

# WALES

## Logistics and Industrial Commentary

### H1 2017 Review

- Following positive take-up in H2 2016, strong demand for units above 50,000 sq ft continued during H1 2017, with circa 1.45 million sq ft of transactions recorded in the Wales market.
- This half-year volume is 450,000 sq ft above that seen in the same period in 2016, and 650,000 sq ft above the level in H1 2015. In line with recent trends, two-thirds of the transactions recorded were purchases by owner occupiers.
- The largest transaction in H1 was the sale of 250,000 sq ft at Trident Park, Cardiff to the Welsh Government, who subsequently leased it to Bad Wolf for use as a studio/office scheme for independent television production – a move that highlights how significant and popular the creative industries sector has become within South Wales.
- Demand continues to outweigh supply for modern units along the M4 corridor.
- On the supply side, there is c. 4.1m sq ft of units above 50,000 sq ft available, of which less than 5% is Grade A stock. It is this lack of quality stock that has driven the increase in rents for better units in good locations, whilst incentives have hardened in the face of increased demand.
- In terms of land supply, there are a number of serviced development sites immediately available with good accessibility to the M4 Motorway. However given the construction costs versus rents / sales values achievable there is limited developer interest. There has been some demand for these sites from the motor trade and also a number of land sales from operators wanting to construct new showrooms on the edge of busy industrial locations.
- Multi-let industrial estates, with asset management opportunities or single let investments to a strong covenant continue to attract investors seeking value for money. This has been evidenced by the recent sales of Cook Court in Ocean Park, Cardiff and the disposal of the Amazon unit at Celtic Business Park, Newport and the current level of investor interest in the multi let at West Point, Cardiff.



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### Q2 2017 Prime headline rents (£ per sq ft)

▼ / ▲ - movement expected to Q2 2018

Market	under 20,000 sq ft	20,000 to 50,000 sq ft	50,000 + sq ft
Cardiff	£6.00 ▲	£5.50 ▲	£5.00 ▲
Swansea	£4.50 ▲ ▪	£3.50 ▲ ▪	£3.00 ▲ ▪
Heads of Valleys	£3.50 ▲ ▪	£2.50 ▲ ▪	£2.50 ▲ ▪



**Trident Park, Ocean Way, Cardiff:** Knight Frank acted on behalf of Legal & General in selling this 250,000 sq ft warehouse to the Welsh Government. Bad Wolf have subsequently secured a new 10 year lease to use the facility as a studio and office scheme for independent television production.

### Regional outlook

- Whilst there are a number of active requirements for units above 50,000 sq ft, the lack of quality stock will constrain take-up in 2017. Annual take-up in the Wales market is unlikely to reach the 3m sq ft achieved in 2016.
- Following the introduction of the Welsh Government's Property Development Grant earlier this year, we anticipate that by the end of 2017 a number of speculative schemes will be announced that could satisfy some of the current requirements.
- Both the M4 Relief Road and abolition of the Severn Bridge Tolls will provide improvements for the whole of South Wales and attract further inward investment into the area from occupiers looking to benefit from opportunities that offer better value than over the Severn Bridge.

#### Selected Wales transactions in H1 2017

Address	Occupier	Size (sq ft)	Date
Parc Eirin, Tonyrefail	Treforest Glass*	52,745	Apr-17
Heads of the Valleys Industrial Estate Tredegar	Sharp Clinical*	107,850	Mar-17
Trident Park Cardiff	Welsh Government / Bad Wolf*	250,000	Mar-17
Border Technology Park Crumlin	BBI Group	119,910	Feb-17
Deeside Industrial Park Deeside	Magellan Aerospace (UK) Ltd	96,596	Jan-17

\*Freehold occupier purchase