

LOGIC: Wales



Q3 2024

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

knightfrank.com/research



Image: Unit 8 St Modwen Park, Newport

Occupier Market

Shortage of new-build supply continues to drive prime rental growth

YEAR-TO-DATE TAKE UP MIRRORS LAST YEAR

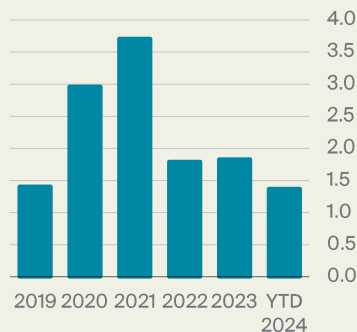
The third quarter of 2024 recorded 342,200 sq ft of occupier take up in the Wales industrial market, across five lettings (units over 50,000 sq ft). Although representing a decrease on the previous quarter and on Q3 2023, take up in Wales for the year-to-date is almost mirroring the same period last year, of 1.4 million sq ft.

TRANSACTION TIMELINES HAVE LENGTHENED

The Wales industrial occupier market slowed between July to September. While a slowdown in the summer is normal, this year the market was further impacted by political uncertainty and the upcoming budget. Increased due diligence by both occupiers and lenders has meant that transactions are taking longer to complete.

The largest transaction of the third quarter was the letting of the 77,538 sq ft Unit 2B SWDC (South Wales Distribution Centre) at Kenfig, Port Talbot, to Roche Logistics. Mileway has now fully let this estate.

Take up (sq ft)
million square feet



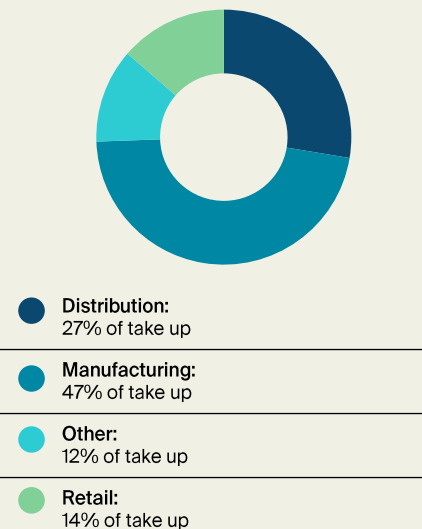
Source: Knight Frank Research

GROWTH IN DEMAND BY MANUFACTURERS AND DISTRIBUTION FIRMS

Take up by manufacturers has risen by one-third annually to Q3 and comprised almost half of take up over the past year (47%). Manufacturers taking space in Q3 included food manufacturer Wholebake, who specialises in gluten-free products, committing to the 69,471 sq ft Unit 54, Clywedog Road South in Wrexham. Meanwhile, the recently constructed 63,205 sq ft new-build at Deeside 63, Zone 2 was let to specialised vehicle engineering company, Astra Vehicle Technologies, at £5.00 psf.

Take up by distribution firms has also risen over the past year and comprised 27% of the annual total. This is up from 17% in the same period last year.

Take up by sector Q4 2023 – Q3 2024



Source: Knight Frank Research

MARKET VIEW

All new, grade A stock over 50,000 sq ft is under offer



BY NEIL FRANCIS, PARTNER,
CARDIFF LOGISTICS & INDUSTRIAL
AGENCY

“After a positive first half to 2024, this last quarter can be best described as frustrating. Activity slowed down in the lead up to the General Election and never really picked up during the summer. The result is that many of the larger deals due to transact have stalled and are likely to be delayed until Q4.

What is interesting is that all of the new, grade A stock over 50,000 sq ft is under offer, with two pre-let agreements on units under construction. This lack of quality space is going to impact figures next year unless we start to see some much-needed spades in the ground.”

Occupier Market

1.4m sq ft

Occupier take up
YTD 2024

12.4%

Vacancy rate
Q3 2024

£9.00 psf

Prime rents
Q3 2024

5.9%

Prime annual rental growth

“The shortage of new, high-quality stock is driving continued prime rental growth in Cardiff and Newport”

NEW-BUILD SUPPLY CRITICALLY LOW

The availability of units over 50,000 sq ft edged up by 1.9% in the third quarter of 2024 to 5.3 million sq ft, softening the vacancy rate by 20 bps to 12.4%. Of this space, 16% comprises the 850,000 sq ft Wilko site at Magor, which is reportedly under offer to a data centre operator.

