

LOGIC: West Yorkshire & The Humber



2023 Review

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

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Occupier Market

West Yorkshire & the Humber industrial sector returning to pre-pandemic market

TAKE UP RECOVERS FROM RECORD LOW LEVELS

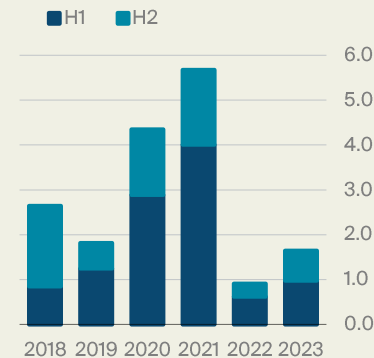
The West Yorkshire & the Humber region witnessed a steady uplift in take up in 2023, with over 1.6 million sq ft recorded (units 50,000 sq ft+), across 17 transactions. This is up from 908,000 sq ft in 2022, but behind the five-year annual average of 2.9 million sq ft (albeit this average includes two consecutive record-breaking years of pandemic-induced demand in 2020 and 2021).

The market has now settled back to pre-Covid conditions. For context, take up in 2019 totalled 1.8 million sq ft.

While occupiers continue to display a sense of cost conservatism, the steady delivery of new, speculative space to the market is creating more opportunities and contributing to a gradual recovery in take up from its record low in 2022.

Prime rents have now reached £8.75 psf (units over 50,000 sq ft), reflecting 17% annual growth. Several new build mid-box units are under offer in the region, which will see quoting rents increase again to circa £9.50 psf in early 2024.

Take up (sq ft)
million square feet



Source: Knight Frank Research

DEARTH OF SIGNIFICANT SIZED TRANSACTIONS

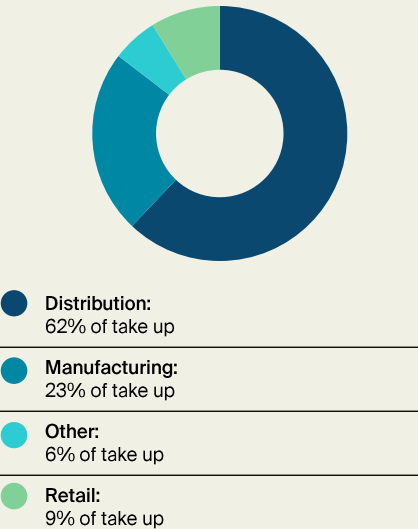
There has been a dearth of significant sized transactions in the region due to the lack of immediately available space over 100,000 sq ft. Out of the 17 completed deals, 12 units were between 50,000-100,000 sq ft, with the remaining five between 100,000-250,000 sq ft. This compares to 2020/21 where several large deals drove take up to record-highs.

Both distribution and manufacturing companies expanded their share of the market in 2023, while take up by retailers was comparatively lower. Distribution firms comprised 62% of the annual total, with manufacturers contributing an additional 23%.

UPLIFT IN PRE-LET ACTIVITY

A notable deal in the final quarter included Point 36, Goole, (94,841 sq ft), pre-let to Siemens Mobility on a 10-year lease. Pre-let activity accounted for 29% of take up last year. In contrast, no pre-let deals completed in the region in 2022.

Take up by sector
2023



Source: Knight Frank Research

MARKET VIEW

New build supply of units 200,000 sq ft+ is limited



BY IAIN MCPHAIL, PARTNER,
LEEDS LOGISTICS & INDUSTRIAL
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“The third-party logistics (3PL) market was very quiet in 2023 due to operators backfilling their grey-space, primarily made up of large PPE contracts during Covid-19. We are, however, starting to see more contract-led 3PL requirements return to the market.

Despite the supply side uplift, the new build supply in West Yorkshire & the Humber region of units 200,000 sq ft+ is limited to a single new build - 280,000 sq ft at Firethorn’s S42 development in Sherburn in Elmet. Similarly, the only second-hand modern unit immediately available is the 556,000 sq ft ‘Sherburn 550’ warehouse, which is located to the East of Leeds off Junction 42 A1(M).

We have witnessed a ‘flight to prime’ from occupiers over the last 12 months, with well-placed established developments attracting a good deal of interest, for example, Leeds Valley Park and Velocity Point, both in Leeds.”

Occupier Market

1.6 million sq ft

Occupier take up
2023

6.3%

Vacancy rate
Q4 2023

£8.75 psf

Prime rents
Q4 2023

17%

Prime annual rental growth

“There has been a dearth of significant sized transactions due to the lack of immediately available stock”

SUPPLY UPLIFT DRIVEN BY DELIVERY OF NEW SPACE

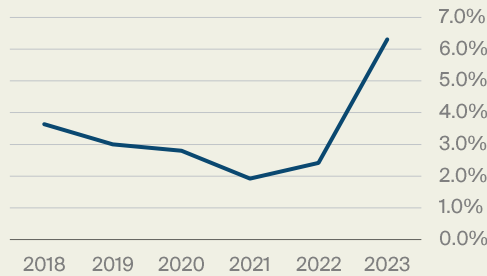
A significant volume of new build space reached practical completion during the final quarter of 2023 (c. 1.3 million sq ft, units 50,000 sq ft+). Consequently, the supply of immediately available space steeply rose to 4.2 million sq ft by year-end, increasing the vacancy rate from 4.3% in Q3 to 6.3% in Q4. However, 22% of this available space is currently under offer.

