

# LOGIC: Wales



2023 Review

Occupier and investment market trends in the Wales logistics and industrial sector.

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Image: Unit 8, St Modwen Park, Newport

# Occupier Market

Moderate rise in take up and continued prime headline rental growth in Wales

## RESILIENCE IN WALES INDUSTRIAL MARKET

Occupier take up of industrial units over 50,000 sq ft in Wales reached over 1.8 million sq ft in 2023, exceeding the 2022 total by 2.1%, despite the slowdown in occupier transactions evident in the wider UK industrial market last year.

Five deals totalling 420,000 sq ft transacted in the final quarter in Wales, compared with just 103,500 sq ft recorded in Q4 2022.

## RENTAL GROWTH ON NEW, BEST-IN-CLASS UNITS

The letting of 52,240 sq ft Unit 9, St Modwen Park, Newport, to e-commerce business JLI Trading was the stand-out deal in Q4 that set a new headline rent of £8.75 psf in Wales. Prime rents in Newport for units over 50,000 sq ft increased by 17% year-on-year. In Cardiff, prime rents were 9.7% higher annually, standing at £8.50 psf at year-end, though new build units in Cardiff are quoting £9.50 psf.

Occupiers are willing to pay headline rents for superior, well-located units. New-build units at St. Modwen Park, Newport have been built to the developer's 'Swan Standard' of

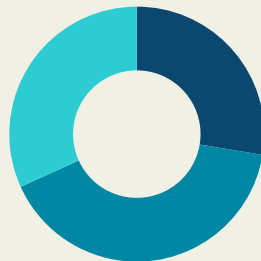
sustainable development and are encouraging a diverse range of manufacturing and distribution businesses to choose Newport as their preferred location to facilitate their growth.

## GROWTH IN MANUFACTURING AND DISTRIBUTION SECTORS

The Wales industrial market saw a 7.8% rise in take up by manufacturers in 2023, comprising 41% of the annual total. This is up from 37% in 2022 and 33% in 2021. The share of take up by distribution firms increased to 27%, from 18% in 2022. Other, non-traditional occupiers such as companies from the Creative Industries sector and auto-maintenance services sector were also active.

The largest transaction of the final quarter was the sale of a 135,000 sq ft unit at Llandow Trading Estate to an owner occupier. In Q4, there was a balanced mix of three leasehold and two freehold industrial transactions completing.

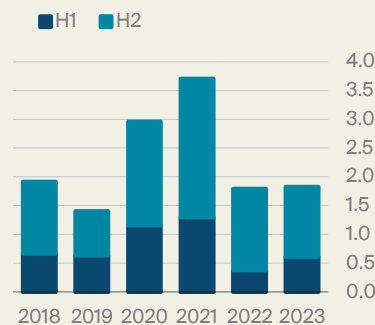
### Take up by sector 2023



- Distribution: 27% of take up
- Manufacturing: 41% of take up
- Other: 32% of take up
- Retail: 0% of take up

Source: Knight Frank Research

### Take up (sq ft) million square feet



Source: Knight Frank Research

## MARKET VIEW

Focus will remain on flight-to-quality



BY NEIL FRANCIS, PARTNER, CARDIFF LOGISTICS & INDUSTRIAL AGENCY

“Looking forward, 2024 is set to continue where 2023 left off, with good levels of interest mixed with a fair degree of caution. There will continue to be a focus on a flight-to-quality, meaning that properties with strong ESG credentials and good M4 connectivity will become increasingly attractive.”

# Occupier Market

1.8 million sq ft

Occupier take up  
2023

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15.1%

Vacancy rate  
Q4 2023

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£8.75 psf

Prime rents (Newport)  
Q4 2023

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17%

Prime annual rental growth (Newport)

“Prime rents in Newport for units over 50,000 sq ft increased by 17% year-on-year”

## SECONDARY-LOCATED SUPPLY INCREASE

The volume of immediately available units over 50,000 sq ft increased by 35% year-on-year, to stand at 6.5 million sq ft in Q4. This reflects a vacancy rate of 15.1%, up from 11.3% recorded at end-2022. The second and third quarters of 2023 saw a number of business closures which released over 1 million sq ft of secondary-located stock to the market, but the rise in supply levels in the final quarter was modest, at 0.9%. Availability includes the 1.6 million sq ft at Ford, Bridgend, on which a deal is expected to be announced in H1 2024, as well as the 850,000 sq ft Wilko site at Magor, which is attracting both occupier and investor interest.

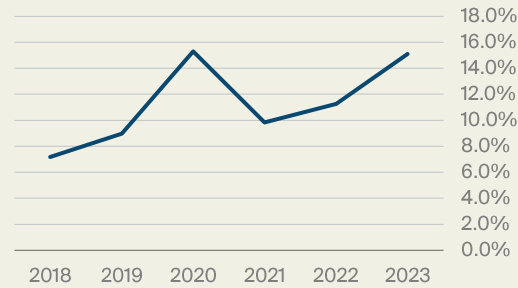
A robust development pipeline is expected for 2024 including the progression of Cubex’s C67, a 67,000 sq ft unit in Wentloog, and Studwelders’ 200,000 sq ft unit in Magor. Meanwhile, St Modwen is pushing ahead with Phase 5 at St Modwen Park, which will include two units, of 120,000 sq ft and 160,000 sq ft.

