

LOGIC: UK

Q3 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

9.6m sq ft

Occupier take up Q3 2026



8.0%

Vacancy rate Q3 2026



3.5%

Prime annual rental growth



3.4%

Average rental growth forecast 2026



INVESTMENT MARKETS

£2.8bn

Investment quarterly total



40%

Institutional capital (Q3 2026)



5.25 – 5.50%

Prime yield (15-yr income OMRR)



5.6%

Annualised total returns to August 2026



CHINESE ECOMMERCE RESHAPES DEMAND

Chinese ecommerce operators are becoming an increasingly important source of UK logistics demand.

IMPACT ON THE LOGISTICS MARKET

- Chinese ecommerce retailers and their 3PL partners accounted for 17% of total UK take up in Q3.
- Demand has been concentrated in the UK's core national distribution markets
- Occupiers tend to prioritise speed to occupation and flexibility.

INCOME IS DRIVING RETURNS

With capital growth slowing, income is accounting for a greater share of investment performance.

IMPACT ON THE LOGISTICS MARKET

- Annual capital growth slowed to 0.7% in the year to August, compared with 5.2% a year earlier.
- Investors are targeting rental reversion and active asset management strategies.
- Portfolios and multi-let estates offering a wide range of lease events providing opportunities to grow income.

HIGHER DEBT COSTS FAVOUR INSTITUTIONS

Institutions are gaining market share as elevated financing costs constrain more debt-dependent buyers.

IMPACT ON THE LOGISTICS MARKET

- Institutional investors accounted for 40% of Q3 investment volumes, supported by their lower reliance on debt.
- Longer investment horizons and reduced reliance on debt leave institutions well placed.
- Higher debt costs continue to constrain leveraged buyers and listed property companies.

UK investment market overview

MAJOR PORTFOLIO TRANSACTIONS DRIVE INVESTMENT

UK industrial and logistics investment totalled £2.77 billion in Q3 2026, up 86% from £1.49bn in Q2. The surge in transactions this quarter principally reflects larger average lot sizes and the completion of several major portfolios. Portfolio transactions contributed approximately £1.41bn, or 51% of total, with the five largest totalling c.£1.21bn.

Consequently, average lot sizes rose to £30.9 million in Q3, up from £24.4 million in the previous quarter. Significant portfolio transactions included a 2.7-million-square-foot portfolio of eight UK logistics assets, acquired by Mirastar & KKR for £398m, the VAULT Portfolio, comprised of eight big box assets, acquired by EQT Real Estate from Logikor for £300m, and Project Pintail, a portfolio of 20 industrial estates, acquired by GoldenTree Asset Management for c.£194m.

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.

While political, geopolitical and rate uncertainty persists, investors are showing a greater willingness to commit capital rather than delay decisions indefinitely. Ample liquidity and robust occupier market fundamentals are supporting activity, albeit with a disciplined and selective approach to underwriting.

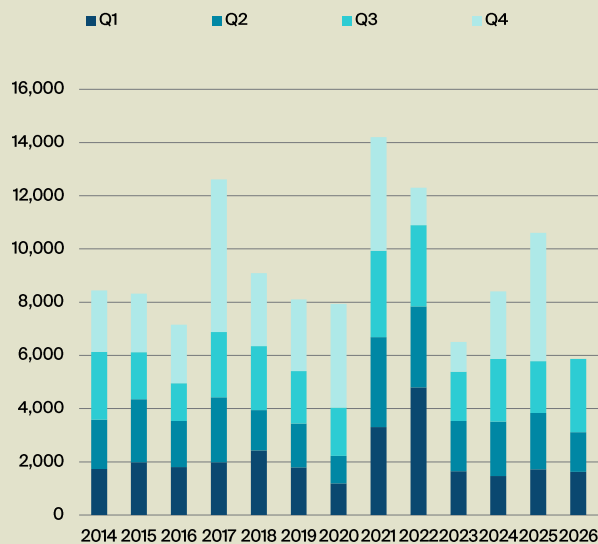
INSTITUTIONAL INVESTORS GAIN MARKET SHARE

Private equity continues to dominate, accounting for 34% of the investment total so far this year. Meanwhile, institutional investors accounted for 31% of investment activity, the highest proportion since 2021 and a significant increase from just 11% last year.

Focusing on Q3 2026, the market has been dominated by institutions, that have accounted for 40% of investment volumes. Institutions are benefiting from their lower reliance on debt, longer investment horizons and appetite for durable income. The current cost of debt has put them in a relatively competitive position

Industrial & logistics - Investment total

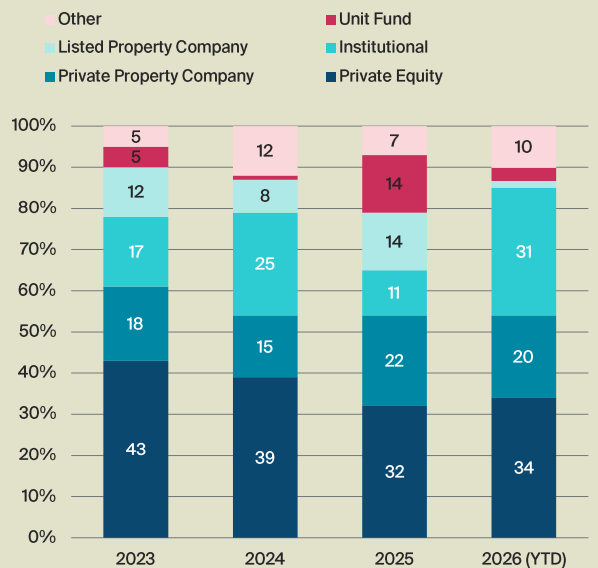
£ millions



Source: Knight Frank Insight

Capital composition

%



Source: Knight Frank Insight, MSCI

to buyers dependent on financing. In contrast, the REIT and listed property sector, have become net sellers. REITs and listed property companies are constrained by public market valuations, earnings accretion requirements and balance sheet considerations. With prime logistics yields still relatively tight versus financing costs, making acquisitions work from a listed earnings perspective has been more challenging.

INVESTORS ARE LOOKING TO INCOME TO DRIVE PERFORMANCE

With capital value growth continuing to moderate, income is becoming an increasingly important component of total returns. Annual capital growth stood at just 0.7% in the year to August 2026, down from 5.2% a year earlier, increasing the importance of assets that can deliver rental growth and income enhancement. As a result, investors are targeting opportunities for reletting, rental reversion, repositioning or redevelopment. Activity has consequently shifted towards assets offering greater potential

for value creation. Portfolios and multi-let assets, for example, provide a wider range of lease events and therefore more opportunities to capture reversion and crystallise rental growth.

