

LOGIC: South West



Q1 2025

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

knightfrank.com/research



Occupier Market

Strong opening quarter for the South West occupier market

FIRST QUARTER TAKE UP ON PAR WITH FULL-YEAR 2024

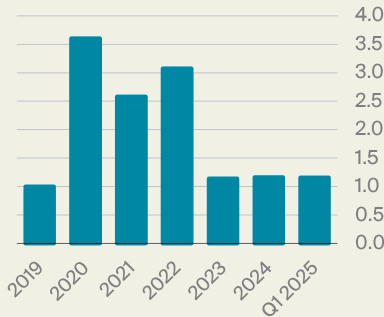
After a quiet finish to 2024 for occupier take up in the South West industrial market, the opening quarter of 2025 was a busy one. Take up of units over 50,000 sq ft amounted to 1.2 million sq ft, on par with the volumes recorded in the full year 2024 and marking the region’s strongest quarterly total since Q1 2022.

RESURGING DEMAND FOR LARGER UNITS

The quarter saw a resurgence in demand for larger-sized units. Three of the five transacted units were over 250,000 sq ft in size, accounting for 60% of Q1 take up. This compares with just one in the previous two years. Transactions such as these have not only started the year on a strong footing for take up, but they are also helping to stabilise the vacancy rate.

In the largest leasing transaction so far this year, major retailer Marks & Spencer Group agreed to pre-lease approximately 395,000 sq ft at Axis Works in Bristol. Stoford and Epta Development Corp (EDC) were granted planning permission for the 2 million sq ft Axis Works

Take up (sq ft)
million square feet



Source: Knight Frank Insight

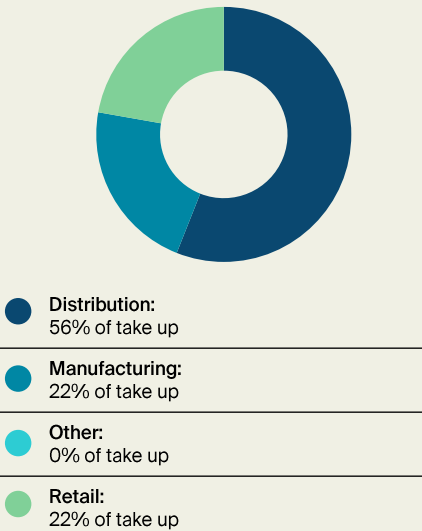
scheme in 2023. M&S announced its plans last year to expand its network of stores and modernise its supply chain.

Two large freehold transactions included the 333,675 sq ft former Lidl distribution centre at Warleys Lane in Weston-super-Mare, purchased by Tenens Property, and the 267,489 sq ft former Duraflex Premises, Severn Drive in Tewkesbury.

INCREASED ACTIVITY BY DISTRIBUTION FIRMS

Distribution firms are becoming more active again, having been relatively quiet last year. The subsector accounted for two-thirds of Q1 take up and 56% over the past four quarters. Recently active third-party logistics operators include Wincanton who agreed to lease Units 1 & 2 Huntsworth Business Park in Bridgwater at £7.50 psf. The space totaling 112,556 sq ft has undergone a full refurbishment.

Take up by sector
Q2 2024 – Q1 2025



Source: Knight Frank Insight

MARKET VIEW

The year has kicked off on a positive note



BY RUSSELL CROFTS, PARTNER,
BRISTOL LOGISTICS & INDUSTRIAL
AGENCY

“The year has kicked off positively with an uptick in transaction activity across the South West region. Q1 saw a healthy rise in take up, driven by a resurging demand for big-box units. Major transactions include M&S pre-letting nearly 400,000 sq ft at Axis Works in Bristol, and when paired with other known occupiers who are progressing deals, this will provide a significant boost to the region’s total take up for the year. With momentum building, and both existing and pipeline supply tightening in key submarkets, we expect appetite from both occupiers and developers to strengthen as the year progresses.”

Occupier Market

1.2m sq ft

Occupier take up
Q1 2025

7.6%

Vacancy rate
Q1 2025

£10.50 psf

Prime rents
Q1 2025

5.0%

Prime annual rental growth

“Three of the five transacted units were over 250,000 sq ft in size“

SUPPLY FALLS FOR SECOND QUARTER RUNNING

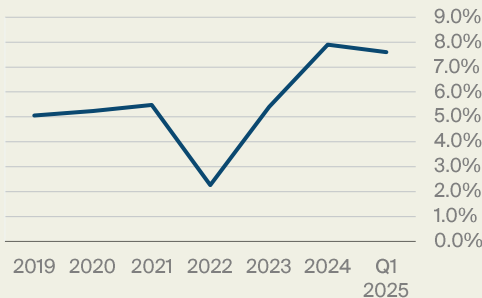
Supply levels of 50,000 sq ft+ units declined for the second quarter running, following two years of growth. Decreasing by 2.8% in Q1 to 5.5 million sq ft, this brought the vacancy rate down 30 bps to 7.6%, from 7.9% recorded in Q4 2024. Second-hand supply edged down by 5.5%, while new-build supply remained unchanged. At the end of March, four units totalling 587,800 sq ft were under construction speculatively, with one new development commencing in the quarter, namely Unit 3 Matrix 49 in Avonmouth (235,000 sq ft).

A substantial amount of space (1.1 million sq ft) is under offer, representing 20% of supply. Based on this, the slowing return of second-hand space and a relatively low development pipeline, further sharpening of the vacancy rate is expected this year.

