

REVIEW

LOGISTICS MARKET

UK Q2 2025



RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



Q2 2025

LOGISTICS MARKET UK

UK industrial investment recovered in Q2 2025 following a slow start to the year, driven by large portfolio deals. H1 2025 volume fell just short of the 10-year average.

Further big-ticket deals are expected in the second half of this year as acquisitive US investors are in negotiations to buy major portfolios, attracted in particular to multi-let estates in London and the South East.

KEY FIGURES

£3.5bn ▲ 37% y/y

Q2 2025 INDUSTRIAL INVESTMENT VOLUME

5.00% - 5.25% ▶

AVERAGE PRIME UK LOGISTICS YIELD

+1.0% ▼ Q1 25: 1.2%

AVERAGE ASSET VALUE GROWTH IN Q2 2025

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INVESTMENT

Industrial investment volume in the second quarter of 2025 reached **£3.5bn**, which represents a 37% increase on Q2 last year. Despite a weaker Q1 this brings H1 the 2025 total to £5.5bn, a 17% increase on the same period in the previous year and broadly in line with the 10-year H1 average.

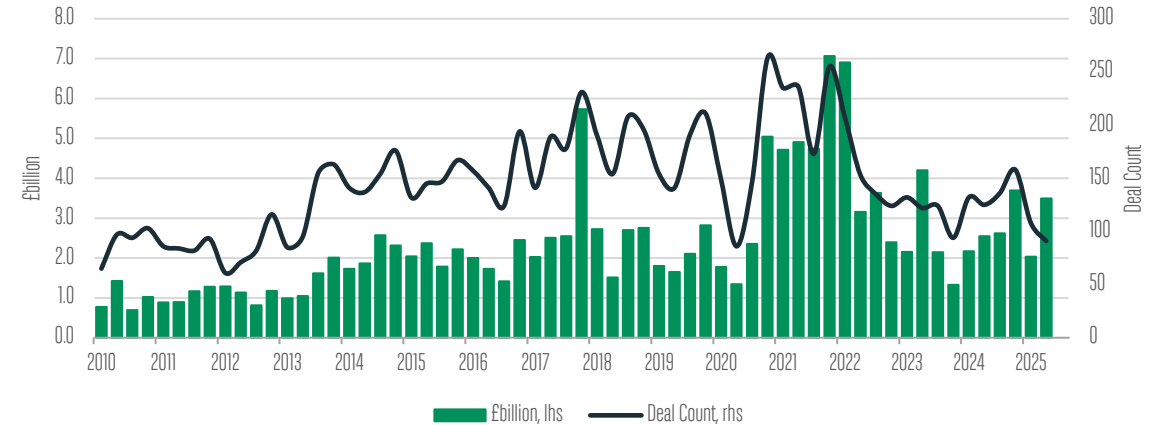
Following a busy end to 2024, deal momentum has failed to gain traction in the first half of this year. High levels of portfolio deals pushed Q2 investment volume to 35% above the 10-year Q2 average, but the actual number of deals remains low, and there was just one £100m+ single-asset deal completion over the quarter – a testament to wider investor caution in the face of acute macroeconomic volatility.

H1 2025 industrial investment volume has been driven by **portfolio and merger & acquisition (M&A) deals** which made up a record of 63% of all deals. LondonMetric's acquisitions of Highcroft and Urban Logistics REIT accounted for almost half of volume in Q2 and 22% of total H1 activity. Furthermore, Warehouse REIT are reportedly close to accepting £489m for their portfolio from Blackstone, who remain highly acquisitive. Tritax Big Box's rival bid is testament to the continued conviction investors hold regarding the sector's value.

Another US investor, Sixth Street, has also been particularly active. As well as agreeing to purchase Clipstone Industrial REIT's London and South East portfolio for £330m, Sixth Street (in JV with Copley Point Capital) also completed on two other logistics portfolios for a combined total of c. £213m. US investment in the UK industrial market in H1 2025 has dipped relative to the post-pandemic trend, but currently-under-offer portfolio and M&A deals complete as expected, the proportion of US-led investment into UK industrial market should substantially increase.