The higher debt costs and weaker capital growth environment is also reinforcing the appeal of long-term income strategies. Institutional investors are particularly well-positioned, given their ability to hold assets over longer periods and focus on sustainable income growth rather than short-term capital appreciation. This has supported demand for high-quality assets with reversionary potential, even as underwriting remains selective.

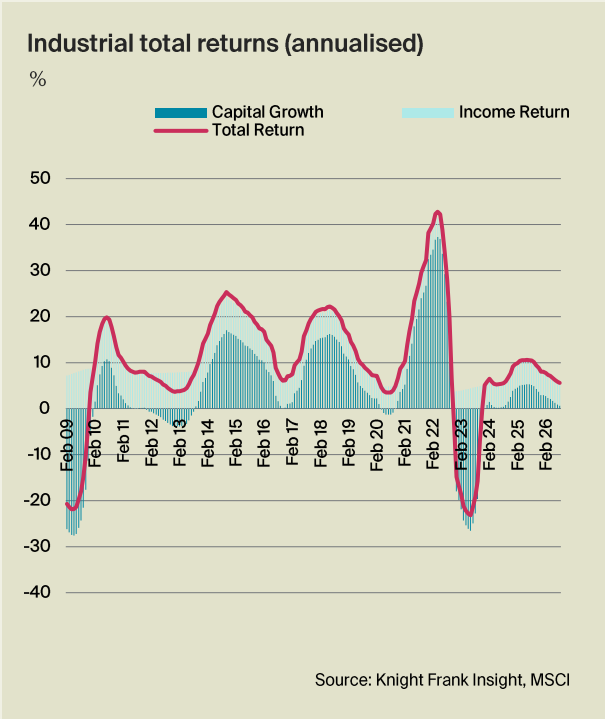
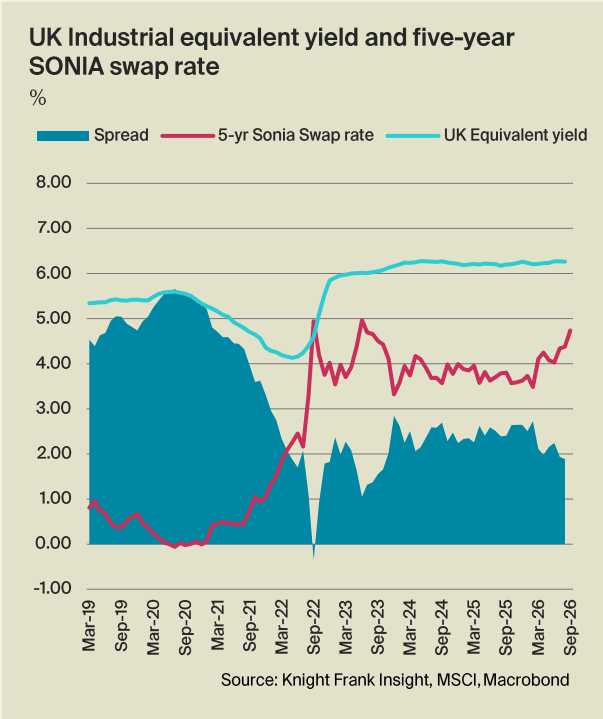
PRICING AND OUTLOOK

Prime industrial yields held broadly stable during Q3, though softening continued in selected segments. Knight Frank's September Yield Guide shows core prime distribution and warehousing pricing unchanged, while secondary distribution and Greater London estate yields moved out by up to 25 bps, reflecting continued differentiation between prime

and secondary assets. However, financing markets came under renewed pressure as the quarter progressed. The five-year SONIA swap rate rose to 4.74% in early October, up from 4.03% at the end of Q2, while ten-year gilt yields increased to 5.42%, from 4.76% at the end of Q2.

Looking ahead, rate expectations have shifted decisively upward. Market pricing on 12 October implies the Bank of England base rate rising from 3.75% to around 4.5% by April 2027 and 4.9% by October 2027, peaking near 5.0% in early 2028. Meanwhile, economists at Oxford Economics and Capital Economics are forecasting just two rate rises, taking rates to 4.25% in the first half of next year.

Despite this more challenging rate backdrop, resilient occupier market performance and continued upward revisions to rental growth forecasts should help offset some of the pricing pressure. Nonetheless, elevated and rising debt costs are likely to keep underwriting selective and sustain pressure on exit pricing over the near term.



UK occupier market overview

OCCUPIER DEMAND REMAINS RESILIENT

A total of 9.6 million sq ft of logistics space was taken up across the UK in Q3 2026, down 7% on Q2, and 8% below the five-year quarterly average. The vacancy rate remained stable q/q, at 8%, but remains higher y/y.

OCCUPIERS FOCUSED ON QUALITY

Occupiers continue to focus overwhelmingly on Grade-A (new or refurbished) space, which accounted for 59% of all take up in Q3 and 58% of take up in 2026 YTD. This represents a significant shift from recent years, with Grade-A space accounting for just 26% of take up on average over the past five years.

Higher vacancy rates are giving occupiers greater choice, and many occupiers are responding to the current market conditions with increasingly rigid requirements in terms of size, fit-out and location.

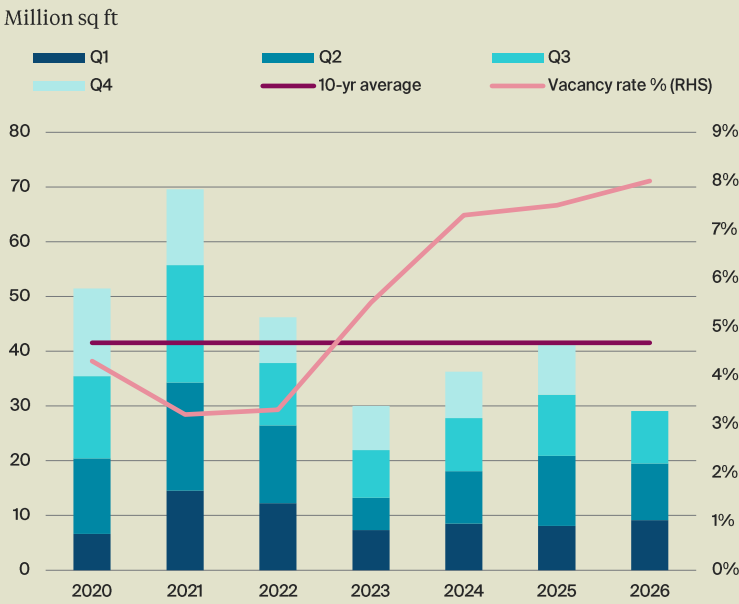
Demand for fitted or partially fitted space remains high, as occupiers seek to minimise upfront capital expenditure and accelerate occupation. Power availability, clear heights, floor loading capacity and automation-ready specifications are also becoming increasingly important decision drivers.

