

# LOGIC: West Yorkshire & The Humber



Q1 2024

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

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Image: Bayirée Leeds

# Occupier Market

## Steady recovery in take up in West Yorkshire & the Humber

### STEADY RECOVERY IN TAKE UP LEVELS

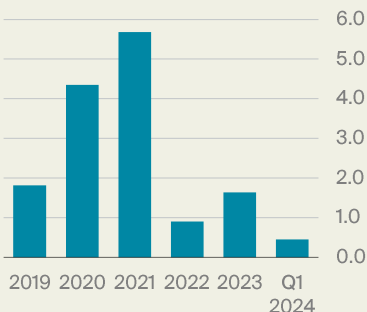
The first quarter of 2024 witnessed 456,500 sq ft of take up in the West Yorkshire & the Humber industrial and logistics market, ahead of Q4 2023's total, of 247,000sq ft (units over 50,000 sq ft).

Take up annually to Q1 2024 amounted to 1.6 million sq ft, 59% ahead of the previous year's total (to Q1 2023). However, annual take up remains behind the five-year, pre-Covid annual average of 2 million sq ft, largely due to the supply-constrained market that has persisted since 2020.

Three transactions completed in the first quarter. The most notable deal was the letting of Unit 5 Velocity Point, which is a new build 108,500 sq ft warehouse. The property was let to packaging solutions provider, Hazel 4D, on a 15-year lease, at an average headline rent of £8.15 psf.

Prime rents in Leeds for units over 50,000 sq ft are 6.1% higher annually, at £8.75 psf.

### Take up (sq ft) million square feet



Source: Knight Frank Research

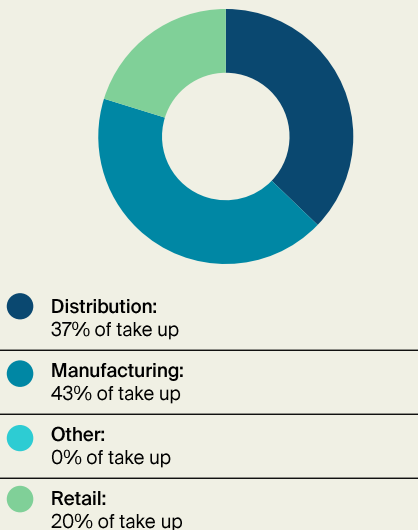
### OCCUPIERS REMAIN ACTIVE

Occupiers remain active, albeit they are still exercising cost caution given the economic headwinds encountered over the past year. Enquiry levels have improved, while 20% of the existing available space was under offer at quarter-end.

### MANUFACTURERS MOST ACTIVE OVER THE PAST YEAR

Manufacturers continue to grow their share of the West Yorkshire & the Humber industrial and logistics market, comprising almost 43% of the space taken over the past year. This is up from 15% in the comparable period last year. Retailers have also been more active in the region over the past year. Recent occupiers in the manufacturing sector include producers of soft drinks, as well as companies specialising in transport manufacturing and maintenance.

### Take up by sector Q2 2023 – Q1 2024



Source: Knight Frank Research

### MARKET VIEW

The market is still starved of Grade A space over 100,000 sq ft



BY IAIN MCPHAIL, PARTNER,  
LEEDS LOGISTICS & INDUSTRIAL  
AGENCY

“The regional market has been starved of vacant space since 2020, which has impacted our take up figures over the past couple of years, despite demand being strong. We have now seen a glut of Grade B and C space return to the market during the last year, which is providing occupiers with more choice to satisfy their property requirements.

Despite over 1.4 million sq ft of new space being delivered in the last six months, a good proportion of the 'prime' developments are being let or going under offer. We are still starved of Grade A space over 100,000 sq ft in West Yorkshire. The Baytree Leeds scheme is the only speculative development underway in the region.

Prime rents continue to rise in the region, and with several new mid-box units under offer, we can see headline rents breaking the £9.00 psf barrier.”

# Occupier Market

456,500 sq ft

Occupier take up  
Q1 2024

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7.6%

Vacancy rate  
Q1 2024

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£8.75 psf

Prime rents  
Q1 2024

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6.1%

Prime annual rental growth

“Take up annually to Q1 is 59% ahead of the previous year“

## SUPPLY CONCENTRATED IN SMALLER UNITS

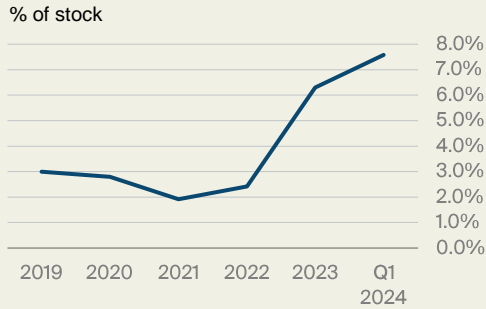
Supply levels stood at 5.1 million sq ft at the end of Q1 2024 (units 50,000 sq ft+), an increase of 20% on the previous quarter. This brings the vacancy rate to 7.6%, from 6.3% recorded in Q4 2023. The uplift was entirely driven by the return of second-hand buildings to the market, while the supply of new, prime space declined by 3.6%. Despite a number of new development completions last year, 62% of all available space comprises second-hand Grade B and C units, while 90% of available buildings are units under 250,000 sq ft in size.

