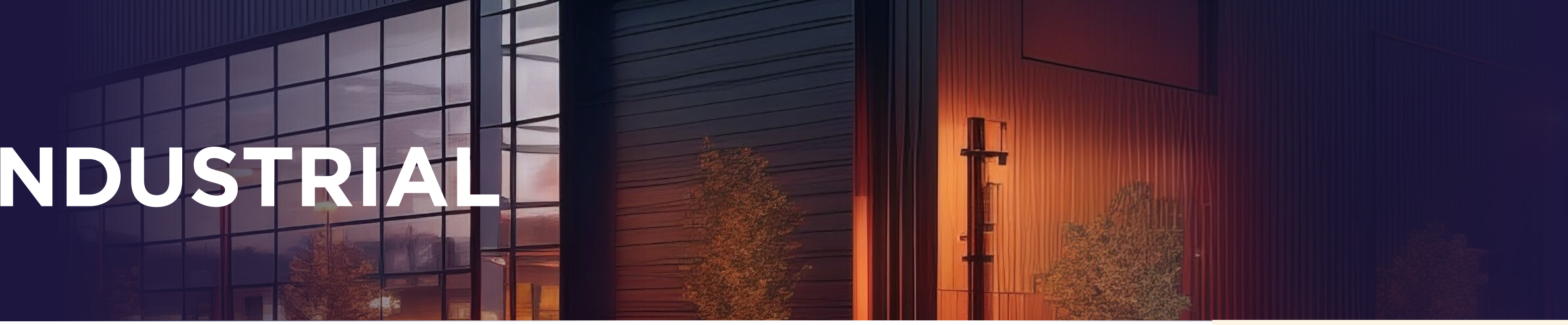
CUSHMAN & WAKEFIELD

MARKETBEAT
LOGISTICS & INDUSTRIAL
Q3 2025

Better never settles



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MARKET MOMENTUM CONTINUES

Demand continued to strengthen through Q3, reaching its highest quarterly level since Q2 2022 and showing a clear uplift compared to the previous quarter. The robustness of the latest market data has helped to validate the quiet optimism and improving sentiment that many of us have been sensing over the past 6 to 9 months. Much of the recent activity is being driven by occupier groups returning to the market, many of whom appear to be reactivating strategic supply chain plans that were previously paused. On the supply side, conditions are beginning to stabilise, and the measured pace of development seen in recent months should provide a supportive backdrop for rental growth across the sector as we move into 2026.

A CHANGING ECONOMIC PICTURE

Despite the market being set to benefit from a number of recent policy announcements including the new Industrial Strategy, and strategic defence sector plan, caution persists around the bigger picture. Although growth remains relatively strong and September's inflation data points to stabilisation across key categories anticipation of the forthcoming Autumn Budget will likely dampen activity during Q4. An expected increase in tax will add further to cost pressures occupiers have had to absorb in recent years. However, robust demand throughout 2025 and improving activity across all occupier groups may potentially point to a detachment between supply chain decision making and the lingering economic uncertainty.

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KEY TAKEAWAYS

- Highest level of occupier take-up since Q2 2022 means 2025 well positioned to outperform 2024.
- Returning big box demand, particularly from food retailers and the 3PL sector, helps to drive improvement across major markets.
- Big box rental growth slowed to 3.6% from 3.9% despite uptick in levels of take-up.
- Investment volumes improved to £1.75bn during Q3 but despite recovery remain significantly below long-term average with volumes in 2025 muted.
- Economic outlook continues to evolve with increasing down-side risk, and concern around the forthcoming Autumn Budget in November.

