

WALES

Logistics and Industrial Commentary



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H1 2013 Review

- The beginning of 2013 was dominated by large-scale factory closures with companies such as Sogefi, Panasonic and Alberto Culver releasing over 1m sq ft into the South Wales Market. Although this space is not classed as Grade A, most of it is of a sound quality with good links to the M4 Motorway.
- H1 saw approximately 1.4m sq ft of take-up within Wales for units of over 50,000 sq ft. This was 13% below the H2 2012 total but 31% ahead of the total for H1 2012.
- The majority of the deals in H1 comprised purchases by owner occupiers and it was encouraging to see buildings at Kenfig and along the Heads of the Valleys finally sell, some of which have been vacant for several years.
- There remains a lack of Grade A space along the M4 corridor which has resulted in occupiers either withdrawing their requirement from the market or purchasing cheaper stock that they subsequently upgrade. This presents a significantly cheaper option than new build, and partly explains why the majority of the deals during this period comprised purchases by owner occupiers.
- Since Easter there has been an increase in enquiries over 50,000 sq ft and whilst heavy manufacturing is generally considered to be struggling, other sectors such as distribution, warehousing and energy related uses continue to present requirements within the market.
- Good quality, detached, freehold opportunities of up to 10,000 sq ft remain attractive to owner occupiers and we have witnessed aggressive bidding which has increased the prices achieved.
- H1 witnessed continued healthy levels of activity throughout the region for smaller workshop units. There are many new start operators and growing companies who are taking advantage of the flexible lease terms being offered as well as Business Rates Relief for smaller operators.

Q2 2013 Prime headline rents (£ per sq ft) ▼ / ▲ - movement expected to Q2 2014

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£5.25 ▲	£4.00 ▲	£3.50 ◀▶
Swansea	£3.50 ▲	£3.00 ◀▶	£2.50 ◀▶
Heads of Valleys	£3.50 ◀▶	£2.50 ◀▶	£2.50 ◀▶



Newtown Industrial Estate, Cross Keys , where Knight Frank secured a letting of 23,000 sq ft early in H1. A further 70,000 sq ft is presently under offer.

Regional outlook

- With a number of active requirements between 50,000 sq ft and 100,000 sq ft, the second half of the year should witness some notable transactions.
- We expect the shortage of good quality stock to put upward pressure on rental levels for units of under 20,000 sq ft.
- In contrast, larger properties in secondary locations, and of a poorer quality, will continue to prove difficult to let. In order to secure occupiers, we expect such stock will be let at low rental levels and, in some situations, the incoming tenant may only have to pay rates.
- Finally, occupiers vacating larger spaces (such as Panasonic in Newport) will look to maximise the return on their property by securing consents for higher values uses such as residential development.

Selected Wales transactions in H1 2013

Address	Occupier	Size (sq ft)	Rent / Price (per sq ft)	Date
Tafarnaubach Ind. Estate, Tredegar	NMC	115,999	£21.55*	Jan-13
Crown Business Park, Tredegar	G-Tekt	54,164	£22.15*	Mar-13
Unit 3A Kenfig Ind. Estate, Port Talbot	Wernick Group	96,648	£7.76*	Mar-13
Unit 3 Kenfig Ind. Estate, Port Talbot	Mitchton Ltd	101,633	£4.43*	Mar-13
Treforest Ind. Estate, Treforest	Confidential	64,999	£3.40	Apr-13

*Freehold occupier purchase