

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



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LOGIC: Wales Q1 2022

Research, April 2022



50,000 sq ft new build at Junction 35, Pencoed

MARKET OVERVIEW

The industrial market in Wales continues to strengthen, with a 20% annual uplift in take up over the last four quarters and 25% annual growth in prime rental levels.

3.3 million sq ft
Occupier take up
(last four quarters)

£98.8 million
Investment total
(last four quarters)

25%
Prime annual rental
growth

Annual take up ahead of five-year average

The opening quarter of 2022 saw 325,300 sq ft of industrial space occupied in Wales (units over 50,000 sq ft). While this is 34% lower than Q1 2021 take up, the total for the twelve months to end-March 2022 stood at 3.3 million sq ft and is 20% higher than the comparable period the previous year. This is also ahead of the five-year annual average for Wales. Manufacturing occupiers remain active, accounting for 79% of take up in quarter one and 29% of activity over the past year.

Lowest vacancy rate on record

Total supply of units over 50,000 sq ft has declined by 36% over the past year and stood below 4 million sq ft at the end of Q1 2022, with Ford at Bridgend accounting for 40% of this space. Given that stock levels are now at their lowest in years, the vacancy rate has also declined to 9.4% and compares to 14.9% the year previous. In addition to this tightening market, all of the available space consists of second hand units,

unsuitable for modern occupier requirements.

Strong demand for high quality units encouraging for developers

The robust level of occupier demand is boosting appetite for development. Trebor have progressed with their 50,000 sq ft unit at Pencoed Technology Park, with construction commencing during the first quarter. Cubex developers have also planned a new 150,000 sq ft high-spec development at Magor. As the year progresses, further development completions, particularly in South Wales, should alleviate some of the demand pressures for high quality industrial space.

In addition, two of the occupier transactions (units over 50,000 sq ft) in quarter one were in North Wales where demand for space is increasing. Net Sports World are also making headway with their new 411,000 sq ft HQ at Wrexham, due for completion this year.

Investors showing confidence in occupier market

Investment into the logistics and industrial sector in Wales totalled £18.9 million in Q1 2022. While this is 77% lower than Q1 2021 volumes, the total for the four quarters to end Q1 2022 showed £98.8 million invested, 43% of which was sourced overseas.

A key investment deal in the first quarter was Beacon Business Park, Caldicot, which was bought by Industrials REIT Ltd for £7.9m at a net initial yield of 6.00%. Also in quarter one, the former Rehau factory at Amlwch Industrial Estate, Anglesey, which closed in 2019, was purchased by Hurstwood Holdings for £4m and is currently being refurbished and marketed to let.

Rental levels & Outlook

There has been a strong uptick in rents over the past year across all size units in Wales. Prime rents in both Cardiff and Newport for units over 50,000 sq ft increased by 25% annually, to £7.50 psf and £7.00 psf, respectively. The strength of the industrial market in Wales reflected in rental forecasts echoes the UK-wide picture. Average rental growth of 5.0% is expected in 2022, while expectations for the Cardiff market are higher, with average rental growth of 5.6% (RealFor).



NEIL FRANCIS, PARTNER,
CARDIFF COMMERCIAL

“The strong demand for high quality industrial property has a dual impact, reducing availability but also encouraging developers to undertake new-build projects. It is exciting to see new developers such as Trebor and Cubex attracted to Wales for the first time, by the buoyant industrial market which now exists.”

OCCUPIER MARKET

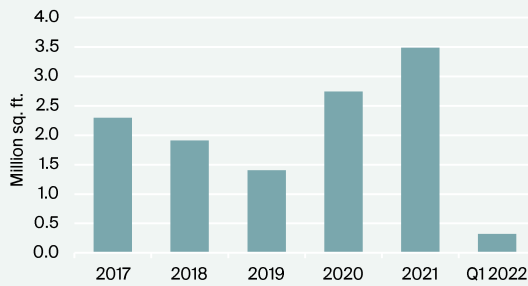
325,300 sq ft
Occupier take up
Q1 2022

29%
Manufacturing
take up
(last four quarters)

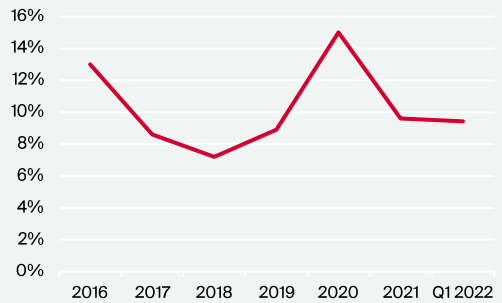
£7.50 psf
Prime rents

9.5%
Vacancy rate

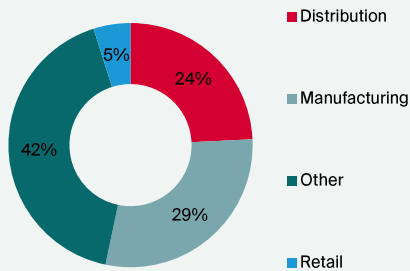
Take up (sq ft)



