

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



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# LOGIC: Wales Q2 2022

**Research, July 2022**



# MARKET OVERVIEW

*Demand pressures remain in the Wales industrial market, with record low availability and a 29% annual uplift in prime rents. However, speculative development activity is gathering pace.*

**377,000 sq ft**  
Occupier take up  
(H1 2022)

**£20.9 million**  
Investment total  
(H1 2022)

**29%**  
Prime annual rental  
growth

## Uplift in speculative development activity

Development activity has gathered momentum in the industrial region in Wales during the first six months of 2022. At the mid-point of the year, 165,200 sq ft of space was under construction across three schemes.

Trebor and joint venture partner Maple Grove Developments began construction in Q1 on a new 50,000 sq ft speculative industrial scheme at Pencoed Technology Park, Junction 35 of the M4, which is under offer to a national occupier with the Agreement for Lease expected to be signed shortly. A further two speculative schemes commenced in Q2 with practical completion expected in 2023; 60,200 sq ft at Zone 2, Deeside 63, and 55,000 sq ft at Manor Lane, Hawarden. Phase 3 at St. Modwen Park, Newport is also under way from which four high quality units ranging between 16,000-44,000 sq ft will be available in November.

In addition, the Welsh Government are taking a strategic approach to attracting industrial users across the region and are progressing with plans to develop a



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“Well-publicised lack of available Grade A stock has been a key factor in the industrial property market in Wales for the past five years. This has led to a strong double-digit uptick in prime rents across all size units as occupiers compete for the best quality units.”

new 50,000 sq ft at Rhyd-y-Blew in Ebbw Vale later this year. All of these schemes together should alleviate some of the demand pressures for high quality industrial space in Wales.

The volume of available space in Wales was just under 4.1 million sq ft at the end of June, one-third lower year on year. With the corresponding vacancy rate at 9.7%, this represents an almost 500 basis point vacancy rate reduction over the past year. Ford at Bridgend accounts for 39% of this available space, while only one of the available units is a new, speculative build – 174,000 sq ft at Bryn Lane, Wrexham Industrial Estate.

## Lack of Grade A space hampering take up activity

Turning to occupier activity, the first half of 2022 saw just 377,000 sq ft of industrial and logistics space taken up in Wales (units over 50,000 sq ft), 69% lower than H1 2021 volumes. The lack of available Grade A stock has been a key factor in the industrial market in Wales for the past five years and has notably contributed to the reduced volume of take up so far this year.

Manufacturing occupiers remain the most active in the market, accounting for 31% of take up over the past four quarters. This is closely followed by the distribution sector, accounting for 27% of activity.

## Smaller lot size investments transacting

Investment into the industrial sector in Wales totalled £114.3 million in the twelve months to Q2 2022, 4.6% higher year on year, with smaller lot sizes (under £10 million) accounting for over half of these transactions. The largest deal in Q2 was Swansea Enterprise Park, a multi-let retail warehouse which was acquired by Columbia Threadneedle for £8.9 million / NIY 6.00%.

## Rental levels & Outlook

Prime rents in Cardiff for units over 50,000 sq ft increased by 3.3% in Q2 2022, to £7.75 psf, resulting in 29% growth year on year. In Newport, prime rents grew by 7.1% in the quarter, to £7.50 psf. Looking to the remainder of the year, average annual rental growth of 7.3% is expected for the Wales industrial market for 2022 and 4.0% for 2023, according to RealFor, with slightly higher expectations for Cardiff, at 8.0% and 4.3% respectively.

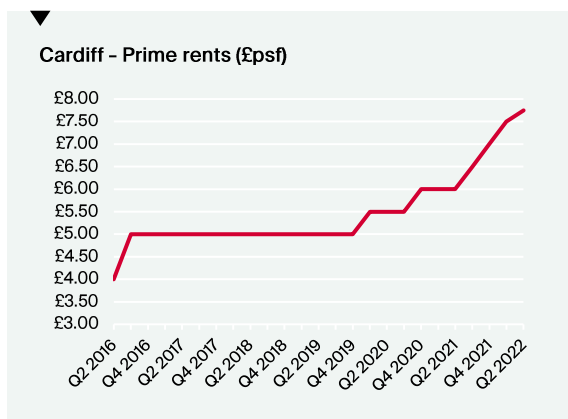
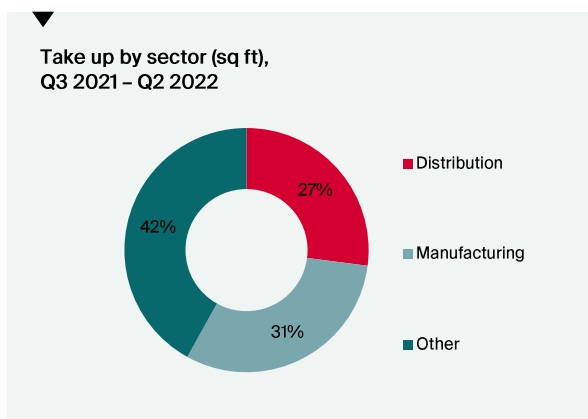
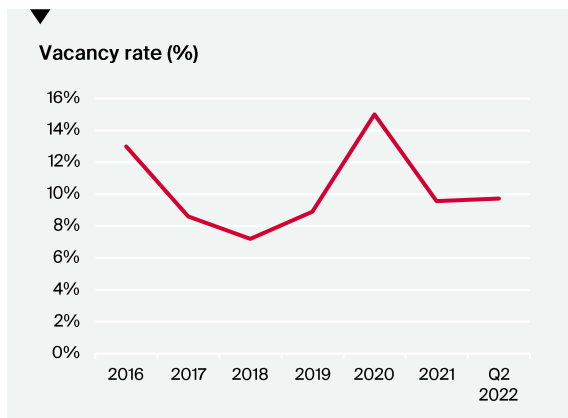
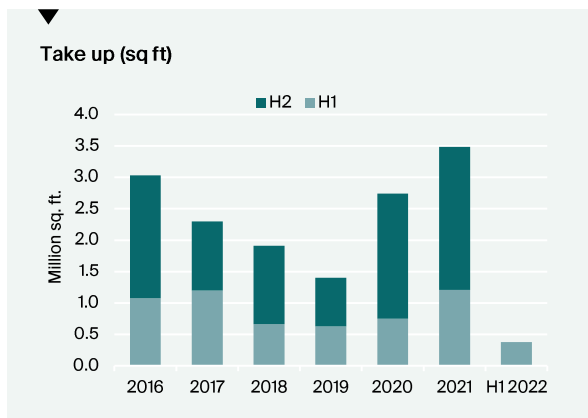
# OCCUPIER MARKET

