

LOGIC: Wales



Q3 2023

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

Strong demand for new, high-quality space being delivered, setting new headline rents in Wales

ROBUST THIRD QUARTER FOR OCCUPIER TRANSACTIONS

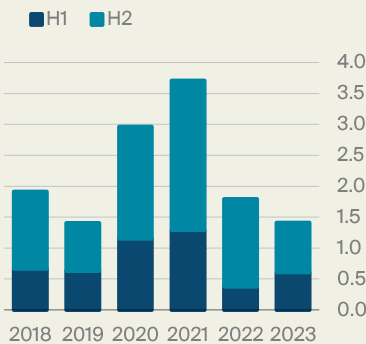
A robust third quarter of 2023 was recorded in the Wales industrial occupier market. Three leasehold deals and three sales completed, totalling 800,000 sq ft, 31% higher than the first two quarters combined (units 50,000 sq ft+). Given the slower start to the year, take up for the year-to-date is 17% below the same period last year, at 1.4 million sq ft.

DIVERSE MIX OF TENANTS

The largest transaction in Q3 was the sale of a 254,700 sq ft former Toyoda Gosei unit in Gorseinon, Swansea to manufacturer, Jayplas. Interestingly, two deals involved companies from the Creative Industries sector, with Great Point Media acquiring its 177,716 sq ft Seren Studios at Wentloog Avenue freehold, and Bad Wolf taking an additional 117,875 sq ft of space at Eastern Business Park, Bridgend. Both transactions highlight the continued growth in this industry and its importance for increasing the profile of South Wales as a film production location.

In addition to demand by other, alternative occupiers, the past year

Take up (sq ft)
million square feet



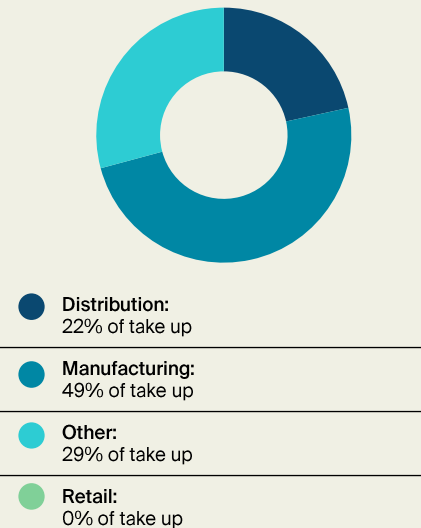
Source: Knight Frank Research

has seen a rising share of take up by manufacturers. Almost half of the space transacted over the past year was by manufacturing companies, at 49%, up from 21% over the same period last year. In contrast, retailers have been virtually absent from the 50,000 sq ft+ market to date in 2023, compared to a 26% share last year.

FLIGHT-TO-QUALITY

Given the current shortage of Grade A industrial space across Wales, occupiers are willing to pay headline rents for superior, well-located units. St Modwen has finished construction on three units in Newport, with the letting of Unit 9 (52,000 sq ft) expected to complete in Q4 and terms being discussed on the 106,000 and 116,000 sq ft units. Notably, a new headline rent was set in Q3 following the letting of a 24,000 sq ft unit in Phase 3. The Welsh government has also completed its 52,582 sq ft, RYB1, at Rhyd y Blew in Ebbw Vale, with strong demand for the new build unit from a number of occupiers.

Take up by sector
Q4 2022 – Q3 2023



Source: Knight Frank Research

MARKET VIEW

Strong demand for better-located and presented stock



BY NEIL FRANCIS, PARTNER,
CARDIFF LOGISTICS & INDUSTRIAL
AGENCY

“Whilst industrial take up figures are clearly better than Q2, there is still a lot of uncertainty in the market. Last quarter, I predicted that we would witness more closures and, sadly, over the past three months we have seen 10 different occupiers either announce closures or plans to rationalise their property portfolio.

We are however seeing a definite flight-to-quality with the better-located and presented stock securing strong demand which is increasing the headline rents secured with every new letting.”

Occupier Market

1.4 million sq ft

Occupier take up
YTD 2023

15.0%

Vacancy rate
Q3 2023

£8.50 psf

Prime rents
Q3 2023

9.7%

Prime annual rental growth

“Occupiers are willing to pay headline rents for superior, well-located units“

NEW, HIGH-QUALITY SPACE IS BEING DELIVERED

Availability of units over 50,000 sq ft rose by 20% in Q3, to stand at 6.4 million sq ft. The vast majority (95%) of this comprises second-hand space, with the Ford site at Bridgend accounting for 1.6 million sq ft, while Wilko recently vacated its 850,000 sq ft distribution facility at Magor, adding the volume of existing available stock. The vacancy rate therefore increased from 12.6% to 15.0% over the quarter.

