

LOGIC: South Yorkshire & North East Derbyshire



Q3 2024

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

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Occupier Market

Despite rising availability, supply within certain unit sizes and locations remains constrained

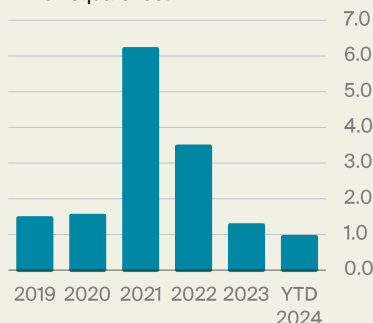
TAKE UP RETURNS TO PRE-COVID LEVELS

The South Yorkshire and North East Derbyshire industrial occupier market experienced a quiet third quarter of 2024 for take up of units over 50,000 sq ft, with just one transaction completing. Year-to-date (YTD) take up stands at 931,000 sq ft, marking a 26% decline on the same period last year.

That said, requirements are trending upwards, and almost 735,000 sq ft of space is currently under offer. If these transactions are to complete by year-end, take up volumes for 2024 would be close to the region's pre-pandemic annual average of 1.8 million sq ft.

Demand over the past year has been evenly split between the four major occupier sectors. Distribution firms and retailers both remain active, while the share of take up by other, non-traditional occupiers rose to 32%, from 21% recorded in the same period last year. Notably, manufacturers' requirements for specialised and purpose-built facilities that are energy-efficient and sustainable have resulted in build-to-suit transactions playing a key role in pushing prime rents upwards.

Take up (sq ft)
million square feet



Source: Knight Frank Research

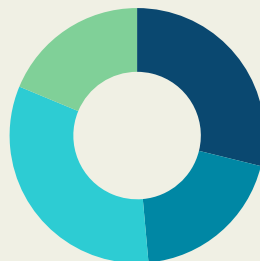
SUPPLY SHORTAGE FOR MID-BOX UNITS

Take up so far this year has been characterised by new, high-quality buildings between 50,000 and 200,000 sq ft in size, with new-build space accounting for 77% of all space signed in the YTD. This robust demand for modern facilities under 200,000 sq ft has led to a decline in the availability of such units in some locations and is driving rental growth, most notably in Sheffield, where prime rents for units over 50,000 sq ft have grown by 9.8% annually to Q3, to £9.00 psf.

POLARISATION IN RENTS

However, rental levels across the region are polarised. In Doncaster and Rotherham, prime rents are lower and where supply is more abundant, incentives (rent-free periods) have trended upwards, as landlords aim to preserve headline rents while offering more competitive terms to attract occupiers.

Take up by sector
Q4 2023 – Q3 2024



- Distribution: 29% of take up
- Manufacturing: 20% of take up
- Other: 32% of take up
- Retail: 19% of take up

Source: Knight Frank Research

MARKET VIEW

Re-emergence of strategic property requirements



BY REBECCA SCHOFIELD, PARTNER, SHEFFIELD LOGISTICS & INDUSTRIAL AGENCY

“3PL activity has been limited over the past 18-24 months, as many have been focused on backfilling their own ‘grey space’ offering competitive pallet rates to market. This has influenced take up and resulted in a lack of larger transactions. Looking forward, however, there has been an increase in new requirements from 3PLs, many of which are contract-led but, if successful in securing a contract, will need to take space in the market, and much of this demand is focused on good quality, modern space with good motorway access. In addition, we have started to see a re-emergence of a number of more strategic property requirements, which were put on hold following the mini-budget.

The economic outlook has improved following the change in government and reduction in interest rate. This has resulted in a change in sentiment and an uptick in occupier requirements across all size ranges, and we expect this to lead to improved take up in the coming months.

Whilst there is a healthy supply of buildings available across the region, there is a shortage of stock in certain size brackets and locations in the region, which is driving headline rents. For example, prime Sheffield at J33 and 34 on the M1 in respect of units sub 150,000 sq ft.”

