

Occupier and investment market trends in the Wales logistics and industrial sector.



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LOGIC: Wales 2022 Review

Research, January 2023



CGI image: 67,500 sq ft planned new build at Wentloog, Cardiff
Development by Cubex Land

MARKET OVERVIEW

Fourth quarter slowdown leads to reduced annual take up for Wales industrial property in 2022, of 1.8 million sq ft.

1.8 million sq ft
Occupier take up 2022

£126 million
Investment total 2022

11%
Prime annual rental
growth

Fourth quarter slowdown in take up

After a strong third quarter of 2022 where 1.3 million sq ft of industrial space was taken up across Wales, the final quarter witnessed a slowdown in take up for units over 50,000 sq ft, with just one deal completing. Auto-manufacturer, Energizer Auto UK Ltd agreed to lease 103,500 sq ft at Tafarnaubach Industrial Estate in Tredegar. This brings the year end total to 1.8 million sq ft, 49% lower than the record 3.5 million sq ft taken up in 2021. 2022 saw an increase in distribution occupiers taking space, accounting for 56% of take up. This compares to 23% in 2021.

Majority of available stock is Grade B quality

Total availability of units over 50,000 sq ft stood at 4.7 million sq ft at the end of 2022, with a vacancy rate of 11.1%. Ford at Bridgend accounts for 1.6 million sq ft of this space, however this is now under offer and expected to be taken up in 2023, which would notably lower availability. While supply levels



NEIL FRANCIS, PARTNER,
CARDIFF COMMERCIAL

“With limited new build in the market, we expect headline rents to increase as operators look to align their ESG requirements with their property needs. There are still a number of occupiers looking for stock in the region so we expect further new entrants, though we cannot dismiss the wider economic impact of increased utility costs and rising business rates, both of which will be of concern for occupiers.”

have increased, 96% comprises second-hand Grade B stock, falling short of modern occupier requirements. However, the volume of new-build schemes under way in both North and South Wales continues to be a positive feature and we expect a higher proportion of newly constructed space taken up over the course of 2023.

New headline rents in new-build units

A total of 217,800 sq ft of industrial space was under construction at year end (units over 50,000 sq ft). Close to the Heads of the Valleys Road in Ebbw Vale, a 52,600 sq ft development remains underway with the Welsh Government, due to complete in late 2023. Phase 3 (four units) at St Modwen Park, Newport completed in December, with a new headline rent being secured on the 17,000 sq ft unit. An additional 276,500 sq ft of space is planned for Phase 4, comprising three units ranging between 52,000-119,000 sq ft. There is notable interest in all three, which will be minimum BREEAM Very Good and will have an EPC rating of A.

Prime rents in Cardiff for units over 50,000 sq ft saw 11% growth in 2022, standing at £7.75 psf, while prime units in Newport saw 20% annual growth, to £7.50 psf.

Investment activity remains robust

Investment into the logistics and industrial sector in Wales totalled £126 million in 2022. This compares to £161 million in 2021, though 2021 volumes were bolstered by one large portfolio sale. A key investment deal this year was the acquisition of a 723,114 sq ft distribution warehouse at Bryn Lane, Wrexham by Elite Partners Capital for £30 million / NIY 5.60%. Investment by UK property firms comprised 38% of activity in 2022, with a further 32% from overseas.

2023 Outlook

Modest growth in rents are forecast for 2023, with average rental growth of 1.9% expected in Wales and 1.7% predicted for the Cardiff market (RealFor). Enquiries for all size ranges remain active, particularly for units sub 20,000 sq ft which are attractive to local companies who want to own their own property. However, the wider UK economic pressures could yet impact on business viability and could in turn increase availability levels as the year progresses.

OCCUPIER MARKET

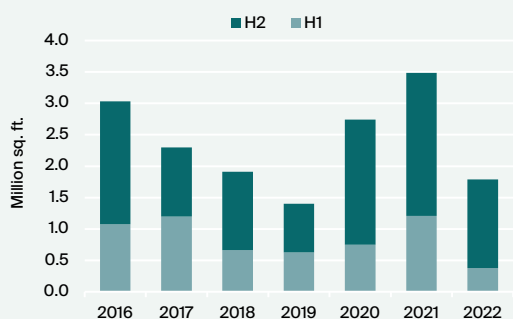
1.8 m sq ft
Occupier take up
2022

56%
Take up from
distribution
occupiers

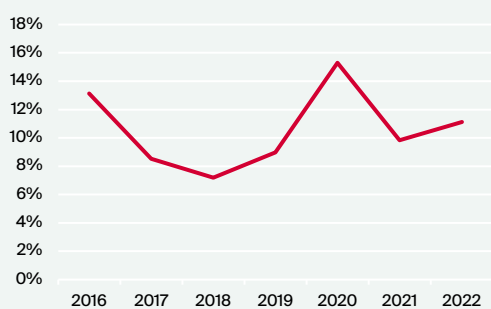
£7.75 psf
Prime rents

11.1%
Vacancy rate

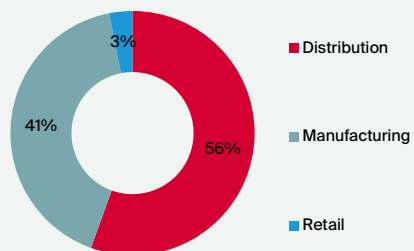
Take up (sq ft)



