

Industrial & Logistics Market Overview Report

Barnsley West, Junction 37 M1

Prepared on behalf of Sterling Capitol

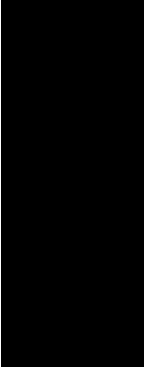
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Executive Summary

- Barnsley West (MU1) is allocated in the Barnsley Local Plan mixed use commercial and residential development, including 42 hectares of employment land.
- Barnsley West will be accessed via new infrastructure, including a link road offering direct access to Junction 37 of the M1 Motorway
- The logistics and industrial market enjoyed a bumper couple of years following covid, with the pandemic accelerating demand. This fuelled record take-up levels in 2020 and 2021.
- We have witnessed a slow-down in market activity, however, demand continues to run in line / slightly ahead of pre-covid levels.
- We have seen a developer response to the increased demand which has been particularly evident in South Yorkshire.
- As at the end of H1 2023, the region had a healthy supply of buildings, totalling approximately 6,000,000 sq ft, representing approximately 2 years supply based on long term average take up.
- Whilst there is currently a supply of buildings across the region, there is no new speculative development currently planned beyond that currently available.
- Take up for the preceding 12 month period ending H1 2023 for the South Yorkshire region has been dominated by distribution occupiers, albeit approximately 16% of take up is accounted for by manufacturing companies.
- Barnsley West is ideally located adjacent to Junction 37 of the M1 Motorway and following new infrastructure will benefit from direct access.
- Barnsley West is well placed in respect of delivery timetable to fulfil future requirements following take up of current supply. Key to occupier's requirements is deliverability and certainty over timescales for delivery.
- Occupier and investor demand has an increasing focus towards high quality modern space with a focus on ESG.
- Specification of premises is particularly important, with increasing focus on height, yard depth and available utilities.

Brief

Knight Frank LLP have been asked to provide a market overview in respect of the industrial and logistics market in relation to the proposed development at Barnsley West, Barnsley.

We will provide an overview of the national and regional industrial and logistics markets, looking at supply and take-up in each.

Barnsley West

Barnsley West known as MU1 Site Allocation within the Barnsley Local Plan January 2019 is a mixed use development, which includes 42 hectares of employment land and will be accessed via new infrastructure, including a link road, offering easy access to Junction 37 of the M1 Motorway.

The area around Junction 37 is an established commercial location, home to occupiers including NHS Blood, GEM Imports, SHI and Perrigo, Koyo Bearings, Approved Foods and KDA Wholesale.

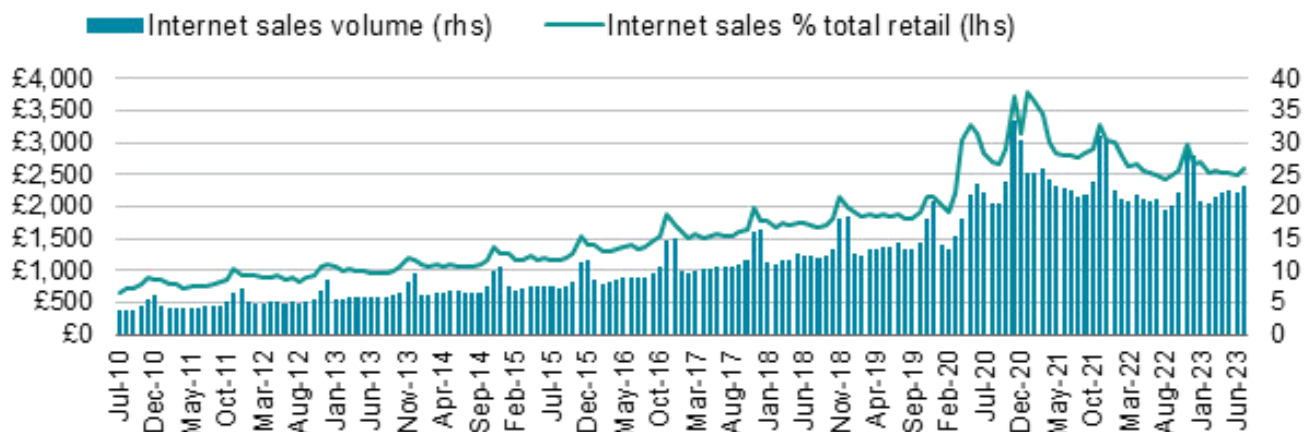
Market Comments

National Market Overview

The Logistics & Industrial market has enjoyed a bumper couple of years, with the sector being one of the few 'winners', as the Pandemic accelerated e-commerce demand.

E-commerce accounted for circa 19% of retail sales at the end of 2019, increasing to circa 35% during the national lockdown of early 2021. Whilst post lockdown levels have dropped to circa 26%, this is still some way ahead of pre-pandemic levels.

