LOGIC: UK

Q2 2026

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

knightfrank.co.uk/research

Key stats and market drivers

OCCUPIER MARKETS

10.3m sq ft
Occupier take up Q2 2026

8.0%
Vacancy rate Q2 2026

3.1%
Prime annual rental growth

2.7%
Rental growth forecast 2026

INVESTMENT MARKETS

£1.5bn
Investment quarterly total

46%
Cross-border capital

5.25 – 5.50%
Prime yield (15-yr income OMRR)

6.2%
Annualised total returns to June 2026

YIELD REPRICING
Higher debt costs and gilt rates continue to reshape pricing.

IMPACT ON THE LOGISTICS MARKET

- Prime yields moved out in Q2, with core assets most impacted.
- Investors remain active, but underwriting assumptions increasingly focus on income security and exit yield risk.
- Higher borrowing costs are driving demand for assets offering reversionary potential, repositioning opportunities or active management upside.

FLIGHT TO QUALITY
Occupier demand is increasingly focused on modern, high-spec units.

IMPACT ON THE LOGISTICS MARKET

- Grade A space accounted for more than half of take-up during H1 2026.
- Limited development activity is constraining new supply, tightening availability of best-in-class stock.
- These favourable demand and supply dynamics are supportive of prime rental growth despite higher overall vacancy rates.

ECOMMERCE EXPANSION RE-EMERGES
Retailers have been the largest source of demand during Q2.

IMPACT ON THE LOGISTICS MARKET

- Retailers account for 44% of take up in Q2.
- Strong demand from online retail supply chains continues to underpin occupier activity in the big box market.
- Ecommerce retailers' expansion is supporting activity across London and the South East, and the Midlands, both directly and through 3PL operators.

UK investment market overview

INVESTMENT ACTIVITY HOLDS AMID VOLATILITY

UK industrial and logistics investment totalled £1.49 billion in Q2 2026, down 8% from £1.62bn in Q1. Despite geopolitical tensions, domestic political uncertainty and elevated gilt and swap rates, investors have continued to transact.

As uncertainty becomes a more permanent feature of the investment landscape, investors appear increasingly willing to deploy capital through periods of disruption rather than adopt a wait-and-see approach. With capital available for deployment and occupier market fundamentals remaining strong, activity has remained resilient.

Average lot sizes moderated to £24.4 million in Q2, down from £28.9m in the previous quarter. However, several significant transactions completed during the quarter, including EQT Real Estate's acquisition of a £199m six-asset logistics portfolio from Tritax Big Box REIT, Hines' £138.6m purchase of Heathrow Logistics Park from Blackstone, and ICG's acquisition of the Springbox Portfolio from Equities Property Fund for approximately £200m.

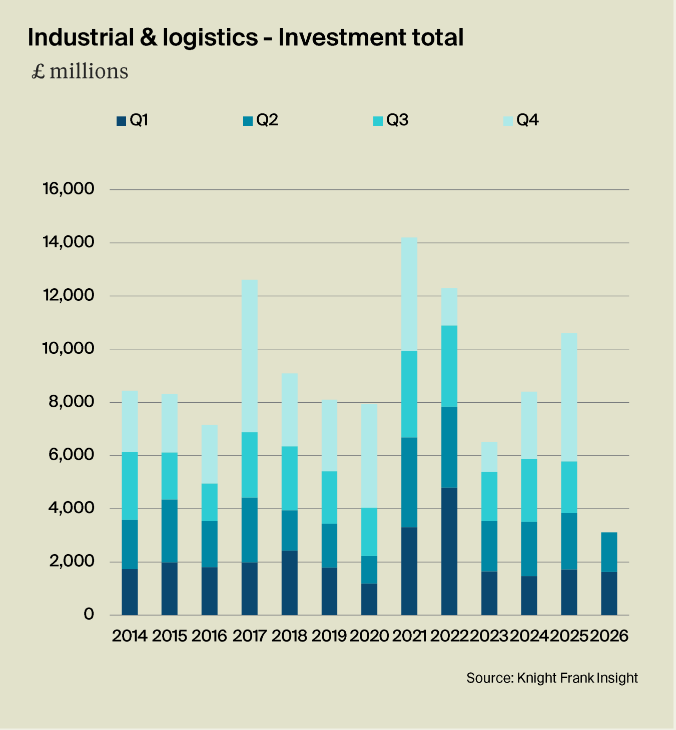
A notable feature of activity this year has been the increase in multi-let industrial estate transactions, reflecting investor appetite for opportunities where value can be unlocked through active asset management.

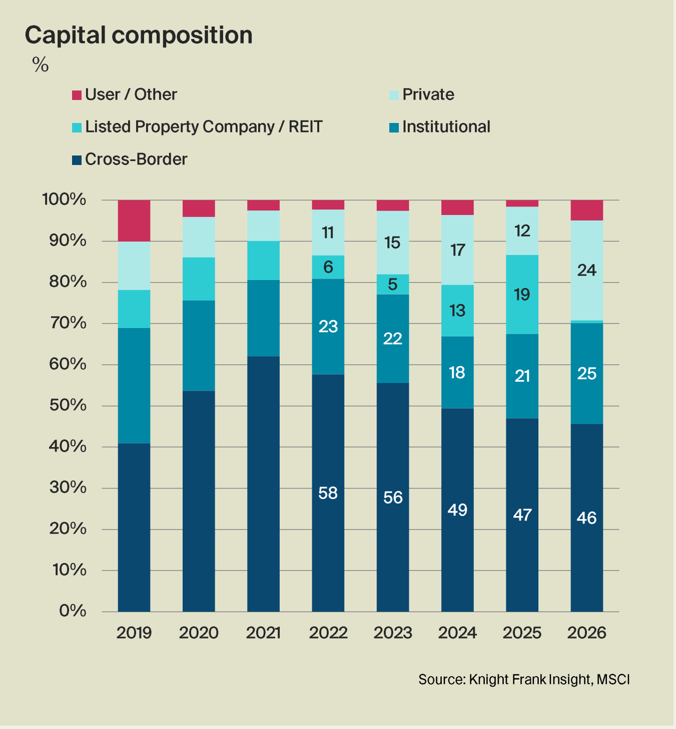
PRIVATE CAPITAL AND INSTITUTIONAL INVESTORS GAIN MARKET SHARE

Cross-border capital remained the largest source of liquidity, accounting for 46% of the investment total in H1 2026, although its dominance has moderated as domestic capital has become increasingly active.

Institutional investors accounted for 25% of investment activity, the highest proportion since 2019, while private capital represented 24%, the highest share on record. In contrast, the REIT and listed property sector, which accounted for 19% of investment activity in 2025, was largely absent during H1.

This shift reflects increasing confidence in the sector's long-term income characteristics and rental growth prospects, with investors focusing on durable cashflows rather than relying on yield compression to drive returns.





HIGHER DEBT COSTS RESHAPE INVESTMENT STRATEGIES

The higher-for-longer interest rate environment continues to influence both buyer behaviour and pricing.

