LOGIC: UK

Q1 2026

A quarterly update on occupier and investment market trends in the UK logistics and industrial sector

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Key stats and market drivers

OCCUPIER MARKETS

9.0m sq ft
Occupier take up Q1 2026

8.3%
Vacancy rate Q1 2026

3.7%
Prime annual rental growth

2.4%
Rental growth forecast 2026

INVESTMENT MARKETS

£1.6m
Investment quarterly total

43%
Cross-border capital

5.25%
Prime yield (15-yr income OMRR)

7.3%
Annualised total returns to March 2026

CONFLICT IN IRAN

Transaction momentum slowed in March, coinciding with escalating conflict in the Middle East.

IMPACT ON THE LOGISTICS MARKET

- Heightened geopolitical risk is driving more cautious pricing and extended decision-making.
- Investors are applying greater scrutiny to pricing as rate-cut expectations fade and financing costs remain elevated.
- Occupiers are still progressing space requirements driven by operational needs.

OBSOLESCENCE RISK

A structural shift toward “efficiency-led” occupier demand is accelerating asset obsolescence.

IMPACT ON THE LOGISTICS MARKET

- Rising operating costs are pushing occupiers toward best-in-class buildings.
- Availability increased as second-hand stock returned. Older, lower-spec assets—particularly in secondary locations—face rising obsolescence risk, with refurbishment and redevelopment increasingly uneconomic.

HIGHER DEBT COSTS

Higher debt costs are reshaping capital allocations.

IMPACT ON THE LOGISTICS MARKET

- Institutional investors and private capital, with less reliance on leverage, are capturing a growing share of investment activity.
- Higher debt costs have compressed yield spreads, pushing leveraged buyers in search of higher yields.
- Yield-driven assets face pricing pressure as required returns for debt-backed capital rise.

UK investment market overview

INVESTMENT ACTIVITY HOLDS AMID VOLATILITY

UK industrial and logistics investment totalled £1.64 billion in Q1 2026, following a record £4.81 billion in Q4 2025 driven by large portfolio deals and REIT M&A activity. While Q1 volumes were 5% below Q1 2025 levels, they were 5% above the 10-year pre-pandemic average.

Average lot sizes moderated to £29.8 million, down from £35.1 million in the previous quarter. The quarter began with cautious optimism and continued recovery momentum from late 2025, although escalation in the Middle East slowed transaction progress toward the end of the period.

Despite smaller average lot sizes, activity included several notable acquisitions. QuadReal Property Group acquired a 27-asset, 1.2 million sq ft UK self-storage portfolio in the South East for £280 million, forming a new joint venture with Clear Sky Capital. Chancerygate purchased the 825,000 sq ft World Freight Terminal at Manchester Airport for c.£155 million, attracted by its diversified income profile and development potential.

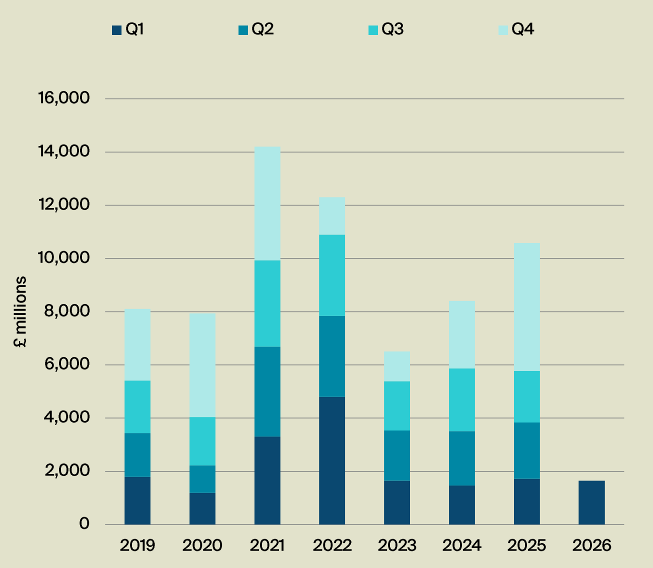
Marchmont IM, in a JV with Invesco UK, acquired an 11-asset multi-let portfolio from Indurent for £102 million, offering scope for asset management given a WAULT of 2.5 years. Other notable transactions included Aberdeen's £43.9 million purchase at LOC8 Maidstone (4.84% NIY) and M&G's £39 million acquisition of Dukes Road Industrial Estate in Ealing, which will be redeveloped into a zero-carbon, multi-storey industrial scheme.

PRIVATE CAPITAL AND INSTITUTIONAL INVESTORS MORE ACTIVE

Cross border capital continues to be the key driver of liquidity in the industrial investment market, led by US-based investors and global funds. However, accounting for 43% of the transaction total in Q1, cross border capital has been less dominant than in recent years.

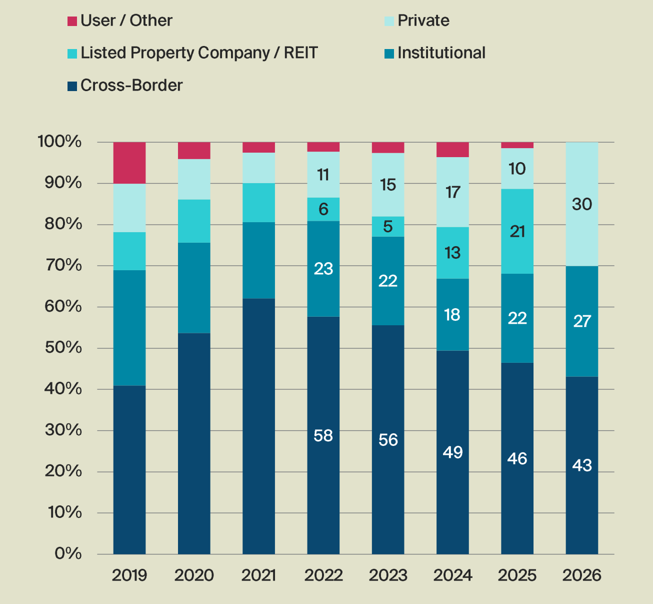
The proportion of investment coming from institutional investors reached 27% in Q1, the highest proportion since 2019, while private capital, represented 30% of investment, the highest proportion on record. Meanwhile, the

Industrial & logistics - Investment total



Source: Knight Frank Insight

Capital composition (%)



Source: Knight Frank Insight, RCA

REIT and listed property sector, which accounted for 22% of activity last year, was absent from the market in Q1.

