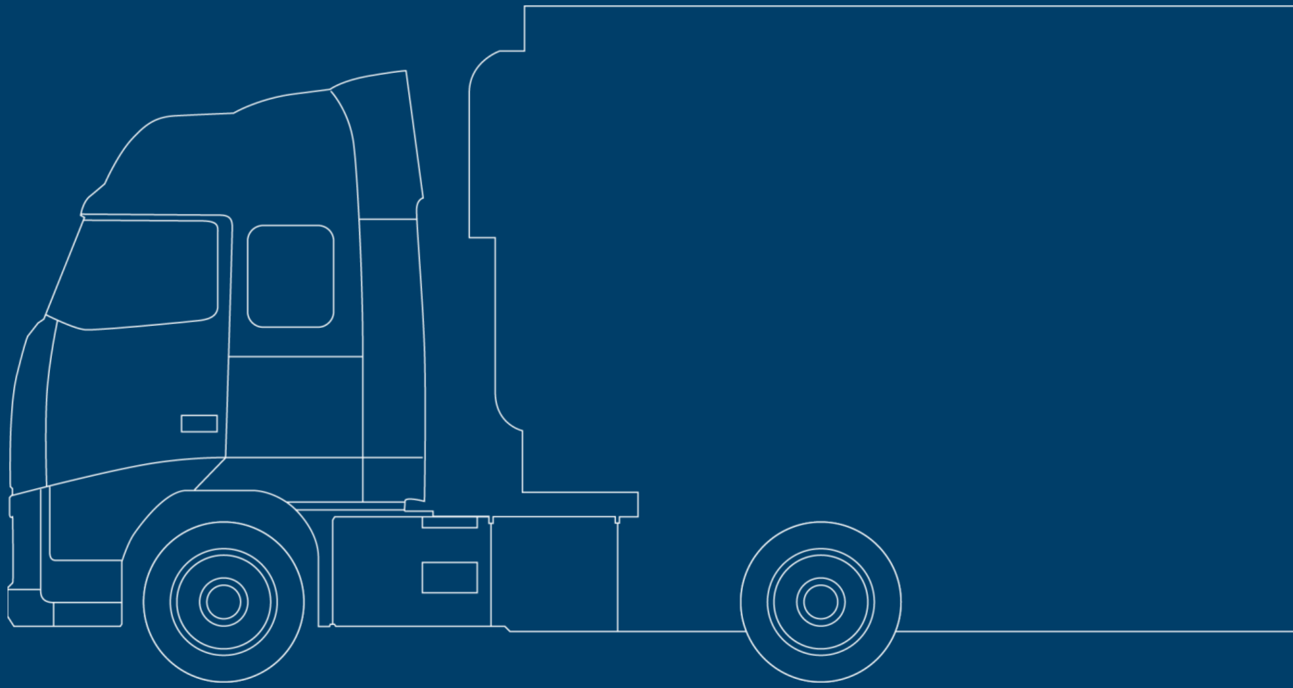
Prime Logistics

The definitive guide to the
UK's distribution property market

Q4 2024



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Market Overview

Forward-commitments by retailers and data centre operators drive the strongest quarter for occupier demand in two years

Build-to-suit activity by retailers and data centres drove a 15% quarterly increase in take-up in Q4. Overall annual demand was up 6% in 2024. In the up-and-built lettings market, occupiers are still adjusting to the higher rental tone, which has protracted deal times and has put upward pressure on incentives.

Occupiers continue to seek productivity gains, given the increased operational costs that continue to weigh on confidence and the decision-making process. Some have consolidated multiple buildings into one larger and more energy-efficient space. In the Midlands and North West in particular, larger occupiers are increasingly interested in freehold land options and there is heightened competition for land with planning and suitable power provision.

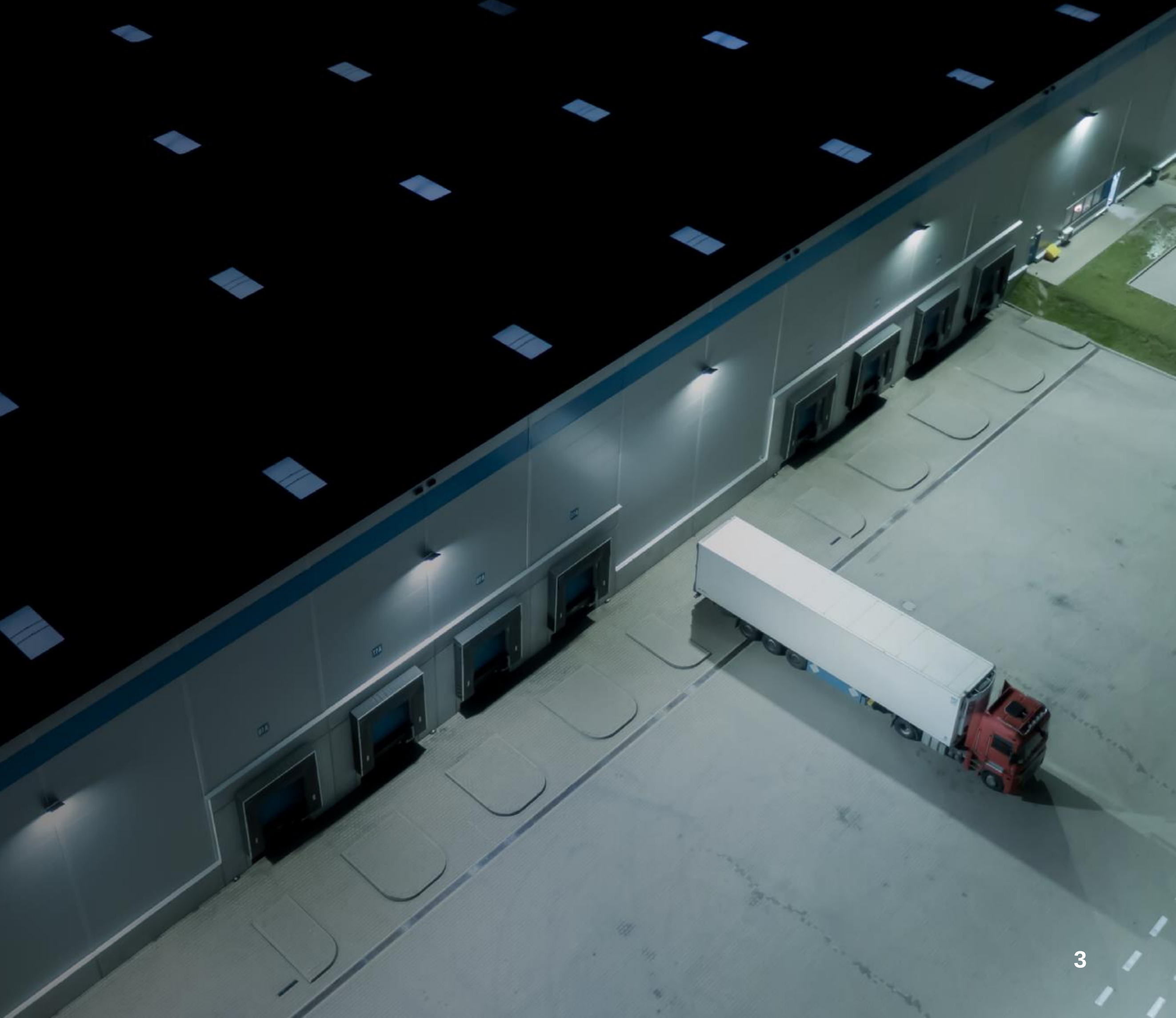
As occupiers upgrade, the return of secondhand space pushed the availability rate further up to 7.2% in Q4. This will likely mark the peak in overall availability for the current cycle. New-build availability has been edging down since the start of 2024 in line with subdued speculative development activity. This underpins a positive outlook for prime rents despite annual headline prime rental growth slowing to 4.4% in Q4.

A strong second half of the year in the portfolio market propelled annual industrial investment to almost £8bn in 2024. Income remains a key focus for investors and there is greater demand for multi-let industrial assets over larger logistics units. Single-let logistics accounted for around a quarter of industrial investment in 2024, with demand focused on assets with relatively near-term lease events.

Market Overview

OCCUPIER DEMAND	AVAILABILITY	DEVELOPMENT
14m sq ft Q4 2024 take-up	**7.2%** Q4 2024 UK availability rate	**2m sq ft** Q4 2024 speculative development starts
RENTS	**INVESTMENT**	**OUTLOOK**
£12.06 sq ft Q4 2024 average UK prime rent	**5.15%** Q4 2024 average UK prime yield	**5.4%** Annual prime rental growth, 2025 - 2029
BANK RATE	**INFLATION**	**INTERNET RETAIL**
3.75% End-2025 Bank Rate forecast	**2.6%** 2025 average CPI inflation forecast	**29.3%** Internet retail sales as a proportion of all retail, December 2024

Source: Newmark, Oxford Economics, ONS

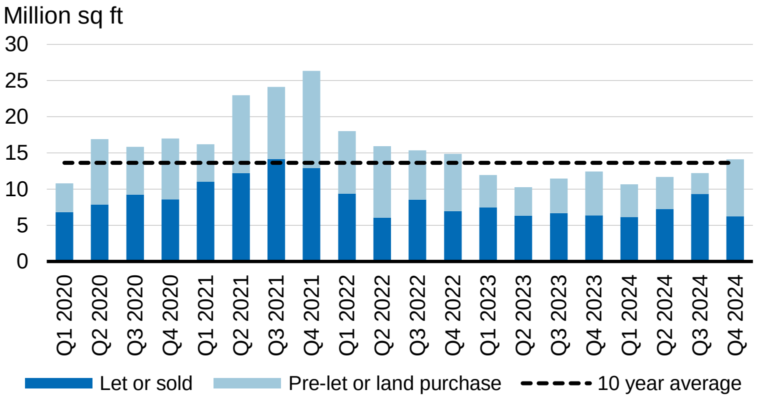


Occupier Demand

Take- up 15% up on Q3 and 13% higher than a year earlier

Occupier take-up was 14.1m sq ft in Q4, the strongest quarter in two years and 3% up on the 10-year average. Several large scale forward-commitments by retailers (Frasers Group, Amazon, Tesco) and data centre operators (CloudHQ, Corscale Data Centers, Latos) underpinned the strong end to the year. The drivers for most deals were either expansion, de-risking supply chains or consolidating multiple sites into one larger and more energy-efficient building. Occupier pre-lets and land purchases also accounted for 56% of all transactions in Q4, which was the highest proportion since Q2 2022.

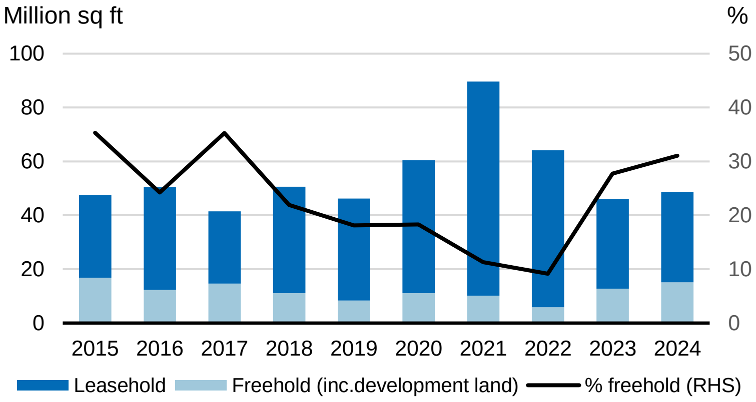
Quarterly occupier take-up by event type
Source: Newmark



Annual take-up up 6% year-on-year in 2024

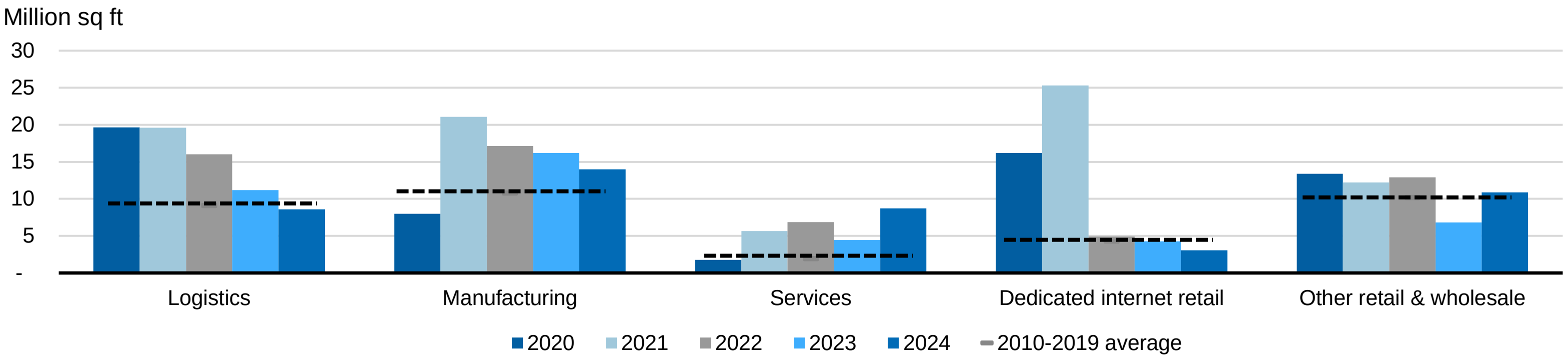
Occupiers from a diverse range of industries took space in 2024, from those linked to renewable energy or housebuilding through to e-commerce specialists and data centres. Annual demand was up 6% in 2024, which was back in line with the long-term average. Freehold deals (both development land and up-and-built sales) accounted for 31% of all transactions in 2024, up from 27% in 2023 and above the 23% 10-year average. The freehold option has become more attractive, given the shortage of new-build accommodation and bespoke specification of modern requirements combined with the somewhat more accommodating debt market.

Annual occupier take-up by deal type
Source: Newmark

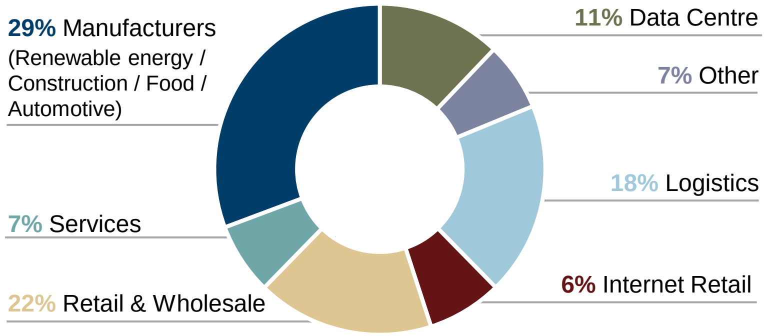


Occupier Demand

Take-up by occupier sector and long-term averages
Source: Newmark

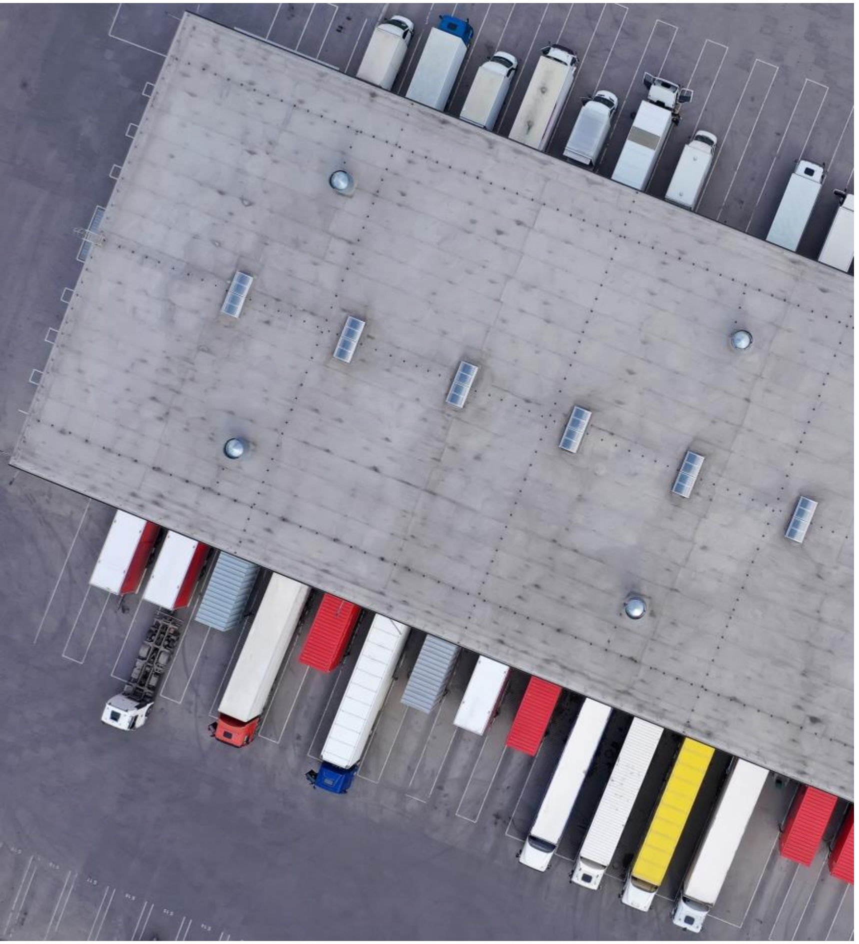


Take-up by occupier sector, 2024
Source: Newmark



11 data centre deals were agreed in 2024, totalling 5.7m sq ft of floorspace and almost 1GW of potential IT load.

