Occupier and investment market trends in the South West logistics and industrial sector.

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LOGIC: South West 2021 Review

Research, February 2022

MARKET OVERVIEW

Strong final quarter brings annual occupier take up in the South West region in 2021 to 2.6 million sq ft, 30% higher than the five-year average.

2.6 million sq ft
Occupier take up 2021

£524 million
Investment total 2021

3.2%
Prime annual rental growth

Active fourth quarter for occupier take up

The fourth quarter was the most active in 2021 across the South West region, with take up totalling 848,000 sq ft (units over 50,000 sq ft). This brings the 2021 annual total to 2.6 million sq ft and while this is below 2020 volumes, it stands 30% ahead of the five-year average of c.2 million sq ft. The distribution sector accounted for 43% of total take up in 2021, with manufacturing accounting for a further 30%.

Large amount of available space under offer

Availability in the South West declined by 3.1% in the fourth quarter of 2021, to stand at 3.7 million sq ft (units over 50,000 sq ft). Of this, 44% was under offer at year end reflecting the current strength of demand in the market and the majority of this space is second hand stock. The vacancy rate across the South West stood at 5.7%, however, vacancy levels across the region vary considerably, with particularly strong demand in Bristol and along the M4 and M5 corridors.

RUSSELL CROFTS, PARTNER,
BRISTOL COMMERCIAL

"As with all regions, our biggest challenge in the South West for 2022 is in delivering new, high quality stock to satisfy requirements, with much of our available stock being existing second hand units. Strong rental growth is forecasted across the board for the year ahead."

Supply shortage for prime units driving rental growth

Some new developments have come on stream during the year which are providing new opportunities, particularly for larger occupiers. Further development is under way with two speculative units under construction at More+, Avonmouth, totalling 186,000 sq ft. Despite this construction activity, a lack of supply for high quality units, particularly for bigger boxes poses a risk for the second half of 2022.

Prime rents for all units sizes across the region increased over the course of 2021. Prime units over 50,000 sq ft saw a 3.2% uplift in rental values, to £8.00 psf. With little immediately available stock expected to be delivered to the market over the next twelve months, further rental growth is expected.

Investment activity has been robust

2021 was another strong year for investment activity in the South West region, with a further £524 million of investment recorded. The largest share of acquisitions during the year was from UK LPCs (Listed Property Companies), which accounted for 42% of the total, followed by UK institutions, at 31%.

A key investment deal this year was Accolade Park, comprising 872,000 sq ft of floorspace. Tritax Big Box REIT Plc purchased this asset for £90 million in April 2021.

2022 Outlook

Looking to the year ahead, further rental growth is anticipated across the South West. Average rental growth of 5.5% is forecast for 2022, with marginally higher average growth predicted for the Bristol market, of 5.7% (RealFor).

Demand for development land has been voracious over the past year, with land values across the region increasing significantly and this trend is likely to continue.

