

# LOGIC: Wales



Q1 2023

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

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Image: St Modwen Park, Newport

# Occupier Market

Wales industrial sector resilient with robust demand for new, high-quality units and continued prime rental growth.

## ROBUST TAKE UP IN OPENING QUARTER OF 2023

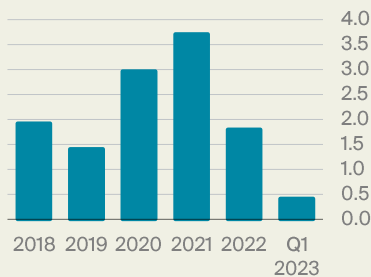
The opening quarter of 2023 saw a robust 412,200 sq ft of industrial space transacted in Wales, across six deals (units over 50,000 sq ft). This is 27% higher than in Q1 last year and significantly ahead of the previous three months. Positively, enquiries are holding up well, particularly for new developments coming through.

## RETAIL AND MANUFACTURING OCCUPIERS ACTIVE

Both retail and manufacturing occupiers have been active, accounting for 42% and 37% of occupier activity respectively over the past year. Two of the lettings in Q1 were properties that were purchased and refurbished to a high standard by developer PMG and let to manufacturing occupiers.

Overall, take up comprised two sales and four leasehold deals. A notable deal includes Pelican Healthcare leasing a 81,905 sq ft unit at the former Former Bestway Unit, Brindley Road in Cardiff.

Take up (sq ft)  
millions square feet



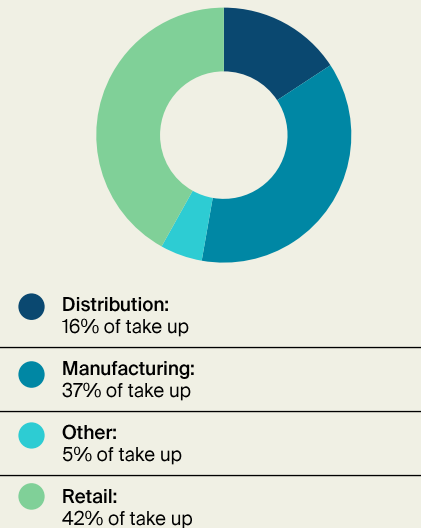
Source: Knight Frank Research

## STRONG DEMAND FOR NEW, MORE SUSTAINABLE UNITS

Occupiers are demanding higher standards of sustainability and energy efficiency. In response to this, the latest planned phase at St Modwen Park, Newport comprising 274,000 sq ft in three new builds, have all been rated 'Very Good' by BREEAM, with a target EPC certificate of 'A'. The 116,000 sq ft unit is under offer and terms have been proposed for the 52,200 sq ft unit. The 17,000 sq ft unit on their most recently completed phase was let in January where a new headline rent was set for Wales.

North of the M4, the Welsh Government are on site with their 52,600 sq ft unit in Ebbw Vale, close to the Heads of the Valleys Road, which is being built to BREEAM 'Excellent' standard and is due to complete later in the year.

Take up by sector  
Q2 2022 - Q1 2023



Source: Knight Frank Research

## MARKET VIEW

High quality development is being delivered



BY NEIL FRANCIS, PARTNER,  
CARDIFF LOGISTICS & INDUSTRIAL  
AGENCY

“We are seeing progress being made in satisfying the appetite of businesses who are keen to move to more sustainable and energy efficient properties, having expanded as far as they can in ageing buildings. The growth in rents and sustained investor appetite for industrial property are helping to ensure that these occupier requirements are being met and high quality development is being delivered, keeping the industrial sector buoyant in Wales.”

# Occupier Market

**417,200 sq ft**

Occupier take up  
Q1 2023

**11.9%**

Vacancy rate  
Q1 2023

**£8.00 psf**

Prime rents  
Q1 2023

**7%**

Prime annual rental growth

“Both retail and manufacturing occupiers have been active, accounting for 42% and 37% of occupier activity respectively over the past year.”

## SUPPLY CONCENTRATED IN OLDER STOCK

Availability of units over 50,000sq ft increased by 5.5% in Q1, to stand at 5.1 million sq ft, with a vacancy rate of 11.9%. However, the vast majority of this (97%) comprises older, second hand grade B and C stock, which often falls short of modern occupier requirements. The supply of new and larger-sized units remains tight across Wales.