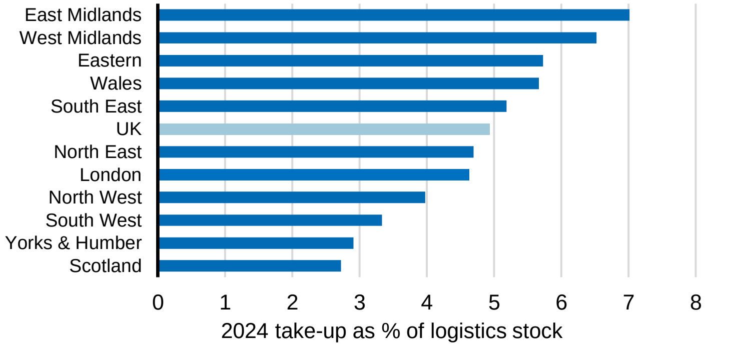
Occupier Demand



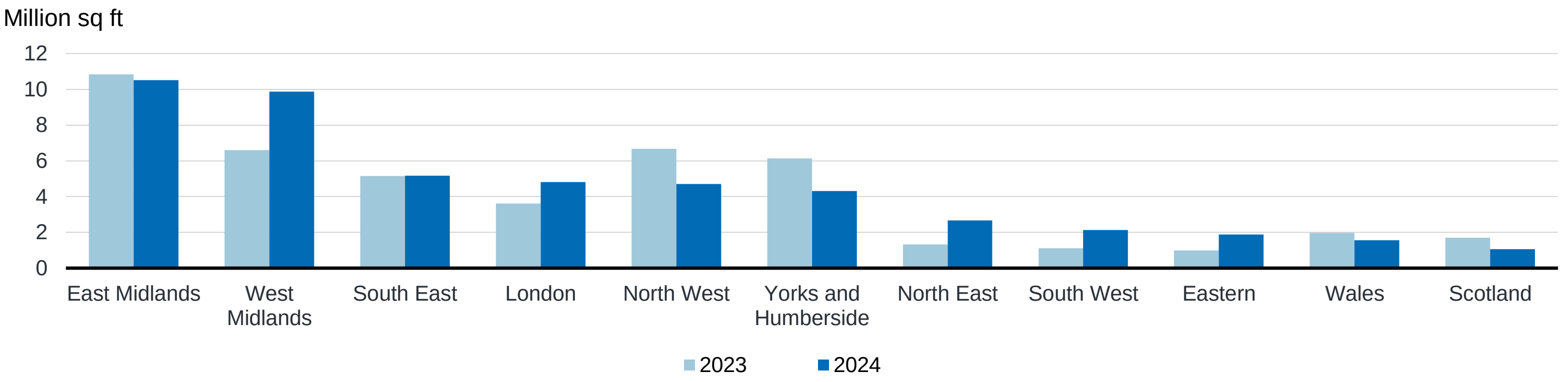
Midlands the outperforming region in 2024

Occupiers gravitated to the best quality accommodation in the Midlands logistics heartlands in 2024. Many of those occupiers were looking to consolidate multiple sites or secure facilities for future expansion. In all, 7% of all logistics stock in the East Midlands changed hands as take-up during the year. Dedicated internet retailers were relatively subdued by covid-era standards, with occupier demand driven instead by manufacturers, data centre operators and traditional retailers. Along with e-commerce, the data centre market will be a key factor of future demand as facilities are needed to support the increased use of AI and cloud-based storage.

2024 take-up as a % of total stock
Source: Newmark

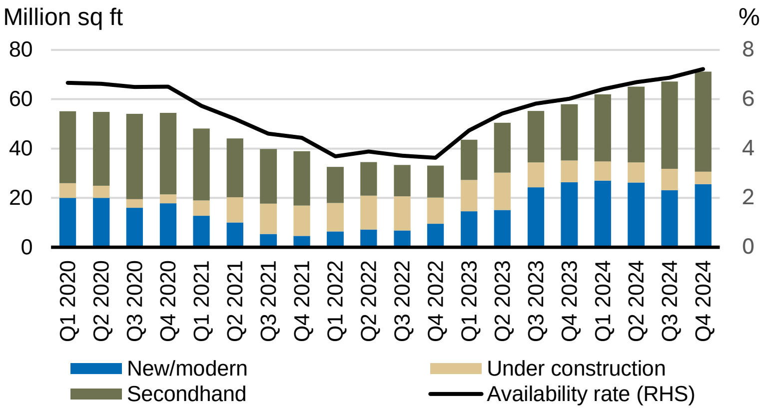


Occupier take-up by region
Source: Newmark



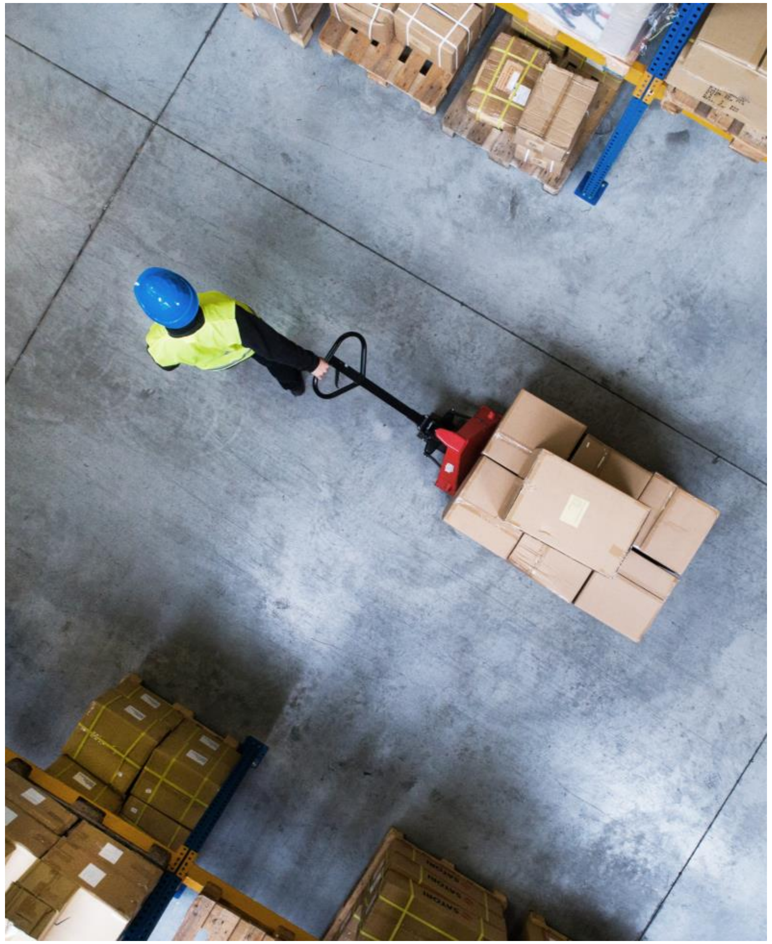
Supply & Development

UK availability by quality and rate
Source: Newmark

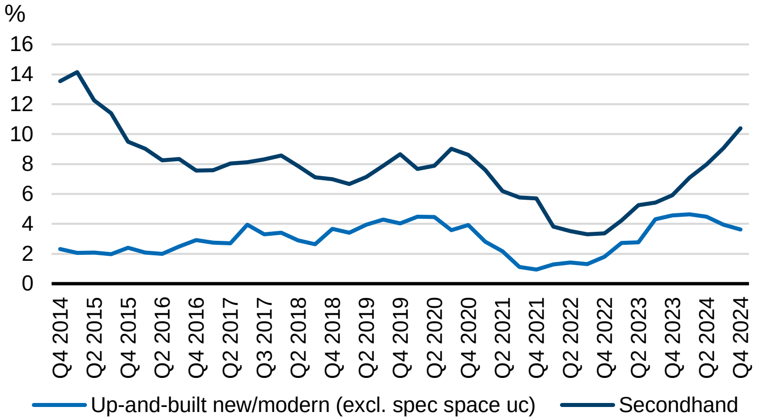


Availability rate rises further to 7.2%

The availability rate rose for the eighth consecutive quarter to 7.2% in Q4. This is slightly higher than the 7.1% recorded in Q4 2019 and is technically the highest recorded rate in almost 10 years. This increase was driven by the return of secondhand stock. More secondhand space was on the market in Q4 (compared with Q3) in most regions, most noticeably in the Southern East Midlands and the Northern West Midlands. The volume of new/refurbished space or available space under construction fell in most markets in Q4 except for the London regions where a handful of speculative buildings were completed.



Availability rate by quality
Source: Newmark

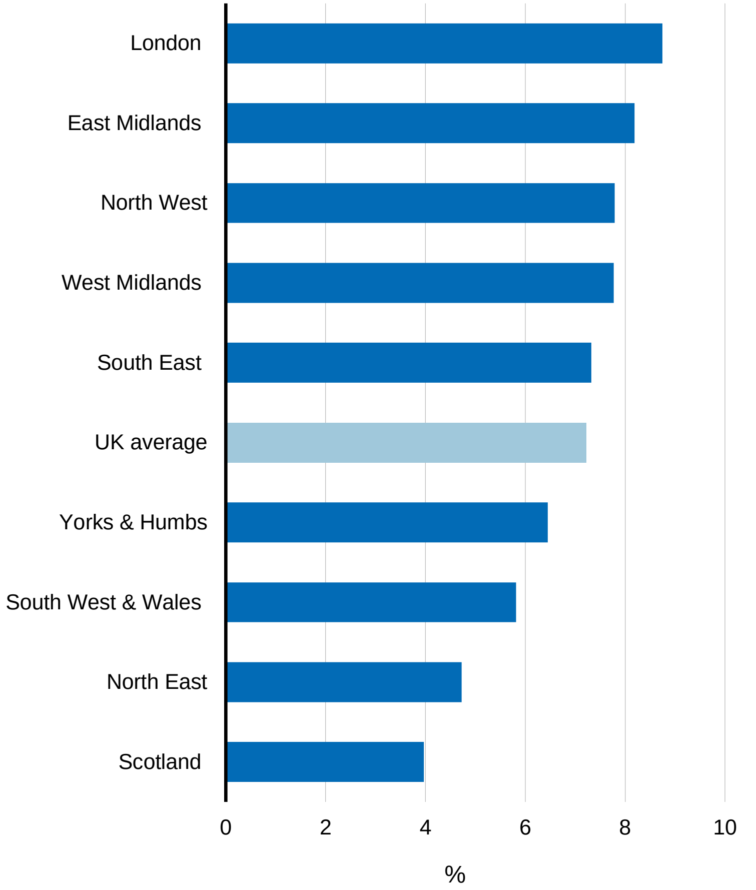


Secondhand availability rises to over 10%

More secondhand space was returned to the market in Q4 as occupiers upgraded into new accommodation. Secondhand space now accounts for 57% of all availability (roughly 40m sq ft) of which only 22% is refurbished or in the process of being refurbished. This pushed the secondhand availability rate to over 10% in Q4. However, we expect that the overall rate of availability has now peaked. More secondhand space could be returned early in 2025 as occupiers use lease events to either upgrade accommodation or right-size portfolios, but on balance, overall availability is likely to have peaked at just over 7%.

Supply & Development

Availability rate by region
Source: Newmark



Newmark are marketing Apollo, Ansty Park, Coventry, a 52-acre development positioned adjacent to Junction 2 of the M6 and Junction 1 of the M69. The scheme offers 860,956 sq ft of highly specified accommodation across four detached units ranging from 117,076 to 301,591 sq ft. For more information, please visit the website or contact Charlie Spicer or Seb Moseley directly.

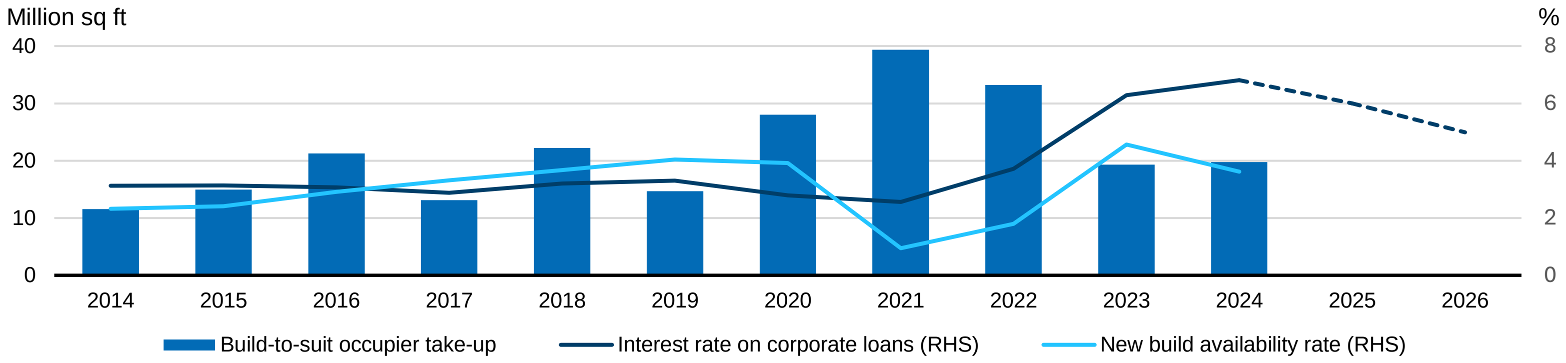
Supply & Development

Largest buildings have lowest rates of availability, but longest void periods

There are very few up-and-built buildings capable of satisfying occupier requirements for good quality buildings over 500,000 sq ft. Buildings over this size have the lowest rate of availability but also represent a potentially greater risk to income with relatively longer void periods. The slowdown in speculative development in 2024 allied to the low new-build availability rate is set to push occupiers into the build-to-suit market in 2025, either for pre-let or land sales to owner-occupy. This will especially be the case if the cost of debt becomes more accommodating as expected over 2025 and into 2026.

