

LOGIC: Wales



Q1 2024

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

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Image: RYB 1, Rhyd-y-Blew, Ebbw Vale

Occupier Market

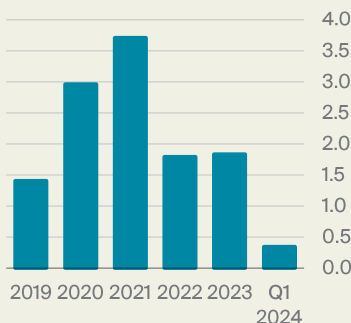
Prime headline rents across Wales continue to grow amid demand for new developments

POSITIVE SENTIMENT IN WALES INDUSTRIAL MARKET

Occupier take up of industrial units over 50,000 sq ft in Wales reached 340,000 sq ft in the opening quarter of 2024. This marks an 18% decline on the 412,200 sq ft recorded in the same quarter last year, and a 19% decrease on the previous three months, as the time taken for transactions to complete has lengthened. However, when looking annually to Q1, take up amounted to 1.8 million sq ft, broadly in line with the four-quarter total to Q1 2023, of 1.9 million sq ft.

Four freehold and two leasehold transactions completed in the first quarter, the largest of which was the 83,206 sq ft unit in Abergorki Industrial Estate in Treorchy. Adexa Direct purchased the property freehold for £1.5 million and will be using the premises for storage. This was one of three properties previously occupied by UK Window Group and all three were sold during the first quarter.

Take up (sq ft)
million square feet



Source: Knight Frank Research

STRONG INTEREST IN NEW UNITS BEING DEVELOPED

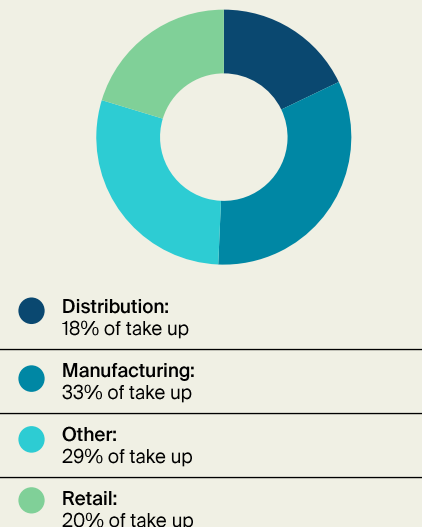
The industrial market in Wales remains active, with particularly strong interest for new developments. This includes the letting of the 116,000 sq ft Unit 8 at St Modwen Park Newport, which will fall into Q2 figures. In addition, the new 52,582 sq ft RYB 1 unit at Rhyd y Blew in Ebbw Vale was completed in Q4 2023 and is under offer to a local occupier looking to expand. The unit has been built to BREEAM 'Excellent' standard and is designed to minimise embodied carbon.

MANUFACTURERS MOST ACTIVE OVER THE PAST YEAR

The market continues to see robust demand from manufacturers, comprising one-third of take up over the past year. Active occupiers in the manufacturing sector include food producers, and manufacturers specialising in light packaging.

Take up by sector

Q2 2023 – Q1 2024



Source: Knight Frank Research

MARKET VIEW

Plenty of activity, but transactions are taking longer to complete



BY NEIL FRANCIS, PARTNER,
CARDIFF LOGISTICS & INDUSTRIAL
AGENCY

“Although take up in Q1 2024 in Wales was down on the same quarter last year, we saw plenty of activity, but transactions are taking longer to complete due to added due diligence by the companies involved.

The general sentiment is positive, and we know there will be some large transactions in Q2 with a number of 100,000 sq ft deals under offer and due to complete.”

Occupier Market

340,000 sq ft

Occupier take up
Q1 2024

16.6%

Vacancy rate
Q1 2024

£8.75 psf

Prime rents
Q1 2024

9.4%

Prime annual rental growth

“Prime rents in Cardiff for units over 50,000 sq ft increased by 9.4% year-on-year“

SECOND-HAND UNITS BOOSTS SUPPLY

Supply levels of units over 50,000 sq ft increased by 5.9% in the first quarter of 2024 due to the return of a number of larger second-hand units to the market. Availability now stands at 7.2 million sq ft, with a vacancy rate of 16.6%, up from 15.7% recorded in Q4 2023. However, this includes the 1.6 million sq ft at Ford, Bridgend, which is now under offer, and the 850,000 sq ft Wilko site at Magor, which is attracting strong interest.

