

Prime Logistics

The definitive guide to the
UK's distribution property market

Q2 2025





Market Overview

Internet retailers and 3PLs drive 20% increase in quarterly take-up

Occupier demand improved significantly in Q2, with 13.7m sq ft transacted, up 20% on Q1 and 17% on a year earlier. Activity was driven by Chinese internet retailers and third-party logistics providers (3PLs), with Amazon also reaffirming its commitment to large-scale investment in the UK. This mix of new overseas investment and domestic occupier expansion and supply chain reorganisation lifted quarterly demand back to the 10-year average.

As occupiers released space to upgrade their facilities, a growing volume of secondhand space returned to the market in Q2, pushing the overall availability rate to 8.6%, the highest in over a decade. However, relatively moderate development activity means that new-build availability remains more constrained, at a relatively low 4.8%.

The volume of investment remained subdued in Q2. There is breadth of demand for UK logistics property, but yields moved out by approximately 10bps. The impact of 'Liberation Day' on the gilt market caused some to reevaluate deals and, on balance, sentiment was slightly weaker in Q2 than in Q1. The portfolio segment continued to account for the bulk of transactional activity and debt was materially more accretive, with LTV ratios increasing from around 50% to 70% in Q2, so the stage is set for a stronger performance in the second half of the year.



Market Overview

OCCUPIER DEMAND

13.7m sq ft

Q2 2025 take-up

AVAILABILITY

8.6%

Q2 2025 UK
availability rate

DEVELOPMENT

2.8m sq ft

Q2 2025 speculative
development starts

RENTS

£12.23 sq ft

Q2 2025 average UK
prime rent

INVESTMENT

5.35%

Q2 2025 average UK
prime yield

OUTLOOK

4.2%

Annual prime rental
growth, 2025 - 2029

BANK RATE

3.75%

End-2025 Bank Rate
forecast

INFLATION

3.22%

2025 average CPI
inflation forecast

INTERNET RETAIL

26%

Internet retail sales as
a proportion of all retail,
May 2025

Source: Newmark, Oxford Economics, ONS

NMRK.COM/UK

Occupier Demand

Quarterly occupier take-up rises 20% in Q2

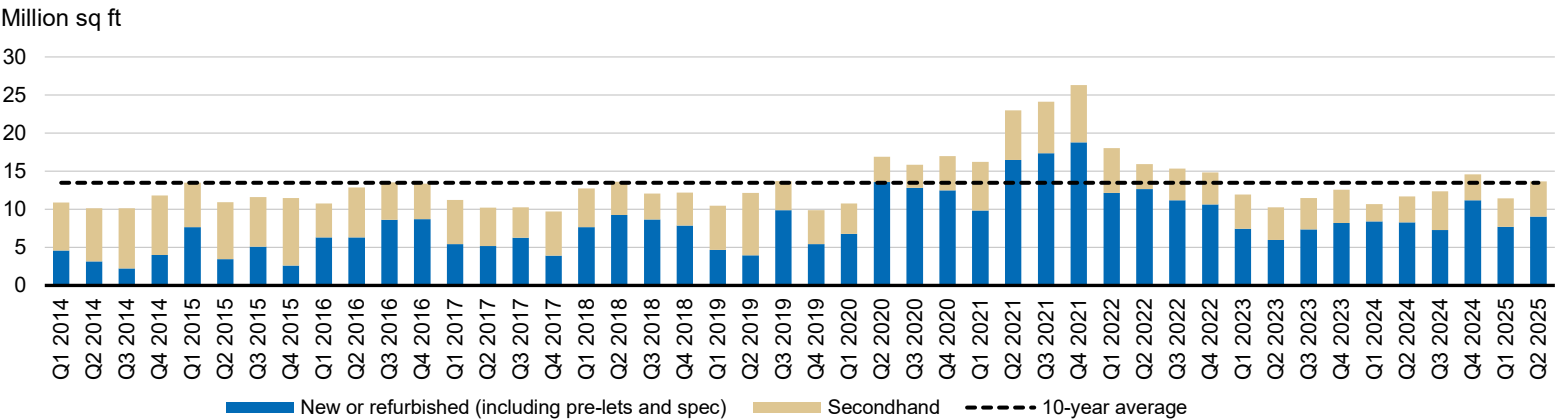
Occupier take-up rose to 13.7m sq ft in Q2, up 20% on Q1 and 17% year-on-year, marking one of the strongest quarters of demand outside the exceptional covid period. This increase brought activity back in line with the 10-year quarterly average. Global supply chain risk escalated significantly in Q2, driven by new US tariffs and rising geopolitical tensions. This uncertainty contributed to a rise in new overseas entrants to the UK logistics market at the same time as domestic occupiers restructured or upgraded their distribution networks. Leasing strategies continue to be shaped by cost control and the drive for greater operational efficiency, pushing demand toward modern, energy-efficient up-and-built space.

Sharp increase in demand from e-commerce and 3PLs

Logistics occupiers were especially active in Q2, accounting for 32% of demand. Demand from 3PLs was notable, with their offer to retailers the flexibility to either navigate structural operational changes or support entry into new markets. The nature of this demand channelled take-up into up-and-built ready-to-occupy accommodation. Supermarkets and e-commerce-linked occupiers such as Waitrose, Amazon and JD.com were also active. Inward investment from Chinese retailers and 3PLs rose sharply in Q2, driven in part by changes to US tariff policy, and these occupiers are estimated to account for 12% of total quarterly demand.

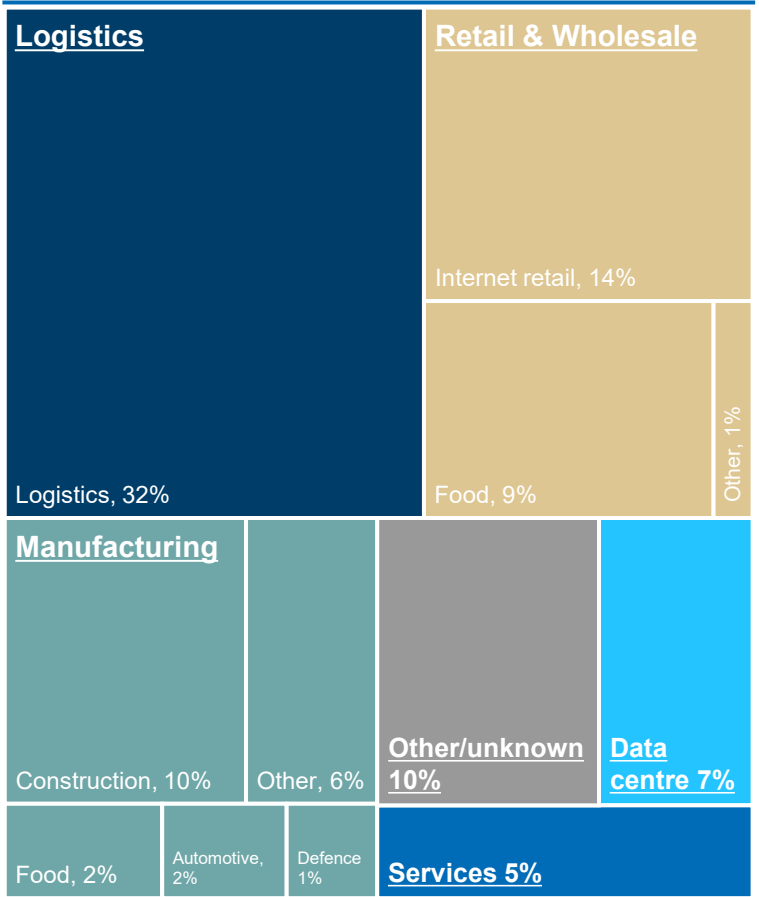
Quarterly occupier take-up by building quality and 10-year average

Source: Newmark



Take-up by occupier sector, Q2 2025

Source: Newmark



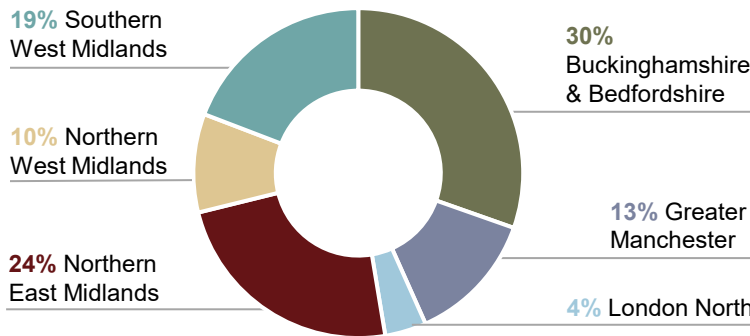
Occupier Demand

Step up of demand via inward investment from Chinese retailers and 3PLs

The US government implemented new measures affecting trade with China in April, including a reciprocal tariff regime and the removal of the de minimis exemption for Chinese goods. This forced Chinese retailers to look for alternative markets such as the UK, and several e-commerce companies were active in Q2. JD.com has plans to establish a UK delivery network and has taken space in Milton Keynes and the Midlands, and logistics companies such as Super Smart Services and Top Cloud Logistics were also active in the Midlands. There is depth to this pocket of demand and space requirements from these occupiers tend to be urgent, with leasing favoured over ownership.

Q2 take-up by Chinese tenants, by region

Source: Newmark

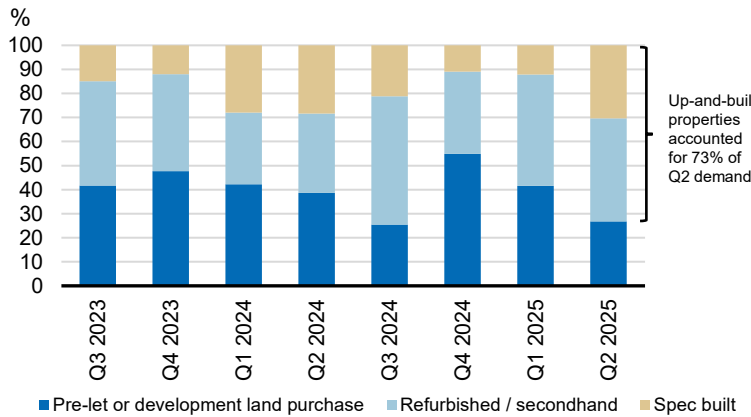


Strong preference for ready-to-occupy space in Q2

Occupier demand in Q2 was heavily weighted toward immediately available, up-and-built buildings, which accounted for 73% of all activity. In contrast, forward commitments, including pre-lets or occupier land purchases dropped to just 27% of activity, well below the 42% long term average. Speculatively-built units accounted for 30% of all demand, up from just 12% in Q1, and secondhand or refurbished buildings accounted for 41%. Whilst there is a relatively large amount of space in the pipeline following announcements of pre-lets by the likes of Amazon and M&S, these transactions have a relatively long lead time as they go through the planning and construction phases.

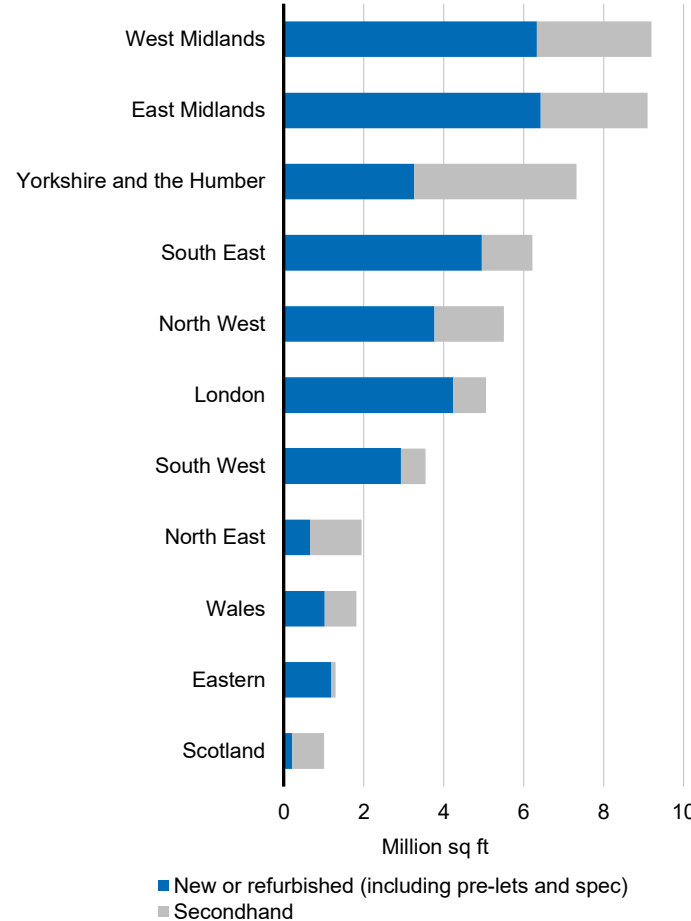
Take-up by building type

Source: Newmark



Take-up by region and building quality, last 12 months

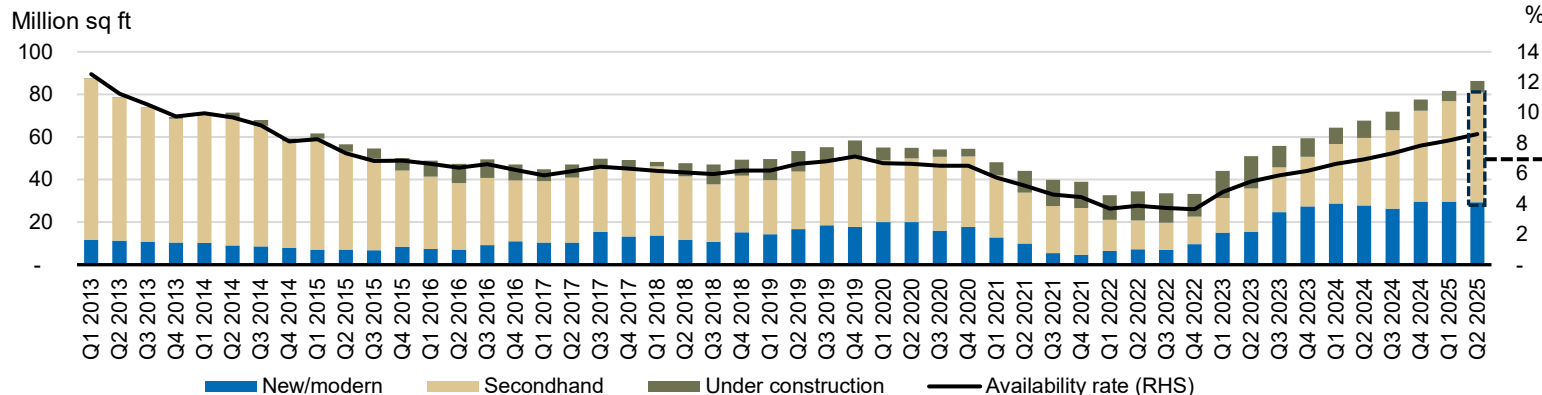
Source: Newmark



Supply & Development

UK volume of available space by building quality and rate

Source: Newmark



Secondhand stock drives availability rate to decade-high 8.6%

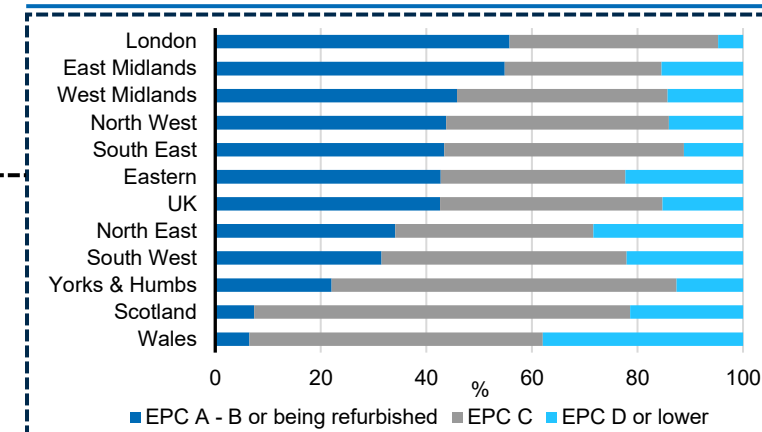
Marketed availability continued to rise in Q2, reaching over 85 million sq ft, the highest level since Q1 2013. The increase was driven by a growing volume of secondhand space returning to the market, as occupiers upgraded to more efficient and sustainable buildings. Secondhand units now account for 60% of total availability. The overall rate of UK logistics availability has steadily increased from a low of 3.6% in Q4 2022 to 8.6% in Q2 2025. In contrast, the availability of up-and-built new or modern buildings peaked in early 2024 and held steady at around 4.8% in Q2.