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ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+0.51% RETAIL SALES VOLUMES	▲	▶
+3.85% GVA T&S	▲	▲
-0.93% GVA MANUFACTURING	▼	▼

(Average weekly sales volumes NSA, GVA YoY Change)

SUPPLY CHAIN INDICATORS

	YOY Chg	12-Month Forecast
0.03 SC PRESSURE INDEX	▼	▲
103.5 GOODS TRADE BAROMETER	▲	▶
2,057 BALTIC EXCH. DRY INDEX	▲	▶

Source: ONS, MOODYS, NY FED, WTO

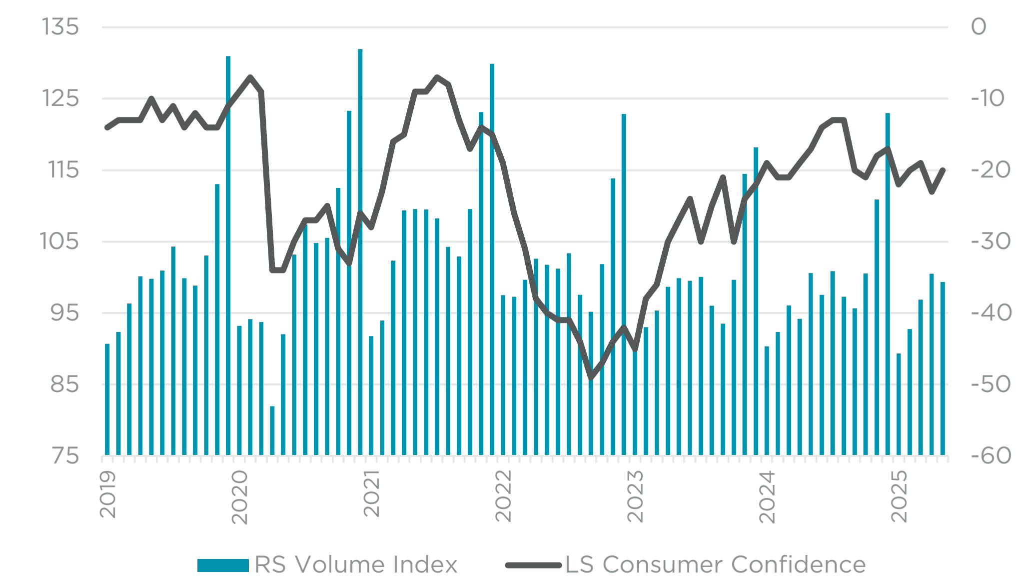
ECONOMY :

Despite reasonable levels of headline economic growth, with GDP growing by 0.3% between May and August versus the three months prior, the economic outlook continues to remain uncertain. Some positivity is to be taken in the short term from the latest indicators. Monthly GDP returned to positive territory in August and inflation data for September showed a degree of stability with CPI once again measuring in at 3.8%. Anticipation of tax rises in the forthcoming Autumn Budget are weakening sentiment, with the composite PMI falling to a barely expansionary score of 50.1, the manufacturing PMI sliding further to a contractionary score of 46.2 and consumer confidence worsening by two points to -19. Whilst sentiment often over-shoots real market conditions, the latest indicators may point to a softer economic environment and slowing recovery as we enter 2026. Should inflation remain sticky, and tax rises be included within the next budget we may once again be faced with increasing levels of deal friction, and slower occupier take-up.

SUPPLY CHAIN:

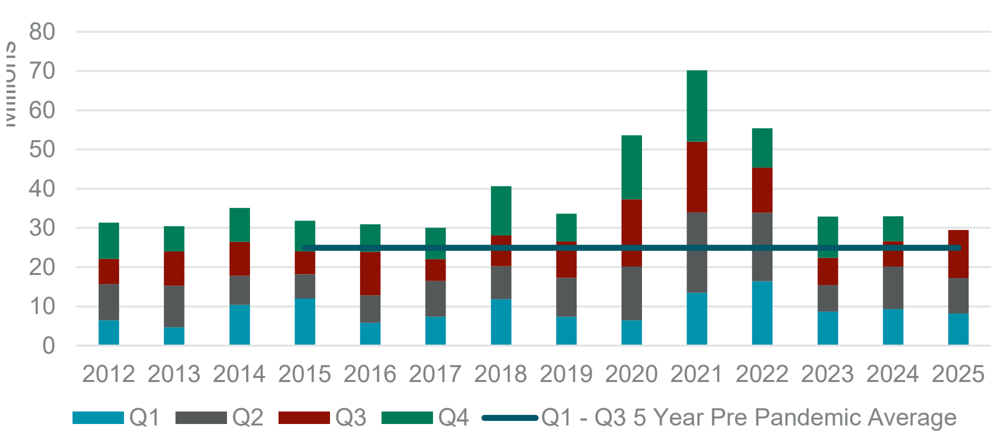
Supply chain pressures have continued to trend upwards in recent months as a result of elevated international trade tensions, ongoing capacity constraints along key chokepoints, and resurfacing inflationary pressures. The GSCPI rose to a score of 0.03 from -0.04 during August, undoing some of the recovery seen since May, and rising above the 24 month average. Despite the short term increase, this score remains below that of September 2024. Whilst these factors continue to induce friction and delays, it's generally felt that these are yet to become severe enough to de-stabilise the normalisation that has been enjoyed in the post covid years. Retailers and manufacturers are continuing to proactively reduce supply chain risks increasingly turning to nearshoring and multi-sourcing strategies which continues to support sector trends such as re-shoring, and higher inventory levels.

