

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



knightfrank.com/research

LOGIC: Wales Q3 2022

Research, October 2022



CGI image: RYB 1, Rhyd Y Blew, Ebbw Vale
52,000 sq ft under construction by Welsh Government

MARKET OVERVIEW

Strong third quarter in the Wales industrial market brings take up in the year to date to 1.7 million sq ft, with a growing pipeline of development coming through.

1.7 million sq ft
Occupier take up
YTD 2022

£89.1 million
Investment total
YTD 2022

19%
Prime annual rental
growth

Active third quarter boosts take up volumes

A very strong third quarter of 2022 was recorded in the Wales industrial occupier market with some notable deals taking place. A total of 1.3 million sq ft of space was taken up (units over 50,000 sq ft), 3.5 times higher than the first two quarters combined. This brings the total for the year to date (YTD) to almost 1.7 million sq ft, 2.4% higher annually.

Distribution occupiers were particularly active in Q3, accounting for almost three-quarters of take up. Net World Sports moved into its newly constructed 411,000 sq ft warehouse in Wrexham, which is one of the largest build-to-suit units in Wales in many years.

Another notable deal in Q3 included Nisbets signing a new lease on a 290,340 sq ft distribution warehouse at Newhouse Farm Industrial Estate, Chepstow. The second-hand building has been recently refurbished to Grade A standard.



NEIL FRANCIS, PARTNER,
CARDIFF COMMERCIAL

“Availability of industrial space in Wales stands at 4.2 million sq ft, which includes the 1.6 million sq ft at Ford at Bridgend, but with a number of these under offer, we expect similar good levels of take up for Q4 2022 and the year to end on a high.”

Speculative development gathering momentum

The majority of occupier transactions so far in 2022 comprise second-hand units, while those that are Grade A are being absorbed quickly with new headline rents being achieved. This is owing to the shortage of new, high-quality units available. However, development activity is gathering pace across both North and South Wales, therefore we expect a higher proportion of newly constructed space taken up in the coming quarters.

A total of 217,800 sq ft of industrial space was under construction at the end of September, across four schemes (units over 50,000 sq ft). The 50,000 sq ft speculative scheme at Pencoed Technology Park is under offer and progressing well. In addition, Phase 3 at St. Modwen Park, Newport, is due to complete in November (four units ranging between 17,000-43,000 sq ft) and plans are progressing for Phase 4 (three units ranging between 52,000-117,000 sq ft).

Availability in Wales totalled 4.2 million sq ft at the end of Q3, 28% lower year on year, with Ford at Bridgend accounting for 38% of this. The vacancy rate stood at 9.9%, down from 13.8% in Q3 2021.

Growing volume of UK investment

Investment into the industrial sector in Wales totalled approximately £20.9 million in Q3 2022, bringing the total for the year to date to £89.1 million. The largest deal in the third quarter was the acquisition of a 723,114 sq ft distribution warehouse at Bryn Lane, Wrexham by Elite Partners Capital for £30 million / NIY 5.60%.

Investment by UK property firms has increased from 2021 levels and comprises 44% of activity in the year to date, while further 44% of capital was from overseas.

Rental levels & Outlook

Prime rents in Cardiff for units over 50,000 sq ft are 19% higher annually, standing at £7.75 psf, while in Newport and Swansea, prime rents have seen 25% and 22% growth respectively. Expectations are that rental growth will remain positive but will slow next year, with average growth of 2.7% forecasted for 2023 across Wales (Realfor).

