

# LOGIC: London & South East



Q2 2025

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

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Image: Watford Logistics Park

# Occupier Market

## Resilient take up against a backdrop of supply growth and cautious sentiment

### STEADY FIRST HALF FOR LEASING ACTIVITY

Occupier statistics for Q2 2025 point to another steady quarter for industrial and logistics leasing activity across the London & South East region. Take up totalled 1.7 million sq ft in the three-month period, and this, combined with the 1.3 million sq ft that transacted in Q1, brings the H1 2025 total to almost 3 million sq ft, on par with the same first-half yearly total last year.

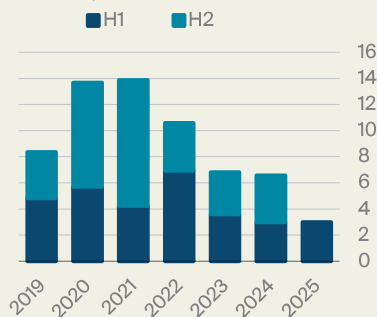
Activity in Q1 included Chinese online retailer JD.com signing two units at PLP Milton Keynes - Unit 3 (310,949 sq ft) and Unit 1 (220,570 sq ft). The company plans to establish its own UK delivery network and has agreed an initial five-year lease at £12.10 psf. Chinese online retailers are increasingly expanding their UK supply chains, amid expected changes to cross-border tax rules and shifting global trade dynamics.

### NON-TRADITIONAL ('OTHER') OCCUPIERS DRIVE ACTIVITY

Continuing the trend of recent quarters, non-traditional occupiers account for the largest share of take up, comprising 36% of activity in the year to Q2 2025. This is up from just 10% a year earlier. As demand increasingly diversifies, 'Other'

#### Take up (sq ft)

million square feet



Source: Knight Frank Insight

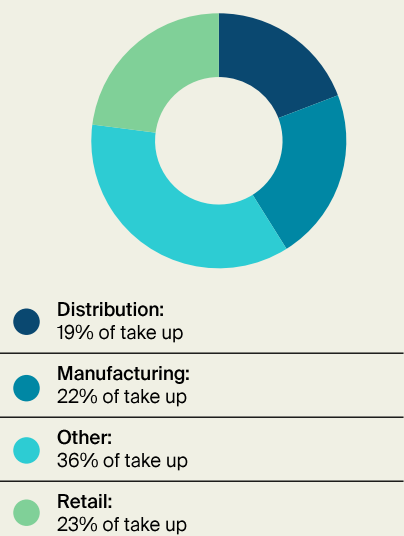
occupiers have taken 3.5 times more space than during the same period last year. Manufacturers comprise a further 22% of the annual total. In Q2, Aircraft components manufacturer Eaton pre-let a new 176,000 sq ft facility at Faraday Business Park, Daedalus in Fareham for 20 years at £9.50 psf. Construction of the new site is due to begin this summer.

### CAUTION DEFINES CURRENT LEASING ENVIRONMENT

The leasing market currently reflects a divergence between landlord expectations and tenant decision-making. While many landlords maintain firm on rental terms, tenants are adopting a more measured approach amid ongoing economic uncertainty, cost pressures and supply chain challenges. This mismatch is resulting in longer deal timelines. As a result, while overall demand remains steady, the pace of commitments has moderated as occupiers carefully assess their space requirements and landlords adjust their rental tone to secure them.

#### Take up by sector

Q3 2024 – Q2 2025



Source: Knight Frank Insight

### MARKET VIEW

This quarter has seen encouraging signs of momentum



BY CHARLIE PERKINS, SENIOR SURVEYOR, LONDON & SOUTH EAST LOGISTICS & INDUSTRIAL AGENCY

“The occupational market remains mixed, with confidence and activity still patchy across the board. While cost caution and a focus on value continue to be strong themes throughout the market, this quarter has seen, and continues to see, encouraging signs of momentum, with a particularly noticeable increase in demand for 50,000 sq ft+ units in recent months.

Whereas last quarter the majority of interest was focused on more cost-effective areas outside the M25, this quarter has seen activity within the M25 as well, including pre-let deals in Staines and Waltham Cross, along with negotiations and units going under offer in areas such as Park Royal, Greenwich, Watford, Heathrow, and Croydon, all of which are of notable sizes. These are positive indicators for the market moving forward.”



# Occupier Market

3.0m sq ft

Occupier take up  
H1 2025

8.0%

Vacancy rate  
Q2 2025

£28.00 psf

Prime rents  
Q2 2025

-6.7%

QoQ change in prime rental values

“Non-traditional occupiers have taken 3.5 times more space over the past year”

## DEVELOPMENT PIPELINE AT ITS LOWEST LEVEL FOR SEVERAL YEARS

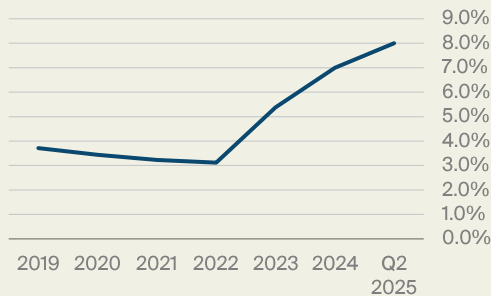
Following two quarters of stabilised vacancy, supply resumed growth in Q2, rising by 15.7% to 20 million sq ft. This pushed the vacancy rate to 8.0%, from 7.0% where it had held for three consecutive quarters. New-build stock increased by 16% as construction completed on several new developments, while the supply of second-hand stock rose by 15%. Notably, the development pipeline across the region is now at its lowest level for several years. Less than 2.4 million sq ft of space is underway, half the level recorded one year ago.

