

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



knightfrank.com/research

# LOGIC: South West Q2 2022

**Research, August 2022**



# MARKET OVERVIEW

*Take up in the South West industrial market remains robust despite the supply shortage. This is supporting record rental levels in the region.*

**2.1 million sq ft**  
Occupier take up  
H1 2022

**£312 million**  
Investment total  
H1 2022

**9.7%**  
Prime annual rental  
growth

## Occupier take up doubling year on year

Demand for industrial space remains robust in the South West occupier market, with the second quarter of 2022 recording a further 770,700 sq ft of take up (units 50,000 sq ft+). This brings the H1 2022 total to 2.1 million sq ft, almost double the level recorded in H1 2021 and 114% ahead of the five-year H1 average.

Of the 17 deals recorded in the first half of the year, 16 comprised units under 250,000 sq ft in size, with the shortage of large-scale units available in the region limiting take up. The majority of take up in the first half of the year, 76%, comprised second-hand units.

Some notable transactions in quarter two include Graphic Packaging International agreeing a 25-year lease on 255,686 sq ft at TITAN, Yate, at a rent of £6.75 psf, while ProCook have committed to a 167,000 sq ft unit at St Modwen Park, Gloucester, also at £6.75 psf, which is being constructed on a build-to-suit basis.



RUSSELL CROFTS, PARTNER,  
BRISTOL COMMERCIAL

“Big box and mid-box activity has been limited through lack of supply, although record rents are still being achieved on new and second-hand schemes. Towards the end of Q2, we started to see some tempering of enquiry levels (down 15% from Q1), but this remains against a backdrop of record low levels of supply and very little churn in the wider market.”

## Vacancy rate continues to decline

The volume of immediately available space continues to decline in the South West and stood at 2.4 million sq ft at the mid-point of the year, 18% lower on an annual basis (units over 50,000 sq ft). This decrease in supply has compressed the region's vacancy rate to 3.6%, from 4.4% at the same point last year. In addition, 69% of availability comprises second-hand stock.

## Supply shortage encouraging development activity

Development activity in the region is gathering momentum in response to the constrained supply levels, particularly in Avonmouth. A total of 422,700 sq ft of industrial space was under construction at the end of June (units over 50,000 sq ft), of which 37% is under offer. A number of speculative developments are planned across the region. Most notably, Panattoni have secured 74 acres in Avonmouth and are soon to build what will be the largest speculative logistics unit in the market, of 882,000 sq ft.

## Continued compression in average yields

While occupier demand remains strong, we have seen a slowdown emerge in investor activity. The volume of industrial investment in Q2 2022 was £109 million. This brings the half year total to £312 million, 24% lower YOY. Looking at the 12-month period to end-June 2022, £453 million was invested, with 45% of this capital coming from overseas investors. UK investors are also active, accounting for a further 40%.

The weighted average yield for assets transacted across the South West region over the past 12 months has compressed further, to stand at 4.9% at the end of June, compared to 5.2% recorded in the comparable period last year.

## Rental levels & Outlook

Prime rents for units over 50,000 sq ft in Bristol are 9.7% higher annually to Q2, at £8.50 psf, while Exeter has seen 17% growth YOY, also reaching £8.50 psf. Average rents in the South West are forecast to grow by 4.2% for 2022 with stronger growth of 9.5% and 7.3% forecasted for Plymouth and Exeter, respectively (RealFor).

