

LOGIC: Midlands



Q1 2025

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

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Occupier Market

Pace of supply growth is slowing, while speculative development declines

STEADY QUARTER FOR OCCUPIER TRANSACTIONS

The opening quarter of 2025 recorded 2.4 million sq ft of industrial and logistics take up in the Midlands region (units over 50,000 sq ft).

Although this reflects a considerable drop from the 4.2 million sq ft recorded in Q1 2024, last year's figure was inflated by one exceptionally large transaction. In terms of volume, activity has remained steady, with 12 deals completing in Q1 2025 - broadly in line with the same period last year. Take up was 8.1% higher on an annual basis to Q1 2025, at 13.2 million sq ft.

A number of new commitments over 300,000 sq ft took place during the first quarter. At the former Tata Steel site in Corby, DHL has pre-let almost 500,000 sq ft at its new West Works development. DHL Real Estate Solutions will act as the development arm of DHL Supply Chain for the entire 1.8 million sq ft park, taking Unit 3 for its own occupation and offering the remaining to let. In addition, CIRRO Fulfillment—operating as Super Smart Service—signed two new

units - Panattoni's 343,185 sq ft at Central M1 in Castlewood, and Hines' EMDC 343 (342,741 sq ft) in Castle Donington. Both units were signed for 15 years at £8.25 psf.

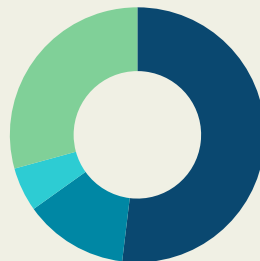
DISTRIBUTION FIRMS BECOMING MORE ACTIVE

Propped up by these transactions, distribution firms comprise 81% of the quarterly volumes and 52% of the annual volumes. Fuelled by renewed momentum in online retail, third-party logistics providers (3PLs), online retailers and parcel carriers are becoming increasingly active, as they reactivate expansion plans that had previously been on hold. Take up by distribution firms has risen by 15% annually, and retailers by 18% (albeit from a lower base).

Second-hand units are continuing to prove popular, comprising 40% of the space committed in Q1. Bleckmann Logistics signed DC403 DIRFT in Northampton (403,990 sq ft), while the 63,836 sq ft DC1 Prologis Park, Birmingham, was let to vertical farming specialist, Fischer Farms.

Take up by sector

Q2 2024 – Q1 2025

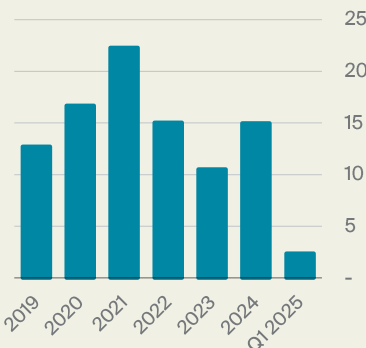


- **Distribution:**
52% of take up
- **Manufacturing:**
13% of take up
- **Other:**
6% of take up
- **Retail:**
29% of take up

Source: Knight Frank Insight

Take up (sq ft)

million square feet



Source: Knight Frank Insight

MARKET VIEW

Some larger buildings, that have been on the market for some time, are now taken up



BY CHARLES BINKS,
PARTNER, DEPARTMENT HEAD
UK LOGISTICS & INDUSTRIAL AGENCY

“It has been a positive start to 2025 for the Midlands industrial occupier market, with steady transaction activity and some larger buildings that have been on the market for some time now taken up.

Headline rents are holding firm, though incentives are pushing out as landlords respond to tougher market conditions.

The lack of new speculative development is becoming increasingly apparent, but overall sentiment feels more positive than it has been in recent months.”

Occupier Market

2.4m sq ft

Occupier take up
Q1 2025

6.8%

Vacancy rate
Q1 2025

£12.00 psf

Prime rents
Q1 2025

9.1%

Prime annual rental growth

“Distribution firms comprise 81% of the quarterly volumes”

PACE OF SUPPLY GROWTH SLOWS

While the supply of existing units over 50,000 sq ft continues its upward trend, the pace of growth is decelerating. Rising by 2.0% in the quarter to 25.6 million sq ft, this compares to an 8.9% uplift in the previous quarter and an average quarterly rise of 15% observed over the past three years. The uplift was driven entirely by new development completions, while the supply of second-hand space declined by 2.9%. The vacancy rate edged up by 10 bps to 6.8%, from 6.7% in Q4 2024, but remains below the UK average, of 7.3%. Supply is heavily concentrated in units under 250,000 sq ft, comprising 81% of units by count.

