



SOUTH WEST

Logistics and Industrial Commentary H1 2012

Knight Frank



Russell Crofts, South West Industrial Agency
+44(0)117 917 4535
russell.crofts@knightfrank.com

H1 2012 market commentary

- For the 50,000 sq ft plus market, H1 activity was relatively subdued in the South West. Take-up was 1.02m sq ft, down 45% on the H2 2011 total and mostly consisted of secondhand buildings. The stand out deal in H1 was Sainsbury's purchase of the Exeter Gateway site, which will see the supermarket chain build a new 520,000 sq ft distribution facility.
- H2 2012 take-up will be boosted by Asda's decision to commit to a new 700,000 sq ft facility at the 60 acre Rhodia site in Avonmouth. Asda signed the design and build deal with Bericote, as it seeks to re-configure its distribution network in the South West.
- Asda and Sainsbury's aside, activity for large format distribution units was actually relatively weak in the first half 2012. While we are aware of c.4.0m sq ft of requirements in this sector, it is more difficult to identify those who are ready to commit given the challenging conditions on the high street.
- The supply side of the South West market has seen some change, due mainly to Morrisons' relocation to Bridgwater. Circa 1.3m sq ft of secondhand distribution units came onto the market in H1 2012. Some developers have also taken the opportunity to service land in H1 2012, and Severnside and Avonmouth can now provide up to 1,000 acres of land with B8 consent.
- Multi-let schemes remain the principal areas of demand. Within the sub-20,000 sq ft market, lack of supply is now constraining market activity. Those buildings that have been well refurbished are letting with minimal voids and reduced incentives, signifying that normal market conditions may be returning.
- Finally, there is increased pressure from alternative uses for land in specific locations. The budget hotel operators remain highly acquisitive, and new entrants into the drive-thru market are providing land owners with the opportunity to secure higher value uses on appropriately located schemes.

Selected South West transactions H1 2012

Address	Tenant	Size (sq ft)	Rent / Price (per sq ft)	Date
Unit 4, Cabot Park, Bristol	Yankee Candle	164,880	£6.50	Mar 12
Trelleborg Automotive Facility, Trowbridge	DTRUMS	94,336	£22.20*	May 12
Evolution House, Swindon	Office Clearance Supplies	71,149	£2.23	Apr 12
Sainsburys, Exeter Gateway, Exeter	Sainsburys	520,000	Confidential*	Jan 12

*Freehold transaction

Q2 2012 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q2 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Bristol	£8.00 ◀▶	£6.75 ◀▶	£6.00 ◀▶
Swindon	£6.25 ◀▶	£6.00 ◀▶	£5.25 ▲
Exeter	£6.25 ◀▶	£5.25 ◀▶	£4.75 ◀▶
Plymouth	£5.25 ◀▶	£4.50 ◀▶	£3.00 ◀▶



Central Park Severnside reached practical completion in April 2011. Chep pre-let the 48,500 sq ft unit over 8 acres in Sept 2011.

Regional outlook

- Now is arguably the time to identify and prepare small-scale sites, ready for speculative development in 12-24 months. However, in the current climate this should only be in the prime locations. It is still too risky to consider development away from the main regional conurbations.
- Headline rental levels in the larger shed market will remain broadly flat owing to a high level of competition.
- While Knight Frank is aware of a large number of requirements and an ample supply of land to accommodate them, it is highly unlikely that many will come to fruition over the next six months. For this to happen, we are depending on a more optimistic trading outlook among the major retailers.