CUSHMAN & WAKEFIELD

MARKETBEAT

LOGISTICS & INDUSTRIAL

Q1 2026

Better never settles

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OCCUPIERS REMAIN RESILIENT IN THE FACE OF FURTHER ECONOMIC UNCERTAINTY

Further improvement in headline demand during Q1 once again highlights the resilience of the logistics and industrial sector as occupiers remained steadfast in their commitments to new space in early 2026. Despite macro economic and geopolitical risks both resurfacing following the outbreak of the Iran conflict on the 28th of February, the sector remains well positioned to weather ongoing volatility, maintaining the momentum that was recorded during what had been a very positive 2025. Strong demand from the 3PL sector is being complemented by a growing list of sub-sectors, with recovery recorded in both the e-commerce and retail segment, and new demand being driven by increased activity from the defence, food retail and Chinese e-commerce sectors.

DEVELOPMENT & INVESTMENT MARKETS

Having entered 2026 with renewed positivity and carrying momentum forward from 2025, instability within financial markets is once again set to weigh on investment and development activity. The significant outward movement in bond yields since February and further uncertainty around the trajectory of the base rate has driven developers and investors to take stock in the face of a de-stabilised debt environment. As a result, volumes remain muted for the quarter and we expect to see a divergence of Vendor and Buyer pricing models for Core Plus and Value-Add stock in the short to medium term. Strong occupier fundamentals and a weight of capital is likely to see continued conviction in the sector although some caution exists whilst we await clearer economic data and a unified outlook on the likely path to resolution.

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KEY TAKEAWAYS

- Total take-up of 8.4m sq ft helps to maintain momentum within occupational market during early 2026.
- Demand for larger units continues as nearly 7m sq ft of space signed for within big-box units over 100,000 sq ft. 12 month rolling total rises to 32.1m sq ft of take-up.
- Rental growth remains above 4% despite slight deceleration in short-term. Persisting evidence of new benchmark rent levels keeps rental growth above forecast expectations.
- Investment activity remains muted as less than 30 transactions recorded during Q1 2026 with a total volume of £1.16bn.
- Structural shifts continue to support long term demand within the sector, despite re-surfacing uncertainty around inflation and Iran conflict.

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ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+3.33% RETAIL SALES VOLUMES	▲	▲
+4.55% GVA T&S	▲	▲
-0.74% GVA MANUFACTURING	▼	▲

(Average weekly sales volumes NSA, GVA YoY Change)

SUPPLY CHAIN INDICATORS

	YOY Chg	12-Month Forecast
0.68 SC PRESSURE INDEX	▲	▶
101.8 GOODS TRADE BAROMETER	▲	▶
1,995 BALTIC EXCH. DRY INDEX	▲	▲

Source: ONS, MOODYS, NY FED, WTO

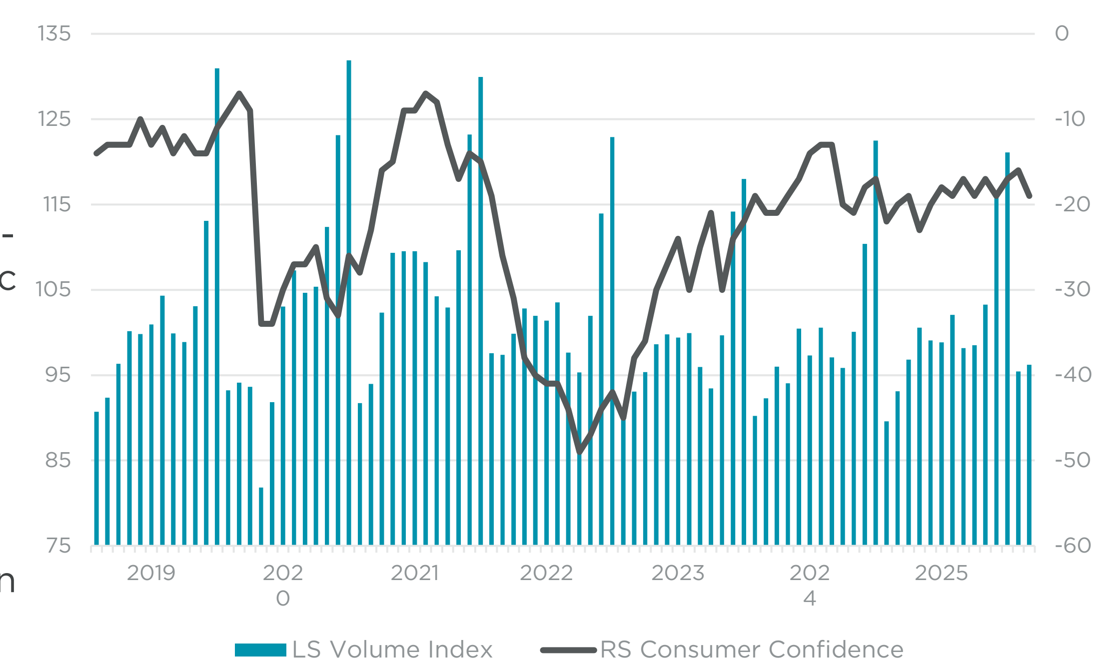
ECONOMY:

Economic growth surprised on the upside in February with growth during the three months to February 2026 reaching 0.5% following revised growth of 0.2% during the three months to January 2026. Improved economic output was driven by the production sector, which recorded 1.2% growth over the three-month period, outpacing that of the services sector. Although a positive start to the year, the outbreak of the Iran Conflict on the 28th of February has since dampened positivity, with short-term inflation and further uncertainty now likely to weigh on the economic outlook throughout the remainder of 2026. February's CPI measure had pointed towards some stability, with the annual CPI change stable on the January level at 3%, having gradually cooled following a surge to 3.8% during late summer 2025. Despite this, consumer market conditions remain robust with retail sales seeing their strongest period of sustained growth during the last 4 years. Retail sales volumes during February were 2.5% higher than during the same period last year, having now remained in positive territory year on year since November 2024.

SUPPLY CHAIN:

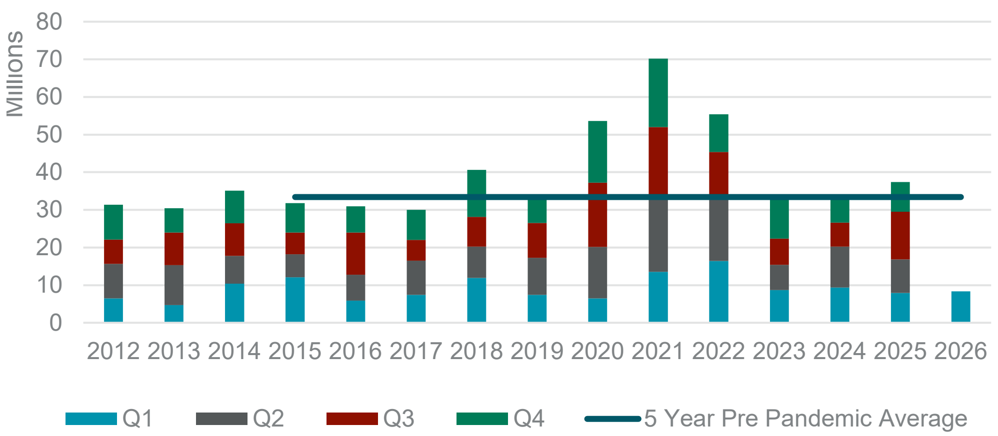
The outbreak of another conflict has had a sharp and harsh affect on global supply chains, with supply chain pressures once again surging as the Iran conflict disrupts freight flows through the Strait of Hormuz. A key trade route for outbound middle-eastern oil, petrochemicals, and fertilizers, it Is expected that the conflict will induce significant supply side inflation within the logistics and industrial sector in addition to disrupting shipping lanes and displacing vessels. The Baltic dry exchange index, a key measure of shipping costs, has risen sharply as a result rising to 1,995 at the end of March before rising further at the time of writing. Although shipping operators have demonstrated a willingness to reroute vessels away from high-risk corridors, further disruption will likely exacerbate delays in fulfilment and sustained inflated pricing levels as shipping capacity becomes tied up. Recent developments will further accelerate the reversion towards higher levels of inventory holding, supporting demand for additional warehouse space across a number of affected industries.

