

LOGIC: South Yorkshire & North East Derbyshire



Q3 2023

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

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Occupier Market

Supply-side pressures have eased, but the speculative development pipeline is limited

UPLIFT IN TAKE UP LEVELS

A more robust third quarter of 2023 was recorded for industrial occupier take up in the South Yorkshire and North East Derbyshire market, following a slowdown in deal activity earlier in the year. Six transactions totalling 668,000 sq ft completed in quarter three (units 50,000 sq ft+), 13% higher than the first two quarters combined, bringing total take up for the year-to-date (YTD) to 1.3 million sq ft. The YTD total is 44% lower on an annual basis, primarily due to the economic pressures facing occupiers this year, slowing the pace of deals completing.

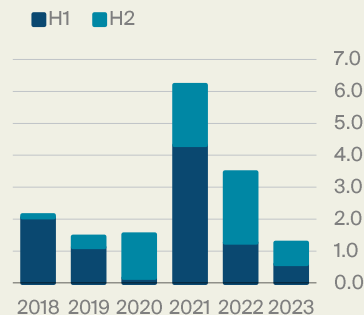
DISTRIBUTION FIRMS REMAIN ACTIVE

The region continues to see demand from distribution firms, particularly for new, high-quality units with strong ESG credentials. Distribution firms accounted for five out of the six deals completing in the region in Q3 and comprise over half of total take up over the 12-months to end-September. Manufacturing firms accounted for a further 35% of the annual total.

Key deals this quarter include a 186,000 sq ft new build, Arrow 186, Arrow Point, in Barnsley, let to

Take up (sq ft)

million square feet



Source: Knight Frank Research

importer and wholesale supplier, Gem Imports, on a 10-year lease, at £7.75 psf. In addition, the 105,487 sq ft Unit 4 at Horizon 29, Chesterfield, has been pre-let to Anixter on a 10-year lease.

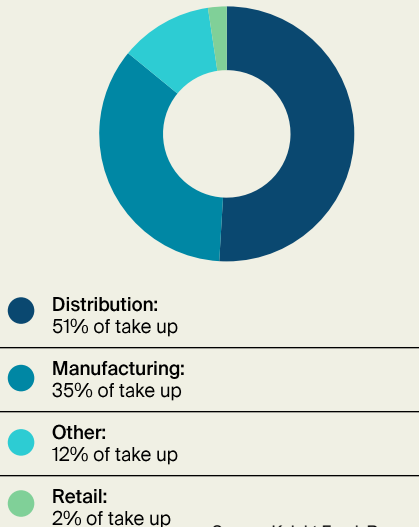
LIMITED SPECULATIVE DEVELOPMENT PIPELINE

Occupiers remain focused on high-quality space, with 55% of YTD take up comprising new, speculatively developed units, pre-let or build-to-suit units, while a further 17% comprises second-hand Grade A space.

However, given development and financing cost increases, we have seen fewer speculative development commencements this year. Approximately 2.5 million sq ft of space was under construction speculatively at end-September (units over 50,000 sq ft), 18.2% lower on Q2 2023 and 22% lower annually. There is currently no further speculative development planned to commence.

Take up by sector

Q4 2022 – Q3 2023



Source: Knight Frank Research

MARKET VIEW

Continued occupier demand, but those occupiers have choice



BY REBECCA SCHOFIELD, PARTNER, SHEFFIELD LOGISTICS & INDUSTRIAL AGENCY

“We are continuing to see occupier demand for space in the South Yorkshire and North East Derbyshire market, although decision making has slowed.

Headline rents are remaining firm, but we have seen incentive packages increase in some area as occupiers have more choice.”

Occupier Market

1.3 million sq ft

Occupier take up
YTD 2023

5.6%

Vacancy rate
Q3 2023

£8.20 psf

Prime rents
Q3 2023

15%

Prime annual rental growth

“Given increased development and financing costs, we have seen fewer speculative development commencements“

ALLEVIATION OF SUPPLY SHORTAGE

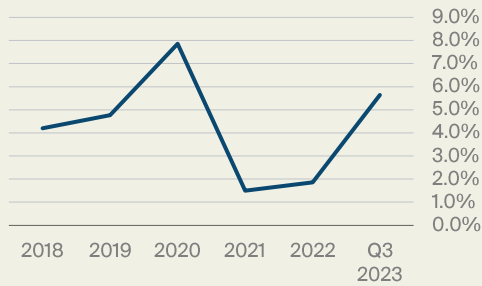
The supply of immediately available space rose by 31% during Q3, to stand at 3.5 million sq ft (units 50,000 sq ft+). The increase results from a 3.4% uplift in new stock added, with a number of new developments completing construction during the quarter, alongside the return of second-hand stock to the market. The vacancy rate therefore rose to 5.6% in Q3, from 4.4% in Q2 and the acute sub 2% low seen during 2021 and 2022.

