

SOUTH WEST

Logistics and Industrial Commentary



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H1 2013 Review

- Leasing activity in the South West was relatively subdued in the first half of 2013. The region saw 767,000 sq ft of take-up in units above 50,000 sq ft in H1, following 2.7m sq ft of deals in H2 2012.
- The largest deal in H1 took place at GE Capital's Crossflow 550, Avonmouth, the region's only available new-build distribution facility. Food distributor Culina acquired Block A, totalling 212,000 sq ft, and subsequently leased 115,000 sq ft at DC115 to PCL. These two deals reflect increased activity being seen in the chilled and cold sector.
- Asda will soon take occupation of a new 616,000 sq ft cold store in Avonmouth, as it re-locates from its existing 200,000 sq ft cold store in Portbury. We expect the vacated facility to generate healthy interest.
- As with other regions, the main pressure in the South West market is the shortage of good quality supply. Across all size ranges, the paucity of new stock is arguably hampering the proper functioning of the market.
- However, there are now clear indications that developers are responding. Falling supply has resulted in a 30% drop in incentive packages being agreed across the market, and this has been key in bringing appraisals for speculative schemes back to life.
- In H1, IM Properties completed a speculative trade counter scheme at Longwell Green, Bristol comprising 30,000 sq ft across seven units. Other developers are dusting off plans and we anticipate a number of small and medium size schemes to start on site during H2 2013. For example, St Modwen recently gained planning consent for the final phase at Quedgeley West in Gloucester with development expected to commence shortly.
- The larger end of the market has seen a significant drop in active requirements over the last six months. However, it is still possible to identify those who have structural requirements for relocations, even if the timescales have moved out.

Q2 2013 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2014			
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 ◀▶



In February 2013, Schlumberger leased 96,400 sq ft at Quedgeley West, Gloucester. Knight Frank acted on behalf of the former tenant Taylor Wimpey

Regional outlook

- While the scarcity of supply provides a compelling case for speculative development, the return of large format distribution development is likely to come entirely via build to suit solutions.
- Limited availability of new and good quality secondhand space will bring about further compression in incentive levels throughout H2.
- We expect developers to start capitalising on healthy levels of demand and a shortage of good quality supply in the small to medium-sized market. H2 is likely to see the region's first genuine speculative development of this type of scheme in over a decade.

Selected South West transactions H1 2013

Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Prestoplan, Quedgeley	Schlumberger	96,400	£5.30	Feb 13
Crossflow, Avonmouth	Culina	211,000	£5.75	Feb 13
Portbury One	Stapleton Tyres	86,000	£5.60	Apr 13
First Avenue Portbury	Gist	81,000	£4.50	May 13
DC115, Avonmouth	PCL	115,000	£6.00	May 13