

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



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# LOGIC: South West Q3 2022

**Research, October 2022**



# MARKET OVERVIEW

*Significant uplift in speculative development in response to the supply shortage, with 1.3 million sq ft under construction.*

**2.9 million sq ft**  
Occupier take up  
YTD 2022

**£332 million**  
Investment total  
YTD 2022

**12%**  
Prime annual rental  
growth

## Uplift in speculative development activity

The South West industrial market has witnessed a significant uplift in development activity during Q3 2022, a much-needed boost to the region considering the diminishing supply levels over the past year. At end-September, almost 1.3 million sq ft of speculative space was under construction (units over 50,000 sq ft), representing an almost four-fold increase on an annual basis. This spans across 10 units, five of which will be over 100,000 sq ft in size.

St. Modwen have been active in the region breaking ground on four units totalling 801,300 sq ft at St. Modwen Park, Chippenham, due for practical completion in mid-2023. St Francis Group and Almcors have also commenced construction on a 115,600 sq ft unit at G5 Horizon 38, Filton. Several other speculative developments across the region have secured planning permission, most notably Panattoni's 882,000 sq ft unit at Panattoni Park, Avonmouth.



RUSSELL CROFTS, PARTNER,  
BRISTOL COMMERCIAL

"The end of Q3 saw the start of some changes in sentiment in capital markets. However, this has not been reflected in the occupier markets.

Whilst there remains an element of cost conservatism, the lack of supply requires occupiers to focus on the few opportunities available for new space. Occupiers have become more sensitive to CapEx requirements for fit out and the landlord market appears to be reacting to this through more flexible approaches. Longer-term, requirements for buildings with good ESG credentials will reward those landlords who have moved early to improve their portfolios."

## Supply levels more than halved

The volume of immediately available space has more than halved over the past year, standing at 1.8 million sq ft at the end of Q3 2022 (units over 50,000 sq ft). This represents a 24% decline on Q2 levels and a 54% fall annually. The vacancy rate has therefore contracted to 2.6%, from 5.9% in Q3 2021. In addition, 19% of this available space is under offer.

## Take up ahead of five-year average

Occupier demand remains robust with 764,900 sq ft of industrial space taken up in the third quarter, bringing the total for the year to date (YTD) to almost 2.9 million sq ft (units over 50,000 sq ft). Activity so far this year has already surpassed the total for 2021 and is 20% ahead of the five-year annual average.

The majority of take up (81%) was second-hand space, with 12% comprising a combination of pre-let and build-to-suit units. A notable deal in Q3 included Big Box 24, a 352,303 sq ft unit at Huntworth Business Park, Bridgwater, where EDF Energy, who already occupy the adjoining premises, signed a 15-year lease at £6.50 psf.

## Quieter quarter for investment activity

We have seen a slowdown emerge in investor activity. Following a strong start to the year, Q3 saw just £14.1 million invested in South West industrial property. This brings the YTD total to £332 million, a 26% fall year on year. Overseas buyers account for 55% of YTD investment volumes. A notable deal this quarter was the acquisition of Unit 6, Coldharbour Business Park, by packing manufacturer, Ablebox for £4.55 million.

The weighted average yield for assets transacted across the South West region has declined to 4.7% in the year to date, compared to 5.1% in the same period last year.

## Rental levels & Outlook

Demand for new units under construction in the South West is supporting prime rental growth. Prime rents for units over 50,000 sq ft in Bristol increased by 5.3% in Q3, to £8.95 psf. Looking ahead to 2023, average annual rental growth in the South West is slightly lower at 2.9%, with 3.7% forecast for Bristol (RealFor).

# OCCUPIER MARKET

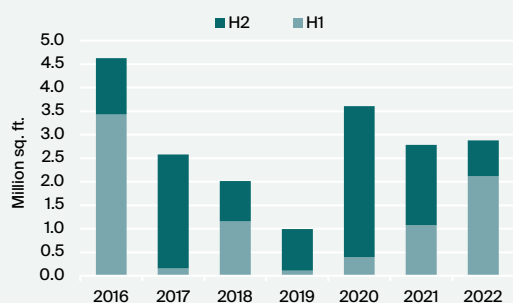
**764,900 sq ft**  
Occupier take up  
Q3 2022

**23%**  
Distribution  
take up  
YTD 2022

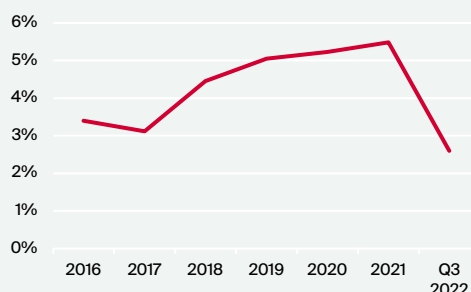
**£8.95 psf**  
Prime rents

**2.6%**  
Vacancy rate

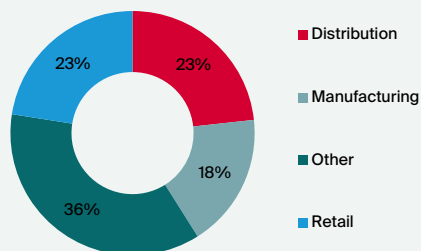
Take up (sq ft)



