LOGIC: London & South East

Knight Frank

2025 Review

Occupier and investment market trends in the London & South East logistics and industrial sector.

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Image: Watford Works - a new development by Harleyford Capital and Fiera Real Estate.
CGI courtesy of Eighty Studio Ltd.

Occupier Market

Demand holds steady despite rising costs pressures, retail sector dominates take up through 2025

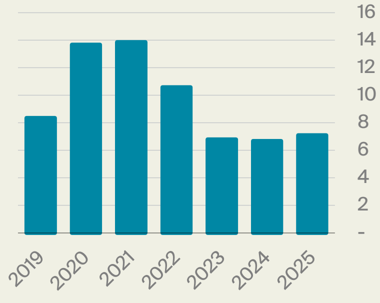
INDUSTRIAL DEMAND CONTINUES DESPITE RISING COSTS

Occupier take up of industrial and logistics units over 50,000 sq ft in the London & South East region totalled 7.1 million sq ft in 2025. This represents a 6.4% increase on the 6.7 million sq ft recorded in 2024 and is 3% above the five-year pre-pandemic average of 6.9 million sq ft. Following an active Q3 for take up, a slightly more modest final quarter saw 1.88 million sq ft recorded across 17 transactions. Occupiers have grappled with increased occupational costs throughout the year, however, the second half of 2025 reinforced underlying levels of demand are still there.

The largest unit signed in the final quarter was the 440,167 sq ft new speculative Panattoni Park in Sittingbourne, which was let to ID Logistics. Other notable transactions include Wolseley Group, one of the UK's leading plumbing and heating merchants leasing 21,000 sq ft at Indurent Park Milton Keynes on a new 15-year lease.

New, or second-hand Grade A units, remain a priority for many occupiers and comprise 85% of take up in 2025, consisting of 47 of the 60 units.

Take up (sq ft)
million square feet



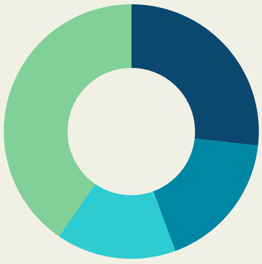
Source: Knight Frank Insight

RETAILERS DOMINATE THROUGH 2025

The London & South East occupier market has been dominated by retailers through 2025, accounting for 40% of total take up. Take up by retailers has risen significantly in 2025, as they expand and upgrade their distribution networks. These figures were strengthened by Tesco signing the 808,000 sq ft DP World London Gateway Logistics Park in Q3, alongside Chinese retailer JD.com signing two units in Milton Keynes earlier in the year in Q2, with both units totaling 531,519 sq ft of space.

Distribution firms accounted for 27% of take up in 2025, down marginally from 32% in 2024, while manufacturing accounted for just 18%, falling from the 24% recorded in 2024. Non-traditional occupiers (Other) accounted for 15% of space through 2025, significantly down from the 32% recorded in 2024.

Take up by sector
2025



Distribution: 27% of take up

Manufacturing: 18% of take up

Other: 15% of take up

Retail: 40% of take up

Source: Knight Frank Insight

MARKET VIEW

Strong levels of take up while occupiers struggle with costs

BY GUS HASLAM, PARTNER,
LONDON & SOUTH EAST
LOGISTICS & INDUSTRIAL AGENCY

"2025 ended strongly for London and the South East with increased take up primarily due to the dominance of the retailers. Enquiry numbers have also remained robust throughout the year easily eclipsing 2024. Some caution should, however, be heeded as whilst enquiries are up, transactions are down.

Many occupiers continue to struggle with the occupational and operational costs meaning that whilst they may "look", they don't "touch", particularly when their existing landlord is more concerned about retention rather than opportunity. A realistic approach is required as the region has seen an 18% increase in existing supply and vacancy rates have edged up to 8.1% and much higher in some areas prompting some landlords to re-set quoting rents."

Occupier Market

7.1m sq ft
Occupier take up
2025

8.1%
Vacancy rate
Q4 2025

£28.00 psf
Prime rents
Q4 2025

-6.7%
YoY change in prime rental values

"Occupiers have grappled with increased occupational costs throughout the year, however, the second half of 2025 reinforced underlying levels of demand are still there"

SUPPLY AND VACANCY RATES RISE

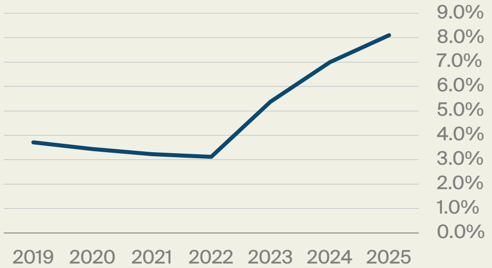
Supply of existing units over 50,000 sq ft rose 18% in 2025, reaching 20.3 million sq ft by year-end. However, growth slowed markedly in H2, with a marginal rise in availability 1.7% through the second half of the year. Despite strong demand, vacancy increased by 110 bps year-on-year to 8.1%, driven entirely by new development completions.

Speculative space under construction fell 30% year-on-year to 2.5 million sq ft (units 50,000 sq ft+), down from 3.6 million sq ft in 2024. Development starts in Q4 included Unit 12, Port One Logistics Park, Great Blakenham (101,355 sq ft), and 5 units at TN2 Gateway, Tunbridge Wells.

