

# LOGIC: Wales



Q2 2024

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

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Image: Unit 8 St Modwen Park, Newport

# Occupier Market

Limited availability of new, high-quality stock, as development activity stalls

## ROBUST SECOND QUARTER FOR OCCUPIER TAKE UP

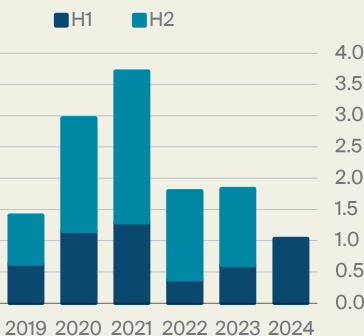
Occupier take up of industrial units over 50,000 sq ft reached 687,500 sq ft in Wales in the second quarter of 2024, double the level recorded in the first quarter. This brings take up for the first half of 2024 to over 1 million sq ft, 69% ahead of the same period in 2023. Six transactions completed in Q2, comprising four leasehold and two freehold deals.

## NEW HEADLINE RENTS CONTINUE TO BE SET IN NEWPORT

The largest and most notable transaction of the quarter was the letting of Unit 8, St Modwen Park to aviation service provider, AerFin on a 10-year lease which secured a new headline rent for a unit of this size in Wales, at £8.75 psf. The 110,000 sq ft unit was speculatively built last year to BREEAM ‘Excellent’ and EPC ‘A+’ standards, and the facility will act as AerFin’s global headquarters.

The final two built-out units at St Modwen Park - Unit 7 (43,000 sq ft) and Unit 10 (106,000 sq ft) - are both under offer and are expected to continue the trend of setting new headline rents in Newport.

### Take up (sq ft) million square feet



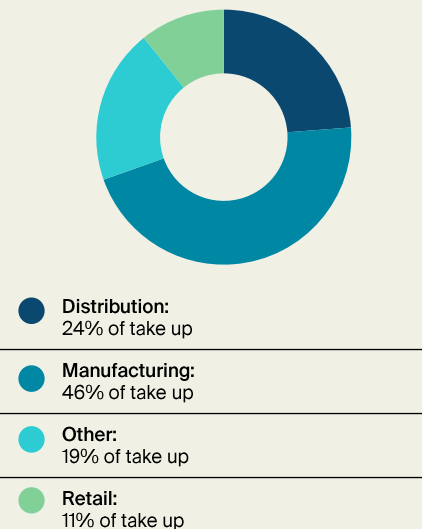
Source: Knight Frank Research

The largest sale of the quarter was a 230,000 sq ft unit at Reevesland Industrial Estate in Newport. Kwan Yick wholesalers acquired the property for occupation.

## MANUFACTURERS GROW THEIR SHARE OF THE MARKET

Manufacturers continue to grow their share of the Wales industrial and logistics market. Take up by manufacturers has grown by 63% annually to Q2 and comprised almost half of take up over the past year (46%). This is up from 33% in the same period last year. Notably, five out of the six transactions in Q2 were from the manufacturing sector, with a variety of occupiers from food producers to manufacturers of aerospace or automotive component parts taking space.

### Take up by sector Q3 2023 – Q2 2024



Source: Knight Frank Research

## MARKET VIEW

Much of the larger stock released to the market is in poorer condition



BY NEIL FRANCIS, PARTNER,  
CARDIFF LOGISTICS & INDUSTRIAL  
AGENCY

“Q2 2024 was different to recent years due to the sale of the 1.6 million sq ft Ford site at Bridgend. As the purchaser is planning to use the site for a data centre, the facility is no longer classed within the industrial/warehouse use category, and so has been stripped out of the Wales industrial figures.

The upturn in lettings this quarter is encouraging, but sadly much of the larger industrial stock released to the market is in poorer condition and in secondary locations. There are only two Grade A buildings in South Wales and one in North Wales currently available and all are under offer, which again highlights the ongoing flight-to-quality by occupiers.”

# Occupier Market

1.0m sq ft

Occupier take up  
H1 2024

12.2%

Vacancy rate  
Q2 2024

£8.75 psf

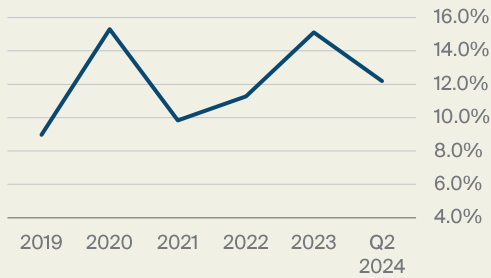
Prime rents  
Q2 2024

9.4%

Prime annual rental growth

## Vacancy Rate

% of stock



Source: Knight Frank Research

“The vacancy rate sharpened to 12.2% in Q2, from 16.6% in the previous quarter”

## TIGHT SUPPLY OF NEW BUILD UNITS

Supply levels of units over 50,000 sq ft declined by 27% in the second quarter of 2024 and now stands at 5.2 million sq ft. While the reduction was primarily driven by sale of the 1.6 million sq ft Ford site at Bridgend which is being repurposed for data centre use, excluding this building, availability still fell by 4.7%. Consequently, the vacancy rate sharpened to 12.2% in Q2, from 16.6% recorded in the previous quarter.