Investors are increasingly targeting assets offering opportunities for reletting, rental reversion, repositioning or redevelopment. Consequently, activity has shifted towards higher-yielding assets with greater potential for value creation.

In Q2 2026, 39% of transaction volumes involved assets trading at yields of 7.0% or higher, while assets priced at 5.0% or below accounted for just 11% of activity. This contrasts sharply with Q2 2022, when 92% of investment occurred at yields below 5.0% and only 3% traded above 7.0%.

With ten-year gilt yields averaging close to 5% during the quarter, pricing pressure has been most evident in the prime segment of the market. Higher borrowing costs have reduced the pool of leveraged buyers, creating core market opportunities for investors with lower financing requirements and longer investment horizons. Long-term capital is increasingly underwriting acquisitions based on the security and durability of income rather than near-term rental growth assumptions. This is supporting demand for prime assets let on long leases to strong covenants, even where opportunities for active management are limited.

Institutional investors and private capital are particularly well positioned in this environment. Longer holding periods and reduced reliance on short-term value creation strategies allow these investors to acquire high-quality assets with less competition.

Conversely, investors targeting higher returns or operating under shorter investment horizons are increasingly being pushed further up the risk spectrum, where pricing remains more sensitive to changes in financing costs and exit assumptions.

PRICING AND OUTLOOK FOR H2

Prime industrial yields moved slightly outward during Q2 as higher debt costs and elevated gilt rates continued to place pressure on pricing. Knight Frank's July Yield Guide indicates softening across most market segments, with core assets facing the greatest adjustment.

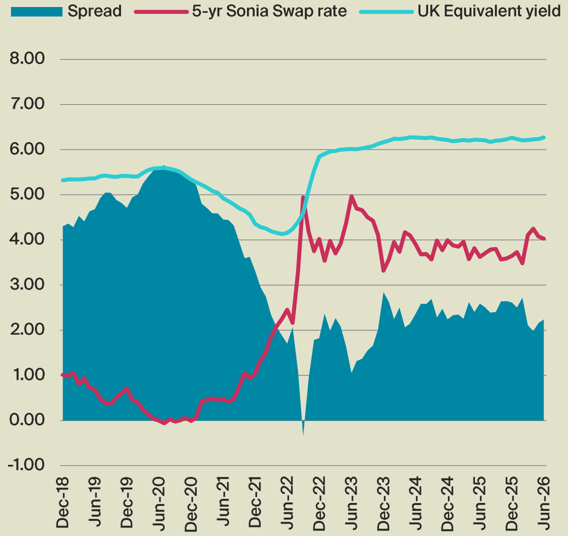
However, financing markets stabilised towards the end of the quarter. The five-year SONIA swap rate stood at 4.03% at the end of Q2, down from 4.11% at the end of March, while ten-year gilt yields compressed approximately 12 bps to 4.76%.

Looking ahead, both Oxford Economics and Capital Economics expect policy rates to remain broadly stable through 2026 and into 2027. At the same time, stronger-than-expected occupier market performance has prompted upward revisions to rental growth forecasts.

Improving confidence around interest rates, debt costs and rental growth should provide greater clarity on exit pricing, supporting underwriting confidence and creating conditions for liquidity to improve through the remainder of the year.

UK Industrial equivalent yield and five-year SONIA swap rate

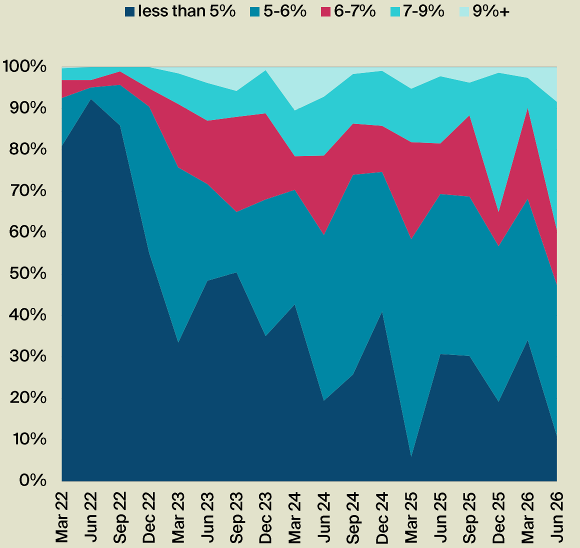
%



Source: Knight Frank Insight, MSCI, Macrobond

Quarterly investment by yield

% of total investment



Source: Knight Frank Insight, MSCI

UK occupier market overview

OCCUPIER DEMAND REMAINS RESILIENT
A total of 10.3 million sq ft of logistics space was taken up across the UK in Q2 2026, up 15% on Q1 but 19% below Q2 2025. While activity remains below last year's level, the q/q increase points to improving momentum and continued occupier confidence.

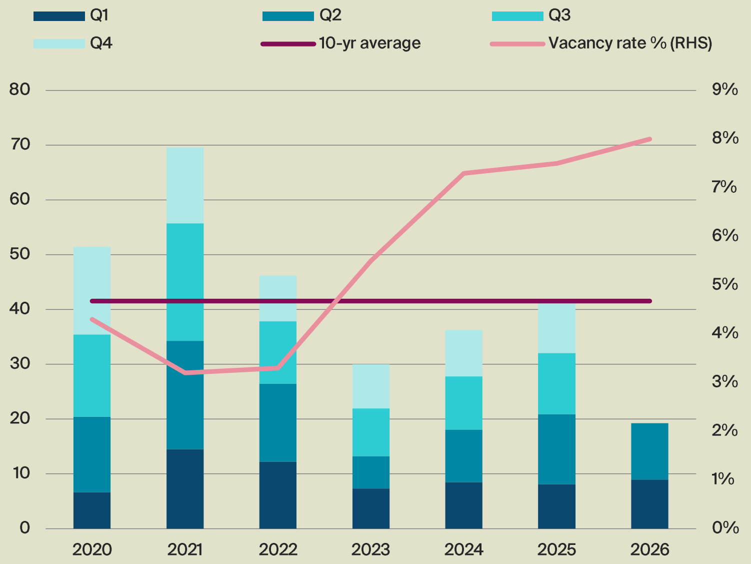
OCCUPIERS FOCUSED ON QUALITY
Occupiers continue to focus overwhelmingly on Grade A (new or refurbished) space, which accounted for 50% of all take-up in Q2 and 57% of take-up during H1 2026. This represents a significant shift from recent trends, with Grade A space accounting for just 26% of take-up on average over the past five years.

Although higher vacancy rates have given occupiers greater choice, their requirements have become increasingly sophisticated. Businesses are increasingly prioritising operational flexibility, speed to occupation and buildings capable of supporting future growth.

Demand for fitted or partially fitted space is increasing as occupiers seek to minimise upfront capital expenditure and accelerate occupation. Power availability, clear heights, floor loading capacity and automation-ready specifications are also becoming increasingly important decision drivers.

