

LOGIC: Wales



Q1 2025

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

knightfrank.com/research



Image: Central Park, Bridgend

Occupier Market

Wales industrial market challenged by a shortage of high-quality space

LACK OF GRADE A SPACE IMPEDING TAKE UP

Occupier take up of industrial units over 50,000 sq ft in Wales reached just 300,000 sq ft in the first quarter of 2025, marking a 12% decline compared to the same period last year. However, the quarterly reduction is largely a result of the lack of available Grade A space rather than a reflection of underlying demand.

Demand remains robust, and approximately 21% of total supply (783,000 sq ft) was under offer at the end of March. While this will boost volumes for the coming quarters, the shortage of good-quality stock in Wales is likely to remain a feature and impede take up performance, at least for the short term.

OCCUPIERS RELYING ON SECOND-HAND OPTIONS

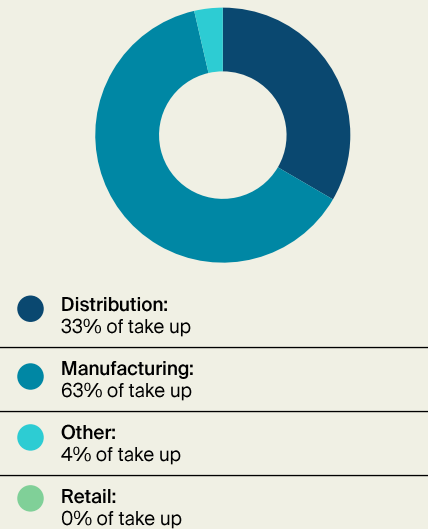
This diminishing pool of good-quality stock is also resulting in occupiers increasingly relying on second-hand options. Second-hand space comprised 80% of the total space transacted over the past year. Take up annually in Q1 2025 amounts to 2.6 million sq ft, 46% higher than the four-quarter total to Q1 2024, bolstered by a record-high

closing quarter during which 1.3 million sq ft transacted.

In the first quarter of 2025, Meiller-Boweld UK, a manufacturer of steel tipper truck bodies, expanded its Holywell operations by signing Deeside63, a new 63,205 sq ft unit at Zone 2 of Deeside Industrial Park in North Wales, at £7.95 psf. Built with strong environmental credentials, Deeside63 is rated EPC 'A' and BREEAM 'Very Good'. Developed by Columbia Threadneedle alongside Deeside40 (39,700 sq ft) in a redevelopment of existing 1980s buildings, Deeside40 is the largest remaining new-build unit in North Wales, while there are no new units over 50,000 sq ft available in South Wales.

Manufacturers remain the most active occupier subsector in Wales, comprising nearly two-thirds of take up over the past 12 months. This includes manufacturers of food, building and construction supplies, and aerospace or automotive components.

Take up by sector
Q2 2024 – Q1 2025



MARKET VIEW

We are now seeing the result of no Grade A availability

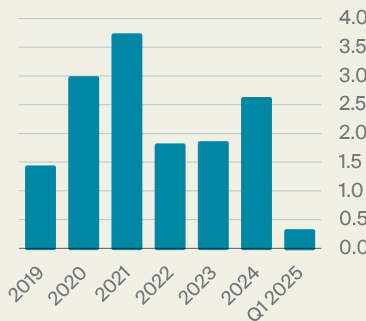


BY NEIL FRANCIS, PARTNER,
CARDIFF LOGISTICS & INDUSTRIAL
AGENCY

“The low level of take up is not a true reflection of current market activity. There are a number of 50,000 sq ft+ units under offer, but transaction completions have sadly been dragged into Q2.

As we predicted, we are now seeing the result of no Grade A space being openly available in the market. Developers and occupiers are working together to identify build-to-suit opportunities, but delays in the planning process and lack of suitable land is an ongoing problem in the region that needs addressing.”

Take up (sq ft)
million square feet



Source: Knight Frank Insight

Source: Knight Frank Insight

Occupier Market

300,000 sq ft

Occupier take up
Q1 2025

9.3%

Vacancy rate
Q1 2025

£9.75 psf

Prime rents
Q1 2025

11%

Prime annual rental growth

“The vacancy rate, at 9.3%, is down from 16.7% recorded one year ago”

SUPPLY ENTIRELY COMPRISED OF SECOND-HAND STOCK

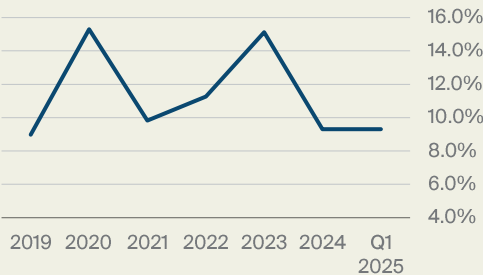
Following a sharp decrease in the supply of 50,000 sq ft+ units in 2024, availability declined by a further 0.6% in Q1 2025 to 3.8 million sq ft, marking an annual reduction of 47%. The vacancy rate now stands at 9.3% and, although stable in Q1, this is down from 16.7% a year ago.