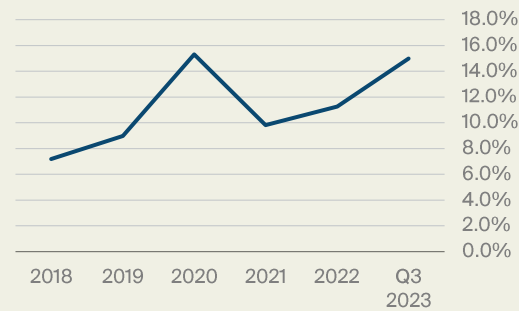
A total of 326,800 sq ft of new space completed construction during Q3, across four units, while two units totalling 115,200 sq ft remain under way.

RENTAL LEVELS & OUTLOOK

Demand for new-high quality industrial space continues to support prime rental growth across all size units. Prime industrial rents in Cardiff and Newport for units over 50,000 sq ft increased by 6.3% in Q3, to £8.50 psf. This represents 9.7% and 13.3% growth year on year, respectively. Rental growth is expected to remain positive but will slow next year, with average growth of 3.2% forecast for 2024 across Wales (Realfor). Based on robust enquiries for the new space being delivered, a higher level of take up of newly developed space is expected towards the end of 2023 / early 2024.

Vacancy Rate

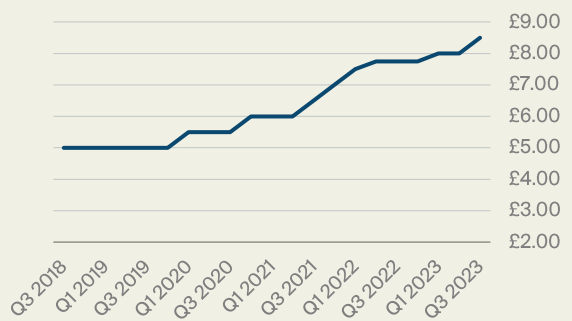
% of stock



Source: Knight Frank Research

Cardiff - Prime Rents

£ per sq ft



Source: Knight Frank Research

“Prime rents in Cardiff and Newport for units over 50,000 sq ft rose by 6.3% in Q3, to £8.50 psf”

Key Occupier Deals

Q3 2023

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT	COMMENTS
Heol Y Mynydd, Gorseinon, Swansea	254,700	Jayplas	Freehold purchase	Second-hand Grade B
Seren Studios, Wentloog Avenue, Cardiff	177,716	Great Point Media	Freehold purchase	Second-hand Grade B
Eastern Business Park, Bridgend Industrial Estate	117,875	Bad Wolf	£3.00 psf	Second-hand Grade B

Source: Knight Frank Research

Investment Market

£45 million

Investment total
YTD 2023

£6.6 million

Average lot size
(last four quarters)

32%

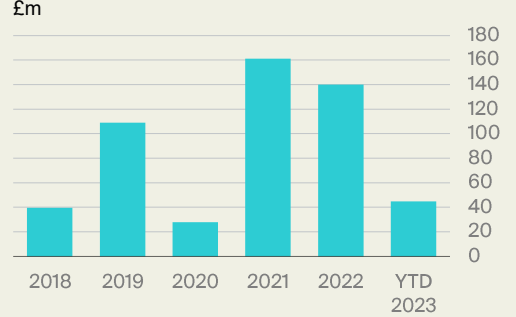
UK Institutional investment
(last four quarters)

6.00%

Prime yield
Q3 2023

“Prime industrial yields in Cardiff stabilised in Q3 2023, at 6.00%”

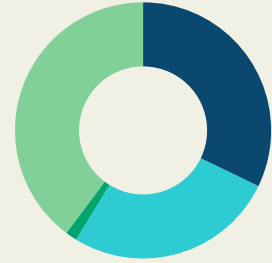
Investment totals



Source: Knight Frank Research

Investment by purchaser type

Q4 2022 – Q3 2023



- **UK institution:**
32% of investment

- **Listed Property Company:**
0% of investment

- **Private Property Company:**
27% of investment

- **Overseas Investor:**
1% of investment

- **Private/Other:**
40% of investment

Source: Knight Frank Research

STABILISATION IN PRIME YIELDS

Two industrial investment transactions completed in Wales during Q3 2023, with the volume invested in the year-to-date totalling £45 million. This is down from £112 million recorded over the same period last year. In Q3, Deeside Regeneration sold Unit 1, Pencoed Technology Park in Bridgend for £4.48 million, reflecting a NIY of 6.00%.

Following a 75bps outward shift of prime industrial yields over the past year, prime yields in Cardiff stabilised in Q3 2023, at 6.00%.

Approx. 40% of the capital invested over the past year came from private investors. UK institutional investors accounted for a further 32%, this is up from 12% recorded over the same period last year.

“UK institutional investors accounted for 32% of the capital invested over the past year”

Key Investment Deals

Q3 2023

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Unit 1 Pencoed Technology Park	Bridgend	£4.5m	6.00%	Confidential	Deeside Regeneration Ltd.
Units 1-3, Bridge Road Industrial Estate	Treforest	£2.7m	9.50%	Confidential	Welland Property Trustee

Source: Knight Frank Research

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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