Over half of marketed available secondhand space will require upgrading by 2030

From 2027, all let commercial buildings must achieve an EPC grade C or better, rising to EPC grade B by 2030. Around 15% of marketed available secondhand space in Q2 was rated EPC grade D or below and will require improvement by 2027. A significant 57% of available secondhand space in Q2 will require improvement by 2030. Over the next few years, landlords and developers will need to closely assess the viability of refurbishments. Secondhand buildings with features such as tall eaves, strong power provision, and low site coverage are more likely to justify refurbishment, given higher prospects for re-letting.

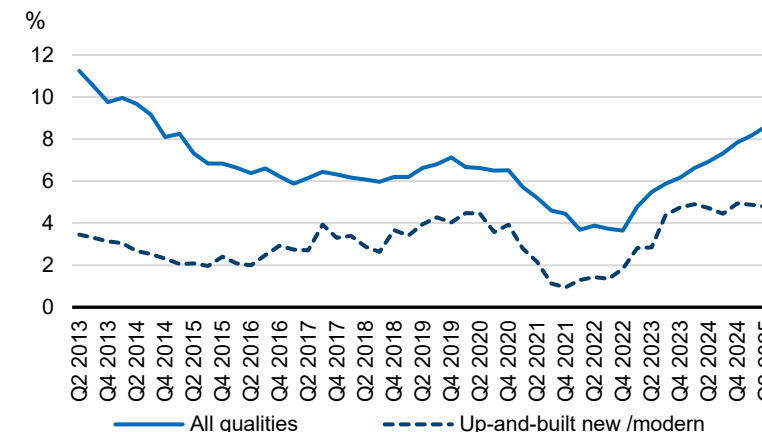
Secondhand availability by EPC band and region, Q2 2025

Source: Newmark



Availability rate by building quality

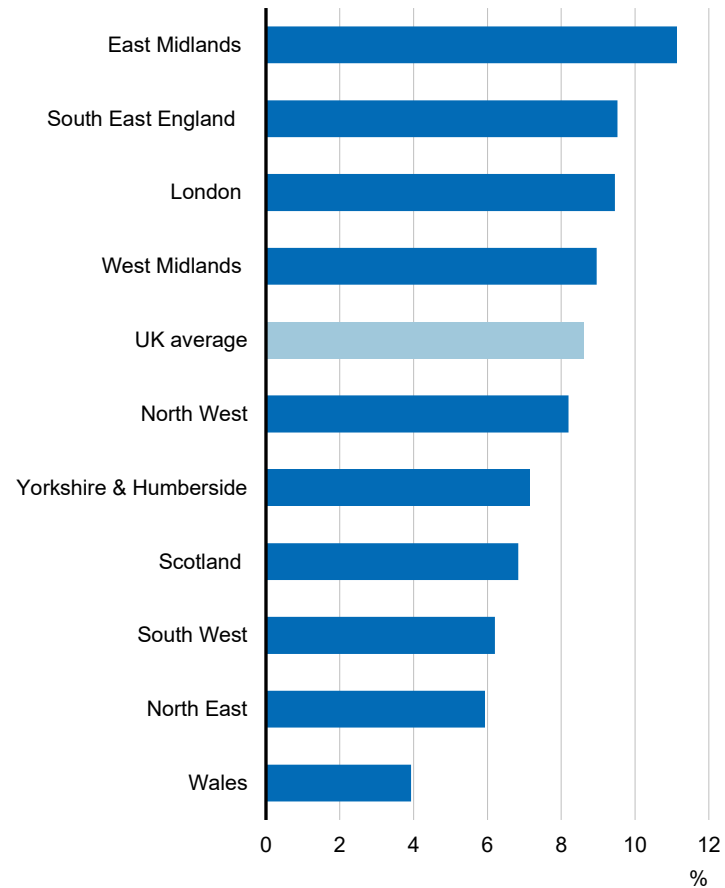
Source: Newmark



Supply & Development

Availability rate by region, Q2 2025

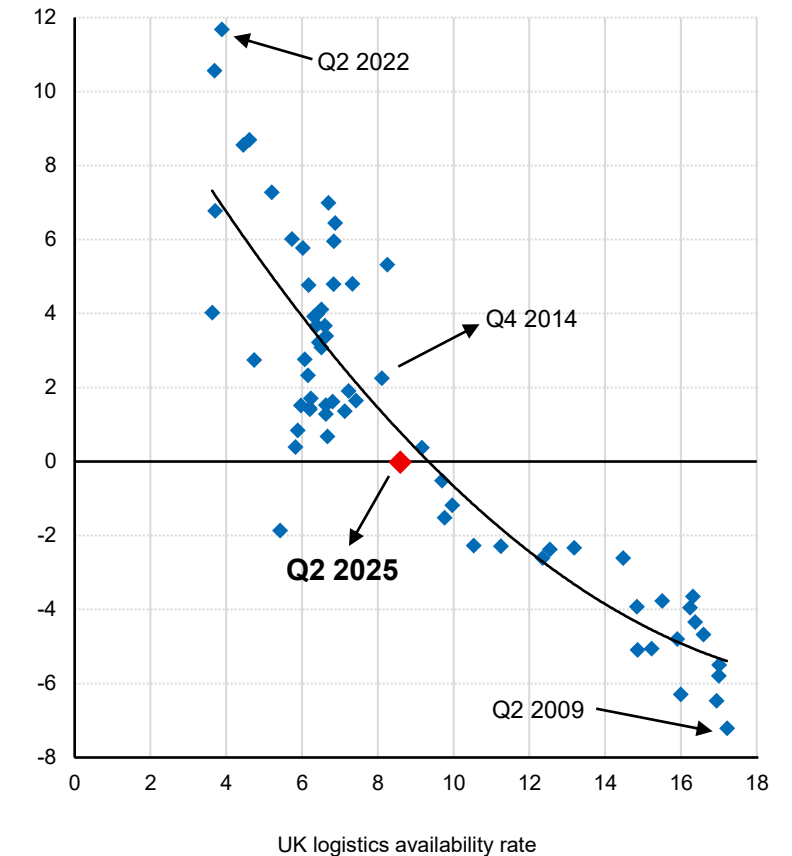
Source: Newmark



Real rental growth and availability rate, Q4 2007-Q2 2025

Source: Newmark, Oxford Economics

Annual real prime logistics rental growth (CPI-adjusted), %



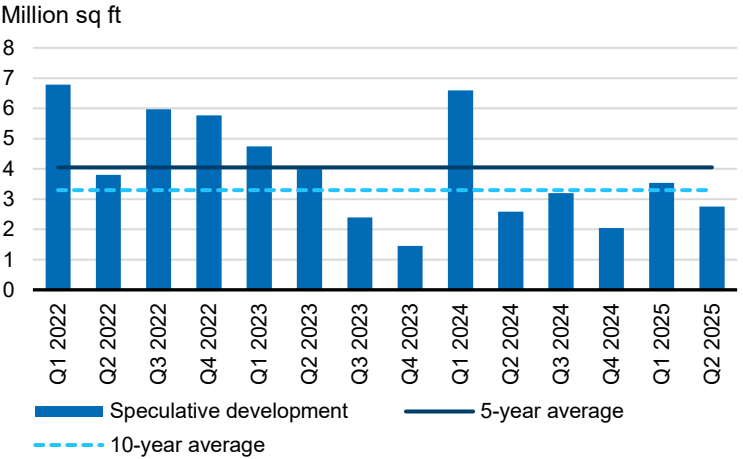
Supply & Development

Speculative development below long-term average in Q2

Speculative development starts totalled 2.75 million sq ft in Q2, down 22% on Q1 and far below the 4 million sq ft 5-year quarterly average. Despite the slowdown, some large schemes got underway in Q2, including one of the UK's biggest-ever speculative developments – the 926,000 Unit 1 at Panattoni Park Swindon. More broadly though, the recovery in speculative activity remains constrained by the relatively narrow gap between build costs and capital values. As a result, only 10.3 million sq ft of speculative space is currently under construction across the UK, equating to just four months' supply at current take-up rates of good quality accommodation.

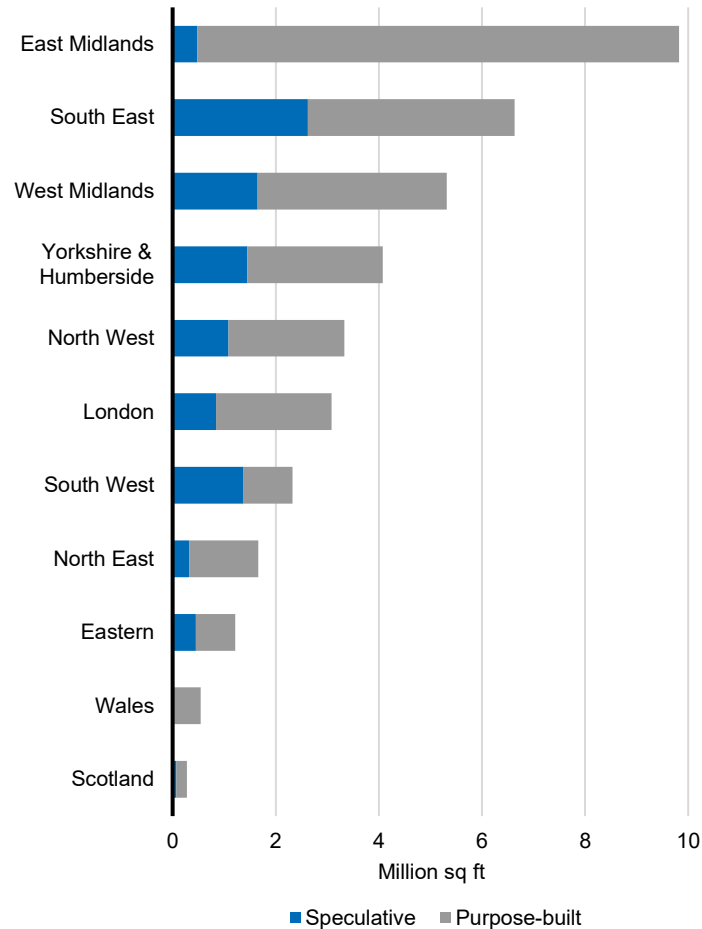
UK speculative development starts and quarterly averages

Source: Newmark



Space under construction by type and region, Q2 2025

Source: Newmark

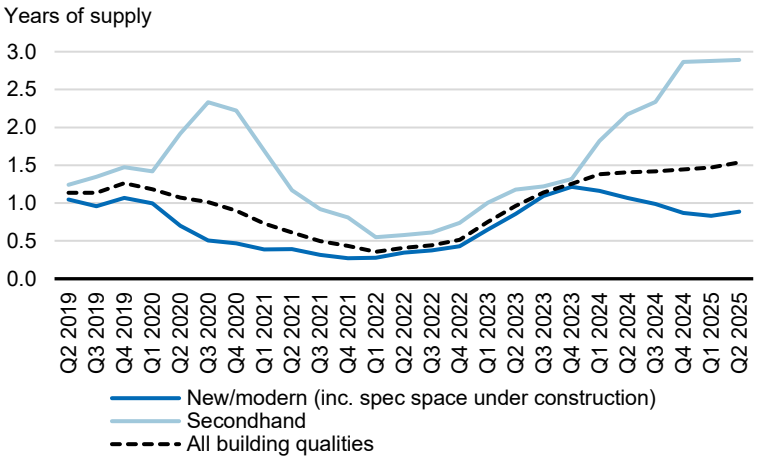


Modern stock availability provides 10.7 months of supply

Modern and newly-built space remains in relatively short supply, with availability relatively flat since early 2024. Based on current take-up rates, there is just 10.7 months of supply of good-quality accommodation on the market, including the space that is in the development pipeline. By contrast, secondhand availability has trended upwards since the end of 2023 and appears to have stabilised just below 3 years' supply at current take-up rates. However, occupiers continue to show a clear preference for newer, energy-efficient, future-proofed buildings. Over the past 12 months, secondhand space accounted for only 32% of total take-up.

Years of supply based on prevailing take-up, by quality

Source: Newmark



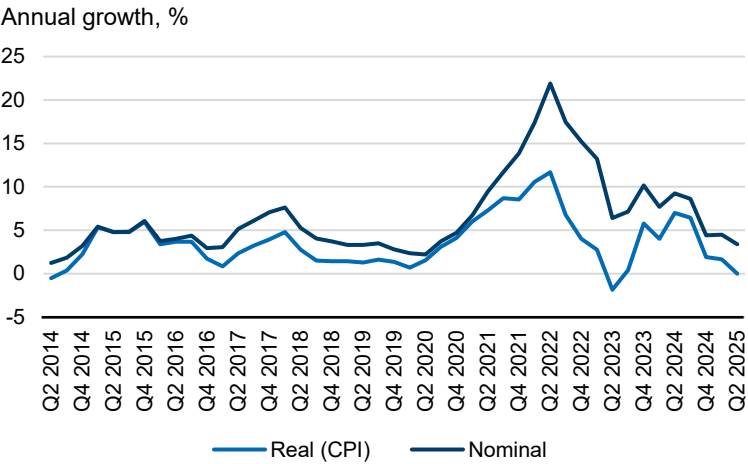
Rents

Prime headline rental growth slows to the lowest rate since 2020

UK prime headline rents grew by 0.5% in Q2, which generated a 3.4% annual growth rate, the slowest pace recorded since 2020. Positive growth in Q2 was concentrated in lettings on newly-completed developments, particularly in cost-sensitive South East locations near major conurbations. However, when adjusted for inflation, real rental growth was flat in Q2. Incentives remain elevated, with rent-free periods now typically exceeding 12 months on a 10-year term. Landlords continue to offer lease flexibility or creative capital contribution strategies to help occupiers manage relocation cost.