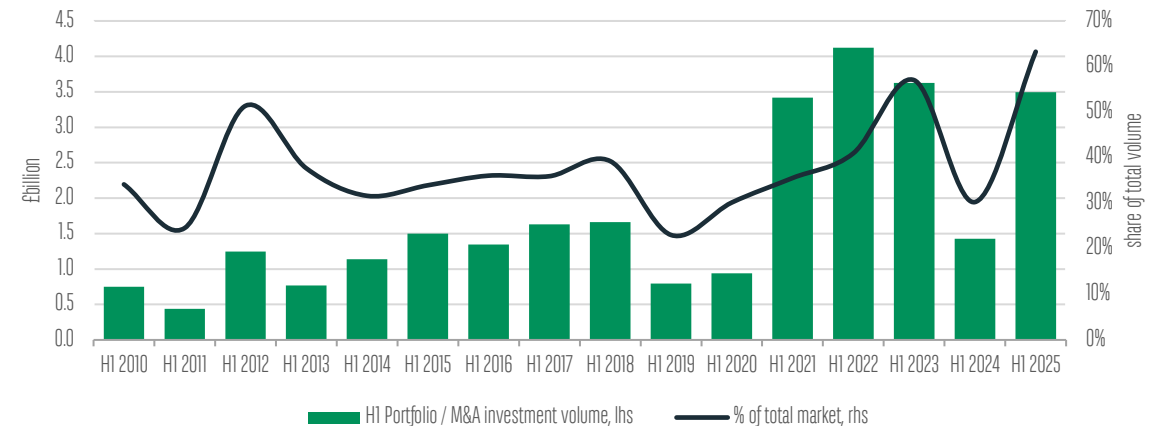
The rise in Asia-Pacific buyers, 159% above the H1 10y average this year - has been a key theme so far this year. As well as GIC and Mapletree, AustralianSuper acquired a 50% stake in a €840m pan-European portfolio owned by Oxford Properties / M7, of which c. 25% is located in the UK.

UK Industrial Investment Volume - value of deals increases despite dip in deal flow



Source: BNP Paribas Real Estate, MSCI, data as at 25.07.2025.

H1 2025 was the third-strongest half-year on record for the portfolio & M&A market



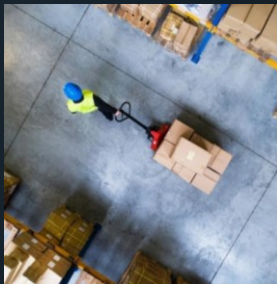
Source: BNP Paribas Real Estate, MSCI, data as at 25.07.2025.



Investors remain confident in the sector's long-term occupational fundamentals and key drivers, but the macroeconomic context and thin spread over bonds means buyers continue to be very stock-selective. It is clear that a number of investors feel there is a cyclical opportunity to enter the market at a favourable entry point, evidenced by the proliferation of new platforms and sizeable portfolio acquisitions.

Looking ahead, we do not expect pricing to improve materially in the short term. However, the continued trajectory of interest rate cuts combined with our long-held view that Gilt yields will begin falling from the end of this year should support the attractiveness of current yields and support a gradual improvement in liquidity.

Will Robertson
Head of National Investment



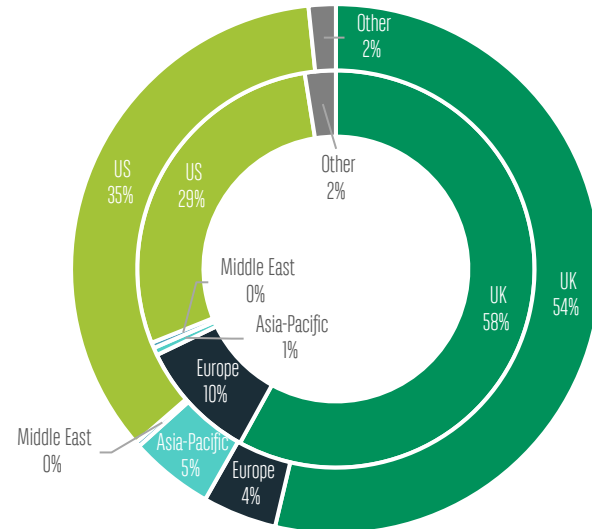
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Pricing remains stable despite elevated risk-free rates, particularly in the multi-let estates segment where investors have continued to chase assets with strong reversion. Indeed, recent trading updates from industrial REITs provide evidence of the sector's continued strong income growth potential. LondonMetric, SEGRO and Tritax's latest data all point to double-digit percentage uplifts at rent reviews, even as top-line ERV growth moderates. This trend continues to play out across the market, which is resulting in positive capital value growth. In turn, this is keeping investor conviction over the future of the sector strong enough to maintain a steady pool of acquisitive capital.