UK Internet Retail Sales (monthly)



Source: Knight Frank Research ONS

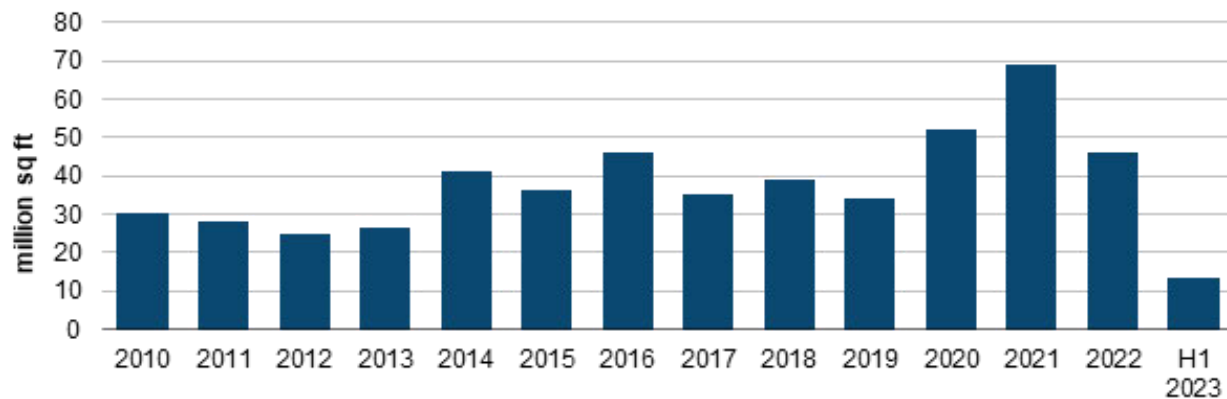
This growth in e-commerce led to record levels of take up in 2020 and 2021. Take up in 2020, for units in excess of 50,000 sq ft, was a record 50m sq ft (up from circa 35m sq ft in 2019). The 2020 figure was eclipsed by 2021 take up of over 70m sq ft. Whilst take up slowed in 2022 to circa 45m sq ft, partly due to a lack of stock and reduced e-commerce related activity, take up was still in excess of pre-pandemic levels.

H1 2023 saw the slow down continue, with take up being circa 12m sq ft with full year take up anticipated to be circa 30m sq ft, showing a continued fall in activity.

Despite an increase in speculative development in reaction to the unprecedented levels of take up seen in 2021 and 2022, vacancy rates remained at record low levels. However, H1 2023 has seen a significant increase in second-hand space coming back to the market. A significant element of this space derives from e-commerce related occupiers consolidating operations after unprecedented take up during the pandemic.

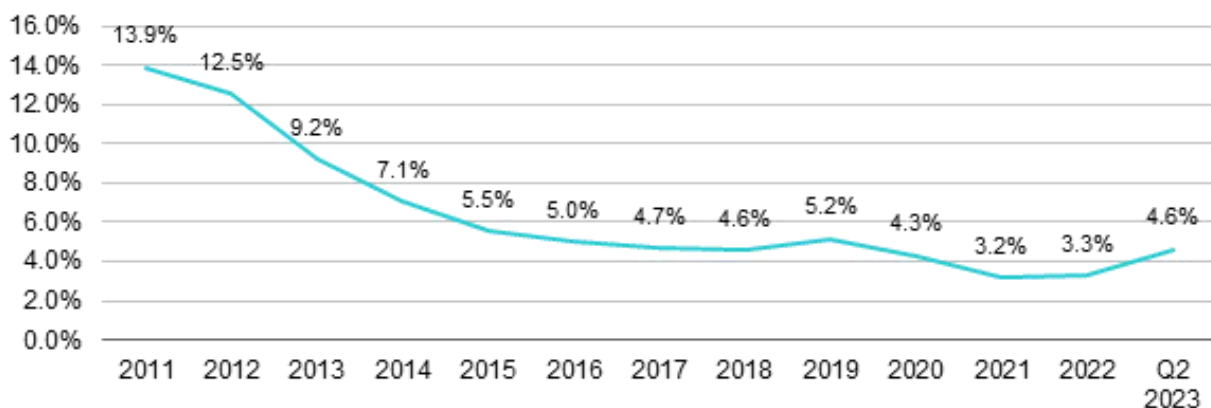
Despite the increase in standing second hand stock, there is no further speculative development planned. New space into the market has slowed as a result of the recent interest rate rises – as cost of debt increases, exit yields soften and build costs remain high – resulting in viability issues for a number of proposed developments.

Take up (units over 50,000 sq ft)



Source: Knight Frank Research

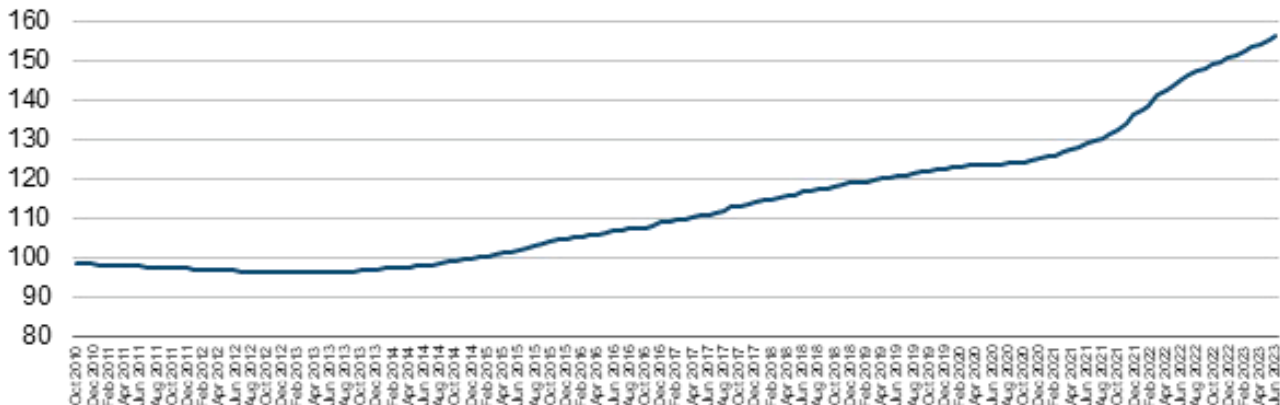
Vacancy Rate (%)



Source: Knight Frank Research

With demand outstripping supply, the market has seen significant rental growth in the last couple of years and despite a fall in demand some markets still have limited supply meaning the potential for further rental growth remains.