RETAIL SALES VOLUME & CONSUMER CONFIDENCE

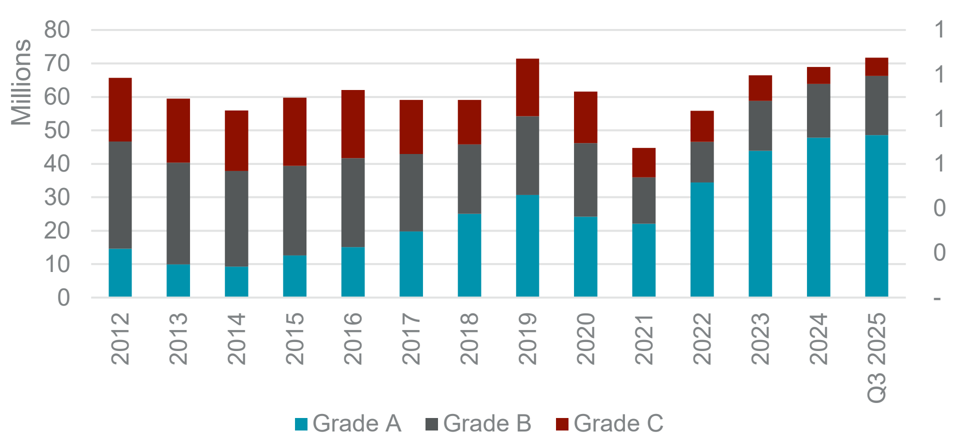


SUPPLY CHAIN PRESSURE INDEX

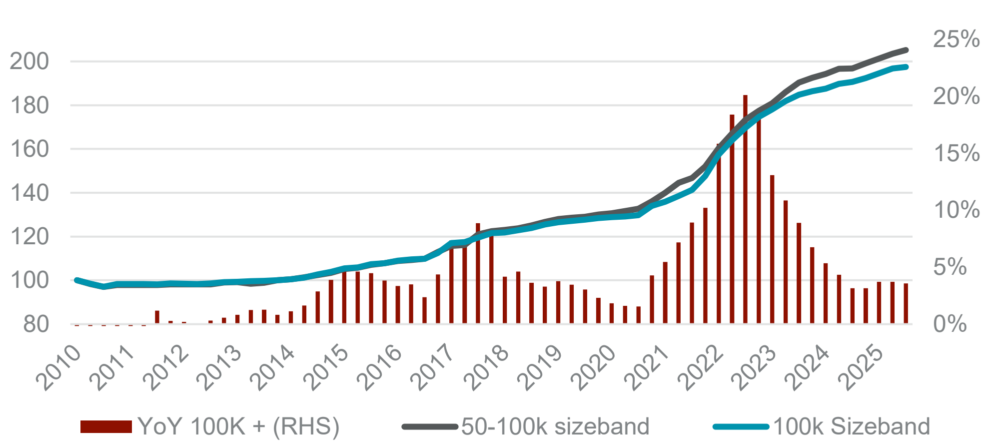
TAKE-UP



AVAILABILITY (BY GRADE)