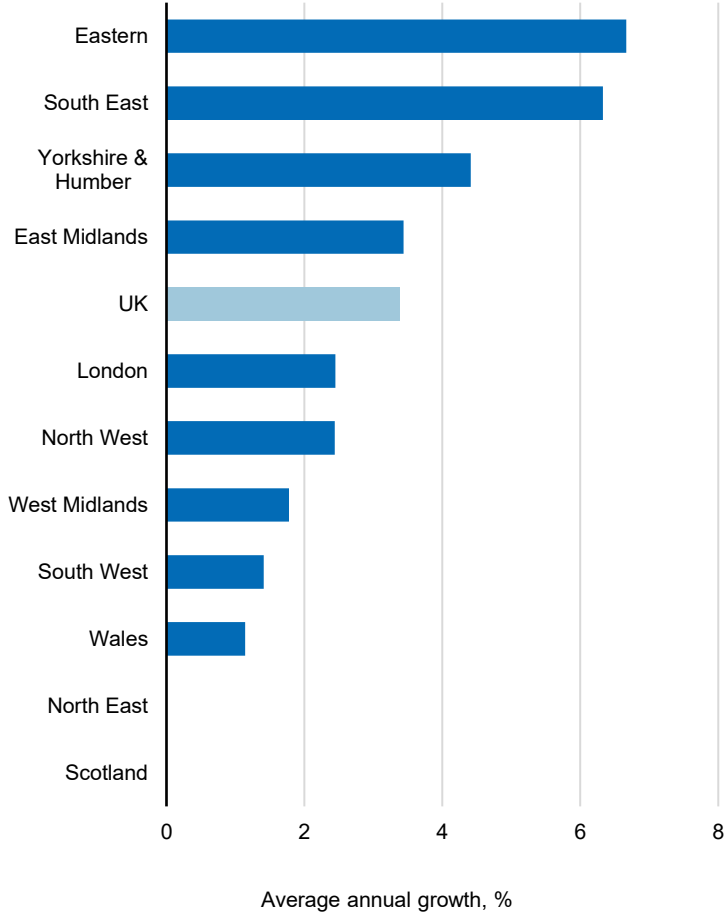
UK prime logistics headline real and nominal rental growth

Source: Newmark



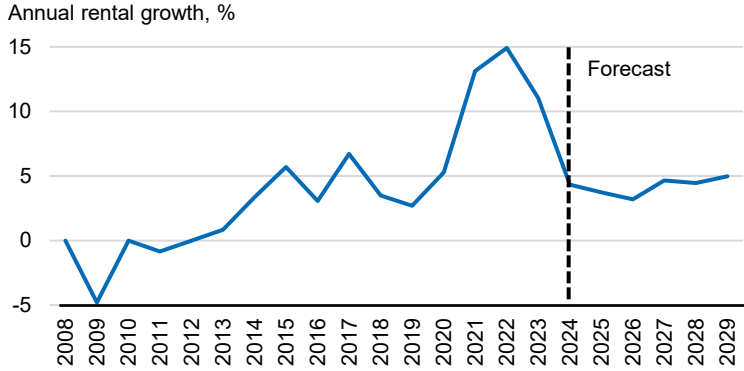
Annual regional prime logistics rental growth, Q2 2025

Source: Newmark



Prime logistics rental growth outlook

Source: Newmark



Annual average 4.2% prime rental growth forecast for the next five years

Whilst an increased volume of secondhand space will remain a feature of the rental market in the short term, overall availability is expected to peak in 2025, while the rate of new/refurbished availability will remain at around 4%. This relatively limited supply of good quality stock, combined with a wide range of structural demand drivers, will maintain upward pressure on rents. Many big box occupiers are expected to focus on reinforcing supply chains and mitigating costs this year and market requirements suggest further inward overseas investment and increased e-commerce related demand in the second half of 2025. Occupier preference will likely therefore to remain focused on prime, well-located and energy-efficient space.

Investment

Investor sentiment softens modestly in Q2

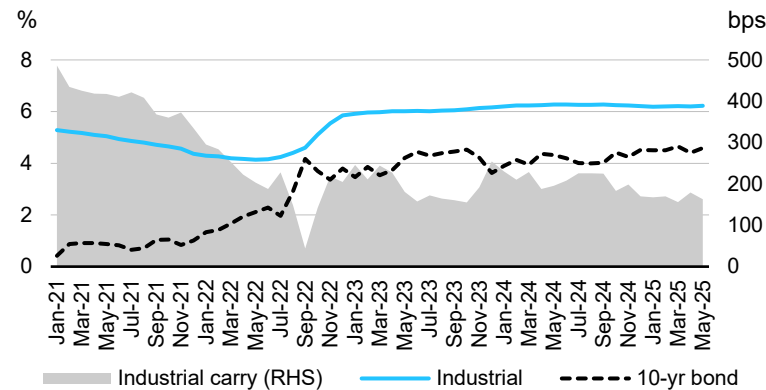
Prime yields edged fractionally outward in Q2, reflecting growing investor caution and a reassessment of risk premia amid shifting geopolitical and macroeconomic conditions. Confidence dipped in early April following the “Liberation Day” announcement of proposed US tariffs, which triggered short-term volatility in the global equity markets. While that turbulence was sharp but short-lived, lasting approximately two weeks, the knock-on effect in the direct real estate market has been more persistent. Despite this, underlying investor appetite for UK industrial remains strong. The sector continues to attract deep capital interest, and the prospect of at least one further UK base rate cut in 2025 is expected to support pricing and transaction activity.

Portfolio deals lead market activity as debt conditions improve

Portfolio transactions were the primary driver of activity in Q2, offering sufficient scale to match the weight of capital and debt seeking deployment. In contrast, single-asset deals continued to face a more subdued market, with weaker depth of demand and slower execution. A key positive development has been the steady improvement in debt market conditions. Loan-to-value ratios have increased to around 70%, up from approximately 55% a year ago. Lenders are now competing more actively, resulting in tighter margins and more accretive debt terms. As pricing expectations continue to adjust and macroeconomic clarity improves, there is broad anticipation that increased transaction volumes will be back-loaded into the final quarter of 2025.

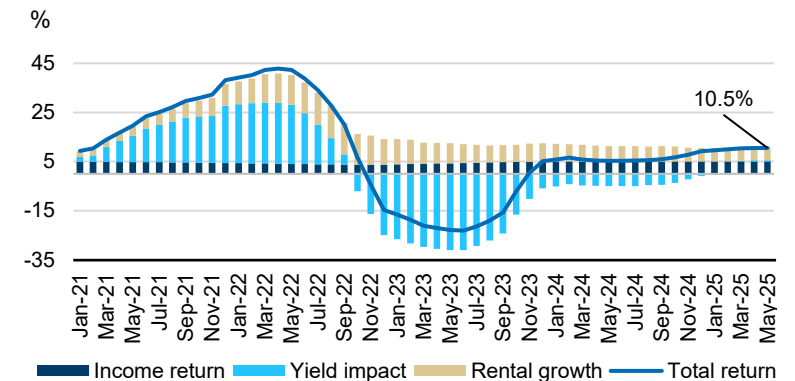
UK industrial equivalent yield and 10-year bond

Source: Newmark, MSCI, Bank of England



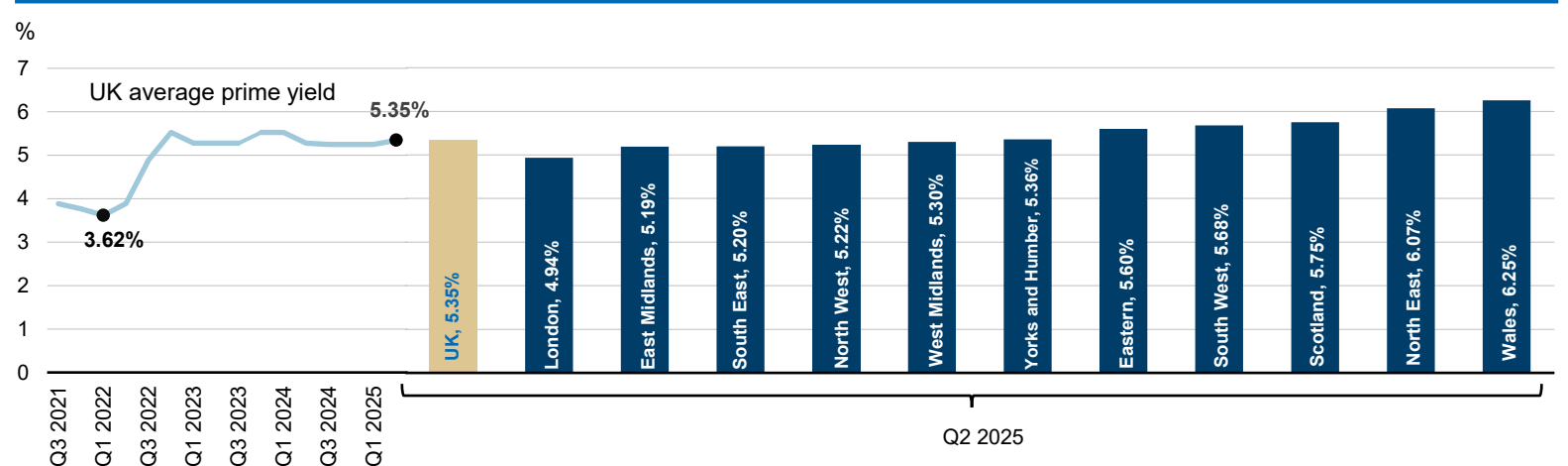
Industrial annual total return and components

Source: MSCI, Newmark



Prime logistics yields by region

Source: Newmark



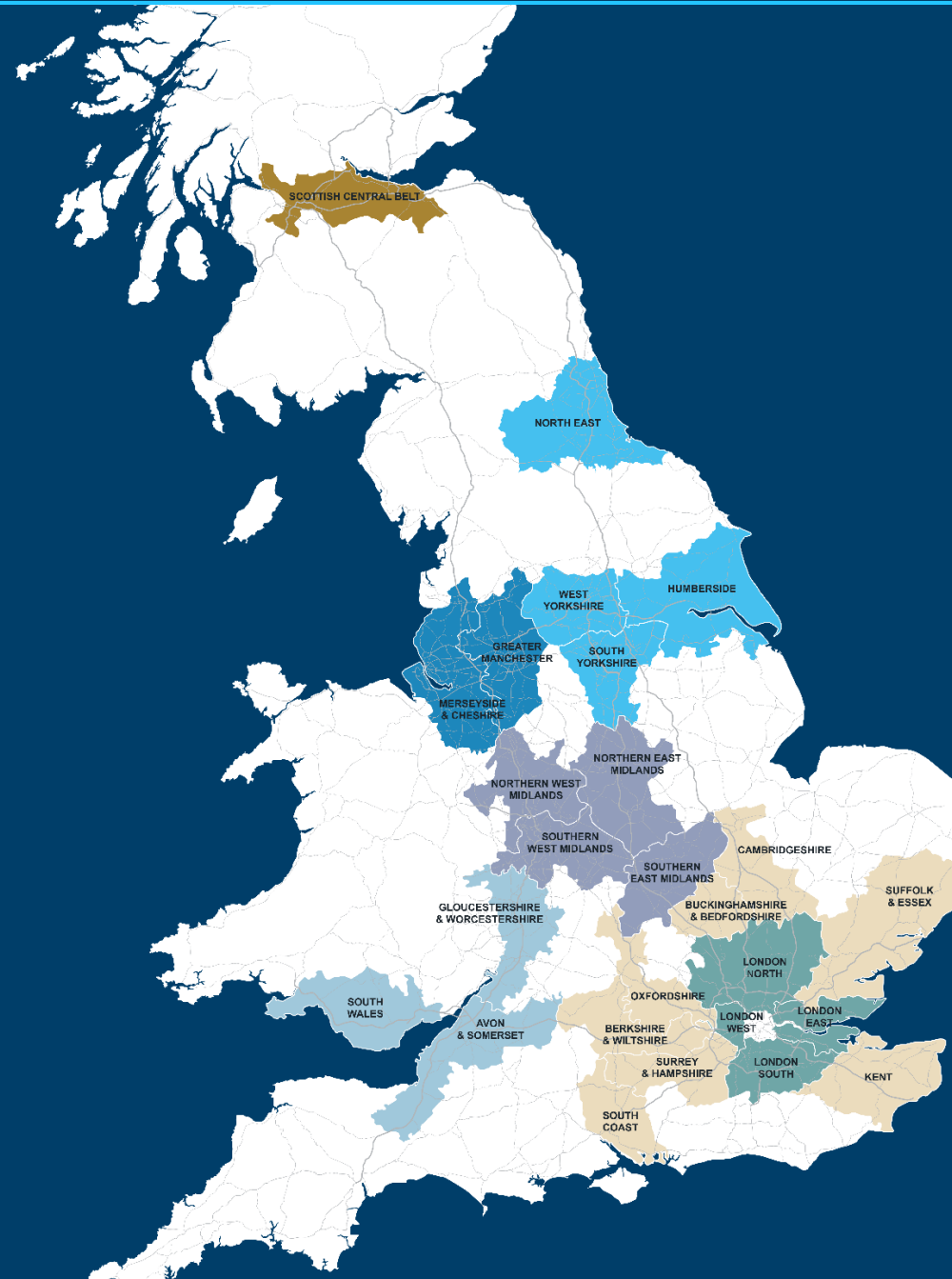


Newmark Regions



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

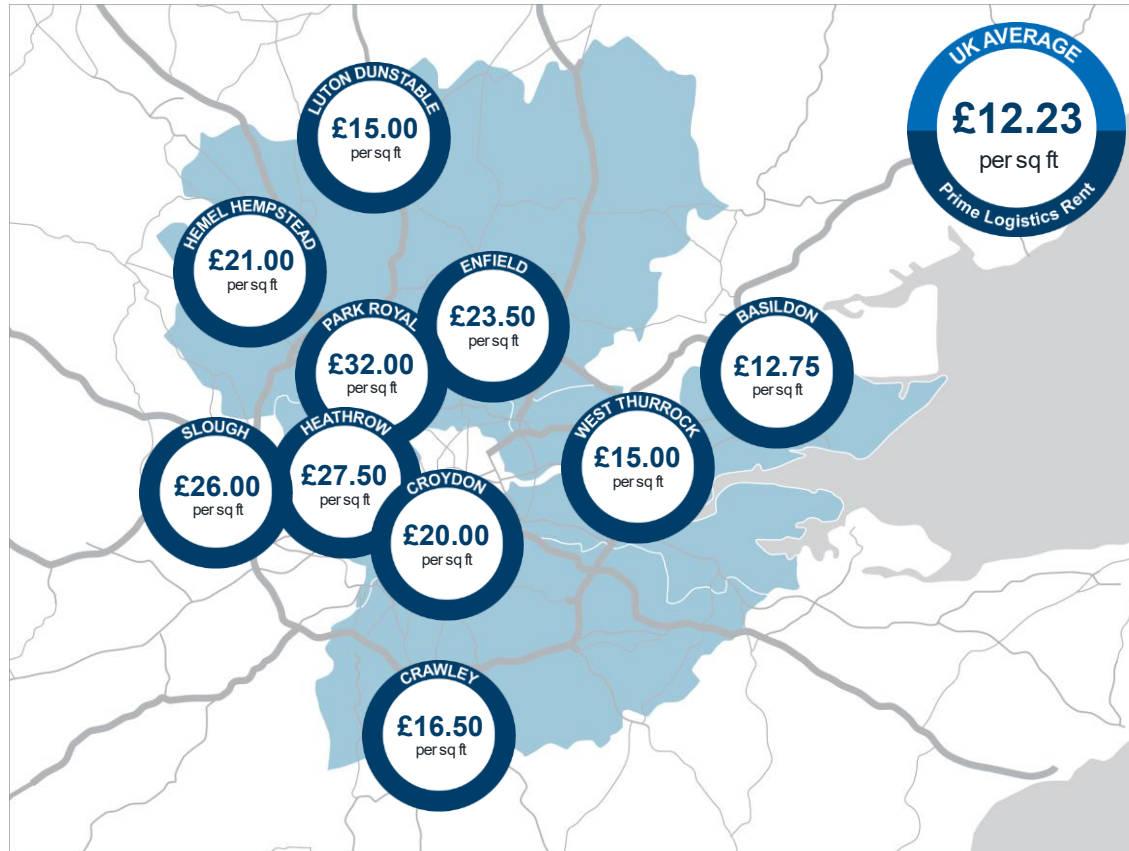
- London
- The South and East
- Midlands
- South West and Wales
- North West
- North East and Yorkshire
- Scotland



London

Contact **Josh Pater**
for more information.