Average Market Rental Growth Jan 2010 = 100



Source: Knight Frank

Landlords remain protective of their headline rents and are offering larger incentives in an effort to achieve their desired rent level.

The economic & geopolitical headwinds that have been building since March/April 2022, are starting to have an impact on the market. It has been noticeable that 2022 saw a significant drop off in ecommerce related requirements. Amazon, who have over the last 5/6 years accounted for between 25 to 30% of annual take up, have pretty much withdrawn from the market. Despite this, demand remained at a healthy level, albeit below the levels seen during the pandemic, with a wide range of occupiers from manufacturing, logistics & creative industries (Film/TV) all being active.

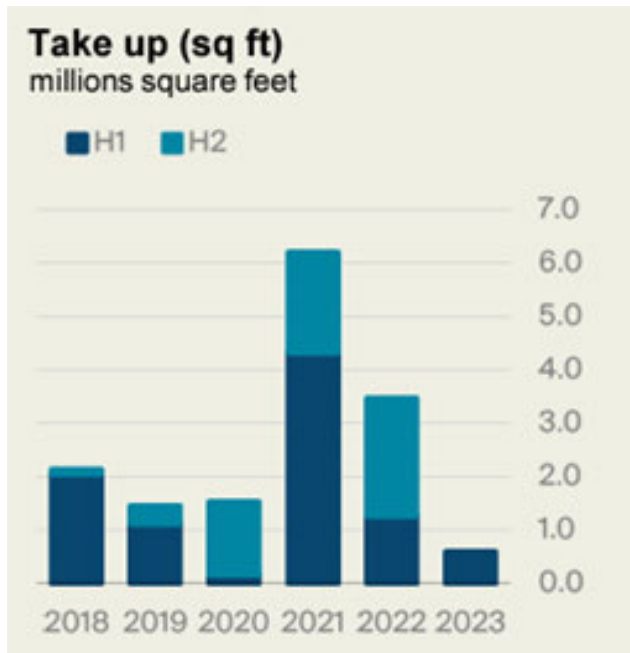
We expect availability to remain tight and whilst we are seeing an increased level of second-hand space come to the market, this is in part being offset by a reduction in the amount of new space coming to the market – as speculative developments face viability challenges.

South Yorkshire & North East Derbyshire

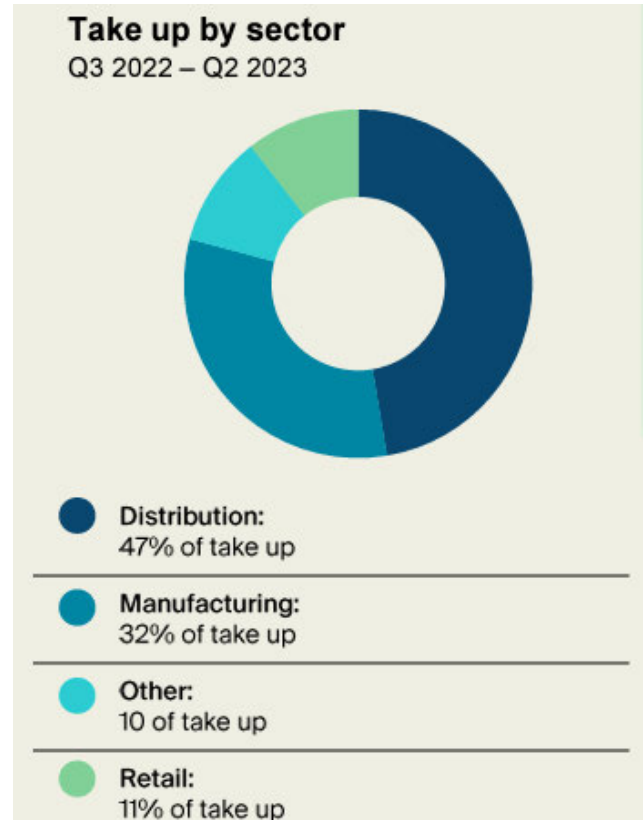
In South Yorkshire and North East Derbyshire, the second quarter of 2023 recorded 341,000 sq ft of take-up (50,000 sq ft plus all qualities) bringing the total for the year to 589,400 sq ft, which is 53% lower than H1 2022. This is as a result of the uncertainty following September 2022 mini budget.

We have seen occupier confidence bounce back with several completions in Q3 2023 including 186,000 sq ft at Arrow, Barnsley to Gem Imports, 110,000 sq ft at Greenland Rd Sheffield to Paragon CC and 130,000 sq ft at Harworth South to Butternut Box. Further there are several new enquiries which have entered the market who appear serious about acquiring space.