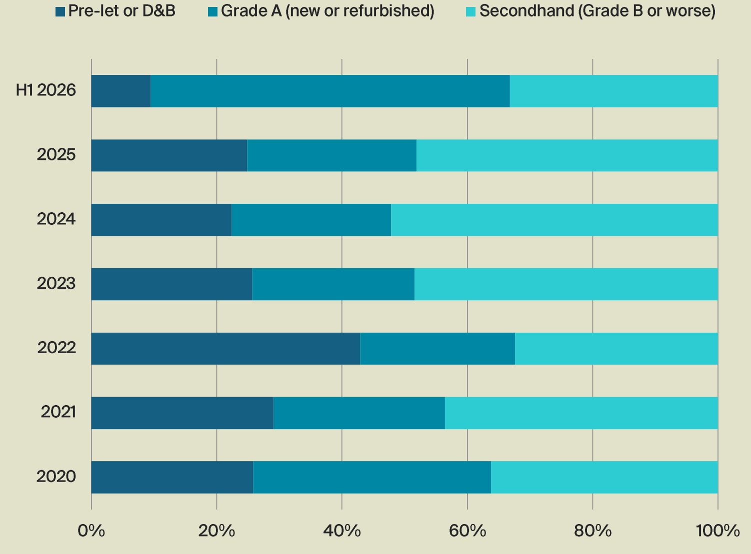
RETAIL AND ECOMMERCE DRIVE DEMAND
The retail sector was the most active occupier group during Q2, accounting for 44% of total take-up. Ecommerce operators were particularly active, both directly and through third-party logistics providers. Notably, Amazon has returned to expansion mode, securing multiple facilities directly,

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

while some large 3PL transactions have also been linked to Amazon fulfilment contracts.

VACANCY RISES, BUT QUALITY SPACE REMAINS TIGHT

Availability increased to 97.1m sq ft at the end of Q2, rising by 10.9m sq throughout H1 2026.

Second-hand space accounted for 87% of this increase, pushing the vacancy rate up to 8.0% from 7.5% at the end of 2025. The increase largely reflects occupiers upgrading, consolidating operations and, in some cases, business failures.

However, the headline vacancy rate masks a clear divide between older and modern stock. Grade A vacancy stood at just 4.4% at the end of Q2, and with occupiers increasingly focused on securing higher-quality accommodation, availability in this segment remains considerably tighter than total vacancy rates suggest.

DEVELOPMENT PIPELINE REMAINS CONSTRAINED

Speculative development activity remains limited. At the end of Q2, 56 speculative schemes over 50,000 sq ft were under construction, totalling 7.7m sq ft, compared with 49 schemes totalling 7.6m sq ft at the end of 2025.

While activity has increased marginally in H1, development remains modest; constrained by elevated construction costs, financing challenges and viability pressures.

OUTLOOK: SUPPLY CONSTRAINTS SUPPORT RENTAL GROWTH

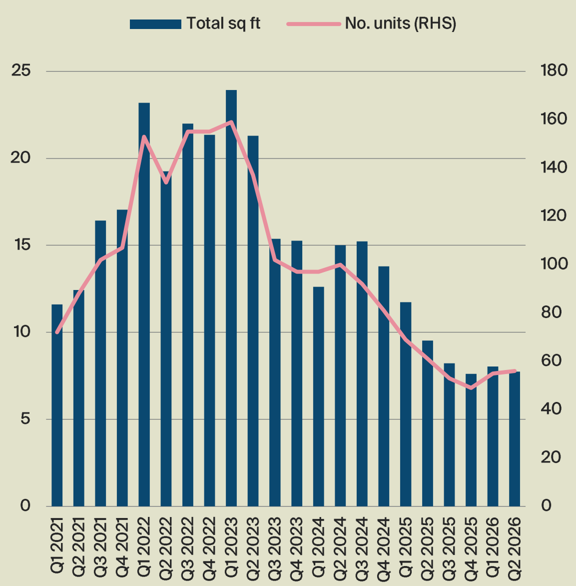
Knight Frank's enquiry metrics, combined with stronger take-up levels in Q2, point to positive occupier momentum heading into the second half of 2026. While enquiry volumes were 16% lower q/q, they remain at their second-highest level since Q1 2022, indicating that ongoing geopolitical tensions and domestic political uncertainty have had little impact on occupiers' willingness to progress real estate decisions.

Despite improving sentiment and greater stability in financing markets, development activity remains constrained. Consequently, occupiers seeking well-located, high-quality space are likely to face increasing competition, with Grade A availability continuing to tighten and development pipelines remaining limited.

These supply constraints are already supporting rental growth. Five of the UK's nine prime regional markets reported annual rental growth this quarter, while 31 of the 69 prime submarkets tracked by Knight Frank recorded annual rental growth (units over 50,000 sq ft).

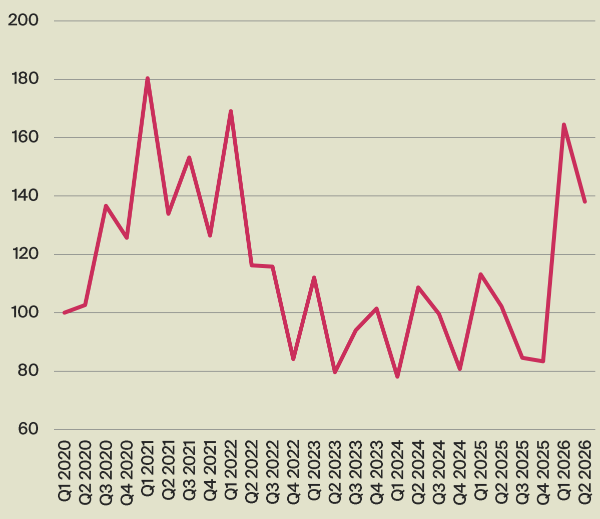
Average rental growth is forecast at 2.4% in 2026, easing from 4.2% in 2025 before moderating further to 2.3% in 2027 (Knight Frank Insight). While average rental growth continues to moderate, constrained development activity and limited availability of modern Grade A space are expected to continue supporting prime rental growth, particularly in core distribution markets.