An increasing number of businesses are prioritising operational flexibility and speed to occupation. This is driving up competition for existing Grade-A space, particularly if the occupier can benefit from a previous tenants' fit-out.

CHINESE ECOMMERCE DRIVES DEMAND

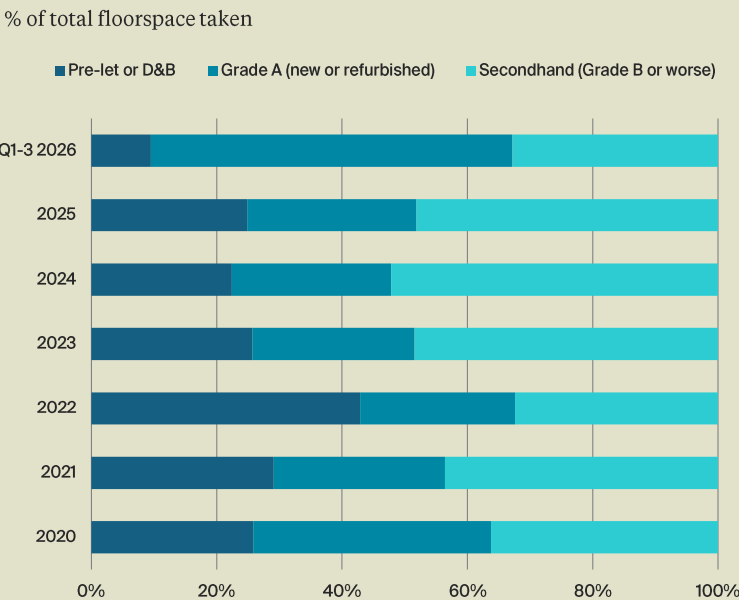
The retail and distribution sectors were the most active occupier groups in Q3, together accounting for almost three quarters of take up. Distribution firms dominated, taking

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



Source: Knight Frank Insight

Proportion of take up by type and grade



Source: Knight Frank Insight

up 49% of floorspace this quarter. Chinese ecommerce (including retailers and 3PLs) accounted for 17% of total take up this quarter, continuing the trend we have observed in recent quarters.

VACANCY RISES, BUT QUALITY SPACE REMAINS TIGHT

Availability decreased to 96.3m sq ft at the end of Q3, falling by 0.8m sq ft throughout the quarter.

New, speculatively built space accounts for 29% of the total available floorspace, while second-hand space represents 71%. The second-hand space available is dominated by lower quality stock, with Grade-B or worse representing 63% of the total.

The vacancy rate remained stable q/q, at 8.0%. Meanwhile, the Grade-A vacancy rose slightly from 4.4%, to 4.6% at the end of Q3. Occupiers continue to focus on securing higher-quality accommodation, second-hand Grade-A space remains particularly favoured where an incoming tenant can make use of an existing fit-out.

A SLIGHT UPTICK IN DEVELOPMENT ACTIVITY

At the end of Q3, 67 speculative schemes (over 50,000 sq ft) were under construction, totalling 11.2 m sq ft, up from 56 schemes totalling 7.7m sq ft at the end of Q2. Despite this q/q increase, development remains modest; with elevated construction and financing costs continuing to pose viability challenges.

OUTLOOK: SUPPLY CONSTRAINTS SUPPORT RENTAL GROWTH

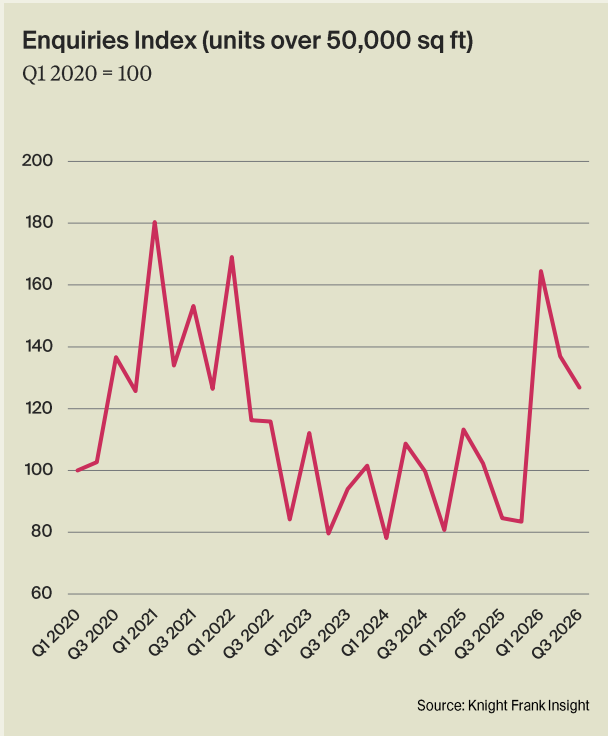
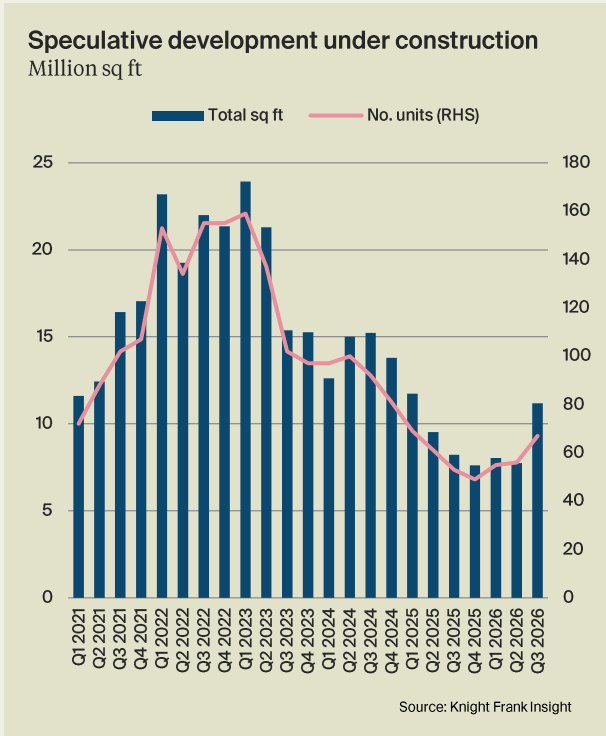
Knight Frank's enquiry metrics, alongside resilient take up levels in Q3, point to continued occupier momentum heading into the final quarter of 2026. While enquiry volumes were 7% lower q/q, they remain at their fourth-highest level since Q1 2022, indicating that ongoing geopolitical tensions and domestic 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.

