LOGIC: Midlands

2024 Review

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

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Occupier Market

New and large developments boost 2024 take up

REBOUND IN TAKE UP LEVELS

Occupier take up of industrial and logistics units over 50,000 sq ft rebounded in the Midlands region in 2024 after two years of decline. Reaching 15 million sq ft across 67 transactions, the annual total was 43% higher than 2023 volumes and 5.4% above the region's ten-year annual average. Take up in the Midlands also represented 42% of the total space committed across the UK.

LARGE DEVELOPMENTS BOOST ANNUAL TOTAL

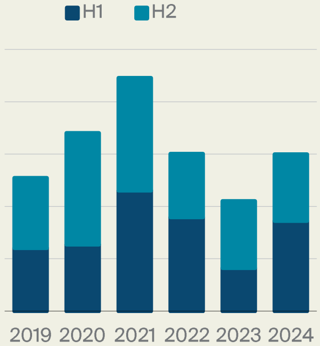
Several large-scale transactions drove the growth in volume, while the total number of deals increased by 14%. The build-to-suit (BTS) and pre-let/ pre-sale markets performed particularly well, comprising 38% of 2024 take up—up from 26% in 2023—and more than doubling year-on-year. Second-hand units also proved popular, with second-hand take up rising by 40% annually and comprising 37% of the space committed. Meanwhile, take up of new, speculatively completed space remained mostly stable compared to 2023, making up the remaining 25%.

The final quarter recorded 2.7 million sq ft of take up, bolstered by Amazon's commitment to a 20-year lease on a new 956,042 sq ft distribution hub at Symmetry Park in Kettering, to be developed by Tritax Symmetry. This follows the Q3 letting to Greggs bakery chain for a 311,551 sq ft logistics hub at the park. Another notable letting in Q4 was at the speculatively developed Unit 1, Mercia Park in Appleby Magna (215,627 sq ft), where DSV signed a 10-year lease at £8.50 psf.

Take up in 2024 was also boosted by two significant BTS lettings during the first half of the year, including 1.3 million sq ft at Magna Park, Corby, to sportswear company Nike and 1.3 million sq ft at SEGRO Park, Northampton, to Yusen Logistics.

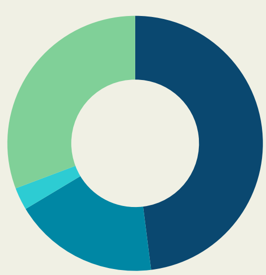
The volume of space signed across all four major occupier sectors rose in 2024. Retailers signed 42% more space compared to 2023, while distribution firms expanded their footprint by 39%. Demand from both of these sectors was driven by easing inflationary pressures and a renewed sense of confidence among occupiers to commit to new developments in the Midlands region.

Take up (sq ft)
million square feet



Source: Knight Frank Research

Take up by sector
2024



Distribution: 48% of take up
Manufacturing: 18% of take up
Other: 3% of take up
Retail: 31% of take up

Source: Knight Frank Research

MARKET VIEW

Well-located second-hand buildings with fit-out have performed well

BY JAMES CLEMENTS, PARTNER, BIRMINGHAM LOGISTICS & INDUSTRIAL AGENCY

"Total sq ft take up has risen by 43% compared to 2023, although the increase in total number of transactions was a more moderate 14%. Well-located second-hand buildings with fit-out have performed well this year given the more flexible nature of the leases available and cap-ex savings afforded to an incoming occupier.

Availability rates have been creeping up throughout the year and there are sub-regional markets where we are expecting more buildings to become available. Speculative development has all but stopped, and there is likely to only be a handful of new announcements in H1 2025. Requirement levels picked up in the final quarter of 2024, which we expect to continue into 2025."

Occupier Market

15m sq ft

Occupier take up 2024

6.7%

Vacancy rate Q4 2024

£12.00 psf

Prime rents Q4 2024

9.1%

Prime annual rental growth

"The build-to-suit and pre-let/pre-sale markets performed particularly well"

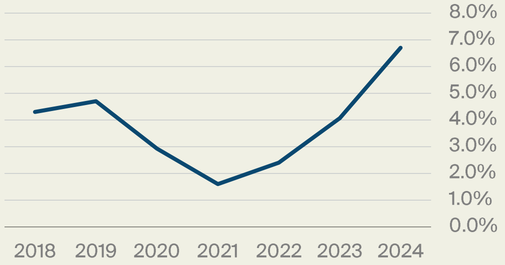
VACANCY RATE SOFTENS FURTHER

Despite improved take up volumes, the supply of existing units over 50,000 sq ft continued its upward trend from 2023, reaching 25.1 million sq ft by year-end 2024 (+67% year-on-year). The vacancy rate softened to 6.7% by Q4 2024, from 4.1% recorded one year ago. The uplift was driven by both development completions and the return of second-hand space, albeit the availability of new space remained unchanged in Q4. Supply is concentrated in units under 250,000 sq ft, comprising over half of the existing available space and 78% of units by count, while there are no new speculative units over 400,000 sq ft available.