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

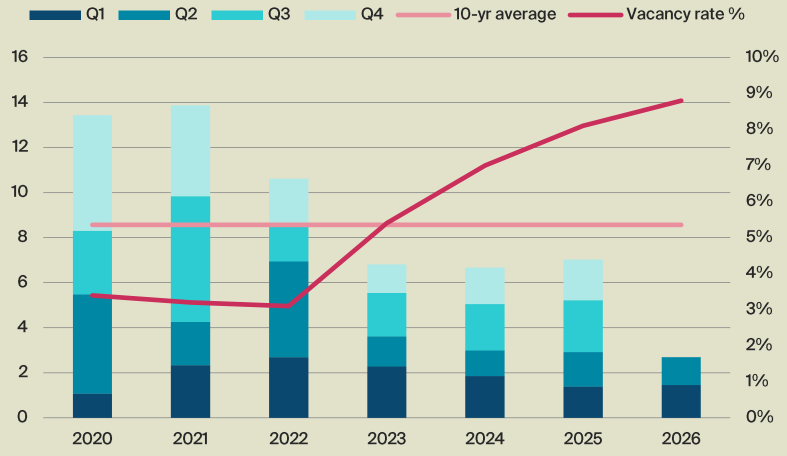
1.2m sq ft
Occupier take up Q2 2026

8.8%
Vacancy rate Q2 2026

£29.50 psf
Prime rents Q2 2026

5.4%
Prime annual rental growth

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



Source: Knight Frank Insight

AMAZON DRIVES DEMAND FOR BIG-BOX SPACE

During Q2 2026, take-up across London and the South East totalled 1.23 million sq ft for units over 50,000 sq ft. This was down 15% q/q, bringing H1 take-up to 2.7m sq ft, compared with 2.9m sq ft in H1 2025.

Activity was concentrated in the smaller 50,000-100,000 sq ft size band, with only three transactions exceeding 100,000 sq ft. The largest deal was Amazon's lease of Bulk 250, a 250,850 sq ft facility on Western Avenue in West Thurrock. Positioned between Junctions 30/31 of the M25 and the A13, the property offers strong access to Greater London, the national motorway network and major ports.

Amazon also leased a 134,012 sq ft unit at Panattoni Park, Crawley. Together, these transactions mark Amazon's first acquisition of new logistics space in the region (units over 50,000 sq ft) for three years.

DEVELOPMENT PIPELINE EXPANDS

Availability continued to increase in Q2 2026, reaching approximately 22.5m sq ft, up 2% q/q and 10% y/y. Growth was driven by additional new and Grade A space entering the South East market, while availability declined in both London and the Eastern region.

The South East vacancy rate now stands at 10.5%, compared with 8.6% in London and 7.3% in the East. Unlike much of the UK, availability across London and the South East remains heavily weighted towards new and Grade A stock, which accounts for 92% of vacant floorspace.

Developer confidence also improved during the quarter. There are now 27 speculative schemes under construction totalling 2.4 million sq ft, up from 21 schemes and 1.9m sq ft in Q1. Most of the space is focused in the 50,000 – 100,000 sq ft size bracket.

PRIME RENTS STABLE IN MOST MARKETS

Prime headline rents in West London have risen to £29.50 psf for units over 50,000 sq ft this quarter, up from £28.00 psf in Q1 2026. Other sub-markets, including Oxford, Bedford, Cambridge, High Wycombe, and Dartford also saw prime rents rise this quarter. However, most sub-markets across the region saw prime rents holding steady q/q. Out of the 42 markets across the region where we track prime rents, 17 have recorded an annual uplift, 23 have held steady, with two markets recording a y/y decline in prime rents.

Knight Frank Insight expects rental growth to moderate through 2026, with projections of 2.5%, 3.3% and 3.5% growth expected in across London, the South East and Eastern regions, respectively.

Midlands

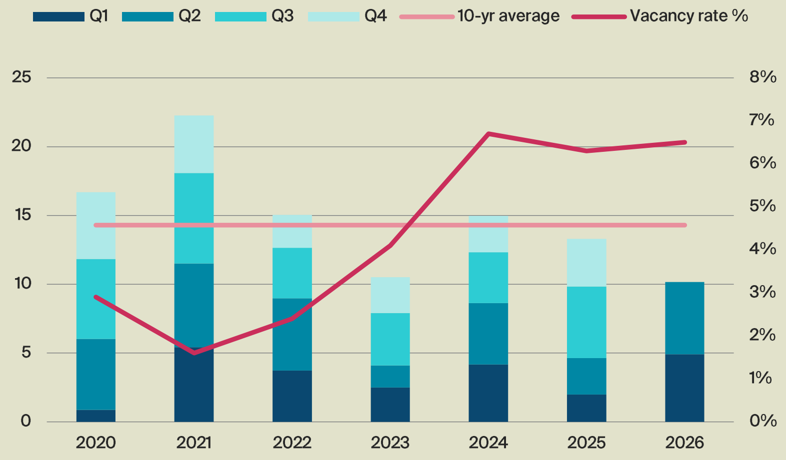
5.2m sq ft
Occupier take up Q2 2026

6.5%
Vacancy rate Q2 2026

£12.50 psf
Prime rents Q2 2026

4.2%
Prime annual rental growth

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



Source: Knight Frank Insight

CONTINUED MOMENTUM IN OCCUPIER DEMAND

Take-up of units over 50,000 sq ft reached 5.2 million sq ft in Q2 2026, bringing the H1 total to 10.2m sq ft, the strongest first half since 2021. This marks a 119% y/y increase and points to renewed occupier confidence across the region.

While new and Grade A space continues to dominate activity, lower-quality second-hand stock accounted for a greater share of take-up this quarter, representing 29% of floorspace transacted.

Third-party logistics providers and online retailers remained particularly active. Notable deals included Bleckmann's 761,361 sq ft letting at Magna Park North Lutterworth and ID Logistics' acquisition of Rugby 673, a refurbished 673,270 sq ft facility formerly occupied by Gap and Sainsbury's. Both facilities will support ecommerce contracts.

Super Smart Service has agreed a 645,000 sq ft pre-let at M1 XL East Midlands on behalf of Shein, alongside commitments at Link 205 Fradley Park and Unit A, Doranda Way.

Elsewhere, M&S acquired Fradley 437 in Lichfield from ASOS for £67.5m. The 437,000 sq ft automated distribution centre will support the retailer's ambition to double online sales.

QUALITY SPACE IN SHORT SUPPLY

Availability across the Midlands fell during the quarter as fewer new units were brought to market, although second-hand availability increased slightly.

While the overall vacancy rate has edged up since the end of 2025, q/q trends have improved. A clear divergence remains between newer and older stock. There is currently 12.7m sq ft of Grade B or lower-quality space available, compared with just 6.3m sq ft of new and Grade A accommodation.

Grade A vacancy fell from 3.5% last quarter to 3.2%, highlighting the continued shortage of high-quality logistics space.

For an occupier seeking large (400,000 sq ft +), Grade A units there are just three available with one of these currently under offer.

There are 15 speculative units under construction, totalling 2.4m sq ft, down from 17 units and 2.6m sq ft in the previous quarter.

RENTAL GROWTH CONTINUES AS MARKET REBALANCES

Prime industrial rents in Birmingham increased by 4.2% y/y to £12.50 psf for units over 50,000 sq ft, reflecting continued demand for high-quality space in core Midlands locations.

Looking ahead, Knight Frank Insight expects rental growth to moderate, with average rental growth of 2.5% in the East Midlands and 2.3% in the West Midlands is forecast for 2026, down from 2.9% and 4.3% respectively in 2025.

