

WALES

Logistics and Industrial Commentary

H1 2016 Review



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- H1 saw approximately 1.0m sq ft of units over 50,000 sq ft transacted in Wales. This was however largely dominated by Aston Martin's acquisition of 400,000 sq ft at St Athan.
- Although take-up in H1 was similar to H2 2015, and 200,000 sq ft higher than the same period in 2015, it is clear that many occupiers have adopted a cautious approach to acquisitions this year whilst awaiting the outcome of Brexit and the Welsh Assembly elections.
- The Aston Martin acquisition aside, of the remaining recorded transactions two-thirds were freehold purchases. This is the same trend as the second half of 2015 and shows a desire by many expanding local occupiers to own their building.
- Lettings at both South Wales Distribution Centre, Kenfig, and Prospect Park, Swansea show that a landlord prepared to invest in upgrading their building will generate good interest and secure favourable lease terms.
- On the supply side for units above 50,000 sq ft, there remains approximately 5.3m sq ft available within Wales with the only new build being the 50,000 sq ft warehouse recently constructed by St Modwen at Celtic Business Park in Llanwern. This is the first sizeable speculative development of a "Big Shed" within South Wales for a decade and with interest from a number of occupiers it is anticipated H2 will witness a sale or lettings that will be a catalyst to further development on this 100 acre site.
- Lack of speculative development has given rise to growing demand from investors wanting to purchase properties to upgrade and sub divide. This was evident in H1 with both Phileas House in Llantrisant (250,000 sq ft) and Crown Complex (132,000 sq ft) being sold to such operators.
- Away from the "Big Shed" market we are starting to see local developers speculatively build small workshop schemes. Formaction, Dawan Developments and Charnwood are all currently on site in locations throughout the South Wales region where there is demand with high levels of rent and capital values being achieved.

Q2 2016 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2017			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£5.75 ▲	£5.00 ▲	£4.00 ▲
Swansea	£4.00 ▲	£3.00 ▲	£2.50 ▲
Heads of Valleys	£3.50 ◀▶	£2.50 ◀▶	£2.50 ◀▶



Knight Frank are instructed by St Modwen to market this newly constructed 50,000 sq ft warehouse unit at Celtic Business Park, Llanwern, Newport. The building is the first speculative development of this size, within South Wales, for over a decade.

Regional outlook

- The fallout from Brexit over the next 6 months is going to create increased uncertainty within the market whilst decisions are made on the exit process.
- However we are also aware of strong occupier interest in a number of units over 100,000 sq ft which are either under offer or due to complete shortly.
- Despite Brexit, H2 should witness higher take-up than the 1.1m sq ft transacted in H2 2015.
- Planned improvements to the 15-mile stretch of the M4 motorway south of Newport due to be completed by autumn 2021 will provide a much needed boost to the whole of the South Wales market.

Selected Wales transactions in H1 2016			
Address	Occupier	Size (sq ft)	Date
Prospect Park, Swansea	Hall & Roche	90,000	May-16
Kinmel Park, Rhyl	Wagg Foods	158,000	May-16
Rassau Industrial Estate Ebbw Vale	Advanced Furniture	97,500	Apr-16
South Wales Distribution Centre Kenfig	FTSE 100 company	77,000	Apr-16
St Athan, Vale of Glamorgan	Aston Martin	400,000	Mar-16