

LOGIC: Midlands



Q3 2025

Occupier and investment market trends in the Midlands logistics and industrial sector.

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Occupier Market

Built-to-Suit demand and major pre-lettings drive Midlands rebound

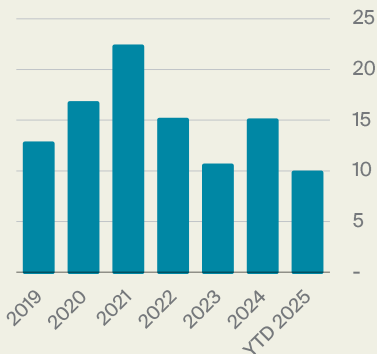
STRONG Q3 REBOUND DRIVES MIDLANDS ACTIVITY

After a relatively slower start to the year, the Midlands industrial and logistics market saw a sharp rebound in Q3 2025, with take up reaching 5.2 million sq ft - the strongest quarterly total since Q3 2022. This resurgence was driven by several large-scale lettings amid continued demand from distribution and retail occupiers. Despite the strong quarter, year-to-date (YTD) activity, at 9.8 million sq ft, remains 20% below the same period last year.

M&S announced a new £340 million state-of-the-art automated national distribution centre at DIRFT, Daventry, to facilitate the doubling of its food business. The 1.25 million sq ft facility, to be built by Prologis, will be fully electric and is expected to open in 2029. Prologis is also constructing a new 640,000 sq ft purpose-built facility at Fradley Park, Lichfield, for palletised freight network Palletways UK, which will relocate its national HQ from its current site nearby. Both units are designed to achieve a BREEAM ‘Outstanding’ ratings.

While these two units boosted the quarterly total, if excluded, Q3 take up would still represent the strongest quarter this year.

Take up (sq ft)
million square feet



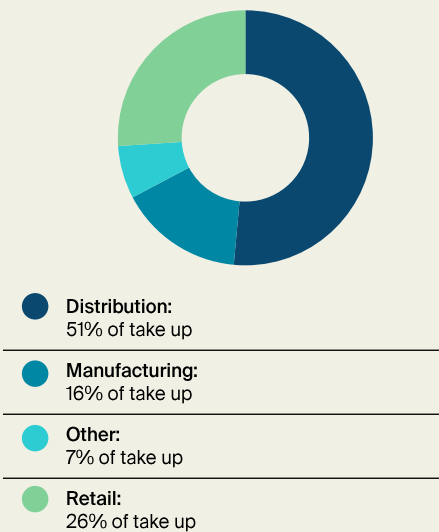
Source: Knight Frank Insight

MAJOR BUILD-TO-SUIT AND PRE-LET COMMITMENTS

Several other build-to-suit (BTS) and pre-lettings of 250,000-400,000 sq ft underscore the robust demand for large and high-quality assets, both on a bespoke basis or ahead of practical completion. Carlsberg Britvic has committed to a 222,000 sq ft unit at the West Midlands Interchange, committing early to the scheme as it begins construction. Meanwhile, construction has commenced on a 218,000 sq ft facility at DIRFT III, Daventry, which was pre-let in Q3 to online furniture retailer Laura James. In the same scheme, third-party logistics firm XPO committed to a 275,000 sq ft BTS warehouse to complement its national HQ at Crick, Northampton. BTS and pre-let deals comprised 50% of Q3 take up and 34% in the YTD. New, speculatively built space accounted for a further 28% in Q3 and 20% YTD.

E-commerce momentum has propelled distribution and retail occupiers to dominate activity, accounting for 77% of space committed in the past year.

Take up by sector
Q4 2024 – Q3 2025



Source: Knight Frank Insight

MARKET VIEW

The level of active enquiries suggests a positive outlook for the final quarter



BY DOMINIC TOWLER, ASSOCIATE,
BIRMINGHAM LOGISTICS & INDUSTRIAL
AGENCY

“The Midlands industrial & logistics market continues to demonstrate resilience, with steady occupier demand across a range of unit sizes. Deals are taking a little longer to agree, while headline rents and incentives have stabilised amid ongoing cost pressures and competition in supply. Demand remains led by distribution and retail occupiers, and the level of active enquiries suggests a positive outlook for the final quarter of the year.”

Occupier Market

9.8m sq ft

Occupier take up
YTD 2025

6.9%

Vacancy rate
Q3 2025

£12.00 psf

Prime rents
Q3 2025

Stable

Prime annual rental growth

“BTS and pre-let deals comprised 50% of Q3 take up and 34% YTD”