North West

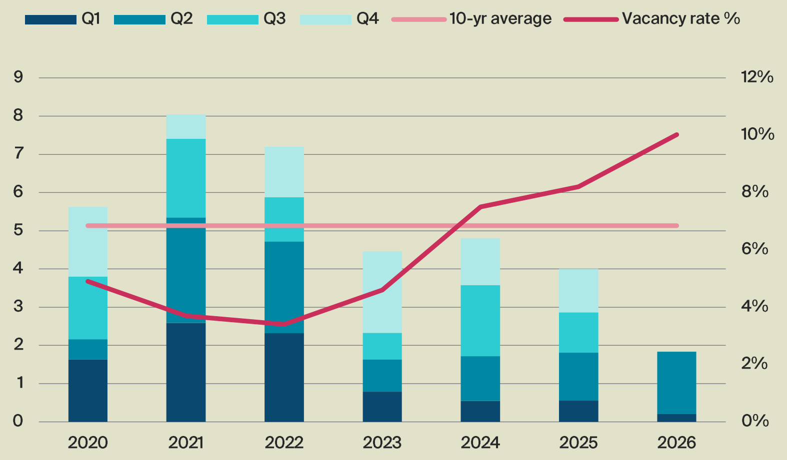
1.6m sq ft
Occupier take up Q2 2026

10.2%
Vacancy rate Q2 2026

£12.50 psf
Prime rents Q2 2026

4.2%
Prime annual rental growth

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



Source: Knight Frank Insight

RETAILERS POWER A DRAMATIC REBOUND IN OCCUPIER DEMAND

Take-up rebounded sharply in Q2 2026, reaching 1.6 million sq ft for units over 50,000 sq ft, almost eight times higher than Q1 and 19% above the same period last year.

Retailers drove the recovery, accounting for nearly 70% of take-up, while manufacturers contributed 25%. Second-hand space dominated activity at 74% of total take-up. Around 80,000 sq ft was pre-let or delivered through design-and-build agreements, marking the first pre-letting activity since Q3 2025.

The quarter's largest transactions reflected the strength of retailer demand. Online Home Shop leased OXW333, Trafford Park, a 334,000 sq ft second-hand Grade B facility, at £9.50 psf. In Stoke-on-Trent, AO World leased the 325,000 sq ft Alsager 325 scheme at £5.50 psf on a five-year lease. Highlighting the return of pre-letting activity, Virgin Wines committed to approximately 80,000 sq ft at APTUS's Phase 2 development on Roman Way, Preston, at £11.00 psf on a 10-year lease. The scheme is targeting a BREEAM Excellent rating and is scheduled for completion later this year.

RISING SECOND-HAND SUPPLY PUSHES VACANCY HIGHER

Total available floorspace, excluding developments under construction, increased to 16.4m sq ft, up 3.4% q/q and 24.4% y/y.

The increase was driven almost entirely by second-hand accommodation, which now totals nearly 12m sq ft, rising 7.9% during the quarter and 47.3% over the past year. By contrast, availability of new space increased by just 1.4% q/q to 4.5m sq ft and remains 3.7% below its level a year ago. Around 7.5m sq ft of available space is classified as Grade A.

Completions totalled 393,640 sq ft during the quarter, pushing the overall vacancy rate to 10.2%, up 30 basis points q/q and 220bps y/y. The Grade A vacancy rate also widened, increasing by 90bps to 4.7%.

PRIME RENTS CONTINUE TO ADVANCE IN KEY NORTH WEST MARKETS

Prime rents in Manchester increased by 3.9% during the quarter to £11.95 psf. However, the city continues to trail Warrington, where prime rents for units over 50,000 sq ft stand at £12.50 psf following annual growth of 4.2%.

Looking ahead, Knight Frank Insight expects rental growth across the North West to moderate but remain positive, with 3.2% growth in 2026. Manchester and Warrington are forecast to outperform, with rental growth of 3.7% and 4.0% respectively.

South West

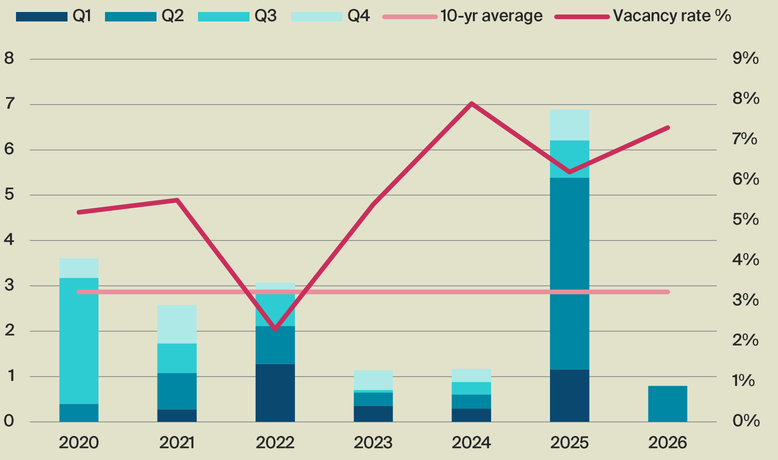
790k sq ft
Occupier take up Q2 2026

7.3%
Vacancy rate Q2 2026

£11.50 psf
Prime rents Q2 2026

9.5%
Prime annual rental growth

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



Source: Knight Frank Insight

DEFENCE SECTOR HELPS REVIVE OCCUPIER ACTIVITY
After a quiet start to the year, Q2 saw market activity resume, with 790,329 sq ft of take up recorded. This is 7.3% higher than the three-year average, which includes the record levels of take up recorded in early 2025.

There were three transactions over 50,000 sq ft this quarter, the most notable being the Ministry of Defence taking up S545 at Panattoni Park in Swindon for DroneTEX; a drone testing facility. The MOD has taken a 15-year lease on the former Honda plant site in Swindon. The speculatively built cross-dock unit totals 545,414 sq ft of Grade A industrial and logistics space with a 21m clear internal height and a 4.3 MVA power supply. The new DroneTEX facility will be the largest uncrewed testing facility in Europe, and is designed to rapidly develop and field new modern warfare capabilities.

Swindon is now home to a fast growing cluster of drone manufacturers. Leading companies investing in the area include German-owned Stark, British start-up Flyby Technology and Portugal-based Tekever, with plans to open a 200,000 sq ft manufacturing facility in Swindon this year.

Another noteworthy transaction this quarter saw Yunex Traffic UK, which manufactures traffic light systems, sign a 20-year lease for a new 158,000 sq ft facility at Aviation Business Park at Bournemouth Airport, which will be the firm's new HQ location following relocation from Poole.

NEW SUPPLY DRIVES VACANCY HIGHER
The vacancy rate was 7.3% at the end of Q2 2026, up from 6.2% at the end of 2025. The rise in vacancy was mainly due to new space coming online in the first half of this year, with 2.7m sq ft of completions in H1 2026.