South Yorkshire and North East Derbyshire Take Up (sq ft)



Q3 2022 – Q2 2023 South Yorkshire and North East Take up by sector (sq ft)



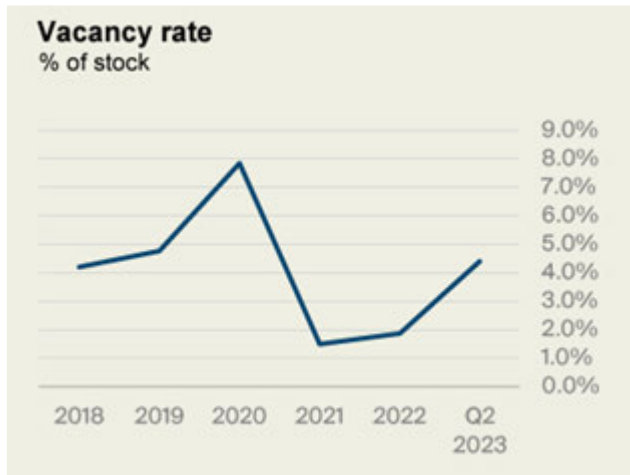
Source: Knight Frank

Reflecting the robust demand for new, high quality industrial space, 62% of take-up over the past year was new speculative or build to suit accommodation as occupier demand increasingly focuses on better quality, more sustainable buildings.

South Yorkshire & North East Derbyshire will see several speculative schemes reach completion late 2023 / Q1 2024 coupled with a number of second-hand buildings coming back to the market. South Yorkshire therefore has a healthy supply of premises totalling approximately 6,000,000 sq ft at the end of H1 2023. This represents approximately 2 year supply based on long term average take up. Whilst this is the case, there is no new speculative development currently planned for the region beyond that current availability.

Vacancy Rates - 2016-2022

South Yorkshire & NE Derbyshire



Source: Knight Frank

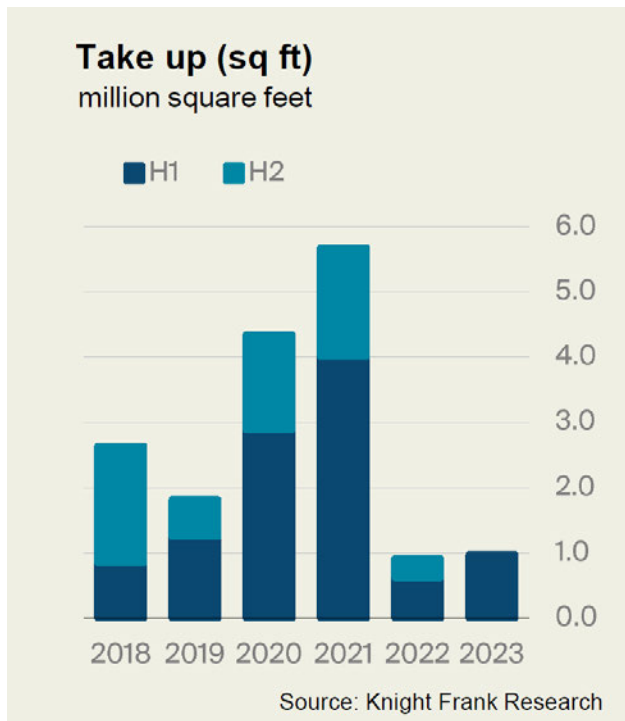
West Yorkshire & The Humber

In the West Yorkshire and the Humber region, the second quarter of 2023 recorded 482,000 sq ft of take-up (50,000 sq ft plus) bringing the total for the year to 977,000 sq ft, which is 59% higher than H1 2022 and surpassing the total annual take up of 2022 by the mid-point of the year. The figures are slightly skewed by the fact that 2022 was an unusually low take up year, due to the critical availability of stock (see below graph).

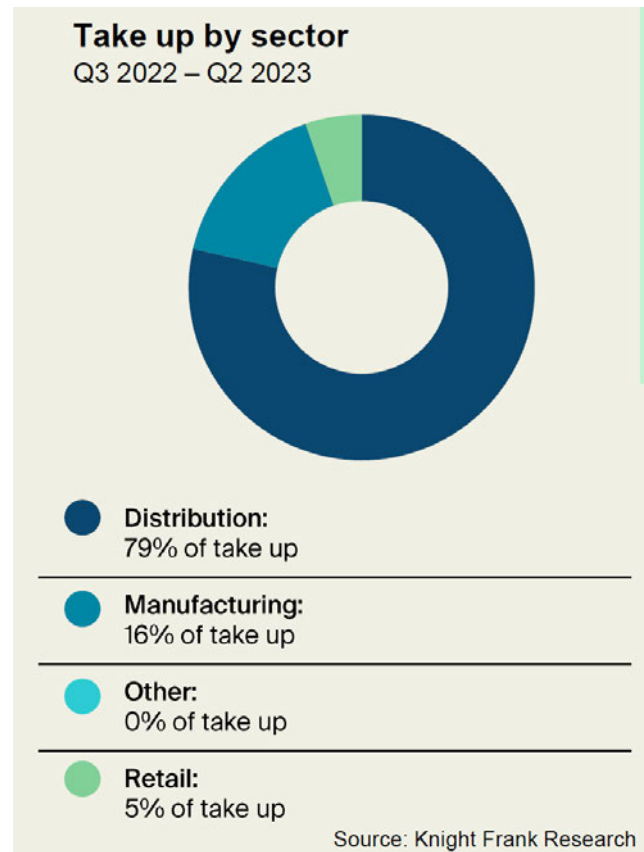
We have seen a number of additional transactions during this quarter including the 211,000 sq ft Voltaic unit in Wakefield let to GXO on a new 10-year lease at a headline rent of £6.00 psf. More recently, and off market, office stationery distributor Exertis have taken 127,000 sq ft on the Lowfields Business Park in Elland.

