LOGIC: South West

Q2 2025

Occupier and investment market trends in the South West logistics and industrial sector.

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Occupier Market

Strongest H1 take up performance in nearly a decade

STELLAR H1 FOR TAKE UP

The South West recorded another standout quarter for take up of industrial and logistics units over 50,000 sq ft, with over 1.6 million sq ft transacted in the three-month period to June 2025. Building on a very strong first quarter, this brings H1 2025 take up to over 2.8 million sq ft, exceeding the full year volumes for both 2023 and 2024 and marking the region's strongest H1 performance in nearly a decade.

In the UK's largest leasing deal so far this year, GXO Logistics signed a 15-year lease at £9.75 psf on Panattoni's 882,000 sq ft unit in Avonmouth to service an Amazon contract. The building is the UK's largest-ever speculative industrial warehouse, achieving BREEAM 'Excellent' and EPC 'A' ratings, and it was delivered to Net Zero Carbon standards in construction.

STRONG APPETITE FOR LARGER UNITS

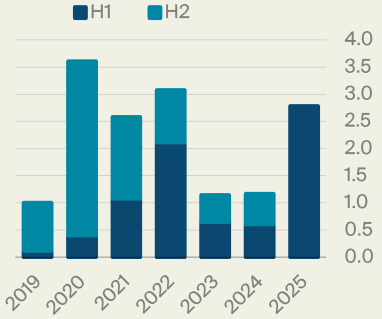
While the GXO letting provided a major boost to H1 volumes, several other large units were committed. Notably, six of the nine transactions in H1 were for units over 250,000 sq ft. Q2 saw EDF Energy sign Capacity 21 in Weston-super-Mare (332,793 sq ft), while Magna Vale has committed to build a new 297,000 sq ft cold-storage facility at Matrix 49, Bristol. This follows M&S's Q1 pre-letting of a 395,000 sq ft build-to-suit unit at Axis Works in Bristol. Transactions such as these have raised the proportion of take up that is new and modern space to 79% in H1 2025, from sub-30% in 2024 and 2023.

Distribution firms remain the key driver of demand, comprising 62% of take up over the past four quarters to Q2 2025. However, the occupier base is proving its diversity with manufacturers, retailers, and 'other', non-traditional occupiers all growing their footprint over the past year.

2025 ACTIVITY EXPECTED TO SURPASS PRE-COVID HIGH

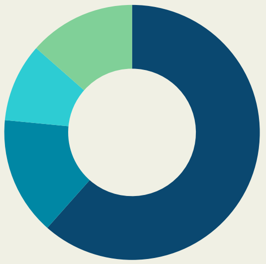
A further 828,000 sq ft of space was under offer at the midpoint of the year, and if momentum continues, we would anticipate 2025 volumes to meet, or even surpass, the previous Covid-19 record-high in 2020, of 3.6 million sq ft.

Take up (sq ft)
million square feet



Source: Knight Frank Insight

Take up by sector
Q3 2024 – Q2 2025



Distribution: 61% of take up

Manufacturing: 15% of take up

Other: 10% of take up

Retail: 14% of take up

Source: Knight Frank Insight

MARKET VIEW

The South West's moment in the spotlight

BY RUSSELL CROFTS, PARTNER, BRISTOL LOGISTICS & INDUSTRIAL AGENCY

"Q2 2025 has been the South West's moment in the spotlight as Panattoni let their 882,000 sq ft speculative unit to GXO to service an Amazon contract. Deals of this size have a huge impact on the market, both in terms of general confidence, but also the supplier ecosystem that exists around an occupier.

The take up momentum of Q1 has continued through Q2 and will likely show an increase again in Q3, with names against a good proportion of the new and second-hand big boxes. We predict some churn in the mid-box market with some new supply and limited second-hand voids."

Occupier Market

2.8m sq ft

Occupier take up
H1 2025

6.6%

Vacancy rate
Q2 2025

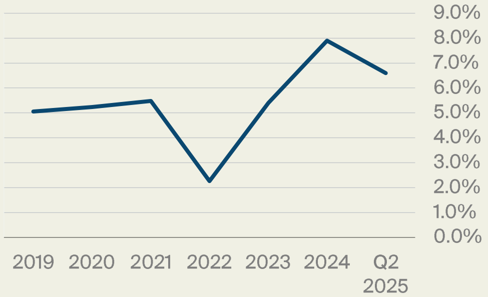
£10.50 psf

Prime rents
Q2 2025

5.0%

Prime annual rental growth

Vacancy rate
% of stock



Source: Knight Frank Insight

"The proportion of take up that is new and modern space has increased to 79%"

"At the larger end of the market, there is now only one building over 400,000 sq ft available"