HIGHER DEBT COSTS ARE RESHAPING BUYER DYNAMICS

Higher debt costs have reduced the pool of buyers able to compete for prime assets, particularly those reliant on leverage, creating opportunities for investors with lower financing constraints. Long-term capital is increasingly pricing assets on the basis of income security rather than near-term rental growth, supporting demand for prime, long-income assets even where active management and reversion potential are limited.

Institutional investors and private capital with patient capital structures are particularly well positioned in this environment. With longer hold periods and lower reliance on yield compression or short-term rental growth, these investors are not constrained by five-year capital recycling requirements. This structural advantage is now allowing them to acquire prime, lower-yielding assets with relatively limited competition, particularly where income is underpinned by long leases to strong covenants.

In contrast, investors with shorter investment horizons and higher return targets are being pushed further up the risk curve. Assets in this segment of the market may come under pricing pressure as yields adjust to meet required returns. As a result, market bifurcation continues, with sustained demand for prime, income-secure assets, while more transitional and yield-driven stock faces a narrower and more selective buyer pool.

RETURNS SOFTEN AS CAPTIAL GROWTH SLOWS

The MSCI Monthly Index highlights a continued moderation in capital growth across the UK industrial sector. In the year to March, capital growth slowed to 2.3%, down from 3.0% in December and 5.1% a year earlier. This reflects a normalisation following a period of exceptional performance driven by yield compression and post-pandemic rental growth, rather than any deterioration in underlying fundamentals.

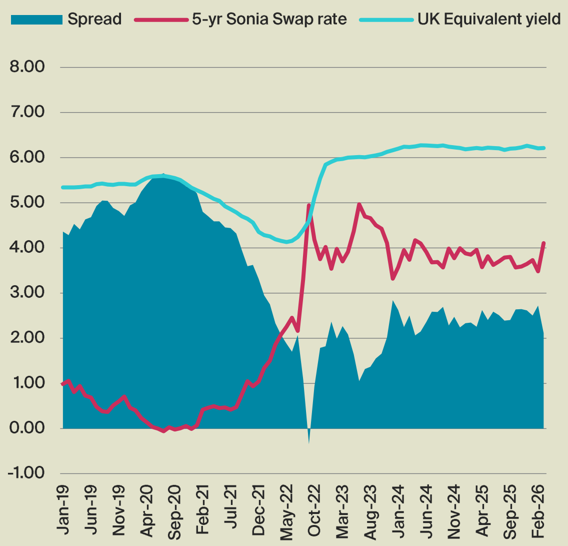
The market has shifted into a more income-led phase, with total returns increasingly driven by secure income rather than capital appreciation.

PRICING AND OUTLOOK FOR Q2

There is limited evidence to date of outright yield softening in the industrial sector, although near-term sentiment has become more cautious. Market expectations for interest rates have shifted, with investors now pricing in the possibility of further rate rises rather than cuts. Five-year SONIA swap rates have moved higher, prompting renewed scrutiny of pricing, particularly at the core end of the market where yield spreads over debt costs have narrowed.

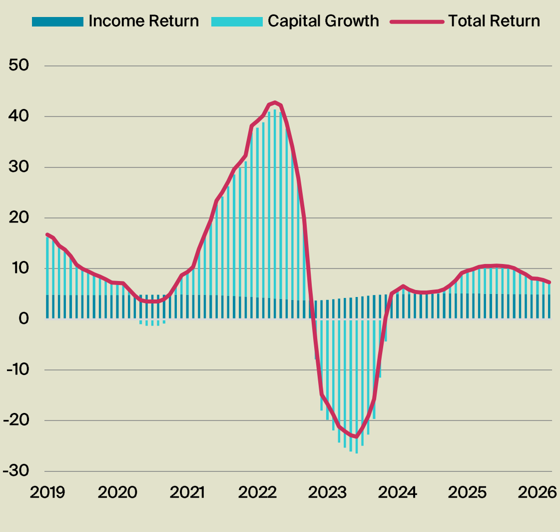
However, the broader economic consensus is more stable. Both Oxford Economics and Capital Economics expect policy rates to remain broadly steady through 2026 and into 2027. Against this backdrop, near-term pricing is likely to be driven by confidence around interest rates, debt costs and rental growth assumptions, with improved liquidity unlikely to return until greater clarity on exit yields emerges.

UK Industrial equivalent yield and five-year SONIA swap rate



Source: Knight Frank Insight, MSCI

Industrial total returns – annualized



Source: Knight Frank Insight, MSCI

UK occupier market overview

ROBUST TAKE UP SIGNALS CONTINUED MOMENTUM

A total of 9.0 million sq ft of space was taken up across the UK in the first quarter of the year. This is marginally lower than the 9.1 million sq ft recorded last quarter, and 11% up on Q1 2025.

OCCUPIERS FOCUS ON GRADE-A SPACE

Occupiers overwhelmingly focused their take-up on Grade-A (new or refurbished) space, which accounted for around two-thirds of all space taken. This marks a sharp increase compared with recent years, with Grade-A space representing just 26% of take-up over the past five years.

Rising operational cost pressures are driving occupiers to seek greater efficiency, increasing demand for best-in-class buildings. These units offer stronger energy performance and sustainability credentials, higher eaves to maximise operational efficiency, and modern specifications that improve working environments and support automation.

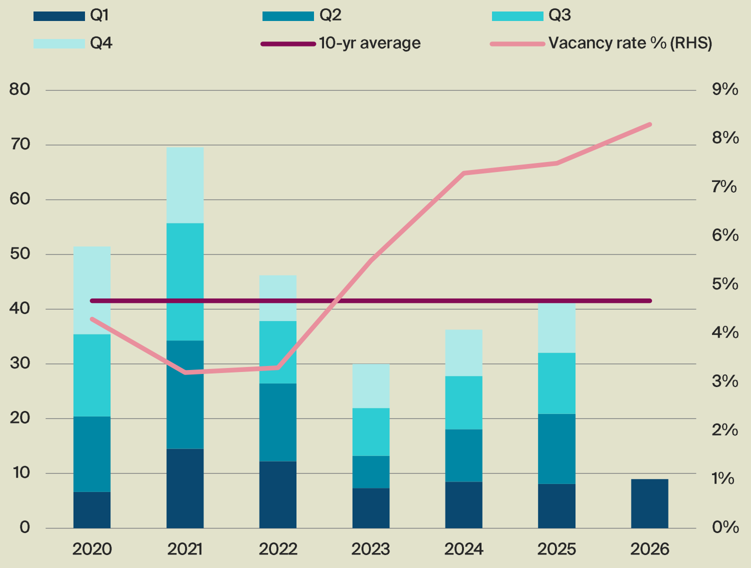
By contrast, second-hand space accounted for only 23% of Q1 take-up, while pre-lets and design-and-build space represented less than 12%, one of the lowest proportions on record, reflecting the limited level of development activity currently underway.

