LOGIC: London & South East

Q3 2025

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

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Image: Watford Works - a new development by Harleyford Capital and Fiera Real Estate.
CGI courtesy of Eighty Studio Ltd.

Occupier Market

Steady market conditions underpinned by strong Q3 take up

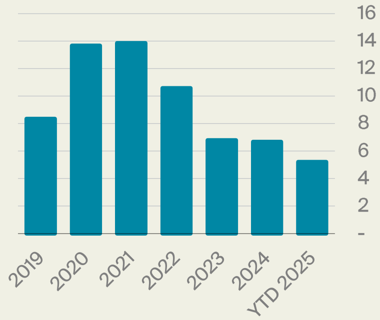
MOMENTUM BUILDS IN Q3

The London & South East industrial and logistics occupier market recorded a particularly active Q3 2025. Take up reached 2.3 million sq ft, 12% higher than Q3 2024 and the highest quarterly total since Q2 2022. Year-to-date (YTD) take up stands 3.4% ahead of YTD 2024, at 5.2 million sq ft. The leasing environment continues to be shaped by cost-conscious occupiers; however, while Q3 volumes were boosted by one sizable transaction, the underlying momentum remains steady. Even excluding this deal, Q3 would still represent the most active quarter of 2025 so far.

Q3 saw Tesco announce a major investment in a new state-of-the-art distribution centre at DP World London Gateway, located within the Thames Freeport zone. The 808,000 sq ft facility is scheduled for practical completion in 2029 and is designed to be highly sustainable and technologically advanced, targeting a BREEAM 'Outstanding' certification.

New, or second-hand Grade A units, remain a priority for many occupiers and comprise 81% of YTD take up. Fiera Real Estate and Wrenbridge pre-let the first of four units at the AIR logistics scheme in Heathrow. Global freight forwarder AIT Worldwide Logistics committed to Unit 1 (58,105 sq ft) to expand its supply chain solutions globally. In addition, the refurbished 193,874 sq ft DC2 Prologis Park Marston Gate in Milton Keynes was let to Furniture Village; while, in the largest industrial letting in Greater London in the last two years, InPost signed Citybox 120, an extensively refurbished last-mile warehouse in Greenwich, for 10 years at £19.50 psf.

Take up (sq ft)
million square feet

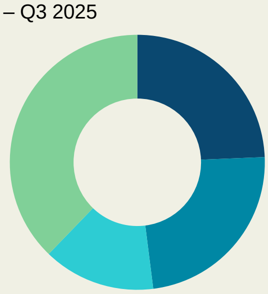


Source: Knight Frank Insight

RETAILERS BACK ON TOP

Bolstered by Tesco - alongside two units signed to Chinese ecommerce retailer JD.com earlier this year - retailers have emerged as the top-performing sub-sector. Comprising 38% of annual take up, this is up from 18% in the same period last year. However, the occupier pool remains highly diverse and new entrants continue to emerge. Racketeer - the UK part of former US soccer player Stephanie McCaffrey's pickleball hospitality group - signed 88,240 sq ft at Dooa House in Park Royal in Q3, reflecting the growing use of warehouse space for racket sports. This will be the largest padel and pickleball facility in Europe.

Take up by sector
Q4 2024 – Q3 2025



Distribution: 24% of take up

Manufacturing: 24% of take up

Other: 14% of take up

Retail: 38% of take up

Source: Knight Frank Insight

MARKET VIEW

The last few months have witnessed more occupier activity at the larger end

BY GUS HASLAM, PARTNER, LONDON & SOUTH EAST LOGISTICS & INDUSTRIAL AGENCY

"The consensus between colleagues, joint agents and clients is that the industrial occupational market continues to be "patchy" and "sluggish". This seems a fair assessment as occupiers continue to battle ever-increasing costs and are seemingly becoming more cautious. This is certainly backed up by the increasing number of "stay or go" agent-led requirements.

That said, there are reasons to be optimistic. The last few months have witnessed more occupier activity at the larger end of the market with interest being expressed in several buildings of over 70,000 sq ft across London. Encouragingly, and perhaps contrary to the general mood, take up in Q3 2025 is up by 50% on the previous quarter and 12% up on this time last year. This is, though, tempered by the further rise in the vacancy rate, now standing at 8.1%. Not surprisingly, speculative development across London is significantly down by 52% on Q3 2024.

Undoubtedly there is more pain to come with the November budget and the looming business rates revaluation, but there are plenty of enquiries to go after and deals to be done in an increasingly 'tenant-driven' market."

Occupier Market

5.2m sq ft
Occupier take up YTD 2025

8.1%
Vacancy rate Q3 2025

£28.00 psf
Prime rents Q3 2025

-6.7%
YoY change in prime rental values

"Take up reached 2.3 million sq ft, 12% higher than Q3 2024 and the highest quarterly total since Q2 2022"

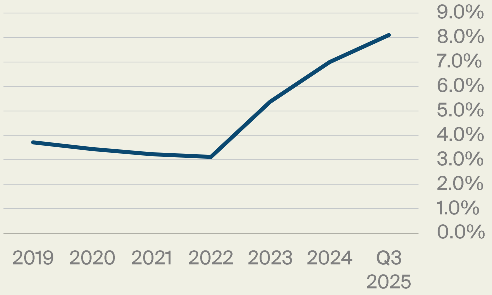
SUPPLY-RISE DRIVEN BY COMPLETIONS, WHILE PIPELINE CONTINUES TO THIN

Despite the robust levels of demand, availability of existing units rose by 2.0% in Q3 and is 19% higher annually, at 20.4 million sq ft. This edged the vacancy rate up 10bps to 8.1%, from 8.0% in Q2 and 7.0% recorded a year ago. Entirely driven by new stock due to several development completions, the supply of second-hand units fell marginally by 1.2%. Meanwhile, the development pipeline continues to thin; less than 2 million sq ft of space is now underway across 17 units. This represents a 52% decline annually. Two units commenced in Q3: Unit 1, Panattoni Park Braintree (171,915 sq ft), and LB100, Leftfield Basingstoke (100,555 sq ft).