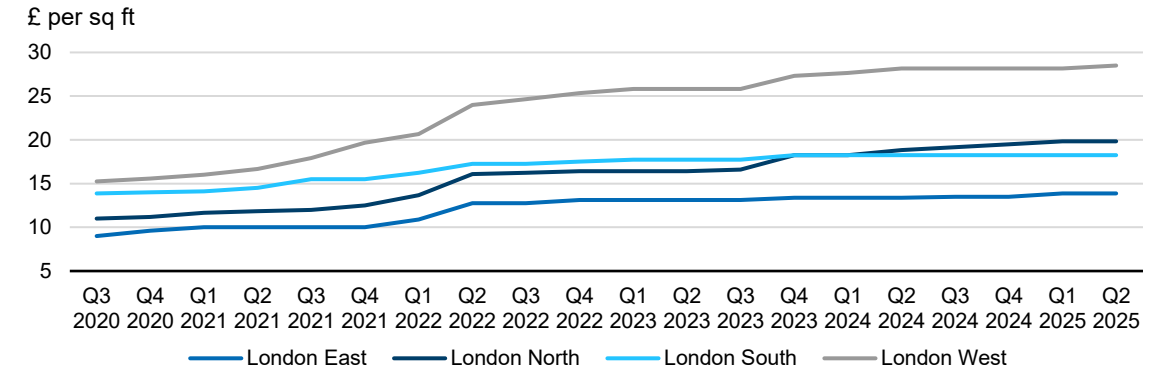
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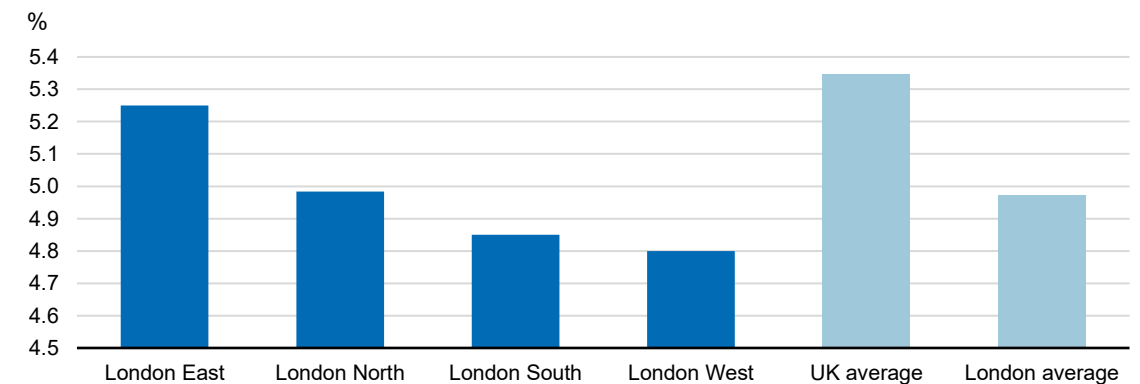
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



London

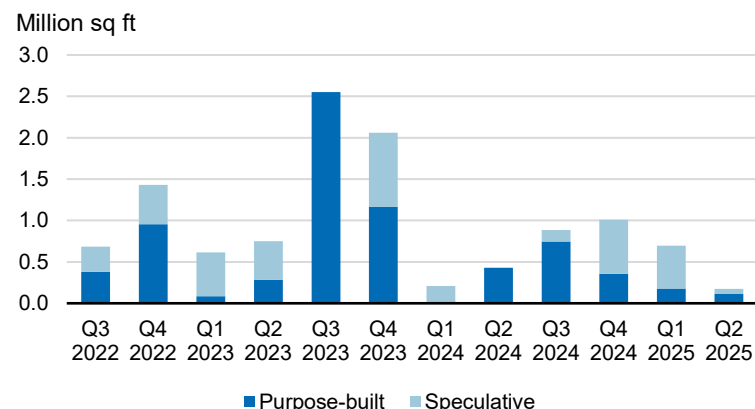
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Weakest quarter for occupier demand since Q1 2016

Excluding the forward commitments for large-scale data centres, which have been a key driver of London take-up over the past year or so, demand for space in London has been subdued, accredited in part to occupier cost sensitivity. Availability remained broadly stable in most London sub-markets in Q2, with the exception of the relatively small London South market, which has higher-than-average availability following new developments in Croydon and Crawley. Despite weaker demand, a constrained speculative development pipeline continues to support positive prime rental growth, particularly in North and West London. London East remains challenged by a relatively high proportion of secondhand availability and longer-than-average void periods.

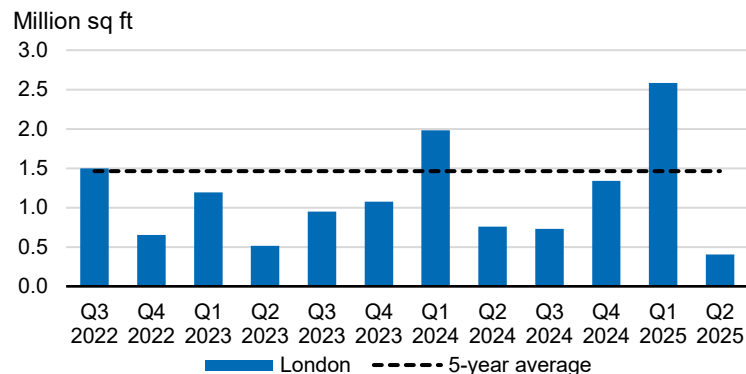
Development completions, by type

Source: Newmark



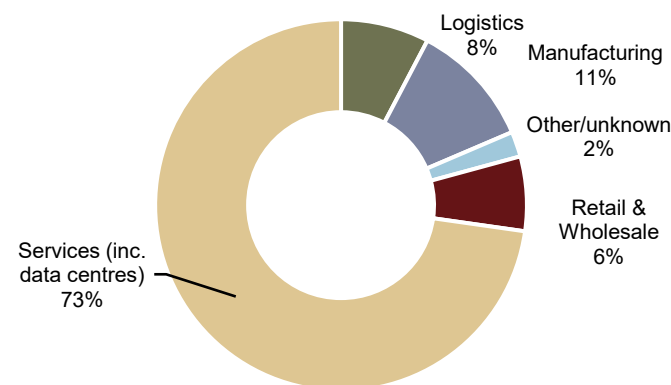
Occupier take-up

Source: Newmark



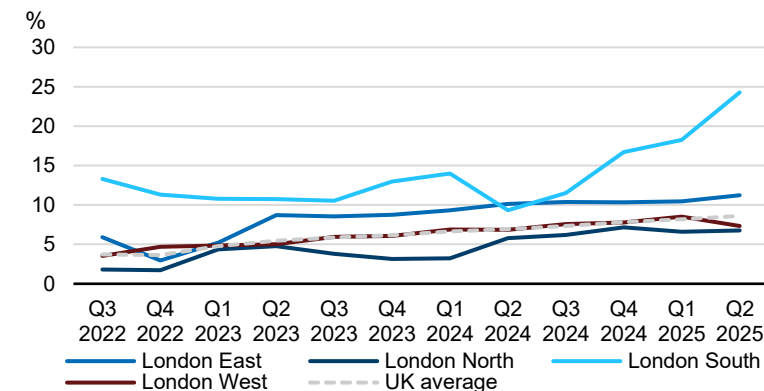
Take-up by occupier sector, last 12 months

Source: Newmark



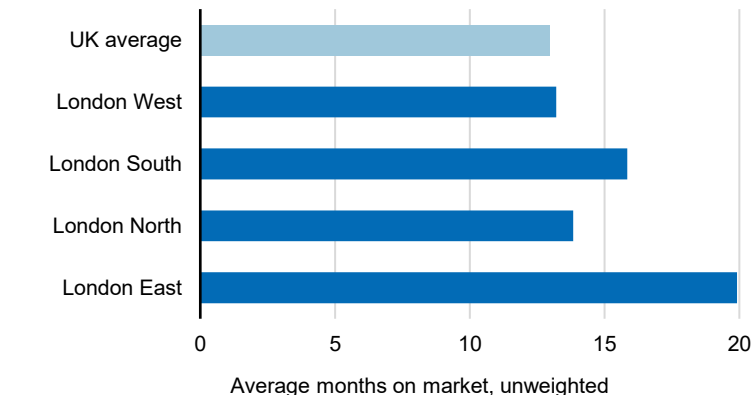
Availability rate by region

Source: Newmark



Void period by region, Q2 2025

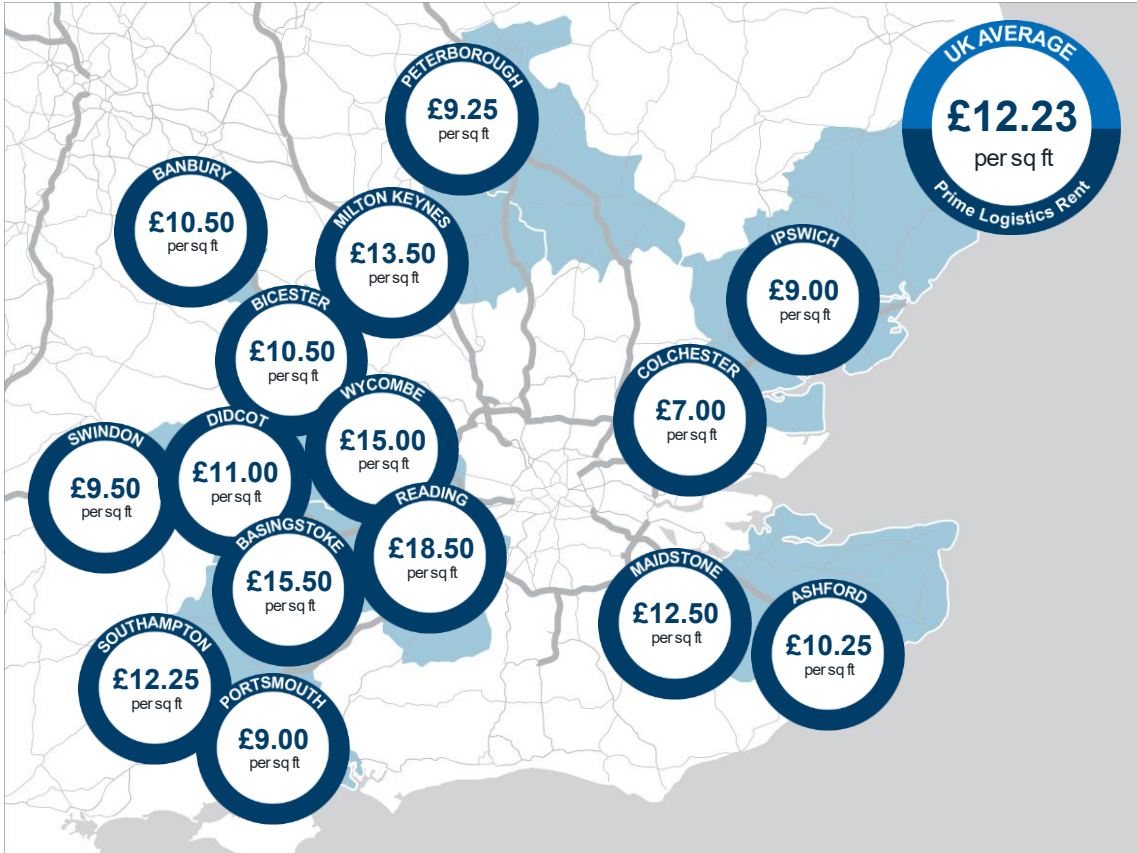
Source: Newmark



The South East and East

Contact **Mark Trowell**
for more information.

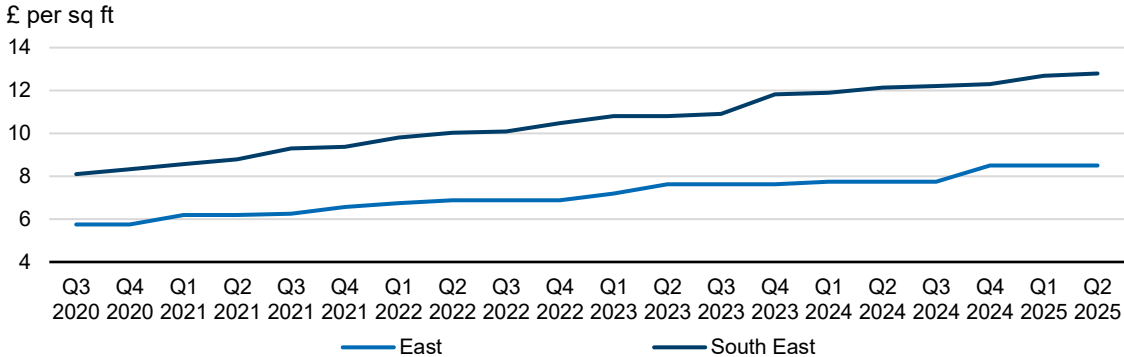
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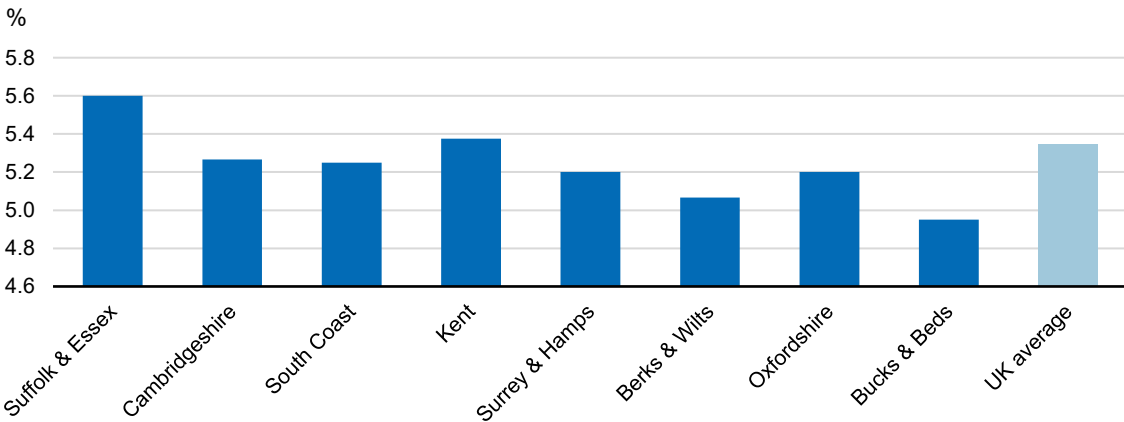
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



The South East and East

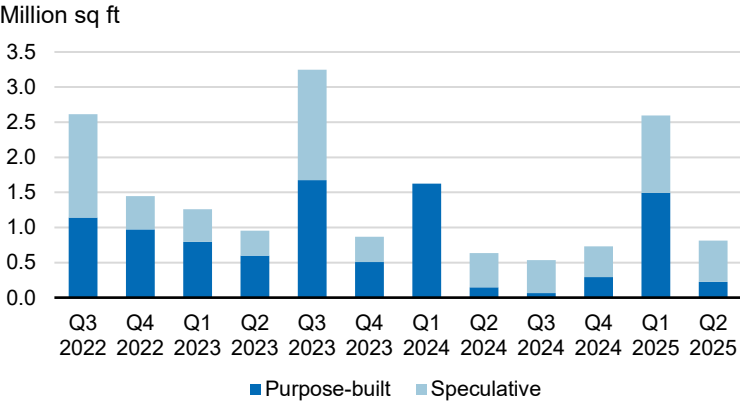
 Contact **Mark Trowell** for more information.