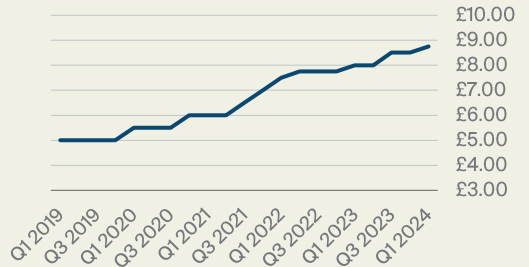
The supply of new, high-quality stock remains limited, with 95% of existing available stock comprising second-hand units. The 63,205 sq ft Deeside 63 remains under construction, as well as an 82,000 sq ft new build at Central Park, Bridgend Industrial Estate, which is pre-let. Plans by Cubex for a 67,000 sq ft unit to be built in Wentloog, Cardiff, are currently delayed.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Cardiff for units over 50,000 sq ft rose by 2.9% in Q1 2024 and by 9.4% annually, to stand at £8.75 psf. In Newport, annual prime rental growth of 12.9% has been recorded, to £8.75 psf. New lettings at St Modwen Park, Newport will push the headline rent for the region to over £9.00 psf. According to RealFor, average rental growth of 2.3% is forecast for Wales for 2024.

Cardiff - Prime Rents

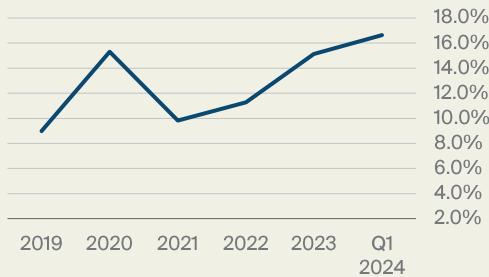
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Vacancy Rate

% of stock



Source: Knight Frank Research

“95% of existing available stock comprises second-hand units”

Key Occupier Deals Q1 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Abergorki Industrial Estate, Treorchy	83,206	Adexa Direct	£1.5 million	Freehold purchase – Second-hand
Dinas Isaf Industrial Estate, Williamstown	54,202	Coppice Alupack Ltd.	£1.5 million	Freehold purchase – Second-hand
Rising Sun Industrial Estate, Blaina	50,154	VR Bathrooms	£1.2 million	Freehold purchase – Second-hand

Source: Knight Frank Research

Investment Market

6.00%

Prime NIY - Cardiff
Q1 2024

+25 bps

YOY movement in prime yields

PRIME INDUSTRIAL YIELDS STABLE

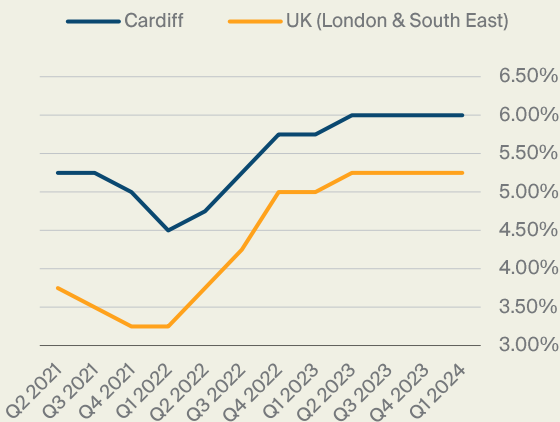
Prime industrial yields in Cardiff remained stable for the fourth consecutive quarter, at 6.00%. Prime yields in Cardiff have softened by 150 bps since the turn of the market in Q2 2022.

The outlook for prime yields in Wales will be largely reliant on when base rates begin to fall later this year and the occupational market continuing to perform strongly.

The largest deal in Wales during the first quarter of 2024 was Cube AM's acquisition of DPD Swansea from an overseas investor, for £8.5 million, reflecting a net initial yield (NIY) of 6.15%. Pantglas Industrial Estate in Caerphilly was also acquired by a private property company for over £6 million (NIY 8.00%).

Prime Yields

Net initial yield (%)



Source: Knight Frank Research

MARKET VIEW

Good demand for well-located, single and multi-let investments



BY GARETH LLOYD, PARTNER,
CARDIFF LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“Following a period of more subdued investment volumes in the Industrial & Logistics sector in 2023, there were a couple of notable transactions that completed in Wales in Q1. The sale of the DPD facility in Swansea shows that there is still good demand for well-located, well-let single let investments and the deal in Caerphilly, sold by Knight Frank, shows there is appetite across the region.

We are starting to witness increasing demand in Wales and are aware of a number of high-profile deals that are under offer and, if completed, will significantly boost investment volume figures. These deals are from a wide range of investor types, including institutional investors and overseas investors, demonstrating the compelling rationale for investing in the sector in Wales.”

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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