C&W PRIME AVERAGE RENT INDEX



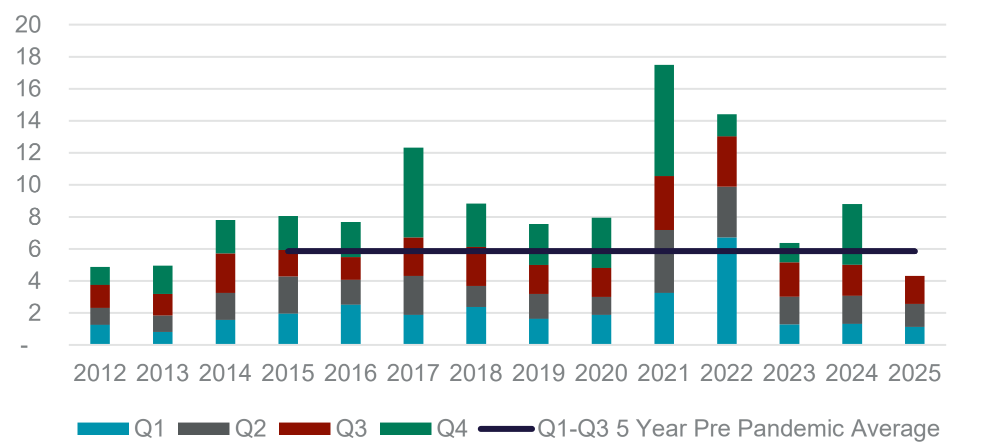
TAKE-UP: Occupier demand reached its highest level since Q2 2022, with over 12.2m sq ft of space signed for across 64 deals. Such improvement represents a 35% increase on the Q2 volume and now means that occupier activity throughout 2025 sits 11% ahead of the volume recorded at this point last year. Recovery has been most felt within the big box market which is now 16% ahead of where it had been 12 months prior. This is being driven by returning demand from both the manufacturing and retail sectors which accounted for over 50% of take-up during the quarter. The food retail sector remains a key proponent of demand with over 2.3m sq ft of space signed for over 3 deals by the major supermarkets, their return contributing to the highest level of retail demand since 2018. Although demand continues to focus on modern highly specified space, with 8.7m sq ft (71%) of the quarterly take-up accounted for by grade A buildings, demand for grade B space also remains healthy, with 2.75m sq ft signed for during Q3.

SUPPLY: Supply contracted by 4% during the third quarter of 2025, a modest contraction when considering the sizeable quarterly take-up figure. The contraction has been predominantly driven by the combination of a slow down in the volume of Grade A space returning to market and lower levels of speculative development. Grade A supply fell by 6% to 48.5m sq ft from 51.7m sq ft. Over the last 12 months, the supply of secondhand space has increased, with 34.4m sq ft available within existing buildings, up from 28.3m sq ft at the end of Q3 2024. Despite seemingly buoyant demand the supply of Grade B space remains elevated relative to recent years, increasing by 3% quarter on quarter. The supply of mid box space remains healthy, with 16m sq ft currently available of which 7.2m sq ft is under construction or has recently completed. The level of supply under offer remains healthy with circa 9m sq ft of space across 58 buildings currently under offer.

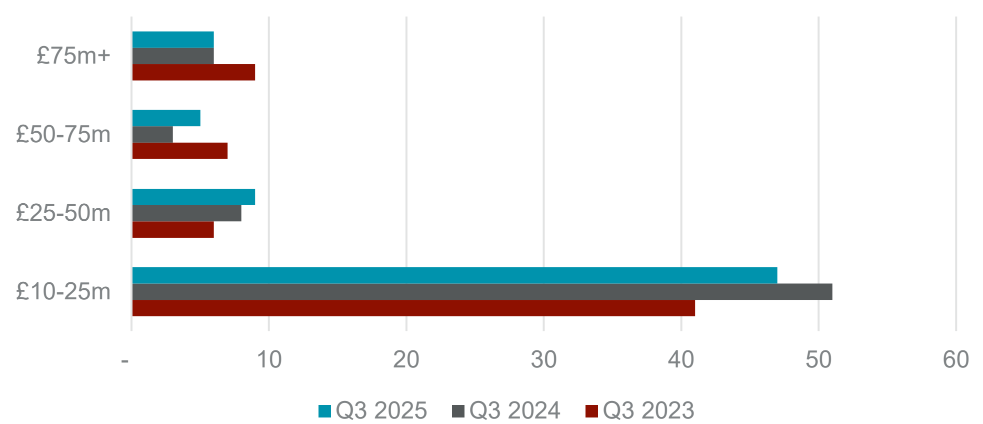
DEVELOPMENT: Development activity remains subdued following a significant tranche of activity in recent years. New starts fell to circa 900,000 sq ft during the quarter, well below the 6m sq ft recorded at the peak in Q1 2023. This comes as a considerable proportion of previous years development remains vacant upon completion, and the development market pauses to reflect on the recalibration in market dynamics seen over the last 12 months. During 2025 8.9m sq ft has been delivered so far, with 7.3m sq ft remaining vacant, a further 3.3m sq ft remains under construction with practical completion anticipated before year end. Notably a number of large speculative units remain under construction with five units over 500,000 sq ft currently available. Should timelines be met and delays avoided 2025 will see 12.3m sq ft of speculative space delivered to market, an increase on the 10.1m sq ft recorded last year.