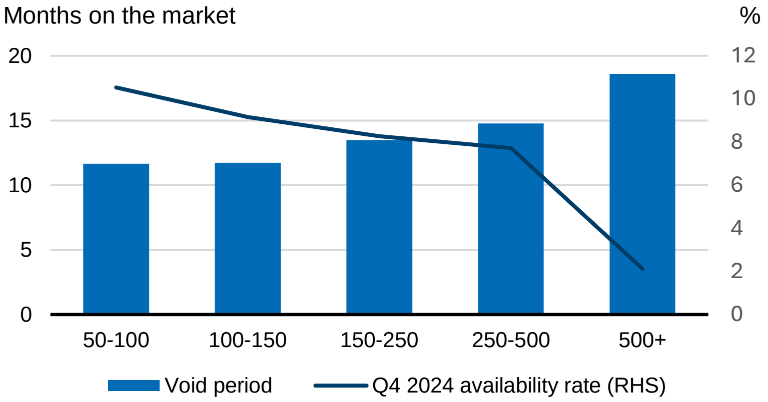
Build-to-suit take-up, prevailing availability and corporate interest rate

Source: Newmark, Oxford Economics



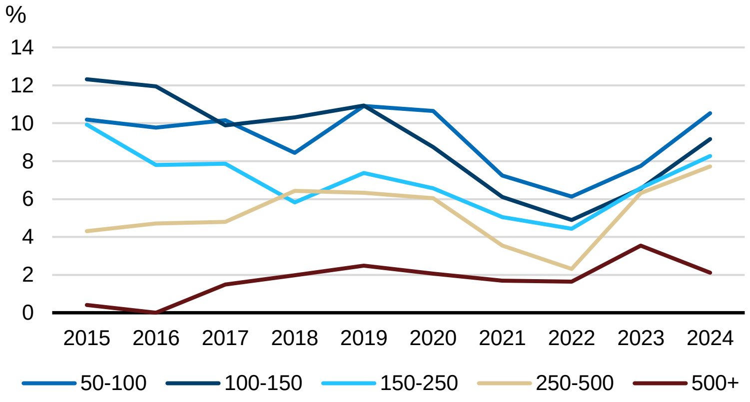
UK void period and rate by building size

Source: Newmark



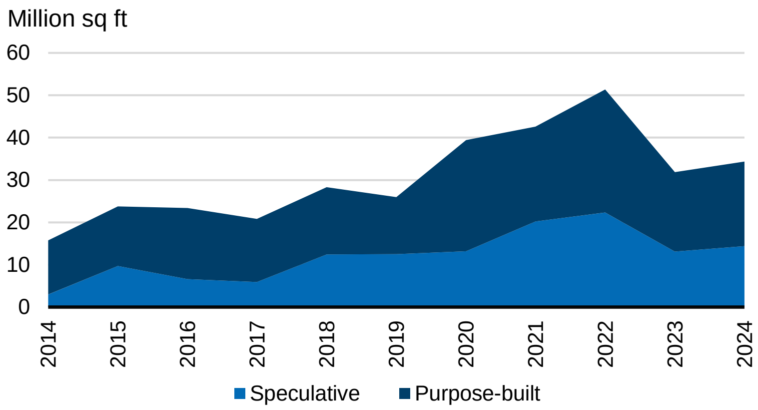
Availability rate by building size

Source: Newmark



Development starts by type

Source: Newmark

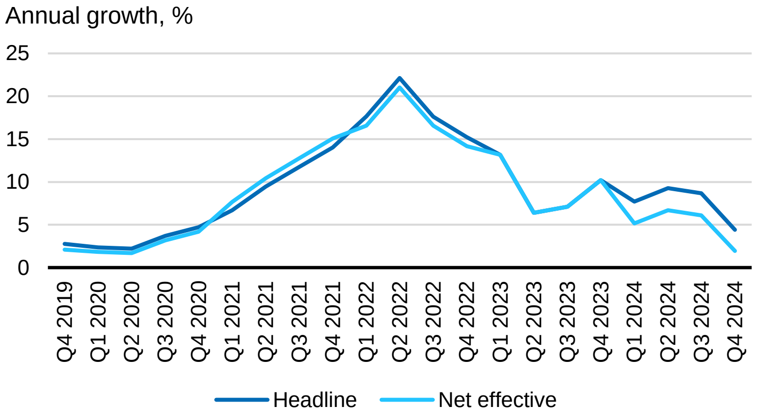


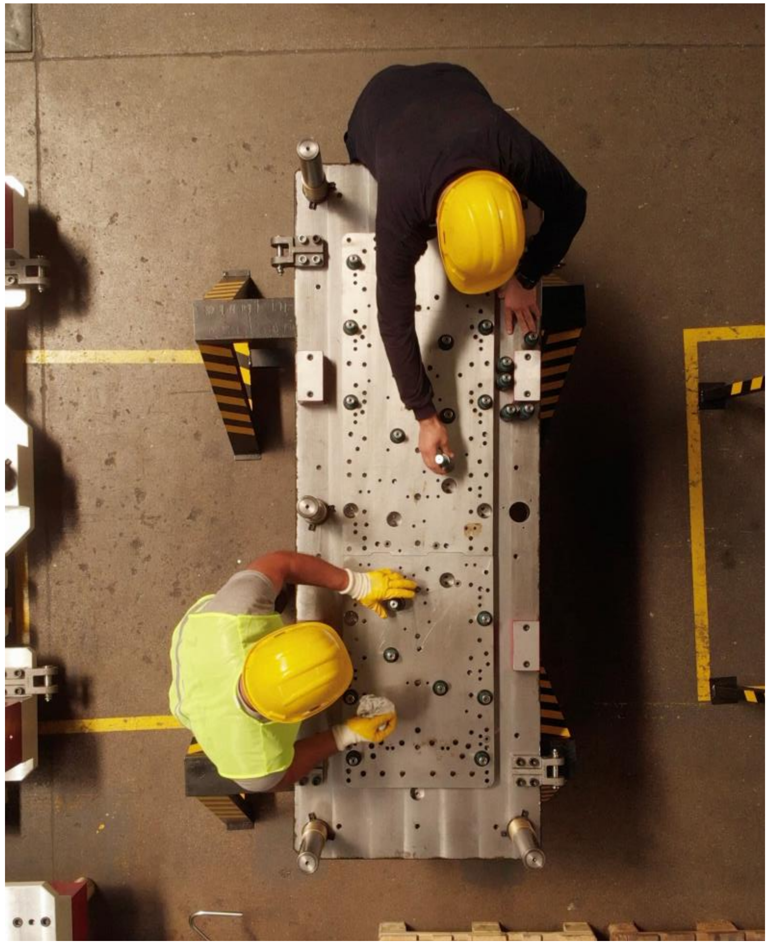
Rents

Lowest annual rental growth in four years

Prime rents continue to increase, although the pace of growth slowed in 2024 and is substantially down from the 22% peak annual growth recorded in Q2 2022. Quarterly UK prime headline rental growth was 0.9% in Q4, while annual growth was 4.4%. Incentives moved out across most regions in Q4, especially in the Midlands and London. Landlords are increasingly open to putting 5-year breaks into leases, albeit with incentive-related penalties if the break is exercised. On a 10-year lease term, an arrangement of six months rent free upfront and six months rent free in year six if the break is not exercised was common in Q4, especially for mid-sized accommodation.

Prime logistics headline and net effective rental growth
Source: Newmark

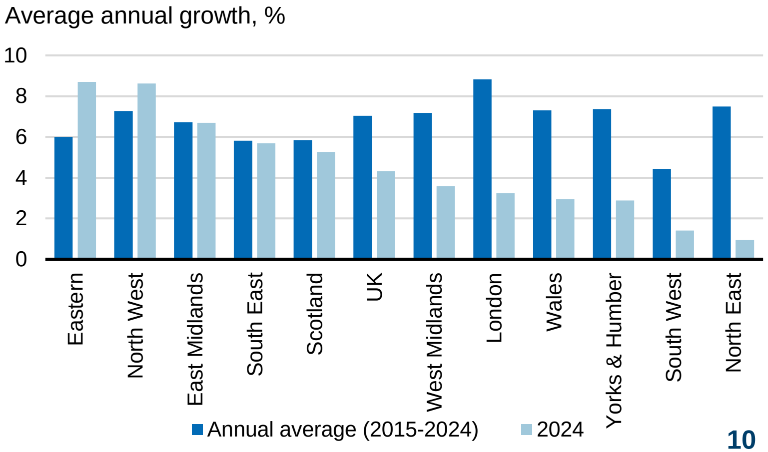




Ongoing rental strength in the Midlands

On a quarterly basis, rental growth was strongest in prime Midlands locations such as Northampton and Kettering where large deals really moved on the rental tone. South East locations, such as Hemel and Wycombe, were also strong and proved attractive to cost-sensitive occupiers looking for good quality accommodation within reach of London. On an annual basis, rental growth was highest in Eastern England and the North West. The East Midlands also performed well since its central location offers consolidation opportunities and the efficiencies that go with it. Annual rental growth in London was just over 3%, which is significantly below the 8.8% 10-year average.

Annual regional prime logistics rental growth
Source: Newmark



Investment

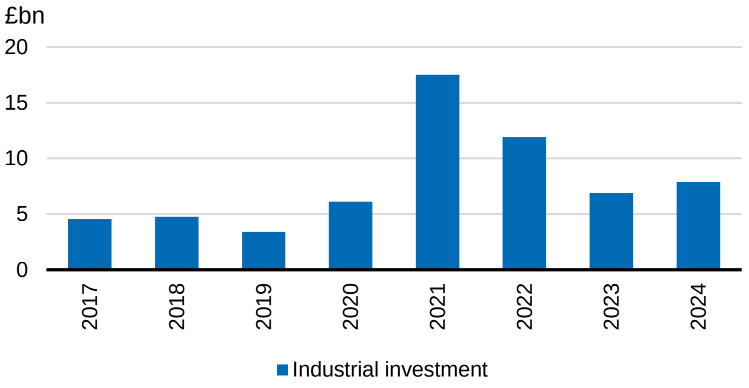
Momentum in industrial investment market

A strong Q4 helped propel the UK industrial and logistics investment volume to £7.92bn in 2024, 38% of which involved portfolio deals. Multi-let industrial accounted for 37% of the standalone annual total and was also an important component of the portfolio market. As income remains a key focus for investors, the frequent opportunities on offer to drive rents in the multi-let market has captured greatest investor demand. For similar reasons, single-let logistics assets with relatively near-term lease events continue to be more in demand than long-let index-linked assets.

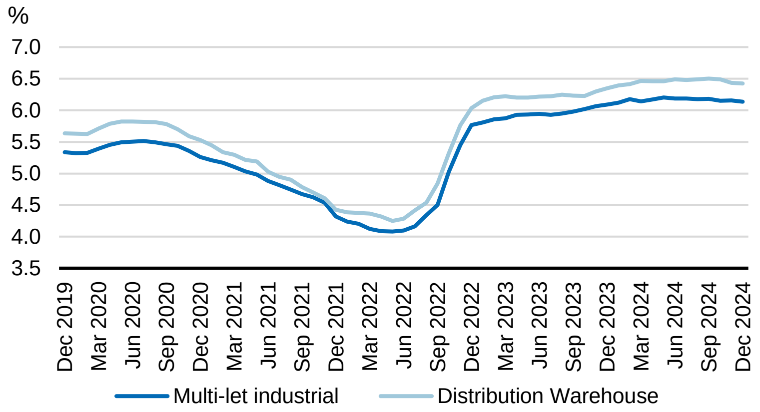
Increased depth of buyer pool for logistics

The depth of the buyer pool for logistics property improved in Q4. Demand was mostly from domestic logistics specialists and some new international market entrants, as opposed to funds. Average transacted yields ticked-up marginally in 2024 as more secondary assets were sold than in 2023, but on balance, pricing improved for assets of the same quality. Valuations-based yields have been much smoother than in the direct market and there is scope for some inward movement on this measure in 2025, arguably more so for single-let than multi-let, given the current price differential.

Annual UK industrial investment
Source: Newmark



Equivalent yield
Source: MSCI



Newmark advised Canada Life on the sale of Tesco's last-mile 630,000 sq ft distribution unit at Dolphin Park in Purfleet to Valor Real Estate Partners in a joint venture with Quadreal Property Group. This was the largest single-let asset deal agreed in the UK since 2022. Please contact Nick Ogden for more information.

Newmark Regions

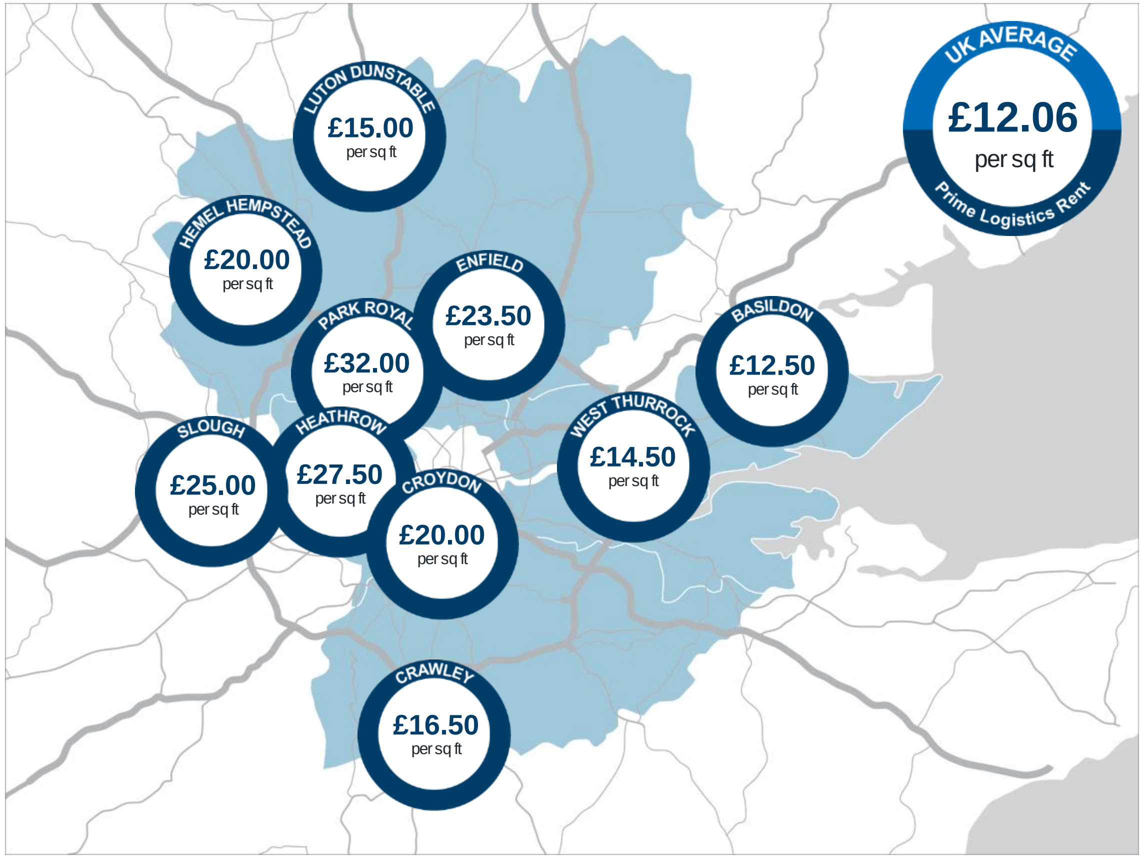
Click on a region for more detailed regional analysis & insight.

- London
- The South and East
- Midlands
- South West and Wales
- North West
- North East and Yorkshire
- Scotland

London

Contact Josh Pater for more information.