MID BOX ACCOUNTING FOR A LARGER SHARE OF TAKE UP

Units in the 50,000–100,000 sq ft size band accounted for 30% of space taken in the first quarter. This is up from 20% in 2025. The 100,000-250,000 sq ft size band also saw a rise in activity, representing 42% of space taken this quarter, up from 37% in 2025. Conversely, units over 250,000 sq ft accounted for 28% of take up this quarter, down from 44% in 2025.

Take up and vacancy (Units 50,000 sq ft+)

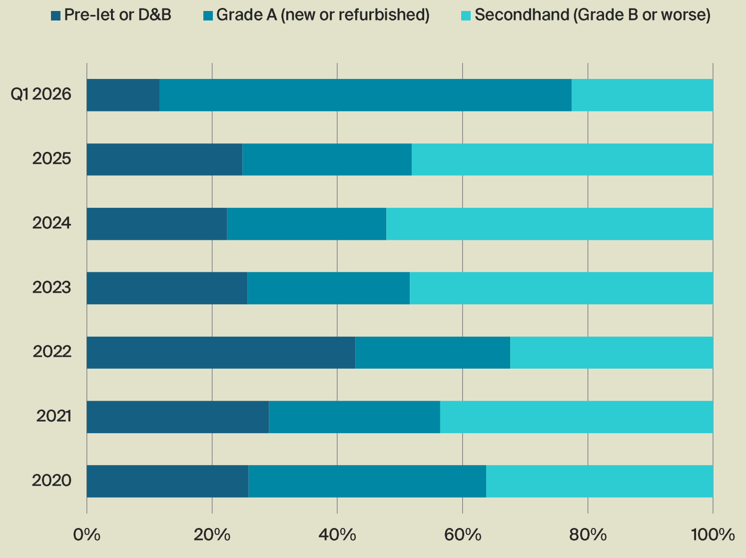
Million sq ft



Source: Knight Frank Insight

Proportion of take up by type and grade

% of total floorspace taken



Source: Knight Frank Insight

DISTRIBUTION FIRMS LEAD TAKE UP

Distribution firms accounted for the largest share of Q1 take-up at 45%, slightly above the recent average of around 40%. Retailers were also more active, representing 27% of take-up, supported by several large transactions. Notably, Farmfoods acquired three units totalling approximately 800,000 sq ft at Logicor Park Daventry on 25-year leases. In contrast, manufacturing activity moderated, accounting for 23% of take-up, down from 31% in 2024/25.

UPTICK IN SECOND HAND SPACE BOOSTS AVAILABILITY

Availability rose to 95.6 million sq ft in Q1, with an additional 9.3 million sq ft coming to market. Second-hand space accounted for 82% of this increase, pushing the vacancy rate up to 8.3% from 7.5% at the end of last year. Space is returning to the market as occupiers upgrade or consolidate their operations, alongside an increase in business failures.

MODEST RISE IN SPECULATIVE DEVELOPMENT

Speculative development edged higher, with 55 buildings over 50,000 sq ft now under construction, totalling 8.0 million sq ft. This compares with 49 schemes at the end of 2025.

OUTLOOK FOR 2026

Knight Frank's enquiry metrics point to strengthening occupier momentum heading into 2026, with a clear rise in Q1 enquiries for units over 50,000 sq ft across the UK. While geopolitical tensions in the Middle East may have slowed deal execution toward the end of the quarter, prompting some occupiers to extend decision-making, there has been no material impact on take-up. Overall, occupiers continue to progress real estate strategies, supported by sustained enquiry levels.

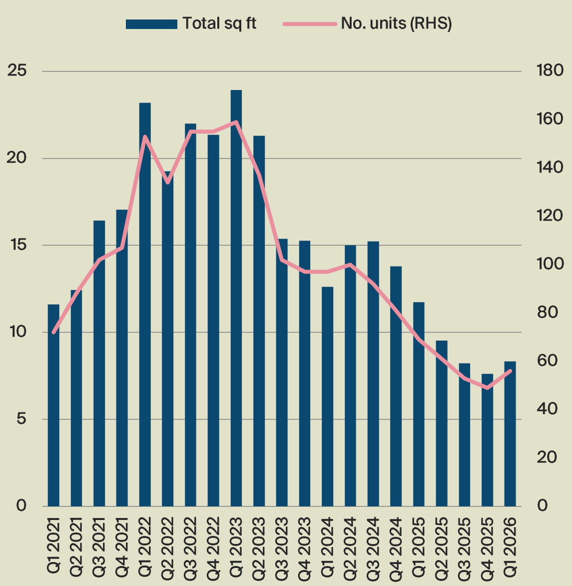
Despite the slight uptick in speculative development, inflationary pressures linked to the Middle East conflict are pushing up energy, material (notably steel), and financing costs. These factors are likely to constrain speculative development going forward, as project viability thresholds become harder to achieve.

With Grade-A supply tightening, development pipelines constrained, and construction costs rising, delaying decisions is likely to become increasingly costly for occupiers seeking well-located, high-quality space, as choice continues to narrow.

Lower-quality secondary stock faces a growing risk of obsolescence. Rising redevelopment and refurbishment costs mean assets in weaker locations, in particular, may struggle to be repositioned and reintroduced to the market.

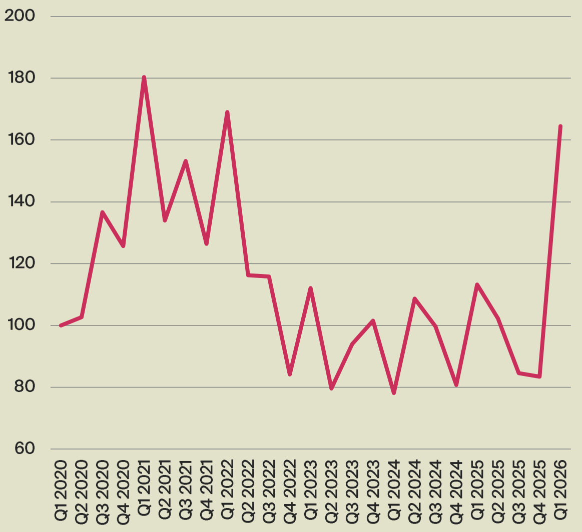
Average UK rental growth is forecast at 2.4% in 2026, slowing from 4.2% in 2025, before easing further to 2.3% in 2027.

