

LOGIC: South West

2024 Review

Occupier and investment market trends in the South West logistics and industrial sector.

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Occupier Market

Several reasons for optimism despite a lacklustre year for take up in the South West

LACKLUSTRE YEAR FOR TAKE UP

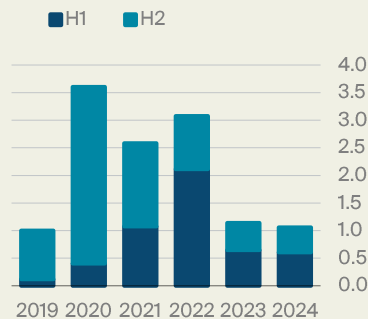
Take up activity in the South West industrial occupier market concluded the year on a somewhat quiet note, with just two transactions completing in Q4 (units 50,000 sq ft+). The most notable of these was the letting of the 115,600 sq ft speculatively built G5 Horizon 38 in Filton, Bristol, to the National Composites Centre (NCC) on a 20-year agreement at £9.30 psf.

Take up volumes for 2024 totalled almost 1.1 million sq ft, 7.1% below 2023 volumes and 54% below the region's five-year average. 2024 overall was a lacklustre year for transactions, as the cost-conscious occupier significantly lengthened transaction timelines. While the second half of the year saw momentum increase, evidenced by a significant volume of space going under offer and a healthy level of enquiries, this interest failed to convert into completed deals by the close of the year and is instead more likely to fall into 2025.

REASONS FOR OPTIMISM

There are other reasons for optimism heading into 2025. This includes steady demand for the

Take up (sq ft) million square feet



Source: Knight Frank Research

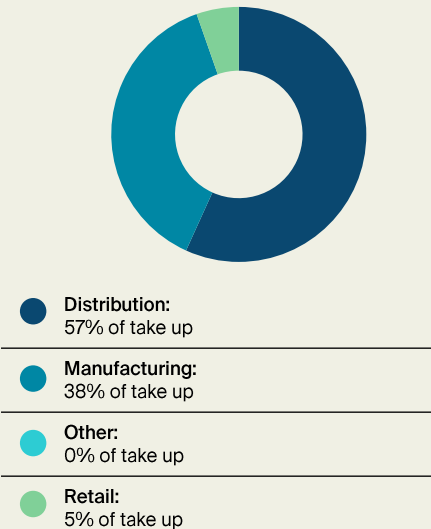
50,000–100,000 sq ft size bracket and a robust level of enquiries for the larger vacant units. There are signs that the rising vacancy levels have begun to stabilise, and with limited stock projected in some markets for 2025, this may create opportunities to drive development interest and rental growth.

It is also worth noting that robust demand for units below 50,000 sq ft drove strong rental growth in this segment. Prime rents in Bristol for 20,000-50,000 sq ft units rose by 23% in 2024, outpacing Bristol's 50,000 sq ft+ market, where rents remained stable. A similar trend was evident in Swindon, where 20,000–50,000 sq ft units recorded an 11% rise in prime rents during the year.

STEADY DEMAND FROM MANUFACTURERS

Demand from manufacturers increased in 2024, accounting for 38% of annual take up volumes and four of the eight deals completed.

Take up by sector 2024



Source: Knight Frank Research

MARKET VIEW

Notable level of enquiries for the larger voids



BY RUSSELL CROFTS, PARTNER, BRISTOL LOGISTICS & INDUSTRIAL AGENCY

“Q4 activity was focused around 100,000 sq ft units, and while this take up was much welcomed, it will not restore the year-end figures in line with the five-year average.

There is a notable level of enquiries for the larger voids (400,000 - 800,000 sq ft) throughout the region, alongside steady take up of mid-box units, with an evident lack of stock projected for 2025. There has been some reaction to this renewed demand, with a high number of bidders for development sites coming to the market in Bristol, and some notable scheme starts due in Q1 2025.”

Occupier Market

1.1m sq ft

Occupier take up
2024

7.9%

Vacancy rate
Q4 2024

£10.00 psf

Prime rents
Q4 2024

Stable

Prime annual rental growth

“Prime rents in Bristol for 20,000-50,000 sq ft units rose by 23% in 2024”

VACANCY RATE REVERSES DOWN IN Q4

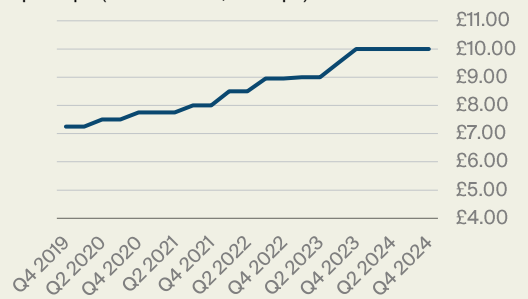
Following three consecutive quarters of rising supply, availability of existing units over 50,000 sq ft declined by 5.3% in Q4, to 5.7 million sq ft. The vacancy rate stood at 7.9% at year-end, declining by 40bps in the quarter; however, this compares with 5.4% recorded in Q4 2023. The supply of both new and second-hand stock edged downward during Q4. Notably, 18% of availability is under offer; this is largely made up of Panattoni’s 882,000 sq ft speculatively-built warehouse which is under offer to Amazon.