However, the availability of second-hand space also rose; up 16% since the end of 2025. Availability remains skewed towards lower-quality second-hand accommodation, in deed, the Grade A vacancy rate for the region is notably lower, at just 3.4%. Underscoring both the acute shortage of readily available, high-quality fitted space, as well as occupiers' continued focus on modern, energy-efficient buildings.

RENTAL LEVELS & OUTLOOK
Prime headline rents in Bristol stand at £11.50 psf, 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 4.0% in Bristol and 3.4% across the wider South West in 2026, slowing from 6.4% and 6.5% recorded in 2025.

South Yorkshire and North East Derbyshire

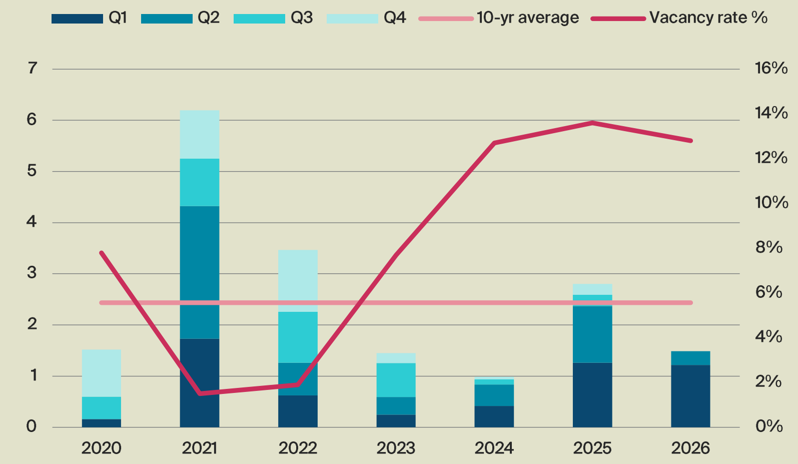
266k sq ft
Occupier take up Q2 2026

12.8%
Vacancy rate Q2 2026

£9.00 psf
Prime rents Q2 2026

-%
Prime annual rental growth

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



Source: Knight Frank Insight

SOUTH YORKSHIRE'S MOMENTUM CONTINUES AS DEMAND NORMALISES

Following a strong first quarter, which recorded 1.2 million sq ft of take-up, the second quarter saw activity moderate, with occupiers taking 265,571 sq ft of space. However, taken together, H1 2026 represented the strongest first-half performance since 2021, excluding 2025.

In contrast to Q1, all space transacted during the second quarter comprised second-hand Grade B and C stock. Activity was concentrated in the 50,000-100,000 sq ft size band.

Despite limited activity in larger size bands this quarter, the larger units are attracting interest from various occupier groups. Occupiers, particularly distribution firms, are looking at South Yorkshire as an increasingly attractive and cost-effective alternative to the Midlands, given the availability of larger buildings and strong connectivity.

Distribution firms have been the most active occupiers in the region over the past 12 months, while manufacturers drove leasing activity in Q2.

OCCUPIER CHOICE NARROWS AS FUNDAMENTALS IMPROVE

The overall vacancy rate in South Yorkshire stood at 12.8% at the end of Q2 2026, down from 13.6% at the end of 2025.

All size bands below 400,000 sq ft recorded declines in available space, while the 400,000 sq ft+ band remained broadly stable. Combined with robust occupier demand, this points to strengthening market fundamentals.

While high compared with historic levels, the headline vacancy figures overstate occupier choice. Once location, size and specification requirements are considered, options become far more limited. Occupiers seeking Grade A accommodation in Sheffield currently have only three options across all size bands. Across South Yorkshire, occupiers requiring a Grade A building between 100,000 sq ft and 200,000 sq ft have just four available options, one of which is already under offer.

LIMITED HIGH-QUALITY SUPPLY SUPPORTS RENTAL GROWTH

Prime rents for units above 50,000 sq ft in Sheffield have remained resilient over the past 24 months, holding firm at £9.00 psf in Sheffield. However, there are expectations of a significant uplift in prime headline rents as new schemes come forward.

Knight Frank Insight project average rental growth of 3.0% in Sheffield during 2026, ahead of the wider Yorkshire & the Humber region. While this represents a modest easing in the pace of growth seen in recent years, the outlook remains positive, supported by improving demand and a gradual tightening in availability.

West Yorkshire and the Humber

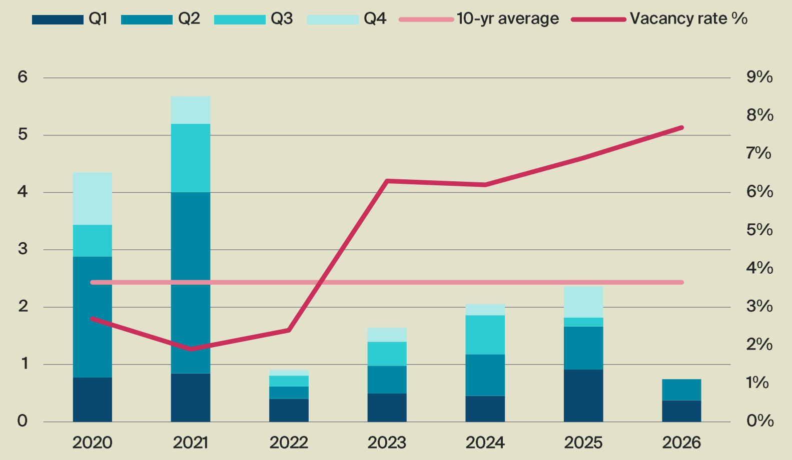
364k sq ft
Occupier take up Q2 2026

8.4%
Vacancy rate Q2 2026

£10.00 psf
Prime rents Q2 2026

-%
Prime annual rental growth

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



Source: Knight Frank Insight

MANUFACTURERS GAIN GROUND AS DEMAND SOFTENS

Take-up totalled 364,000 sq ft in Q2, down 3.7% q/q and 51.6% y/y. All transactions involved second-hand space, reflecting the ongoing shortage of new, ready-to-occupy stock.

Manufacturers accounted for the largest share of demand, marking a notable shift from recent trends, with distribution occupiers having accounted for 46% of take-up over the previous four quarters, compared with 17% for manufacturers. The increase in manufacturing activity reflects a growing focus on supply-chain resilience and operational control.

Key deals included Sigma's lease of the 71,600 sq ft Ripley Close unit in Normanton at £4.50 psf on a five-year term. Manufacturing demand was evident in two further transactions: Wilsons Power Services acquired the 68,000 sq ft Network House in Leeds, while Lambson Innovate leased the 64,700 sq ft Unit E, Loscoe Close in Wakefield at £7.50 psf.

SECOND-HAND SUPPLY DRIVES VACANCY HIGHER

Availability rose to 5.7m sq ft, up 34% y/y. However, the availability of new stock is 30% lower y/y, highlighting the continued shortage of modern space. The increase was driven by returning second-hand space, which rose to 5.0m sq ft, up 70.3% y/y.

