

WALES

Logistics and Industrial Commentary

H2 2015 Review

- H2 witnessed good levels of activity for units over 50,000 sq ft, with approximately 1.1m sq ft transacted by occupiers; up 34% on H1 2015 and 18% higher than the same period last year. This brings total take-up across Wales for the year as a whole to 1.9m sq ft, compared with 2.9m sq ft in 2014, which is less than anticipated at the start of the year.
- Whereas in H1 there was an equal split between freehold and leasehold, two-thirds of the deals recorded in H2 were sales to owner occupiers.
- Significant deals include the disposal of two buildings that had both been on the market for over 2 years, namely Essentra's new lease on 278,000 sq ft at Imperial Park in Newport and General Dynamic's purchase of 236,000 sq ft in Merthyr.
- H2 also saw the first pre-let new build for some time with DPD acquiring a new 60,000 sq ft warehouse in Wentloog, Cardiff.
- As with H1, there were also a number of deals that highlight the continued success and growth of local companies within the area; examples include Zorba Food's acquisition of 60,000 sq ft in Tredegar, Sarpak's purchase of 55,000 sq ft in Baglan and Dr Organic's acquisition of 192,000 sq ft in Swansea.
- On the supply side, for units above 50,000 sq ft, there remains approximately 4.8m sq ft of space available throughout Wales, all of which is second-hand. The lack of available Grade A space is making refurbishment of older accommodation necessary to ensure modern stock is delivered to the market. Examples of this are Westcore who are progressing with their £1.2m investment at South Wales Distribution Centre, while Kenfig and Formacion are continuing to purchase older sites throughout the region.
- Away from the "big shed" market, trade counter occupiers continue to be active within the market with their expansion plans - H2 witnessed Travis Perkins, SIG, Brammer and Andrew Page all relocate within Cardiff.

Selected Wales transactions in H2 2015

Address	Occupier	Size (sq ft)	Date
Alberto Close Enterprise Park Swansea	Dr Organic	192,611	Nov-15
Imperial Park Newport	Essentra	278,100	Oct-15
TD Williams Penllegaer Swansea	Welsh Boxes	75,804	Sep-15
Tafarnaubach I.E.Tredegar	Zorba Foods	60,616	Sep-15
Linde Industrial Park Merthyr	General Dynamics	236,000	Jul-15



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Q4 2015 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q4 2016

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 ◀▶



P & T Building, Imperial Park, Newport - 132,000 sq ft of ground floor space. Knight Frank are marketing on behalf of the Welsh Government.

Regional outlook

- St. Modwen are due to complete their speculative development of 50,000 sq ft in Llanwern by February 2016, so H1 2016 will be the first time in years a new build of this size has been marketed and we expect good levels of demand.
- Rents will continue to increase - especially along the M4 corridor - and incentives will harden.
- A number of multi-let industrial estates are being considered for sale, or have been placed in larger portfolios, so changing ownership is likely to bring a number of new landlords to the market which could see a change in strategy and attitudes.