Speculative development under construction
Million sq ft



Source: Knight Frank Insight

Enquiries Index (units over 50,000 sq ft)
Q1 2020 = 100



Source: Knight Frank Insight

London and the South East

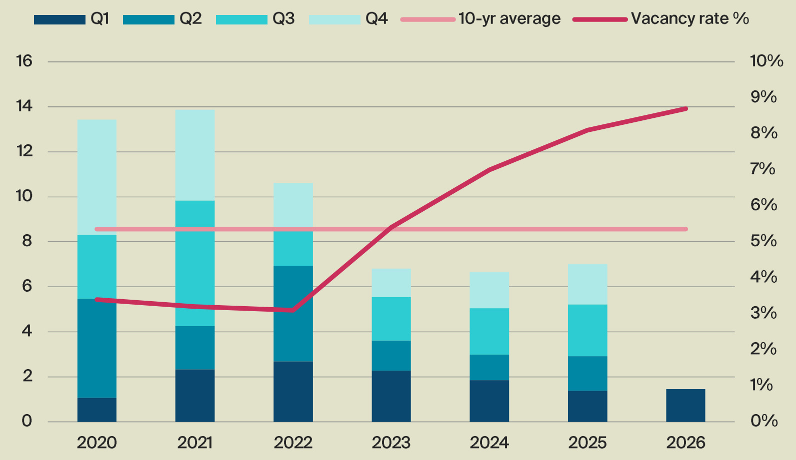
1.5m sq ft
Occupier take up Q1 2026

8.7%
Vacancy rate Q1 2026

£28.00 psf
Prime rents Q1 2026

7.1%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

RETAIL-LED TAKE UP IN Q1
During the first quarter of 2026, take-up across London and the South East totalled 1,451,388 sq ft for units over 50,000 sq ft. This represents a 19% decline compared with Q4 2025, but a marginal 4% increase y/y relative to Q1 2025.

Retailers accounted for the largest share of take-up, representing close to half of all floorspace transacted during the quarter. The largest single letting saw Morrisons secure a former Tesco distribution warehouse in Kent, totalling 265,000 sq ft. Morrisons will benefit from Tesco's existing cold-storage infrastructure within the facility, enabling a rapid and cost-efficient transition to operational use.

Elsewhere, Unit 7, Phase 3 at Symmetry Park, a 180,000 sq ft facility completed in February 2026, was leased to Bond International, a tyre wholesaler, as part of the company's expansion of its regional distribution network.

AVAILABILITY RISES LED BY SECOND HAND STOCK
Availability edged higher in Q1 2026, reaching approximately 22.1 million sq ft, representing a 9% increase on the previous quarter and a 28% rise year-on-year.

Second-hand stock continues to dominate supply, accounting for 56% of total availability, or roughly 12.4 million sq ft, reflecting a steady 3% increase from Q4 2025. New-build availability also rose, increasing 18% q/q to 9.7 million sq ft, driven by an uptick in speculative development activity during the second half of last year.

However, with construction and financing costs now elevated, there is an increasing likelihood that new development starts may slow in the coming months.

The combined increase in both new-build and second-hand supply has pushed the vacancy rate up by 70 basis points, to 8.7%, from 8.0% in Q4 2025.

Availability remains heavily skewed towards larger mid-box units, with the 100,000–250,000 sq ft size bracket alone accounting for 10.4 million sq ft of total stock.

RENTAL LEVELS & OUTLOOK
Prime headline rents in London have held steady at £28.00 per sq ft for units over 50,000 sq ft for the fourth consecutive quarter. Continued supply growth has led some landlords to adopt more competitive quoting strategies in order to limit void periods.

Sub-market performance was mixed. South and East London both recorded stable year-on-year prime rents of £21.00 per sq ft and £20.00 per sq ft, respectively. In contrast, North London experienced a modest 2.1% annual decline, with rents easing to £24.00 psf.

Knight Frank Insight expect average rental growth to decelerate in 2026, with 2.3% expected in both London and the South East regions.

Midlands

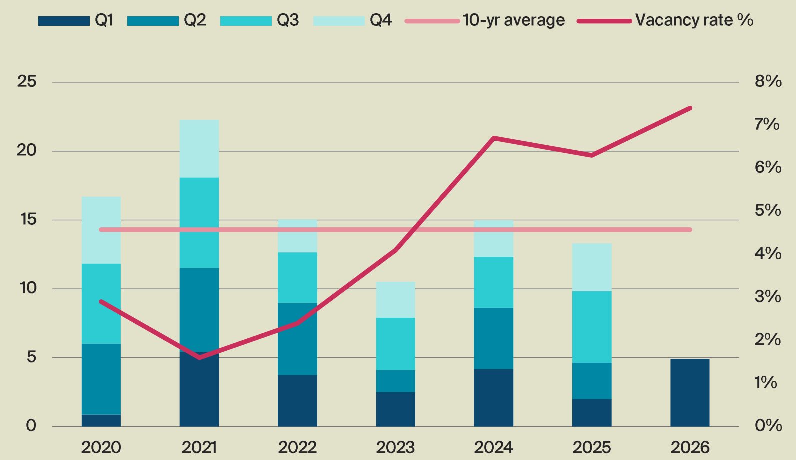
4.9m sq ft
Occupier take up Q1 2026

7.4%
Vacancy rate Q1 2026

£12.50 psf
Prime rents Q1 2026

4.2%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

RENEWED OCCUPIER CONFIDENCE BOOSTS TAKE UP
Take-up of units over 50,000 sq ft reached 4.9 million sq ft in Q1 2026, signalling a clear resurgence in occupier activity. This represents a 42% q/q increase and a 148% rise y/y, pointing to renewed market confidence. Pre-lets totalled 784,725 sq ft, representing an eleven-fold increase year-on-year as occupiers increasingly forward-commit to secure suitable accommodation. While pre-letting volumes grew more modestly (+14% q/q), they remain well above historic levels, reinforcing the strength of occupier demand.

Demand for Grade-A accommodation, including new-build and refurbished space, continued to accelerate. Take-up ran at four times Q1 2025 levels and more than double the previous quarter, while a 36% q/q decline in second-hand take-up highlights occupiers' growing preference for modern, high-specification facilities.

This trend was exemplified by Farmfoods, which secured over 800,000 sq ft across three speculative units at Logicor Park, Daventry, signing 25-year leases for frozen and ambient storage, transport and recycling operations, underlining occupiers' willingness to commit long term to best-in-class assets.