Vacancy rate (%)



Take up by sector (sq ft),
Q2 2021 - Q1 2022



Cardiff - Prime rents (£psf)



KEY OCCUPIER DEALS Q1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Penygroes Industrial Estate, Caernarfon	116,594	Manufacturing owner occupier	£1.7m (purchase)	Freehold purchase
Wire 81, Ash Road, Wrexham Industrial Estate	81,580	Dhollandia	-	Freehold purchase
Severnbridge Industrial Estate, Caldicot	68,424	Lockwood Haulage Ltd.	£5.00 psf	Second hand

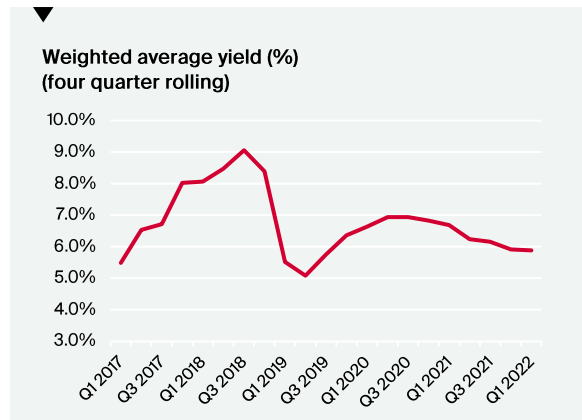
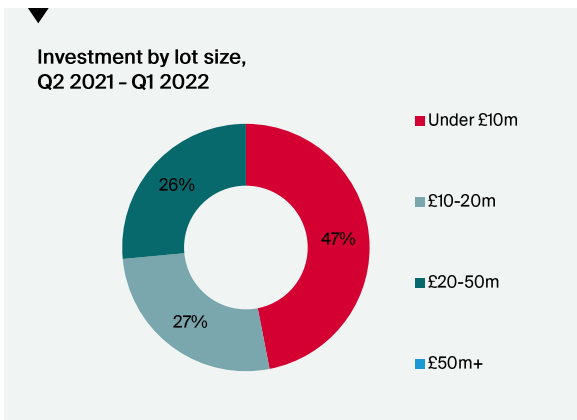
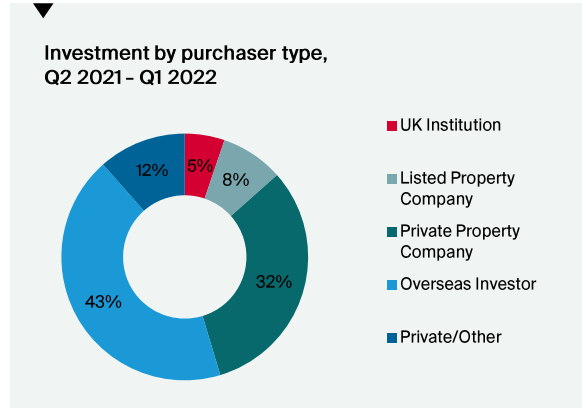
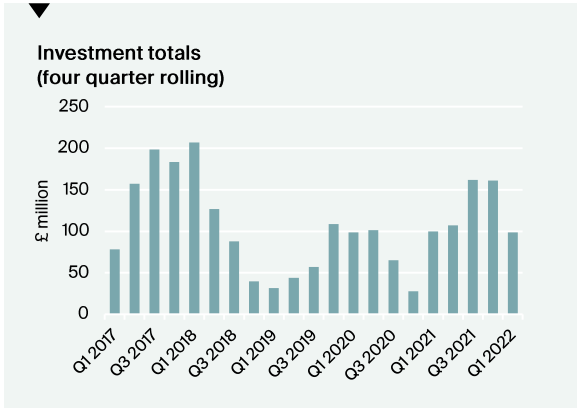
INVESTMENT MARKET

£18.9 million
Investment total
Q1 2022

£5.2 million
Average lot size
(last four quarters)

43%
Overseas capital
(last four quarters)

5.9%
Average yield
(last four quarters)



KEY INVESTMENT DEALS Q1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Beacon Business Park	Caldicot	£7.9m	6.0%	Industrials REIT Ltd.	Undisclosed
Wales Industrial Parks Portfolio	2 assets N.Wales	£6m	-	Western UK Property Group	Mileway Investments
Amlwch Industrial Estate	Anglesey	£4m	-	Hurstwood Holdings Ltd.	Rehau Group

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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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