**2.65 million sq ft**  
Occupier take up  
(last four quarters)

**31%**  
Manufacturing  
take up  
(last four quarters)

**£7.75 psf**  
Prime rents

**9.7%**  
Vacancy rate



## KEY OCCUPIER DEALS H1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Penygroes Industrial Estate, Caernarfon	116,594	Manufacturing owner occupier	£1.7m (purchase)	Freehold purchase
Wire 81, Ash Road, Wrexham Industrial Estate	81,580	Dhollandia	-	Freehold purchase
Severnbridge Industrial Estate, Caldicot	68,424	Lockwood Haulage Ltd.	£5.00 psf	Second hand
Avondale Industrial Estate, Cwmbran	51,695	PMG	£1.6m (purchase)	Freehold purchase

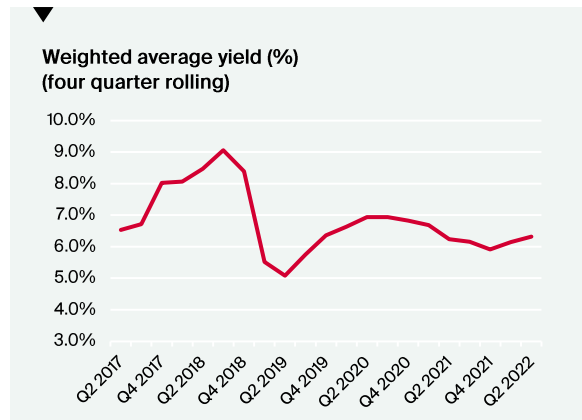
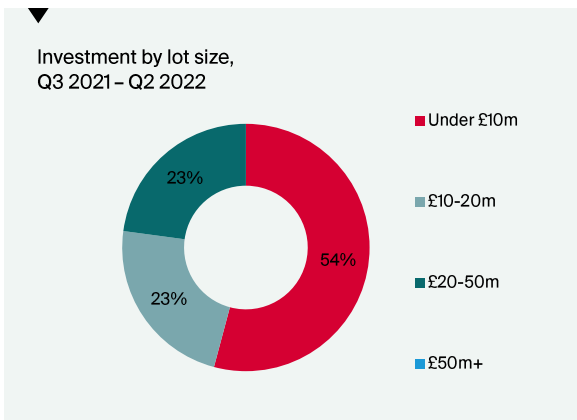
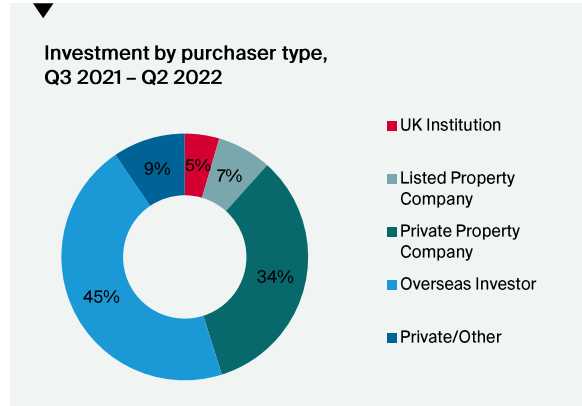
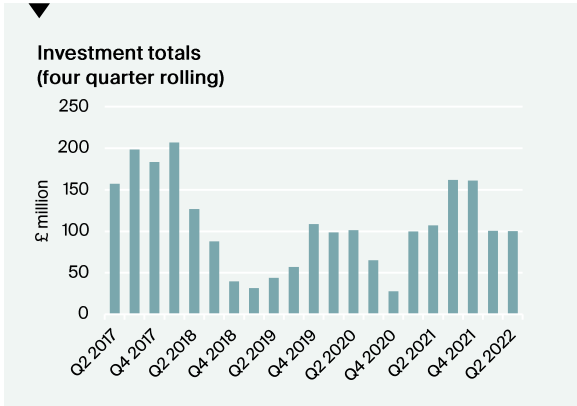
# INVESTMENT MARKET

**£114.3 million**  
Investment total  
(last four quarters)

**£5.4 million**  
Average lot size  
(last four quarters)

**45%**  
Overseas capital  
(last four quarters)

**6.3%**  
Average yield  
(last four quarters)



## KEY INVESTMENT DEALS H1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
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
Wales Industrial Parks Portfolio	2 assets N.Wales	£7.36m	8.54%	Western UK Property Group	Mileway Investments
Gateway Park	Bangor	£7.0m	-	Elstar Ltd.	Private

Source: Knight Frank, Property Data

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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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