

South Wales

# Industrial Market Report Q3/2022



Total take-up for industrial stock in South Wales for Q3 is confirmed as 857,982 sq. ft, the highest quarterly take up of the year so far.

Statistics highlight Q3 take-up to be double that of Q2 which recorded 411,110 sq. ft, however 8% lower than Q3 2021.

This quarter has been influenced by several larger transactions including the letting to Nisbets of 290,000 sq. ft at New House Farm, and the completion of Owen's letting of 95,000 sq.ft at P Shed Cardiff Dock.

Whilst these larger transactions have resulted in an improved quarter on quarter take up, the Q3 stats highlight a decline in the number of transactions which are 8% lower than last year's Q3 figures.

There was a total of 53 transactions in Q3 compared to 76 in Q2 and 77 in Q1. This represents a decline in transactional volume of c.30%. Of these deals only 4 were in excess of 50,000 sq. ft. 34 transactions were sub 10,000 sq. ft.

Whilst the decline in the number of transactions could be linked to gathering economic headwinds, there is still limited availability defining the market rather than a slowing of demand.

It is important to highlight the continued strong level of requirements especially for mid box, 20,000-50,000 sq. ft, meaning many requirements remain unsatisfied due to the lack of supply along the M4 corridor.

During the last two years there has been well-publicised growth in demand for quality industrial units across the whole of the UK by occupiers seeking Grade A or refurbished space to meet growing demand in warehousing and logistics.

Focusing on South Wales, despite some pockets of development, there remains a clear undersupply of Grade A industrial and logistics accommodation across the region.

For new development, such as the St Modwen scheme on the Eastern side of Newport, demand has been strong with lettings to Genpower and Mitel encouraging further speculative phases which are on site now.

Other developments have focused primarily on smaller multi let schemes relying on the stronger rents achievable to counter increasing construction costs. Where modern/refurbished accommodation has been delivered they let quickly and at strong rents.

Consistent with other regional markets rental growth, narrowing incentives, and increasing capital values have provided developers with an environment suitable for development.

Escalating construction cost and recently political disruption has caused softening yields and increased cost of debt finance but we remain confident that further schemes will be delivered over the next 12 months.

With the constraints on development, the second-hand market continues to thrive and rents continue to grow albeit at a slower pace than the past two years. The increase is driven by a constant low void rate across the sector.



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