RENTAL LEVELS & OUTLOOK

Prime rents in West London remained unchanged in Q3, at £28.00 psf (50,000 sq ft+ units). This followed a 6.7% decline in Q2, with elevated supply resulting in some landlords reducing quoted rents on prime units to minimise voids. Prime rents in North London (£24.00 psf), South London (£21.00 psf), and East London (£20.00 psf), also stayed stable in Q3. Average rents are forecast to grow by 3.0% in London this year and 2.2% next year, with stronger growth expected for the South East, of 4.4% and 3.3% in 2025 and 2026, respectively (Knight Frank Insight).

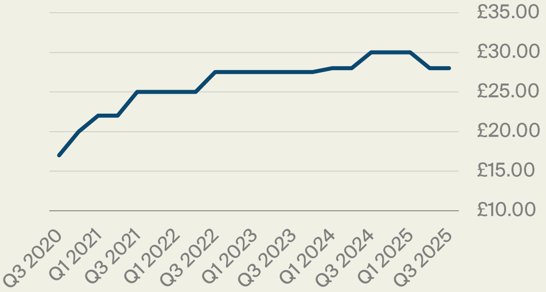
Vacancy Rate
% of stock



Source: Knight Frank Insight

"The occupier pool remains highly diverse and new entrants continue to emerge"

West London - Prime Rents
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Insight

Key Occupier Deals
YTD 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
DP World London Gateway Logistics Park, Stanford-le-Hope	808,000	Tesco	Confidential	Build-to-Suit
Units 1 & 3, PLP MK, Milton Keynes	531,519	JD.com	£12.10 psf	Speculative builds
CityBox120, Salutation Road, Greenwich	120,214	InPost	£19.50 psf	Second-hand
Unit 1 & 2, Dooa House, 55-61 North Acton Road	88,240	Racketeer	£17.50 psf	Second-hand
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
Q3 2025

-25bps

YoY movement in prime yields

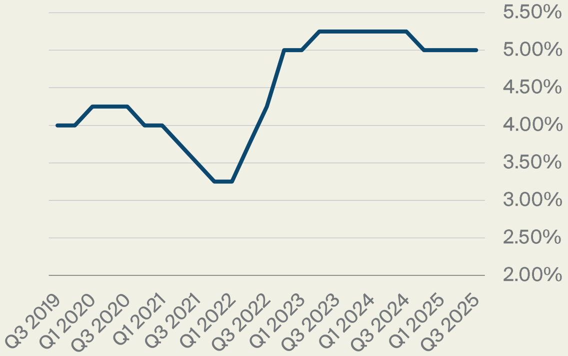
IMPROVING SUPPLY AND A GROWING NUMBER OF PORTFOLIOS COMING TO THE MARKET

Caution and volatility in the investment market persisted in Q3, keeping industrial transaction volumes in London & the South East relatively restrained. Nonetheless, buyer appetite and the depth of capital remain positive, and this, supported by an improving supply of stock and a growing number of nationwide portfolios coming to market, should provide a boost to volumes over the coming quarters. In the meantime, this 'measured' level of transaction activity has kept prime industrial yields in the South East stable in Q3, at 5.00%.

Some sizable acquisitions in Q3 included Click Aylesford in Kent, acquired by German asset manager DWS for £79.5 million (4.95% NIY). The 303,000 sq ft, six-unit, logistics scheme reached practical completion last year and is fully let, with occupiers at the hub including Nutra Direct, Fixfast and RVT Group. In addition, Aermont Capital purchased Bedford Commercial Park in Bedfordshire from Goodman Group for £100 million (NIY 4.64%). The park comprises 659,000 sq ft spread across four warehouses and is fully leased to Comline Group, Amazon, and Expeditors.

Prime Yields – South East

Net Initial Yield (%)



Source: Knight Frank Insight

MARKET VIEW

Whilst there remains some volatility, there is a positive sentiment going into Q4, and we predict volumes to increase

BY WILL GUBB, PARTNER,
HEAD OF INDUSTRIAL CAPITAL MARKETS

"The core themes of the industrial market remain prevalent as we approach the final quarter of the year. Whilst we have seen an increase in available stock volume, the majority of this is included in large-scale portfolios that haven't transacted as yet, and therefore investment transaction volumes remain subdued relative to previous years.

However, despite ongoing political and economic tensions, the UK industrial market remains the sector of choice for many investors, with a significant amount of capital there to be deployed and further UK funds being continuously raised. In the last quarter, we have seen major foreign private equity investment into the sector, through both direct asset transactions and indirect capital injections.

Whilst there remains some volatility in the market, there is a positive sentiment going into Q4, and we predict transaction volumes to increase as more stock is expected to come to the market. Furthermore, the upcoming budget in November should provide some clarity on the economic forecast, which we believe will lead to increased stability and improved investment volumes as parties look to fulfil 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.

Knight Frank