

LOGIC: South West

Q3 2024

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

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Occupier Market

Demand strengthens, with uplift in enquiries and units under offer

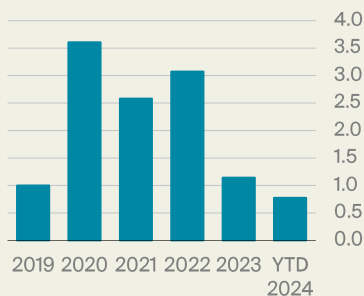
SIZEABLE VOLUME OF SPACE UNDER OFFER

Occupier take up in the South West industrial market totalled 170,500 sq ft in Q3 2024, with just two deals completing (units over 50,000 sq ft). This brings the total for the year-to-date (YTD) to 774,800 sq ft, across six deals.

Although transactions remain limited with the number of deals completed on par with the comparable YTD period last year, take up is 10% higher year-on-year in square footage terms. While this comparison seems favourable, take up remains low relative to the long-term average for the region. The summer period is traditionally a quieter period for transactions. However, the quarter saw sentiment improve, and enquiry levels rise as inflationary pressures of the past year have started to ease. Approx. 2 million sq ft of space was under offer at end-September, boding well for a solid finish to the year.

The most significant letting in Q3 was at Unit 2, Central Approach in Avonmouth. Parcel carrier Evri committed to a 10-year lease on the 113,573 sq ft unit at £8.75 psf and will use the building as a key regional distribution hub. Trebor and Hillwood developed the unit speculatively in 2021 to an EPC 'A' standard.

Take up (sq ft)
million square feet



Source: Knight Frank Research

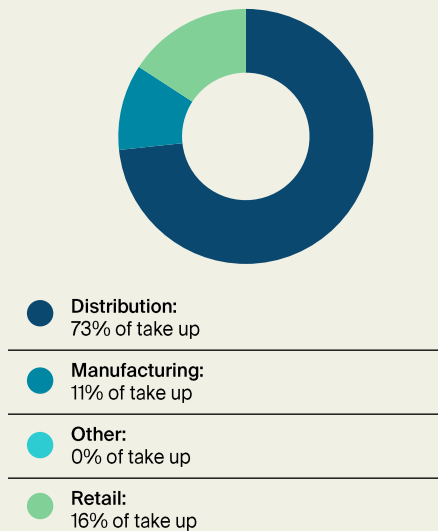
DISTRIBUTION FIRMS DOMINATE

Distribution firms have dominated the South West industrial occupier market over the past four quarters, comprising 73% of annual take up volumes. This is up from 45% in the same period last year. Meanwhile, retailers have been more confident this year in taking space and make up 16% of the annual total to Q3, having been largely absent from the South West market last year.

STRONGER RENTAL GROWTH IN SMALLER SIZE BANDS

Take up in the 50,000 sq ft+ market over the past year has been characterised by demand for units between 50,000 and 100,000 sq ft. Notably, activity for units below this size band has also been robust, fueling significant rental growth for smaller units. Prime rents in Bristol for 20,000-50,000 sq ft units rose by 23% annually to Q3, outpacing prime annual rental growth for 50,000 sq ft+ units, of +5.3%.

Take up by sector
Q4 2023 – Q3 2024



Source: Knight Frank Research

MARKET VIEW

Renewed activity and a return of confidence



BY RUSSELL CROFTS, PARTNER,
BRISTOL LOGISTICS & INDUSTRIAL
AGENCY

“Q3 saw renewed activity around 100,000 sq ft units, taking up some of the region’s longer-term voids. With a deal at Trebor’s Central Approach, Avonmouth (113,000 sq ft) and two other 100,000 sq ft units going under offer, the occupier piece has shaken off two tough quarters in H1 2024.

Further evidence of a return of confidence is the start-on-site by Equation/BGO for the development of a speculative 235,000 sq ft unit at Matrix 49, Severnside.

Mid-box activity has seen a return following the election result. Enquiry levels and viewings data showed a 130% increase during August and September, implying a return to stronger deal levels for the final quarter of 2024.”

Occupier Market

774,800 sq ft

Occupier take up
YTD 2024

8.3%

Vacancy rate
Q3 2024

£10.00 psf

Prime rents
Q3 2024

5.3%

Prime annual rental growth

“Just eight new units available across the region.”

