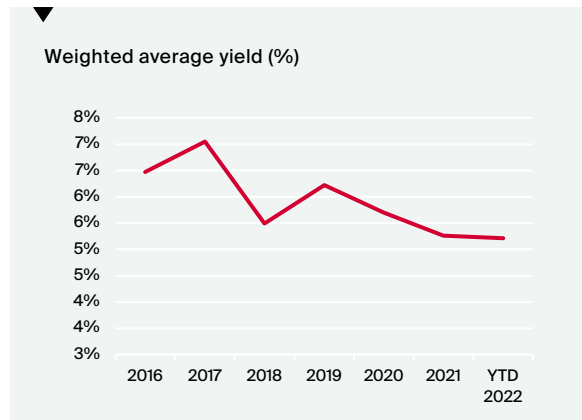
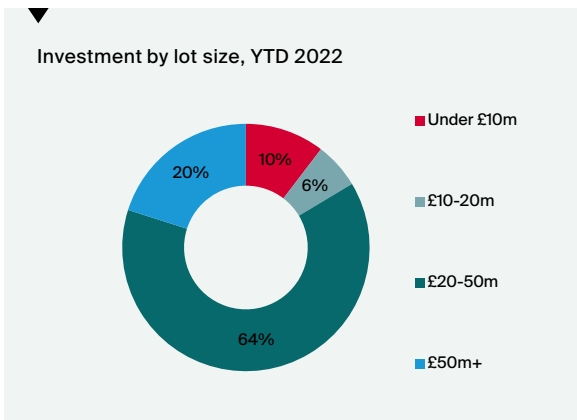
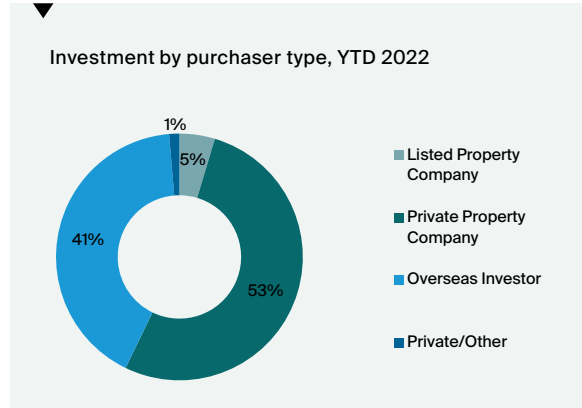
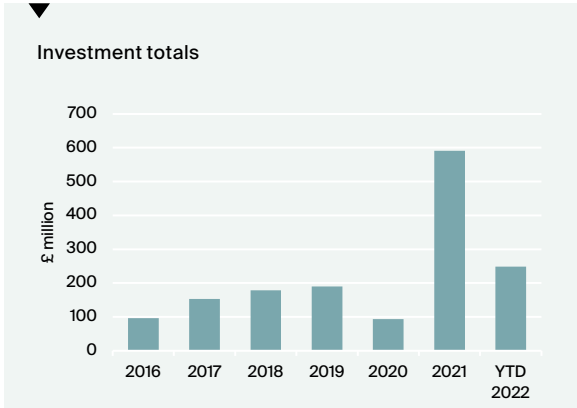
INVESTMENT MARKET

£97.1 million
Investment total
Q3 2022

£20.7 million
Average lot size
YTD 2022

53%
Domestic
Investment
YTD 2022

5.2%
Average yield
YTD 2022



KEY INVESTMENT DEALS Q3 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Plot E1, Unity	Doncaster	£50m	Funding	Blackbrook Capital Europe	Hargreaves Land / Waystone (JV)
Carr Industrial Estate	Doncaster	£44m	4.65%	Blackbrook Capital Europe	CBRE Global Investors
Downgate Drive	Sheffield	£3.12m	6.10%	Urban Logistics REIT Plc	Undisclosed

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

Harry Orwin-Allen

harry.orwin-allen@knightfrank.com

+44 114 241 3912

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.

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