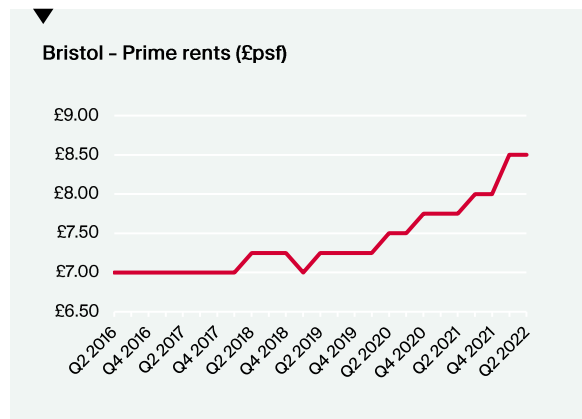
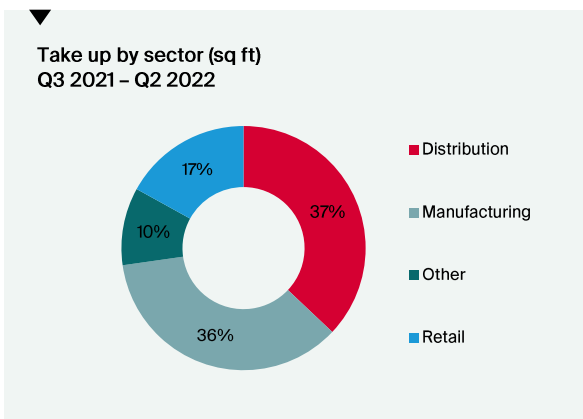
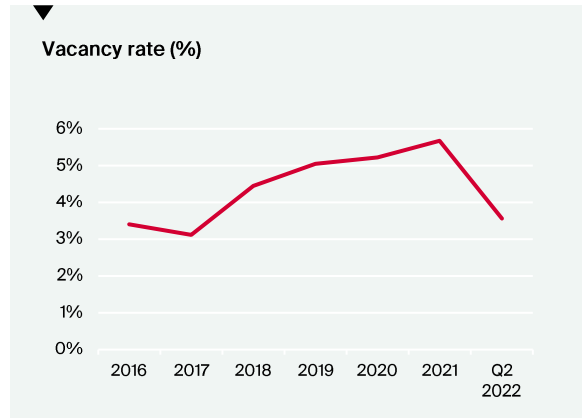
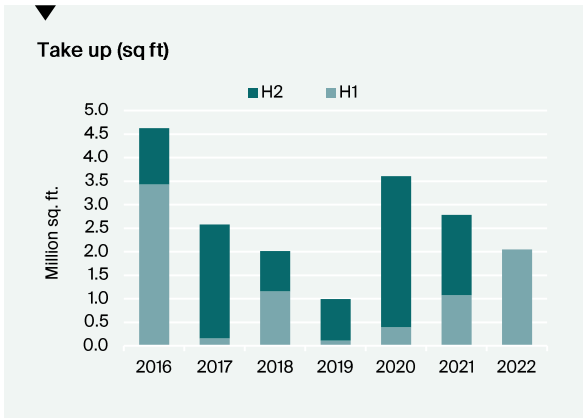
# OCCUPIER MARKET

**3.8 million sq ft**  
Occupier take up  
(last four quarters)

**37%**  
Distribution  
take up  
(last four quarters)

**£8.50 psf**  
Prime rents

**3.6%**  
Vacancy rate



## KEY OCCUPIER DEALS H1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
TITAN, Yate	255,686	Graphic Packaging International	£6.75 psf	Second-hand
Cheney Manor / SN200, Swindon	203,200	Amazon	£4.00 psf	Second-hand
Former Kensey Foods, Pennygillam Industrial Estate, Launceston	195,478	Lewis Properties	£3.15m	Freehold purchase / Second-hand
St Modwen Park, Gloucester	167,000	ProCook	£6.75 psf	Build-to-suit