RENTAL LEVELS & OUTLOOK

Prime headline rents in West London remained unchanged in Q4, at £28.00 psf (50,000 sq ft+ units) following a 6.7% Q2 decline, with elevated supply prompting some landlords to cut quoting rents to minimise voids. South (£21.00 psf) and East London (£20.00 psf) rents stayed stable y/y, while North London (£25.00 psf) rose 2%. Average rents are forecast to grow 3.8% in London in 2026, with 3.2% growth expected for the South East region (Knight Frank Insight).

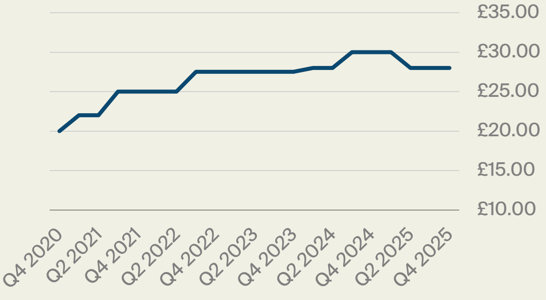
Vacancy Rate
% of stock



Source: Knight Frank Insight

"Speculative space under construction fell 30% year-on-year to 2.5 million sq ft "

West London - Prime Rents
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Insight

Key Occupier Deals
2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
DP World London Gateway Logistics Park, Stanford-le-Hope	808,000	Tesco	Confidential	Build-to-Suit
Units 1 & 3, PLP MK, Milton Keynes	531,519	JD.com	£12.10 psf	Speculative builds
S440, Pannattoni Park Sittingbourne	440,167	ID Logistics	Undisclosed	Speculative builds
Aylesford 245, New Hythe Lane	245,799	Must Have Ideas	Undisclosed	Second-hand
Faraday Business Park, Daedalus	176,000	Eaton	£9.50 psf	Pre-let

Source: Knight Frank Insight

Investment Market

5.00%

Prime NIY – South East
Q4 2025

Stable

YoY movement in prime yields

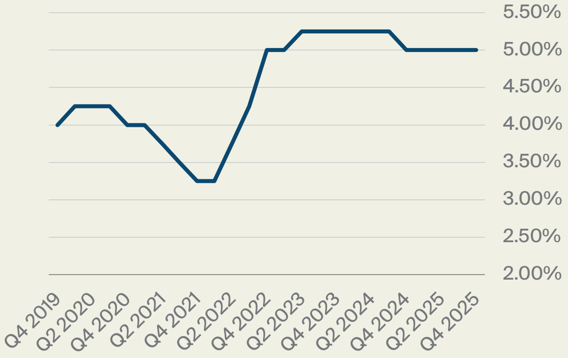
PRIME INDUSTRIAL YIELDS HOLD STEADY AT 5% AS CONFIDENCE BUILDS FOR 2026

Prime industrial yields in the South East held steady at 5.00% throughout 2025, following the 25 bps tightening at the end of 2024. This period of stability reflects a more measured pace of activity; however, investor demand and capital availability remain strong. An improving flow of stock and a rise in nationwide portfolio opportunities, supported by increasingly positive sentiment and lower financing costs, point to a likely uplift in volumes as we enter 2026.

Multi-let estates dominated activity in the region in 2025, with investors particularly drawn to opportunities offering reversionary potential and scope to enhance returns through active management. The final quarter of 2025 saw several notable transactions, underscoring sustained appetite for well-located assets. Among the key deals, DFI European Value-Add Fund acquired Catalyst Bicester technology park on Wendlebury Road for £90 million, its first investment for the new £500 million 'Techbox' platform, which targets tech-led industrial and technology assets.

Prime Yields – South East

Net Initial Yield (%)



Source: Knight Frank Insight

MARKET VIEW

Demand remains strong with sentiment anticipated to improve as we move into 2026

BY JAMES CLARK, PARTNER, LOGISTICS & INDUSTRIAL CAPITAL MARKETS

"Q4 saw heightened activity in the industrial and logistics sector, particularly across multi-let estates, which continued to attract strong demand from a diverse investor base. We anticipate this momentum will carry through into 2026.

The Bank of England's 25 basis point cut in December is expected to bolster business confidence. Further reductions in the base rate are anticipated in 2026, subject to inflationary pressures easing.

Late in the year, several significant transactions highlighted market confidence. Notable multi-let deals included Royal London's acquisition of Fradley Park, Lichfield for £197 million, DTZ Investors' purchase of Crest Distribution Park, High Wycombe for £38.5 million, and 4th Industrial/TPG's acquisition of Project Ammolite for £85 million. Key single-let transactions included Leftfield Capital's acquisition of Waitrose, Avonmouth for £55.75 million and Tritax's purchase of PR1, Park Royal for £43.9 million.

The increase in multi-let stock during Q4 reaffirmed robust demand for reversionary, well-located assets. Buyer profiles remain dominated by private equity investors, UK institutions, and local authority pension mandates. Depth of bidding was strong throughout Q4 and is expected to remain robust into 2026 as interest rates continue to ease.

Investor sentiment remained stable throughout 2025, but we anticipate improving sentiment in 2026 as the base rate declines, exerting downward pressure on yields, particularly for longer-income assets."

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

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Methodology

This report has been prepared by Knight Frank Commercial Insight.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.

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