## RENTAL LEVELS & OUTLOOK

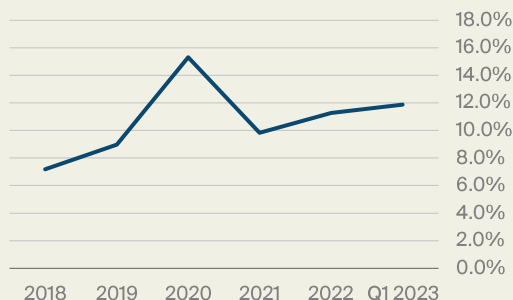
Prime industrial rents for units over 50,000sq ft continue to rise. Annually to Q1 2023, prime rents in Cardiff and Newport grew by 7% and 11%, to £8.00 psf and £7.75 psf, respectively.

Smaller units under construction in Newport (<20,000sq ft) are 10% higher on an annual basis, setting a new headline rent of £8.25 psf in Q1 2023.

Average rental growth across Wales is expected to moderate but remain positive over the next year, according to RealFor.

### Vacancy Rate

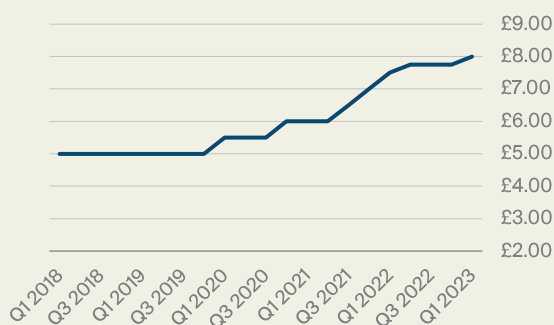
% of stock



Source: Knight Frank Research

### Cardiff - Prime Rents

£ per sq ft (units >50,000 sq ft)



Source: Knight Frank Research

“The vast majority of supply comprises older, second hand grade B and C stock, which often falls short of modern occupier requirements.”

## Key Occupier Deals

Q1 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Former Tata Steel Works, Pontarddulais, Swansea	96,400	Walters Group	£2.025 million	Freehold purchase - Second-hand
Former Bestway Unit, Brindley Road, Cardiff	81,905	Pelican Healthcare	c. £4.75 psf	Second-hand Grade B
C1 Trade Park, Aberaman Park, Aberdare	59,704	Owens Road Services	c. £4.80 psf	Second-hand – refurbished to Grade C
Unit 4, Avondale Road, Cwmbran	51,695	Nu Coat	c. £4.85 psf	Second-hand – refurbished to Grade B

Source: Knight Frank Research

# Investment Market

**£10 million**

Investment total  
Q1 2023

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**£7.3 million**

Average lot size  
(last four quarters)

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**40%**

Overseas capital  
(last four quarters)

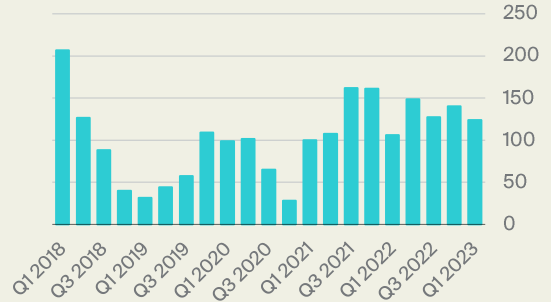
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**5.75%**

Prime yield  
Q1 2023

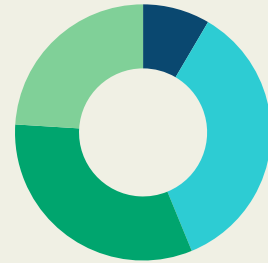
“Investment into industrial property in Wales for the four quarters to end Q1 2023 totalled £124 million, 17% higher on an annual basis.”

**Investment totals (£m)**  
(four quarter rolling)



Source: Knight Frank Research

**Investment by purchaser type**  
Q2 2022 - Q1 2023



**UK institution:**  
8% of investment

**Listed Property Company:**  
0% of investment

**Private Property Company:**  
35% of investment

**Overseas Investor:**  
40% of investment

**Private/Other:**  
24% of investment

Source: Knight Frank Research

## INVESTOR ACTIVITY SLOWER IN Q1 2023

Investment into industrial property in Wales annually to Q1 2023 totalled £124 million, 17% higher year on year. However, investor activity was noticeably slower in Q1, with just one deal completing. Welsh property company, MVJ Capital, purchased Dyffryn & Withey Court from Springfall Properties, for £10 million (NIY 7.75%). Overseas buyers accounted for 40% of investment in the four quarters to Q1 2023, with a further 35% coming from UK property firms.

Prime industrial yields in Cardiff remained stable during the quarter, at 5.75%, though this is 125 bps softer than Q1 2022 levels. Prime yields in Wales have softened alongside the rest of the UK market.

“Overseas buyers accounted for 40% of investment in the four quarters to Q1 2023”

## Key Investment Deals

Q1 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Dyffryn & Withey Court	Caerphilly	£10m	7.75%	MVJ Capital Ltd.	Springfall Properties

Source: Knight Frank Research

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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