A combination of the existing available space and units under construction results in total supply of over 6 million sq ft, which equates to approx. 24 months' supply against the region's five-year average annual take up.

RENTAL LEVELS & OUTLOOK

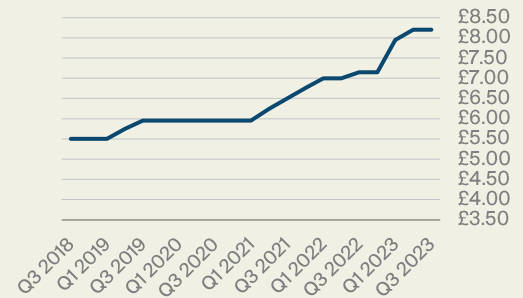
Landlords are holding firm on rents and despite the supply-side increases, prime rents in Sheffield for units over 50,000 sq ft remained stable in Q3, at £8.20 psf, however, this represents 15% growth year on year. Rental growth is expected to remain positive but will slow next year, with average growth of 2.7% forecast for 2024 across the Yorkshire and the Humber region and 3.2% forecast for Sheffield (Realfor).

Vacancy rate
% of stock



Source: Knight Frank Research

Sheffield - Prime Rents
£ per sq ft (units >50,000 sq ft)



Source: Knight Frank Research

“Prime rents in Sheffield for units over 50,000 sq ft are 15% higher on an annual basis”

Key Occupier Deals Q3 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Arrow 186 Arrow Point, Barnsley	186,000	Gem Imports	£7.75 psf	Speculative Build
Symmetry Park, Doncaster	132,750	Butternut Box	£7.60 psf	Speculative Build
Unit 4 Horizon 29, Chesterfield	105,487	Anixter	Confidential	Pre-let Speculative Build

Source: Knight Frank Research

Investment Market

£163 million

Investment total
YTD 2023

£13.7 million

Average lot size
(last four quarters)

77%

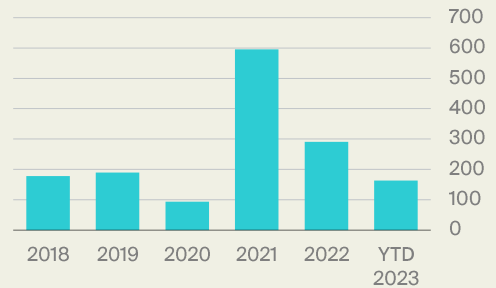
Overseas capital
(last four quarters)

5.75%

Prime yield
Q3 2023

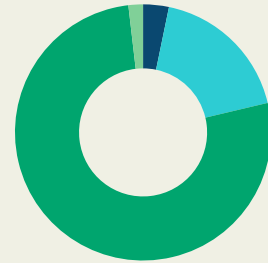
“Investment into industrial property in the year to date totalled £163 million, 43% lower annually”

Investment totals
£m



Source: Knight Frank Research

Investment by purchaser type
Q4 2022 – Q3 2023



- **UK institution:**
3% of investment

- **Listed Property Company:**
0% of investment

- **Private Property Company:**
18% of investment

- **Overseas Investor:**
77% of investment

- **Private/Other:**
2% of investment

Source: Knight Frank Research

“Prime yields in Sheffield remained stable in Q3 2023, at 5.75%”

PRIME INDUSTRIAL YIELDS STABILISE

Investment into industrial property in the region totalled £163 million for the first nine months of 2023. This is 43% lower on the same period last year, as rising debt costs this year have led to a slowdown in investment transactions.

In quarter three, Glenbrook acquired Platts Common Industrial Estate in Barnsley through a sale and leaseback transaction, for £4 million, reflecting a NIY of 9.39%. The building is being leased back to Metalliform Holdings.

In line with all UK industrial regional markets, prime yields in Sheffield remained stable in Q3 2023, at 5.75%. This follows a 100bps outward shift of prime yields in Sheffield over the past year.

Key Investment Deals

Q3 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Platts Common Industrial Estate, Chambers Road	Barnsley	£4m	9.39%	Glenbrook Property	Metalliform Holdings
Hutton Business Park, Eastwood Trading Estate	Rotherham	£1.75m	7.65%	Georgetown Carr Ltd.	Clearbell
Unit 2, Bentley Business Park	Dinnington	£1.05m	5.82%	Bramley Land Ltd.	Private

Source: Knight Frank Research

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

Logistics & Industrial Research

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 0036

Deirdre O'Reilly
deirdre.oreilly@knightfrank.com
+44 20 3995 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.

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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