

*Occupier and investment market trends in the London & South East logistics and industrial sector.*



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# LOGIC: London & South East 2022 Review

Research, January 2023



CGI image: Firestone LDN, Brentford  
By courtesy of LGIM

# MARKET OVERVIEW

*New, speculative buildings and build-to-suit units dominate take up in the London & South East industrial market in 2022.*

**10.7 million sq ft**  
Occupier take up 2022

**£5.9 billion**  
Investment total 2022

**10%**  
Prime annual rental  
growth

## Robust demand for new, high quality space

The final quarter of 2022 recorded 2.2 million sq ft of take up in the London & South East industrial and logistics occupier market (units 50,000 sq ft+). This brings the annual total to 10.7 million sq ft and while below the record levels seen last year, take up remains in line with the five-year annual average for the region.

Robust demand for new, high quality industrial space led to 80% of take up in the year comprising new, speculatively built and built-to-suit units, up from 65% last year. The largest deal of 2022 was garden and leisure products retailer, The Range, committing to Gateway 14, Stowmarket, a 1.2 million sq ft unit which is being constructed on a built-to-suit basis.

## Distribution firms most active in 2022

2022 also saw an increasing share of distribution firms taking space in London & the South East, accounting for 36% of the year's take up, compared to



PAUL MUSSI, PARTNER  
LONDON & SOUTH EAST  
LOGISTICS & INDUSTRIAL AGENCY

“There is evidence of a two-tier market being created, particularly in East London. It seems the top tier of higher value businesses that constitute a fraction of the market, and must be close to Central London, are able to pay the ever increasing rents being sought by landlords.

However, a large proportion of smaller businesses currently based in these prime locations are being priced out. With an increase in the supply of stock in certain areas and limited demand from the top tier occupiers, we suspect rents will come under pressure in certain locations.”

19% in 2021. Manufacturing firms were also more active this year, while retail occupiers were less active.

## Double-digit prime rental growth in 2022

The constrained supply of new, large sized units has led to occupiers becoming more footloose in terms of where they locate. A new prime rent was set in West London in 2022, at £27.50 psf, representing 10% annual growth, while prime rents in East London increased by 11% year on year, to £20 psf.

## Shortage of new, large available product persists

Supply levels of units over 50,000 sq ft remained relatively stable over the past year, standing at 7.3 million sq ft at end-2022, with vacancy rate of 3.1%. While availability of new, good quality stock increased in Q4 due to a number of developments completing construction, there are still only four units over 250,000 sq ft in size immediately available for larger occupier requirements, particularly for those in search of more energy-efficient buildings with better ESG credentials.

There is currently 4.4 million sq ft of speculative space under construction across the London & South East market. This spans across 36 units, however, only two of these will be over 250,000 sq ft in size, therefore the supply pipeline at the very large end of the market will remain relatively tight as we head into 2023.

## Investment volumes remain ahead of 5-year average

Investment into industrial property in London & the South East in 2022 totalled £5.9 billion. While 11% down on the record levels seen in 2021, as a slowdown in investor sentiment was seen towards the latter half of the year, activity is 41% ahead of the five-year average. Overseas buyers accounted for 40% of investment.

## 2023 Outlook

Modest average rental growth is forecast for London and the South East markets, at 5.3% and 3.3% respectively for 2023 (RealFor). Less traditional occupiers such as vertical or indoor farming have been a feature of the market in London & the South East in recent years and we expect this trend to continue in 2023. However, economic headwinds, inflationary pressures and business rates rises are likely to impact on business operations in 2023.

