



# WALES

## Logistics and Industrial Commentary H2 2012 Knight Frank



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### H2 2012 market commentary

- Following robust take-up in 2011, occupier activity was comparatively subdued in 2012. That said, activity improved in the second half of the year, with 1.6m sq ft of take-up in units exceeding 50,000 sq ft, up 51% on the total for H1 2012.
- The largest deal comprised Ferryman's £1.43m freehold purchase of 180,000 sq ft at Newbridge Road Industrial Estate in Caerphilly. More recently, Jojo Maman Bébé leased 83,000 sq ft at Reevesland Industrial Estate, Newport having sold their existing warehouse on the estate to Wales & West Utilities.
- The market is currently being driven by a large number of smaller deals with the Rhondda Valleys and Caerphilly in particular witnessing healthy levels of take-up for units under 5,000 sq ft.
- Many requirements which came to the market in 2012 were subsequently withdrawn, as occupiers opted to remain in situ and re-gear their leases on more favourable terms.
- While demand for units above 100,000 sq ft is limited, there remain a number of good quality requirements in the 25,000 sq ft to 50,000 sq ft bracket.
- Prime headline rents across South Wales have been broadly stable over the last 12 months. However, landlords continue to offer generous incentive packages to achieve the desired headline rental levels and to retain existing occupiers.
- The BBC's recent relocation from Treforest Industrial Estate to Cardiff Bay has released three good quality buildings totalling c.150,000 sq ft to the market. Elsewhere, the closures of Alberto Culver (Bridgend and Swansea), Panasonic (Newport) and Sogefi (Llantrisant) will see a further c.1.0m sq ft come available.
- There is continued speculation over the construction of a new race track in Ebbw Vale which has spurred a notable increase in enquiries for Heads of the Valleys. This is positive given the lack demand for the area in recent years.

Q4 2012 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q4 2013			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£5.25 ◀▶	£4.00 ▲	£3.50 ▲
Swansea	£3.50 ◀▶	£3.00 ▲	£2.50 ◀▶
Heads of Valleys	£3.50 ◀▶	£2.50 ▲	£2.50 ◀▶



In December 2012, Wales & West Utilities acquired the freehold of Jojo Maman Bébé's former unit at Reevesland Industrial Estate, Newport. Knight Frank acted for the purchaser.

### Regional outlook

- The clear shortage of good quality space is likely to put upward pressure on net effective rents in 2013 as landlords of such stock reduce incentive packages.
- Banks' ongoing reluctance to lend on speculative development means new-build opportunities are highly unlikely unless a pre-let or pre-sale can be secured.
- We anticipate further distressed sales to take place in 2013 as the banks seek to offload difficult assets from their loan books.
- The demand from residential developers for well-located brownfield sites should see a number of poorer quality industrial estates purchased for redevelopment in 2013.

#### Selected Wales transactions in H2 2012

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Newbridge Road Industrial Estate, Pontllanfraith	Ferryman	180,000	£8.00*	Jul-12
Former West One unit, Wentloog Road, Cardiff	Formation	47,000	£8.50*	Jul-12
Former DBC unit, Clydesmuir Industrial Estate, Cardiff	Confidential	57,765	£5.88*	Aug-12
Units 1 & 2, Llantrisant Business Park, Llantrisant	Fruitapeel	59,000	£2.54	Sep-12
Unit A, Reevesland Industrial Estate, Newport	Jojo Maman Bébé	83,000	£2.25	Oct-12

\*Freehold occupier purchase