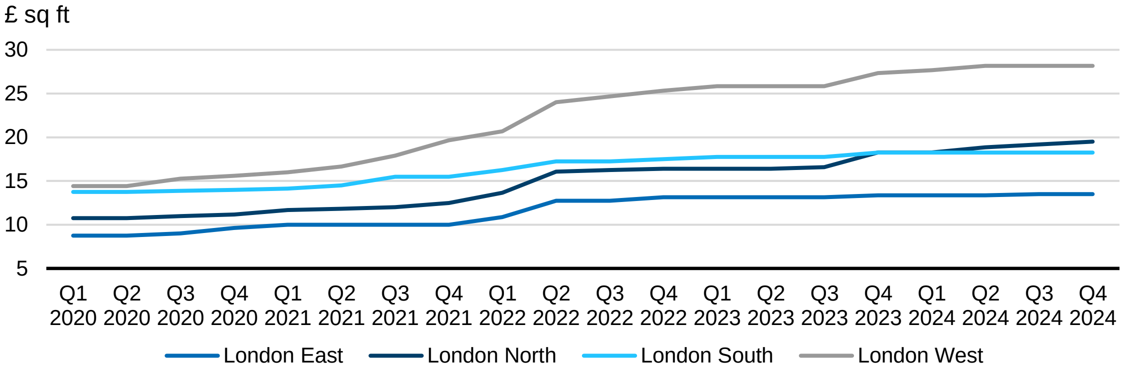
Prime logistics rents



Prime rent: typical achievable headline rent in £ per sq ft for units of good quality over 50,000 sq ft and let on a typical 10-year lease to a tenant of strong covenant.

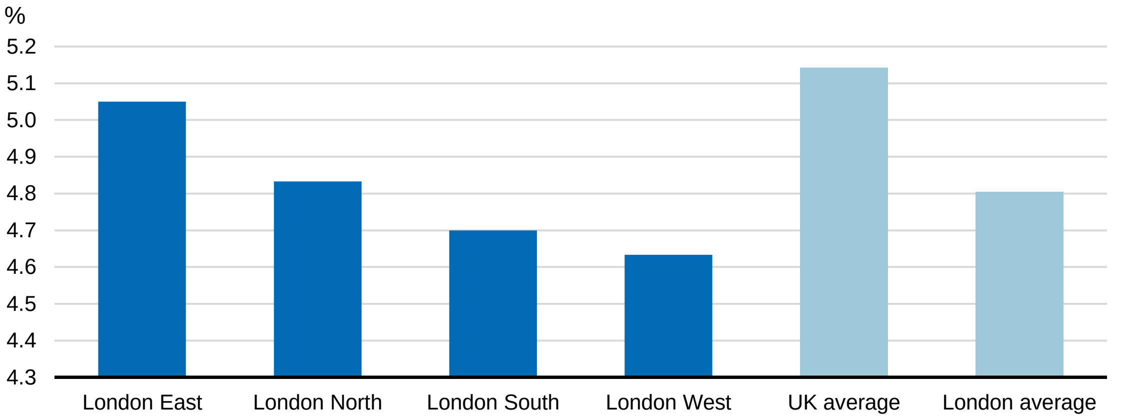
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q4 2024

Source: Newmark



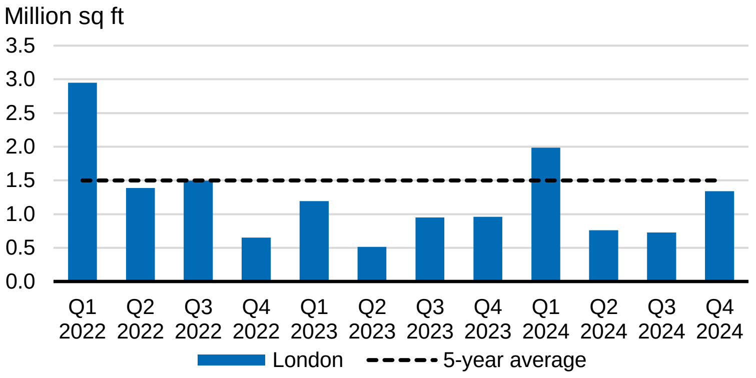
London

Contact **Josh Pater** for more information.

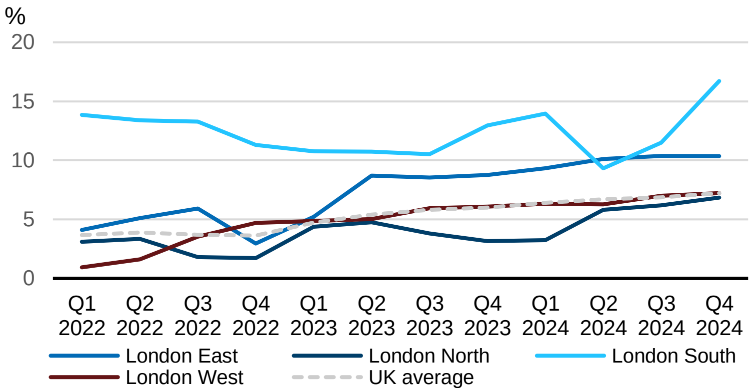
Data centre occupiers drive 33% increase in annual take-up

2023 looks to have been the low point in terms of occupier demand in London, with large scale data centre and e-commerce occupiers driving improved activity in 2024. Tenants linked to energy-efficient home improvements were also active. Average availability rates and void periods were above the UK average in London in Q4, notably in south and east London. Average annual prime rental growth in London slowed to 3% in Q4, significantly down from the 34% high for the current cycle in Q2 2022. The relatively weak speculative development pipeline will underpin continued positive prime rental growth, especially in north and west London.

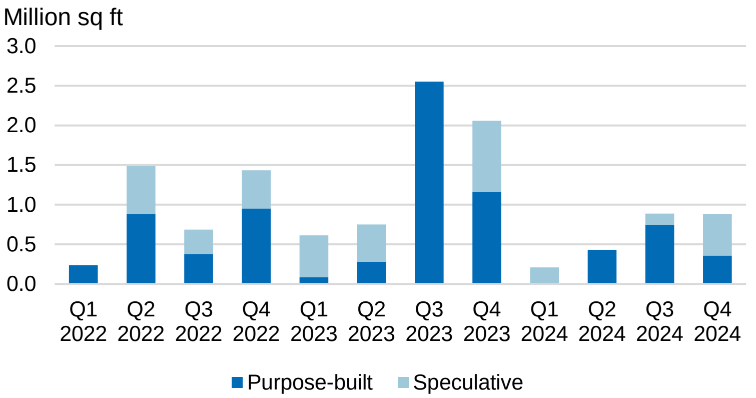
Occupier take-up
Source: Newmark



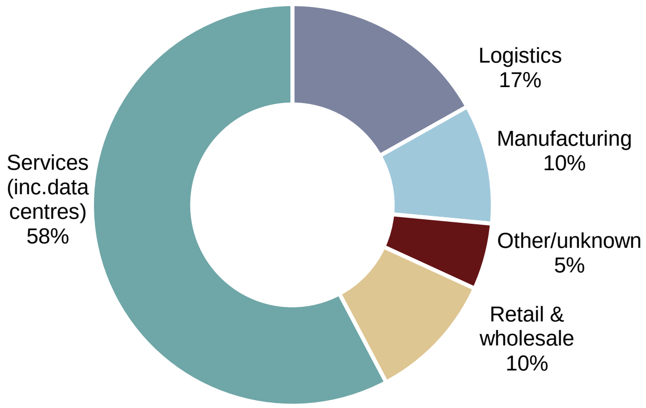
Availability rate by region
Source: Newmark



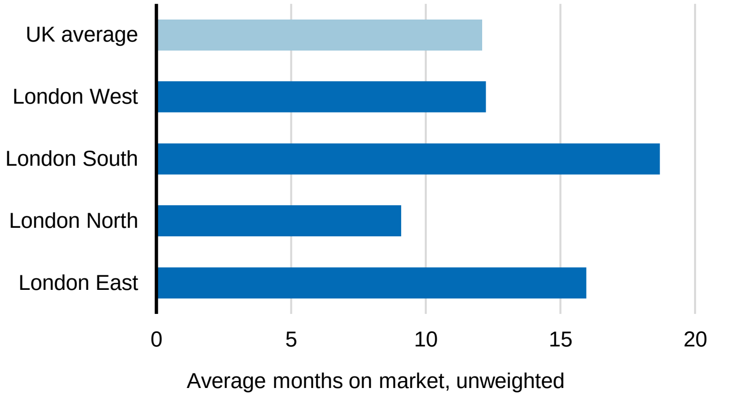
Development completions, by type
Source: Newmark



Take-up by occupier sector, last 12 months
Source: Newmark



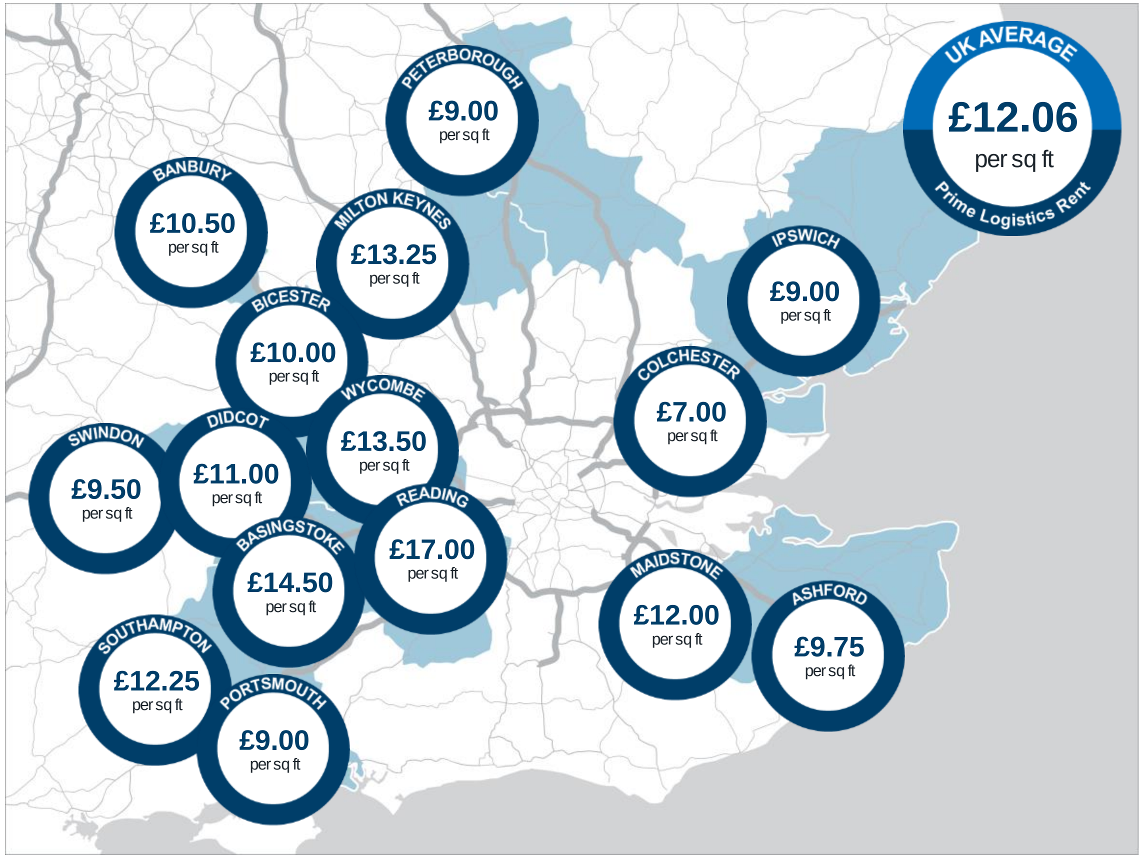
Void period by region, Q4 2024
Source: Newmark



The South East and East

Contact Mark Trowell for more information.

Prime logistics rents



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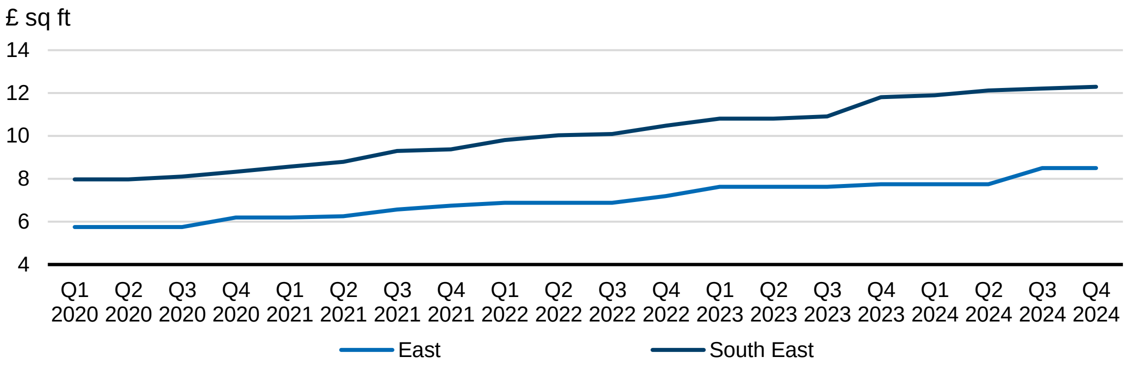

Prime logistics regional average yields, Q4 2024

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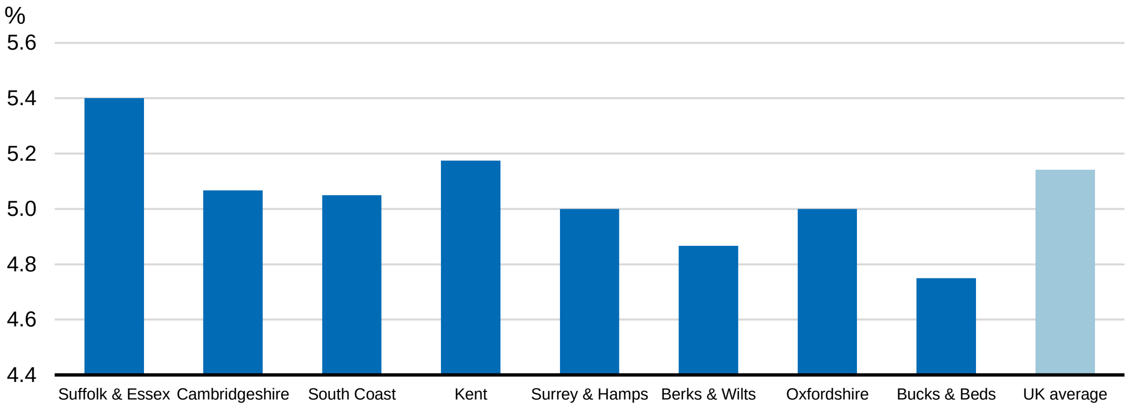


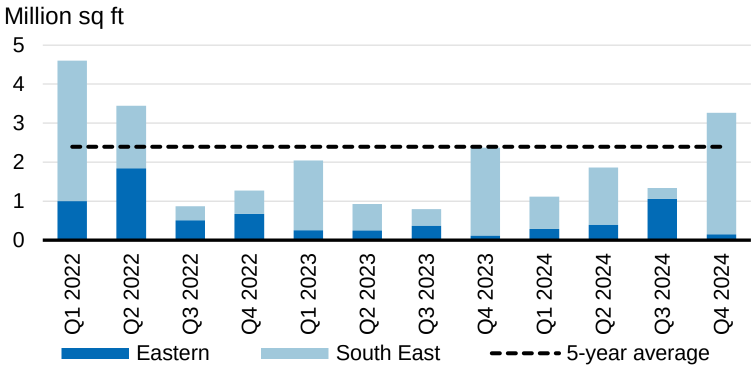
The South East and East

Contact Mark Trowell for more information.