Chinese internet retailers and data centre operators give South East demand a boost in Q2

Commitments by the Chinese e-commerce company JD.com on two units at PLP's scheme in Milton Keynes totalling around 531,000 sq ft helped drive a significant increase in demand in Q2. Greystoke Land also received planning permission on its hyperscale data centre campus in Abbots Langley. Wider market activity remained steady, led by occupiers prioritising energy efficiency and cost-effective space close to London. A handful of speculative completions were delivered in Q2 and Panattoni is developing a 915,000 sq ft speculative unit in Swindon, but below-average void periods, especially for modern stock, continue to support prime rents across most South East regions.

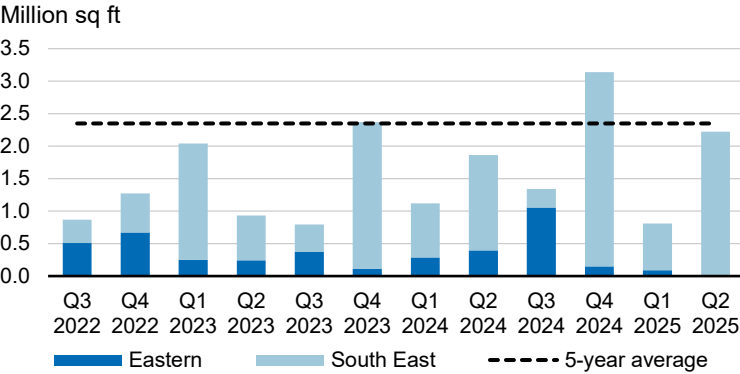
Development completions, by type

Source: Newmark



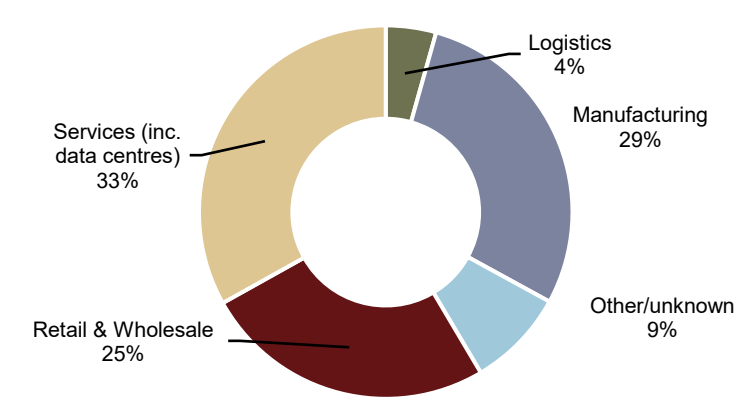
Occupier take-up

Source: Newmark



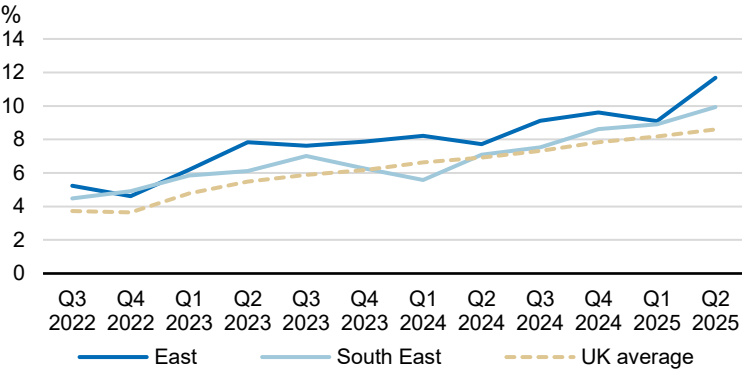
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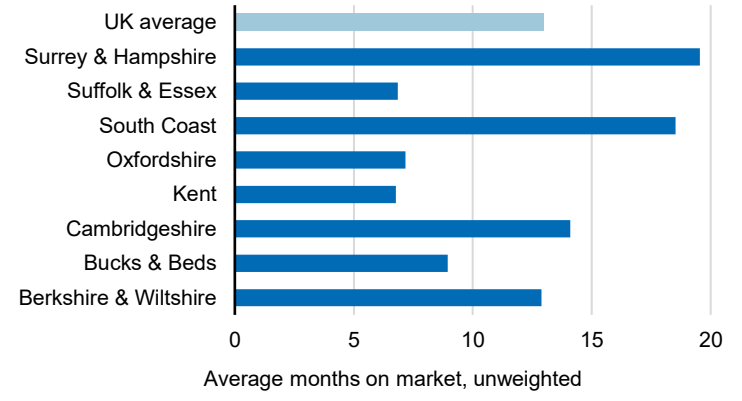
Availability rate by region

Source: Newmark



Void period by region, Q2 2025

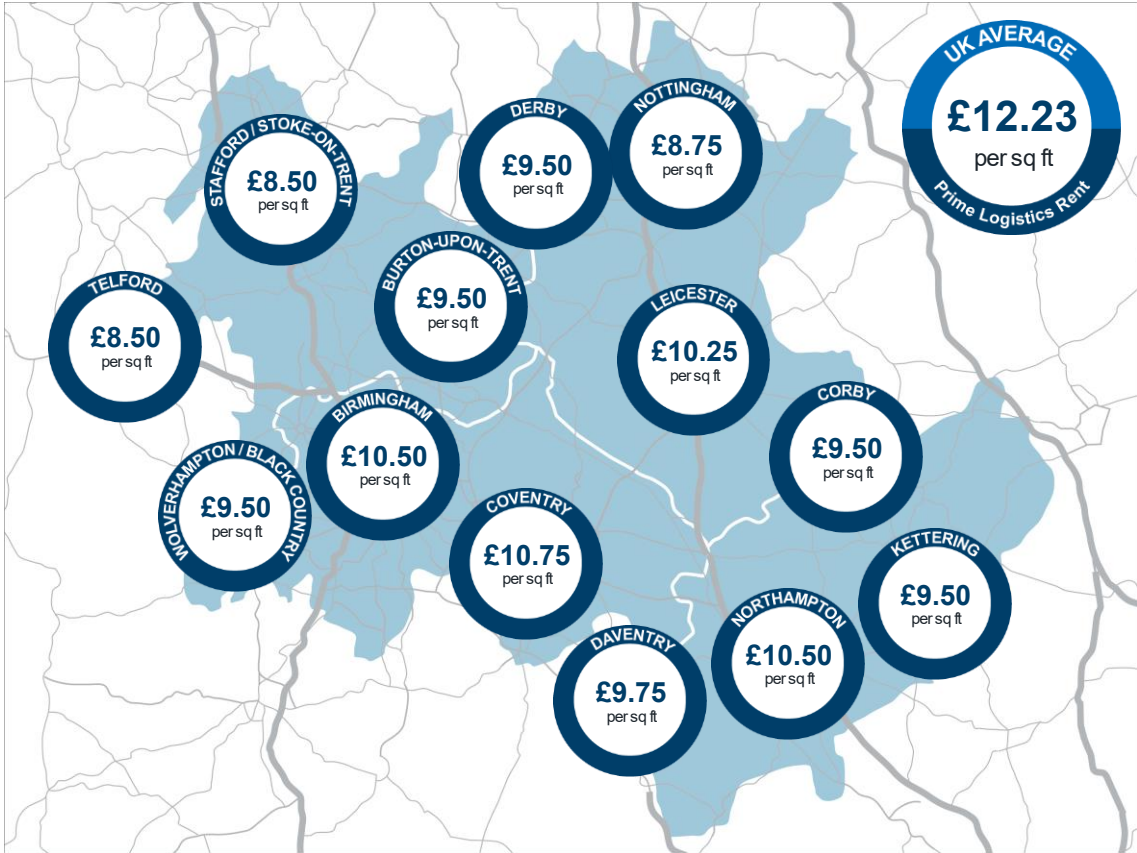
Source: Newmark



The Midlands

Contact **Charlie Spicer**
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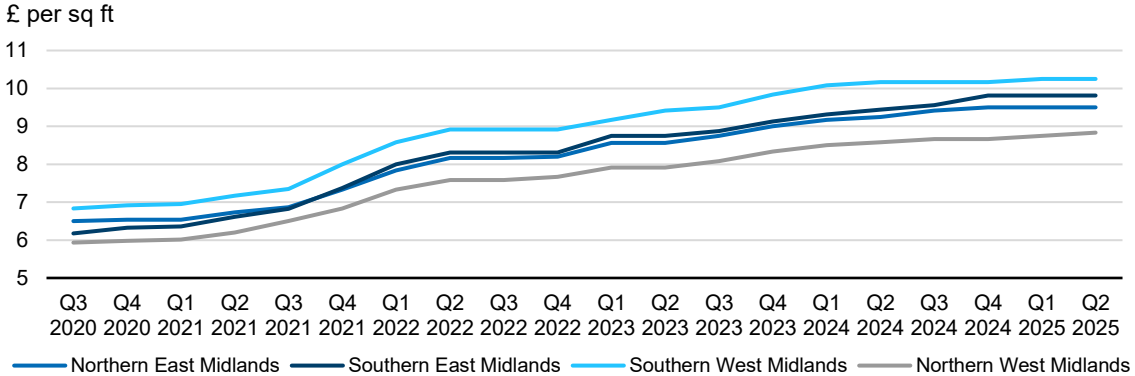
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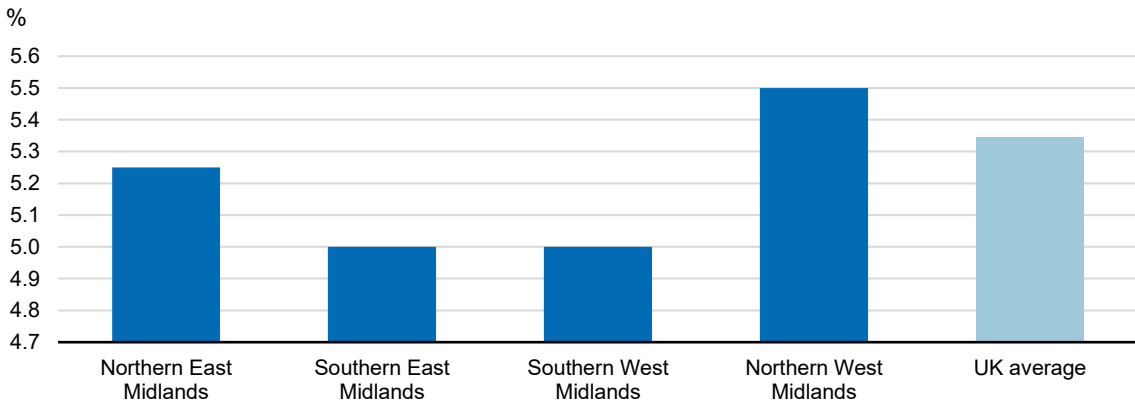
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



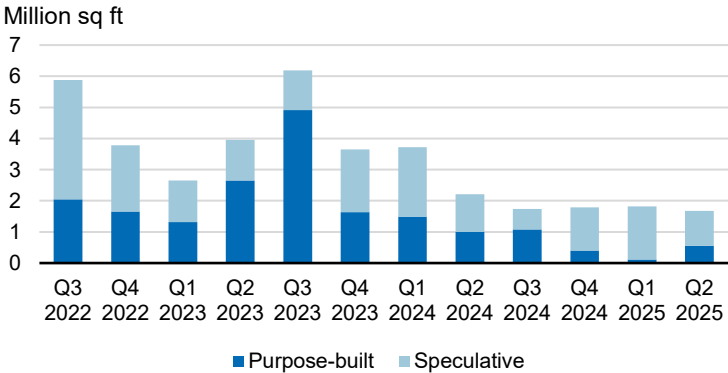
The Midlands

Demand strengthened by Chinese retailers and 3PLs

The Midlands market remained a hub of activity in Q2, driven by its central UK location and role in resilient supply chain strategies. Chinese retailers and 3PLs underpinned demand in Q2 with JD Logistics taking space in Ansty, Super Smart Services active in South Normanton and Top Cloud Logistics taking the last unit at Prologis Park Midpoint in Birmingham. Beyond e-commerce, domestic occupier activity also remained healthy, highlighted by Pallet-Track's commitment to over 400,000 sq ft at the refurbished Waterways Business Park in Wolverhampton. Prime rental growth was positive, but moderated to 2.6% annually and incentives and flexible lease structures played an increasing role in supporting deal execution in Q2.

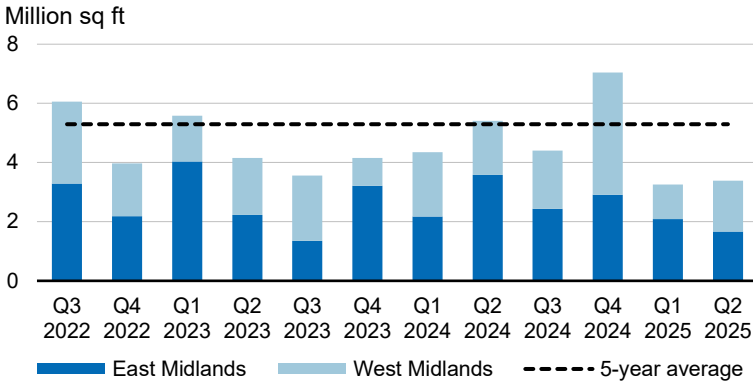
Development completions, by type

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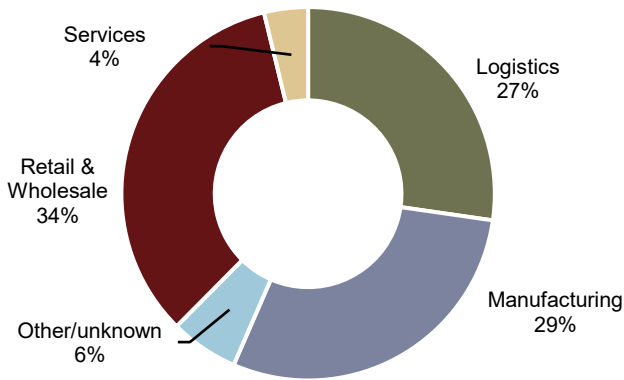
Occupier take-up

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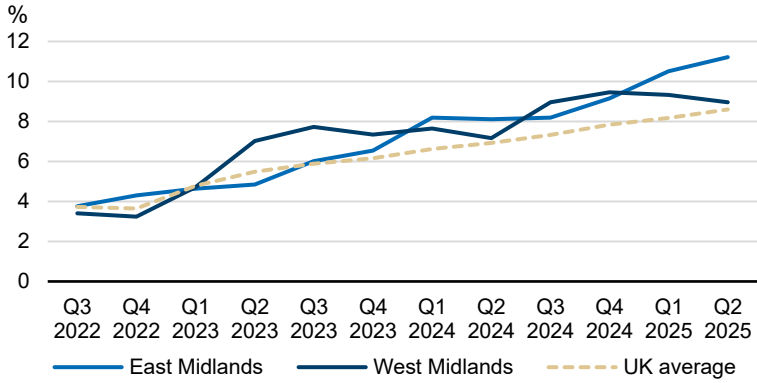
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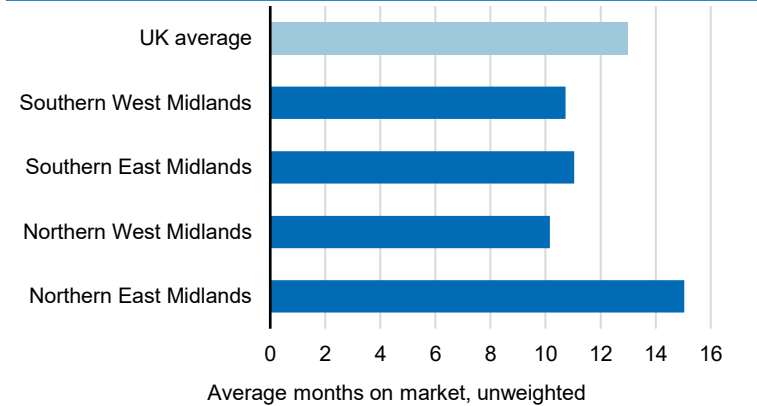
Availability rate by region