Only 783,000 sq ft (14%) of available space is Grade A, with supply concentrated in small and mid-box units and limited large-format logistics options. Grade C stock dominates available space, totalling 57% of space.

The overall vacancy rate increased to 8.4%, up from 6.9% at the end of 2025. By contrast, Grade A vacancy remains exceptionally tight at just 1.2%, underlining the scarcity of modern, best-in-class space.

Supply conditions for Grade A stock in West Yorkshire are set to improve as Panattoni have now broken ground on their 490,000 sq ft cross-docked Wakefield 500 development, which is the only speculative scheme under construction in the region (over 50,000 sq ft). The best-in-class warehouse is situated in a prime location, sitting adjacent to Junction 31 of the M62 and is due to reach practical completion in May 2027.

LIMITED MODERN SUPPLY SUPPORTS RENTAL GROWTH

Prime rents for units of 50,000 sq ft and above remain at £10.00 psf, although pending transactions are now above this level.

Looking ahead, Knight Frank Insight expect average rental growth of 2.4% across Yorkshire & the Humber in 2026, with Leeds expected to outperform at 3.2%. While average growth is moderating, the limited availability of high-quality accommodation should continue to support rental performance.

North East

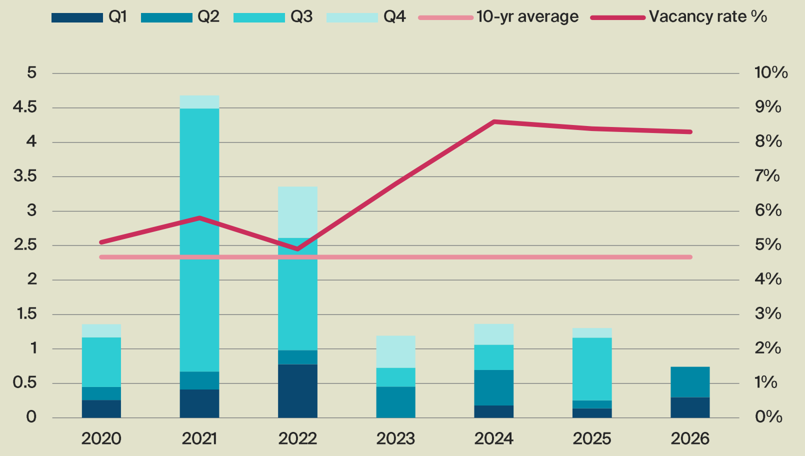
445k sq ft
Occupier take up Q2 2026

8.3%
Vacancy rate Q2 2026

£9.00 psf
Prime rents Q2 2026

12.5%
Prime annual rental growth

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



Source: Knight Frank Insight

RETAILERS DRIVE RECOVERY AS DEMAND OUTPACES SUPPLY

Take-up reached 445,259 sq ft by mid-2026, up 50% q/q and 286% y/y. However, the rebound was driven primarily by retail and -commerce occupiers rather than a broad-based market recovery. Second-hand stock accounted for 308,000 sq ft of transactions, compared with just 136,000 sq ft of new or refurbished space, highlighting the limited availability of modern accommodation.

The quarter's key deals reinforce this trend. HFD Group leased the newly completed 65,000 sq ft Centralway 65 scheme in Gateshead at £9.00 psf, demonstrating occupiers' willingness to pay a premium for high-quality new space. NHC Group, a retail wholesaler, acquired 56,000 sq ft of second-hand Grade A space at Aycliffe Point in Newton Aycliffe, while Project Padel leased 53,000 sq ft of Grade A accommodation at Unit C, Merlin Way, North Tyneside. Together, these transactions highlight growing competition for the region's limited supply of high-quality space.

GRADE A SHORTAGES INTENSIFY AS AVAILABILITY FALLS

Availability has fallen to 3.9m sq ft, down 11% q/q and 2% below the long-term average, as stronger take-up combines with a lack of new supply.

Of the total available space, just 1.0m sq ft comprises new stock, compared with 2.8 million sq ft of second-hand accommodation, leaving occupiers with relatively few modern options. As a result, the overall vacancy rate has fallen to 8.3%, down from 9.4% in Q1 and 9.6% a year earlier.

The supply squeeze is most evident in the Grade A market, where the vacancy rate stands at just 3.5%. With only 1.3m sq ft of Grade A space available and no significant completions delivered during the first half of the year, the gap between occupier demand and supply of high-quality accommodation looks set to widen further.

RECORD RENTS REFLECT TIGHT MARKET CONDITIONS

Prime rents for units above 50,000 sq ft in Newcastle have reached a record £9.00 psf, representing growth of 12.5% both q/q and y/y.

The increase reflects a widening imbalance between demand and the availability of quality space, rather than speculative rental growth. With occupiers competing for a limited pool of modern accommodation, pricing continues to strengthen.

Looking ahead, Knight Frank Insight has upgraded its average rental growth projections for the region to 3.6%, expecting persistent undersupply to keep supporting pricing even as take-up normalises.

Scotland

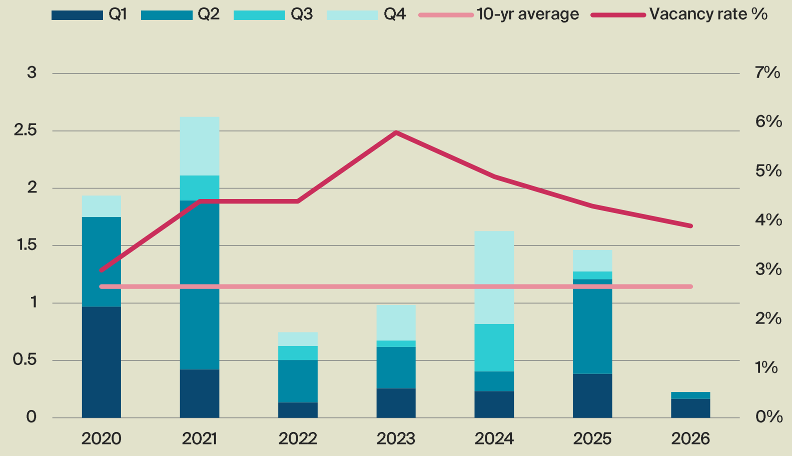
57k sq ft
Occupier take up Q2 2026

3.9%
Vacancy rate Q2 2026

£10.75 psf
Prime rents (Glasgow) Q2 2026

-%
Prime annual rental growth

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



Source: Knight Frank Insight

TAKE UP HELD BACK BY A SHORTAGE OF MODERN SPACE
Just 57,463 sq ft of space transacted across Scotland in Q2 2026, down 65% q/q and 93% y/y. However, the slowdown reflects a lack of suitable supply rather than weakening occupier demand. Appetite for modern industrial and logistics space remains strong, but opportunities to secure it are limited.