2024 OUTLOOK

Just one unit over 50,000 sq ft was under construction at the end of December and beyond this, the proposed speculative pipeline is now limited (with the exception of Baytree’s Leeds Scheme in Stourton). New development is being hindered by the absence of institutional funding in the market. As a result, we expect the medium-term supply pipeline of units over 50,000 sq ft to remain constrained in the region.

Rental growth is expected to remain positive, with average growth of 2.6% forecast for 2024 for Yorkshire & the Humber, and 2.7% forecast for Leeds (RealFor).

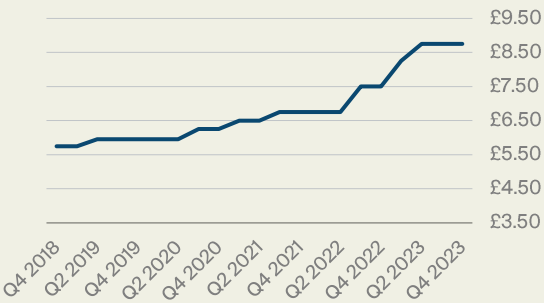
Vacancy rate
% of stock



Source: Knight Frank Research

“We expect the medium-term supply pipeline of units over 50,000 sq ft to remain constrained”

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



Source: Knight Frank Research

Key Occupier Deals 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Super B, Interchange 26, Cleckheaton	230,000	Advanced Supply Chain	£7.50 psf	Pre-let
Voltaic, Wakefield 41 Industrial Estate, Wakefield	211,364	XPO	£6.00 psf	Second-hand
Unit 2, Prism Park, Glasshoughton, Wakefield	153,323	IFCO	£8.25 psf	Pre-let
Point 36, Goole	94,841	Siemens Mobility	£8.00 psf	Pre-let
OP65, Overland Park, Morley, Leeds	65,755	Leadbeater Transport	£8.75 psf	Speculative build

Source: Knight Frank Research

Investment Market

£94 million

Investment total
2023

£6.7 million

Average lot size
2023

78%

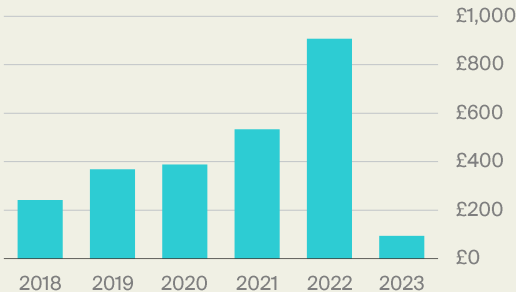
Investment by UK private property companies
2023

5.50%

Prime yield
Q4 2023

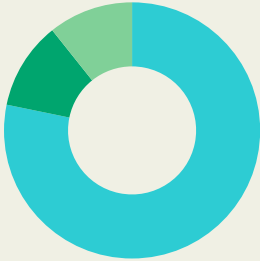
“Investment volumes were notably lower in 2023, with just £94 million transacting”

Investment totals
£m



Source: Knight Frank Research

Investment by purchaser type
2023



- UK institution: 0% of investment
- Listed Property Company: 0% of investment
- Private Property Company: 78% of investment
- Overseas Investor: 11% of investment
- Private/Other: 11% of investment

Source: Knight Frank Research

ABSENCE OF INSTITUTIONAL INVESTORS

Following several years of growth in the West Yorkshire & the Humber industrial investment market, investment volumes were notably lower in 2023. Just £94 million transacted, compared with £907 million recorded in 2022. In Q4 2023, Unit 1, Premier Point in Bradford was acquired by a private investor for £6 million (NIY 5.30%). UK private property companies were most active in 2023, accounting for 78% of investment, while overseas buyers comprised 11%. In contrast, institutional investors were visibly absent from the region’s industrial investment market last year.

“Prime industrial yields in Leeds remained stable in Q4, at 5.50%”

Prime industrial yields in Leeds remained stable in Q4, at 5.50%. Improvements in investor sentiment and the outlook for yield compression will be largely dependent on when base rates begin to fall this year.

Key Investment Deals 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Wakefield 41, Brindley Way	Wakefield	£13.2m	5.50%	Crossbay	F&C REIT Asset Management
Birstall 140, Holden Ing Way	Birstall	£10.35m	7.25%	Arrow Capital Partners	Birstall 140 Ltd.
LWS Yorkshire, Lockwood Court	Leeds	£9.65m	5.85%	Investcorp	AEW UK REIT plc
Iron Mountain/Prima House, Premier Way	Leeds	£8m	6.40%	Cabot Properties	First World Hybrid Real Estate
Unit 1, Premier Point, Staithgate	Bradford	£6m	5.30%	Private investor	Private owner

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.



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