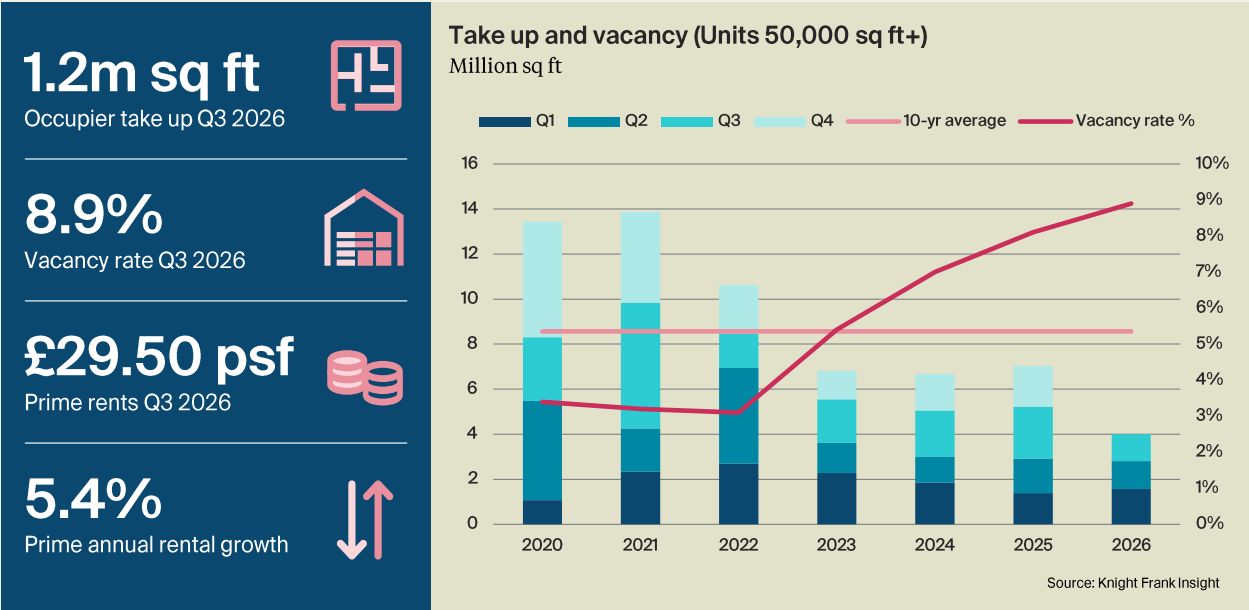
Consequently, occupiers seeking well-located, high-quality space are likely to face increasing competition, with Grade-A availability continuing to tighten and development pipelines remaining limited.

These supply constraints are already supporting rental growth. Six 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 3.4% in 2026, easing from 4.2% in 2025 before moderating further to 2.7% in 2027, and rebounding to 3.4% in 2028 (Knight Frank Insight), marking an upward revision on our Q2 forecasts. While average rental growth is expected to moderate next year, constrained development activity and limited availability of modern Grade-A space are expected to continue supporting prime rental growth, particularly in core distribution markets.



London and the South East



MODERN SPACE UNDERPINS ACTIVITY

During Q3 2026, take up across London and the South East totalled 1.2 million sq ft for units over 50,000 sq ft, down by 2.5% q/q.

New and Grade-A second-hand accommodation accounted for 90% of take up during the quarter, reflecting occupiers' continued focus on best-in-class facilities in well-connected locations that support improved operational efficiency.

The largest deal of the quarter was Sim Group Ltd's lease of Unit 2 at Dunsbury Park, a modern 152,801 sq ft Grade-A facility in Havant. Located just off Junction 3 of the A3, the property provides strong links to the wider motorway network and the ports of Southampton and Portsmouth. Elsewhere, load bank manufacturer, Avtron Power Solutions leased the 130,850 sq ft PE2 facility in Peterborough to support its expanding

manufacturing and testing operations.

SPECULATIVE DEVELOPMENT BOOSTS AVAILABILITY

Availability continued to increase in Q3 2026, reaching approximately 23.4m sq ft, up 4% q/q and 15% y/y. Second-hand stock continues to dominate supply, accounting for 58% of total availability, or roughly 13.5 million sq ft, reflecting a steady 17% increase from Q3 2025. As availability has risen, the vacancy rate has moved out slightly to 8.9%, compared with 8.8% last quarter, and 8.1% a year ago.

Developer confidence strengthened further during the quarter, with 28 speculative schemes now under construction, providing 2.5m sq ft. This compares with 17 schemes totalling 1.9m sq ft a year ago.

Availability remains heavily skewed towards larger mid-box units, with the 100,000–250,000 sq ft size bracket alone accounting

for 10.7m sq ft of total available stock.