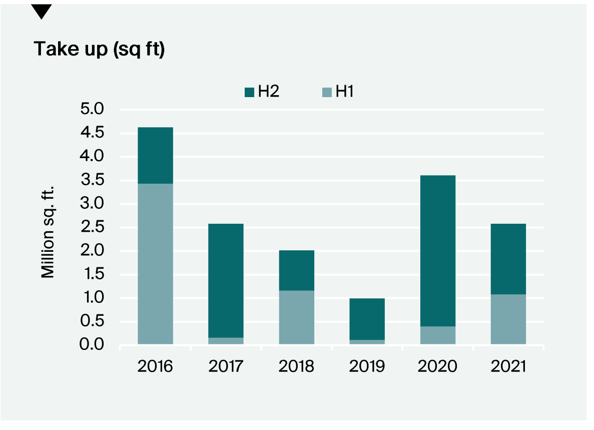
OCCUPIER MARKET

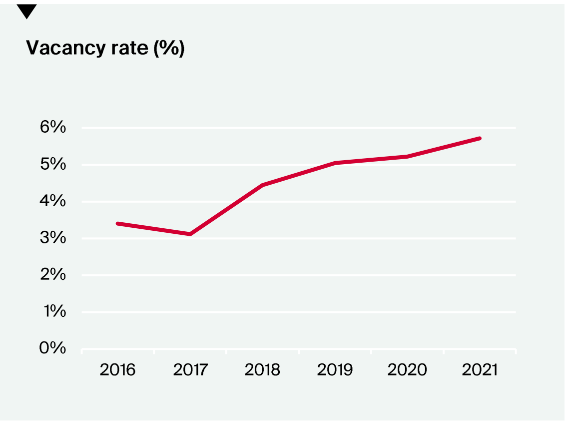
2.6 m sq ft
2021 occupier take up

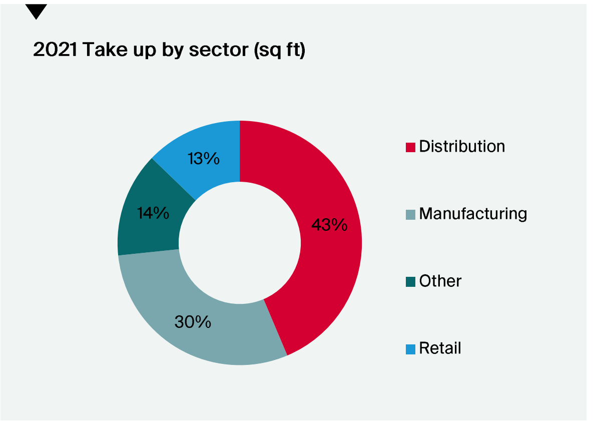
43%
Take up from distribution sector

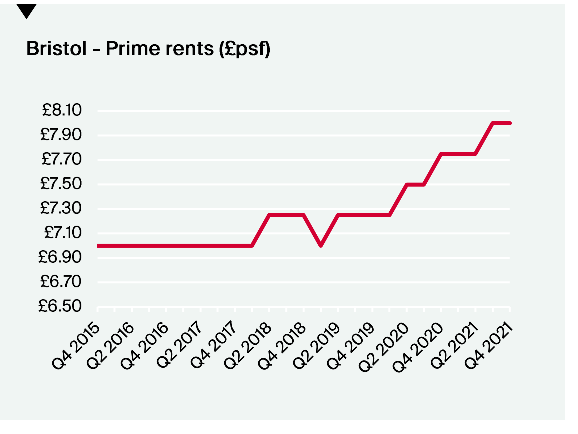
£8.00 psf
Prime rents

5.7%
Vacancy rate









KEY OCCUPIER DEALS 2021

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
WA316, Western Approach, Bristol	316,221	Amazon	£5.70 psf	Second hand
H240 Hercules, Cribbs Causeway, Bristol	243,609	DFS	£6.25 psf	Second hand
Former Oscar Mayer Ltd., Chard	212,000	Numatic International Ltd.	-	Freehold
St Modwen Park, Gloucester	116,000	Gardiner Brothers & Co.	Confidential	Pre-let

Source: Knight Frank

INVESTMENT MARKET

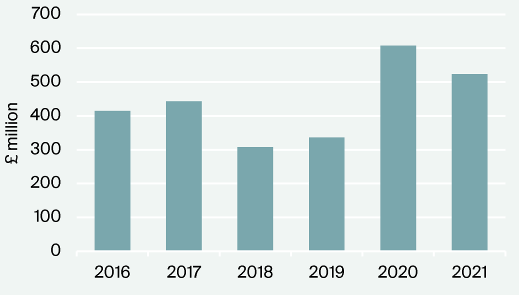
£524 million
Investment total

£9.9 million
Average lot size

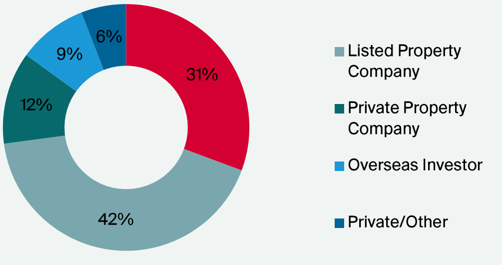
42%
Investment from Listed Property Companies

5.2%
Average yield

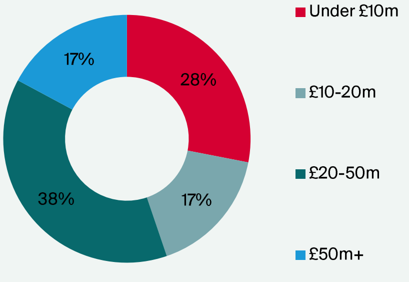
Investment totals



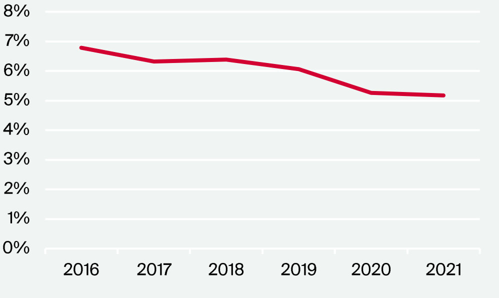
2021 Investment by purchaser type



2021 Investment by lot size



Weighted average yield (%)



KEY INVESTMENT DEALS 2021

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Accolade Park	Avonmouth	£90m	5.10%	Tritax Big Box REIT Plc	South Korean investors
Portside Park	Avonmouth	£21.7m	-	NFU Mutual Insurance	Barwood Capital Ltd.
Central Approach	Bristol	£20.6m	3.60%	AXA REIM	Trebor Developments

Source: Knight Frank, Property Data

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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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