RETAIL SALES VOLUME & CONSUMER CONFIDENCE

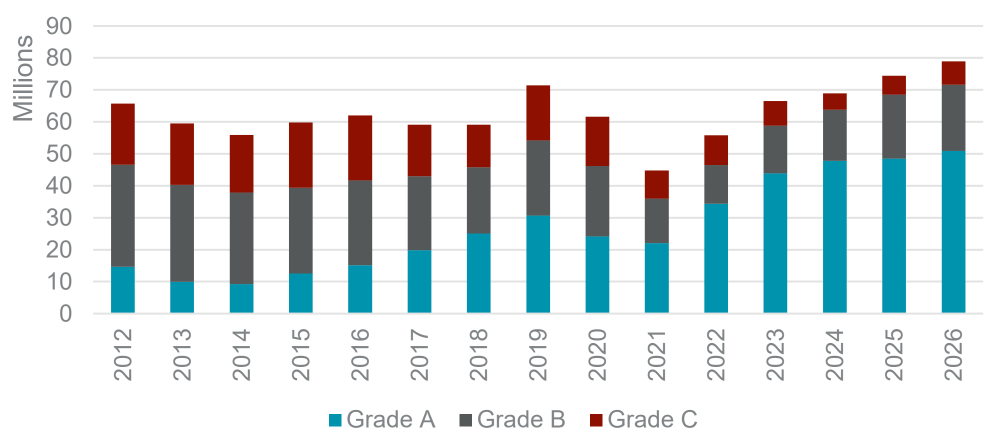


SUPPLY CHAIN PRESSURE INDEX

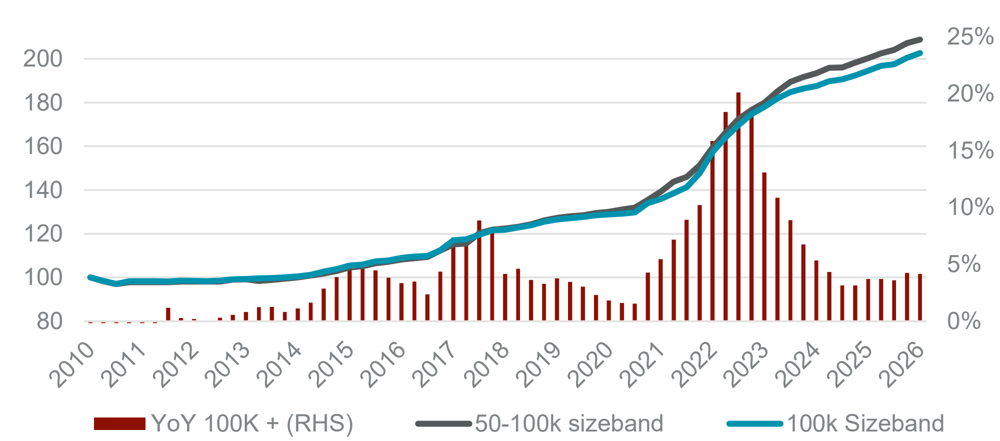
TAKE-UP



AVAILABILITY (BY GRADE)



