WALES
Logistics and Industrial Commentary

H2 2017 Review

- The occupational market for industrial units above 50,000 sq ft remained strong in the second half of 2017, with approximately 1.1m sq ft transacted across nine deals in Wales. This is similar to the level of take-up in the first half of the year, bringing the annual total for 2017 to 2.3m sq ft.

- The letting of 280,000 sq ft at Newhouse Farm, Chepstow to CJ Dowton and the sale of 250,000 sq ft in Llantrisant to FEI Foods has boosted the take-up figure for the second half of the year.

- Although the overall level of take up for 2017 is 700,000 sq ft lower than 2016, this is a reflection of the lack of quality stock available in the market as opposed to reduced requirements and activity.

- As in previous years, there is a continued trend for regional occupiers to purchase property as demonstrated by Bridgend Willis Asset Management's acquisition of 135,000 sq ft at Aviation House, Waterton, and Heathpak's purchase of 69,000 sq ft in Oakdale, Caerphilly.

- On the supply side, there is approximately 3.3m sq ft of units above 50,000 sq ft available across the whole of Wales. This is 1m sq ft less than in H1 2017 and highlights the continuing erosion of available stock in the 'big shed' market.

- Despite the success of the St Modwen development at Celtic Business Park, Llanwern, new larger units are almost non-existent and there is a lack of confidence in speculative development. This should change in 2018, however, with the Welsh Government committed to developing 50,000 sq ft at their site in Rhyd y Blew and St Modwen speculatively developing up to a further 100,000 sq ft at Celtic Business Park, Llanwern later in the year.

- Speculative investors still have an appetite to purchase second-hand industrial units that provide subdivision and refurbishment opportunities. Rombourne, for example, has continued to grow its industrial offering within the region by adding the former Avana Bakery to its portfolio. This 150,000 sq ft facility will provide some much-needed refurbished space for incoming tenants in the market.

Neil Francis, Wales Industrial Agency
+44(0)29 2044 0147
neil.francis@knightfrank.com

Q4 2017 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q4 2018			
Market	**under 20,000 sq ft**	**20,000 to 50,000 sq ft**	**50,000 + sq ft**
Cardiff	£6.00 ▲	£5.50 ▲	£5.00 ▲
Swansea	£4.50 ◄ ►	£3.50 ◄ ►	£3.00 ◄ ►
Heads of Valleys	£3.50 ◄ ►	£3.00 ◄ ►	£2.50 ◄ ►

Acting for Bridgend Willis Asset Management Limited Knight Frank acquired this detached Head Quarters facility in Waterton Industrial Estate, Bridgend that measured 123,500 sq ft on a secure site of 9 acres.

Regional outlook

- Despite a large number of unsatisfied requirements in Wales, the lack of good quality stock is likely to impact on take-up in 2018 and we do not expect to see the same level of transactions as witnessed over recent years.

- The need for new development is now even more important as the removal of the Severn Bridge Tolls and announcement of the M4 Relief Road will generate further interest and potentially move occupiers from Avonmouth where rents and land are more expensive.

- Assistance from the Welsh Government is needed to ensure similar take-up figures in the coming years - whether this is via Government development grants, rates relief or even occupiers developing themselves.

Selected leasing transactions in Wales, H2 2017				
Address	**Occupier**	**Size (sq ft)**	**Tenure**	**Date**
Llantrisant Business Park, Llantrisant	FEI Foods	250,000	Freehold	Nov-17
Pen-y-Fan Industrial Estate, Crumlin	Heathpak	69,000	Freehold	Nov-17
Waterton Industrial Estate, Bridgend	W.A.M.L.	123,500	Freehold	Oct-17
Imperial Park Newport	Cardiff Capital Region	124,000	Freehold	Oct-17
Newhouse Farm Chepstow	C J Dowton	280,000	Leasehold	Sep-17