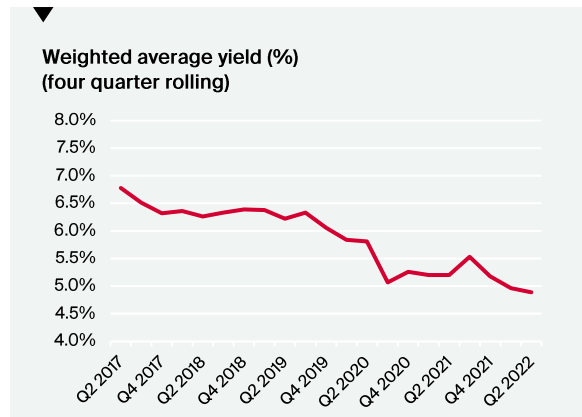
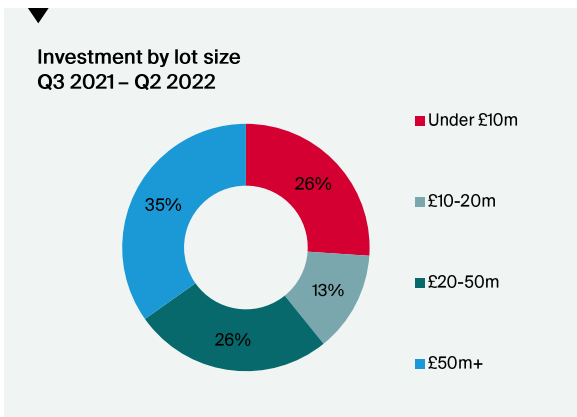
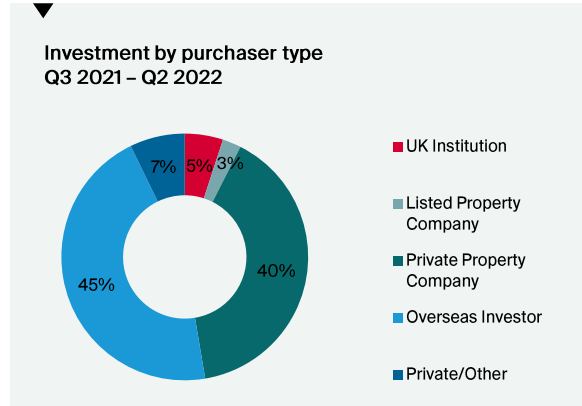
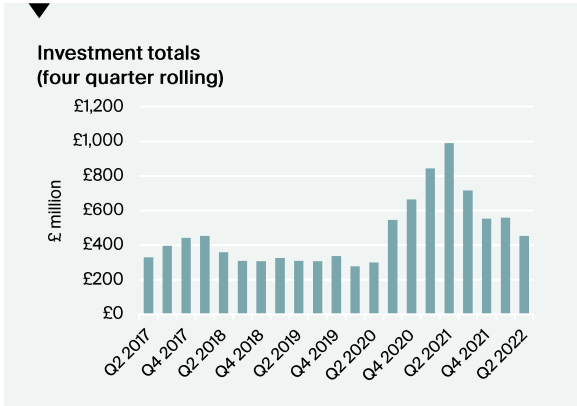
# INVESTMENT MARKET

**£453 million**  
Investment total  
(last four quarters)

**£11.9 million**  
Average lot size  
(last four quarters)

**45%**  
Overseas capital  
(last four quarters)

**4.9%**  
Average yield  
(last four quarters)



## KEY INVESTMENT DEALS H1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Tesco Distribution Centre, Lanson Roberts Road	Avonmouth	£104.7m	4.02%	Realty Income Corporation	Roebuck Asset Management
Former Morrisons Distribution Centre, Lysander Road	Bristol	£53m	5.00%	Fortress Investment Group	Hines UK
Mill Place Industrial Estate	Gloucester	£10.4m	6.10%	Picton Property Income	Robert Hitchins Ltd.
Hampton Park West	Melksham	£9m	4.89%	ARA Dunedin Ltd.	Urban Logistics REIT Plc

## CONTACTS

### LOGISTICS & INDUSTRIAL RESEARCH

**Claire Williams**

claire.williams@knightfrank.com

+44 203 897 0036

**Deirdre O'Reilly**

deirdre.oreilly@knightfrank.com

+44 203 995 0785

### BRISTOL COMMERCIAL LOGISTICS & INDUSTRIAL AGENCY

**Russell Crofts**

russell.crofts@knightfrank.com

+44 117 917 4535

**Rhys Jones**

rhys.jones@knightfrank.com

+44 117 917 4534

### BRISTOL COMMERCIAL CAPITAL MARKETS

**Nick Thurston**

nick.thurston@knightfrank.com

+44 117 917 4536

---

#### 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.

---

**Knight Frank Research**  
Reports are available at  
[knightfrank.com/research](https://knightfrank.com/research)



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2022 This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.