



SOUTH WEST

Logistics and Industrial Commentary H2 2012

Knight Frank



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H2 2012 market commentary

- Take-up in units above 50,000 sq ft was a healthy 2.7m sq ft in H2 2012, more than double the H1 total. However, much of this was accounted for by the fulfilment of several major long-term requirements.
- In November, Asda completed a land purchase in Avonmouth which will see construction of a new 700,000 sq ft cold store and service centre. The supermarket will relocate from its existing 200,000sq ft cold store in Portbury towards the end of 2013.
- H2 also saw TJ Morris agree to purchase land at Imperial Park, Amesbury for a proposed 635,000sq ft unit, with work expected to start on site in Q1 2013. We understand this is subject to planning.
- The expansion of the cold/chilled store sector continued with a mixture of organic growth and consolidation, leading to requirements from Culina, Arla and Samworth Brothers among others. With minimal supply of secondhand buildings in this sector, we anticipate some pre-let activity to start in 2013.
- With the available supply of new large format buildings highly restricted in the region, the key transaction of H2 2012 was Oak Furniture's new lease at DC2 South Marston Park Swindon. This 302,000sq ft former Morrisons unit represents the South West region's highest quality transaction in H2 2012, at £5.50 per sq ft.
- Supermarket consolidation has brought c. 950,000sq ft of large units to the market. However, these are of mixed quality and in some cases significant capex is required for ingoing occupiers, in terms of fit-out and M&E upgrading.
- The steady erosion of supply has produced some definite market movement in the multi-let sectors. Our analysis of H2 2012 transactions reveals a reduction in incentive packages by 20-25%, with tenants now having to agree less favourable terms where the product is well refurbished and well-located.

Selected South West transactions H2 2012

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Gateway, Exeter	Sainsburys	500,000*	Undisclosed	Jul 12
RD Park, Avonmouth	SITA	c.150,000*	Undisclosed	Aug 12
Portside, Avonmouth	Asda	700,000*	Undisclosed	Nov 12
DC2 South Marston, Swindon	Oak Furniture Land	301,665	£5.50	Dec 12
One Portbury, Bristol	Stapletons	86,000	Under Offer	Dec 12

*Freehold transaction

Q4 2012 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q4 2013

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Bristol	£8.00 ◀▶	£6.75 ◀▶	£6.00 ◀▶
Swindon	£6.25 ◀▶	£6.00 ◀▶	£5.25 ◀▶
Exeter	£6.25 ◀▶	£5.25 ◀▶	£4.75 ◀▶
Plymouth	£5.25 ◀▶	£4.50 ◀▶	£3.00 ◀▶



In December 2012, Oak Furniture Land leased 301,665 sq ft at DC2 South Marston, Swindon for an agreed headline rent of £5.50 per sq ft.

Regional outlook

- Throughout 2013 we predict a further tightening of supply in all sectors/ sizes, leading to a further tightening of incentive packages. There is clear evidence that pre-let activity will return in H1 2013 although the difficult part of the equation will be persuading investors to consider sub £10m lot sizes.
- Prospects for new development are arguably strongest in the mid-size sector, with particularly robust occupier demand being seen for good quality buildings below 40,000 sq ft.
- We also predict that 2013 will bring the first speculative development of a multi-let scheme since 2008, albeit activity will be focused at the prime locations around North Bristol.