DESPITE RISING VACANCY, NEW BUILD SUPPLY FALLS

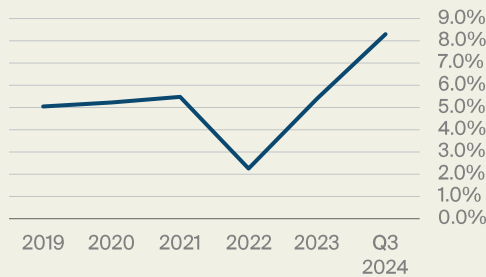
Availability of 50,000 sq ft+ units increased by 6.9% in Q3 and now stands at just under 6 million sq ft. This brings the vacancy rate to 8.3%, up from 7.8% in Q2. Although indicating a healthy level of supply, the quarterly uplift was entirely driven by the return of second-hand units. Second-hand availability rose by 19%, while the supply of new-build stock edged down by 3.8%. In addition, over one-third of existing availability is under offer, the majority (72%) of which comprises new units. This leaves just eight new units available across the region.

Meanwhile, speculative development remains limited, with 372,800 sq ft under construction, 72% lower annually (units 50,000 sq ft+). Construction commenced on Unit 3 Matrix 49 (235,000 sq ft) in Avonmouth in Q3, while two units at Indurent Park Access 18 in Bristol remain under way.

RENTAL LEVELS & OUTLOOK

Prime rents in Bristol remained stable in Q3 at £10.00 psf (units 50,000 sq ft+), representing 5.3% annual growth. Looking forward, 6.2% average rental growth is predicted for the South West for 2024, and 3.6% for 2025 (RealFor). Stronger growth is expected for Bristol, of 7.6% and 4.2% for 2024 and 2025, respectively.

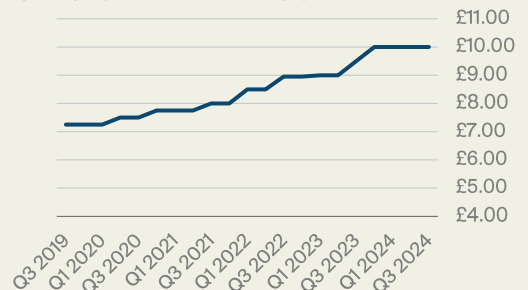
Vacancy rate
% of stock



Source: Knight Frank Research

Bristol - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

“Prime rents for 20,000-50,000 sq ft units have risen by 23% over the past year”

Key Occupier Deals YTD 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Wincanton Unit, Gloucester Business Park	260,000	Wincanton	£7.00 psf	Second-hand
Unit 2 Central Approach, Avonmouth	113,573	Evri	£8.75 psf	Speculative build
Unit 3 Express Park, Bridgwater	64,989	VADO Home	£7.22 psf	Second-hand
Unit H, Hawksworth Trading Estate, Swindon	50,772	Kosnic Lighting	£7.50 psf	Second-hand

Source: Knight Frank Research

Investment Market

5.50%

Prime NIY - Bristol
Q3 2024

Stable

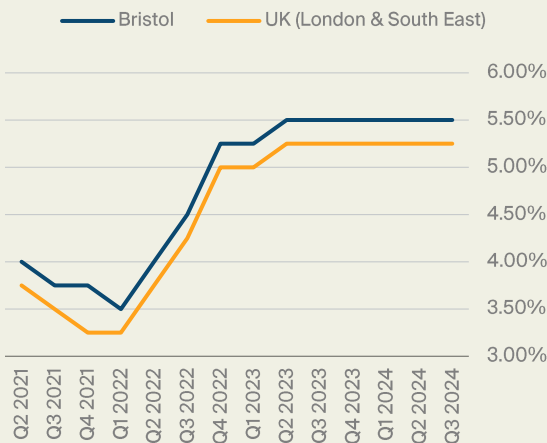
YOY movement in prime yields

GROWING CONFIDENCE AND A POSITIVE SENTIMENT ON YIELDS

While prime industrial yields in Bristol remained stable in Q3, at 5.50%, sentiment is trending positive and the consensus in the market is that the bottom of the current cycle is behind us. While transaction volumes remain thin due to a lack of available opportunities, activity is expected to gather momentum in the coming quarters with the Bank of England's interest rate cut providing more confidence to investors around the direction of travel in pricing.

A recent transaction of note was LondonMetric's acquisition of a 182,000 sq ft distribution centre at Central Park, Avonmouth, in a sale and leaseback with Farmfoods Ltd. LondonMetric paid £26.4 million for the asset, reflecting a net initial yield (NIY) of 5.75%. The building is being leased back to Farmfoods on a 20-year term.

Prime Yield
Net initial yield %



Source: Knight Frank Research

MARKET VIEW

Industrial is at the top of most investors' shopping lists



BY NICK THURSTON, PARTNER,
BRISTOL LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“With a lack of industrial and logistics stock on the market over the summer months, investment volumes have continued to remain subdued as we move through 2024. However, the sector is at the top of most investors' shopping lists. We therefore anticipate industrial investment volumes increasing in the final quarter as more stock comes to the market.

There are currently several large multi-let industrial estates either on the market or under offer in the South West, which have attracted good interest from a diverse range of buyers. For the right product, there is good demand from private equity, local authority pension fund mandates, and the industrial sector specialists.”

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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