There continues to be a dearth of new and modern second-hand space in the market, resulting in continued upward pressure on quoting / guide rents in the region, particularly in prime logistics locations along the M1 and M62 corridors. Headline rents have now reached £8.75 psf for mid-box and £8.25psf for over 150,000 sq ft.

West Yorkshire & The Humber Take Up (sq ft)



Q3 2022 – Q2 2023 West Yorkshire & The Humber Take up by sector (sq ft)

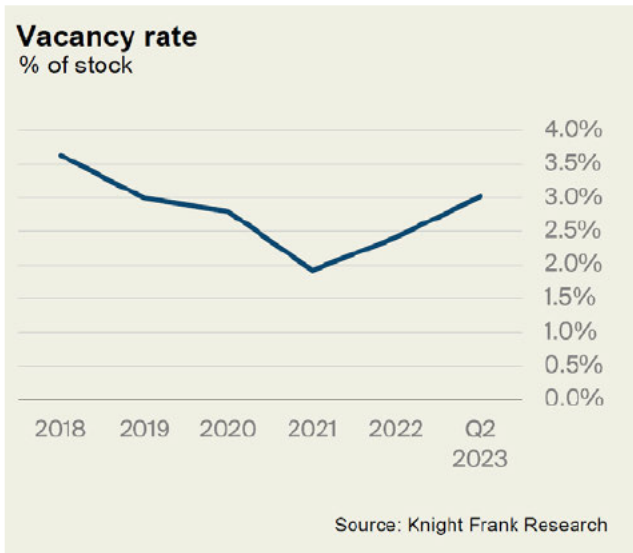


Despite the healthier level of take up, availability in the region increased by 26% in Q2 2023, to just over 2 million sq ft (units >50,000 sq ft). This increase was largely due to Sherburn 550, the 556,598 sq ft former L&G Homes facility becoming available. Consequently, the vacancy rate increased to 3.0% in Q2, up from 2.4% in the previous quarter.

The supply of new units remains limited, with only 2 brand new speculative warehouses completed and available. There is a further 1.3 million sq ft of space under construction speculatively, across 12 units, with just one new development commencing in Q2 2023.