C&W PRIME AVERAGE RENT INDEX



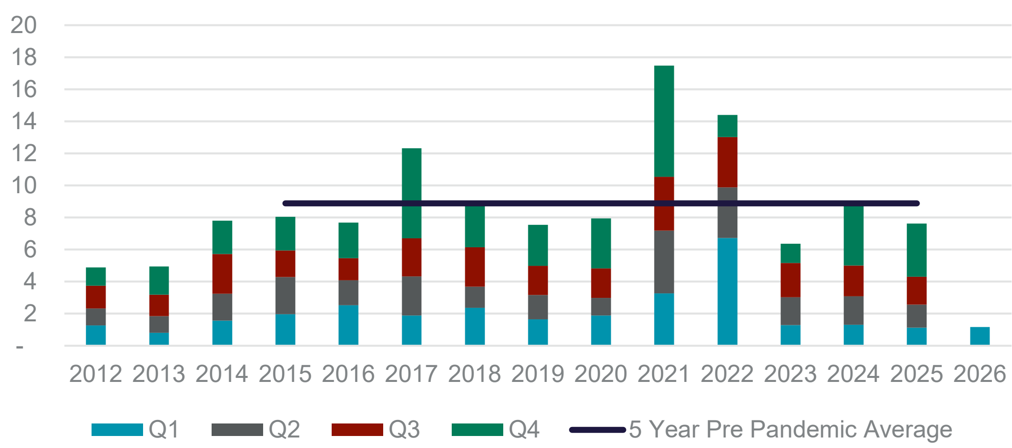
TAKE-UP: Occupier demand rose to 8.4m sq ft during the first quarter of 2026, as demand for big box space over 100,000 sq ft continued to improve. The quarterly take-up figure represents a 5.9% improvement on the previous quarter, and is 5.8% higher than Q1 2024. Recovery continues to be driven by appetite for larger units, with 6.9m sq ft of space being signed for within units of 100,000 sq ft and larger 12% ahead of the volume recorded during Q1 2025. This comes as demand for mid-box space between 50,000 sq ft – 100,000 sq ft remains around 13% below the 5-year pre-pandemic quarterly average and typical levels. The 3PL sector continues to drive market activity, signing for 2.6m sq ft during Q1 2026, 66% ahead of the pre-pandemic quarterly average.

SUPPLY: Availability rose during Q1 2026 to reach a total volume of 78.9m sq ft at the end of Q1 2026, as returning second-hand space saw availability reach levels approximately 14% higher than at the end of Q1 2025. Returning Grade A space saw a 5% increase in the supply of good quality space, with total supply now standing at 50.9m sq ft, whilst the supply of Grade B space rose by 3.4% to 20.7m sq ft, and Grade C space rose by 25% to 7.3m sq ft. 38.4m sq ft of the total space available sits within second hand buildings previously occupier, whilst 31m sq ft of speculatively developed space remains available with a further 7m sq ft under construction. Despite high headline volumes of available space over 11m sq ft remains under offer, of which a significant amount sits within larger buildings. Should these deals transact in the coming months, supply may contract sharply.

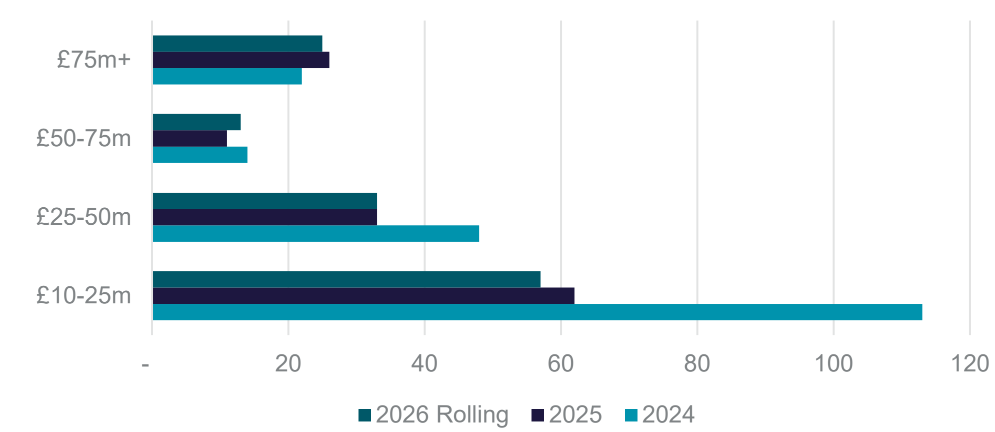
DEVELOPMENT: Development activity has continued to remain low despite strong occupational market fundamentals and improved feasibility in early 2026 prior to the outbreak of the Iran conflict. Up until that point, net lending into property development had continued to increase whilst sentiment pointed towards an uptick in new starts and many developers looking to break ground on speculative projects during 2026. During Q1 2026 new starts remained modest with just 870,000 sq ft breaking ground during the quarter. The level of space under construction also remains low with just 7.7m sq ft currently under construction. It is anticipated that 2026 will once again mark a year of low development completions with it expected that circa 8.4m sq ft of space will be delivered to market during the year.

