

LOGIC: West Yorkshire & The Humber



Q1 2023

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

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Occupier Market

Development pipeline supporting a steady uplift in take up.

ROBUST OPENING QUARTER FOR OCCUPIER TAKE UP

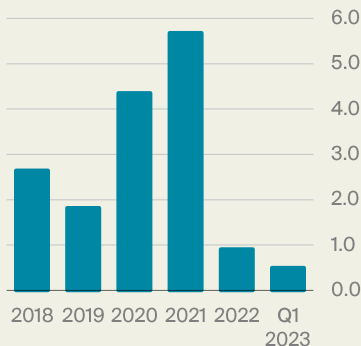
The first quarter of 2023 recorded a robust 496,100 sq ft of industrial and logistics occupier take up in West Yorkshire & the Humber, across four deals (units over 50,000 sq ft). This is 25% higher than that recorded in Q1 of last year and significantly ahead of the previous three months.

Two notable pre-let deals boosted the quarterly total, setting new prime headline rents for the region.

Tungsten’s Super B, Interchange 26 in Cleckheaton has unconditionally exchanged to logistics service provider, Advanced Supply Chain, on a 20-year lease at £7.50 psf.

In addition, Equation’s 153,323 sq ft Unit 2 at Prism Park, Glasshoughton, has exchanged to IFCO, who are currently based in Normanton and provide reusable packaging to the grocery sector, on a 15-year lease at £8.25 psf. Practical completion of the unit is expected later this year, with a target EPC rating of ‘A’ and a BREEAM ‘Excellent’ rating.

Take up (sq ft)
millions square feet



Source: Knight Frank Research

TAKE UP EXPECTED TO IMPROVE AS THE YEAR PROGRESSES

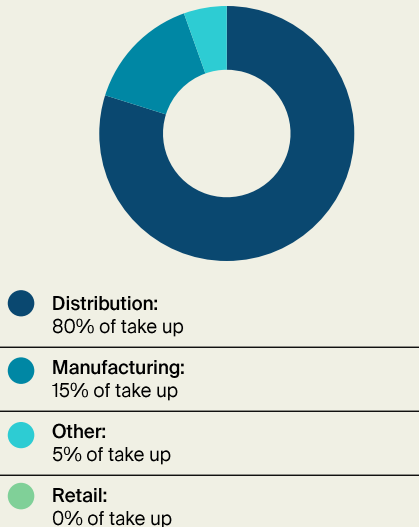
Take up for the twelve months to end-March 2023 stood at just over 1 million sq ft. This compares to 5.2 million recorded over the same period last year, with the shortage of supply leading to record low take up levels in the region last year.

Despite the wider macroeconomic conditions, the first three months alone have already recorded almost 500,000 sq ft of take up, therefore a higher level of transactions is expected for 2023.

DISTRIBUTION FIRMS DOMINATE ACTIVITY

The past year has seen distribution firms dominate take up, accounting for 80% of the annual total and up significantly from 13% over the comparable period last year. Manufacturers have also been active, comprising a further 15%.

Take up by sector
Q2 2022 - Q1 2023



Source: Knight Frank Research

MARKET VIEW

Dearth of prime space putting pressure on headline rents



BY IAIN MCPHAIL, PARTNER,
LEEDS LOGISTICS & INDUSTRIAL
AGENCY

“We have seen a welcome increase in take up so far in 2023, with new headline rents being achieved in the process. With the continued dearth of grade A, new speculative development, we are seeing further upward pressure on quoting / ‘guide’ rents.

There is some 2.3 million sq ft of new space to be delivered over the course of 2023 in the region, although the vast majority of this is situated in traditionally ‘secondary’ locations. In the meantime, we expect the new, prime mid-box developments in Leeds (Leeds Valley Park and Velocity Park) as well as Prism Park in Wakefield to push rents on further.”

Occupier Market

496,100 sq ft

Occupier take up
Q1 2023

2.4%

Vacancy rate
Q1 2023

£8.25 psf

Prime rents
Q1 2023

22%

Prime annual rental growth

“96% of the existing available space comprises second-hand stock.”

NEW, HIGH QUALITY DEVELOPMENT IS BEING DELIVERED

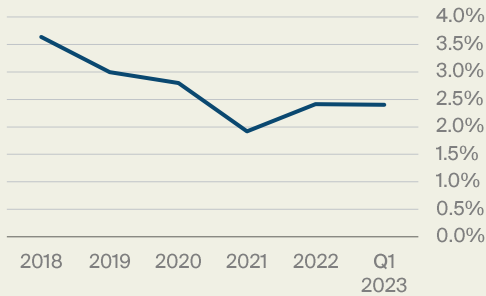
The volume of available floorspace in the region decreased marginally in Q1 2023, to stand at 1.6 million sq ft (units over 50,000 sq ft). This is almost entirely comprised of second-hand stock (96%). The vacancy rate in the region therefore remained unchanged in the quarter, at 2.4%. A further 2.3 million sq ft of space is under construction speculatively, across 15 units, with three new developments commencing during the quarter, strengthening the delivery pipeline.