## 2024 OUTLOOK

The outlook for 2024 is positive; a number of units are under offer and with strong interest on available units of all sizes, we expect further new entrants. Rental growth is expected to moderate this year, with average growth of 1.9% forecast for Wales and 1.5% predicted for the Cardiff market (RealFor).

### Vacancy Rate

% of stock

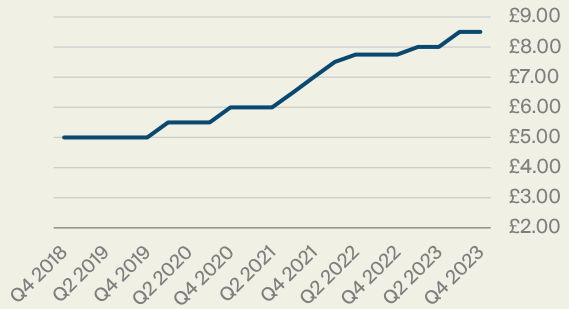


Source: Knight Frank Research

“The rise in supply levels in the final quarter was modest, at 0.9%”

### Cardiff - Prime Rents

£ per sq ft (units >50,000 sq ft)



Source: Knight Frank Research

## Key Occupier Deals 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Heol Y Mynydd, Gorseinon, Swansea	254,700	Jayplas	-	Freehold purchase – Second-hand Grade B
Llandow Trading Estate, Llandow	135,371	Blendini Motorsports	£3m	Freehold purchase – Second-hand Grade C
Unit 9, St Modwen Park, Newport	52,240	JLI Trading	£8.75 psf	Speculative Build
Unit 1, Pencoed Tech Park, Bridgend	50,000	Sainsburys (Argos)	£6.50 psf	Pre-let

Source: Knight Frank Research

# Investment Market

£63 million

Investment total  
2023

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£5.3 million

Average lot size  
2023

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45%

UK Private Property Companies  
2023

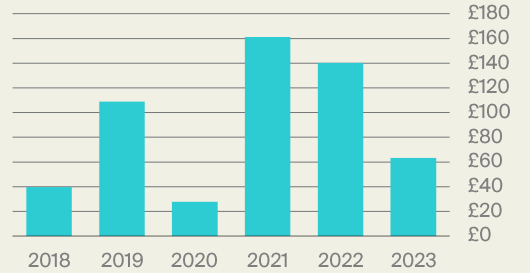
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6.00%

Prime yield  
Q4 2023

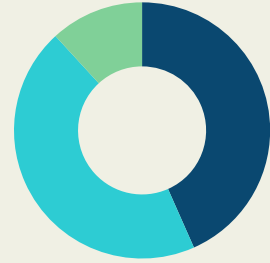
“Investment into the industrial sector in Wales was 55% lower annually in 2023”

**Investment totals**  
£m



Source: Knight Frank Research

**Investment by purchaser type**  
2023



- **UK institution:**  
43% of investment

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- **Listed Property Company:**  
0% of investment

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- **Private Property Company:**  
45% of investment

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- **Overseas Investor:**  
0% of investment

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- **Private/Other:**  
12% of investment

Source: Knight Frank Research

## ABSENCE OF OVERSEAS BUYERS

Investment into the industrial sector in Wales totalled £63 million in 2023, 55% lower compared with the £140 million transacted in 2022. Three transactions totalling £12.1 million completed during the final quarter, including Unit 24-26, Mardon Park, Central Avenue in Port Talbot, acquired by a private investor for £1.5 million (NIY 7.50%). Wales industrial investment acquisitions in 2023 were almost evenly split between UK private property companies (45%) and UK institutions (43%), while overseas buyers were virtually absent from the Wales market last year.

Prime industrial yields in Cardiff remained stable in Q4, at 6.00%. Improvements in investor sentiment and the outlook for yield compression will be largely reliant on when base rates begin to fall this year.

“Investment transactions were almost evenly split between UK private property companies and UK institutions”

## Key Investment Deals

2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Bishop Portfolio	Various (4 units)	£17.5m	8.50%	Columbia Threadneedle	M&G
Dyffryn & Withey Court	Caerphilly	£10m	7.75%	MVJ Capital Ltd.	Springfall Properties
Unit 1 Pencoed Technology Park	Bridgend	£4.5m	6.00%	Confidential	Deeside Regeneration Ltd.
Unit 24-26, Mardon Park, Baglan	Port Talbot	£1.5m	7.50%	Private Investor	Aim2sustain Properties Ltd.

Source: Knight Frank Research

We like questions, if you've got one about our research,  
or would like some property advice, we would love to hear from you

**Logistics & Industrial  
Research**

Claire Williams  
claire.williams@knightfrank.com  
+44 20 3897 0036

Deirdre O'Reilly  
deirdre.oreilly@knightfrank.com  
+44 20 3995 0785

**Cardiff Commercial  
Logistics & Industrial Agency**

Neil Francis  
neil.francis@knightfrank.com  
+44 29 2044 0147

Emily Wilson  
emily.wilson@knightfrank.com  
+44 29 2044 0128

**Cardiff Commercial  
Capital Markets**

Gareth Lloyd  
gareth.lloyd@knightfrank.com  
+44 29 2044 0141

Tom Griffiths  
tom.griffiths@knightfrank.com  
+44 29 2044 0140

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**Methodology**

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.



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