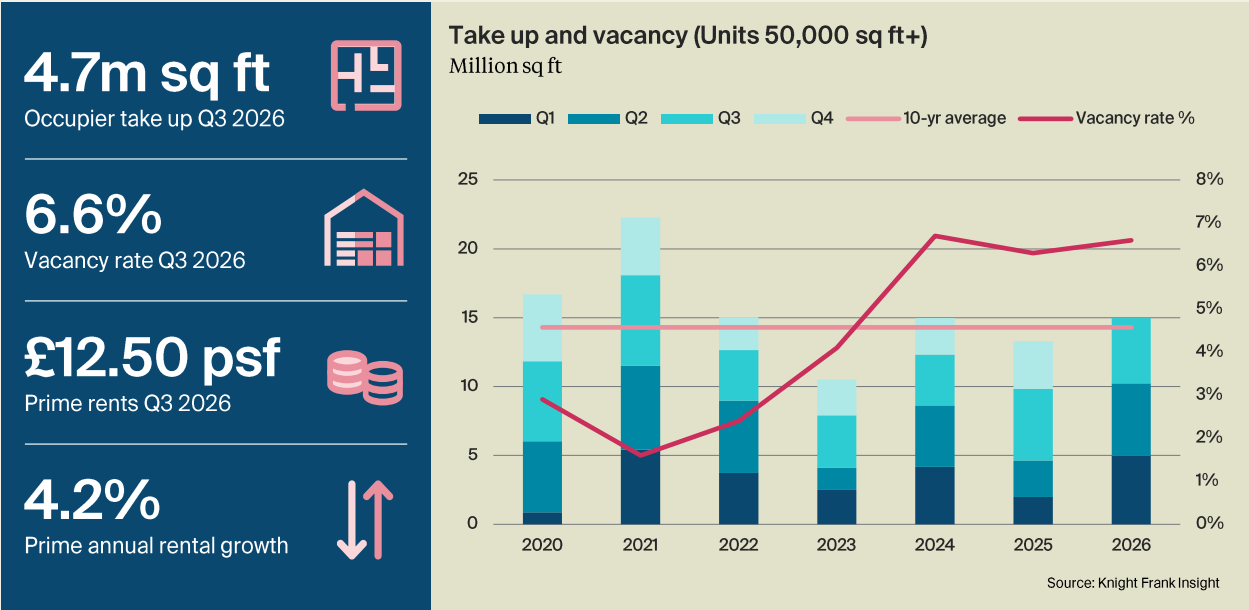
PRIME RENTS STABLE IN MOST MARKETS

Prime headline rents increased in Milton Keynes, Stevenage, Bedford and Basildon over the quarter, with Basildon recording the largest uplift, rising from £13.50 per sq ft in Q2 2026 to £14.50 per sq ft in Q3 2026. However, most sub-markets across the region saw prime rents hold steady q/q.

Out of the 38 markets across the region where we track prime rents, 12 have recorded an annual uplift, 24 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 3.1%, 3.8% and 3.2% growth expected across London, the South East and Eastern regions, respectively.

Midlands



LARGE-SCALE DISTRIBUTION DEMAND DRIVES ACTIVITY

Take up of units over 50,000 sq ft in the Midlands totalled 4.7 million sq ft in Q3 2026, marking a 9.6% decline q/q. Despite the slight decline, activity at the larger end of the market was particularly strong, with 2.7 million sq ft transacted in the 250,000-400,000 sq ft size band, the highest quarterly volume since 2019.

Distribution firms accounted for 57% of transactions this quarter, supported by a cluster of Chinese ecommerce requirements, while retail and manufacturing occupiers also contributed to activity.

Notable deals included global logistics operator DSV taking the 474, 593 sq ft second-hand Stafford 475. TikTok also leased the newly completed 250,400 sq ft Rugby 251 for its ecommerce fulfilment operations, at £11.50 psf. The Grade-A unit, rated

BREEAM excellent, adds to the recent cluster of Chinese-owned ecommerce requirements in the Midlands and highlights the regions' importance to large-scale distribution networks.

DEVELOPMENT PIPELINE EXPANDS

Availability across the Midlands fell by 7% during Q3 as fewer units came to market. Grade-A vacancy was broadly unchanged at 3.3%, compared with 3.2% in Q2. The composition of available supply remains heavily weighted towards older stock, with 19.5 million sq ft comprising Grade B or lower-quality accommodation.

The development pipeline, however, points to an improvement in modern supply. Some 5.5 million sq ft is now under construction across 26 speculative schemes, almost double the 2.8 million sq ft recorded a year ago. As these schemes complete, occupiers

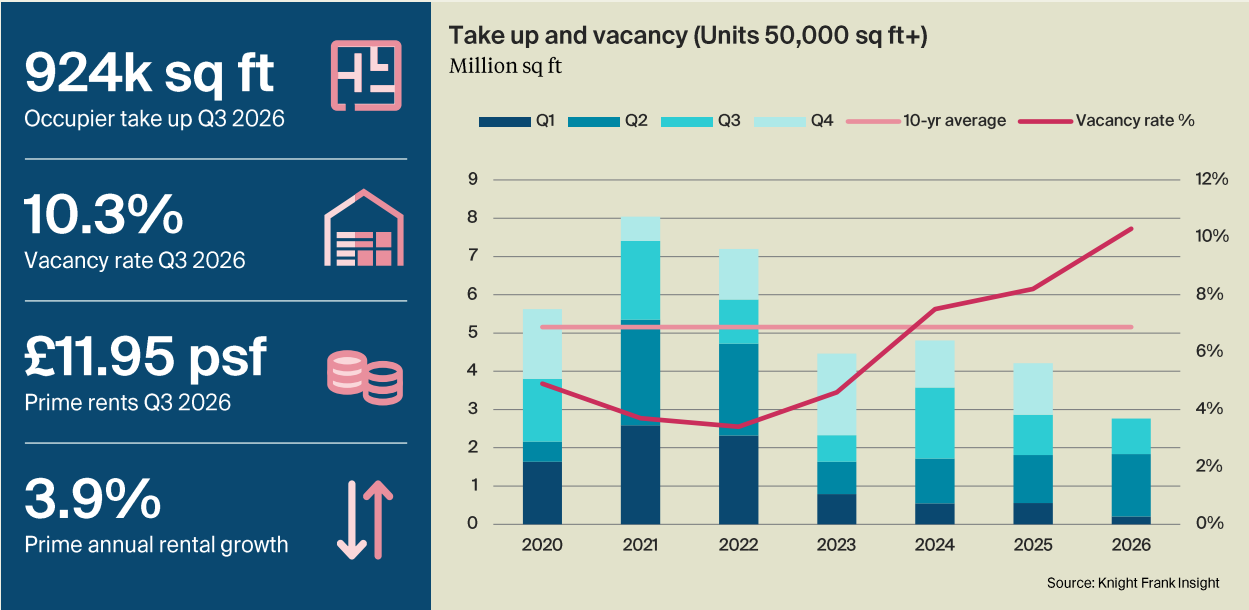
should have a wider choice of modern accommodation.

RENTAL GROWTH CONTINUES AS MARKET REBALANCES

Prime industrial rents in Birmingham remained stable in Q3, with headline rents for units over 50,000 sq ft holding at £12.50 psf for a third consecutive quarter, supported by continued demand for high-quality space in core Midlands locations.

Looking ahead, Knight Frank Insight expects rental growth to remain positive across the Midlands, with average rents forecast to rise by 3.1% in the East Midlands and 3.5% in the West Midlands in 2026, compared with 2.9% and 4.3% respectively in 2025.

North West



MID-BOX DEALS DOMINATE A QUIETER QUARTER

for units over 50,000 sq ft reached 923,631 sq ft in Q3, down 43% from the previous quarter and 12% below Q3 2025. New and Grade-A second-hand accommodation accounted for 59% of activity, suggesting that demand remains weighted towards better-quality space.

Manufacturing firms were the most active occupiers during the quarter, although retailers continued to lead activity year to date, accounting for 51% of total take up. Most transactions were in the 100,000–250,000 sq ft size band, underlining the importance of mid-box units to the regional market.

The two largest deals were both close to 200,000 sq ft. Toy and consumer goods distributor RMS International leased the 199,250 sq ft Unit 5 at Moorgate Point, taking the refurbished

warehouse at £4.50 per sq ft. Meanwhile, packaging manufacturer eCorrugated took the new spec 198,149 sq ft Aviator 200 in Ellesmere Port at £6.95 per sq ft on a ten-year lease.