Source: Newmark



Void period by region, Q2 2025

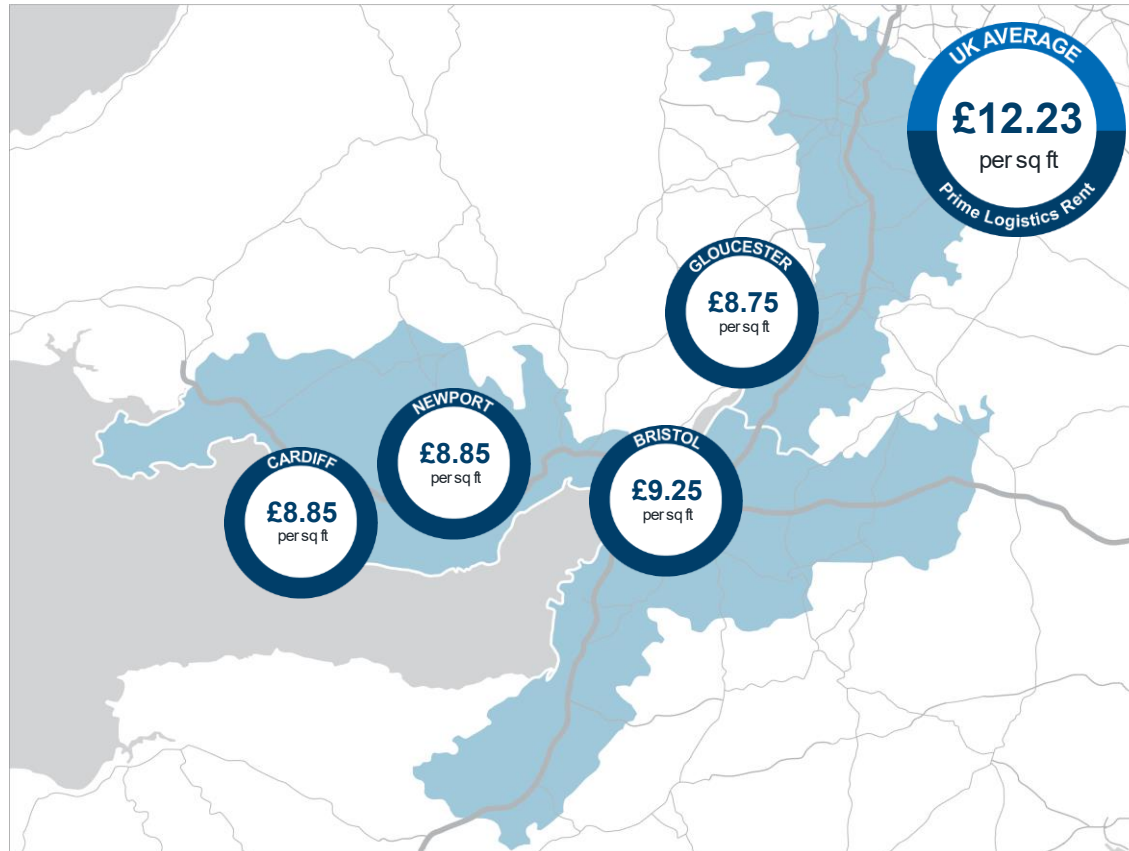
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South West and Wales

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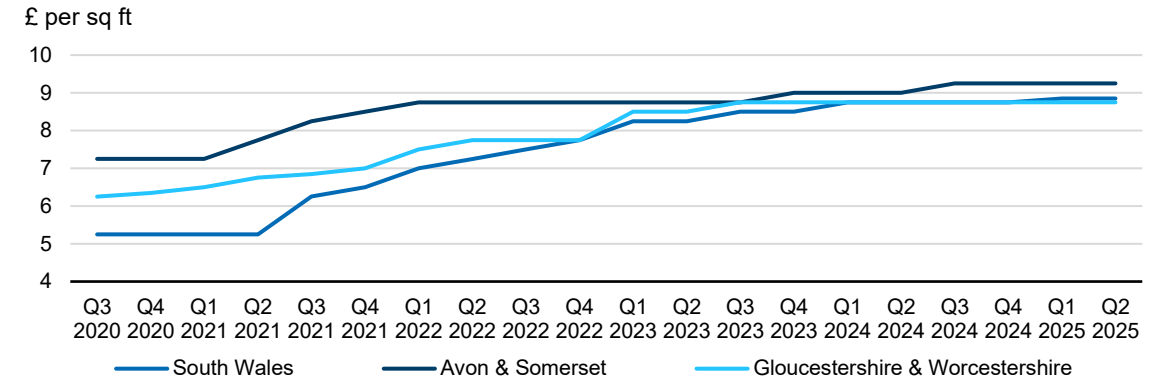
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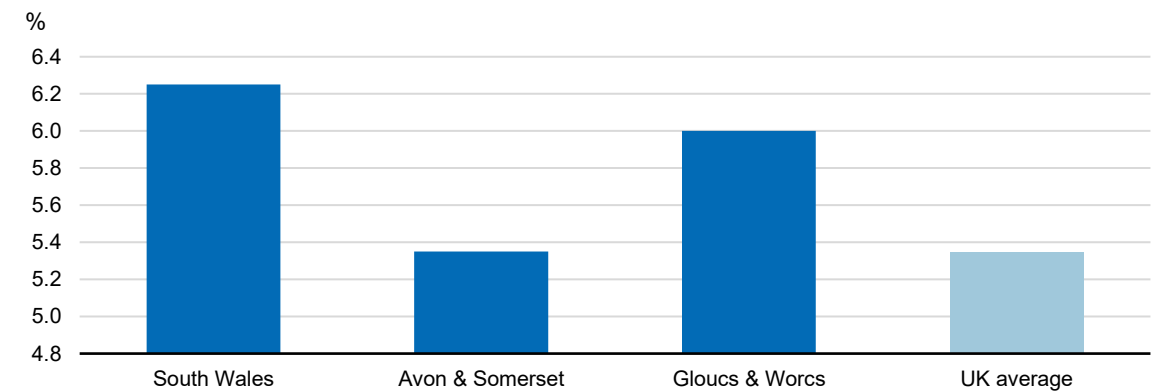
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



South West and Wales

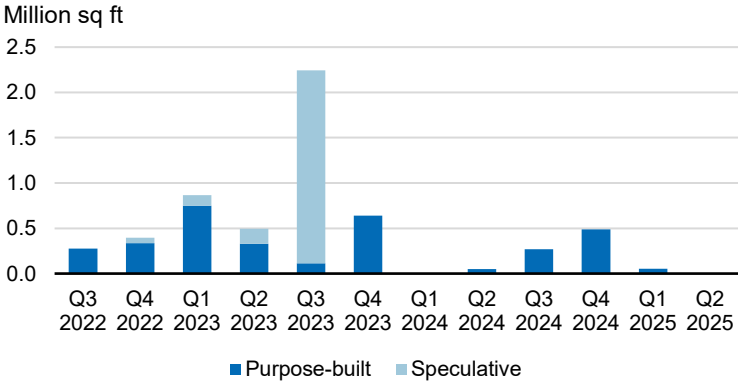
Contact **Charlie Spicer** for more information.

Several large deals in Bristol drive strongest-ever quarter for South West occupier demand

The standout deal of Q2 was GXO (servicing a contract for Amazon) taking an 885,000 sq ft speculative unit at Panattoni Park Avonmouth. Cold storage firm Magnavale and food retailers Marks & Spencer and Waitrose were also active in Bristol in Q2. Availability rates remain below the UK average in most local markets, although void periods are slightly elevated on secondhand space. Robust occupier demand has increased the conviction of speculative developers and there is now around 1.4m sq ft of space under construction, including BGO and Equation's large Matrix 49 scheme and Indurent's Access 18 scheme in Avonmouth.

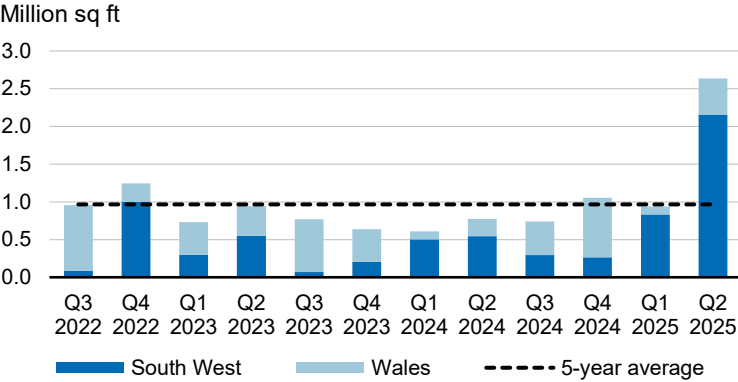
Development completions, by type

Source: Newmark



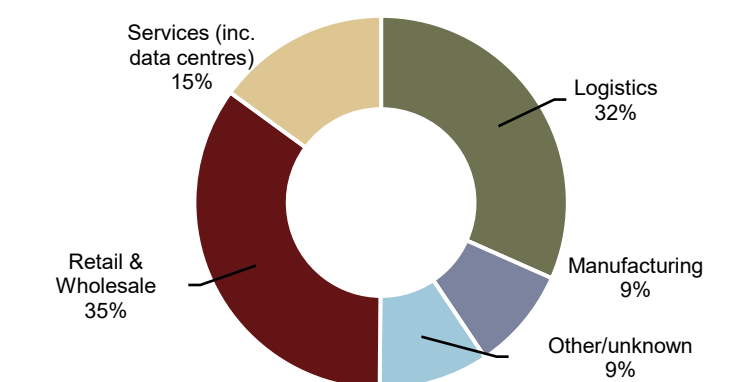
Occupier take-up

Source: Newmark



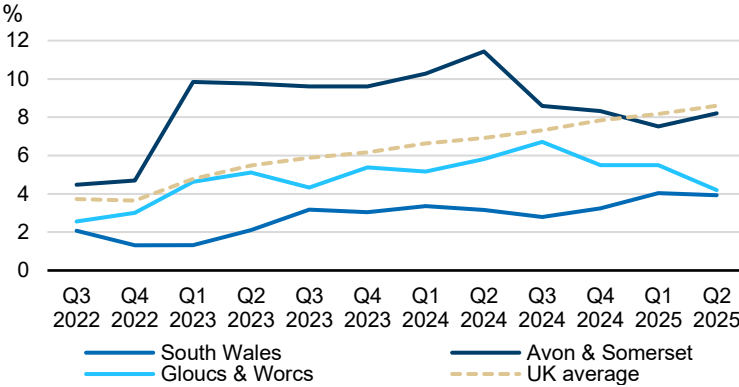
Take-up by occupier sector, last 12 months

Source: Newmark



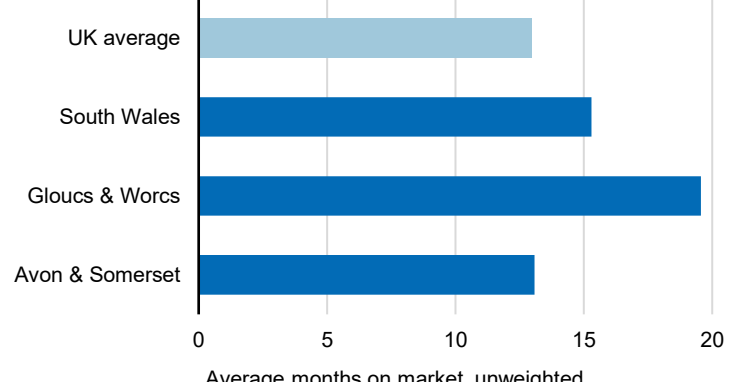
Availability rate by region

Source: Newmark



Void period by region, Q2 2025

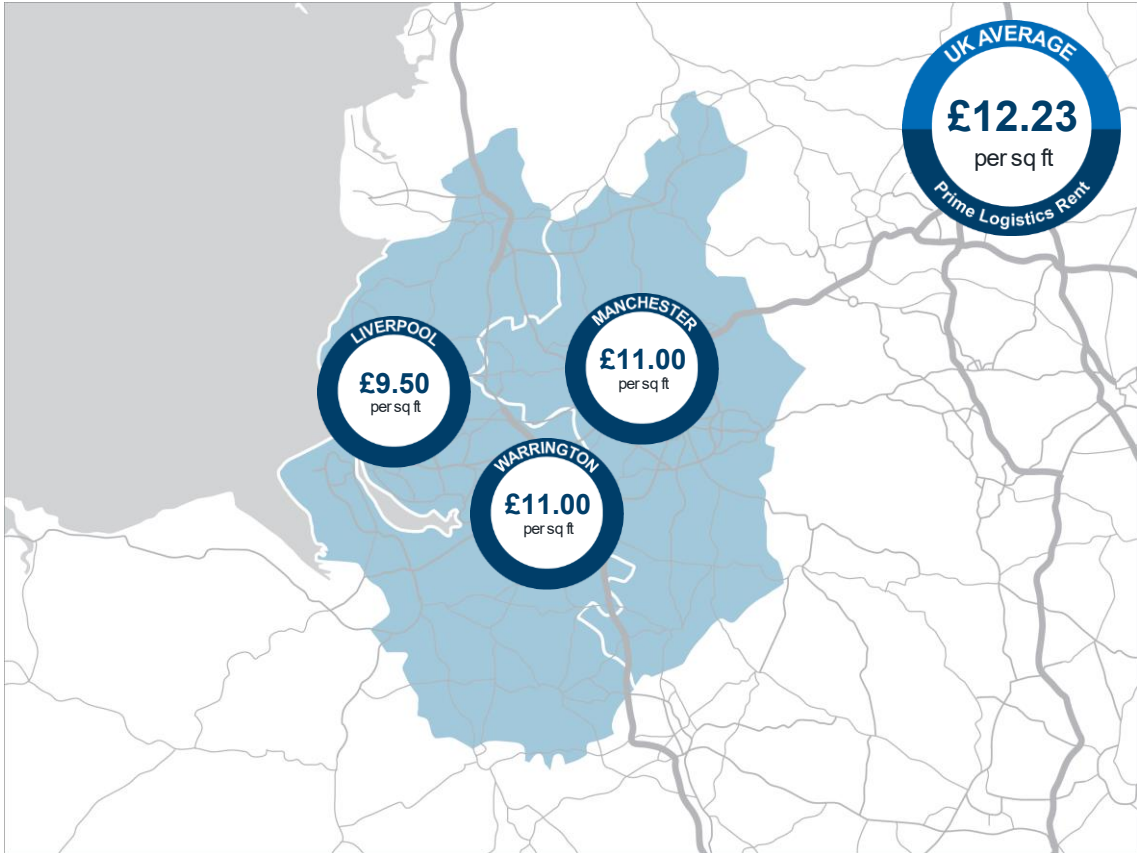
Source: Newmark



North West

Contact **Jason Print**
for more information.

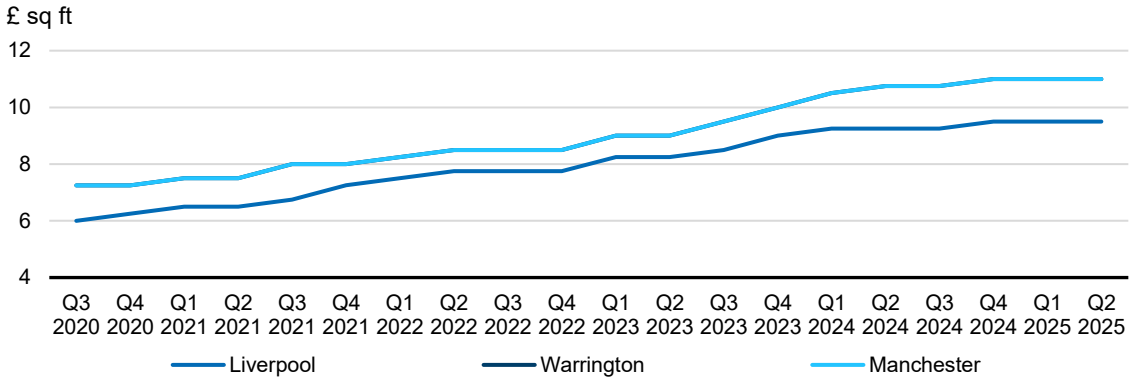
Prime logistics rents



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.