RENTAL GROWTH: Rental growth remains modest across the UK with our data pointing to a growing spread across the regions, this comes as pockets of sustained rental growth in prime markets and at key schemes contrast against the broadly slowing or stable levels of rental growth seen nationally. The Mid Box market recorded average annual rental growth of 4.3% at the end of Q3, with growth driven by pockets of under-supply and new benchmark deals in some markets. This represents an improvement on the Q2 figure that saw an average of 3.4% across the 71 markets tracked by C&W. The big box market saw average annual rental growth of 3.6% at the end of Q3 slightly down on the 3.9% recorded last quarter, and reflective of slightly elevated levels of supply, and a preference towards second hand value stock by occupiers.

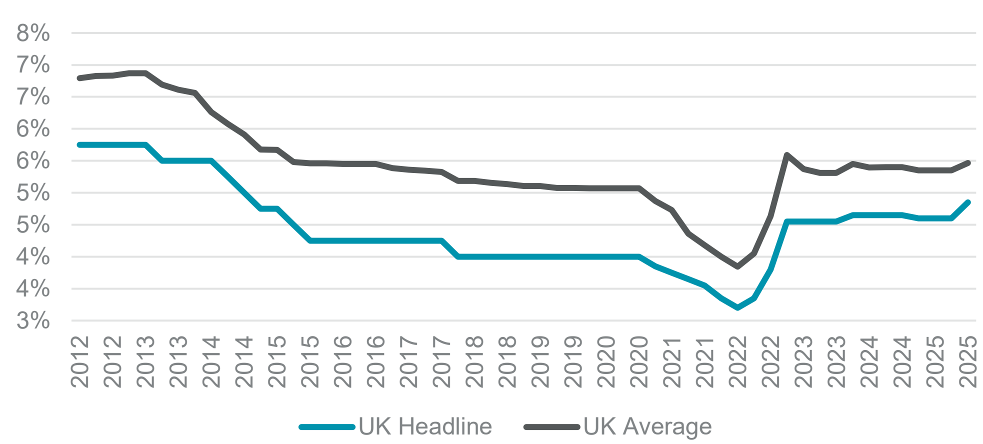
INVESTMENT VOLUMES (£BN)



NUMBER OF DEALS BY LOT SIZE



PRIME YIELD BY TYPE



INVESTMENT VOLUMES:

Despite a second consecutive quarter of recovery with £1.75bn transacting during Q3, investment volumes remain subdued as investors continue to grapple with tough macroeconomic conditions and a spread in pricing aspirations. The quarterly figure represents a 28% improvement relative to the volume recorded during Q2, but a fall of 10% below the 5 year pre-pandemic Q3 average. This takes total investment to £4.3bn during 2025, 14% below the volume recorded through the first 9 months of 2024, and 26% below the 5 year pre-pandemic Q1-Q3 average.