RENTAL GROWTH: Headline rental growth across the logistics and industrial market remains robust, despite slowing slightly during Q1 2026. Average headline rental growth at the end of Q1 2026 totalled 4.2% for both the big-box and mid-box market. With average big box rents across the 71 submarkets tracked by C&W rising by 1.1% within the big-box market and 0.8% within the mid-box market. Rental growth is being driven by sustained pockets of under-supply and new benchmark headline rents across a number of submarkets. Whilst headline growth remains robust, it is understood that net effective rental levels vary significantly from market to market and from transaction to transaction.

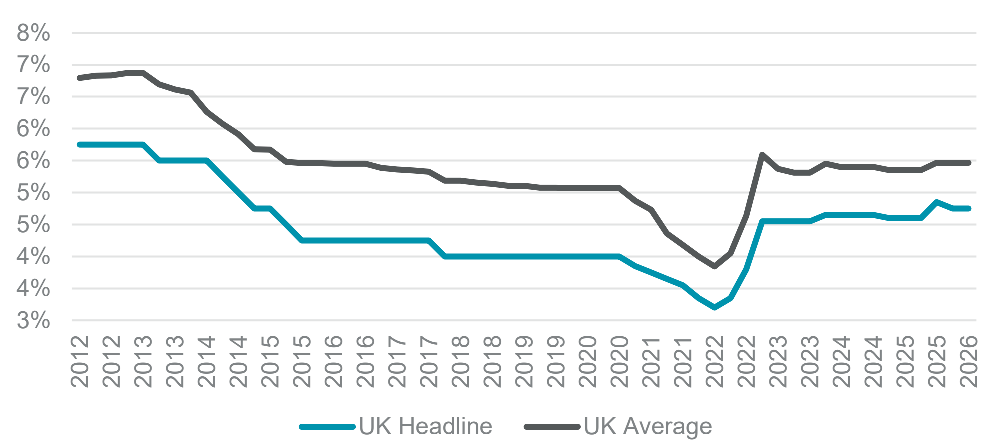
INVESTMENT VOLUMES (£BN)



NUMBER OF DEALS BY LOT SIZE



PRIME YIELD BY TYPE



INVESTMENT VOLUMES:

Investment activity within the logistics and industrial segment remained muted during the first quarter of 2026 with just 27 transactions recorded, providing a total investment volume of £1.16bn. The Q1 volume represents a 65% contraction on the volume recorded during Q4 2025 and see's activity fall back in line with the equally muted volume of £1.13bn recorded during Q1 that year. Having seen investment volumes continually improve throughout 2025, Q1 represents the lowest number of investment transactions since before the global pandemic and evidences the challenges faced by investors looking to deploy capital within the sector.

Just four portfolio deals were recorded during the quarter, providing a volume of £410m, and representing an 80% reduction on the Q4 portfolio volume which rose to an impressive £2.1bn. Investor appetite for single assets also suffered during the quarter, falling by 33% to a volume of £750m. The fallback in investment activity comes as the market once again grapples with a lack of investment grade product being bought to market, and re-surfacing caution from some buyer groups. Equity purchasers remain relatively active within the value add and core+ segments despite a lack of product, whilst pooled investment funds continue to represent the lions share of demand for core assets. Equity purchasers accounted for just under 50% of activity during the quarter, whilst pooled pension funds continue to increase their activity.