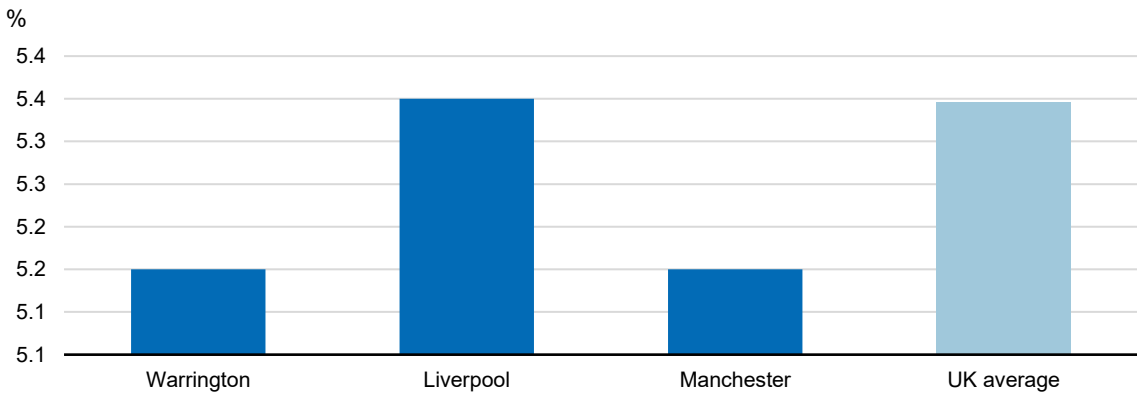
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



North West

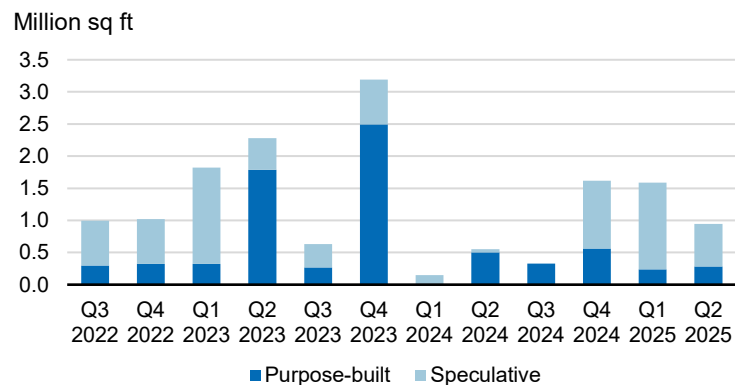
Contact **Jason Print**
for more information.

Defence and construction-linked manufacturers drive quarterly rise in take-up

Occupier take-up rose by 59% in Q2, led by strong demand from manufacturers in the construction sector, including Knauf Insulation and Regency Glass, and the defence industry, notably MBDA. The region's established manufacturing bases continues to attract new occupiers, with the manufacturing sector accounting for 33% of total take-up over the past year, one of the highest proportions across all regions. Availability rates in the North West are broadly in line with the UK average and new speculative schemes are drawing steady interest. A robust pipeline of deals under offer suggests continued momentum in the second half of the year. .

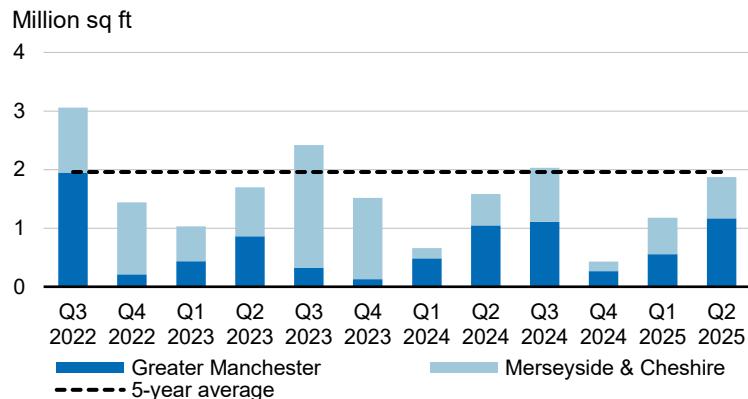
Development completions, by type

Source: Newmark



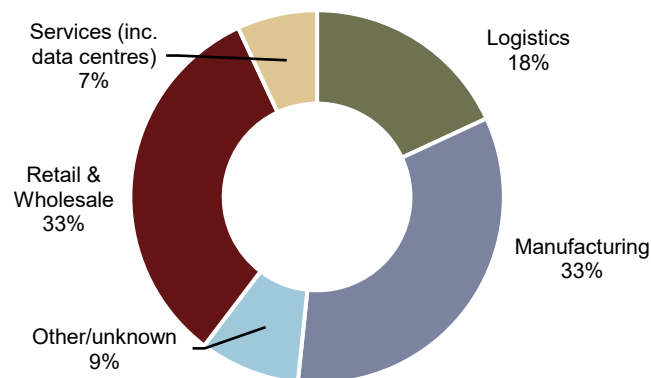
Occupier take-up

Source: Newmark



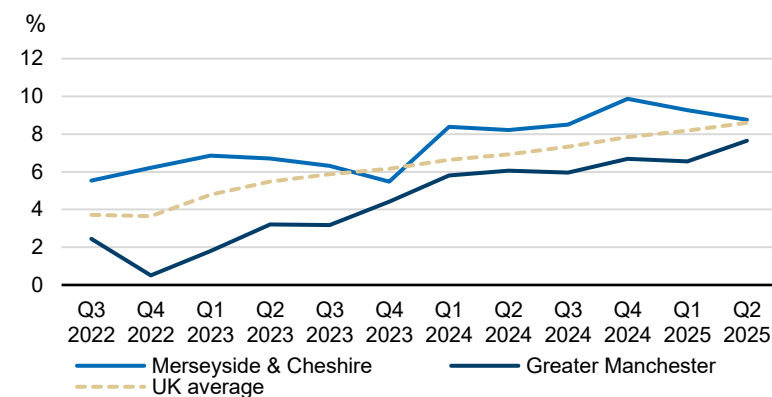
Take-up by occupier sector, last 12 months

Source: Newmark



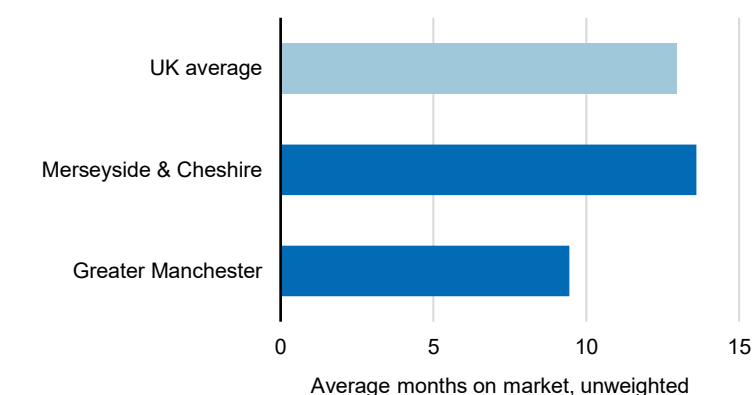
Availability rate by region

Source: Newmark



Void period by region, Q2 2025

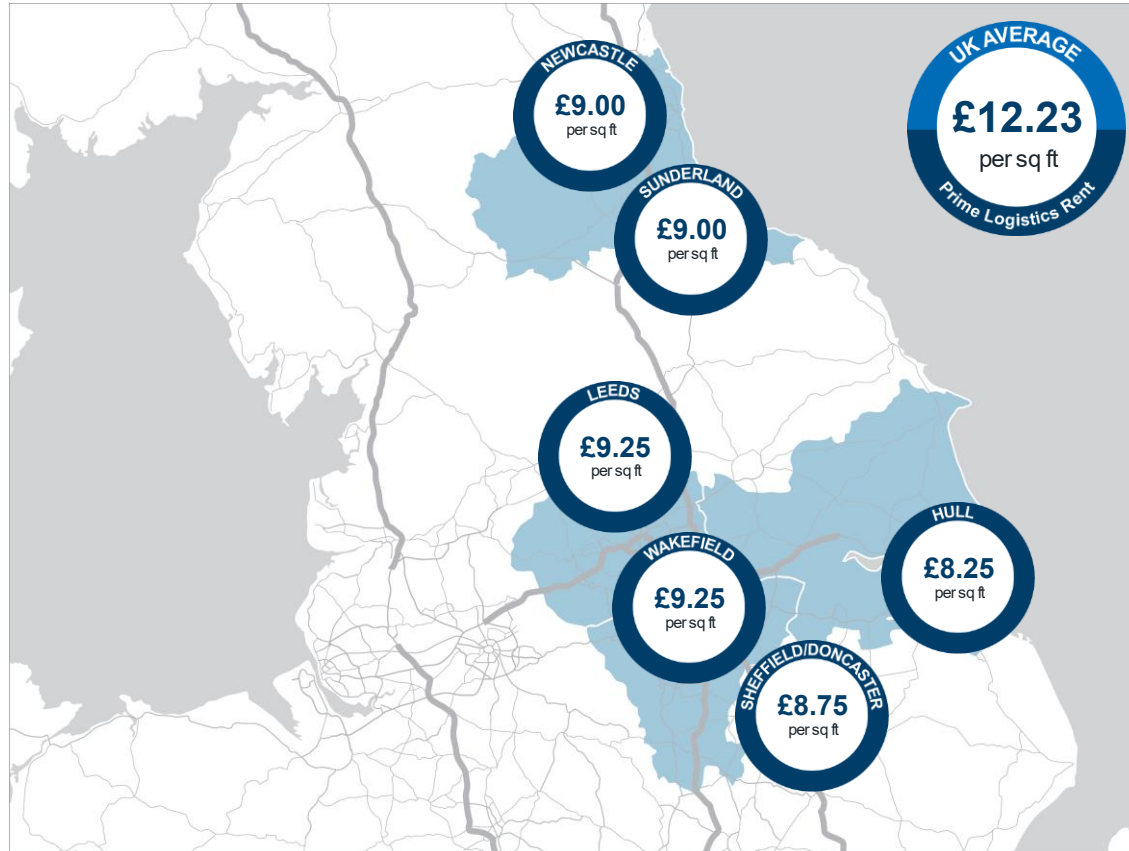
Source: Newmark



North East and Yorkshire

Contact **Jason Print**
for more information.

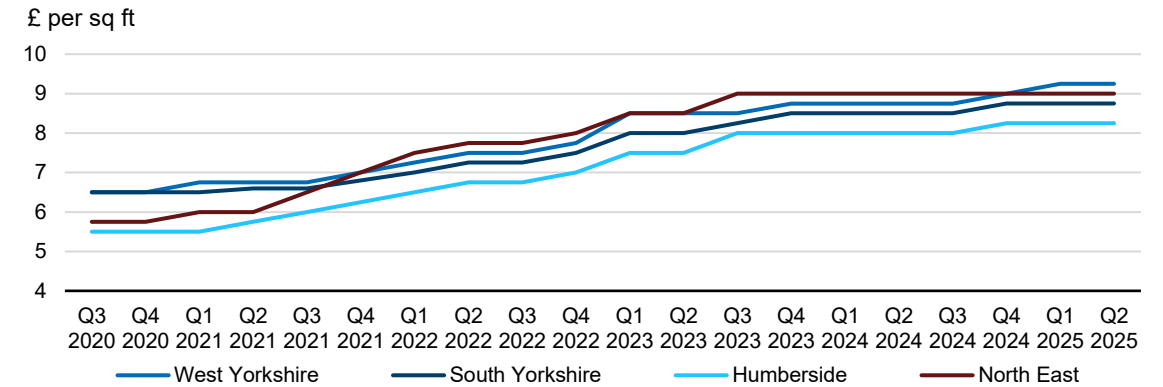
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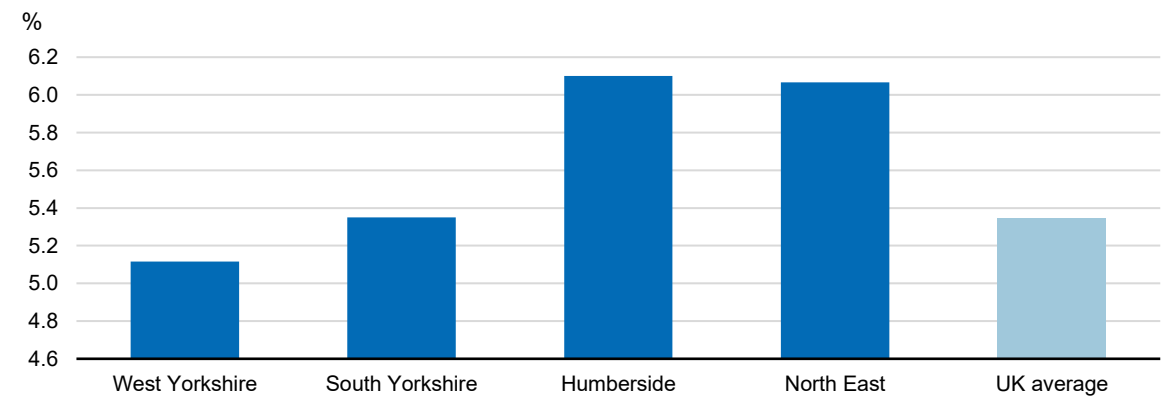
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



North East and Yorkshire

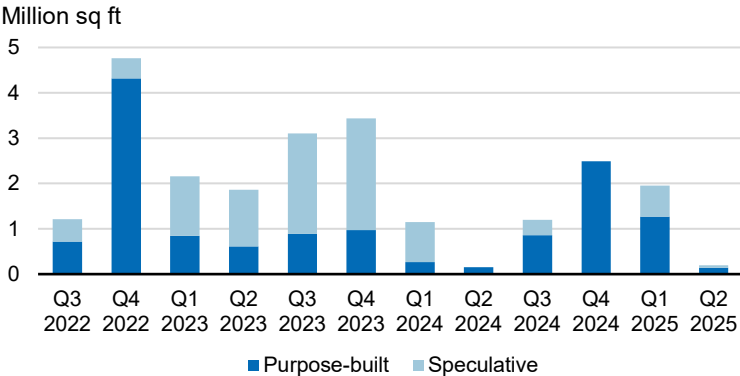
 Contact **Jason Print** for more information.

Logistics occupiers help drive 27% increase in quarterly demand, but activity remains below 5-year average

A broad mix of occupiers were active across the regions in Q2, including flooring manufacturers (Sika and Connection Flooring) and internet retailers (Dusk). However, it was logistics occupiers which were involved in some of the largest lettings in Q2 as ID Logistics let Sherburn 550 and Torque Logistics let 399,000 sq ft in Castleford. Overall regional activity remains below the 5-year average though. Speculative schemes are underway in Doncaster, Durham and Barnsley, although availability remains below the UK average in most regions. Rents continue to be competitive, and these factors support a positive outlook for prime rental growth.