RENTAL LEVELS & OUTLOOK

The continued supply/demand imbalance in West Yorkshire & the Humber has led to rental growth across all size units. Prime rents in Leeds for units over 50,000 sq ft rose by 10% in the quarter and by 22% YOY, reaching a new headline of £8.25 psf.

Average rents are forecast to rise at a slightly more moderate rate, with 7.2% and 7.4% growth predicted for Yorkshire & the Humber and Leeds, respectively, according to the latest RealFor forecasts.

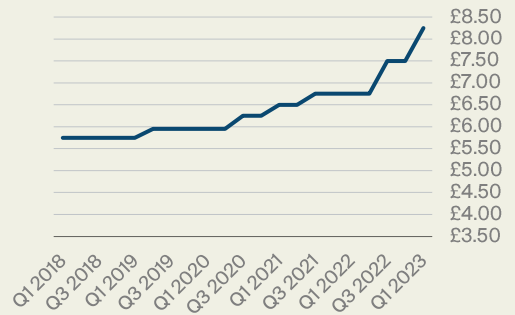
Vacancy rate
% of stock



Source: Knight Frank Research

Leeds - Prime Rents

£ per sq ft (units >50,000 sq ft)



Source: Knight Frank Research

“Prime rents in Leeds for units over 50,000 sq ft rose by 10% in the quarter, reaching a new headline of £8.25 psf.”

Key Occupier Deals Q1 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Super B, Interchange 26, Cleckheaton	230,000	Advanced Supply Chain	£7.50 psf	Unconditionally Exchanged
Unit 2, Prism Park, Glasshoughton, Wakefield	153,323	IFCO	£8.25 psf	Unconditionally Exchanged
Unit 5, Moor Park 25, Elland	59,000	A-Field Transport	£7.25 psf	Second-hand Grade A

Source: Knight Frank Research

Investment Market

£11.2 million

Investment total
Q1 2023

£11.8 million

Average lot size
(last four quarters)

39%

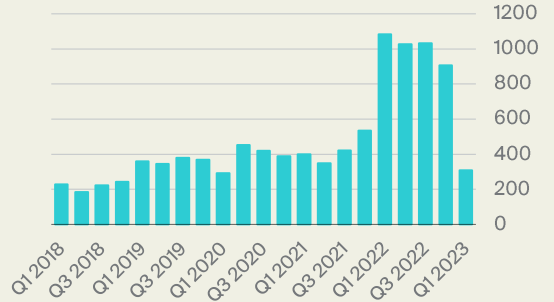
Investment by UK private property companies
(last four quarters)

5.25%

Prime yield
Q1 2023

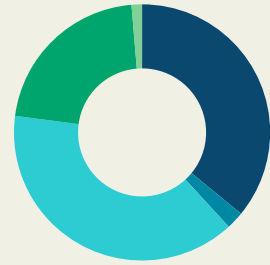
“Investment in the four quarters to end Q1 2023 totalled £308 million, 72% lower annually.”

Investment totals (£m)
(four quarter rolling)



Source: Knight Frank Research

Investment by purchaser type
Q2 2022 - Q1 2023



- **UK institution:**
36% of investment

- **Listed Property Company:**
2% of investment

- **Private Property Company:**
39% of investment

- **Overseas Investor:**
22% of investment

- **Private/Other:**
1% of investment

Source: Knight Frank Research

“The share of investment by UK property firms over the past year has increased to 39%.”

SLOWDOWN IN INVESTMENT ACTIVITY

Investment into industrial property in West Yorkshire & the Humber in the four quarters to end Q1 2023 totalled £308 million, 72% lower annually. Investor activity has been notably slower over the past two quarters, with just three deals completing in Q1, totalling £11.2 million.

The share of investment in the region by UK private property companies increased to 39% annually to Q1, from 20% over the same period last year. A further 22% of the capital invested came from overseas.

Following a notable softening of prime industrial yields in the latter half of 2022, prime yields in Leeds remained stable in Q1 2023, at 5.25%.

Key Investment Deals

Q1 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Unit 3, Benyon Park Way	Leeds	£7m	6.93%	Inflection Real Estate	Columbia Threadneedle

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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