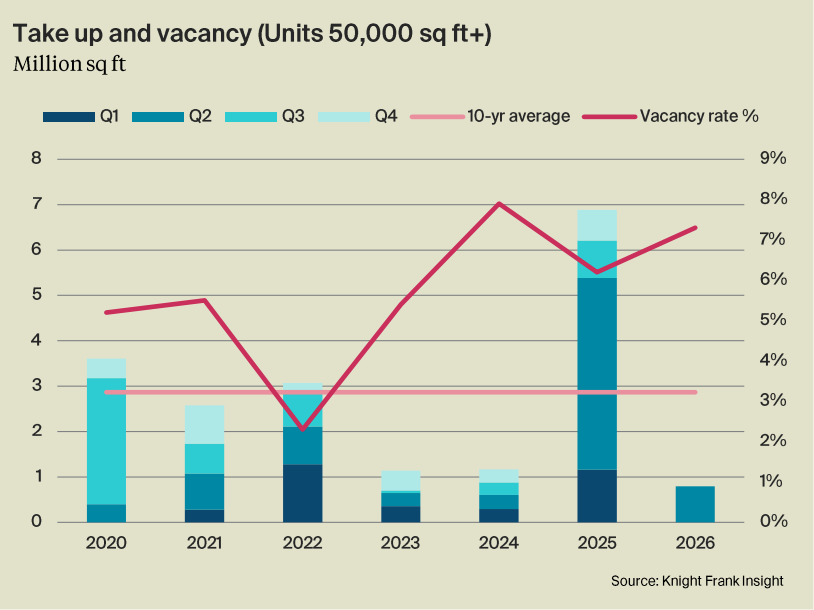
South West

790k sq ft
Occupier take up Q2 2026

7.3%
Vacancy rate Q2 2026

£11.50 psf
Prime rents Q2 2026

9.5%
Prime annual rental growth



DEFENCE SECTOR HELPS REVIVE OCCUPIER ACTIVITY

After a quiet start to the year, Q2 saw market activity resume, with 790,329 sq ft of take up recorded. This is 7.3% higher than the three-year average, which includes the record levels of take up recorded in early 2025.

There were three transactions over 50,000 sq ft this quarter, the most notable being the Ministry of Defence taking up S545 at Panattoni Park in Swindon for DroneTEX; a drone testing facility. The MOD has taken a 15-year lease on the former Honda plant site in Swindon. The speculatively built cross-dock unit totals 545,414 sq ft of Grade A industrial and logistics space with a 21m clear internal height and a 4.3 MVA power supply. The new DroneTEX facility will be the largest uncrewed testing facility in Europe, and is designed to rapidly develop and field new modern warfare capabilities.

Swindon is now home to a fast growing cluster of drone manufacturers. Leading companies investing in the area include German-owned Stark, British start-up Flyby Technology and Portugal-based Tekever, with plans to open a 200,000 sq ft manufacturing facility in Swindon this year.

Another noteworthy transaction this quarter saw Yunex Traffic UK, which manufactures traffic light systems, sign a 20-year lease for a new 158,000 sq ft facility at Aviation Business Park at Bournemouth Airport, which will be the firm's new HQ location following relocation from Poole.

NEW SUPPLY DRIVES VACANCY HIGHER

The vacancy rate was 7.3% at the end of Q2 2026, up from 6.2% at the end of 2025. The rise in vacancy was mainly due to new space coming online in the first half of this year, with 2.7m sq ft of completions in H1 2026.

However, the availability of second-hand space also rose; up 16% since the end of 2025. Availability remains skewed towards lower-quality second-hand accommodation, in deed, the Grade A vacancy rate for the region is notably lower, at just 3.4%. Underscoring both the acute shortage of readily available, high-quality fitted space, as well as occupiers' continued focus on modern, energy-efficient buildings.

RENTAL LEVELS & OUTLOOK

Prime headline rents in Bristol stand at £11.50 psf, for units of 50,000 sq ft +, a 9.5% increase y/y and reflecting sustained demand in a market characterised by limited high-quality availability.

Knight Frank Insight project average rental growth of 4.0% in Bristol and 3.4% across the wider South West in 2026, slowing from 6.4% and 6.5% recorded in 2025.