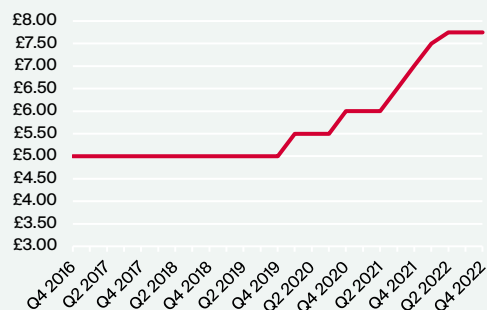
Vacancy rate (%)



2022 Take up by sector (sq ft)



Cardiff - Prime rents (£psf)



KEY OCCUPIER DEALS 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	COMMENTS
Wrexham Industrial Estate, Wrexham	411,000	Net World Sports	Build-to-Suit / forward-purchase by Net World Sports
Delta 290, Newhouse Farm Industrial Estate, Chepstow	290,340	Nisbets	Second-hand - refurbished to Grade A
Parc Britannia, Bangor	131,120	First Hydron Co.	Second-hand - Grade B
Tafarnaubach Industrial Estate, Tredegar	103,500	Energizer Auto UK Ltd.	Second-hand - Grade B

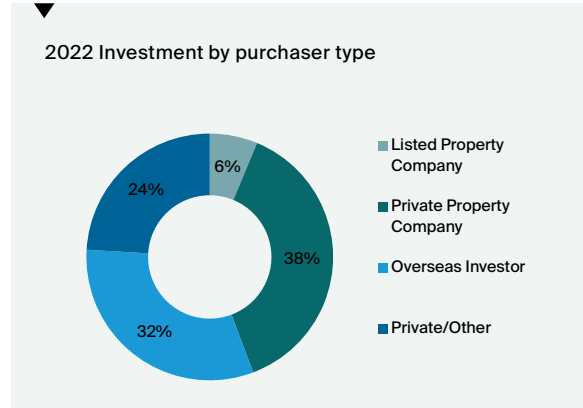
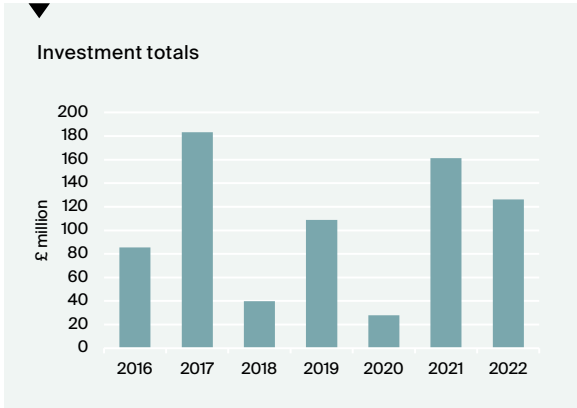
INVESTMENT MARKET

£126 million
Investment total

£6.3 million
Average lot size

38%
Domestic
investment

5.75%
Prime yield



KEY INVESTMENT DEALS 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Bryn Lane	Wrexham	£30m	5.60%	Elite Partners Capital	UK Pension Fund
Cubex155	Caldicot	£25.5m	Funding	Private	Cubex Land Ltd.
Grange Road	Cwmbran	£14.05m	4.75%	Copley Point Capital Ltd.	RCL Partners LLP
Swansea Enterprise Park	Swansea	£8.93m	6.00%	Columbia Threadneedle Investments	London Metric PLC
Beacon Business Park	Caldicot	£7.9m	6.00%	Industrials REIT Ltd.	Undisclosed

Source: Knight Frank, Property Data

CONTACTS

LOGISTICS & INDUSTRIAL RESEARCH

Claire Williams

claire.williams@knightfrank.com

+44 203 897 0036

Deirdre O'Reilly

deirdre.oreilly@knightfrank.com

+44 20 3995 0785

CARDIFF COMMERCIAL LOGISTICS & INDUSTRIAL AGENCY

Neil Francis

neil.francis@knightfrank.com

+44 29 2044 0147

Emily Wilson

emily.wilson@knightfrank.com

+44 29 2044 0128

CARDIFF COMMERCIAL CAPITAL MARKETS

Gareth Lloyd

gareth.lloyd@knightfrank.com

+44 29 2044 0141

Tom Griffiths

tom.griffiths@knightfrank.com

+44 29 2044 0140

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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