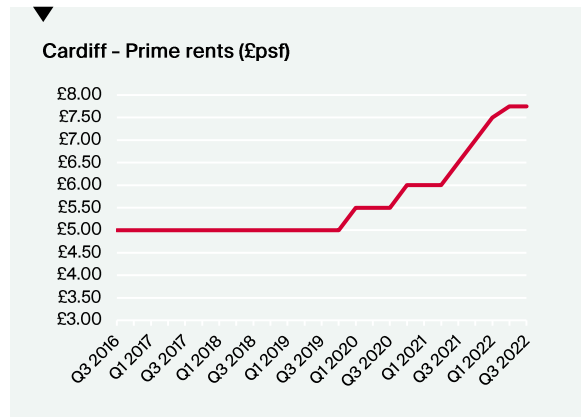
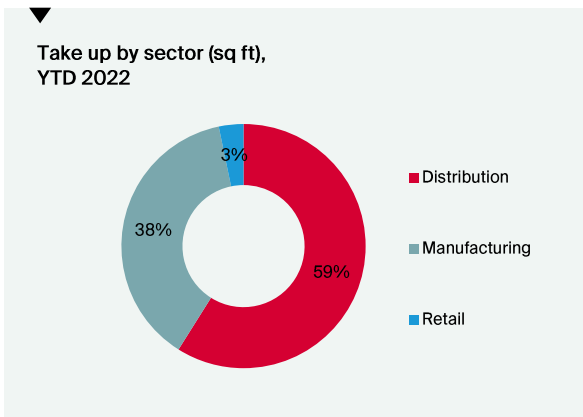
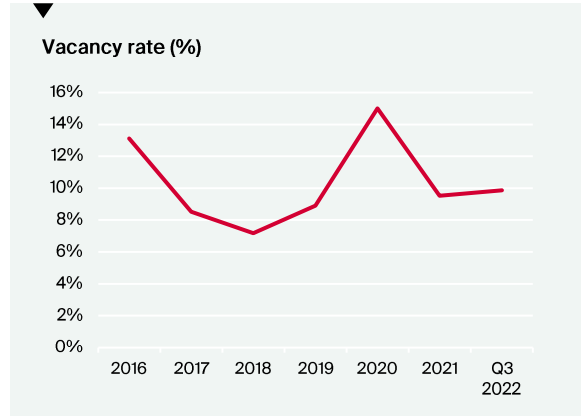
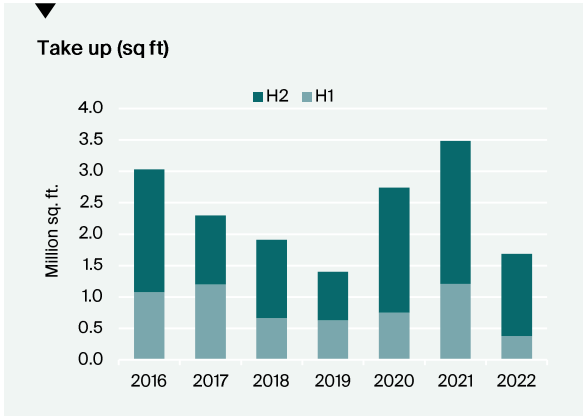
OCCUPIER MARKET

1.3 million sq ft
Occupier take up
Q3 2022

59%
Distribution
take up
YTD 2022

£7.75 psf
Prime rents

9.9%
Vacancy rate



KEY OCCUPIER DEALS Q3 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	COMMENTS
Wrexham Industrial Estate, Wrexham	411,000	Net World Sports	Build-to-Suit / forward-purchase by Net World Sports
Delta 290, Newhouse Farm Industrial Estate, Chepstow	290,340	Nisbets	Second-hand - refurbished to Grade A
Parc Britannia, Bangor	131,120	First Hydron Co.	Second-hand - Grade B
Hadnock Road, Monmouth	130,000	Mandarin Stone	Freehold purchase