2025 OUTLOOK

Speculative development remained limited in Q4, with no new construction starts during the quarter. Construction is ongoing at Unit 3 Matrix 49 in Avonmouth and Units 27 and 29 Indurent Park Access 18 in Bristol, amounting to 372,800 sq ft. This is 72% lower annually reflecting the broader slowdown in the development market throughout the year. Looking ahead, development is expected to pick up in the first half of 2025. The South West planned pipeline includes c. 1 million sq ft of space, though not all projects may proceed. Meanwhile, the region is poised for continued rental growth, with average rents forecast to rise by 4.3% in 2025. In Bristol, rental growth is projected to outpace the regional average, reaching 5.1% (RealFor).

Bristol - Prime Rents

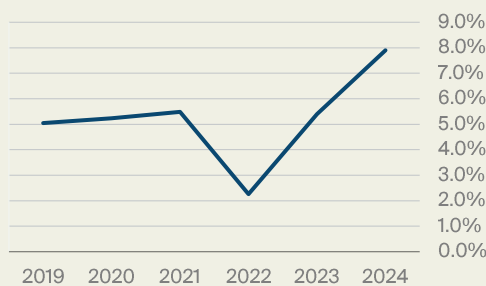
£ per sq ft (units over 50,000 sq ft)



Source: Knight Frank Research

Vacancy rate

% of stock



Source: Knight Frank Research

“The region is poised for continued rental growth, with average rents forecast to rise by 4.3% in 2025”

Key Occupier Deals 2024

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Wincanton Unit, Gloucester Business Park	260,000	Wincanton	£7.00 psf	Second-hand
G5 Horizon 38, Filton	115,600	National Composites Centre (NCC)	£9.30 psf	Speculative build
Unit 2 Central Approach, Avonmouth	113,573	Evri	£8.75 psf	Speculative build
Unit 3 Express Park, Bridgwater	64,989	VADO Home	£7.22 psf	Second-hand
Unit H, Hawksworth Trading Estate, Swindon	50,772	Kosnic Lighting	£7.50 psf	Second-hand

Investment Market

5.50%

Prime NIY - Bristol
Q4 2024

Stable

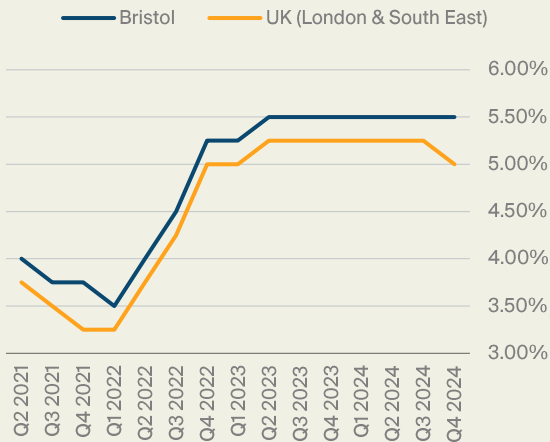
YOY movement in prime yields

PRIME YIELD COMPRESSION EXPECTED IN THE COMING QUARTERS

Prime industrial yields in Bristol remained stable at 5.50% in Q4. However, sentiment improved in the latter half of the year, with market consensus suggesting that the repricing phase has concluded, and the bottom of the current cycle is now behind us. Transaction activity picked up in the final quarter, and further improvements in the market are expected to drive yield compression in the coming quarters.

Some significant deals were completed in the South West region during the final quarter of 2024. The largest of these was Slate Asset Management's acquisition of Morrisons Distribution Centre in Bridgwater for £57.8 million, reflecting a net initial yield (NIY) of 6.96%. The 780,000 sq ft facility is fully leased by WM Morrison Supermarkets until 2039.

Prime Yield
Net initial yield %



Source: Knight Frank Research

MARKET VIEW

Private equity funds have amassed huge strongholds of dry powder ready to deploy



BY NICK THURSTON, PARTNER,
BRISTOL LOGISTICS & INDUSTRIAL
CAPITAL MARKETS

“Investment volumes have been relatively subdued throughout 2024, but positively we have seen an uptick in activity during Q4.

With the lack of stock on the market over the past two years, real estate private equity funds have amassed huge strongholds of dry powder ready to deploy in the sector. This is evident from the sales of two significant multi-let estates in the South West during Q4.

DTZ Investors sold Beeches Industrial Estate, Bristol, in December for c. £47 million / 5.50% NIY to RLAM. The 330,000 sq ft reversionary multi-let estate generated high levels of interest from a diverse range of buyers. Furthermore, Blackrock sold Cheltenham Trade Park to Harbert for £22.7 million / 6.44% NIY in October 2024. The multi-let 1990s estate comprised 42 units and was c. 20% reversionary. Knight Frank received significant interest in these two sales and has a list of buyers keen to secure similar opportunities, with a number of these parties being new entrants to the industrial sector. We anticipate this uptick in activity to continue into 2025.”

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.



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