Forward-commitments by data centre operators drive strongest quarter in over 2 years

Two large data centres received planning permission in Q4: Affinity Capital's140MW scheme in Iver and CloudHQ's 81MW scheme on the site of the former Didcot A power station. These schemes elevated quarterly take-up to over 3m sq ft, the strongest since Q2 2022. South East regions continue to also benefit from occupiers looking for more cost-efficient accommodation close to London markets. Manufacturers were an important component of demand in 2024 following Sizewell C's acquisition of buildings at Orwell Logistics Park. Prime rents continue to be supported by relatively low average rates of availability and subdued speculative development in most markets.

Occupier take-up
Source: Newmark



Availability rate by region
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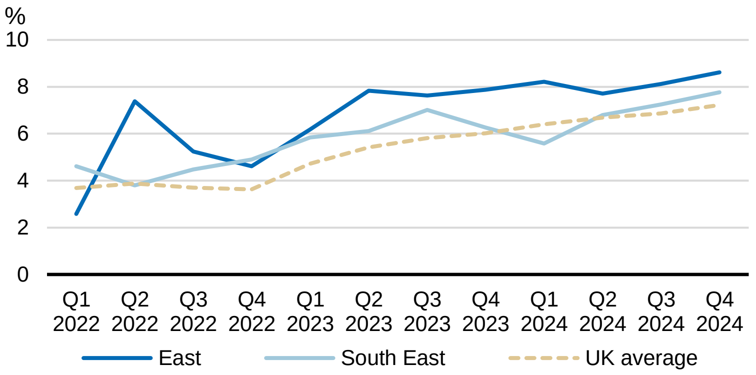

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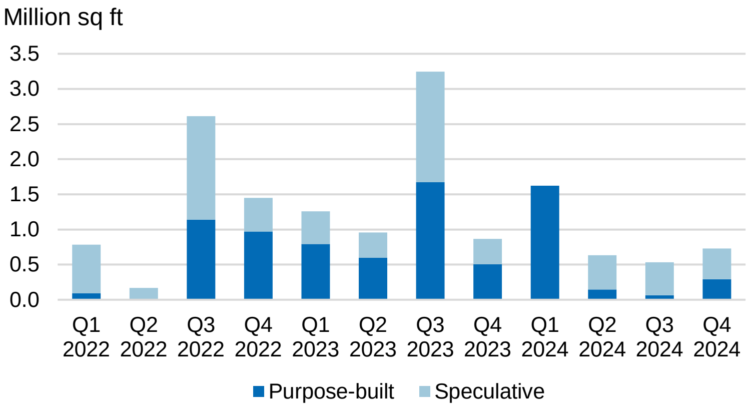

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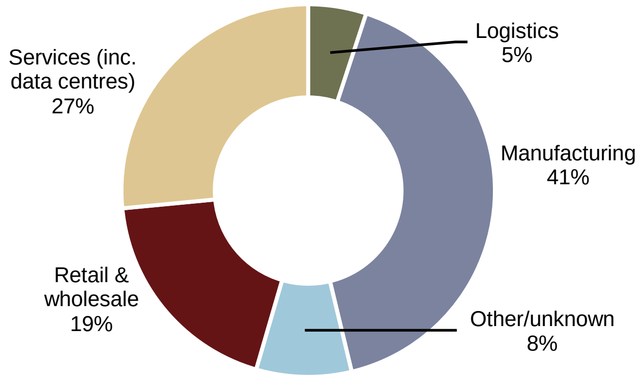

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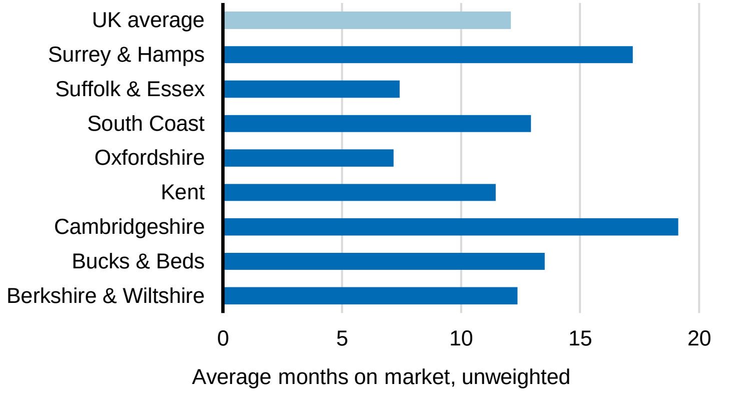
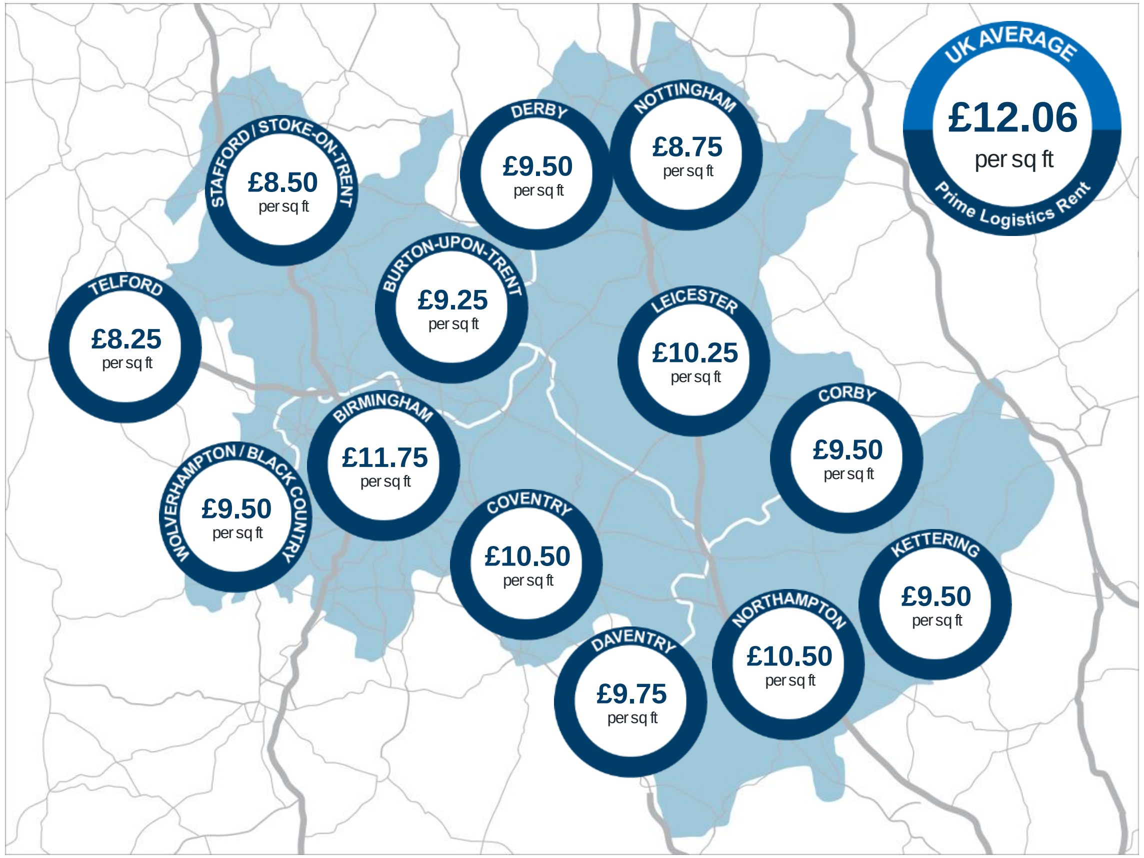


The Midlands

Contact **Charlie Spicer** for more information.

Prime logistics rents



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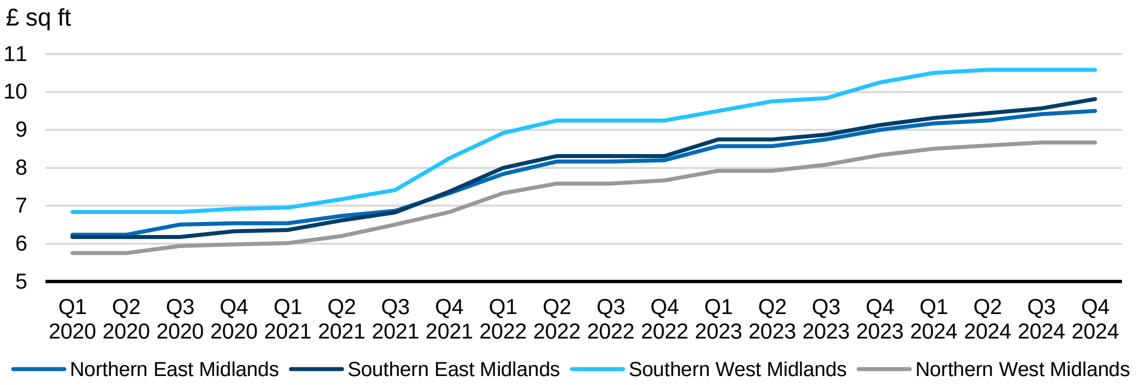

Prime logistics regional average yields, Q4 2024

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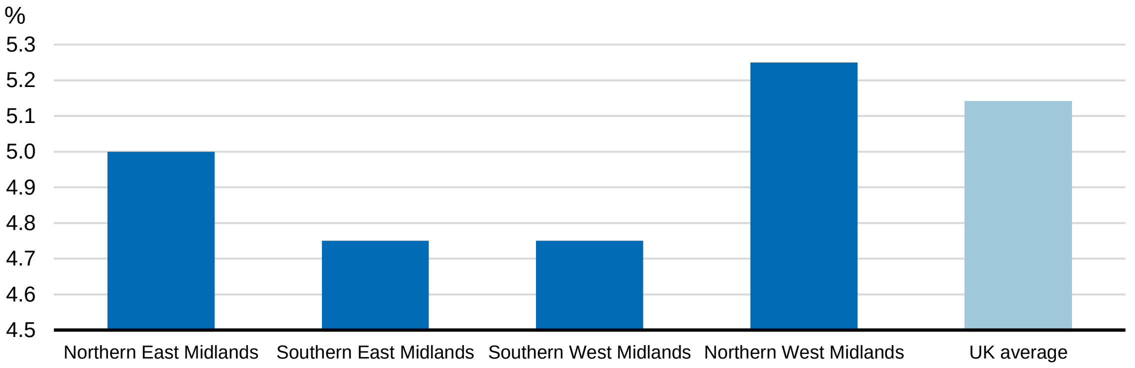


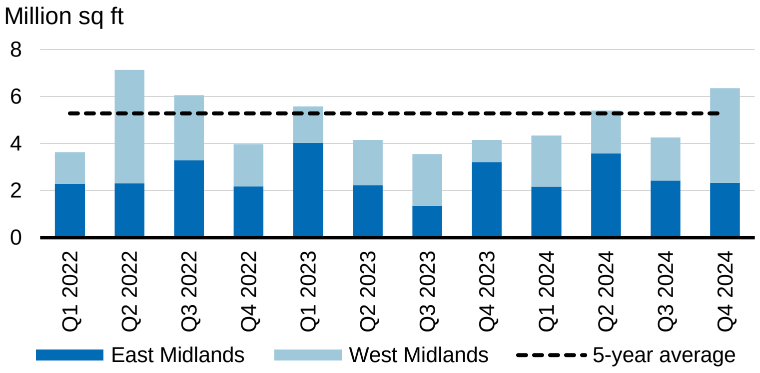
The Midlands

Contact **Charlie Spicer** for more information.

Retailers drive strong end to the year for occupier demand in the Midlands

Large scale commitments by Frasers Group in Ansty, Tesco in Hinckley and Amazon in Kettering topped off a strong year for occupier demand in the Midlands. Annual demand was up 17% overall in 2024, driven by a significant 49% increase in the West Midlands. Average annual prime rental growth slowed to 4.2% in Q4 2024 and rents are increasingly supported by incentives or lease flexibility. Occupier requirements for freehold options on large sites with planning and strong power provision is high and competition for such sites increased through 2024.

Occupier take-up
Source: Newmark



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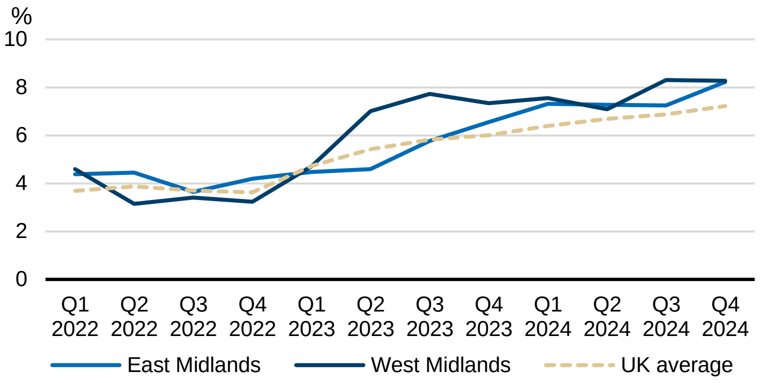

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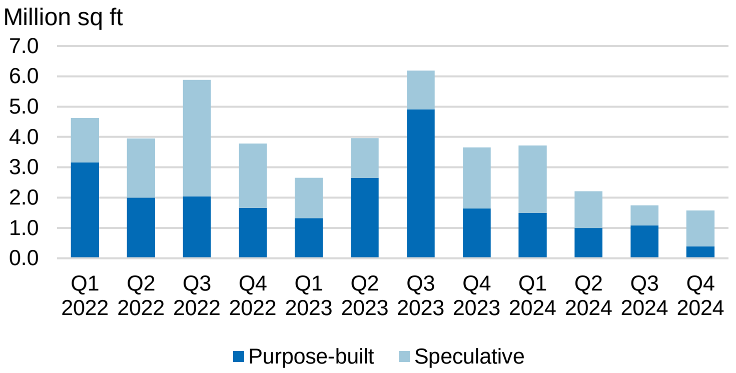
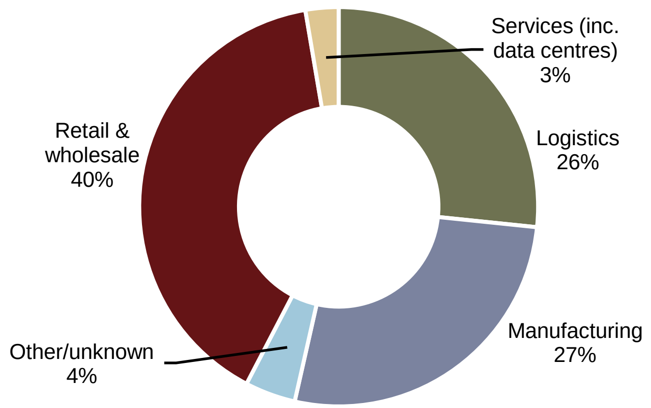
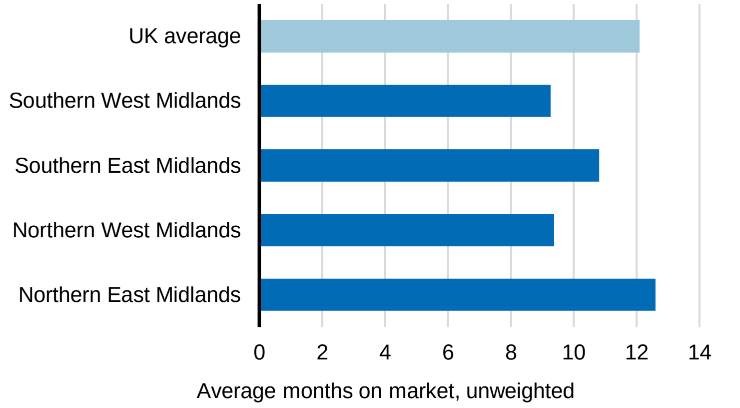


