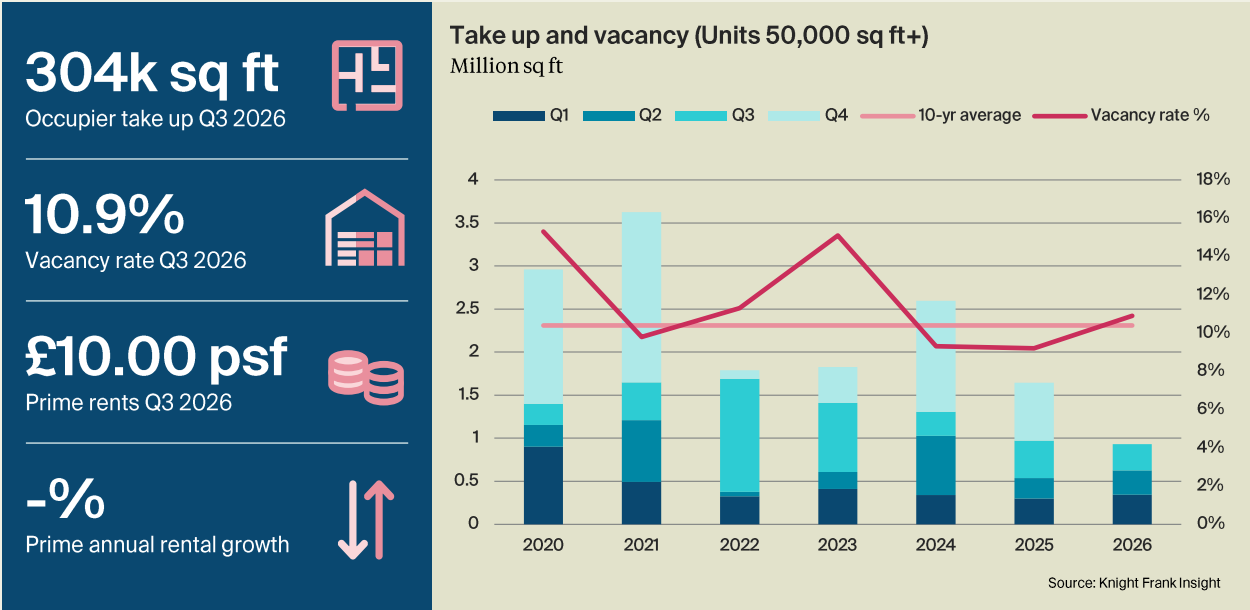


Wales



DEFENCE SECTOR BOOSTS STRONG QUARTER

The Welsh market recorded a strong third quarter, with take up of industrial units over 50,000 sq ft reaching 304,000 sq ft. While this was 30% below the same period last year, activity was up 8% q/q from 281,622 sq ft, highlighting continued occupier demand.

Take up during the quarter was led by defence company Marshall Land Systems' acquisition of a 191,600 sq ft facility at Merthyr Industrial Park, reflecting the company's planned relocation. Elsewhere, Gerry Jones Transport leased 62,474 sq ft at Tafarnaubach Industrial Estate for additional storage space.

While headline activity was boosted by a single large transaction, demand was not confined to the upper end of the market. Two of the three deals completed during the quarter involved units between 50,000 and 100,000 sq ft, pointing to

continued activity in the mid-box segment. Manufacturing occupiers remain a key driver of industrial demand across Wales.

MODERN SUPPLY REMAINS CONSTRAINED

Available space stood at around 4.4 million sq ft at the end of the quarter, although this is inflated by the return of the former 900,000 sq ft Wilko facility in Magor to the market. The vacancy rate now stands at 10.9%.

Despite the rise in overall availability, the supply of modern accommodation remains limited. Only 312,000 sq ft is under construction on a speculative basis. This lack of modern stock continues to support occupier competition for high-quality space, with the Grade-A vacancy rate falling to just 0.5% in Q3.

There are, however, early signs that supply conditions are beginning to improve. Refurbished units in Llantrisant and Llantarnam have recently

completed, bringing additional high-quality space to the market, while Deeside Regeneration's acquisition of land at Brocastle should help support future development activity across the region.

LIMITED Grade-A SUPPLY CONTINUES TO SUPPORT RENTS

Prime rents in Cardiff have remained unchanged at £10.00 psf (units over 50,000 sq ft) for the sixth consecutive quarter, this is due to a lack of new supply, units just below this threshold have recorded rents in excess of £11.00 psf and new developments coming forward could test the £12.00 psf level.

Looking ahead, Knight Frank Insight expect rental growth of 2.0% across Wales during 2026, with Cardiff expected to outperform at 2.2%. Resilient occupier demand and a shortage of Grade-A space should continue to support prime rents.