

Occupier and investment market trends in the West Yorkshire & The Humber logistics and industrial sector.



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LOGIC: West Yorkshire & The Humber 2021 Review

Research, January 2022



MARKET OVERVIEW

A record year for occupier activity in West Yorkshire and the Humber in 2021, with 5.7 million sq ft of industrial and logistics space taken up.

5.7 million sq ft
Occupier take up 2021

£571.4 million
Investment total 2021

8%
Prime annual rental growth

Record year for leasing activity

The final quarter of 2021 saw a further 479,800 sq ft of industrial and logistics space taken up in West Yorkshire & the Humber, bringing the total annual take up to a record total of 5.7 million sq ft (units over 50,000 sq ft). Quarter four's take-up was dwarfed by transactions completing earlier in the year, including the pre-letting of 2 million sq ft at Wakefield Hub to Amazon. The annual total stands 31% ahead of 2020 and 78% above the five-year average. The retail sector dominated, accounting for 59% of take up in 2021.

Continuous decline of available stock

Total availability of units over 50,000 sq ft declined for the third consecutive quarter, to stand at 1.3 million sq ft at year end. This represents about three month's worth of supply and over one-third of this was under offer by year end. Supply levels are 30% lower on an annual basis, and with stock at record lows, the region's vacancy rate now stands at an acute 1.9%.



IAIN MCPHAIL, PARTNER,
LEEDS COMMERCIAL

“The final quarter's reduced take up is reflective of the critical level of standing stock available. There is very little speculative development under construction and expected to be delivered this year and we expect this to dampen the level of occupier transactions in 2022.”

Developers begin to respond to supply shortage

Developers have begun to respond to declining availability in West Yorkshire & the Humber, though there is currently just 295,000 sq ft of speculative development under construction. Developments under way include 230,000 sq ft at Interchange 26, Cleckheaton and CBRE IM's OP 65 (65,000 sq ft) in Leeds. We foresee a stronger development response in 2023, with speculative schemes earmarked at Whistler 32 in Glasshoughton, Firethorn's S2 scheme in Sherburn, Core 62 at Eggborough, Konect 62 in Selby, and a small handful of developments in Leeds.

Strong occupier demand coupled with low levels of available stock is driving rental growth across all size units in West Yorkshire & the Humber. Prime rents in Leeds for units over 50,000 sq ft rose by 8% year-on-year, to stand at £6.75 psf at the end of 2021, with new build rents now quoted at around £7.50 psf.

Investment remains on an upward trajectory

Underpinned by a strong occupier market, investor activity in the logistics and industrial sector in the region continues to rise, totalling £571.4 million in 2021, up from £388 million in 2020. The most significant source of investment in 2021 was overseas capital, which accounted for 43% of the total, followed by UK institutions, at 37%.

The largest investment deal of the year was a 779,000 sq ft distribution warehouse on Field Lane, South Elmsall, acquired in April 2021 by Aberdeen Standard Investments.

2022 Outlook

With maintained pressure on supply coupled with high levels of occupier demand, we expect headline rents and capital values to increase yet again into this year, coupled with a shrinking of occupier incentive packages. Average rental growth of 4.6% is forecast for Yorkshire & the Humber in 2022. Expectations for the Leeds market are particularly high, at 5.7% average rental growth (RealFor).

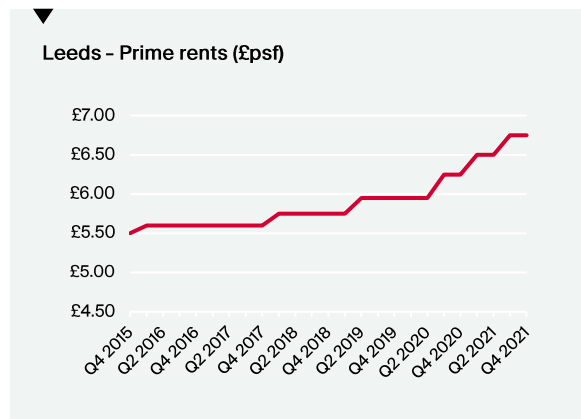
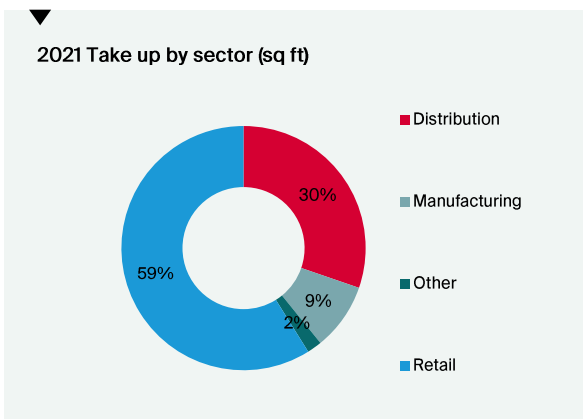
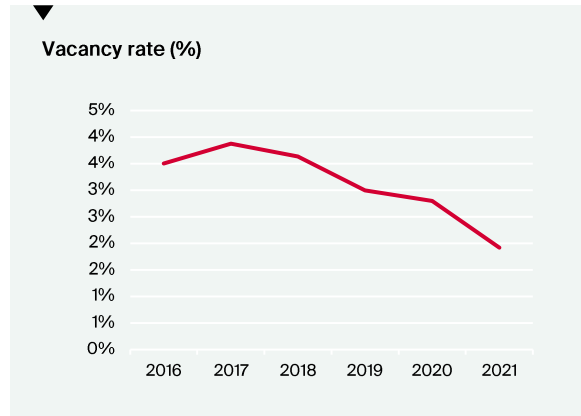
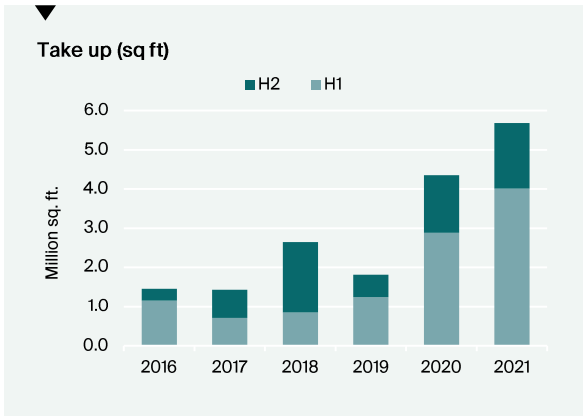
OCCUPIER MARKET

