

LOGIC: South West



Q1 2023

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

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Occupier Market

Supply levels remain constrained, but development pipeline anticipated to support robust take up this year.

STEADY FIRST QUARTER FOR OCCUPIER TAKE UP

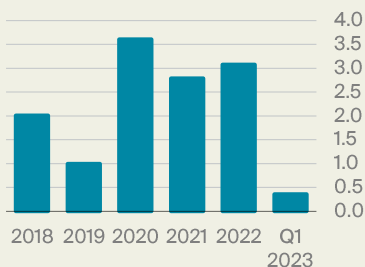
The opening quarter of 2023 saw 356,700 sq ft of industrial space taken up in the South West region, across three deals (units over 50,000 sq ft). This is higher than the previous, more subdued quarter, however it is 72% lower than Q1 2022 levels. The total for the four quarters to end-March is 43% lower annually, at 2.1 million sq ft.

Supply levels remain very low across the South West and this, combined with demand-side factors brought on by wider economic uncertainties, may have contributed to a dampening of take up volumes. However, development activity in the region is accelerating, while a further 14% of all existing available space was under offer at end-March. Take up is therefore expected to improve in the coming quarters.

LESS TRADITIONAL OCCUPIERS TAKING SPACE

Both distribution and manufacturing firms remain active in the South West, respectively accounting for 25% and 19% of occupier take up over the past year. Other, less traditional, occupiers are

Take up (sq ft) millions square feet



Source: Knight Frank Research

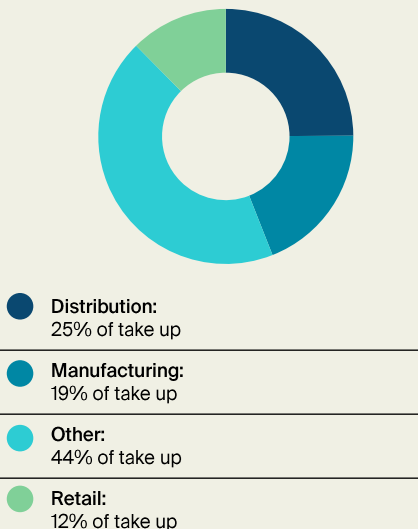
also increasingly active, accounting for a further 44%. This compares to 11% over the same period the previous year.

A key deal in quarter one included the letting of Keypoint 224, a 224,465 sq ft high-quality unit in South Marston, Swindon, to distribution firm, Panther Logistics, on a 10-year lease at £8.15 psf.

NEW, HIGH-QUALITY DEVELOPMENT IS BEING DELIVERED

A total of 2.3 million sq ft of industrial space was under construction speculatively at end-March, across nine units (units over 50,000 sq ft). Most notably, construction commenced on Panattoni's 882,000 sq ft unit at Panattoni Park, Avonmouth. The building is the UK's largest-ever speculative industrial warehouse and is being built to a targeted BREEAM rating of 'Excellent' and an EPC rating of 'A'.

Take up by sector Q2 2022 - Q1 2023



Source: Knight Frank Research

MARKET VIEW

We are seeing a recovery in occupier confidence



BY RUSSELL CROFTS, PARTNER, BRISTOL LOGISTICS & INDUSTRIAL AGENCY

"In line with the national picture, Q1 2023 take up reflected the macroeconomic uncertainties of the latter months of 2022. We have since seen a recovery in occupier confidence, with a number of key buildings now under offer.

The supply side for mid-boxes remains robust, with St Modwen completing a 160,000 sq ft unit in Bristol in recent weeks. The market for big boxes has experienced a shock, with only two units under construction and any new speculative development throughout the region remains on hold."

Occupier Market

356,700 sq ft

Occupier take up
Q1 2023

2.2%

Vacancy rate
Q1 2023

£9.00 psf

Prime rents
Q1 2023

5.9%

Prime annual rental growth

“The volume of available floorspace in the region decreased further in Q1 2023, to stand at 1.5 million sq ft.”

AVAILABILITY LEVELS REMAIN CONSTRAINED

The volume of available floorspace in the region decreased further in Q1 2023 by 2.9%, to stand at 1.5 million sq ft (units over 50,000 sq ft). This brings the vacancy rate to a record low of 2.2%, from 2.3% recorded in the previous quarter and compares to 4.3% one year ago.

