

LOGIC: West Yorkshire & The Humber



Q2 2024

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

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Image: TL2, Towngate Link, Leeds

Occupier Market

Robust take up driven by the manufacturing sector

HIGHEST H1 TAKE UP IN THREE YEARS

A robust 722,000 sq ft of take up was recorded in the West Yorkshire & the Humber industrial and logistics market in Q2 2024, bringing the total for the first half of the year to 1.2 million sq ft (units over 50,000 sq ft).

This puts the market in a good position against last year's annual total of 1.6 million sq ft. H1 2024 take up is 20% ahead of the level recorded in H1 2023, and the highest H1 volume recorded in three years.

MANUFACTURERS CONTINUE TO EXPAND

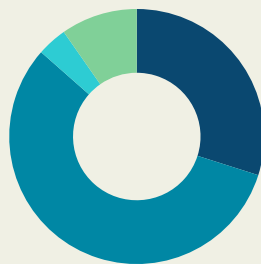
Five leasehold and three freehold deals completed in H1, with all three freehold purchases involving manufacturers. The largest of these transactions was air conditioning manufacturer, Airedale, who acquired the 314,714 sq ft former Hallmark Cards facility at Dawson Lane in Bradford. The site will produce precision cooling equipment to meet increasing demand from the fast-growing data centre industry. In addition, the 275,413 sq ft former Ilke Homes factory in Flaxby, Knaresborough,

was bought by bottled water manufacturer, Shepley Spring Water in Q1 2024.

Over 1 million sq ft of space has been taken by manufacturers in West Yorkshire & the Humber region over the past year. This is substantially higher than the circa 200,000 sq ft recorded in the same four-quarter period last year. Manufacturers now comprise over half of the space taken (56%), with distribution companies making up an additional 30%. This marks a shift from the previous year, when distribution firms occupied 72% and manufacturers only 16%.

The largest letting in Q2 involved food and beverage logistics company, Oakland International, securing K161 at Konect 62 in Selby. The 161,578 sq ft new build, speculatively developed by Cole Waterhouse, reached practical completion last year and was constructed to BREEAM 'Excellent' and EPC 'A' ratings. Oakland agreed a 15-year lease in a move that expands their supply chain network and geographical footprint in the UK.

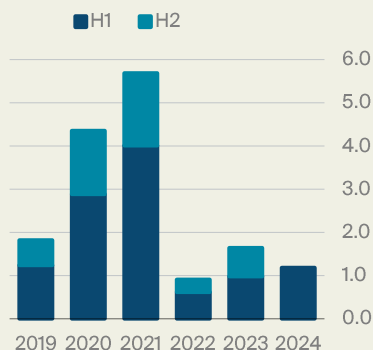
Take up by sector Q3 2023 – Q2 2024



- **Distribution:**
30% of take up
- **Manufacturing:**
56% of take up
- **Other:**
4% of take up
- **Retail:**
10% of take up

Source: Knight Frank Research

Take up (sq ft) million square feet



Source: Knight Frank Research

MARKET VIEW

Increased availability of new, prime warehouse options



BY IAIN MCPHAIL, PARTNER,
LEEDS LOGISTICS & INDUSTRIAL
AGENCY

“The West Yorkshire and Humber market has seen somewhat of a revival during H1 2024, which has largely been driven by the increased availability of new, prime warehouse options for occupiers, with developments like Leeds Valley Park and Velocity Point benefiting from pent-up occupier demand for small and mid-box units.

We have noticed a marked rise in manufacturing enquiries and several occupiers needing a large power supply to be secured before signing a new lease. This further emphasises the need for developers to factor in sufficient utility supply to their speculative schemes in order to accommodate not only the B8 distribution sector, but also B2 manufacturing end users.”

Occupier Market

1.2m sq ft

Occupier take up
H1 2024

6.6%

Vacancy rate
Q2 2024

£8.75 psf

Prime rents
Q2 2024

Stable

Prime annual rental growth

“Over 1 million sq ft of space has been taken by manufacturers over the past year”

VACANCY RATE REVERSES DOWNWARDS

Supply levels fell by 12.7% in Q2, to 4.5 million sq ft (units 50,000 sq ft+), with the availability of both new and second-hand stock declining in the quarter. The vacancy rate therefore sharpened by 100 bps to 6.6%, following five consecutive quarterly rises to the vacancy rate due to new development completions and second-hand space re-entering the market. Almost three quarters of all available space is second-hand, while the supply of new, large stock is limited, with only four units over 100,000 sq ft available.