SECOND-HAND SUPPLY DRIVES RISE IN AVAILABILITY

Total available floorspace, excluding developments under construction, increased to 17.0m sq ft, up 3.4% q/q and 20.6% y/y.

The increase was driven almost entirely by second-hand accommodation, which now totals nearly 12.5m sq ft, rising 5% during the quarter and 34% over the past year. By contrast, availability of new space fell by 1.6% q/q to 4.4m sq ft and remains around 6.1% below its level a year ago.

Completions totalled 393,640 sq ft, contributing to a slight rise in the overall vacancy rate from 10.2% to 10.3%. The speculative

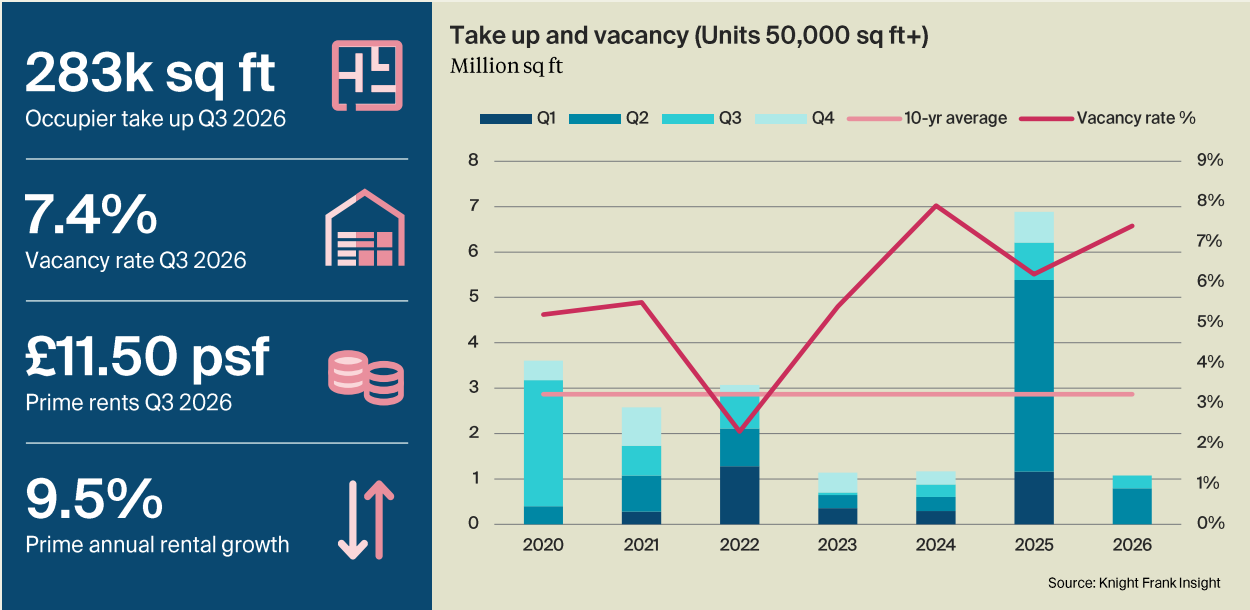
pipeline also grew, with space under construction rising by 59% to 957,906 sq ft.

PRIME RENTS VARIES ACROSS KEY NORTH WEST MARKETS

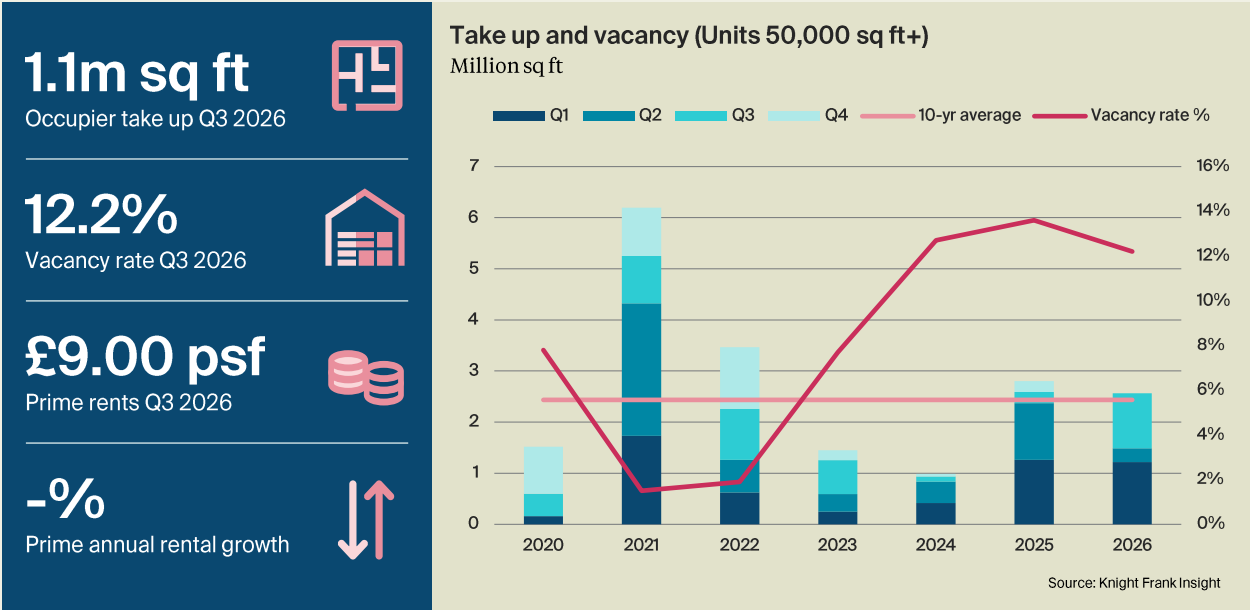
Prime rents in Manchester remained stable during the quarter at £11.95 psf. However, the city continues to trail Warrington, where prime rents for units over 50,000 sq ft stand at £12.50 psf following annual growth of 4.2%.

Knight Frank Insight expects rental growth across the North West to moderate but remain positive, with 2.5% growth in 2026. Manchester and Warrington are set to outperform, with projected rental growth of 3.1% in both markets.

South West



South Yorkshire and North East Derbyshire



Grade-A DEMAND RE-EMERGES IN Q3

South Yorkshire’s occupier market picked up in Q3, with take up reaching 1.1 million sq ft following a subdued second quarter. This was 392% above the level recorded in Q3 2025, marking a sharp return in activity after a quieter first half of the year.