SPECULATIVE DEVELOPMENT BOOSTS AVAILABILITY
Availability rose by 18% q/q and 11% y/y, driven primarily by increased speculative development. Speculative space under construction continued to expand, with 2.6m sq ft now underway across 17 schemes, up from 14 last quarter, reflecting improving developer confidence and a strengthening pipeline of modern stock.

Delivery of high-quality warehouse space is set to continue, supported by planning consent for Marq Logistics' 750,000 sq ft scheme at the former coal works site in Ashby-de-la-Zouche. The development will feature 18-metre eaves, 137 dock-level doors and 10 level-access doors, underscoring the growing importance of cubic capacity and operational efficiency, key themes identified in this year's *Future Gazing* report.

RENTAL LEVELS & OUTLOOK
Prime industrial rents in Birmingham increased by 4.2% year-on-year to £12.50 per sq ft for units over 50,000 sq ft, reflecting sustained demand for high-quality space in core Midlands locations.

Looking ahead, Knight Frank Insight expects rental growth to moderate. Average growth rates of 2.5% in the East Midlands and 2.3% in the West Midlands are projected for this year, as rising supply tempers upward pressure on rents while market fundamentals remain supportive.

North West

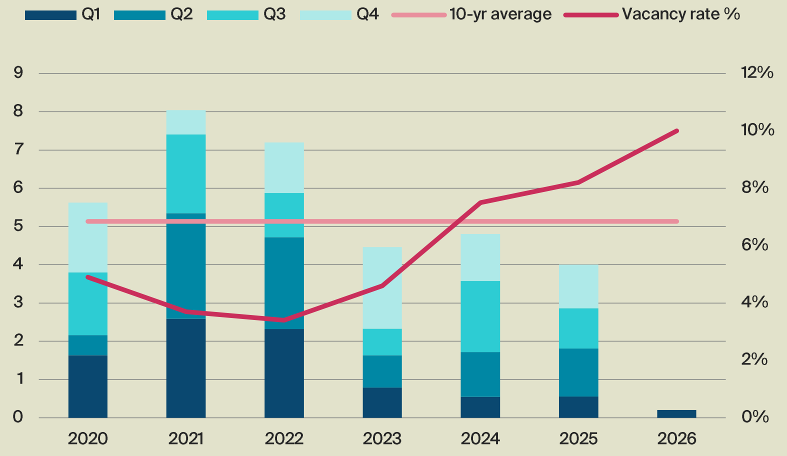
208k sq ft
Occupier take up Q1 2026

10.0%
Vacancy rate Q1 2026

£12.50 psf
Prime rents Q1 2026

8.7%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

SUBDUED START TO THE YEAR DESPITE RESILIENT DEMAND

Take-up of units over 50,000 sq ft totalled 208,375 sq ft in Q1 2026, marking a sharp slowdown from Q4 2025, when the North West ended the year strongly with approximately 1.1 million sq ft of activity recorded. As a result, the market experienced an 82% q/q decline and a 62% reduction compared with Q1 2025. Despite the weaker headline figures, underlying occupier demand remains robust, suggesting that take-up is likely to accelerate over the coming quarters.

Grade-A accommodation continued to dominate transactional activity. Of the total take-up, 146,351 sq ft (70%) related to new or refurbished Grade-A space, with the remaining 62,024 sq ft accounted for by second-hand stock. This clear preference for high-quality units comes against a backdrop of a growing speculative development pipeline, with 929,524 sq ft currently under construction across seven units.

SECOND-HAND STOCK RETURNS TO MARKET

Total availability of units over 50,000 sq ft (excluding space under construction) increased to 15.9 million sq ft, up 22% q/q and 37% y/y, continuing the steady upward trend observed in recent quarters.

Newly built space totals approximately 4.4 million sq ft, broadly stable (-1%) q/q, while second-hand availability has risen sharply to 11.0 million sq ft, reflecting a 28% increase q/q. As a result, second-hand accommodation now accounts for almost 70% of total available supply, underlining the extent to which older stock is driving the rise in availability.

While the speculative development pipeline has expanded this quarter, it remains less than half the level recorded a year ago, when more than 2 million sq ft was under construction on a speculative basis. The majority of the current pipeline is concentrated in the 100,000–250,000 sq ft size bracket, targeting the persistent shortage of modern, high-quality mid-box accommodation.

RENTAL LEVELS & OUTLOOK

Prime rents in Manchester for units over 50,000 sq ft have remained stable at £11.50 per sq ft for the past six quarters, reflecting market conditions. In contrast, Warrington has continued to outperform, with prime rents rising by 8.7% year-on-year to reach £12.50 per sq ft.

Looking ahead, Knight Frank Insight project average rental growth of 2.6% across the North West region in 2026, with 3.4% growth in Warrington.

South West

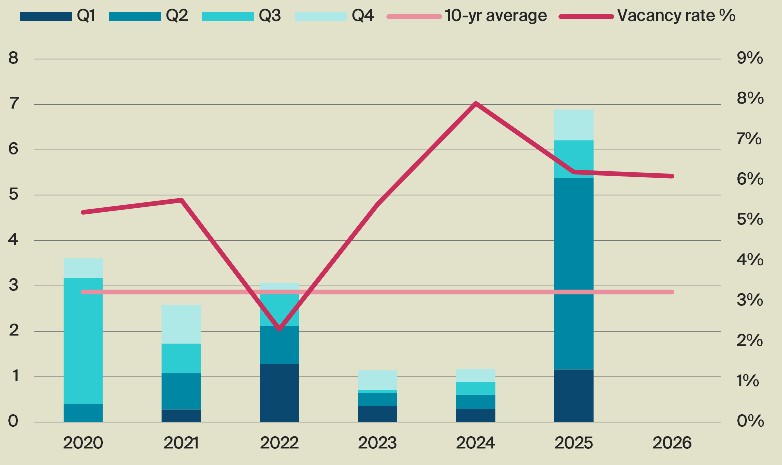
0m sq ft
Occupier take up Q1 2026

6.1%
Vacancy rate Q1 2026

£11.50 psf
Prime rents Q1 2026

9.5%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

A QUIET START TO 2026 AFTER A RECORD 2025
There were no transactions over 50,000 sq ft in the South West in Q1, the first such quarter since Q1 2020 at the onset of the COVID pandemic. However, this lack of activity should be viewed in context, following an exceptionally strong 2025 when annual take-up approached 7 million sq ft.

Against this backdrop, the subdued start to 2026 reflects market timing rather than weakening fundamentals.

Importantly, enquiry data indicates this is not demand-driven. Knight Frank's Bristol office is currently tracking over 4 million sq ft of active, identifiable occupier demand across the region. Instead, the slowdown reflects the South West's position in the development cycle, with recently delivered speculative space largely absorbed and further supply still under construction, resulting in limited availability of high-quality, immediately deliverable stock.