## OUTLOOK

The delivery of new, speculative space to the market is expected to slow this year. Just two units at Baytree Leeds are currently under construction speculatively. The best-in-class development consists of 76,231 and 145,454 sq ft units and are expected to reach practical completion in August, with a build-to-suit offering of up to 329,583 sq ft on the final plot.

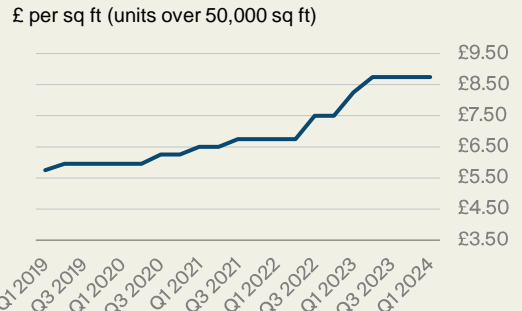
In contrast, 14 speculative buildings, totalling 1.5 million sq ft, were under construction one year ago, with new developments now being hindered by the absence of institutional funding. Rental growth forecasts have been revised upwards for 2024, with 5.1% now forecast for Leeds (RealFor).

### Vacancy rate



Source: Knight Frank Research

### Leeds - Prime Rents



Source: Knight Frank Research

“90% of the available buildings are units under 250,000 sq ft in size“

## Key Occupier Deals Q1 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Ilke Homes, Flaxby, Knaresborough	275,413	Shepley Spring Water	£13.3 million	Freehold purchase - second-hand
Unit 5 Velocity Point, Leeds	108,500	Hazel 4D	£8.15 psf	Speculative Build
Futures Way, Bradford	72,564	Joda Freight	£5.50 psf	Second-hand

Source: Knight Frank Research

# Investment Market

5.50%

Prime NIY - Leeds  
Q1 2024

+25 bps

YOY movement in prime yields

## PRIME INDUSTRIAL YIELDS REMAIN STABLE

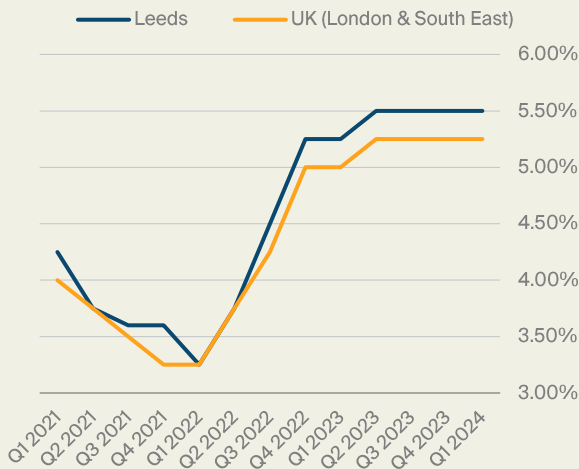
Prime yields in the Leeds industrial market have remained stable over the past four quarters, at 5.50%. This is 25 bps softer than the level recorded one year ago. Since the turn of the investment market in Q2 2022, prime yields in the region have softened by 225 bps.

The outlook for prime yields will be largely reliant on when base rates are reduced later this year and the continued robust performance of the occupational market in West Yorkshire & the Humber.

Q1 2024 saw Sprint 70 in Hunslet, Leeds, acquired by a private investor from State Street Trustees Ltd. for £6.4 million, representing a net initial yield of 6.67%.

### Prime Yield

Net initial yield %



Source: Knight Frank Research

## MARKET VIEW

Available opportunities are restricting volumes



BY GRAHAM FOXTON, PARTNER,  
LEEDS CAPITAL MARKETS

“Investor demand remains strong in the industrial sector, but available opportunities are restricting volume levels. Properties mid-review cycle with some latent rental growth are proving most attractive, providing an investor the opportunity to increase income and value through lease events. Equally, there is real demand for best of the best prime investments, with excellent energy efficiency standards and comprehensive redevelopment opportunities for value-add prop co’s.”

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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