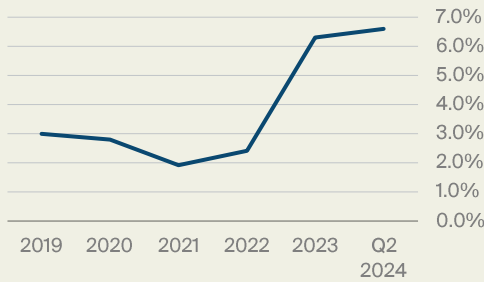
Looking at the short-term development pipeline, Baytree Leeds remains the only speculative development scheme underway in the region for units over 50,000 sq ft. This comprises two units, 76,285 sq ft and 145,476 sq ft, with a build-to-suit unit of up to 329,583 sq ft available on the final plot. This is a significant reduction from one year ago, when 12 speculative buildings totalling 1.4 million sq ft were under construction. A lack of institutional funding has significantly slowed the pace of development over the past year.

RENTAL LEVELS & OUTLOOK

Prime rents in Leeds for units over 50,000 sq ft were stable in Q2 at £8.75 psf, however, with quoting rents for prime mid-box now at £9.50-£9.75 psf, rental growth forecasts for Leeds remain positive. Average growth of 5.1% is forecast for 2024 in Leeds (RealFor).

Vacancy rate

% of stock

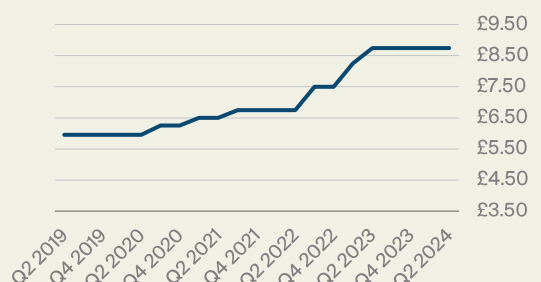


Source: Knight Frank Research

“The vacancy rate sharpened by 100 bps, following five consecutive quarterly rises”

Leeds - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Key Occupier Deals

H1 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Dawson Lane, Bradford	314,714	Airedale	£10m	Freehold purchase - second-hand
K161, Konect 62, Selby	161,578	Oakland International	£8.35 psf	Speculative build
Unit 5 Velocity Point, Leeds	108,500	Hazel 4D	£8.15 psf	Speculative build
Unit 2 Leeds Valley Park, Leeds	70,000	NHS	Undisclosed	Speculative build

Source: Knight Frank Research

Investment Market

5.50%

Prime NIY - Leeds
Q2 2024

Stable

YOY movement in prime yields

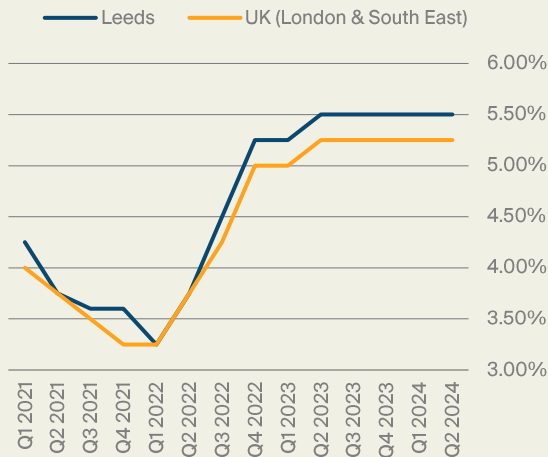
INVESTMENT VOLUMES REMAIN THIN

Sellers have been reluctant to exchange at current levels of pricing which is keeping industrial investment volumes in the region relatively thin. Transactions that occurred in Q2 2024 included Leeds Bradford Airport Depot, acquired by Leopard Capital from Broadland Properties for £25 million, and MX Park, Monks Cross in York, sold by Tonsley Investments to LondonMetric for £6 million (NIY 5.67%).

Prime yields in the Leeds industrial market remain stable Q2 2024, at 5.50%, though sentiment is starting to trend positive at the prospect of an interest rate cut this year. Since the turn of the investment market in Q2 2022, prime yields in the region have softened by 225 bps.

Prime Yield

Net initial yield %



Source: Knight Frank Research

MARKET VIEW

Positive activity in the value-add model and forward funding



BY GRAHAM FOXTON, PARTNER,
LEEDS CAPITAL MARKETS

“Investment volumes remained relatively subdued due to the lack of available opportunities. Buyers have been found for all assets looking to trade which is evidence of the good levels of demand. Single or multi-let high quality distribution units, particularly one with reversionary rental levels, are still the number one requirement but we have also seen some really positive activity in the value add model and forward funding, signalling confidence in construction sector and capital appreciation in the future.”

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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