LOGIC: Midlands

2025 Review

Occupier and investment market trends in the Midlands logistics and industrial sector.

knightfrank.com/research

Occupier Market

Smaller unit demand lifts take up, while appetite for new builds and limited development activity reduce availability

STRONG SECOND HALF BOOSTS ANNUAL TAKE UP

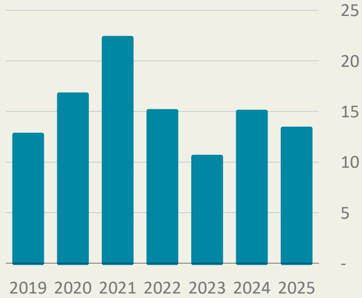
Occupier take up of industrial and logistics units over 50,000 sq ft slowed in the Midlands region in 2025 after a strong year in 2024. With take up reaching just below 13.3 million sq ft across 71 transactions. The annual total was down 11% compared to 2024 volumes, however it is in line with historic levels and above the five-year pre-pandemic average.

Take up in the Midlands represented a third of all space committed across the UK in 2025, demonstrating the continued appeal of the region, particularly for distribution firms, who accounted for more than half of take up in the region this year.

FEWER VERY LARGE UNITS TRANSACT THIS YEAR

The M&S build to suit unit at DIRFT Daventry represents the largest transaction in 2025, at 1.25 million sq ft. However, overall, take up has been focused on smaller unit sizes this year. There were just five transactions at units in excess of 400,000 sq ft in 2025, totaling 3.3 million sq ft of take up, down 49% y/y.

Take up (sq ft)
million square feet



Source: Knight Frank Insight

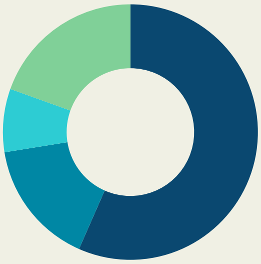
The largest transaction in Q4 was a c.600,000 sq ft unit at Mercia Park that will be built for Danish Logistic firm, DSV. DSV already occupies around 1 million sq ft at Mercia Park, alongside Jaguar Land Rover's 3 million sq ft Global Logistics Centre.

TAKE UP VOLUMES RISE ACROSS SMALLER SIZE BANDS

While the take up of very large (400,000 sq ft +) units is down y/y, all other size bands have seen a rise in take up. The 250,000 – 400,000 sq ft size band has seen volumes rise 28% y/y, while the 100,000 – 250,000 sq ft size band has seen a 15% increase.

Distribution and retail occupiers dominated activity in 2025, with distribution firms accounting for 57% of committed space and retailers a further 19%. The "Other" category rose to 8% of take up in 2025, from 3% in 2024, reflecting growing diversity in the occupier mix, transactions in this category have included vertical farming as well as textile recycling and exporting.

Take up by sector
2025



Distribution: 57% of take up

Manufacturing: 16% of take up

Other: 8% of take up

Retail: 20% of take up

Source: Knight Frank Insight

MARKET VIEW

The level of active enquiries suggests a positive outlook for 2026

BY DOMINIC TOWLER, ASSOCIATE,
BIRMINGHAM LOGISTICS & INDUSTRIAL AGENCY

"The Midlands industrial and logistics market remained resilient throughout 2025, with steady occupier demand across a range of unit sizes.

While rents have held firm, incentives have widened throughout the course of 2025, and this trend look set to continue into 2026. Several buildings that had been on the market for 18 to 24 months have now transacted, driven by strong incentives.

Demand remains led by distribution and retail occupiers, and the level of active enquiries from these occupier groups suggests a positive outlook for 2026."

Occupier Market

13.3m sq ft

Occupier take up
2025

6.3%

Vacancy rate
Q4 2025

£12.00 psf

Prime rents
Q4 2025

Stable

Prime annual rental growth

"The Midlands represented a third of all space committed across the UK in 2025, demonstrating the continued appeal of the region"

VACANCY FALLS AS DEVELOPMENT PIPELINE SHRINKS

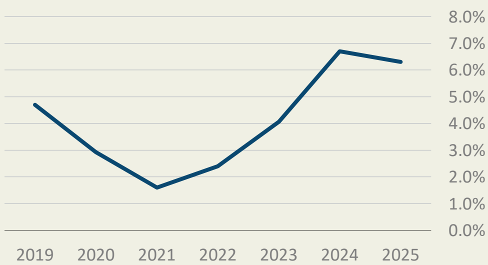
The supply of existing units fell 4% in the year to Q4 2025, bringing availability to 24.1 million sq ft (units 50,000 sq ft+). Availability reached a peak of 27.6m sq ft in Q2 2025 and has trended down through the final half of the year. As a result, the vacancy rate has tightened to 6.3%, from 7.3% in Q2, and is 40bps lower than a year ago.