Vacancy Rates - 2016-2022

West Yorkshire & The Humber

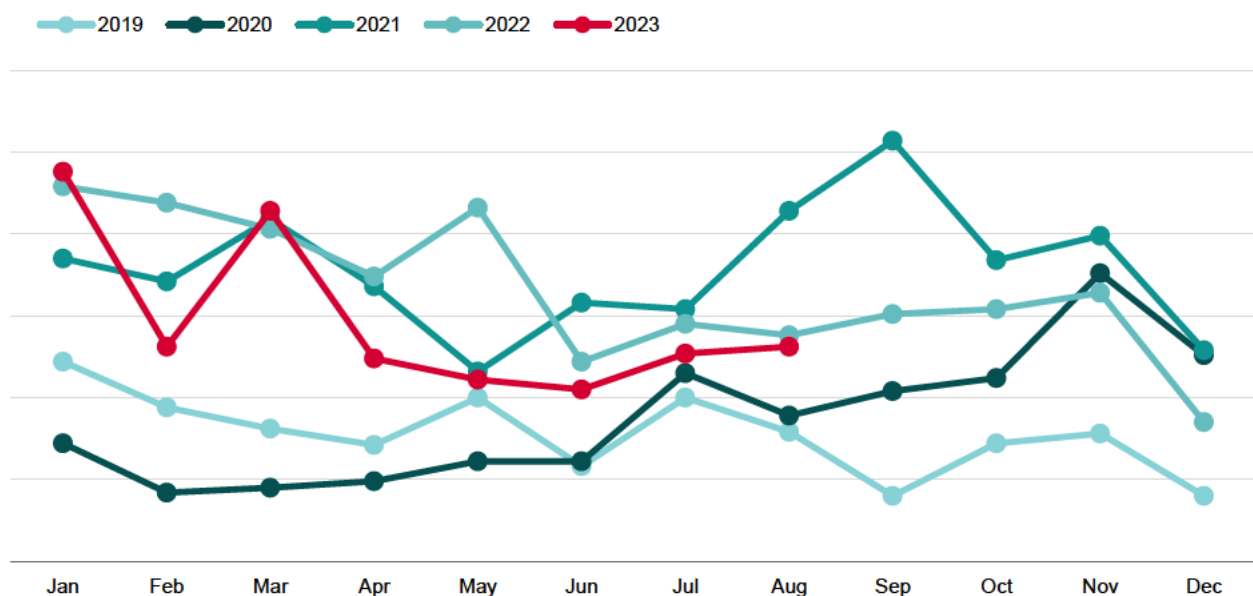


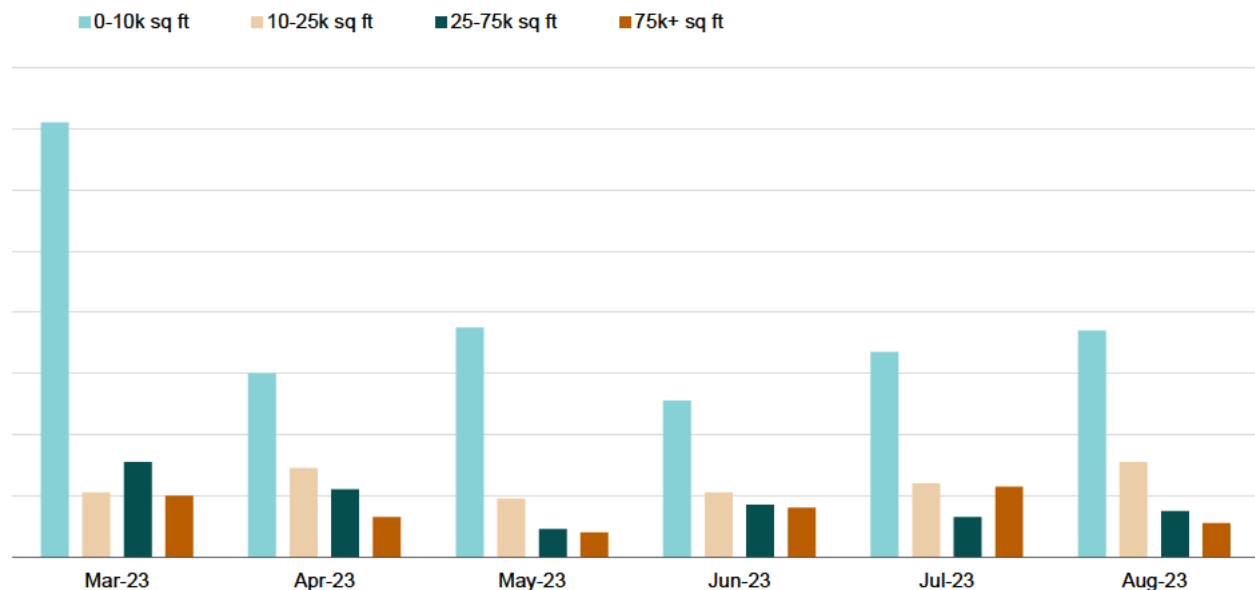
Source: Knight Frank

Enquiry Levels

Following Covid 19, we experienced a significant rise in occupier enquiries for industrial and distribution space across all size ranges. As things returned to normal, we saw enquiry levels taper off, but these still run ahead of pre-covid levels.

Sheffield Office – No. Industrial Enquiries





Source: Knight Frank

Set out below is a schedule of enquiries, which are currently in the market:

Table 1: **Enquiries**

Company	Size	Comments
Undisclosed Manufacturer	250,000 sq ft	Active requirement for manufacturing of modular homes. Currently looking across South Yorkshire.
Pharmaceutical Company	300,000 sq ft	Currently based in the region – considering upgrading the accommodation – early stages of requirement.
Agent Led Requirement	500,000 sq ft	Feasibility study on behalf of retained client seeking accommodation across Yorkshire.
Agent Led Requirement	500,000 sq ft	B2 / B8 requirement on behalf of retained client.
Agent led Requirement	200,000 – 300,000 sq ft	On behalf of PLC client for manufacturing of modular accommodation.
Agent Led Requirement	175,000 – 250,000 sq ft	B8 requirement looking for accommodation with good motorway access to South and West Yorkshire.
Agent Led Requirement	100,000 – 300,000 sq ft	Looking to relocate / consolidate operation. Search area South Yorkshire, including Barnsley.
Barnsley Based Occupier	300,000 sq ft	Barnsley based occupier potentially looking at consolidation into one facility.
Parcel Distribution Company	20,000 – 30,000 sq ft	Live requirement for Barnsley area. Focus Junction 37. Looking for low density development.

Company	Size	Comments
Food Processing Company	20,000 – 30,000 sq ft	Looking across South Yorkshire for new food processing facility.
Undisclosed Manufacturer	50,000 – 60,000 sq ft	Have a presence in the area and looking for additional space following expansion and consolidation. Looking M1 corridor Junction 34-37.
Distribution Occupier	80,000 – 150,000 sq ft	M1 corridor requirement looking for existing or build to suit.
Manufacturer	50,000 – 60,000 sq ft (low density)	Owner occupier seeking low density accommodation across South Yorkshire – Barnsley is a location that would work.
Distribution Occupier	50,000 sq ft	Customer based in the area. Looking for accommodation with good motorway access.
Agent Led Requirement	300,000 – 400,000 sq ft	Inward investor looking for bespoke facility for manufacturing and distribution occupier.
Agent Led Requirement	150,000 sq ft	Building products manufacturer, looking for accommodation along the M1 corridor, East Midlands and South Yorkshire region. Would require 16m eaves for part of processing plant.
Undisclosed Manufacturer	90,000 sq ft	Window manufacturer with active requirement in the area.
Undisclosed occupier	30 – 40,000 sq ft	Local occupier looking for new facility with expansion.

Source: Knight Frank

Supply

With regard to supply, please see below schedule of accommodation – 60,000 sq ft+ across the South Yorkshire region:

M1 – South Yorkshire

Table 2: **M1 South Yorkshire**

Site	Size	Motorway Junction	Developer / Owner	Comments
The Core, Shepcote Lane, Sheffield, S9 1TP	367,000	J34 M1	Trammell Crow	<ul style="list-style-type: none"> On site PC August 2023 Guiding £7.75 per sq ft
Barnsley 340, Barnsley, S74 9LH	340,000	J36 M1	Firethorn Trust	<ul style="list-style-type: none"> On site PC Sept 2023 Guiding £7.50 - £7.75 psf
Sheffield 336 Europa Way, Sheffield S9 1TQ	336,000	J33 M1	EQT	<ul style="list-style-type: none"> Available now Partly fitted. Guiding a rent of mid £7s

