

# SOUTH WEST

## Logistics and Industrial Commentary



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

### H1 2015 Review

- Take-up for units above 50,000 sq ft across the South West Region reached 1.36 m sq ft in H1, more than double that of H2 2014 and 27% higher than the same period last year.
- Demand is strong in all areas of B8, with some signs of an increase in B2 demand (up to 20% of the total from a historic average of c.10%) due to changes in the aerospace industry.
- Second hand demand remains very competitive in the 25,000 - 50,000 sq ft size bracket. Strong competition for existing premises (e.g. from companies such as DHL, FedEx etc.) in combination with limited availability is leading to strong rental growth.
- In addition, there remain a number of unsatisfied large (300,000 sq ft plus) requirements totalling 2.7m sq ft.
- There were two significant land sales in H1 2015. The first saw St Francis and Marcol buy 82 acres of brownfield land for a mixed use business space focussed scheme in East Works, Filton. The land may see the development of speculative units between 50,000 - 70,000 sq ft during 2016. Meanwhile, YTL bought Filton Airfield from BAe, totalling 600 acres, with development likely to come forward in late 2016/early 2017.
- Existing stock is at an all-time low, with the vacancy rate standing at sub-5% across Bristol. In order to satisfy growing demand over the next few years, landlords will need to consider increasing the level of new development.
- Prime headline rents increased across all size brackets, with secondary mid-sized units showing the strongest growth - 15-20% over the last 12 months. Meanwhile, incentives have remained relatively flat during H1, following strong inward movement over the last few quarters. Occupiers can currently achieve 4-5 months rent free per five-year term.

Q2 2015 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2016			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Bristol	£8.75 ▲	£7.75 ▲	£7.00 ▲
Swindon	£7.50 ▲	£6.50 ▲	£6.25 ▲
Exeter	£6.50 ▲	£5.75 ▲	£5.25 ▲
Plymouth	£5.50 ▲	£4.75 ▲	£3.50 ▲



Unit 110 at Faraday Park in Swindon (59,000 sq ft), owned by Lancashire County Council, was let to VEC Ltd in July 2015.

### Selected South West transactions H1 2015

Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Foundry Lane, Fishponds	Private	124,899	NA*	Feb-15
Universal House, Pennywell Road	Bristol Costume	56,283	£4.50	Feb-15
20 Patchway Trading Estate	Sytner Ltd	56,565	£4.00	Mar-15
5 Patchway Trading Estate	Airhop	60,268	£5.00	Jun-15
Former City Link, Jupiter Road, Patchway	DX	66,403	£6.00	Jun-15

\*Freehold purchase

### Regional outlook

- Driven by growing demand and limited available stock, we expect a new tranche of speculative development to be delivered to the market over the next few quarters, particularly in the mid-size category (40,000 - 70,000 sq ft).
- Rental growth is expected to continue for well-refurbished second-hand stock, with rents set to rise by an additional 10% over the next year. Meanwhile, no further movement of incentives is expected.