

# SOUTH WEST

## Logistics and Industrial Commentary



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### H1 2016 Review

- H1 saw exceptional take-up of 2.4m sq ft of units over 50,000 sq ft, and an even higher total of 3.6m sq ft for all size ranges across the South West region. To put this in context, this is more than double the level of take-up over the same period last year and the highest on record since 2007.
- The high level of take-up in H1 was principally due to two significant deals; The Range bought 55 acres at Central Park to build a 1.2m sq ft RDC due for completion in Q4 2017; and Lidl bought 33 acres to build a 600,000 sq ft development. On the same scheme Davies Turner bought 12 acres to build a 130,000 sq ft building and Mountpark acquired 20 acres to build a speculative scheme of 400,000 sq ft.
- The large format B8 sector has driven demand from both retailers and 3PLs. The ability to acquire land has been a key element to the market, and sale and leasebacks will follow.
- Strong occupier demand and limited availability, with supply down 30% on the previous six months, has given developers the confidence to start speculative schemes. There are two major speculative schemes in the region; Mountpark, Central Park with three units covering 400,000 sq ft and Horizon 38 Filton with 250,000 sq ft across four buildings, with practical completion due in Q1 2017 and Q3 2017, respectively.
- The new speculative schemes will establish new rental benchmarks for speculative units in North Bristol (Horizon38) with quoting rents from £7.00 psf upwards; and Mountpark in Severnside with rents at £6.00 psf plus for 200,000 sq ft. There is scope for a smaller unit scheme within the city. Post Brexit has seen the re-emergence of mid-size range requirements and there is strong rental growth in this sector due to the lack of supply. Persistent rental growth evidence throughout 2016 will underline the potential for speculative development.
- There remains strong interest in all regional markets from Amazon who continue to demand both second-hand and new space. There are also a number of regional manufacturing and distribution requirements totalling over 1.5m sq ft to be satisfied.

| Q2 2016 Prime headline rents (£ per sq ft) |                    |                        |                |
|--|--------------------|------------------------|----------------|
| ▼ / ▲ - movement expected to Q2 2017       |                    |                        |                |
| Market                                     | under 20,000 sq ft | 20,000 to 50,000 sq ft | 50,000 + sq ft |
| Bristol                                    | £8.75 ▲            | £7.75 ▲                | £7.00 ◀ ▶      |
| Swindon                                    | £7.50 ▲            | £6.50 ◀ ▶              | £6.25 ◀ ▶      |
| Exeter                                     | £6.75 ◀ ▶          | £6.25 ◀ ▶              | £6.00 ◀ ▶      |
| Plymouth                                   | £5.50 ▼            | £5.25 ◀ ▶              | £5.00 ▼        |



Mountpark Bristol, Central Park where Mountpark are speculatively building 400,000sq ft in three buildings. Completion Q1 2017

### Regional outlook

- The next 12 months will see the delivery of the first large scale speculative unit since 2008, which will establish new rent levels.
- The next six months will see the start of a new speculative scheme addressing the mid -range market.
- The proposed new motorway junction on the M49, due to start in 2017, will greatly improve access to the most strategically important area of Bristol for B8.

#### Selected South West transactions H1 2016

| Address                             | Occupier      | Size (sq ft) | Rent (per sq ft) | Date   |
|-------------------------------------|---------------|--------------|------------------|--------|
| Davies Turner, Central Park Bristol | Davies Turner | 130,000      | NA               | May-16 |
| First Avenue, Portbury              | Roper Rhodes  | 185,000      | £35              | Mar-16 |
| Lidl, Central; Central Park Bristol | Lidl          | 600,000      | NA               | Feb-16 |
| Former Asda, Portbury               | Brakes        | 240,000      | £5.00            | Feb-16 |
| The Range, Central Park, Bristol    | The Range     | 1,200,000    | £4.00            | Jan-16 |