Site	Size	Motorway Junction	Developer / Owner	Comments
Bessemer Park, Shepcote Lane, Sheffield, S9 1DZ	94,175	J34 M1	PLP	<ul style="list-style-type: none"> On site – PC – Q4 2023 Guide rent TBC
Arrow Point, Hoyland Common, Barnsley, S74 0FN	263,000	J36 M1	Arrow	<ul style="list-style-type: none"> Immediately available Quoting £7.75 per sq ft
Horizon 29, Chesterfield, S44 6HV	73,000 – 137,000 sq ft	J29a M1	BGO / Equation	<ul style="list-style-type: none"> Phase 1A available now Phase 1B available October 2023 Quoting £7.75 per sq ft plus
Newhall 130 Newhall Road, Sheffield, S9 2QJ	130,000	J34 M1	ULR	<ul style="list-style-type: none"> New development Available now Guiding £7.75 psf
Catalyst, Rotherham, S60 5BD	91,748	J33 M1	Premcor / Mirastar	<ul style="list-style-type: none"> 5 unit scheme – Available now Quoting £8.25 psf
Markham Vale, Chesterfield, S44 5HP	102,515	J29a M1	Devonshire Gp	<ul style="list-style-type: none"> Modern second-hand unit Recently vacated 12m eaves / 33m yard Quoting £6.95 psf

M18 – South Yorkshire

Site	Size	Motorway Junction	Developer / Owner	Comments
Panattoni Doncaster Aero Centre, Doncaster, DN9 3RH	417,000	J3 M18	Panattoni	<ul style="list-style-type: none"> On site New development – PC Q4 2023 Guiding £7.50 £7.75 psf
Doncaster 415, 1 Balby Bank, Doncaster DN5 5JS	415,000	J3 M18	NFU	<ul style="list-style-type: none"> On the market Amazon have vacated Available by way of sub-lease Guiding £6.50 psf
Eclipse, Unity, Doncaster, DN8 5GS	405,000	J5 M18	Rula / Blackbrook	<ul style="list-style-type: none"> New spec development On site – PC expected Q3 2023 Guiding £7.50 - £7.75 psf
iPort, Doncaster, DN11 0BQ	82,250 – 328,500	J3 M18	Verdion	<ul style="list-style-type: none"> 5 speculatively developed units Immediately available Quoting £7.75 - £8.25 per sq ft
Doncaster 246, Watervole Road, Doncaster DN4 5JP	246,674	J3 M18	Aberdeen	<ul style="list-style-type: none"> Second hand unit Vacated by Amazon To let by way of a sub-lease Guiding £6.50 psf

Site	Size	Motorway Junction	Developer / Owner	Comments
Doncaster 191, Doncaster, DN8 5GS	191,000	J5 M18	Ergo	<ul style="list-style-type: none"> On site with spec development PC end of 2023 Quoting £7.750 - £7.75 per sq f
Panattoni Park, Rotherham, S66 8RY	84,255	J1 M18	Panattoni	<ul style="list-style-type: none"> Immediately available Quoting £8.25 per sq ft
Focus 72, Braithwell Way, Hellaby, Rotherham S66 8HY	72,685	J1 M18	Vinter Estate	<ul style="list-style-type: none"> New build unit PC Sept 2023 Guiding £7.75 - £7.95 psf

Take Up

See below a schedule of take up across the South Yorkshire and North East Derbyshire region:-

Table 3: **Take up**

Scheme	Date	Grade	Size (sq ft)	Rent (psf)	Term	Tenant
Symmetry Park, Harworth South	Aug-2023	New Spec	133,000	£7.50	20 years	Butternut Box
Greenland Road, Sheffield	Aug 2023	S/hand refurb	110,000	£7.25	5 years	Paragon
Arrow 186, Barnsley	Aug-2023	New Spec	186,000	£7.75	10 years	Gem (One Beyond)
Unit 1 Catalyst, Sheffield	Jul-2023	New Spec	109,167	£8.20	15 year (10)	JLA
Bessemer Park, Sheffield	Mar-2023	New Spec	83,237	NDA	15 years	ITM
Nimbus 164, Doncaster	Feb-2023	Modern Secondhand	164,366	£6.50	10 years	Bowker Transport
Balby Carr Bank, Doncaster	Dec-2022	Secondhand	145,819	£6.15	10 years	Capita
Unit 3, Ergo Park	Nov 22	Grade A Spec	80,250	£7.15	10 years	UPS
Ergo Park, Sheffield	Nov 22	Grade A Spec	52,000	£7.10	10 years	Sainsburys
Panattoni Park, Rotherham 630, J1 M18, S66 8EY	Sept 2022	Grade A Spec	629,417	NDA Quoting £6.95	25 years	Alliance Automotive Group
Rotherham 630, Panattoni Park, Rotherham	Sep-22	Grade A Spec	629,417	£6.75	25 years	AAG
Horizon 29, Buttermilk Lane	Sep 22	Grade A	152,000	NDA	15 years	Wolseley
Mammoth 602, G Park, Doncsaster, DN3 3FQ	July 2022	New spec	601,761	NDA Quoting £6.75	15 years	Maersk
IPort Doncaster	June 22	New spec	116,036	£7.00	10 years	Euro Pool System

Scheme	Date	Grade	Size (sq ft)	Rent (psf)	Term	Tenant
Mammoth 602 G Park Doncaster	Aug 22	New Spec	601,761	£6.50	15 years	Maersk
IPort Doncaster	May 22	Spec	130,458	£7.00	10 years	Woodland Group
IP1a, iPort, Doncaster	May-22	Grade A Spec	116,036	£7.00	10 years	Euro Pool Systems
G Park Doncaster	Apr-22	New spec	278,852	£6.75	10 years	McGregor Logistics
Symmetry Park, Harworth South, S81 8HH	March 2022	New Spec	430,000	£6.30	TBC	Kingfisher

Summary

Following COVID-19, the industrial and logistics sector saw an irreversible structural change in consumer behaviour, which was a catalyst in the rise of demand for industrial and logistics accommodation over the last 24 months.