Take-up by occupier sector, last 12 months
Source: Newmark



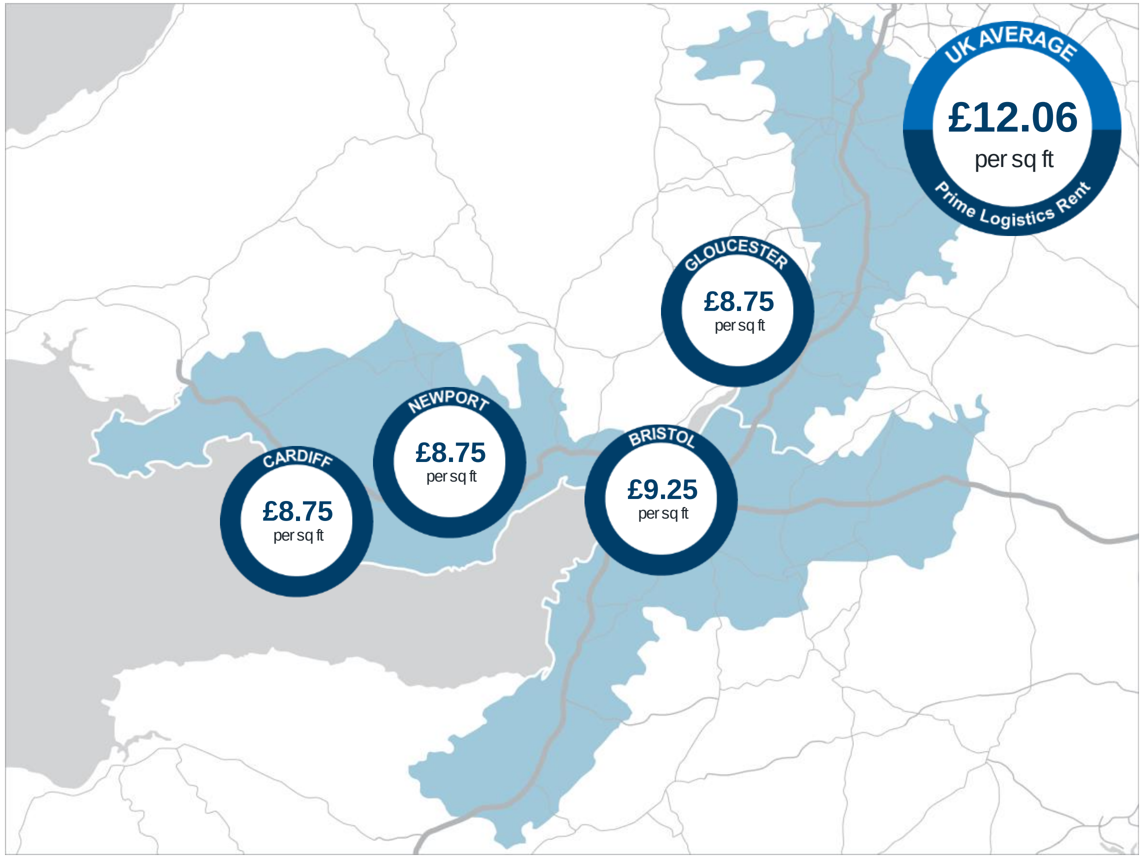
Void period by region, Q4 2024
Source: Newmark



South West and Wales

Contact Charlie Spicer for more information.

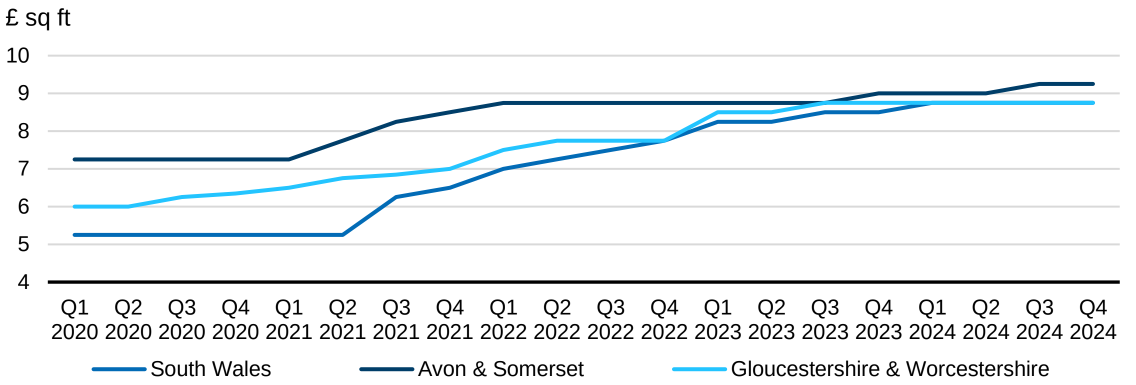
Prime logistics rents



Prime rent: typical achievable headline rent in £ per sq ft for units of good quality over 50,000 sq ft and let on a typical 10-year lease to a tenant of strong covenant.

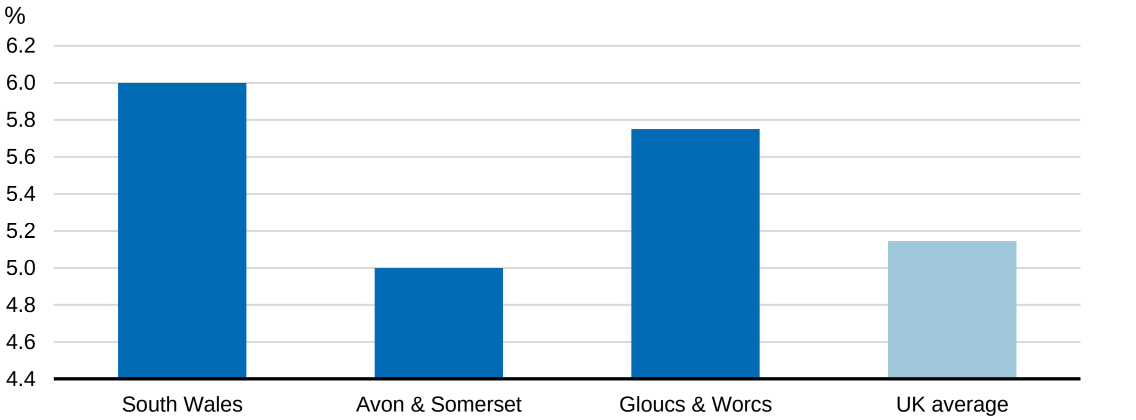
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q4 2024

Source: Newmark



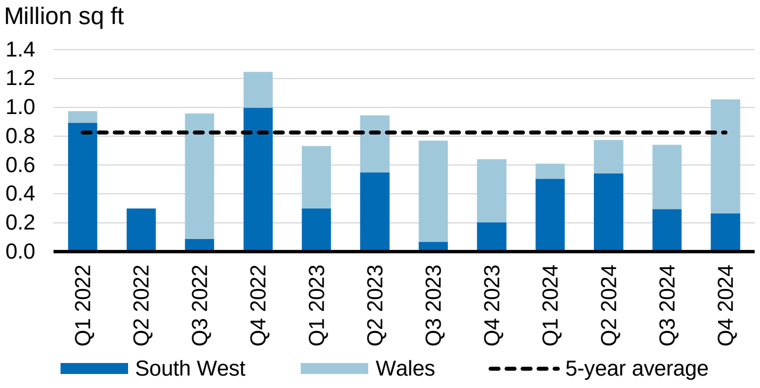
South West and Wales

Contact Charlie Spicer for more information.

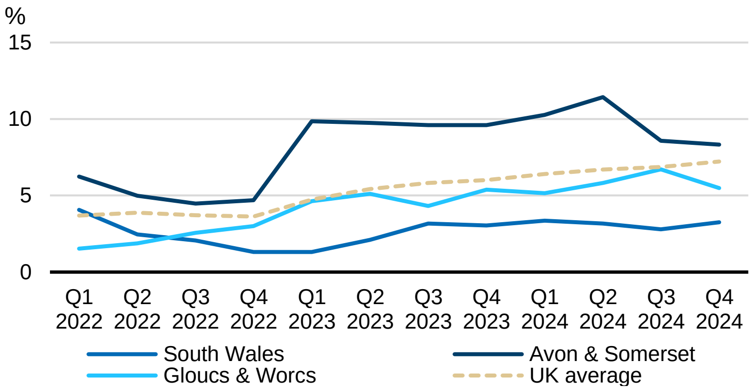
Diverse nature of occupier demand and thin pipeline supports positive prime rent outlook

Latos received planning permission on its 540,000 sq ft data centre in Tremorfa, Cardiff in Q4, which was the largest deal of the year. Demand was from a diverse range of occupiers in 2024, including logistics companies such as Royal Mail, food wholesalers and aerospace manufacturers. Availability rates remain below the UK average in most markets, although void periods are slightly longer. Speculative development remains very subdued, with no development completions in 2024 and the pipeline looks thin, with only a handful of buildings under construction in Avonmouth. This will underpin continued positive prime rental growth.

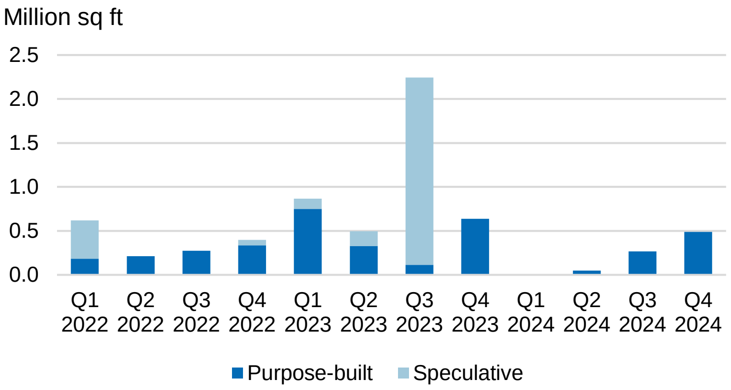
Occupier take-up
Source: Newmark



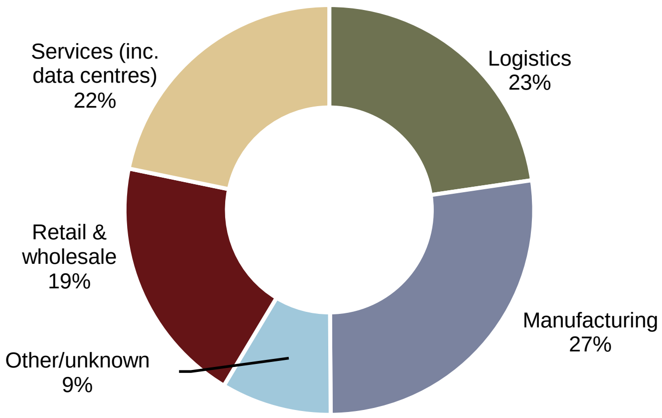
Availability rate by region
Source: Newmark



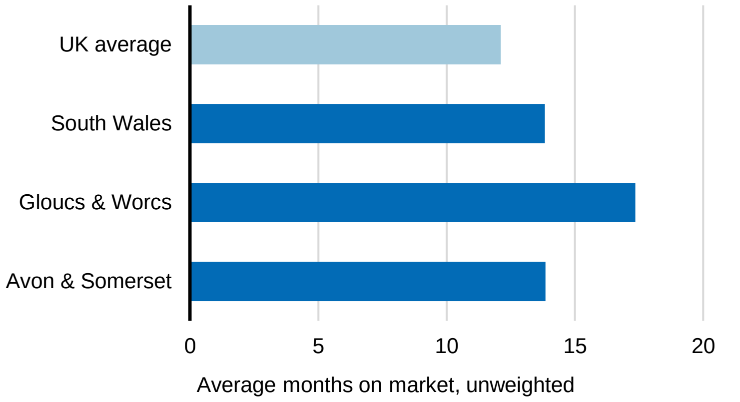
Development completions, by type
Source: Newmark



Take-up by occupier sector, last 12 months
Source: Newmark



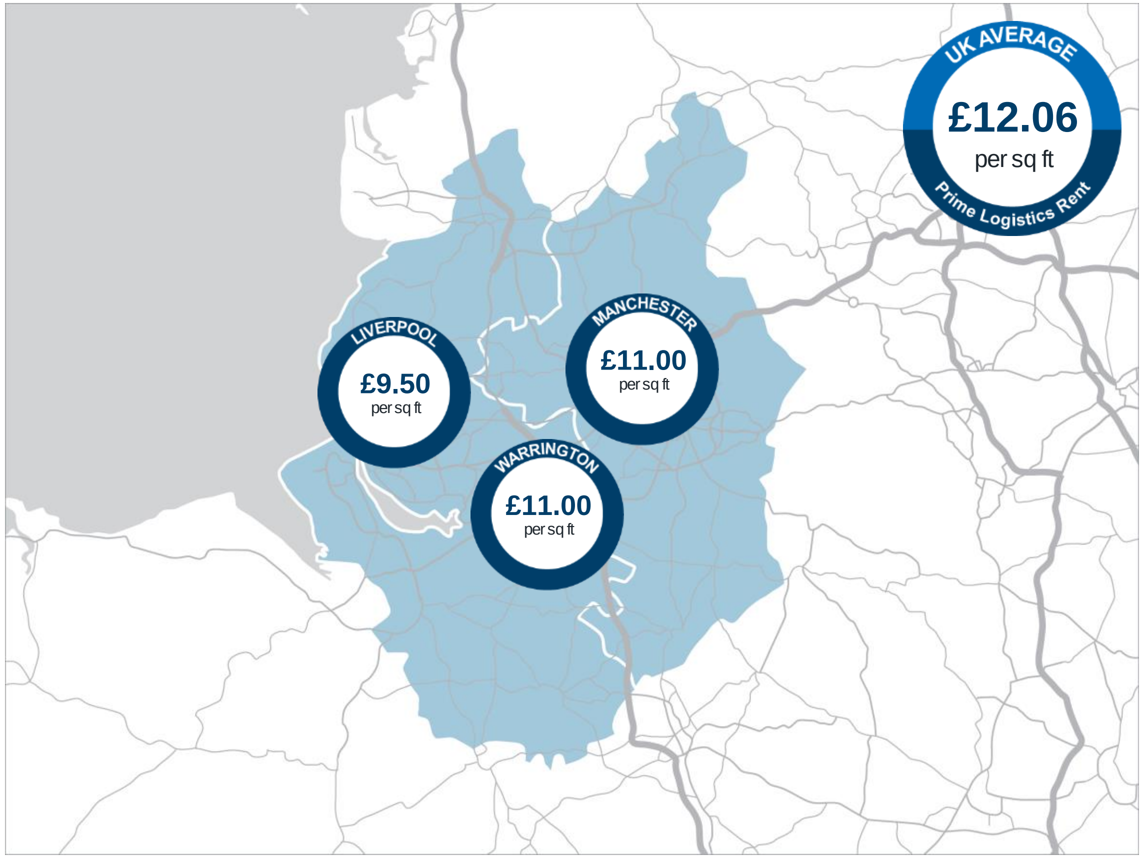
Void period by region, Q4 2024
Source: Newmark



North West

Contact Jason Print for more information.