2025 OUTLOOK

Looking ahead, the supply-side uplift has positioned the region well to meet both new and existing requirements. Although there is a healthy level of supply, development completions of 50,000 sq ft+ units more than halved during 2024 and this slowdown is set to continue. Speculative space under construction was 33% lower annually in Q4, at 4.5 million sq ft. Rental growth is expected to remain positive for 2025, with 3.2% and 2.9% average growth forecast for the East and West Midlands, respectively (RealFor). Prime rents in Birmingham were 9.1% higher annually by year-end 2024, at £12.00 psf (units 50,000 sq ft+).

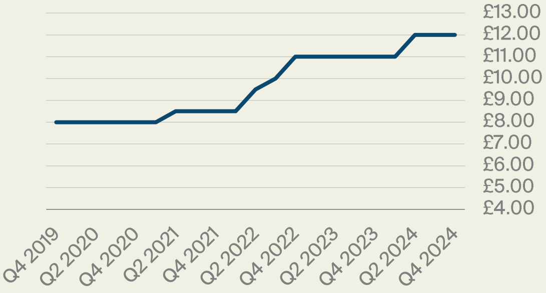
Vacancy Rate
% of stock



Source: Knight Frank Research

"Development completions more than halved during 2024"

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



Source: Knight Frank Research

Key Occupier Deals
2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Magna Park, Corby	1,300,000	Nike	Confidential	Build-to-Suit
SEGRO Park, Northampton	1,250,000	Yusen Logistics	£9.00 psf	Build-to-Suit
Symmetry Park, Kettering	956,042	Amazon	£9.50 psf	Build-to-Suit
Magna Park, Corby	586,000	Bleckmann Logistics	£9.50 psf	Speculative build
Mountpark Hinkley, Hinkley	491,000	Tesco	£10.00 psf	Pre-let

Source: Knight Frank Research

Investment Market

5.25%

Prime NIY - Birmingham
Q4 2024

-25 bps

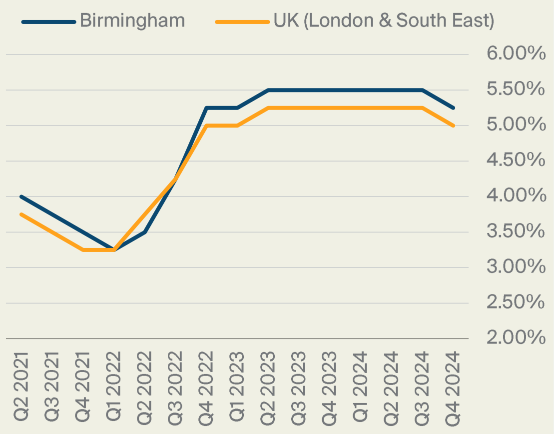
QoQ movement in prime yields

LARGE TRANSACTIONS BOOST Q4 VOLUMES

The final quarter of 2024 saw prime industrial yields in Birmingham tighten by 25 bps to 5.25%. This marked the beginning of a transition into a new pricing cycle, following six quarters of prime yields bottoming out at 5.50%. Birmingham's prime yield maintains a 25-bps discount compared with prime London & South East industrial.

Some large-scale transactions boosted the Midlands investment volumes in Q4 2024. Sunrise Real Estate acquired the Tesco Unit, DIRFT Central in Daventry, from Canada Life for £105.1 million, representing a net initial yield (NIY) of 4.24%. The 756,000 sq ft cross-docked distribution warehouse is let to Tesco for another seven years, with bidders attracted by the significant reversionary nature of the asset. In addition, Unit M at Derby Commercial Park was acquired by Mapletree from Ares for £86.1 million (NIY 5.37%). Another single-let asset, the 629,000 sq ft distribution centre is let to GXO Logistics.

Prime Yields
Net Initial Yield (%)



Source: Knight Frank Research

MARKET VIEW

We anticipate the sector to remain a preferential choice

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

"Q4 saw investment volumes for the Midlands dominated by larger transactions, in excess of £50 million, with pricing trending positively. Driven by a combination of the Bank of England reducing the base rate to 4.75% in November and the typical year-end 'rush' as investors looked to deploy raised capital before the close of the year.

Sellers of larger assets were mainly UK institutions with private equity purchasers. On the smaller assets, sellers were varied, with buyers in the region often local property companies or high-net-worth investors."

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 Research.

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.