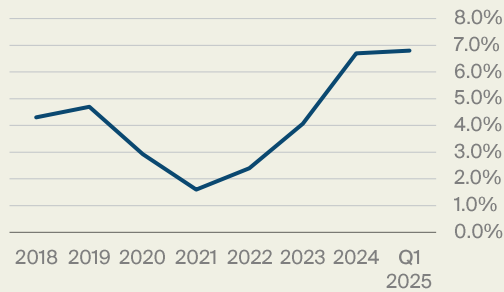
Speculative development activity fell sharply in Q1 2025, by 43% to just 2.5 million sq ft across 17 units. This compares with 4.5 million sq ft in 29 units recorded in the previous quarter and 4.9 million sq ft recorded one year ago.

RENTAL LEVELS & OUTLOOK

Prime rents in Birmingham for units over 50,000 sq ft were 9.1% higher annually in Q1, at £12.00 psf. Rental growth is expected to remain positive for 2025, with RealFor forecasting average growth of 3.4% and 3.6% for the East and West Midlands, respectively.

Vacancy Rate

% of stock

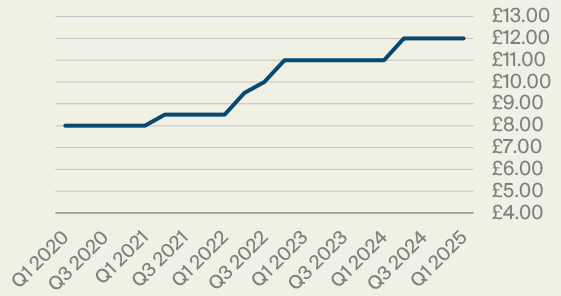


Source: Knight Frank Insight

“Speculative development fell sharply in Q1, by 43% to just 2.5 million sq ft”

Birmingham - Prime Rents

£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Insight

Key Occupier Deals

Q1 2025

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Unit 3 West Works, Corby	498,471	DHL	Confidential	Build-to-Suit
DC403 DIRFT, Northampton	403,990	Bleckmann Logistics	£6.40 psf	Second-hand
Central M1 Panattoni Park, Castlewood	343,185	Super Smart Service	£8.25 psf	Speculative build
EMDC 343, Castle Donington	342,741	Super Smart Service	£8.25 psf	Speculative build
DC1 Prologis Park, Birmingham	63,836	Fischer Farms	£10.00 psf	Second-hand

Source: Knight Frank Insight

Investment Market

5.25%

Prime NIY - Birmingham
Q1 2025

-25 bps

YoY movement in prime yields

PRIME YIELDS IN BIRMINGHAM REMAIN STABLE

Prime industrial yields in Birmingham remained stable at 5.25% in Q1 2025, having sharpened by 25 bps in the previous quarter. At this level, prime yields remain 200 bps softer than their previous peak of 3.25% in Q1 2022.

Transaction volumes in Q1 2025 were sluggish relative to the latter half of 2024, mainly as a result of stock scarcity. The quarter saw Crown Crest acquire Bridge Park & Pinfold Road Industrial Estate, a 241,000 sq ft multi-let estate in Leicester, from Boundary Real Estate Partners for £21.9 million, representing a net initial yield (NIY) of 6.86%.

In addition, US private property company RealTerm purchased Unit 6020 Middlemarch Business Park in Coventry for £17.8 million (NIY 8.70%). The 281,000 sq unit is let to Unipart, who has 2.5 years remaining on the lease.

MARKET VIEW

Lack of stock is restricting the ability for capital to be deployed

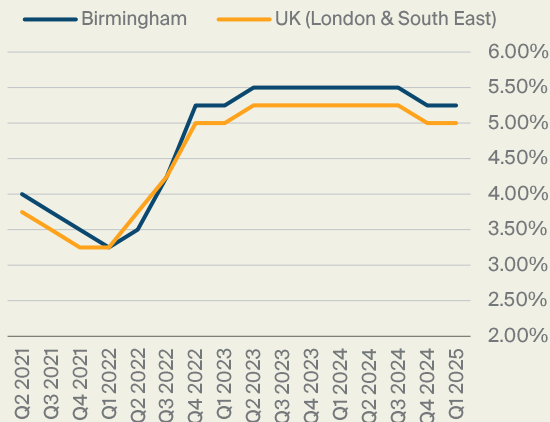


BY BEN VOSS-WOOD, PARTNER,
BIRMINGHAM LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“The first quarter of the year saw subdued transaction volumes for the region. There still remains a significant weight of capital seeking exposure to the sector, with the Midlands region being a key target for most. However, a lack of stock has restricted the ability for much of this capital to be deployed. We are aware of a number of prime assets in the region currently and remain optimistic to see an increase in volumes for Q2.”

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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