Prime logistics rents



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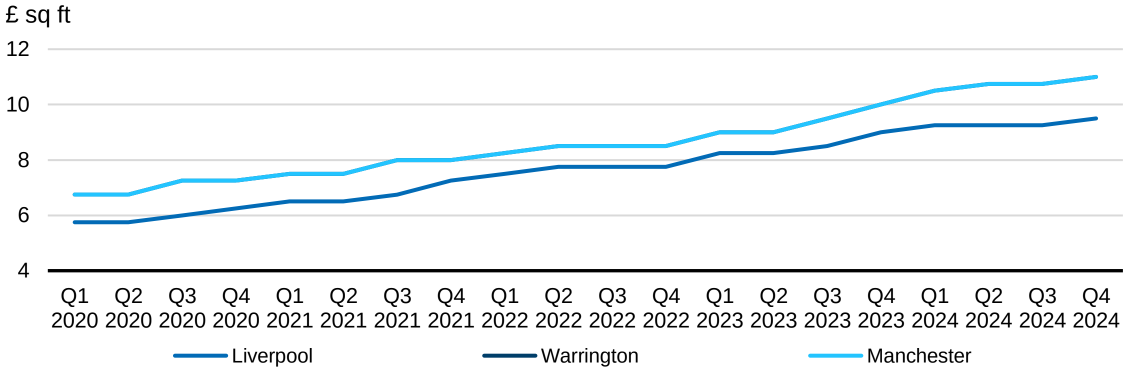
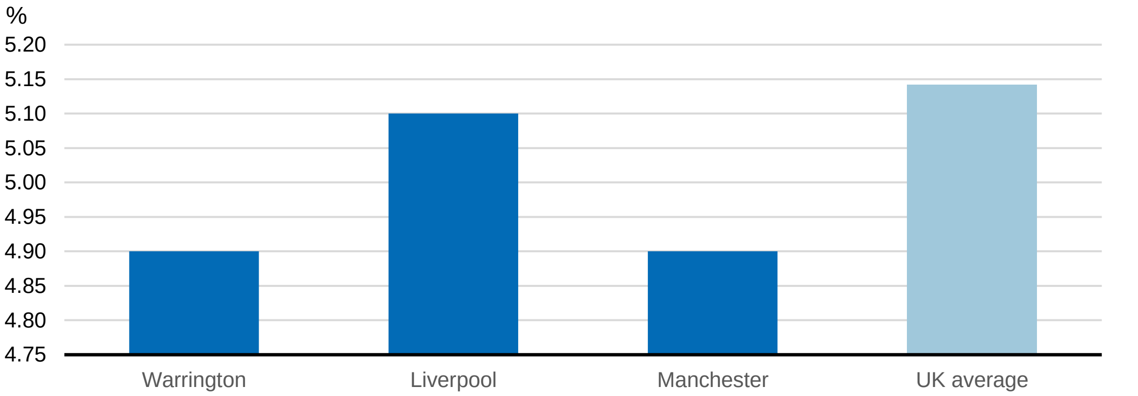
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q4 2024

Source: Newmark



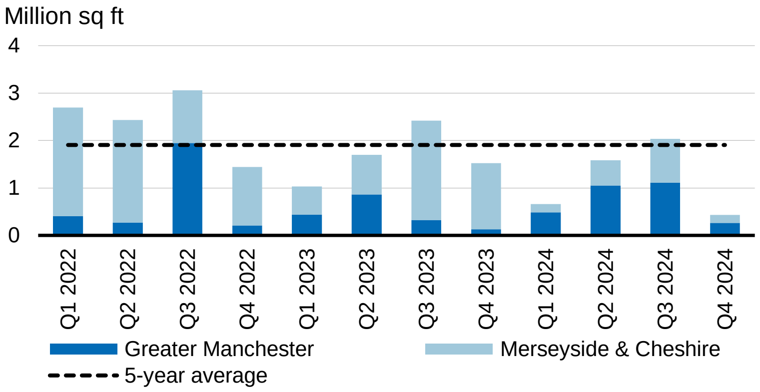
North West

Contact **Jason Print** for more information.

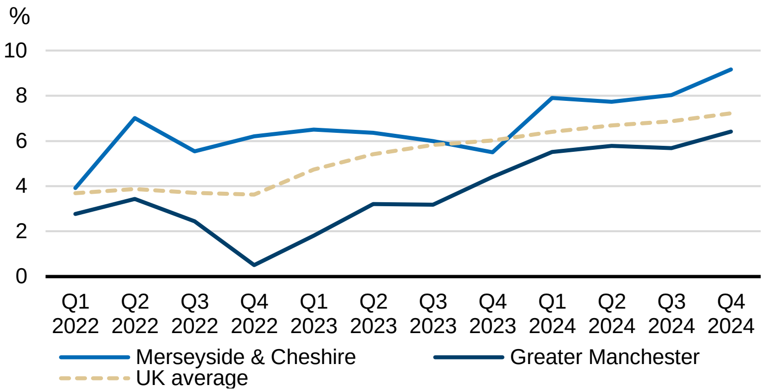
Restricted land supply and low availability dampens demand: annual take-up down 29% in 2024

Quarterly occupier take-up was down 79% in Q4, marking one of the weakest quarters for occupier demand for almost 3 years. A lack of up-and-built good quality accommodation and a relatively subdued pipeline restricted occupier demand in Q4. Prime rents continue to rise, with average annual prime rental growth of 8.6% in Q4, one of the strongest of all regions. Incentives were flat for most of 2024, although landlords were increasingly relaxed about the inclusion of lease breaks in new leases, albeit with penalties if the break is exercised.

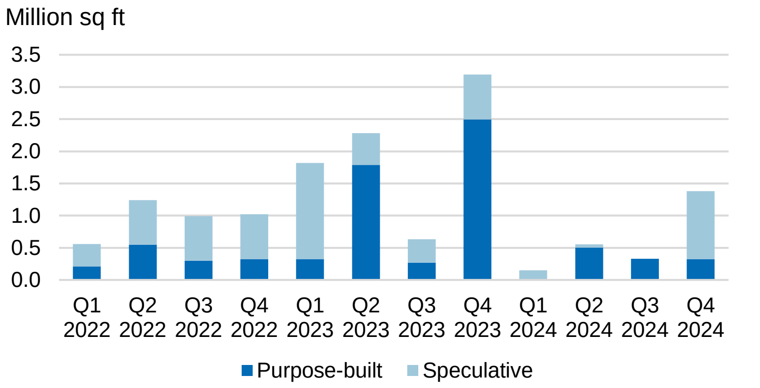
Occupier take-up
Source: Newmark



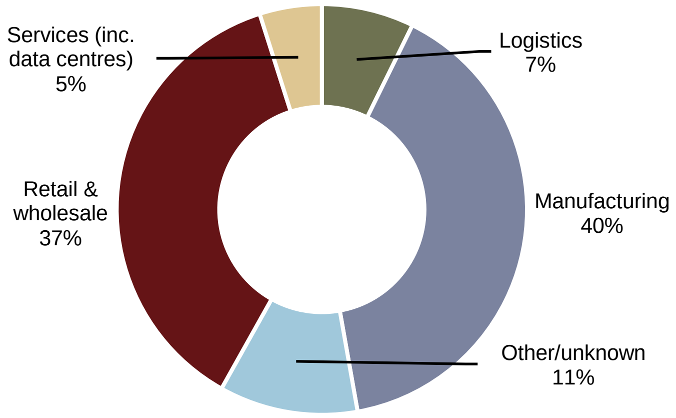
Availability rate by region
Source: Newmark



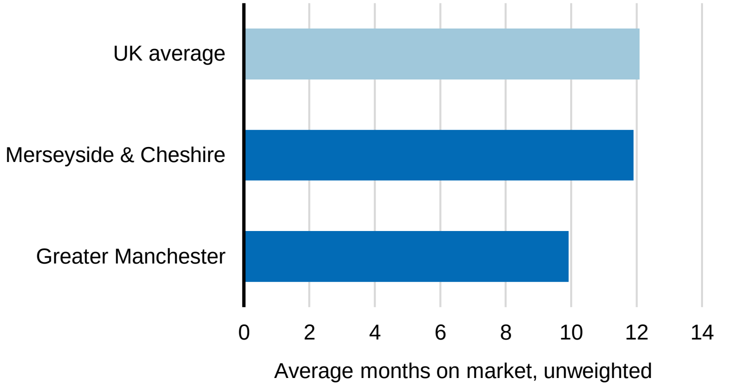
Development completions, by type
Source: Newmark



Take-up by occupier sector, last 12 months
Source: Newmark



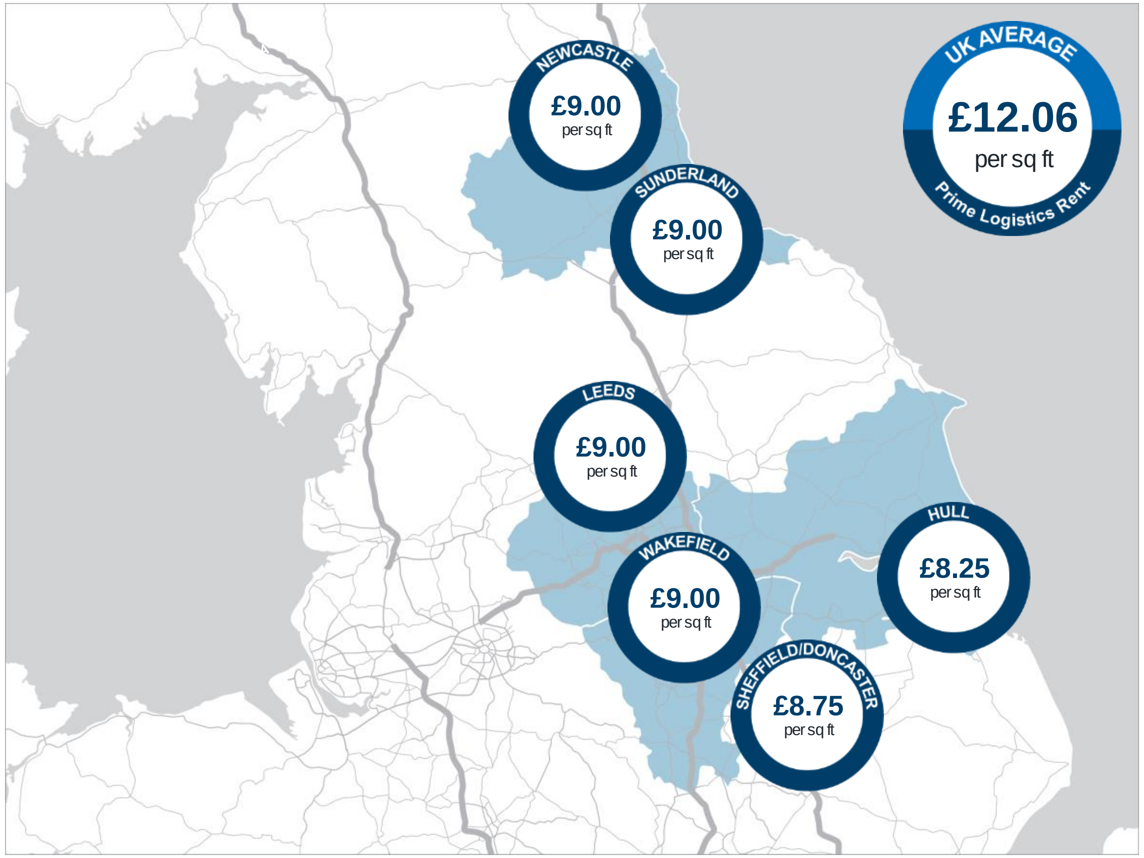
Void period by region, Q4 2024
Source: Newmark



North East and Yorkshire

Contact **Jason Print** for more information.

Prime logistics rents



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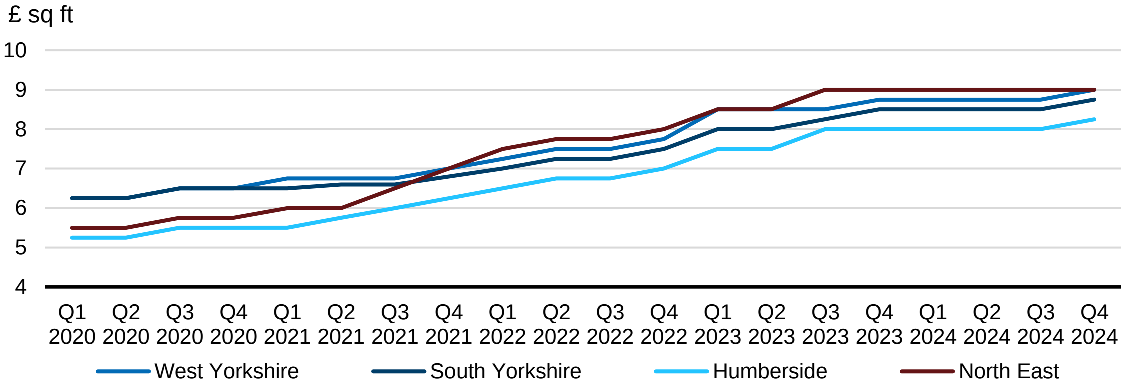
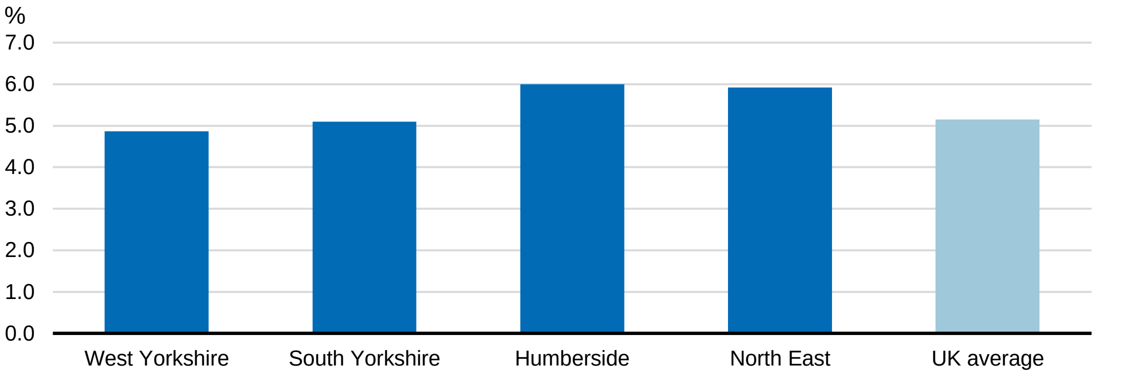
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q4 2024

Source: Newmark



North East and Yorkshire

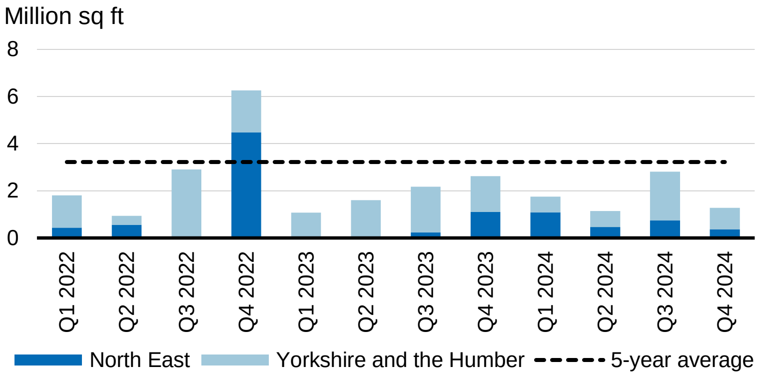
Contact Jason Print for more information.

Marked slowdown in speculative development in 2024

Quarterly occupier demand was down 54% in Q4 and 2024 annual demand was down 7%. Despite subdued headline occupier demand, these regions continue to prove attractive to both renewable energy and data centre specialists who are attracted by the coastal location, availability of renewable energy and relatively high land availability. The relatively weak speculative development pipeline and low headline rents and availability rates will continue to underpin positive prime headline rental growth.