Only one transaction completed during the quarter, with RWG leasing Units C-D, Wellshead Terrace in Aberdeen. The deal reinforces the market's reliance on second-hand stock, with occupiers continuing to adapt existing space to meet their requirements.

The longer-term picture tells a similar story. Across the four quarters to Q2 2026, only two transactions involved new-build space, accounting for just 13% of total take-up. With development activity remaining subdued, occupiers have increasingly been forced to compete for, or compromise on, second-hand accommodation.

SCARCE GRADE A SUPPLY CONTINUES TO TIGHTEN THE MARKET
Scotland's vacancy rate fell to 3.9% in Q2, down 10 basis points q/q and a full percentage point y/y, extending a sustained period of market tightening.

While total availability increased marginally to 2.6m sq ft, up 1.3% q/q, it remains 17% below the level recorded a year ago and low by historical standards. Second-hand accommodation continues to dominate supply, accounting for 98% of all available floorspace.

The more significant constraint is the shortage of Grade A accommodation. Only 112,218 sq ft of Grade A space is currently available across the whole of Scotland, leaving occupiers with very few modern options. With no speculative developments under construction, this imbalance between demand and quality supply is likely to persist in the near term.

There are, however, signs of future delivery. Planning has been secured for new warehouses at Eurocentral, Motherwell, 12 miles east of Glasgow city centre, where a new best-in-class industrial and logistics development is planned. The scheme comprises two units of approximately 80,000 and 120,000 sq ft targeting EPC A ratings and BREEAM Excellent accreditation. Construction is due to start this autumn, with practical completion expected by autumn 2027.

RENTAL LEVELS & OUTLOOK
Prime industrial rents in the Central Belt hold steady at £10.75 psf (units 50,000 sq ft+). Across Scotland, average rental growth is forecast at 2.2% for 2026, with the Central Belt set to outperform at around 3.7% (Knight Frank Insight).

Wales

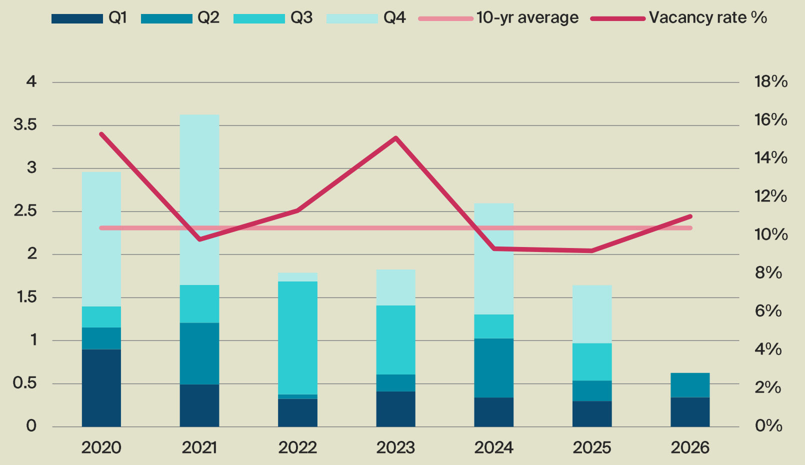
282k sq ft
Occupier take up Q2 2026

11.0%
Vacancy rate Q2 2026

£10.00 psf
Prime rents Q2 2026

-%
Prime annual rental growth

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



Source: Knight Frank Insight

MID-BOX DEMAND DRIVES A RESILIENT MARKET

The Welsh market recorded a stronger second quarter, with take-up reaching 282,000 sq ft. While lower q/q, activity was 35% above Q2 2025 levels, highlighting continued occupier confidence despite ongoing supply constraints.

There were three transactions over 50,000 sq ft this quarter, comprising two freehold acquisitions and one letting. The largest transaction saw Ecolab acquire a 100,000 sq ft facility at Llantrisant Business Park, while Dragon Recycling Limited leased the 64,000 sq ft Unit 4B at Tafarnaubach Industrial Estate in Tredegar for additional storage space.

Both transactions fell within the 50,000-100,000 sq ft size band, underlining the importance of mid-box demand across the Welsh market. However, the level of activity continues to be constrained by the limited availability of modern Grade A accommodation, restricting occupiers' ability to satisfy requirements in preferred locations and specifications.

SECOND-HAND SUPPLY DOMINATES AS MODERN OPTIONS REMAIN SCARCE

Available space totalled 4.5 million sq ft at the end of the quarter. While this represents a q/q decline, availability remains above year-end 2025 levels. The vacancy rate now stands at 11.0%. Despite the recent improvement, elevated vacancy reflects the volume of second-hand space currently on the market, much of which is older stock that has been available for some time, with an average void period of 16 months for second-hand stock.

Occupiers seeking new or Grade A accommodation continue to face supply constraints. This is reflected in the Grade A vacancy rate for Wales, which remains below 1%. Less than 300,000 sq ft of new and Grade A space is currently available across the market. However, Indurent's next phase at Newport should help ease supply conditions, with five speculative units currently under construction.

LIMITED GRADE A SUPPLY CONTINUES TO SUPPORT RENTS

Prime rents in Cardiff have remained unchanged at £10.00 psf for a fifth consecutive quarter, demonstrating the resilience of the market despite a broader increase in available space.

Looking ahead, Knight Frank Insight expect rental growth of 1.9% across Wales during 2026, with Cardiff expected to outperform at 2.2%. Improving market fundamentals, resilient occupier demand and the ongoing shortage of Grade A accommodation should continue to support prime rental levels over the medium term.

Contacts

Logistics & Industrial Insight

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

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

Lydia Goodchild
lydia.goodchild@knightfrank.com
+44 20 7861 1134

Capital Markets

Johnny Hawkins
johnny.hawkins@knightfrank.com
+44 20 7861 1519

Will Gubb
will.gubb@knightfrank.com
+44 20 7861 1595

Valuation & Advisory

Giles Coward
giles.coward@knightfrank.com
+44 20 7861 1679

Henry Farrar-Bell
henry.farrar-bell@knightfrank.com
+44 20 7861 5221

Logistics & Industrial Agency

National Agency
Charles Binks
charles.binks@knightfrank.com
+44 20 7861 1146

London and the South East
Gus Haslam
gus.haslam@knightfrank.com
+44 20 7861 5299

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

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

North West
Rob Tilley
rob.tilley@knightfrank.com
+44 161 833 7719

South West
Russell Crofts
russell.crofts@knightfrank.com
+44 117 917 4535

South Yorkshire and North East Derbyshire
Rebecca Schofield
rebecca.schofield@knightfrank.com
+44 114 253 7194

West Yorkshire and the Humber
Iain McPhail
iain.mcphail@knightfrank.com
+44 113 297 1843

North East
Mark Proudlock
mark.proudlock@knightfrank.com
+44 191 594 5019

Scotland
Scott Hogan
scott.hogan@knightfrank.com
+44 122 441 5956

Wales
Neil Francis
neil.francis@knightfrank.com
+44 29 2044 0147

Knight Frank