RENTAL LEVELS & OUTLOOK

Having remained stable in 2024, prime industrial rents in Bristol rose by 5.0% in Q1 2025 to reach a new headline of £10.50 psf (units 50,000 sq ft+). Average rental growth of 3.8% is predicted for the South West for 2025, while Bristol is expected to outpace the regional average, with 5.0% predicted (RealFor).

Vacancy rate
% of stock

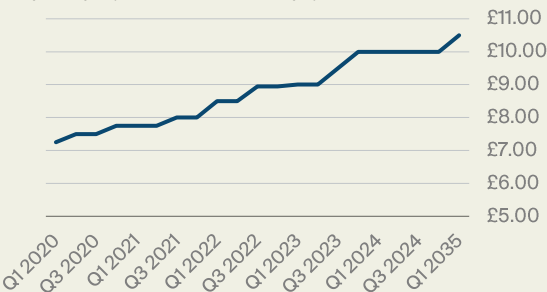


Source: Knight Frank Insight

“Prime industrial rents in Bristol rose by 5.0% in Q1 2025 to reach a new headline of £10.50 psf”

Bristol - 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
Plot 5 Axis Works SW, Bristol	394,669	M&S	Undisclosed	Pre-let – Build-to-Suit
Former Lidl, Warleys Lane, Weston-super-Mare	333,675	Tenens Property	£12.5 million	Free-hold purchase – Second-hand
Units 1 & 2 Huntsworth Business Park, Bridgwater	112,556	Wincanton	£7.50 psf	Second-hand refurbishment

Source: Knight Frank Insight

Investment Market

5.25%

Prime NIY - Bristol
Q1 2025

-25 bps

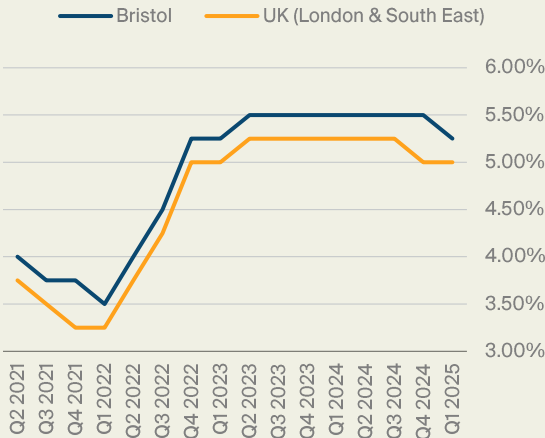
YoY movement in prime yields

PRIME INDUSTRIAL YIELDS COMPRESS

Prime industrial yields in Bristol sharpened by 25 bps in Q1 2025 to 5.25%, marking the first compression in a new prime pricing cycle for Bristol. Prime yields are now 175 bps softer than their previous peak of 3.50% in Q1 2022.

The market remains frustrated by a lack of available product; however, demand has strengthened, and some notable assets transacted in Q1. BCCIM—a joint venture between Barwood Capital and Caisson iO—acquired Airfield Industrial Estate in Christchurch, Dorset, for £4.5 million (NIY 4.80%). The estate comprises six units, with existing occupiers including Howdens and General All Purpose Plastics Ltd. In the single-let market, Unit 1 at Hitchens' Stroudwater 13 development in Gloucestershire was purchased by UK-based private investor Rushmire Ltd. for £3.7 million (NIY 5.43%). The 22,500 sq ft unit built in 2023 is currently let to audio equipment firm Loudspeaker Technology on a 10-year lease.

Prime Yield
Net initial yield %



Source: Knight Frank Insight

MARKET VIEW

Huge strongholds of dry powder ready to deploy in a market starved of stock



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

“With the market starved of stock over the past 12 months, investment volumes were relatively subdued throughout 2024. We have therefore seen huge strongholds of dry powder ready to deploy in the sector from a raft of investors. This is evident from the sales of two significant multi-let estates in the South West during Q1 2025.

DTZ Investors sold Templegate in Bristol to PGIM in March for c. £25 million. Furthermore, the IO Centre in Swindon received considerable interest from a range of investors and went under offer at c. 5.25% NIY with a 125-bps headline reversion (the quoting price was 6.40% NIY). For the right product, there is currently strong demand from private equity, local authority pension fund mandates and the industrial sector specialists.”

We like questions, if you've got one about our research,
or would like some property advice, we would love to hear from you

**Logistics & Industrial
Research**

Claire Williams
claire.williams@knightfrank.com
+44 20 3897 0036

Deirdre O'Reilly
deirdre.oreilly@knightfrank.com
+44 20 3995 0785

**Bristol Commercial
Logistics & Industrial Agency**

Russell Crofts
russell.crofts@knightfrank.com
+44 117 917 4535

Ed Rohleder
ed.rohleder@knightfrank.com
+44 117 917 4984

Thomas Park
thomas.park@knightfrank.com
+44 117 945 2648

**Bristol Commercial
Capital Markets**

Nick Thurston
nick.thurston@knightfrank.com
+44 117 917 4536

Valuation & Advisory

Steve Hawkins
steve.hawkins@knightfrank.com
+44 117 917 4532

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.



© Knight Frank LLP 2025. This document has been provided for general information only and must not be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this document, Knight Frank LLP does not owe a duty of care to any person in respect of the contents of this document, and does not accept any responsibility or liability whatsoever for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. The content of this document does not necessarily represent the views of Knight Frank LLP in relation to any particular properties or projects. This document must not be amended in any way, whether to change its content, to remove this notice or any Knight Frank LLP insignia, or otherwise. Reproduction of this document in whole or in part is not permitted without the prior written approval of Knight Frank LLP to the form and content within which it appears.