The outlook for Q2 remains positive, with several mid-box transactions progressing and expected to complete, alongside a number of high-profile defence-related requirements that should support a rebound in activity.

AVAILABILITY CONSTRAINED BY STOCK QUALITY
The vacancy rate was 6.1% at the end of Q1 2026, down from 6.2% last quarter owing to some development completions boosting stock rather than a change in availability.

Across the South West, a total of 4.5 million sq ft of existing space is currently available. Availability remains heavily skewed towards lower-quality second-hand accommodation, with approximately 2.6 million sq ft comprising Grade-B or worse facilities. Underscoring both the acute shortage of readily available, high-quality fitted space and the growing volume of stock that is increasingly at risk of functional and ESG-related obsolescence.

While occupiers continue to focus on modern, energy-efficient buildings, the high cost of refurbishment and redevelopment is likely to limit the amount of secondary stock that can be upgraded.

RENTAL LEVELS & OUTLOOK
Prime headline rents in Bristol now stand at £11.50 per sq ft, for units of 50,000 sq ft+, a 9.5% increase y/y and reflecting sustained demand in a market characterised by limited high-quality availability.

Knight Frank Insight project average rental growth of 2.9% across Bristol and the wider South West in 2026, slowing from 6.4% and 6.5% recorded in 2025.

South Yorkshire and North East Derbyshire

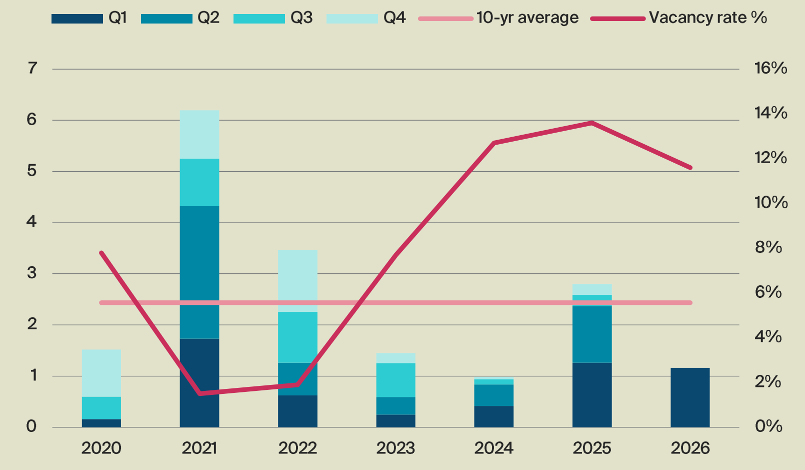
1.2m sq ft
Occupier take up Q1 2026

11.6%
Vacancy rate Q1 2026

£9.00 psf
Prime rents Q1 2026

-%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

STRONG REBOUND IN TAKE-UP FOLLOWING A QUIET H2 2025

Following a quiet second half of 2025, South Yorkshire recorded a strong resurgence in take-up in Q1 2026, totalling 1,219,349 sq ft of transactions for units over 50,000 sq ft, an 82% increase compared with Q4 2025 and is broadly in line with the strong start to the year seen in Q1 2025.

New and Grade-A second-hand accommodation accounted for 95% of take-up during the quarter, reflecting occupiers' continued focus on best-in-class facilities in well-connected locations that support improved operational efficiency.

Distribution firms were the most active occupiers, accounting for 65% of total take-up over the past four quarters. While manufacturing occupiers continue to maintain a strong presence in the region, they have contributed 31% of take-up over the same period.

The largest transaction of the quarter was the letting of Gateway 4, Doncaster to global logistics operator Maersk, which provided a significant uplift to overall take-up. The 411,470 sq ft high-specification unit offers 15-metre eaves and is strategically located adjacent to Junction 4 of the M18, providing strong transport connectivity. The transaction highlights robust demand for large-scale, prime, fitted logistics accommodation within the South Yorkshire market.

AVAILABILITY TIGHTENS AS TAKE-UP ACCELERATES

Total available floorspace over 50,000 sq ft stood at 7.8m sq ft, down 15% q/q, but still 4% higher y/y. As a result, the vacancy rate moved in to 12.6%, from a peak of 13.6% in the previous quarter. While vacancy remains above the UK average, the improving trend, combined with stronger take-up, represents a positive shift for the South Yorkshire market.

Available space is now skewed towards second-hand accommodation, rather than new stock, with second-hand stock accounting for 58% of availability at the end of Q1. Notably, the volume of new space available declined by 30% during the quarter, while the level of available second-hand stock remained broadly stable, suggesting improving absorption of recently delivered new-build space.

RENTAL LEVELS & OUTLOOK

Prime rents in Sheffield for units over 50,000 sq ft have remained resilient over the past 24 months, holding firm at £9.00 per sq ft.

Knight Frank Insight expects average rents in Sheffield to grow by 3.0% in 2026, ahead of the wider Yorkshire & the Humber region at 2.4%. This outlook marks a slight deceleration in rental growth compared with 2025, when average rental growth of 2.8% was recorded across Yorkshire and the Humber, and 3.0% in Sheffield.

West Yorkshire and the Humber

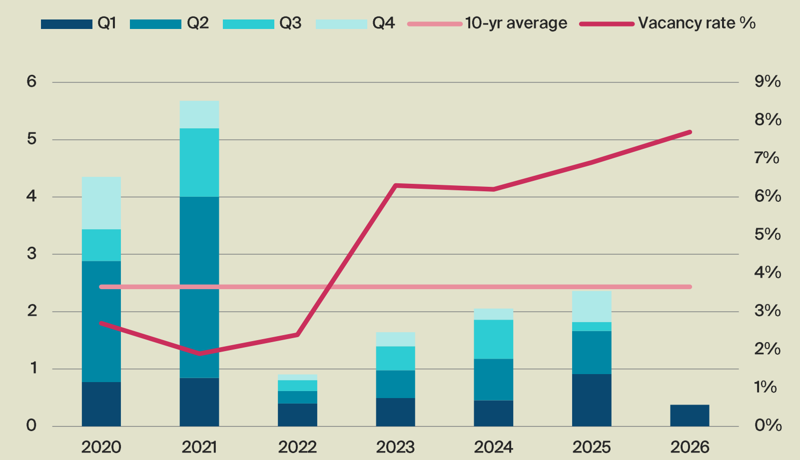
378k sq ft
Occupier take up Q1 2026

7.7%
Vacancy rate Q1 2026

£10.00 psf
Prime rents Q1 2026

-%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

GRADE-A SPACE DRIVES TAKE UP

The West Yorkshire market recorded total take-up of 378,253 sq ft in Q1 2026. Activity was heavily focused on Grade-A new-build and refurbished accommodation, which accounted for 73% of the total floorspace transacted, reflecting continued occupier preference for modern, high-specification space.