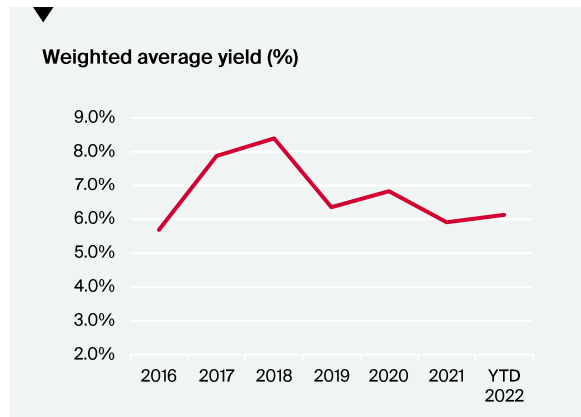
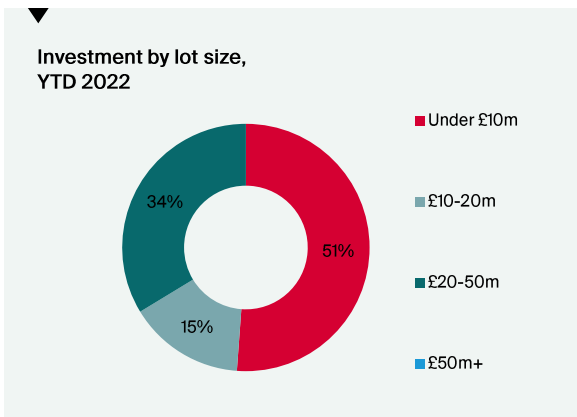
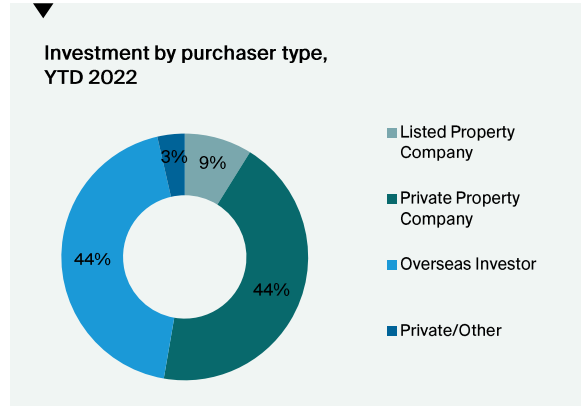
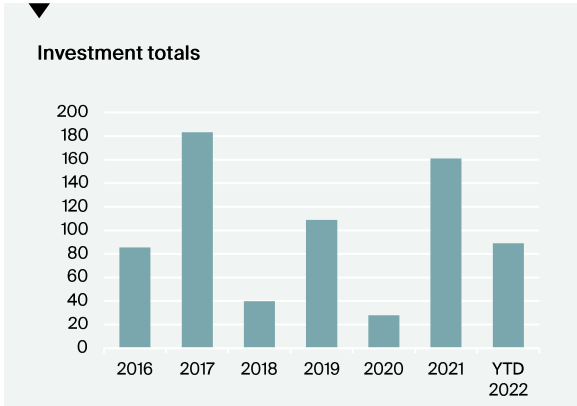
INVESTMENT MARKET

£20.9 million
Investment total
Q3 2022

£6.4 million
Average lot size
YTD 2022

44%
Domestic
Investment
YTD 2022

6.1%
Average yield
YTD 2022



KEY INVESTMENT DEALS Q3 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Bryn Lane	Wrexham	£30m	5.60%	Elite Partners Capital	UK Pension Fund
Swansea West Industrial Estate & Vale Business Park	2 assets S. Wales	£1.83m	-	City & Provincial Securities	Dovril Ltd.
Taffs Mead Road, Treforest Industrial	Treforest	£1.0m	7.00%	Short Bros Developers	Flocon Directors Scheme

CONTACTS

LOGISTICS & INDUSTRIAL RESEARCH

Claire Williams

claire.williams@knightfrank.com

+44 203 897 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

CARDIFF COMMERCIAL CAPITAL MARKETS

Gareth Lloyd

gareth.lloyd@knightfrank.com

+44 29 2044 0141

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.

Knight Frank Research
Reports are available at
knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2022 This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, 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 document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report 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.