

# SOUTH WEST

## Logistics and Industrial Commentary

### H1 2017 Review



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- For units in excess of 50,000 sq ft, the South West region saw take-up of 1.69m sq ft in H1 2017 across five transactions. This is double the level of take-up in the previous six months and 31% above the level of take-up over the same period last year.
- H1 2017 has seen continued performance in the small to medium size ranges, with rental growth across all qualities of stock.
- For the first time in this cycle, developers are confident to start developing on a speculative basis. The most robust market of the region, Bristol, now has over 650,000 sq ft of units under 50,000sq ft under construction, with completion due throughout H2 2017 and H1 2018. This market movement has allowed rental growth at the prime end of the market for the first time in six to eight years.
- There are signs of speculative development in the big shed market, with DB Symmetry at Swindon being the first to break cover with a 211,000 sq ft unit.
- Lease expiries due between 2018-2019 throughout the South West of bigger first generation stock has meant that the focus remains on the 100,000-200,000 sq ft size band, with at least four buildings due to be vacant in Bristol.
- There has been a series of significant land sales, with DHL acquiring 15 acres at Central Park for a 160,000sq ft RDC, which they are in the process of selling by way of sale and leaseback. Amazon has also continued its expansion and has recently acquired 33.5 acres for the construction of a new 2.2m sq ft fulfilment centre replicating the first unit in Tilbury.
- Rental growth in secondary is starting to slow in small size ranges suggesting there may now be an affordability issue. While well refurbished space lets well, budget refurbishments rent less well.
- The mid-range market slowed considerably in H1, with fewer deals completed in the 30,000-70,000 sq ft size range. Demand is slowing, but the supply side of the equation is also limited. A small number of transactions could see this balance restored in the second half of 2017.

Q2 2017 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2018			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Bristol	£9.50 ▲	£8.00 ◀▶	£7.00 ◀▶
Swindon	£8.00 ◀▶	£7.00 ◀▶	£6.25 ▲
Exeter	£7.00 ◀▶	£6.50 ◀▶	£6.00 ▲
Plymouth	£5.75 ◀▶	£5.50 ◀▶	£5.00 ◀▶



DHL acquired 15 acres at Central Park, Avonmouth for a 160,000 sq ft RDC, where they have completed a sale & leaseback.

Selected South West transactions H1 2017				
Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Central Park, Severnside	Amazon	1.25m land purchase	£6.25	Jun-17
Former Alcan, Warmley	Chancerygate	156,000	NA	Jun-17
Central Park, Severnside	DHL	160,000	NA	May-17
Keynesham Mill, Keynesham	HCA	80,000	NA	May-17

### Regional outlook

- H2 2017 will see continued demand from B8 operators throughout the region, as structural change in the retail industry continues.
- We anticipate a slowdown in development activity as the new wave of buildings are completed and taken up.
- Prime rents are expected to rise as developers let more product and take confidence from market demand levels.