YIELDS & PRICING:

Investment yields for prime logistics and industrial assets remained broadly unchanged at 4.75% during Q1 2026, reflecting a limited volume of prime, rack-rented transactional evidence with investors willing to look through near-term volatility and focus on the sector's long-term income durability. As a result, pricing across most prime submarkets was stable, with only isolated markets recording marginal inward movement, directly linked to transactional evidence.

Looking ahead, the outlook for the remainder of 2026 is one of cautious stability, with investors likely to pay close attention to re-surfacing inflation and the evolution of base rate expectations. While uncertainty surrounding monetary policy and macroeconomic conditions is likely to persist in the near term, improving visibility on base rates should help support transactional confidence. Debt availability continues to improve gradually, with lenders remaining active and competitive when underwriting well-let, institutional-grade assets.

REGIONAL OUTLOOK

Q1 2026

North West

Despite limited activity during Q1, occupational demand within the North West remains resilient with 3.9m sq ft having been signed for in the last 12 months. Demand is being driven particularly within the big box market, which accounts for 3.3m sq ft of this volume. Whilst the region benefits from broad occupier demand, in recent quarters the number of manufacturing businesses taking space has increased markedly. Availability contracted quarter on quarter to 11.3m sq ft, but remains elevated relative to 12 months ago.

Prime Rent	5 Year CAGR	12 Month Take-Up	Total Availability
£10.70 (11.46%)	11.07%	3.91m sq ft (7.9%)	11.30m sq ft (5.1%)

West Midlands

The West Midlands continues to enjoy a strong recovery in occupational demand with over 7.6m sq ft having been signed for over the last 12 months, far exceeding long term averages and the volumes recorded in recent years. Resurgence in demand for big box space within the region is helping to drive this recovery, with the 3PL sector particularly active of late. Supply levels within the region remain healthy, with 10.5m sq ft of space available, helping to facilitate current demand levels.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£9.75 (6.74%)	9.50%	7.66m sq ft (14.4%)	10.51m sq ft (8.6%)

South West & Wales

The region has continued to enjoy buoyant demand in recent quarters with 4.8m sq ft being signed for in the last 12 months. The improvement comes as a result of notable activity from the food retail and defence sectors, which has helped to complement returning appetite from the retail and 3PL sectors. Returning second hand space, and the deliver of some larger spec space has contributed to higher levels of supply in recent years, with 2.9m sq ft of space currently under construction within the region.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£8.91 (9.17%)	8.97%	4.87m sq ft (68.3%)	10.94m sq ft (45.4%)

London

Four deals during Q1 2026 has helped to crystalise improving occupier market conditions within the capital. Whilst deal activity remains focussed on key locations in close proximity to the M25, returning demand will help to improve general sentiment following a period of muted occupational activity. Across the regions major submarkets market performance remains polarised, with the East characterised by higher levels of supply and lower demand than submarkets in the West of London. Slowing development, and high levels of renewal have seen availability contract over the last 12 months.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£20.23 (1.00%)	8.34%	0.88m sq ft (74.7%)	3.54m sq ft (-9.4%)

Using this map:

Average regional rent (£psf) big box & YoY big box Rental Growth

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

Deal activity in the North East has remained muted in recent quarters, with just two deals being recorded during the first quarter of 2026. Over the last 12 months less than 1m sq ft has been signed for, with activity limited to smaller unit sizes below 150,000 sq ft. Availability within the region has increased substantially in recent quarters, owed to an increase the supply of Grade A space, and a number of second hand units returning to the market.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£8.25 (6.45%)	8.45%	0.81m sq ft (34.6%)	2.58m sq ft (45.1%)

Yorks & Humber

A total of 9 deals recorded during Q1 2026 has helped to maintain momentum within Yorkshire and Humberside during early 2026. In the last 12 months over 4.1m sq ft of space has been signed for, sustaining strong levels of demand recorded in 2025 and marking a notable improvement on the 2023 and 2024 take-up volumes. Demand in the region remains broad, although in recent quarters returning appetite from the post and parcel, and 3pl sectors has helped drive higher volumes. Returning Grade B space has driven supply over 9m sq ft as of Q1.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£8.79 (4.46%)	7.23%	4.17m sq ft (69.7%)	9.19m sq ft (12.0%)

