

WALES

Logistics and Industrial Commentary



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H1 2014 Review

- H1 saw 3m sq ft transacted within Wales for units above 50,000 sq ft. Of this, 2m sq ft was taken up by occupiers and freehold purchases accounted for over two thirds. The remaining 1m sq ft was purchased to either demolish for a higher value redevelopment or to refurbish and sub-divide.
- H1 witnessed a number of occupiers expanding their operations such as Tenneco in Merthyr, which leased 167,000 sq ft and Euro Foods in Cwmbran, Llantarnam Park, which leased an 83,000 sq ft unit. Meanwhile, Universal Engineering, part of the Bland Group, acquired a 257,000 sq ft facility in Llantrisant Business Park.
- The Welsh Government continues to attract inward investment by providing financial assistance to prospective occupiers. The Government has also played a significant role in boosting overall take up figures in H1 2014 with its purchase of Wentloog Environment Centre in Cardiff (178,000 sq ft), the former Sogefi Facility in Llantrisant (391,000 sq ft) and the former Hotpoint Factory in Bodelwyddan, Rhyl (354,000 sq ft).
- There is a continued demand from companies involved in the recycling process and/or in the production of clean energy. Knight Frank is currently in discussions with four operators to lease over 500,000 sq ft of space in a number of different locations within South Wales.
- On the back of an improving economy and falling availability, developers are starting to consider speculative development opportunities at select sites such as Robert Hitchins at Central Park in Bridgend, where permission for up to 300,000 sq ft of new space has been secured.
- The regional investment market picked up significantly during H1, with pricing and volumes of transactions recovering to the levels witnessed before the last downturn. Given the sheer weight of money targeting commercial property in the UK, investors are now actively seeking new opportunities in the regional markets and Wales industrial is no exception.

Q2 2014 Prime headline rents (£ per sq ft)			
▼ / ▲ - movement expected to Q2 2015			
Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£5.50 ▲	£4.50 ▲	£4.00 ▲
Swansea	£4.00 ▲	£3.00 ▲	£2.50 ▲
Heads of Valleys	£3.50 ◀▶	£2.50 ◀▶	£2.50 ◀▶



Access 34, Llantrisant Business Park, Llantrisant. 257,000 sq ft industrial facility was sold to Universal Engineering for £2.25 million.

Regional outlook

- The positive start to 2014 is expected to continue into the second half of the year. Occupier activity is projected to remain strong as we expect a number of larger leasehold transactions to be confirmed.
- The redevelopment of empty redundant industrial space into residential use is likely to continue. National house builders continue to target locations close to the M4 Motorway – such as the recent purchase of the former Panasonic site in Newport (220,000 sq ft on 18.5 acres) by Persimmon.
- Improving demand in combination with a lack of Grade A space is expected to put upward pressure on prime headline rents throughout 2014.

Selected Wales transactions in H1 2014

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Brackla Industrial Estate, Bridgend	South Wales Police	52,000	Undisclosed*	Jun-14
Access 34, Llantrisant Business Park	Universal Engineering	257,000	£8.75*	May-14
Pengarnddu Industrial Estate, Merthyr	Tenneco	166,500	Undisclosed	May-14
Cwmbran, Llantarnam Park	Euro Foods	83,000	Undisclosed	Apr-14
Expressway 56, Deeside Industrial Park	Mayr Meinhof Packaging	162,000	£4.00	Mar-14

*Freehold occupier purchase