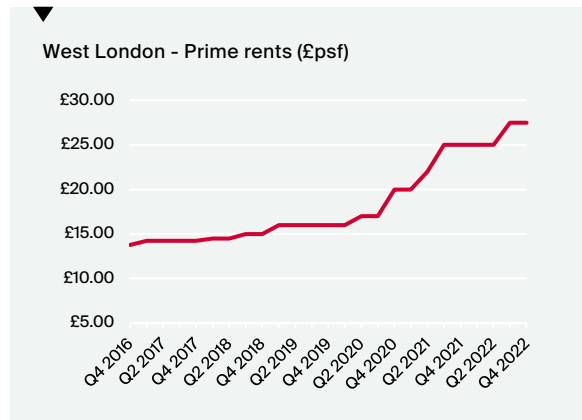
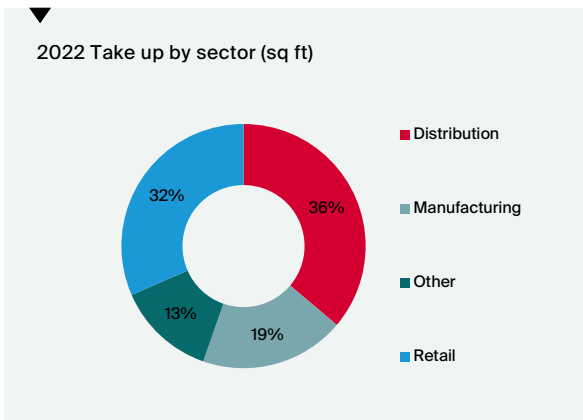
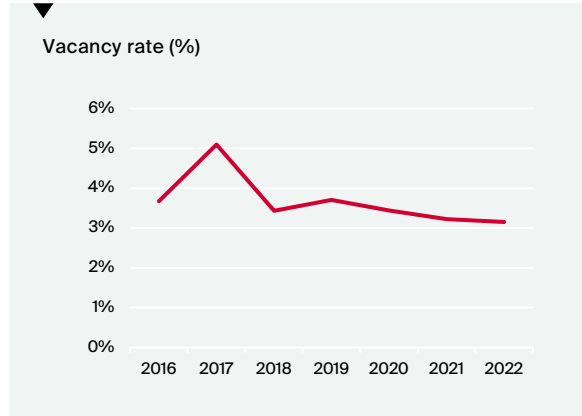
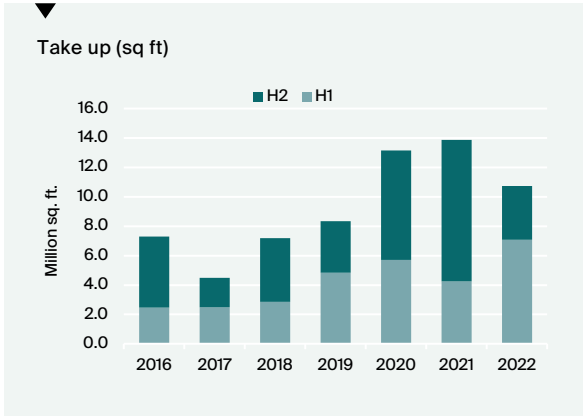
# OCCUPIER MARKET

**10.7 million sq ft**  
Occupier take up  
2022

**36%**  
Take up from  
distribution  
occupiers

**£27.50 psf**  
Prime rents

**3.1%**  
Vacancy rate



## KEY OCCUPIER DEALS 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
Gateway 14, Stowmarket	1,200,000	The Range	-	Freehold purchase / Build-to-Suit
Phase 1, Panattoni Park & Phase 2, Panattoni Park, Borehamwood	300,532 (combined)	Sky	£24.50 psf / £23.50 psf	Speculative builds – for Film Studio use
Unit A, Prologis Park, Twelvetrees Crescent, Bromley By Bow	185,630	DPD	£22.50 psf	Second hand
32 New Lane, Havant	164,162	Amazon UK Services Ltd.	£23.24 psf	Redevelopment into bespoke build-to-suit storage and distribution facility
Unit 8, Segro Park, Tottenham	50,050	StockX	£25.50 psf	Speculative build

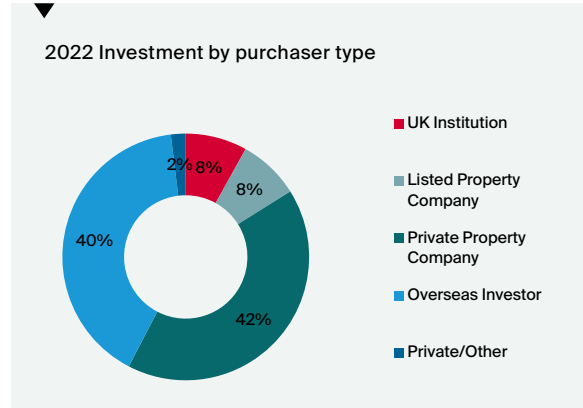
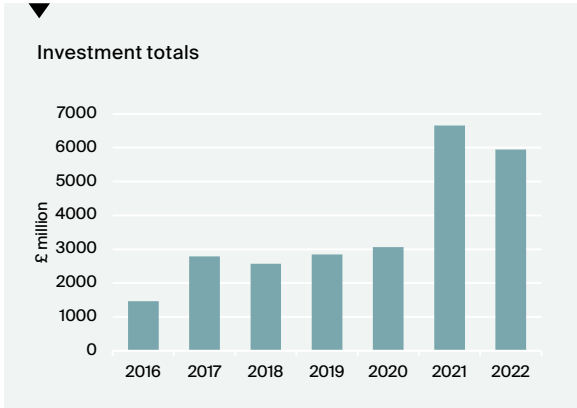
# INVESTMENT MARKET

**£5.9 billion**  
Investment total 2022

**£31.5 million**  
Average lot size

**40%**  
Overseas capital

**5.00%**  
Prime yield



## KEY INVESTMENT DEALS 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Staples Corner Business Park	Brent Cross	£180m	2.64%	Goodman	abrdn
Ridgeway Trading Estate	Iver	£132.5m	-	Amazon Data Services	abrdn
Gateway Park	Dagenham	£98.8m	4.00%	BOREAL Capital Management	abrdn
Royal Mail	Croydon	£73m	2.93%	Prologis	BMO Real Estate Partners
Yodel Sort Centre	Hatfield	£49m	3.61%	St. Modwen Logistics	abrdn
Brake Bros, Suttons Business Park	Reading	£46.5m	4.69%	Aviva Investors	abrdn

Source: Knight Frank, Property Data

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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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