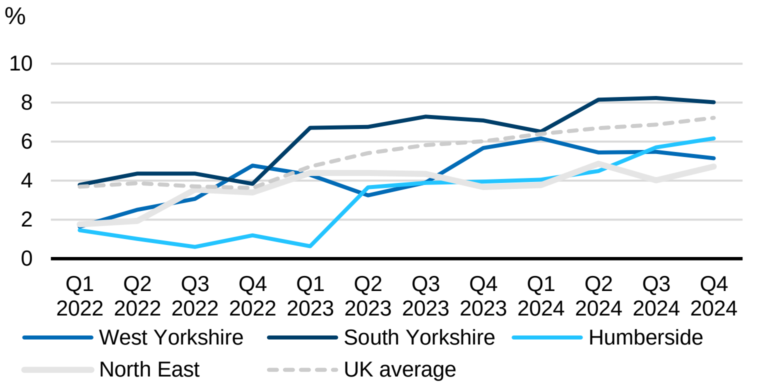
Occupier take-up

Source: Newmark



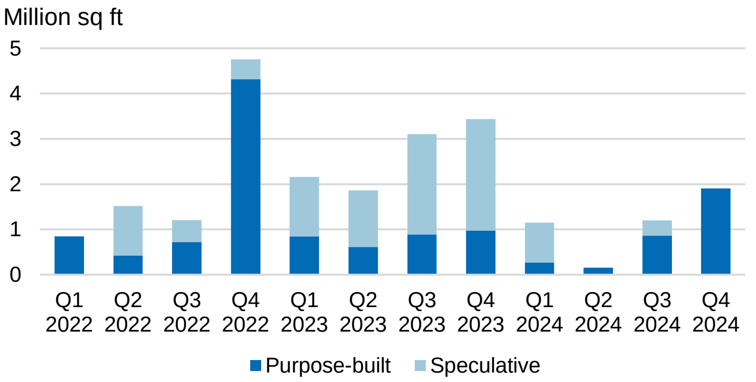
Availability rate by region

Source: Newmark



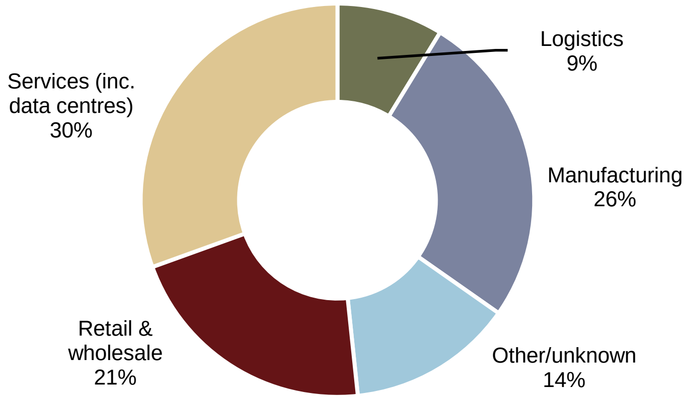
Development completions, by type

Source: Newmark



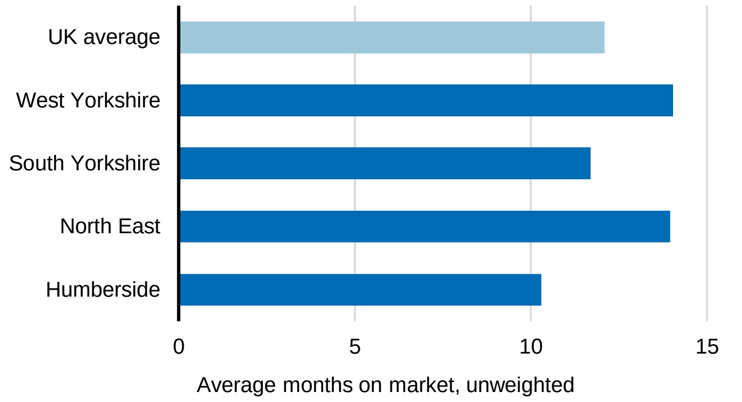
Take-up by occupier sector, last 12 months

Source: Newmark



Void period by region, Q4 2024

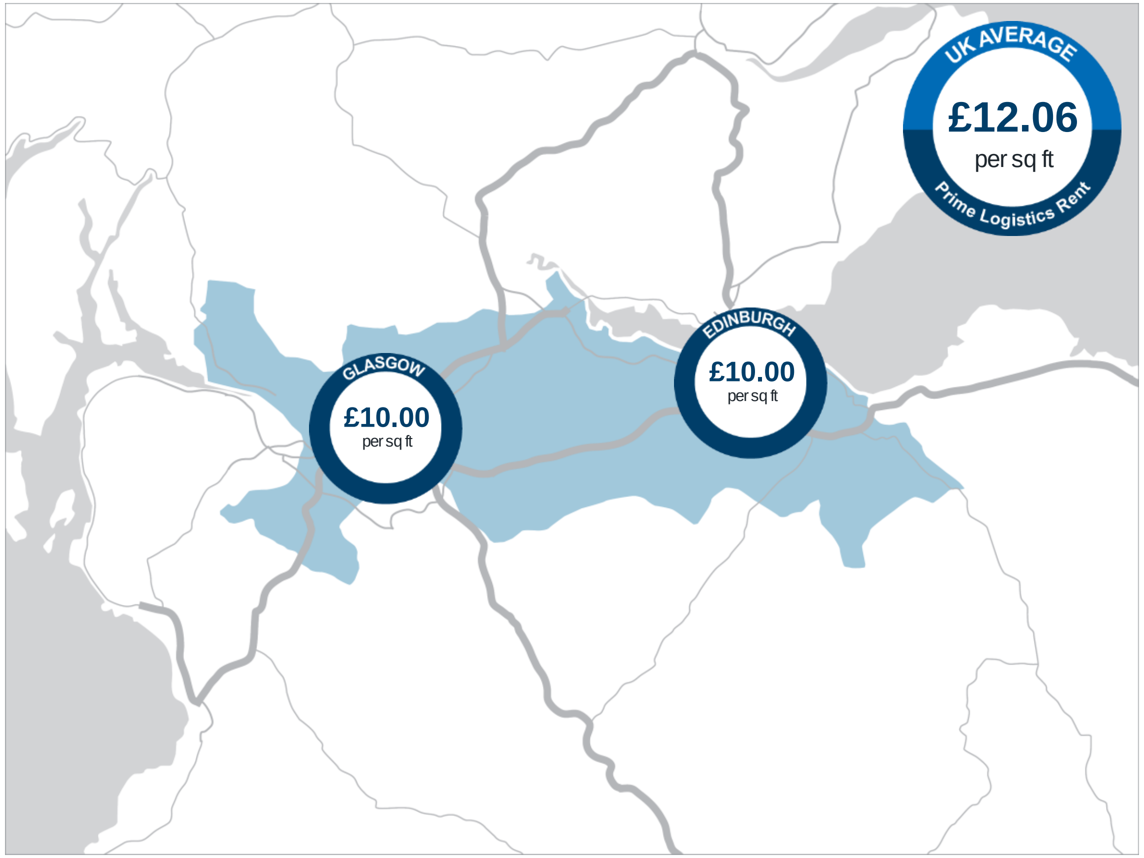
Source: Newmark



Scotland

Contact **Sven Macaulay** for more information.

Prime logistics rents



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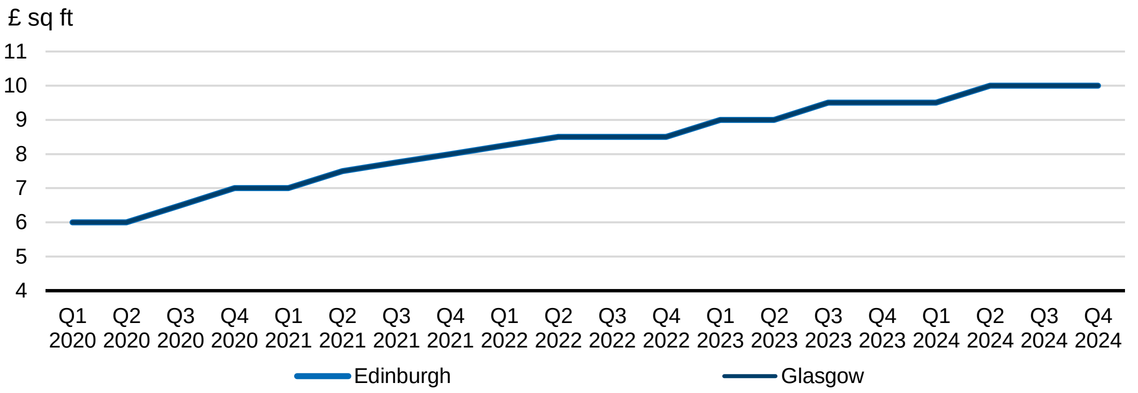
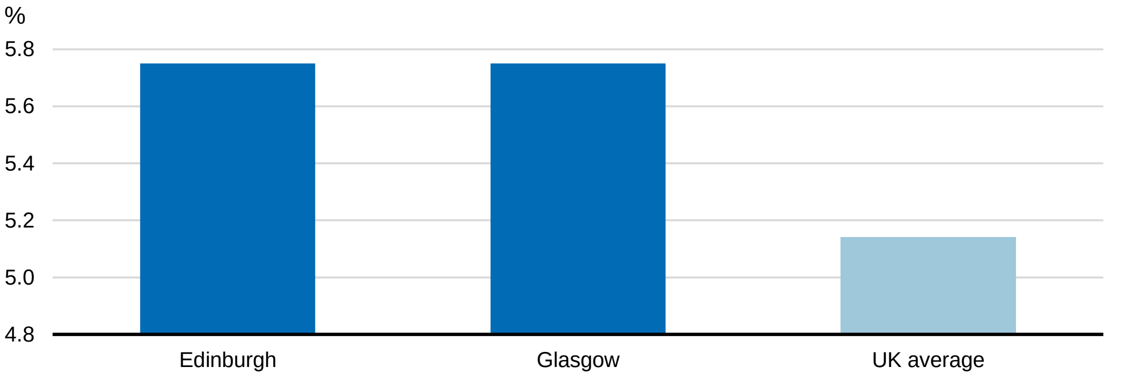
Source: Newmark



Prime logistics regional average yields, Q4 2024

Source: Newmark



Scotland

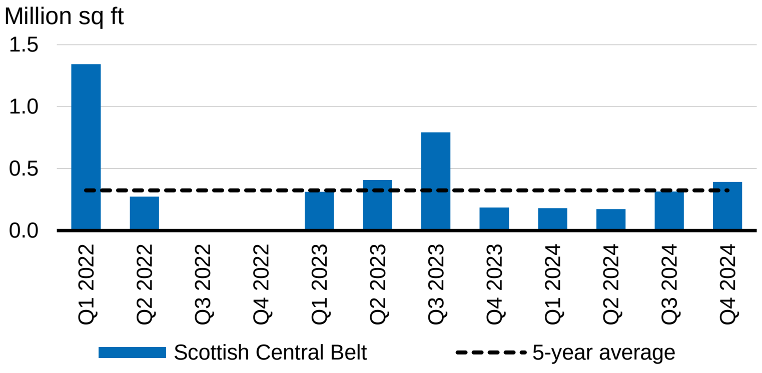
Contact **Sven Macaulay** for more information.

Quarterly demand up 25% in Q4

Activity by logistics and heavy industrial occupiers in Q4 helped drive a 25% increase in quarterly demand. 2024 annual demand however was down 38%, suppressed to some extent by low rates of availability. Key urban centres around Edinburgh and Glasgow continue to attract logistics operators. More broadly, renewable energy-related occupiers such as battery storage and data centre operators continue to be attracted by the relatively low land values and renewable power availability. The delivery of a handful of new speculative buildings drove on prime headline rents by 5.3% in 2024 although the speculative pipeline looks thin.

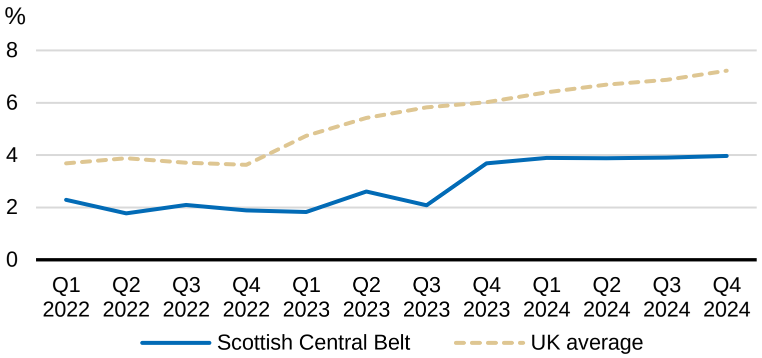
Occupier take-up

Source: Newmark



Availability rate by region

Source: Newmark



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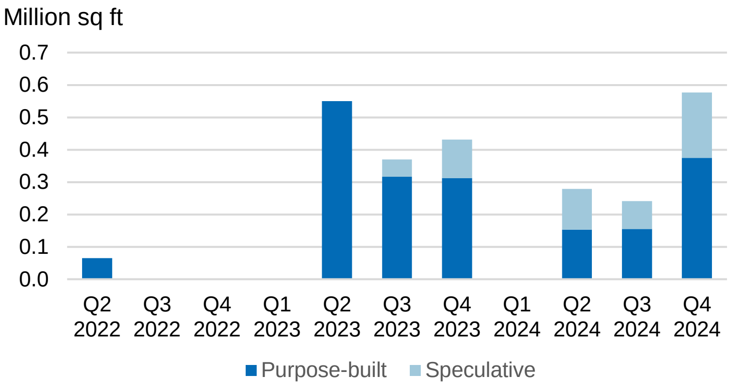
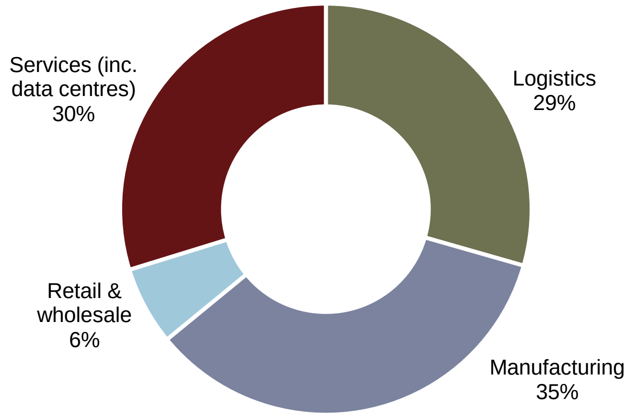


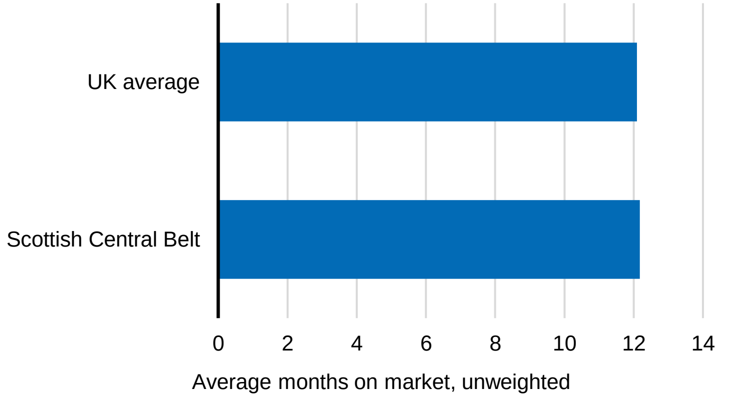
Take-up by occupier sector, last 12 months

Source: Newmark



Void period by region, Q4 2024

Source: Newmark



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Further Insights

Multi-let

In Brief