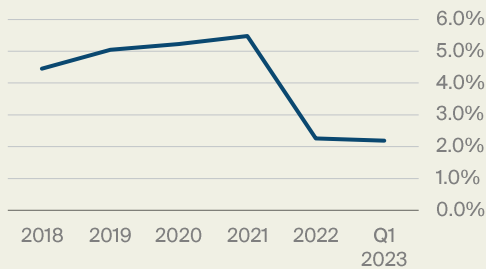
The decline in supply levels was largely driven by a reduction in second-hand space available. Three units comprising almost 250,000 sq ft at More+, Central Park, Avonmouth completed construction during the quarter, adding to the supply of new, existing space. However, there remains a shortage of larger-scale units over 250,000 sq ft, with just one unit of this size available.

RENTAL LEVELS & OUTLOOK

Prime headline rents in Bristol for units over 50,000 sq ft increased by 0.6% in Q1 2023 and by 5.9% on an annual basis, to stand at £9.00 psf.

Average rental growth of 5.2% is forecast for the South West region for 2023, with marginally higher expectations for Bristol, of 5.5% (RealFor).

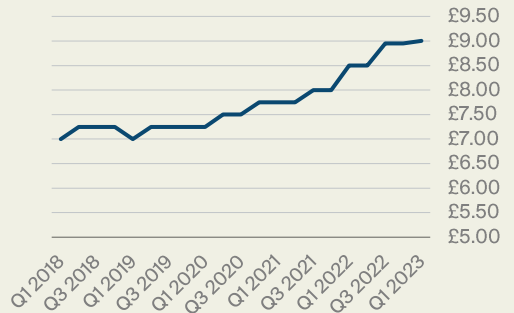
Vacancy rate
% of stock



Source: Knight Frank Research

“Prime headline rents in Bristol for units over 50,000 sq ft increased by 5.9% on an annual basis, to £9.00 psf.”

Bristol - Prime Rents
£ per sq ft



Source: Knight Frank Research

Key Occupier Deals Q1 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Keypoint 224, Swindon	224,465	Panther Logistics	£8.15 psf	Second-hand
Unit H1, 86A St Modwen Road, Plymouth	66,157	SIG plc	£7.50 psf	Second-hand

Source: Knight Frank Research

Investment Market

£23 million

Investment total
Q1 2023

£10.2 million

Average lot size
(last four quarters)

58%

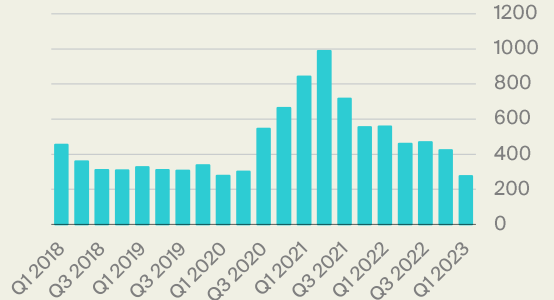
Investment by UK private property companies
(last four quarters)

5.25%

Prime yield
Q1 2023

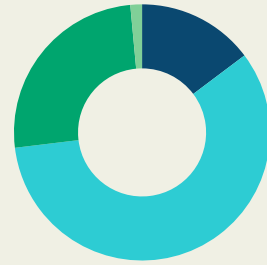
“Investor activity was slower in Q1, totalling £23 million.”

Investment totals (£m)
(four quarter rolling)



Source: Knight Frank Research

Investment by purchaser type
Q2 2022 - Q1 2023



- **UK institution:**
15% of investment

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

- **Private Property Company:**
58% of investment

- **Overseas Investor:**
25% of investment

- **Private/Other:**
2% of investment

Source: Knight Frank Research

INVESTOR ACTIVITY SLOWER IN Q1 2023

Investment into industrial property in the South West in the four quarters to Q1 2023 totalled £276 million, 51% lower annually. Investor activity was slower in Q1, totalling £23 million, which included Telereal Trillium’s acquisition of Wessex Trade Centre, Poole, for £12.6 million (NIY 6.15%).

The share of investment into the South West region by UK private property companies increased to 58% annually to Q1, from 24% over the same period last year.

Following a notable softening of prime industrial yields over the course of 2022, prime yields in Bristol remained stable in Q1 2023, at 5.25%.

“The share of investment by UK property firms over the past year has increased to 58%.”

Key Investment Deals

Q1 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Wessex Trade Centre	Poole	£12.6m	6.15%	Telereal Trillium	Bournemouth Borough Council
100-300 Dorcan, Murdock Road	Swindon	£4m	Undisclosed	Private Investor	DTZ Investors

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

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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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