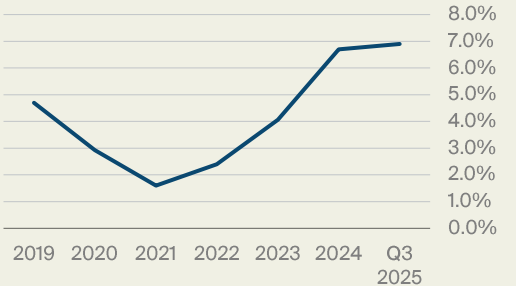
VACANCY FALLS ON NEW-BUILD DEMAND

The supply of existing units fell by 4.9% in Q3 to 26.3 million sq ft (units 50,000 sq ft+), however, it remains 14% higher annually. The vacancy rate subsequently tightened to 6.9%, from 7.3% in Q2, but it remains 70bps higher than a year ago. While occupiers benefit from improved choice in the second-hand market, with second-hand supply up 21% year-on-year, new build supply is just 2.4% higher annually. Robust demand in the new-build market tightened the availability of new units by 9.1% in Q3. Meanwhile, the volume of space under construction speculatively was 20% lower in Q3 and 37% lower annually, at 2.8 million sq ft across 19 units. This compares to the Midlands’ five-year quarterly average construction pipeline of 5.9 million sq ft.

RENTAL LEVELS & OUTLOOK

Birmingham’s prime industrial rents remain unchanged at £12.00 psf for units over 50,000 sq ft. In fact, prime rents across all Midlands submarkets, for all unit size bands, remained stable in Q3. Average rental growth remains positive, with 4.0% forecast for the East Midlands for 2025 and a higher rate of 4.7% growth predicted for the West Midlands. Looking ahead to next year, 2.6% and 3.5% are forecast for the East and West Midlands, respectively (Knight Frank Insight).

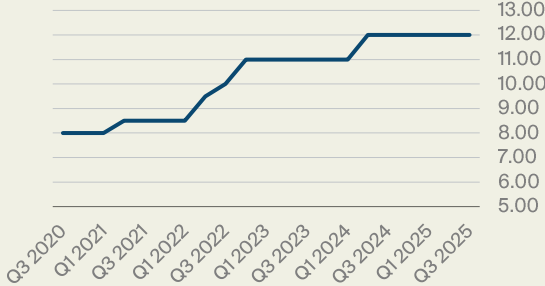
Vacancy Rate
% of stock



Source: Knight Frank Insight

“Robust demand in the new-build market tightened new supply by 9.1% in Q3”

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



Source: Knight Frank Insight

Key Occupier Deals
Q3 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
DIRFT, Daventry	1.25 million	M&S	£10.75 psf	Build-to-Suit
Fradley 640, Lichfield	640,000	Pallet Ways UK	Confidential	Build-to-Suit
Unit 5 Symmetry Park, Rugby	390,694	Iron Mountain	Confidential	Speculative build
West Midlands Interchange 222, Wolverhampton	222,000	Carlsberg Britvic	£10.50 psf	Pre-let
DIRFT 218, Daventry	218,000	Laura James	£10.50 psf	Pre-let

Source: Knight Frank Insight

Investment Market

5.25%

Prime NIY - Birmingham
Q3 2025

-25 bps

YoY movement in prime yields

LARGE TRANSACTIONS BOOST Q3 INVESTMENT

After a slower first half of the year for industrial investment in the Midlands, activity gathered pace in Q3, with preliminary figures showing that volumes exceeded those of the first two quarters combined. However, YTD investment remains below the level seen last year.

Some transactions that boosted the Q3 total include Sirius Real Estate’s acquisition of Hartlebury Trading Estate in Worcester from Schroders for £102 million, representing a net initial yield (NIY) of 7.56%. The estate was acquired with 84% occupancy, with the majority of vacant space either recently refurbished or newly built, presenting attractive reversionary opportunities. DTZ Investors purchased Units 100-620, Highlands Road, Solar Park, in Solihull from abrdn for £61.1 million (NIY 3.46%). The property comprises seven prime mid-box units and is fully let. Prime industrial yields in Birmingham for units over 50,000 sq ft have remained at 5.25% for the first three quarters of 2025, having compressed by 25bps in Q4 2024.

MARKET VIEW

Much of the liquidity is coming from core-plus and value-add opportunities

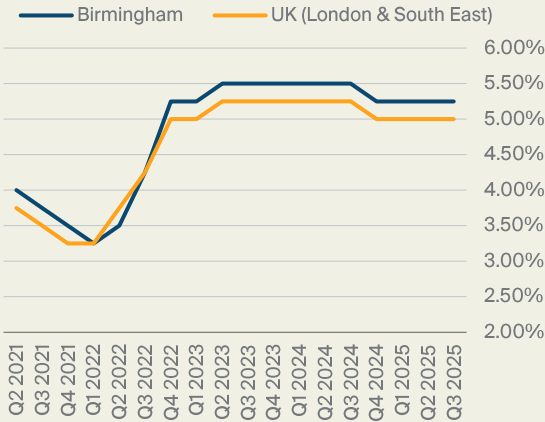


BY BEN VOSS-WOOD, PARTNER,
BIRMINGHAM LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“Q3 saw an uptick in transaction volumes, with UK institutions particularly active both buying and selling in the sector. There remained an absence of core, long-income transactions, with much of the liquidity coming from core-plus and value-add opportunities and processes drawing out a significant depth of buyers. We expect this trend to continue as we approach the end of the calendar year.”

Prime Yields

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

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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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