Three transactions completed during the quarter, all between 100,000–250,000 sq ft, reflecting the ongoing importance of mid-box units in the region.

The largest deal saw Unit 3 at Baytree Leeds, a 145,476 sq ft facility, let to parcel delivery firm InPost (part of Yodel) on a 10-year lease. The BREEAM Outstanding building, completed in 2025, will serve as the company's principal northern distribution hub. The unit is strategically located adjacent to the Leeds Freightliner Terminal, offering daily rail connections to Felixstowe, Southampton and London Gateway, providing significant operational advantages.

Distribution firms continue to underpin activity in the region, accounting for 65% of take-up over the past four quarters. West Yorkshire's strong road and rail connectivity supports its role as a strategic distribution hub for the North of the UK, making it an attractive location for logistics and parcel delivery operators.

SECOND-HAND STOCK BOOSTS AVAILABILITY

Total available floorspace increased to 5.2 million sq ft, up from 4.0 million sq ft a year earlier. As availability has risen, the vacancy rate has moved out to 7.7%, compared with 6.9% last quarter and 6.0% a year ago.

Availability is heavily dominated by second-hand accommodation, with 4.6 million sq ft comprising Grade-B or lower-quality space. For occupiers seeking immediately available Grade-A space, options remain limited, with just seven buildings available, offering a combined total of 645,461 sq ft.

While the availability of second-hand space has increased by 45% year-on-year, the volume of new-build space has moved in the opposite direction, declining by 30% over the same period.

With no speculative developments over 50,000 sq ft currently under way in the region, the supply of new, high-quality accommodation is likely to remain constrained for the rest of the year, limiting choice for occupiers.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Leeds remained flat at £10.00 per sq ft in Q1 2026 (50,000 sq ft+), extending a five-quarter period of rental stability.

Knight Frank Insight project average rental growth in 2026 of 2.4% for the wider Yorkshire & the Humber region and a stronger 3.4% for Leeds.

North East

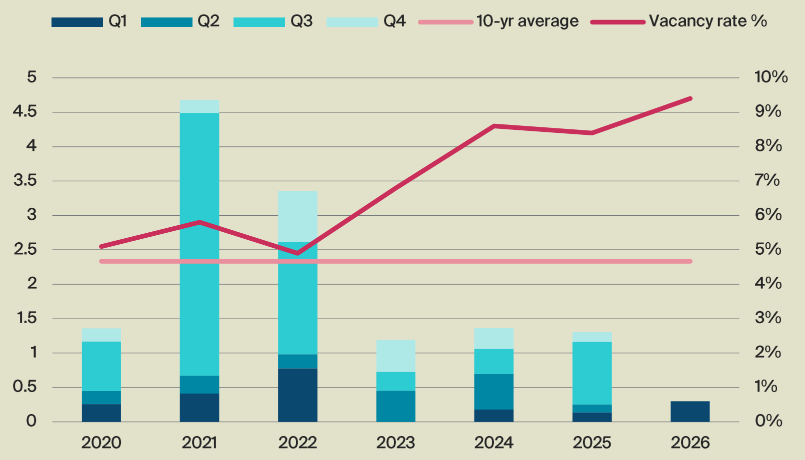
297k sq ft
Occupier take up Q1 2026

9.4%
Vacancy rate Q1 2026

£8.00 psf
Prime rents Q1 2026

-%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

IMPROVED TAKE-UP DRIVEN BY RETAIL ACTIVITY
The North East recorded a strong start to 2026, with take-up reaching 297,490 sq ft, more than double the 139,583 sq ft transacted in the previous quarter. This marked uplift reflects a clear improvement in transactional activity following a subdued end to 2025.

All take-up during the quarter comprised second-hand accommodation. Retail occupiers were active in the North East region this quarter, however, over the past four quarters the manufacturing sector has dominated take up, accounting for 60% of space taken up, compared with 23% for retailers.

The largest transaction this quarter was the letting of Stephenson House, Hartlepool. The 126,000 sq ft second-hand unit was let to Leader Online, a home interiors retailer. The transaction highlights ongoing occupier demand for well-located secondary accommodation, particularly where such space can meet operational requirements at competitive rental levels.

STRUCTURAL SUPPLY IMBALANCE LIMITS CHOICE
Availability across the North East remained relatively stable at 4.4 million sq ft in Q1 2026. This represents a modest 4% decline y/y (171,975 sq ft), but an 11% increase q/q from 4.0 million sq ft in Q4 2025, reflecting a slight uptick in space returning to the market.

New-build and refurbished accommodation accounts for approximately 1.2 million sq ft, up 18% q/q and marginally (1.1%) higher y/y. Despite this increase, the market continues to be dominated by second-hand stock, which totals 3.2 million sq ft, having risen 9% q/q but fallen 5% compared with Q1 2025. This ongoing imbalance reinforces the persistent shortage of modern, good-quality industrial accommodation in the region.

Supply constraints are further exacerbated by the absence of speculative development activity, with no units over 50,000 sq ft currently under construction. Limited new supply, combined with relatively low vacancy levels, is expected to intensify competition for high-quality space, placing continued upward pressure on prime rental levels.

RENTAL LEVELS & OUTLOOK
Prime industrial rents in Newcastle stand at £8.00 per sq ft (50,000 sq ft+ units) for the ninth consecutive quarter.

The most notable movement in prime rents has occurred in Middlesbrough and Stockton-on-Tees, where rents recorded a 14% year-on-year increase, also reaching £8.00 per sq ft. Looking ahead, Knight Frank Insight expects average regional rental growth of 2.8% in 2026, supported by improving occupier activity.