Recovery was driven by growth in the single asset market, accounting for 72 of the 78 deals that took place during the quarter, and notching a 60% uplift relative to Q2. Activity remains relatively limited to low-medium lot sizes, as a result of limited prime big box logistics supply. As a result, investment for lot sizes between £10-25m almost doubled during the quarter. Portfolio transactions fell from £613m across 7 deals to just £460m across 6 deals and included just two large portfolios with a value in excess of £150m. We estimate that approximately £3bn of assets remains under offer, potentially indicating improvement during Q4 and early 2026.

Despite a wealth of capital targeting the sector, investors seeking to deploy face challenges in identifying, pricing, and executing at present. This is being driven by patchy levels of supply, particularly of prime best in class space, as vendors are now seemingly looking to extend their hold periods in expectation of improving market conditions. It is felt that liquidity will return to the market following the November budget, as the market looks to re-gain some degree of certainty around the macroeconomic picture.

YIELDS & PRICING:

The pricing of prime Logistics and Industrial assets softened during Q3 2025, reflective of subdued market conditions. The combination of limited prime market evidence and a lack of competitive tension within the bidding process has seen average prime yields move out by circa 11 BPS. The average prime yield across the 71 markets tracked by C&W now stands at circa 5.5% having shifted out from 5.35% at the end of Q2, whilst the headline yield softened by 25BPS to 4.85% at the end of Q3.

Market uncertainty over the last 12 months has led to more muted views on the market recovery timelines. However, the sector continues to present attractive fundamentals alongside an improving occupier market outlook. A degree of certainty, or at least visibility over the autumn budget and its implications for markets, is likely to improve investor conviction and present clarity in investor strategy as we enter 2026. Barring any major external shocks, we anticipate modest yield compression and improving investment volumes throughout 2026.

REGIONAL OUTLOOK

Q3 2025

North West

Demand within the region remains resilient, despite challenges faced by occupiers looking for accommodation below 200,000 sq ft. Although demand in 2025 sits 3% below the 5 year pre-pandemic average, Q3 2025 represents the highest volume of take-up since Q2 2024.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-up	Total Availability
£10.15-£10.90	10.2%	3.2 sq ft (-4%)	11.6M (+16%)

West Midlands

A further 8 deals in Q3 2025 saw a volume of 1.6m sq ft, which now means take-up during 2025 is 9% ahead of the 5 year pre-pandemic average. A trio of deals over 200,000 sq ft, including deals to Palletways, Carlsberg, and Fiege, has helped to drive recovery in the market, with supply also contracting.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-up	Total Availability
£9.17-£9.71	8.3%	3.9m sq ft (-25%)	9.5M sq ft (+25%)

South West & Wales

The region remains bolstered by the significant activity recorded during Q2, a further 7 deals were recorded across the two regions including deals to Waitrose, and Amazon. Increasing supply in the South West offset the minor contracted recorded within Wales, which continues to see limited development activity.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-up	Total Availability
£8.72-£9.44	8.8%	3.9m sq ft (+85%)	8.3M sq ft (+3%)

London

Like buses, deal activity has come all at once in 2025 within London. Four deals were recorded during the quarter, resulting in a total volume just shy of 500,000 sq ft. This activity included the first big box deal in Central London for a number of quarters with InPost signing for 120,000 sq ft of space at CityBox Greenwich.

Prime Rent	5 Year CAGR	Q1-Q3 25' Take-up	Total Availability
£20.04-£21.73	10.4%	462k sq ft (+150%)	3.6M sq ft (+25%)

Using this map:

Average regional rent (£psf) big box – Average regional rent (£psf) mid box

5 year compound annual growth rate big box

H1 2025 Take-up volume sq ft and % change vs H2 2024

Total availability volume sq ft and % change year on year

North East

Two deals within the region resulted in a total volume of circa 500,000 sq ft in the region, however just one Grade A deal highlights the continued shortage of quality space within the market. Availability contracted to 1.6m sq ft a fall of 6%, likely to further exacerbate challenges faced by occupiers in securing quality space.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-Up	Total Availability
£8.25-£8.50	8.4%	886K sq ft (+85%)	1.6M (-15%)