East Midlands

A surge in demand for big box space in the East Midlands drove take-up to 2.9m sq ft during Q1 2026, and sees the 12 month rolling total reach 8.6m sq ft. Such strong take-up figures during the first 3 months of 2026 will help to calm any caution around what had been a muted quarter during Q4 2025 in which just two deals were recorded. The region remains a critical supply chain location for large businesses, and in recent quarters has benefitted from returning 3PL demand, and an increase in activity from Chinese e-commerce and related occupiers. Supply remains above the 14m sq ft mark, despite contracting by 8% during Q1.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£9.38 (3.81%)	8.56%	8.60m sq ft (-14.7%)	14.76m sq ft (-1.6%)

South East & East

Demand within the wider South East & East remains robust and well ahead of the 5 year pre-pandemic average, with four deals in Q1 2026 taking the 12 month volume to 6.2m sq ft. Despite the mid-box market seeing a drop off in activity nationally, demand for mid-box space within the region remains resilient with 1.5m sq ft of space having been signed for in this segment during the last 12 months. Returning second hand space has seen availability breach 13m sq ft as of the end of Q1.

Prime Rent	5 Year CAGR	2025 Take-up	Total Availability
£14.57 (3.15%)	7.56%	6.25m sq ft (10.4%)	13.12m sq ft (30.3%)

MARKET STATISTICS Q1 2026

	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	3,535,265	2,709,296	-	413,217	875,607	29.00	4.75%
South East & East	13,115,994	9,371,547	340,047	614,437	6,248,112	23.75	5.10%
North West	11,298,770	5,756,438	822,438	386,083	3,910,773	11.75	5.00%
West Midlands	10,507,012	7,619,125	1,961,881	1,556,816	7,661,604	12.00	5.10%
East Midlands	14,759,557	10,757,673	1,276,516	2,898,368	8,599,788	10.50	5.25%
Yorks & Humberside	9,194,613	6,469,577	-	1,405,471	4,165,768	9.75	5.30%
South West	6,404,208	4,953,995	2,907,838	321,319	3,510,239	10.25	5.35%
North East	2,577,876	1,394,365	-	172,841	805,838	8.25	6.00%
Wales	4,533,566	752,978	397,000	616,674	1,364,281	9.00	6.20%
Scotland	3,050,751	1,136,429	-	-	755,283	9.50	6.10%
UK Total / Average	78,977,612	50,921,423	7,705,720	8,385,226	37,897,293	12.37	5.46%

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

KEY LEASING TRANSACTIONS Q1 2026

Address (building name/park)	UK Region	Tenant	Size (Sq Ft)	Classification
Derby 515, Derby Commercial Park	East Midlands	DHL	514,193	Existing
Gateway 4, Doncaster	Yorks & Humberside	Maersk	405,000	Existing
Logicor Park Daventry	East Midlands	Farmfoods	800,000	Spec (Newly completed)
Citadel 324, Wolverhampton	West Midlands	EDA Cloud	324,000	Existing
Arrow Point, Arrow 265, Barnsley	Yorks & Humberside	Evri	265,000	Existing

**Renewals not included in leasing statistics*

KEY INVESTMENT TRANSACTIONS Q1 2026

Property Name	Region	Buyer/Seller	Sqft	Price
BGO Portfolio	Various	Sunrise/BGO	388,327.00	£150,000,000
Sainsbury’s Thameside	London	DWS/Santander	280,000.00	£123,200,000
Merlin Centre, High Wycombe	South East	Argo/Aberdeen	170,000.00	£53,000,000
Highbridge Industrial Estate, Uxbridge	London	ICG/ARRI	73,390.00	£26,550,000
DHL, Knowsley	North West	Crossbay/L&G	125,502.00	£15,850,000

Source: RCA & C&W 2026

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