Occupier Market

931,000 sq ft

Occupier take up
YTD 2024

11.5%

Vacancy rate
Q3 2024

£9.00 psf

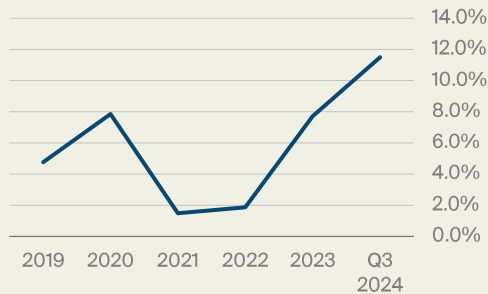
Prime rents
Q3 2024

9.8%

Prime annual rental growth

Vacancy rate

% of stock



Source: Knight Frank Research

“Take up has been characterised by new buildings between 50,000 and 200,000 sq ft in size”

SHEFFIELD FACES STOCK SHORTAGE

Availability edged up by 3.5% in Q3 to 7.6 million sq ft (units 50,000 sq ft+), pushing the vacancy rate to 11.5% from 11.1% in Q2. However, the uplift was solely driven by the return of second-hand stock; second-hand availability rose by 9.9%, while two-thirds of second-hand space consists of lower-quality grade B or C space.

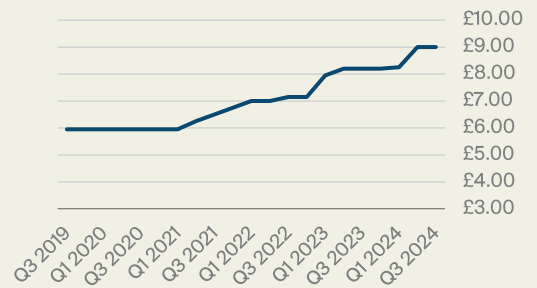
Meanwhile, the supply of new-build space declined by 2.6% during Q3. Sheffield, in particular, faces a shortage of available stock, with only seven units currently available. Of these, just two units are between 50,000 and 250,000 sq ft, the size band where demand is greatest, and both are second-hand buildings. Only two units in Sheffield are new-builds, both of which are over 250,000 sq ft.

OUTLOOK

The development pipeline consists of 1.9 million sq ft of speculative space underway across the region, none of which is in Sheffield (units 50,000 sq ft+). Commencements in Q3 included Panattoni’s 770,000 sq ft unit in Central Harworth, Doncaster; two units at Horizon 29, Chesterfield; and two units at Shireoaks, Worksop. Forecasts for average rental growth in Sheffield have been revised upwards, with 4.5% predicted for 2024 and 3.0% for 2025 (RealFor).

Sheffield - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

“The supply of new-build space declined by 2.6% in the quarter”

Key Occupier Deals YTD 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
Q3 2024

Stable

YOY movement in prime yields

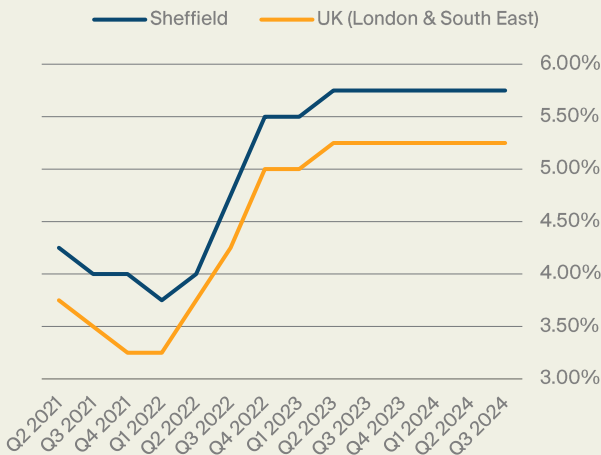
INVESTOR SENTIMENT GRADUALLY IMPROVING

Prime yields in Sheffield held steady at 5.75% in the third quarter and have remained at this level since Q1 2023. However, with sentiment gradually improving throughout the second and third quarters of 2024, there is a strong consensus that the bottom of the market has now been reached. Investor activity is gaining momentum, particularly for those who have raised capital.

A key transaction in the region in Q3 2024 included Ashroyd Business Park in Barnsley, a multi-let industrial estate totaling 110,000 sq ft, which was acquired by Swiss Life from 4th Industrial Ltd for £13.2 million (NIY 5.36%). In addition, Truswell Haulage disposed of its 70,865 sq ft building at Fallback Industrial Estate to Breck Holdings in a sale and 15-year leaseback, for £3.4 million, reflecting a NIY of 9.25%.

Prime Yield

Net initial yield %



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

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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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