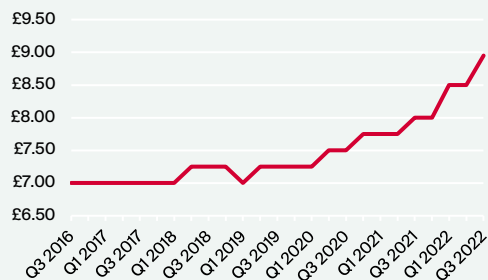
Vacancy rate (%)



Take up by sector (sq ft), YTD 2022



Bristol - Prime rents (£psf)



## KEY OCCUPIER DEALS Q3 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Bix Big 24, Bridgwater	352,303	EDF Energy	£6.50 psf	Second-hand
Avonmouth MBT, Unit 1 Access 18, Avonmouth	182,429	Grundon	Confidential	Freehold purchase / Second-hand
Unit 3 More +, Avonmouth	62,900	Huboo	£8.95 psf	Pre-let
110 Faraday Park, Swindon	53,708	OPX Logistics	£8.00 psf	Second-hand

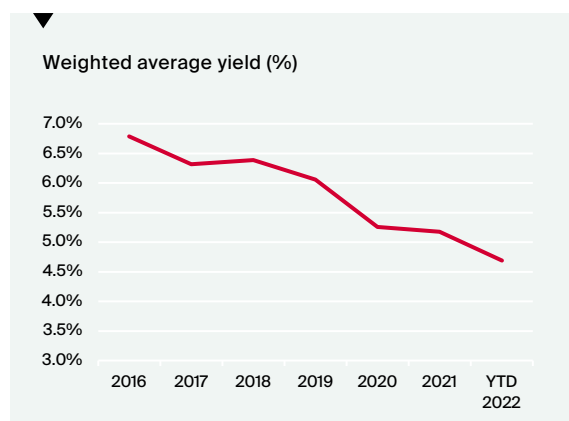
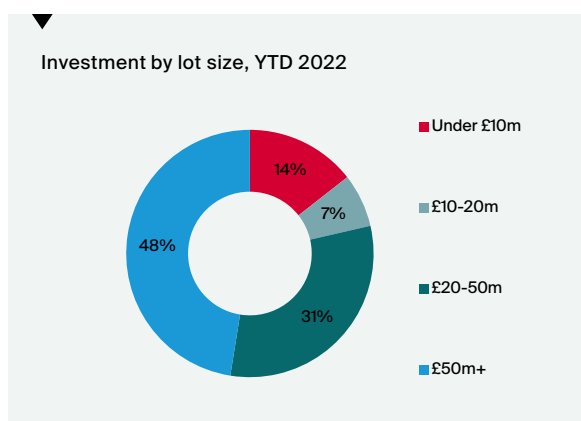
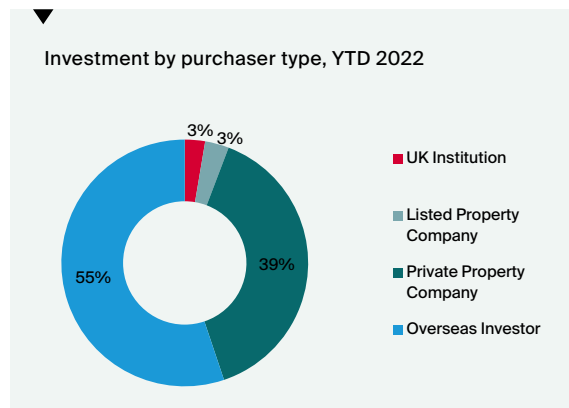
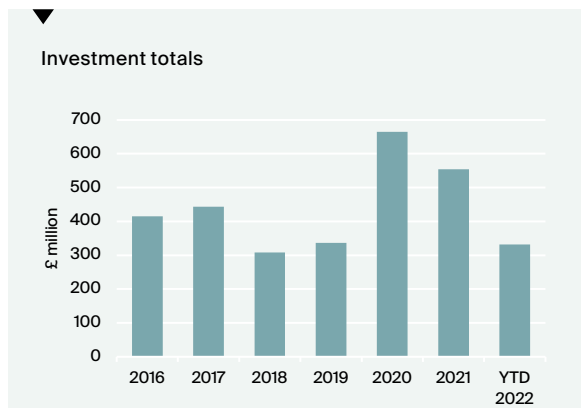
# INVESTMENT MARKET

**£14.1 million**  
Investment total  
Q3 2022

**£18.5 million**  
Average lot size  
YTD 2022

**55%**  
Overseas capital  
YTD 2022

**4.7%**  
Average yield  
YTD 2022



## KEY INVESTMENT DEALS Q3 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Unit 6, Coldharbour Business Park	Sherborne	£4.55m	-	Ablebox	Tetra Pak CS
Holland House	Plymouth	£4m	6.10%	UK Institution	Undisclosed
20 Flowers Hill	Bristol	£3.65m	4.50%	Canal & River Trust	Pears Property
Sky Park	Exeter	£1.9m	4.00%	Dam Investments Ltd.	Burrington Estates

## 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

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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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