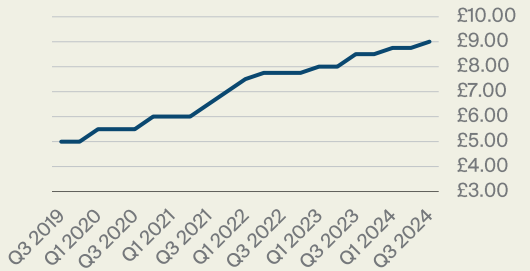
The supply of new-build industrial space in Wales has tightened further, with 97% of all available space comprising second-hand stock. The only two remaining new-builds - 52,000 sq ft RYB 1 at Ebbw Vale and 105,000 sq ft Unit 10 at Indurent Park, Newport – are both under offer and expected to transact in Q4. With no further speculative development of units over 50,000 sq ft underway in Wales, new-build supply is now critically low.

RENTAL LEVELS & OUTLOOK

The shortage of new, high-quality stock is driving continued prime rental growth in Cardiff and Newport, with the last remaining unit in Phase 3, Indurent Park, Newport (42,000 sq ft) setting a new headline rent of £9.50 psf for 20,000-50,000 sq ft units. Prime rents for units over 50,000 sq ft are 5.9% higher annually, at £9.00 psf. Looking ahead, industrial rental growth forecasts in Wales have been revised upwards, with 4.0% predicted for 2024 and 3.6% for 2025, according to RealFor.

Cardiff - Prime Rents

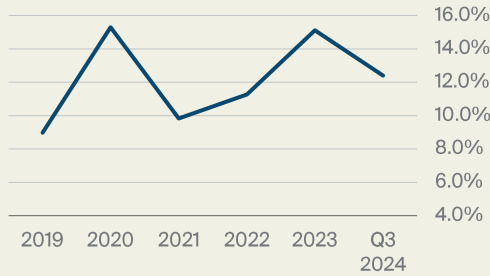
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Vacancy Rate

% of stock



Source: Knight Frank Research

“The only two new-build units available are under offer”

Key Occupier Deals YTD 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
Unit 54, Clywedog Road South, Wrexham	69,471	Wholebake	Second-hand
Deeside 63, Zone 2, Deeside	63,205	Astra Vehicle Technologies	Speculative build

Source: Knight Frank Research

Investment Market

5.75%

Prime NIY - Cardiff
Q3 2024

-25 bps

QoQ movement in prime yields

FIRST YIELD COMPRESSION IN NEW CYCLE

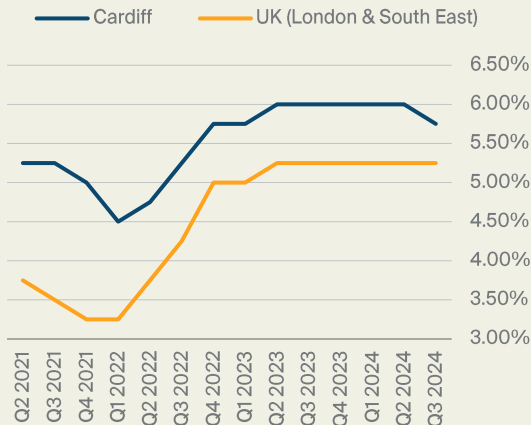
Prime industrial yields in Cardiff sharpened by 25 basis points (bps) in Q3 2024, to 5.75%. This follows five consecutive quarters of yields holding steady at 6.00% and marks the first compression in a new prime pricing cycle. Sentiment improved during the quarter, with the Bank of England’s base rate reduction boosting investors’ confidence around pricing.

Additionally, restricted supply options in the occupier market combined with improved rental growth forecasts are driving investor appetite.

Q3 2024 saw the acquisition of Tregwilym Road Industrial Estate in Newport by Arc UK industrial portfolio | Jersey PropCo for £7.85 million, representing a net initial yield of 8.75%. The multi-let industrial estate comprises five units totalling 175,397 sq ft which are fully let to four separate tenants.

Prime Yields

Net initial yield (%)



Source: Knight Frank Research

MARKET VIEW

Lack of stock will be the only barrier to investment volumes increasing



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

“As we enter the final quarter of the year, we expect strong demand from investors for good quality industrial stock in Wales. Given the lack of supply, strong rental growth prospects and further interest rate cuts, yields are expected to harden. A lack of stock will be the only barrier to investment volumes increasing.”

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 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 LLP 2024 – 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.