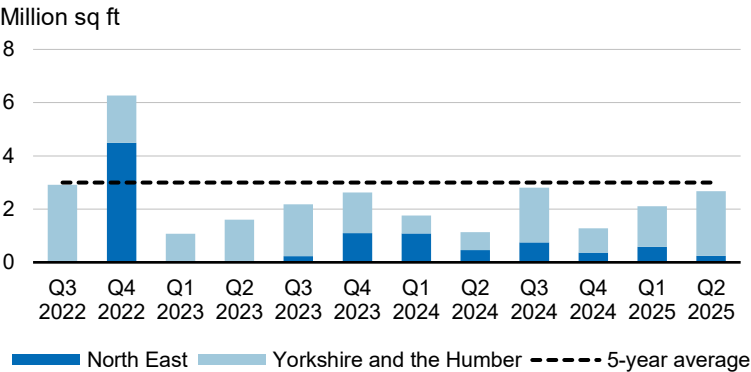
Development completions, by type

Source: Newmark



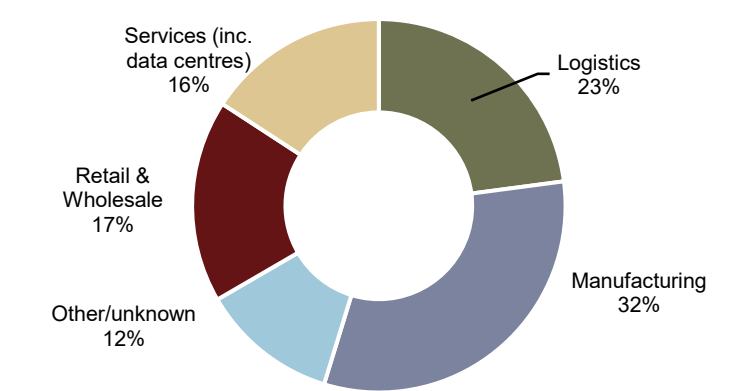
Occupier take-up

Source: Newmark



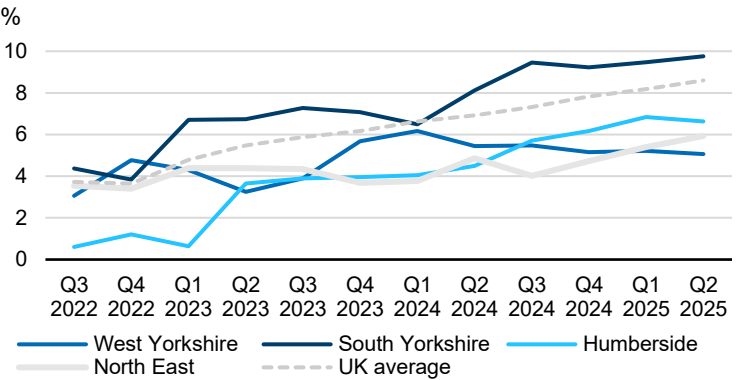
Take-up by occupier sector, last 12 months

Source: Newmark



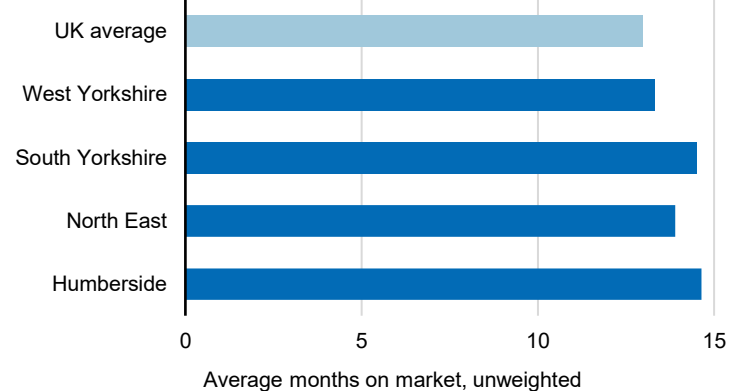
Availability rate by region

Source: Newmark



Void period by region, Q2 2025

Source: Newmark

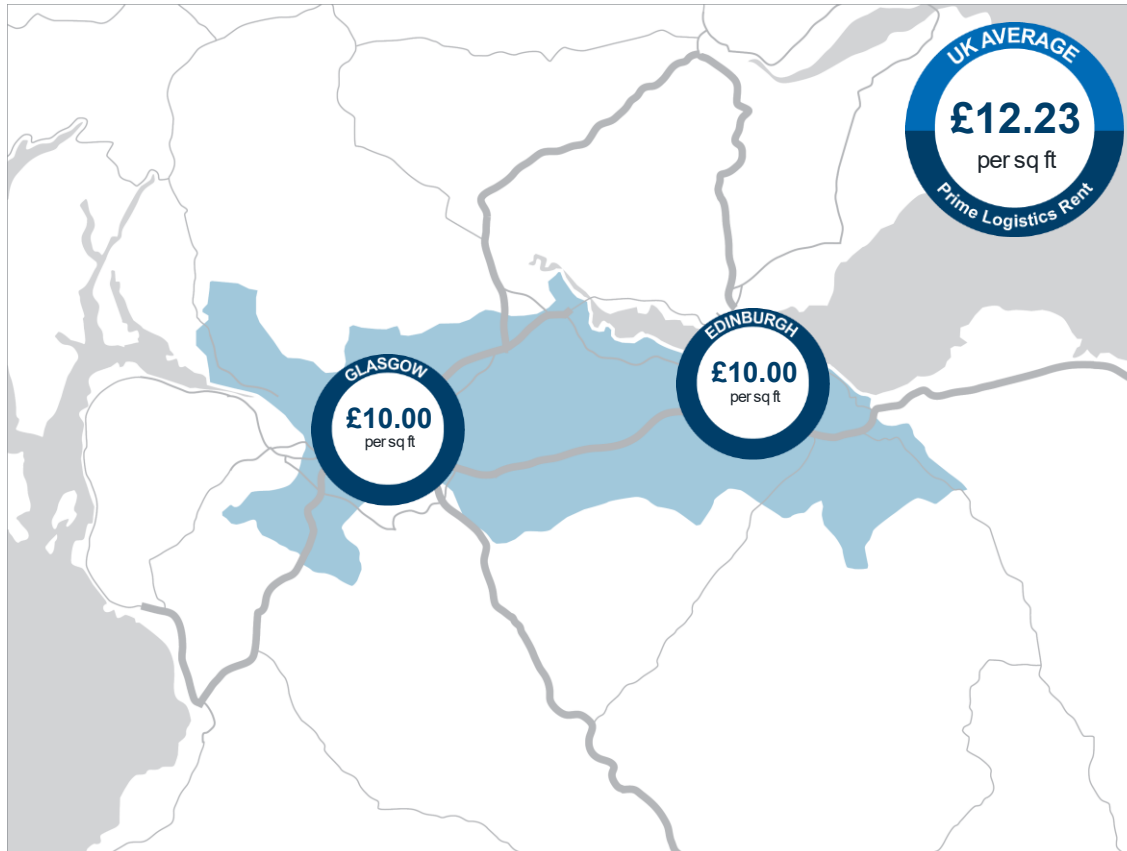


Scotland



Contact **Sven Macaulay**
for more information.

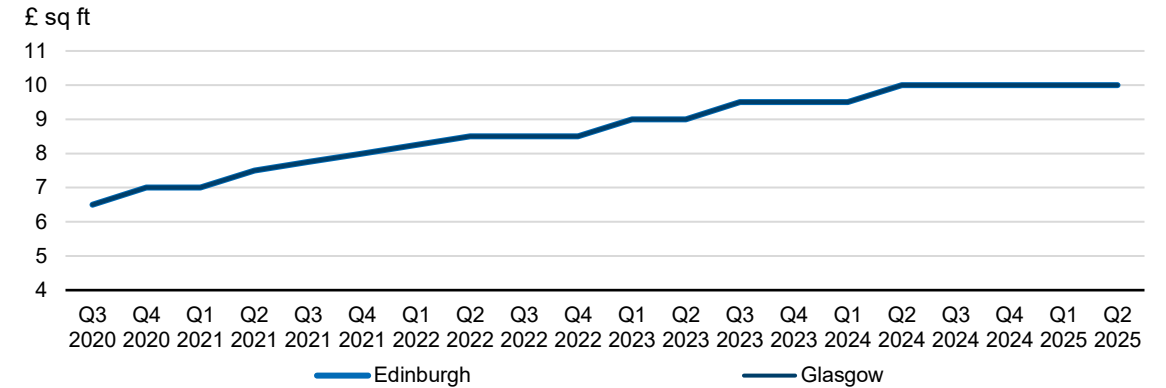
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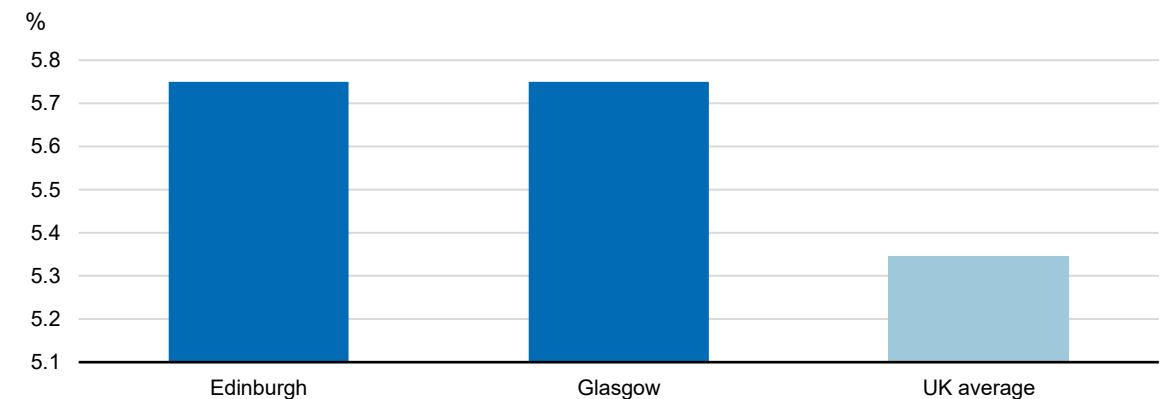
Prime logistics regional average rents

Source: Newmark



Prime logistics regional average yields, Q2 2025

Source: Newmark



Scotland

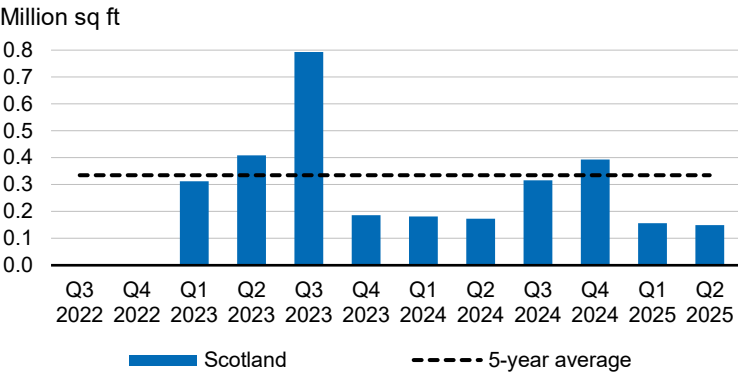
Contact **Sven Macaulay** for more information.

Occupier demand was subdued in Q2, but sector diversity remains

It's been a relatively weak year for occupier demand in Scotland and take-up in Q2 was the lowest since Q4 2021. Despite this slowdown, demand remains broad-based, with interest from occupiers across multiple sectors. Key centres such as Edinburgh, Glasgow and Motherwell continue to attract logistics operators, and battery storage and data centre firms are also drawn by low land values and access to renewable power. The Scottish Central Belt availability rate edged up in Q2 following a small number of returned secondhand units, though it remains below the UK average. Supply of new or modern space is limited, leaving occupiers with few options for high quality accommodation.

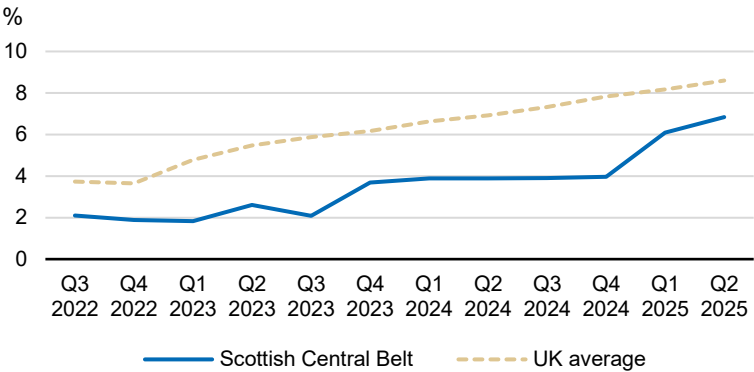
Occupier take-up

Source: Newmark



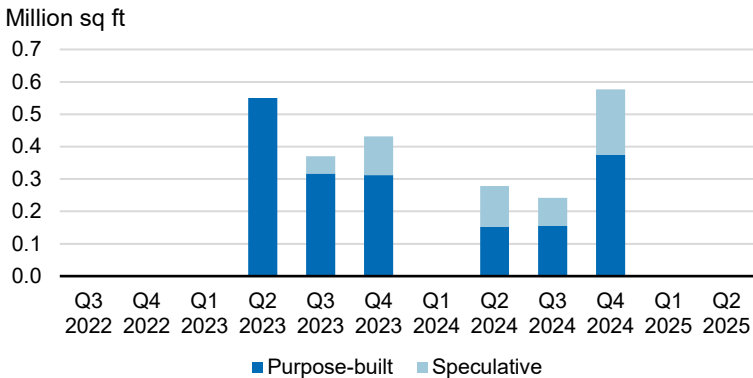
Availability rate by region

Source: Newmark



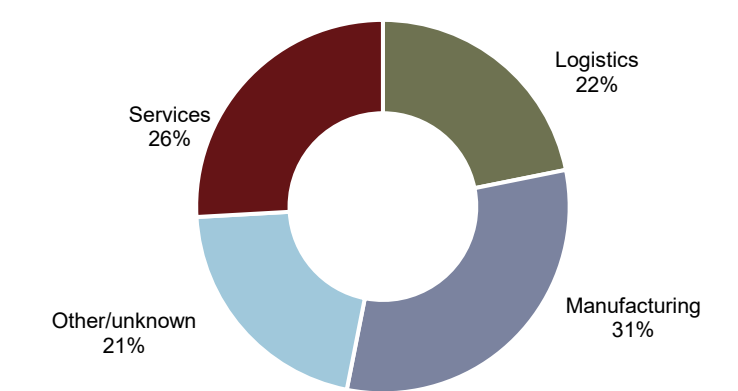
Development completions, by type

Source: Newmark



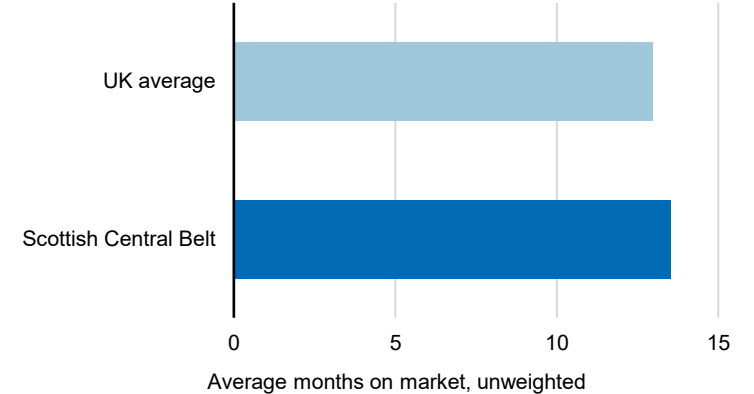
Take-up by occupier sector, last 12 months

Source: Newmark



Void period by region, Q2 2025

Source: Newmark



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Further Insight



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