SOUTH YORKSHIRE

Logistics and Industrial Commentary H2 2012

Knight Frank

Rebecca Schofield, South Yorkshire Industrial Agency
+44(0)114 272 9750
rebecca.schofield@knightfrank.com

H2 2012 market commentary

- For units in excess of 50,000 sq ft, South Yorkshire saw take-up of 1.65m sq ft in H2 2012, the highest seen since H2 2010. While the manufacturing sector was particularly active, the main boost to H2 take-up was The Range's 750,000 sq ft lease of Nimbus, Doncaster.
- The 150,000 sq f to 200,000 sq ft segment saw increased activity, with both Nexus and Elmhirst Park in Barnsley securing occupiers in H2. Additional buildings are also currently under offer, which is impacting significantly on the supply of units of this size in the region.
- In contrast, the market for 250,000+ sq ft units remains difficult. With c.1.85m sq ft of space still available in this sector, landlords continue to offer generous terms to potential occupiers. While 3 PLs are in the market, it is difficult for them to consider new shell facilities given fit-out costs and their preference for short-term leases, typically of no more than five years.
- Demand for small to medium sized units has remained robust, with the supply of such stock reducing significantly during 2012 as a consequence. While rental growth is yet to occur, incentive packages have hardened.
- The shortage of good quality units of up to 80,000 sq ft will prompt occupiers to consider design and build solutions. However, in order for these to be viable, rents will need to increase and the lease terms required are likely to be a minimum of 15 years.
- While the manufacturing sector remains an important driver of demand in the region, a notable development has been the rise in requirements from parcel distributors. These have become particularly active on the back of increased internet sales. Royal Mail, DHL and TNT are all in the market for additional space.

Q4 2012 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q4 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Sheffield	£5.00 ▲	£4.75 ◄►	£4.50 ◄►
Doncaster	£4.75 ◄►	£4.75 ◄►	£4.50 ◄►
Rotherham	£4.75 ◄►	£4.75 ◄►	£4.50 ◄►
Barnsley	£4.75 ◄►	£4.75 ◄►	£4.50 ◄►

In October 2012, Ellbee leased 205,00 sq ft at Nexus 36, Barnsley. Knight Frank acted for the landlord.

Selected South Yorkshire transactions H2 2012

Address	Tenant	Size (sq ft)	Rent / Price (per sq ft)	Date
Nexus 36, Ashroyd Business Pk, Barnsley J36 M1	Ellbee	205,000	£4.50	Oct 12
Elmhirst, Fallbank Industrial Estate, Barnsley, J37 M1	Perrigo	155,000	£3.50	Oct 12
Unit 1, Provincial Park, Sheffield, J35 M1	Firth Rixon	78,000	£3.25	Oct 12
Nimbus, Thorne, Doncaster, J6 M18	The Range	750,000	£4.00	Nov 12
Fallbank Industrial Estate, Barnlsey, J37 M1	KDA	64,700	£30.00*	Nov 12

*Freehold transaction

Regional outlook

- With the exception of the big shed stock, reduced supply will lead to a further hardening of incentives in 2013, with the possibility that growth in headline rents will follow.
- Despite the dwindling of supply in the small to medium sized segment of the market, speculative development remains off the agenda given the rental levels required to make schemes viable.
- That said, if developers are able to secure a pre-let in any given location, it may encourage the more adventurous to include an additional speculative building on site.

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