Whilst we have seen the demand taper, following the mini budget September 2022 it is continuing to run ahead of pre-covid levels and we anticipate that this will continue to do so.

Barnsley West is ideally located adjacent to Junction 37 of the M1 Motorway and following new infrastructure will benefit from direct access.

At the present time, following a developer response to the increase in demand for the sector, there is a healthy supply across the South Yorkshire and North East Derbyshire region, totalling approximately 6,000,000 sq ft (all qualities over 50,000 sq ft) which equates to approximately 2 years supply against long term average take up.

Whilst this is the case beyond what is currently available, there is no new speculative development planned, therefore Barnsley West is well placed in respect of delivery timetable to fulfil future requirements.

Key to occupier requirements is deliverability. Where occupiers are able to consider build to suit or new developments, a key focus is understanding timescales for delivery. Specification has evolved over recent years with occupiers placing more emphasis on ESG, building height, yard depth and availability of utilities. Specification and ESG is equally as important to investors.

Below is a schedule of the available buildings and heights that they are constructed to:

M1 South Yorkshire

Site	Size	Height
The Core, Shepcote Lane, Sheffield, S9 1TP	367,000	• 18m Clear Internal Height
Barnsley 340, Barnsley, S74 9LH	340,000	• 15m Eaves
Sheffield 336, Europa Way, Sheffield S9 1TQ	336,000	• 15m Eaves

Site	Size	Height
Bessemer Park, Shepcote Lane, Sheffield, S9 1DZ	94,175	<ul style="list-style-type: none"> 12.5m Haunch
Arrow Point, Hoyland Common, Barnsley, S74 0FN	263,000	<ul style="list-style-type: none"> 15m Eaves
Horizon 29, Chesterfield, S44 6HV	Unit 1 – 73,000 Unit 2 – 133,474 Unit 3 – 137,070	<ul style="list-style-type: none"> Unit 1 – 10m Haunch Unit 2 – 12m Haunch Unit 3 – 12m Haunch
Newhall 130, Newhall Road, Sheffield, S9 2QJ	130,000	<ul style="list-style-type: none"> 12.5m clear internal height
Catalyst, Rotherham, S60 5BD	91,748	<ul style="list-style-type: none"> 15m Eaves
Markham Vale, Chesterfield, S44 5HP	102,515	<ul style="list-style-type: none"> 12m Clear internal height

M18 South Yorkshire

Site	Size	Height
Panattoni DoncasterAero Centre, Doncaster, DN9 3RH	417,000	<ul style="list-style-type: none"> 15m clear internal height
Doncaster 415, 1 Balby Bank, Doncaster DN5 5JS	415,000	<ul style="list-style-type: none"> 14m Eaves
Eclipse, Unity, Doncaster, DN8 5GS	405,000	<ul style="list-style-type: none"> 18m Eaves
iPort, Doncaster, DN11 0BQ	IP2f – 174,381 sq ft IP6 – 83,77 sq ft IP7 – 166,872 sq ft IP8 – 330,104 sq ft IP10 – 259,286 sq ft	<ul style="list-style-type: none"> IP2f – 15m Eaves IP6 – 12.5m Eaves IP7 – 15m Eaves IP8 – 15m Eaves IP10 – 15m Eaves
Doncaster 246, Watervole Road, Doncaster DN4 5JP	246,674	<ul style="list-style-type: none"> 14m Haunch
Doncaster 191, Doncaster, DN8 5GS	191,000	<ul style="list-style-type: none"> 15m Haunch
Panattoni Park, Rotherham, S66 8RY	84,255	<ul style="list-style-type: none"> 12.5m Clear internal height

Site	Size	Height
Focus 72, Braithwell Way, Hellaby, Rotherham S66 8HY	72,685	<ul style="list-style-type: none"> 10m eaves

At Barnsley West, the current proposed heights are as follows:-

Unit Number	Size	Height
Unit 1	500,000	15m Haunch
Unit 2	174,000	12.5m Haunch
Unit 3	135,000	12.5m Hauch
Unit 4	100,000	12.5m Haunch
Unit 5	136,000	12.5m Haunch
Unit 6	35,000	10m Haunch
Unit 7	60,000	10m Haunch

The eaves heights proposed are the absolute minimum you would expect in the market, in fact we feel that the eaves height on unit 2 appears low against other supply currently available in the region and would advise that this is reconsidered.

The height will be a key consideration for occupiers depending on the nature of the user. For B8 warehousing occupiers, height will have a direct impact on capacity from a racking / pallet perspective. Occupiers seeking B8 racked space will favour building with higher eaves offering greater capacity.

For manufacturers height is also a consideration, influenced by machinery height requirements and storage of completed products.

Investors have similar criteria and are shadowing occupiers needs. Investors will take occupation agents advice and will not fund product that is of inferior specification in respect of eaves height, yard or ESG.

Proviso

Any indication of value provided regarding indicative rents or achievable prices is provided for discussion purposes only. It is not, and is not intended to be, a valuation. We would be pleased to undertake the additional necessary research and provide a formal valuation, if required, on the basis of a separate instruction.