Q3 saw a return to higher-quality space, with new and second-hand Grade-A units accounting for half of all take up, compared with a previous quarter dominated entirely by second-hand Grade B and C stock. Activity was concentrated in the 50,000-100,000 sq ft size band, although overall volumes were heavily influenced by one major transaction.

The largest transaction of the quarter was Primark’s letting of 615 Shepcote Lane in Tinsley. The 614,501 sq ft high-specification distribution facility, which offers 16.7m eaves height and a modern

logistics specification, was secured to support the retailer’s expansion into home delivery, and accounted for the majority of quarterly and provided a significant boost to overall activity.

VACANCY EDGES DOWN AS SUPPLY TIGHTENS

South Yorkshire’s vacancy rate edged down from 13.6% at the end of 2025, to 12.2% in Q3 2026. This was driven by a fall in availability in the 50,000 to 100,000 sq ft size band, while supply of larger units remained broadly stable.

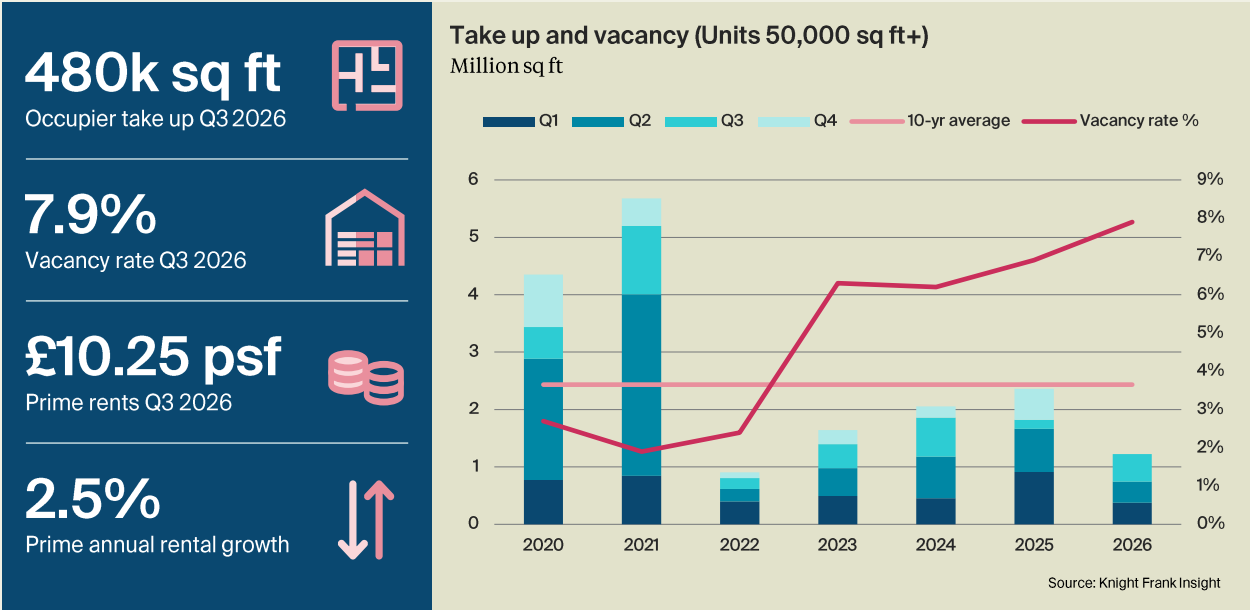
Available space across South Yorkshire remained evenly split at the end of Q3, with new and second-hand stock each accounting for around half of the total. New-build availability stood at approximately 4.2 m sq ft, down 2% q/q, while second-hand supply fell by 8% to 4.1 m sq ft.

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 2.9% in Sheffield during 2026, ahead of the wider Yorkshire & the Humber region (1.7%). 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



OCCUPIER DEMAND REMAINS SELECTIVE

The West Yorkshire market recorded total take up of 480,108 sq ft in Q3, up 32% q/q and 204% y/y, albeit from a subdued Q3 2025. Demand remained highly selective, with transactions split between Grade-A new-build and Grade C second-hand space, suggesting occupiers are either prioritising best-in-class accommodation or seeking lower-cost options. Activity was also concentrated in the 50,000 sq ft to 100,000 sq ft size bracket, with only a single transaction exceeding 100,000 sq ft.

The quarter's largest transaction was Campeys of Selby's letting of a 190,402 sq ft net-zero carbon facility at Sherburn 42. The family-run haulage company agreed a 10-year lease on the facility, which will more than triple its existing storage capacity, providing substantial scope for future customer growth, as it

continues to expand into the food and retail logistics sector, underlining continued demand for modern, sustainable logistics space.

SECOND-HAND STOCK DOMINATES SUPPLY

Total available floorspace fell 6% q/q to 5.3 million sq ft in Q3, reducing the vacancy rate to 7.9% from 8.4% in the previous quarter.

While availability has tightened, the market remains characterised by a shortage of high-quality accommodation. Grade-A space accounts for just 137,947 sq ft, or 3% of total availability, with supply largely concentrated in small and mid-box units. As a result, Grade-A vacancy compressed further to just 0.8% in Q3, down from 1.2% in Q2 and 1.0% in Q1, underlining the scarcity of modern, best-in-class space.

By contrast, Grade B or worse facilities accounts for 90% of all available floorspace, highlighting

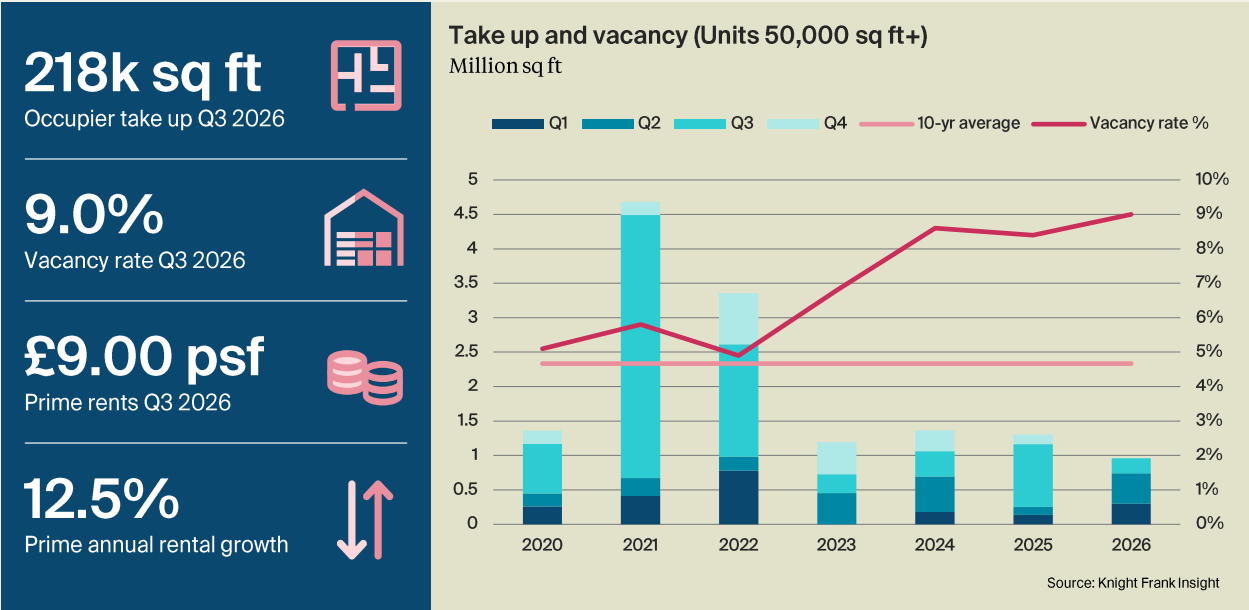
the continued dominance of secondary space within the market. With only one speculative development above 50,000 sq ft currently under construction, the supply of new, high-quality accommodation is likely to remain constrained over the near term.