5.7 m sq ft
2021 occupier
take up

59%
Take up from
Retail sector

£6.75 psf
Prime rents

1.9%
Vacancy rate



KEY OCCUPIER DEALS 2021

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Wakefield Hub	2,000,000	Amazon	-	Pre-let
Next Distribution Centre, E3, South Elmsall, Pontefract	820,897	Next PLC	£5.00 psf	Design & Build
Wakefield 515	513,000	Amazon	£5.75 psf	-
Calder Park, Wakefield	330,000	Cubico Bathrooms	£6.56 psf	Pre-let

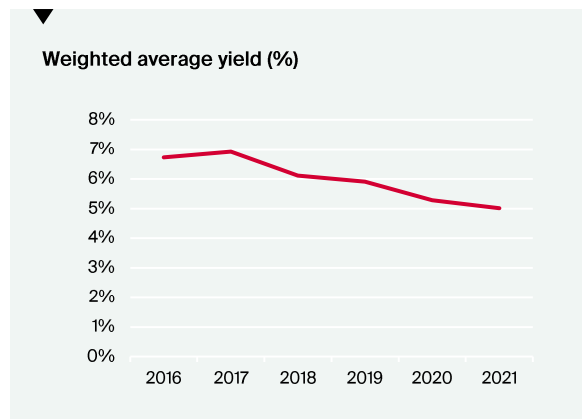
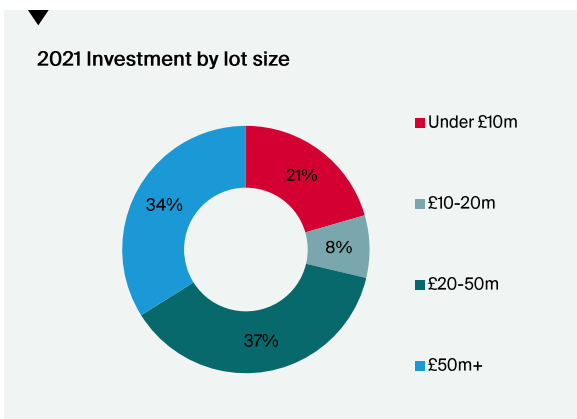
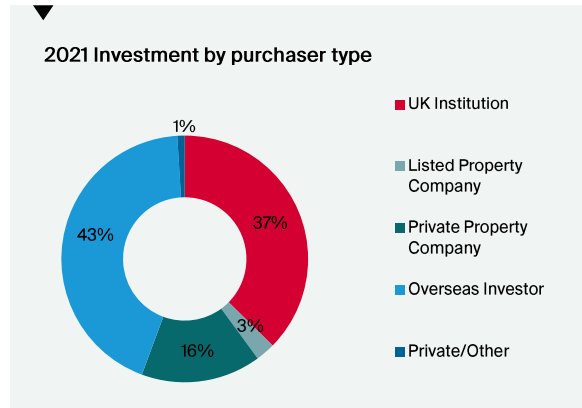
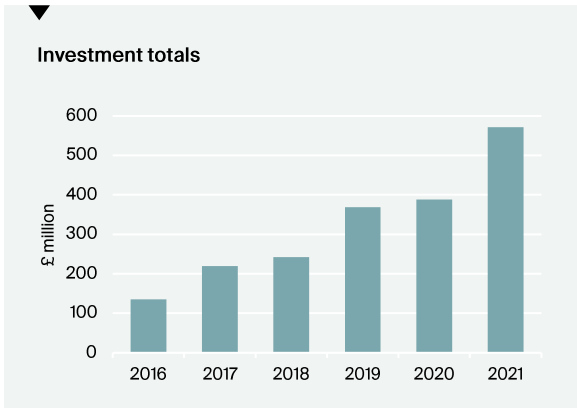
INVESTMENT MARKET

£571.4 million
Investment total

£14.7 million
Average lot size

43%
Overseas capital

5.0%
Average yield



KEY INVESTMENT DEALS 2021

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Field Lane	South Elmsall	£114.8m	4.5%	abrdn	Next Group Plc
Logic Leeds	Leeds	£29.3m	3.65%	State Street Capital	Leeds City Council
Total Park	Leeds	£25m	3.43%	abrdn	Total Developments

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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