NEW-BUILD SUPPLY RUNNING LOW

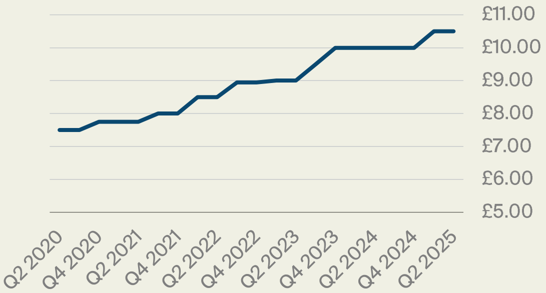
The supply of existing units over 50,000 sq ft fell by 14% in Q2, to 4.7 million sq ft. As a result, the vacancy rate sharpened by 100bps to 6.6%, from 7.6% recorded in Q1 and 7.8% one year ago. While the majority of the quarterly decline is attributable to the removal of the 882,000 sq ft at Panattoni Park from the supply figures, new-build supply is 37% lower on an annual basis. Meanwhile, second-hand supply remains somewhat elevated and is 9.6% higher annually.

The volume of space under construction remains low. Unchanged from the previous quarter, 587,800 sq ft of space is underway across four units. With 24% of the new or second-hand grade A supply under offer, the options for modern occupier requirements are expected to tighten, putting upward pressure on prime rental values. At the larger end of the market, there is now only one building over 400,000 sq ft available.

RENTAL LEVELS & OUTLOOK

Prime industrial rents in Bristol stood at £10.50 psf in Q2 2025 and are 5.0% higher annually (units 50,000 sq ft+). Average rental growth of 3.8% is predicted for the South West region for 2025, with marginally stronger growth of 3.9% forecast for Bristol (Knight Frank Insight).

Bristol - 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
1 Panattoni Park, Avonmouth, Bristol	882,000	GXO	£9.75 psf	Speculative build
Plot 5 Axis Works SW, Bristol	394,669	M&S	Undisclosed	Pre-let – Build-to-Suit
Capacity 21, Weston-super-Mare	332,793	EDF	Undisclosed	Second-hand
Units 1 & 2 Huntsworth Business Park, Bridgwater	112,556	Wincanton	£7.50 psf	Second-hand refurbishment
C110 Indurent Park, Chippenham	110,000	Herman Miller	£11.00 psf	Pre-let – Build-to-Suit

Source: Knight Frank Insight

Investment Market

5.25%

Prime NIY - Bristol
Q2 2025

-25 bps

YoY movement in prime yields

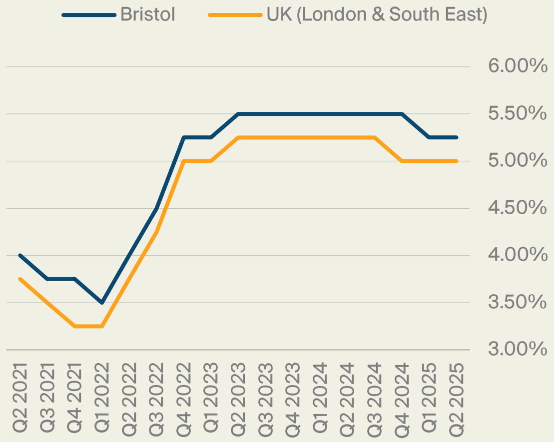
STRONGEST QUARTER FOR INVESTMENT SINCE Q1 2022

Prime industrial yields in Bristol remained stable in Q2 2025, at 5.25%, having sharpened by 25 bps in the previous quarter. At this level, prime yields are 175 bps softer than their previous low of 3.50% in Q1 2022.

Alongside a busy quarter for the occupier market, the South West region also recorded its highest investment volume since Q1 2022.

LondonMetric purchased the new M&S development at Axis Works in Bristol from EDC and Stoford Properties for £74 million, reflecting a net initial yield (NIY) of 5.65%. Also during the second quarter, Colliers Capital acquired DC1 Exeter Park from Paloma Capital for £14.5 million (NIY 5.81%). The 345,200 sq ft building is let to Amazon with just over four years remaining on the lease.

Prime Yield
Net initial yield %



Source: Knight Frank Insight

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

Logistics & Industrial Research

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

Deirdre O'Reilly
deirdre.oreilly@knightfrank.com
+44 20 3995 0785

Bristol Commercial Logistics & Industrial Agency

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

Ed Rohleder
ed.rohleder@knightfrank.com
+44 117 917 4984

Thomas Park
thomas.park@knightfrank.com
+44 117 945 2648

Bristol Commercial Capital Markets

Nick Thurston
nick.thurston@knightfrank.com
+44 117 917 4536

Valuation & Advisory

Steve Hawkins
steve.hawkins@knightfrank.com
+44 117 917 4532

Methodology

This report has been prepared by Knight Frank Commercial Insight.

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

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

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

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

Knight Frank