Yorkshire & Humberside

A further 800,000 sq ft of space signed for during Q3, places 2025 well ahead of the 5 year pre-pandemic average, with total take-up now exceeding 3.8m sq ft. The improvement has predominantly been driven by returning demand from the manufacturing sector, which has recorded deals across a variety of Grade A and Grade B buildings.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-Up	Total Availability
£8.58-£9.13	7.2%	3.8M sq ft (+67%)	7.1M (-2%)

East Midlands

The region continues to attract significant investment from major retailing companies, with M&S the latest retailer to commit to significant national distribution centre space within the region. Q3 take-up exceeded 4m sq ft the highest level since the highs of Q2 2021. Such improvement in levels of demand saw supply contract by 10% falling to 14.5m sq ft of available space.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-Up	Total Availability
£9.38-£9.31	8.9%	8.1M sq ft (+7%)	14.5M (+37%)

South East & East

Tescos commitment to over 800,000 sq ft of space at London Gateway helped to provide a quarterly volume of 1.8m sq ft. Total take-up during 2025 now stands 7% higher than the 5 year pre-pandemic average. Supply expanded marginally with a 3% increase taking total availability to 12.3m sq ft.

Prime Rent	5 Year CAGR	Q1-Q3 '25 Take-Up	Total Availability
£12.31-£13.54	7.2%	4.2M sq ft (-9%)	12.4M (0%)

KEY STATS
LOGISTICS Q3 2025

MARKET STATISTICS Q3 2025

	Availability (SQFT)	Grade A (SQFT)	Spec Grade A U/C	Current Quarter Take-up (SQFT)	12 Month Rolling Take-up (SQFT)	Prime Rent (BIG BOX)	Prime EquivalentYield
London	3,638,428	2,762,383	394,118	462,390	546,679	29.00	4.85%
South East & East	12,370,717	9,614,350	1,901,142	1,877,953	5,293,131	23.50	5.10%
North West	11,564,636	6,198,210	900,778	1,264,077	4,019,076	11.50	5.00%
West Midlands	9,477,976	6,824,788	1,225,220	1,601,609	4,463,259	11.00	5.10%
East Midlands	14,553,421	10,796,930	1,454,744	4,140,169	10,207,963	10.50	5.25%
Yorks & Humberside	7,083,035	5,926,559	-	868,073	4,331,313	9.50	5.30%
South West	5,713,737	4,242,971	2,409,175	685,284	3,682,660	10.00	5.35%
North East	1,671,417	986,168	-	494,997	1,169,636	8.25	6.00%
Wales	2,563,489	85,978	-	386,753	1,023,573	9.00	6.20%
Scotland	3,050,751	1,136,429	-	450,879	1,137,267	9.50	6.10%
UK Total / Average	71,687,607	48,574,766	8,285,177	12,232,184	35,874,557	12.04	5.47%

**market activity for units of 50,000 sq ft and larger*

KEY LEASING TRANSACTIONS Q3 2025

Address (building name/park)	UK Region	Tenant	Size (Sq Ft)	Classification
RFI DIRFT III, Daventry	East Midlands	M&S	1,200,000	BTS/Pre-let
London Gateway, LG800, Tesco Pre-Let	South East & East	Tesco	808,000	BTS/Pre-let
Prologis Fradley Park Lichfield	West Midlands	PalletWays	640,000	BTS/Pre-let
Indurent 420, Omega West, Thunderbolt Drive	North West	Regency Glass	421,250	Spec (Newly completed)
Mountpark 360, Bristol	South West	Waitrose	360,000	Spec (Newly completed)

**Renewals not included in leasing statistics*

KEY INVESTMENT TRANSACTIONS Q3 2025

Property Name	Region	Buyer/Seller	Sqft	Price
Gigha Portfolio	Portfolio	Chancerygate/IPIF	673,924.00	£126,000,000
Hartlebury Trading Estate, Kidderminster	West Midlands	Bizspace/Schroders	1,455,487.00	£102,500,000
Bedford Commercial Park	East of England	Sunrise/Goodman	659,409.00	£100,000,000
Click Aylesford, Kent	South East	DWS/Bridges Ventures	303,482.00	£80,000,000
Broadfield Business Park, Heywood, Greater Manchester	North West	LBA Realty/GMPF	272,200.00	£36,200,000

Source: RCA & C&W 2025

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