Scotland

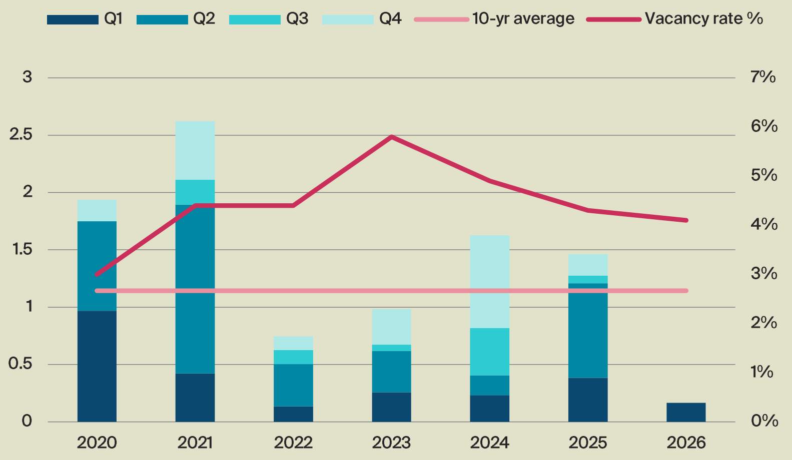
167k sq ft
Occupier take up Q1 2026

4.1%
Vacancy rate Q1 2026

£10.75 psf
Prime rents (Glasgow)
Q1 2026

4.8%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

TAKE-UP CONSTRAINED BY LACK OF MODERN SPACE

A total of 167,110 sq ft of space was taken up in Scotland in Q1 2026, marking a slight decline from the 186,404 sq ft recorded in Q4 2025. Despite the reduction in activity, this reflects ongoing structural constraints rather than a weakening in occupier demand.

Take-up continues to be heavily focused on second-hand accommodation, as new development activity and the availability of Grade-A facilities remain extremely limited. Over the past four quarters, just 4% of total take-up has comprised new or refurbished space, underlining the lack of modern accommodation available to occupiers.

The M8 corridor remains the epicentre of demand. However, levels of take up in Scotland are hampered due to lack of stock, particularly better-quality stock. Occupiers seeking to locate in the region are typically required to either accept secondary accommodation or pursue build-to-suit solutions.

Only three transactions completed during the quarter, all within the smallest size bracket of 50,000–100,000 sq ft. Notably, Scottish ice-cream producer Mackie's acquired a 50,000 sq ft cold-store distribution facility in Kintore, Aberdeenshire, as part of efforts to expand capacity and strengthen its distribution network.

VACANCY FALLS AMID ONGOING SUPPLY CONSTRAINTS

Despite modest take up this quarter, the vacancy rate continued to decline, reaching 4.1%, the lowest it has been since early 2021, reflecting persistent supply shortages.

Available floorspace remains concentrated in second-hand facilities, with just one new building listed as available.

There are currently no schemes under construction speculatively which will continue to constrain the supply of newer, high-quality stock in the short term.

There is development planned however, notably at Rosyth, where the expansion in ship building is driving a need for specialist facilities as well as general distribution space. However, the extent to which this space will be available to the open leasing market remains uncertain.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in the Central Belt remained unchanged in Q1 2026 at £10.75 per sq ft (units 50,000 sq ft+), although they are 4.8% higher y/y.

Across Scotland, average rental growth for 2026 is expected to reach 2.3%, this compares with a rate of 4.4% recorded in 2025 in line with the wider trend of slowing rental growth across the UK. The Central Belt projected to outperform at around 3.5% (Knight Frank Insight).

Wales

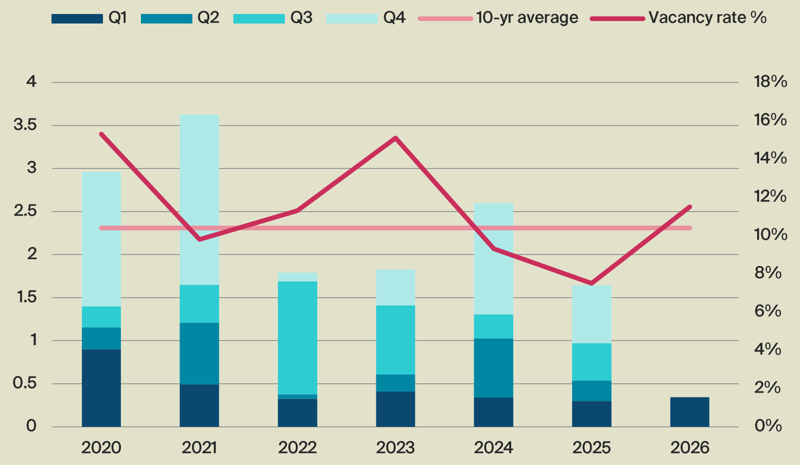
345k sq ft
Occupier take up Q1 2026

11.5%
Vacancy rate Q1 2026

£10.00 psf
Prime rents Q1 2026

2.5%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

TAKE UP

The first quarter of 2026 saw take-up in Wales for industrial units over 50,000 sq ft reach 344,882 sq ft, 13.1% higher than the same period last year, although activity declined q/q.

Take-up during the quarter comprised two lettings and two sales. The standout transaction was the sale of the former Liberty Steel facility in Tredegar, totalling 111,000 sq ft, acquired by Jayplas, an established South Wales-based manufacturer. The acquisition will support the firm's expansion through the delivery of a second facility in the region.

Overall, manufacturing and logistics occupiers continue to drive demand, underpinning industrial activity across the Welsh market.

AVAILABILITY INCREASES AS LARGE SECOND-HAND UNITS RETURN

Total availability increased to 4.7 million sq ft, up from 3.7 million sq ft at the end of 2025. This uplift was driven largely by the 900,000 sq ft former Wilko facility in Magor returning to the market. Overall supply remains dominated by older, second-hand stock, with just 55,000 sq ft classified as newly built.

Availability rose sharply, increasing 25% q/q, reflecting a growing volume of second-hand space coming back to the market. As a result, the vacancy rate has increased to 11.5%, representing a 220-basis-point rise compared with Q1 2025.

Development activity has been limited in recent quarters; however, Indurent's Phase 5 at Indurent Park, Newport is now underway, delivering 350,000 sq ft across units ranging from 45,000–115,000 sq ft. This scheme will provide much-needed Grade-A accommodation to help address the persistent shortage of modern space. In addition, an 85,000 sq ft high-bay warehouse at Blackwood Business Park, Caerphilly, remains on track for completion in Q2 2026.

Furthermore, unit 1 at Hirwaun Industrial Estate, Aberdare has been sold to the Welsh Government, which intends to comprehensively refurbish the property and return it to the market as a high-quality manufacturing facility.

RENTAL LEVELS & OUTLOOK

Prime rents in Cardiff held steady at £10.00 psf for the third consecutive quarter, marking a modest 2.5% increase y/y.

Going forward, regional rental growth is expected to average 2.2% in 2026, with 3% growth anticipated for the Cardiff market (Knight Frank Insight), underpinned by strong occupier demand and the limited availability of Grade A stock.

Continued demand for well-specified, modern space, coupled with scarcity of new, high-quality units, is anticipated to support further prime rental growth.

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