LIMITED MODERN SUPPLY SUPPORTS RENTAL GROWTH

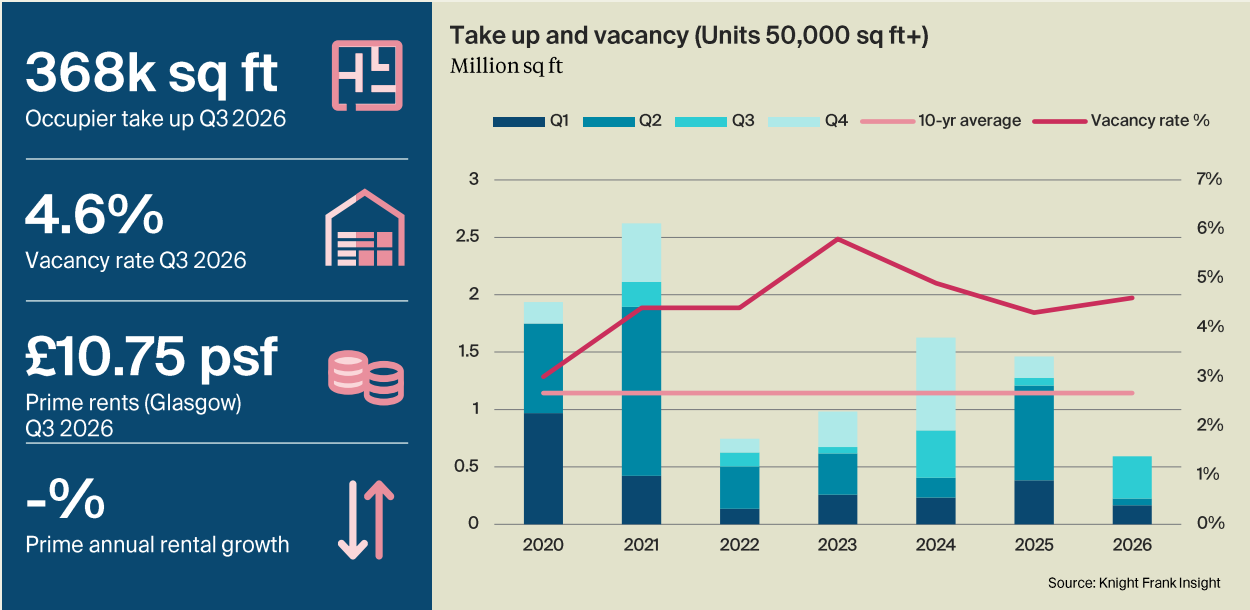
Prime industrial rents in Leeds increased to £10.25 psf in Q3 2026 for units of 50,000 sq ft and above, marking the first rental uplift since Q1 2025.

Looking ahead, Knight Frank Insight expect average rental growth of 1.7% across Yorkshire & the Humber in 2026, with Leeds expected to outperform at 3.0%. While average growth is moderating, the limited availability of high-quality accommodation should continue to support rental performance.

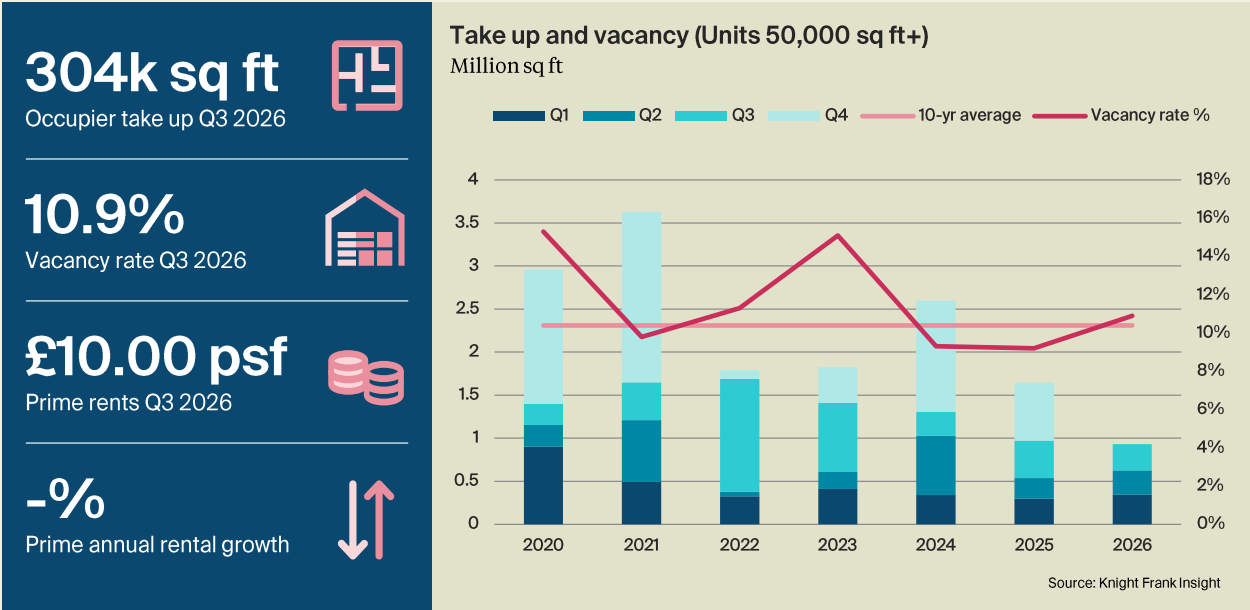
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Scotland



Wales



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