WALES

Logistics and Industrial Commentary

H2 2014 Review

- H2 saw approximately 900,000 sq ft of transactions for units over 50,000 sq ft across Wales. This represented less than half the space disposed of in H1.
- Whereas in H1 the majority of acquisitions were freehold, the second half of the year saw an equal split between leasehold and freehold transactions.
- Welsh Government assistance helped progress lettings in H2 with Trojan Electronics benefitting in their relocation to Fabian Way, while Swansea and BBI Healthcare acquired 61,000 sq ft of space in the Welsh Government owned Pencoed Technology Park in Bridgend.
- Of those owner occupiers purchasing units over 50,000 sq ft, all were Welsh based companies expanding their local operations. Capital Coated Steel for example doubled the size of their operation by amalgamating three sites into the former Tata Steel facility in Cross Keys.
- Grade A space accounts for less than 10% of the 5.5 million sq ft of units over 50,000 sq ft currently available, highlighting the continued need for new speculative development within the region especially along the M4 corridor where demand remains strong.
- The announcement of the proposed Circuit of Wales Race Track in Rassau has helped improve the perception of the Heads of Valleys area. Knight Frank recently placed 50,000 sq ft under offer at Festival Drive in Ebbw Vale and there is significant owner occupier interest locally looking to expand their operations.
- H2 saw continued strong demand for modern detached units with good sized yards in the sub £1 m lot size, particularly those close to the M4.
- Trade counter operators were also active in H2 with requirements for sub 10,000 sq ft modern high specification accommodation with good road side frontage and headline rents achieved for such stock are now at a pre-recession level.

Selected Wales transactions in H2 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
North Blackvein Industrial Estate, Cross Keys	Capital Coated Steel	160,875	Undisclosed*	Nov-14
Pencoed Technology Park Junction 35 Bridgend	BBI Healthcare	61,000	£2.50	Oct-14
Dewihurst Distribution Centre Capel Hendre Ammanford	Sash Hardware Limited	104,400	£15.80*	Aug-14
Fabian Park Fabian Way Swansea	Trojan Electronics	156,000	£2.50	Jul-14
Isaac Way Pembroke Dock	Genpower	118,468	£10.00*	Jul-14

*Freehold transaction

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Q4 2014 Prime headline rents (£ per sq ft)
▼ / ▲ - movement expected to Q4 2015

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£5.50 ▲	£4.50 ▲	£4.00 ▲
Swansea	£4.00 ▲	£3.00 ▲	£2.50 ▲
Heads of Valleys	£3.50 ◄ ►	£2.50 ◄ ►	£2.50 ◄ ►

Pencoed Technology Park, Junction 35 Bridgend. Knight Frank advised on BBI Healthcare's expansion within the estate into a 61,000 sq ft unit including new office fit out.

Regional outlook

- The number of existing larger requirements (100,000 sq ft to 150,000 sq ft), if satisfied, will boost the take up figures in the year ahead.
- We expect to see continued strong occupier demand for good quality stock along the M4 corridor.
- Lack of quality space, together with strong demand, should trigger much needed speculative development. However further financial assistance from the Welsh Government is needed to kick start activity as building costs for industrial space are too high for the rental / capital returns achievable.
- We anticipate strong demand from both local and national investors for competitively priced industrial stock offering proactive asset management opportunities.

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