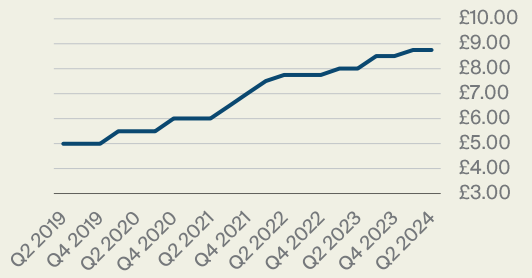
The 850,000 sq ft Wilko site at Magor accounts for 16% of the existing available stock and is reportedly under offer. The supply of new, high-quality stock is critically low; only 4.2% of the available space, in three buildings, consists of new builds and all three are under offer. This includes the 63,205 sq ft Deeside 63 which completed construction in Q2, and there is now no further speculative development underway in Wales.

## RENTAL LEVELS & OUTLOOK

Prime industrial rents for units over 50,000 sq ft stand at £8.75 psf in both Cardiff and Newport. Looking ahead, new-build units under offer are expected to reach £10.00 psf in Cardiff and £9.00 psf in Newport. Forecasts for average rental growth have been revised upwards in Wales, with 3.6% growth now expected for 2024 (RealFor).

## Cardiff - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

“Only 4.2% of the available space consists of new builds, all of which is under offer”

## Key Occupier Deals H1 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	COMMENTS
Reevesland Industrial Estate, Newport	226,000	Kwan Yick (UK) Ltd.	Freehold purchase – Second-hand
Unit 8 St Modwen Park, Newport	110,000	AerFin	Speculative build
Abergorki Industrial Estate, Treorchy	83,206	Adexa Direct	Freehold purchase – Second-hand
Oakdale Business Park, Caerphilly	54,000	Senior Flexonics	Second-hand

Source: Knight Frank Research

# Investment Market

# 6.00%

Prime NIY - Cardiff  
Q2 2024

# Stable

YOY movement in prime yields

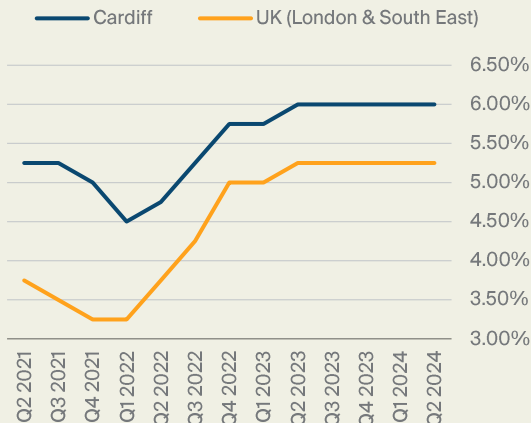
## INVESTOR OPTIMISM RE-EMERGING

Prime industrial yields in Cardiff remained stable in Q2 2024, at 6.00%. Since the turn of the investment market in Q2 2022, prime yields in the region have softened by circa 150 bps. Industrial investment volumes in Wales remain limited due to sellers' reluctance to exchange at current levels of pricing. However, at the prospect of base rates being reduced later this year, investor optimism is beginning to re-emerge.

Q2 2024 saw LondonMetric acquire Booker Cash & Carry, Excelsoir Industrial Estate in Cardiff from a UK fund for £8.85 million (NIY 6.86%). Another notable transaction was the sale of Celtic Business Park in Newport by Warehouse REIT to an undisclosed purchaser for £5.2 million (NIY 5.21%). The 48,149 sq ft building is currently leased to Amazon, and the sale was part of a larger £57.5 million disposal by Warehouse REIT involving single-let assets across three locations.

### Prime Yields

Net initial yield (%)



Source: Knight Frank Research

## MARKET VIEW

Sentiment expected to improve further as we head into Q3



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

“Appetite for industrial investment remained strong for the majority of Q1 and Q2 2024, and we expect sentiment to improve further as we head into Q3. Investors sought multi-let industrial opportunities in the first two quarters due to encouraging rental growth forecasts, while single-let industrial investments also performed well and comprised the entirety of transaction volumes during Q2.

We are seeing demand from a wide range of investor types, including institutional investors and overseas investors. Rental growth forecasts in the context of restricted supply and increasing demand demonstrate the compelling rationale to invest in the logistics and industrial 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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