

SOUTH WEST

Logistics and Industrial Commentary



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H1 2014 Review

- For units in excess of 50,000 sq ft, the South West region saw respectable take-up of 1.06m sq ft in H1 2014, a significant 74% increase on the total for H2 2013 but 7% below the five year bi-annual average. However, H1 take-up was underpinned by several large deals and actually comprised only seven transactions.
- We are starting to see the return of the pre-sale / pre-let market, as evidenced by Farmfoods's recent pre-purchase of 178,000 sq ft at Central Park. The bespoke development is progressing on site and will be ready for occupation in 2015.
- Reflecting the lack of new-build space in the market, the remaining deals were made up of secondhand space. The largest deal by some margin in H1 saw home furnishings company The Range acquire the Former Morrisons unit at Cribbs Causeway, totalling 385,000 sq ft.
- There are additional requirements in the area which are in the process of being satisfied, and we expect these to be reflected in improved rates of take-up in the second half of the year.
- The amount of choice available in the South West market remains restricted. In the 50,000 sq ft plus segment of the market, availability is presently confined to just one new-build large format unit of 338,000 sq ft and circa 1.1m sq ft of good quality second-hand space.
- With supply levels under pressure, a defining feature of H1 2014 has been the return of headline rental growth for standing stock, and we estimate that rents have increased by up to 7% during the period. The market has also seen a sharp reduction in incentive packages, in some instances hardening by 50% during H1.
- Investment activity for Industrial assets has been remarkably strong in the region. The first quarter of 2014 saw £125m of industrial assets change hands in the South West, a record total for a quarter. The largest deal was NFU's purchase £34.5m of Western Approach, Avonmouth, reflecting 5.34% NIY.

Q2 2014 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2015			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Bristol	£8.00 ◀▶	£7.25 ▲	£6.25 ▲
Swindon	£6.75 ▲	£6.00 ◀▶	£5.50 ▲
Exeter	£6.25 ▲	£5.50 ◀▶	£4.75 ◀▶
Plymouth	£5.25 ◀▶	£4.50 ◀▶	£3.00 ◀▶



Farmfoods new chilled and frozen RDC at Central Park, Bristol is now under construction. The developer is Severnside Distribution Land & Roxhill.

Selected South West transactions H1 2014				
Address	Occupier	Size (sq ft)	Rent (per sq ft)	Date
Former Morrisons, Cribbs Causeway, Bristol	The Range	385,000	NA	May-14
Central Park, Bristol	Farmfoods	178,000	NA	Mar-14
Woodlands Park, Bristol	Yodel	53,115	£6.10	Feb-14
Former Wiltshire Print, First Ave, Portbury	AP Burt	53,078	£5.00	May-14
Unit F, Severn Distribution Park, Gloucs.	Amazon	47,000	£4.75	Mar-14

Regional outlook

- It is unlikely that there will be any substantial change to the region's supply dynamics over the next 12 months. Consequently, existing landlords will see further rental growth, and incentive compression, while the development market catches up.
- Headline rents in small and medium units will rise during H2 as the stock levels decrease further. In time, companies will have to commit to new-build as the only option.
- The development market will deliver more units to the mid-size range (15,000 - 75,000 sq ft) on a speculative basis, as funding is now more readily available.