## RENTAL LEVELS & OUTLOOK

With supply levels elevated, landlords are showing the first signs of reducing quoted rents on prime units to secure tenants and minimise void periods. Prime rents in West London for units over 50,000 sq ft have returned to the level seen twelve months ago of £28.00 psf, from £30.00 psf quoted over the preceding three quarters. Prime rents in North London were 2.0% lower in Q2 at £24.00 psf, with South and East London prime rents remaining unchanged at £21.00 psf and £20.00 psf, respectively. Across the wider market, average rental growth is forecast to remain positive, with 3.5% predicted for London and 4.2% for the South East for 2025 (Knight Frank Insight).

### Vacancy Rate

% of stock

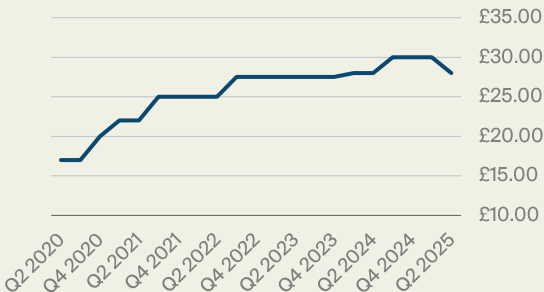


Source: Knight Frank Insight

“Following two quarters of stabilised vacancy, supply resumed growth in Q2”

### West London - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Insight

### Key Occupier Deals H1 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Units 1 & 3, PLP MK, Milton Keynes	531,519	JD.com	£12.10 psf	Speculative builds
Faraday Business Park, Daedalus	176,000	Eaton	£9.50 psf	Pre-let
LG150 London Gateway Stanford Le Hope	150,765	Kent Foods Ltd.	£13.25 psf	Speculative build
DC9, Phase 3, Prologis Park, Hemel Hempstead	74,941	Aerospheres	£21.75 psf	Pre-let
Unit 2, Causeway Central, Staines upon Thames	64,153	TJC	£23.75 psf	Pre-let

Source: Knight Frank Insight

# Investment Market

5.00%

Prime NIY – South East  
Q2 2025

-25bps

YoY movement in prime yields

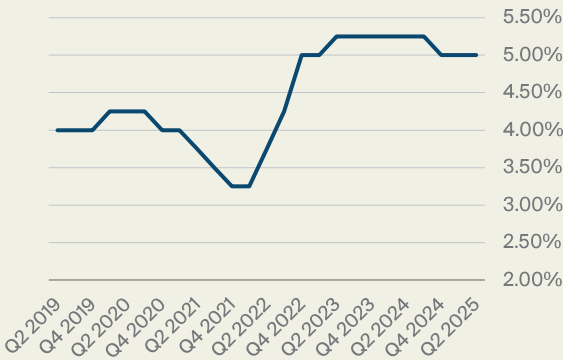
## STOCK LEVELS SHOWING SIGNS OF IMPROVEMENT

Investor confidence is improving as market volatility begins to ease, particularly in London and the South East. However, transaction volumes remain subdued, keeping prime yields in the South East unchanged from the previous quarter. Prime industrial yields remain at 5.00%, following a 25-bps compression earlier in the year. The slower pace of activity reflects not a lack of appetite, but the limited supply of investable stock, although availability is showing signs of improvement.

Transaction volumes in Q2 were propped up by Barings’ acquisition of the 750,000 sq ft Access Portfolio, comprising four multi-let logistics assets, from Blackstone for £145 million. The price reflected a net initial yield (NIY) of 5.34%. Another notable acquisition was Valor RE purchasing Westwood Park Trading Estate, a multi-let industrial property in Park Royal, West London, from a private individual for £43.15 million (NIY 3.23%). The estate comprises 13 units totalling 127,400 sq ft.

### Prime Yields – South East

Net Initial Yield (%)



Source: Knight Frank Insight

### MARKET VIEW

A significant amount of dry power remains available for deployment



BY GEORGIE ROBERTS, ASSOCIATE,  
LOGISTICS & INDUSTRIAL  
CAPITAL MARKETS

“During Q2, we observed an uptick in stock coming to the market following a subdued start to the year. We expect UK-wide transaction volumes in Q2 to be up on the previous quarter, buoyed by a number of national portfolio transactions, with London & the South East region weighting. Overall, transaction levels remain low in comparison to previous years.

Sentiment has remained relatively stable against a backdrop of increased uncertainty and volatility following Trump’s tariffs, which have unsettled some investors.

Nonetheless, a significant amount of dry power remains available for deployment in the sector, and we anticipate deal activity to continue in the traditionally quieter summer months as investors look to deploy their allocations.”

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

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#### **Methodology**

This report has been prepared by Knight Frank Commercial Insight.

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

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

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

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



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