The entire supply of available space across Wales consists of second-hand stock. New speculative development has now ground to a halt, with no new space in the pipeline to meet the requirements of modern, ESG-focused occupiers. Additionally, there are only two units over 250,000 sq ft available, one of which was under offer at the end of March.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Cardiff for units over 50,000 sq ft remained stable in Q1 at £9.75 psf, representing 11.4% annual growth. Prime rents in the Heads of Valleys region registered stronger year-on-year growth of 30%, albeit off a lower base of £6.50 psf. In Newport, prime rents have risen by a more modest 2.9% annually, to £9.00 psf. RealFor’s average rental growth projection for Wales for 2025 is 3.1%, with growth of 2.7% forecast for Cardiff.

Vacancy Rate
% of stock

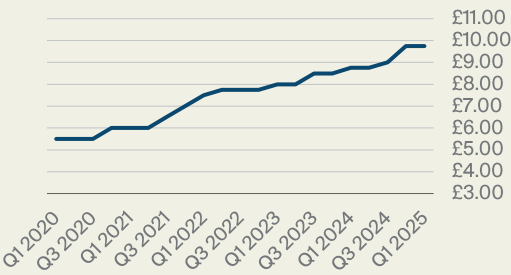


Source: Knight Frank Insight

“21% of total supply (783,000 sq ft) was under offer at the end of March”

Cardiff - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Insight

Key Occupier Deals Q1 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	COMMENTS
Tafarnaubach Industrial Estate, Tredegar	120,000	Harpland	Freehold purchase - second-hand
Cwmtillery Industrial Estate, Abertillery	116,520	Industruct	Freehold purchase - second-hand
Deeside63, Deeside	63,205	Meiller Boweld UK	Speculative build

Source: Knight Frank Insight

Investment Market

5.75%

Prime NIY - Cardiff
Q1 2025

-25 bps

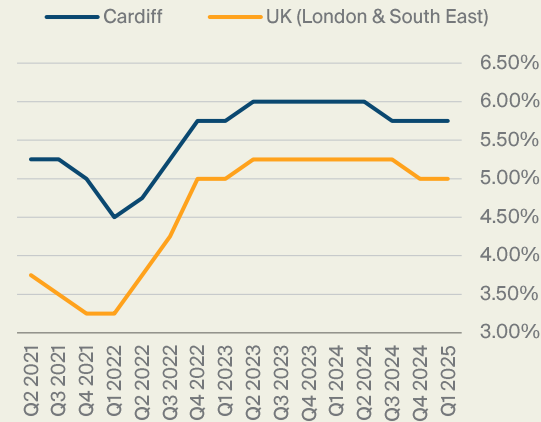
YoY movement in prime yields

PRIME INDUSTRIAL YIELDS ARE STABLE, BUT TRENDING DOWNWARDS

Prime industrial yields in Cardiff held steady at 5.75% in Q1 2025. At this level, prime yields are just 125 bps softer than their previous peak of 4.50% recorded in Q1 2022. Transaction activity remains restricted by a shortage of prime stock; however, pricing is trending downwards. Investor appetite is driven by the supply and demand dynamics of the Wales occupier market combined with steady movements in rental growth.

Recent transactions in Wales include FI Real Estate Management (FIREM)’s acquisition of a 268,000 sq ft site at Wrexham Industrial Estate from plastics manufacturing giant Mainetti for £6.2 million. In addition, car retailer Arnold Clark purchased a BMW Garage on Penarth Road, Cardiff, for £5.3 million. The price reflects a net initial yield of 7.50%, with Sytner Group currently in occupation of the building.

Prime Yields
Net initial yield (%)



Source: Knight Frank Insight

MARKET VIEW

Widening gap in pricing between prime and secondary assets



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

“An increasing amount of equity is targeting the sector, and consequently, pricing on best-in-class assets that tick all the boxes—and, importantly, are of sufficient lot size to provide scale—is increasingly exceeding expectations.

This equity currently favours paying more aggressively for prime rather than widening their requirement or dropping their minimum lot size requirement. As a result, this is temporarily widening the gap in pricing between prime and secondary assets.

However, as the amount of equity continues to increase, and competition becomes more competitive for prime assets, we expect investors to become more flexible and start targeting more good quality, secondary assets in the region.”

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

**Logistics & Industrial
Research**

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 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

Rhys Price
rhys.price@knightfrank.com
+44 29 2044 0951

**Cardiff Commercial
Capital Markets**

Gareth Lloyd
gareth.lloyd@knightfrank.com
+44 29 2044 0141

Tom Griffiths
tom.griffiths@knightfrank.com
+44 29 2044 0140

Cardiff Valuation & Advisory

Owen Griffiths
owen.griffiths@knightfrank.com
+44 29 2044 0134

Methodology

This report has been prepared by Knight Frank Commercial Insight.

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.



© Knight Frank LLP 2025 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this presentation. As a general presentation, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this presentation in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.