

# WALES

## Logistics and Industrial Commentary

### H2 2016 Review

- Despite the continuing uncertainty surrounding Brexit, the industrial occupier market in Wales witnessed a positive second half in 2016. For units over 50,000 sq ft, approximately 1.9m sq ft was transacted in H2, which is almost twice the level recorded in the first half of the year. This brings the total for the whole of 2016 to almost 3 million sq ft.
- Within this take-up figure is the only new build of 50,000 sq ft plus which was 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 has recently been let to Amazon on a new lease. Amazon were eager to secure a unit that reflects the quality of their operation and the letting will be a catalyst for further speculative development on this 100 acre site.
- Freehold deals accounted for the 3 most sizeable during H2; namely ALUK purchasing 350,000 sq ft in Chepstow; Edward Coaches securing 391,000 sq ft in Llantrisant Business Park; and John Pye Auctions acquiring 310,000 sq ft in Kenfig. The first two provide examples of South Wales based companies doubling their size, whereas the latter company have moved into the area to service new contracts won.
- Lettings at Newhouse Farm in Chepstow (72,000 sq ft to Uniserve) and two in Blackwood to British Airways and Nordam (92,000 sq ft and 54,000 sq ft respectively) highlight the continued demand for warehouse facilities that are close to the M4 Motorway and benefit from clear eaves of 7m plus and dock levellers / tailgate loading.
- On the supply side, for units above 50,000 sq ft, there is approximately 5.1m sq ft available within Wales with Grade A stock accounting for less than 5% of this figure.
- As reported in H1, a lack of speculative development has led to growing demand from investors to purchase properties to upgrade and sub divide. This was evident in H2 with Garrison Barclay Estates purchasing the part let, part vacant Westfield Industrial Park in Swansea (580,000 sq ft).



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Q4 2016 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q4 2017			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£5.75 ▲	£5.25 ▲	£5.00 ▲
Swansea	£4.00 ◀▶	£3.50 ◀▶	£3.00 ◀▶
Heads of Valleys	£3.50 ◀▶	£2.50 ◀▶	£2.50 ◀▶



Westfield Industrial Park, Swansea - Knight Frank recently sold this 580,000 sq ft industrial complex on a 100 acre site. It was acquired in September 2016 by local investor Garrison Barclay Estates and was one of the largest industrial disposals witnessed this year.

### Regional outlook

- Occupiers such as Bad Wolf and TVR are actively pursuing options within South Wales which will result in a number of larger deals being transacted in early 2017.
- The lack of supply of good quality stock in close proximity to the M4 Motorway is a continued and well documented issue. A number of landlords are considering plans for speculatively constructing larger buildings (over 50,000 sq ft) but the level of rents / sales values that are achievable still make this move very marginal.
- Lack of quality stock in the market will result in rents for better units in good locations continuing to increase whilst incentives will harden as landlords take advantage of high demand versus low availability.

#### Selected Wales transactions in H2 2016

Address	Occupier	Size (sq ft)	Date
Celtic Business Park Newport	Amazon	50,000	Dec-16
Hawtin Park Blackwood	British Airways	92,750	Nov-16
Newhouse Farm Chepstow	ALUK	350,000	Oct-16
Llantrisant Business Park Llantrisant	Edwards Coaches	391,000	Jul-16
Maerdy Industrial Estate Rhymney	Eco Technology Ltd	112,000	Jul-16