The decline in availability is driven entirely by a reduction in new space, which has fallen 13% since Q4 2024. In contrast, second-hand space has seen a slight year-on-year increase. Speculative development has also continued to contract, with just 2.6 million sq ft under construction, 42% lower than a year ago. This downward trend in development activity has persisted over recent years; notably, the speculative pipeline peaked at 9.0 million sq ft in Q1 2022.

RENTAL LEVELS & OUTLOOK

Birmingham's prime industrial rents have remained unchanged throughout 2025, at £12.00 psf (units over 50,000 sq ft). The outlook for average rental growth in 2026 remains positive, with 2.6% and 2.5% are forecast for the East and West Midlands, respectively (Knight Frank Insight).

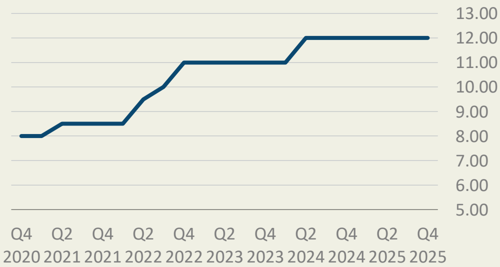
Vacancy Rate
% of stock



Source: Knight Frank Insight

"Speculative development has also continued to contract, with just 2.6 million sq ft under construction, 42% lower than a year ago"

Birmingham - 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
DIRFT, Daventry	1.25 million	M&S	£10.75 psf	Build-to-Suit
Fradley 640, Lichfield	640,000	Pallet Ways UK	Confidential	Build-to-Suit
Mercia Park, Appleby Magna	600,000	DSV	Confidential	Build-to-Suit
Waterways Business Park, Wolverhampton	405,000	Pallet Track	Undisclosed	Second-hand refurbishment
DC403 DIRFT, Northampton	403,990	Bleckmann Logistics	£6.40 psf	Second-hand

Source: Knight Frank Insight

Investment Market

5.25%

Prime NIY - Birmingham
Q4 2025

Stable

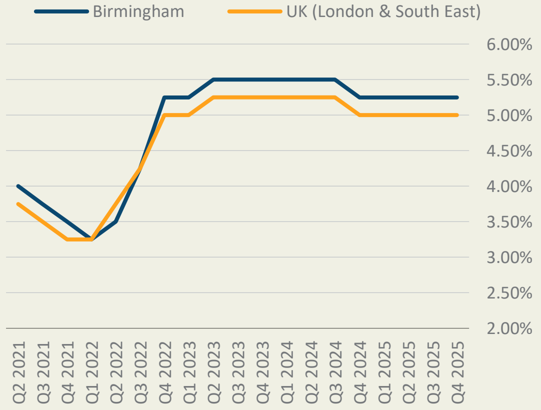
YoY movement in prime yields

STRONG H2 BOOSTS ANNUAL INVESTMENT TOTAL

After a subdued first half for industrial investment in the Midlands, momentum picked up in Q3 and carried through into Q4, with preliminary figures indicating nearly £1 billion transacted in the second half of 2025. Despite this strong finish, annual volumes remain below last year due to weaker activity in H1.

Among the standout Q4 deals was Royal London's off-market acquisition of Fradley Park in Lichfield for £197 million, reflecting a net initial yield (NIY) of 5.15%. The 1.65 million sq ft estate hosts occupiers including DHL, Geodis, Hawkins Logistics and Palletways. With a WAULT of three years, the asset offers scope for value creation through active management, alongside development potential and upgrades to existing facilities.

Prime Yields
Net Initial Yield (%)



Source: Knight Frank Insight

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

Logistics & Industrial Insight

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 0036

Gajan Pakkiyarajah
Gajan.Pakkiyarajah@knightfrank.com
+44 20 7861 1694

Josh Atkinson
Josh.Atkinson@knightfrank.com
+44 20 3909 6805

Birmingham Commercial Logistics & Industrial Agency

Dominic Towler
dominic.towler@knightfrank.com
+44 121 234 0308

Charlie Isaac
charlie.isaac@knightfrank.com
+44 121 233 6411

Ben Farwell
ben.farwell@knightfrank.com
+44 121 233 6441

Birmingham Commercial Capital Markets

Ben Voss-Wood
ben.voss-wood@knightfrank.com
+44 121 233 6427

Valuation & Advisory

Kevin Morris
kevin.morris@knightfrank.com
+44 121 233 6451

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.

Knight Frank