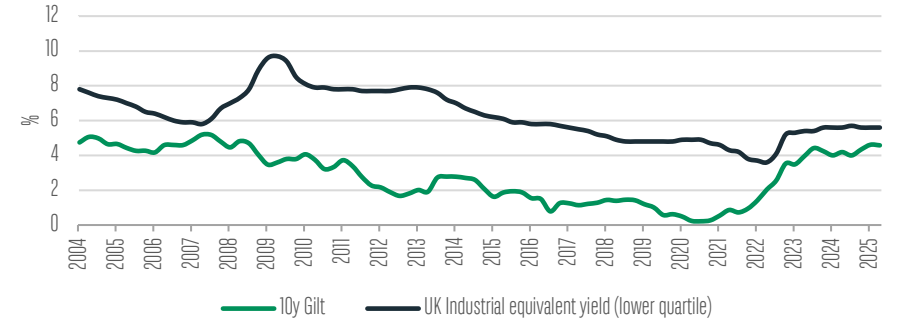
Looking ahead, while we think risk-free rates should begin to fall gradually from here, the 10-year Gilt yield is unlikely to fall below 4.0% before H2 2026. This is likely to continue fuelling investor caution for the remainder of the year. That said, the cost of debt has become more accommodative this year as lenders begin to tighten margins and offer higher LTVs. Moreover, markets remain confident that the Bank of England will deliver two more base rate cuts before year-end, while the 5y swap rate has remained relatively stable at around 3.7-3.8% since April. This gives investors conviction in their deal underwriting and help facilitate further alignment in price expectations from buyers and sellers.

International investors take a greater share of the market in H1 2025



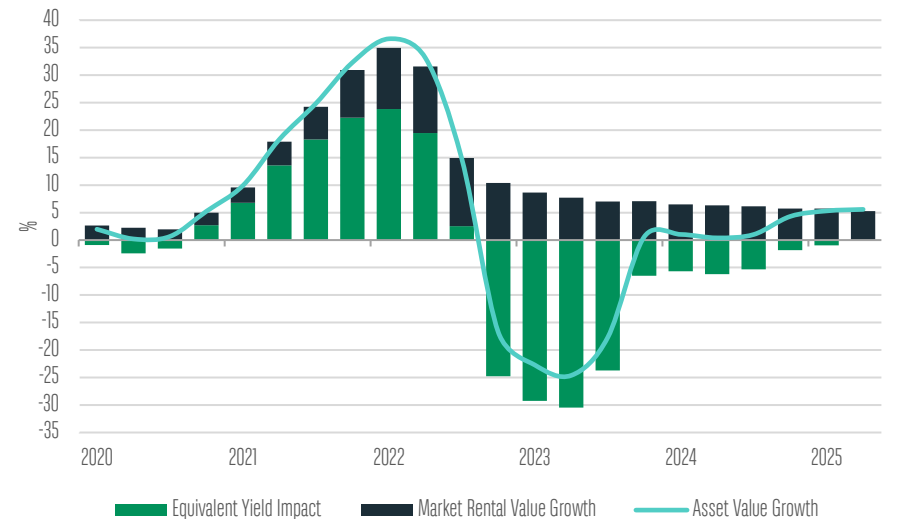
Source: BNP Paribas Real Estate, MSCI, data as at 25.07.2025. Outer circle shows H1 2025, inner circle is H1 2024.

Yields stable despite elevated bond yields



Source: Macrobond, MSCI, data as at 25.07.2025. Gilt yield is the monthly average

Total Returns, 12-months to End of March 2025



Source: MSCI UK Quarterly Property Index, Q2 2025.



Q2 2025

LOGISTICS MARKET UK

The second quarter of 2025 has seen a strong quarterly rise in demand for the industrial & logistics sector, bringing take-up close to the H1 10-year average.

Despite the rise in big box supply, a small development pipeline is helping to keep rental growth positive in the sector, albeit at a lower rate than in recent years.

KEY FIGURES

15.6m sq ft DEMAND IN H1 2025 ▼ -1% y/y

75% Q2 2025 GRADE A DEMAND ► q/q

60.3m sq ft EXISTING AVAILABLE INDUSTRIAL SPACE ▲ 1% y/y

6.6m sq ft UNDER-CONSTRUCTION FOR 2025 PC



TAKE-UP

Q2 2025 demand for industrial units over 100,000 sq ft reached 9.3m sq ft, a c. 50% increase on the previous quarterly performance. This brings take-up to 15.6m sq ft, in line with H1 2024 (<1% decrease) and an 8% decrease on the 10-year H1 average (2015-2014). Q2 2025 does, however, represent the largest quarterly demand for big box units since Q2 2022 when the sector was still seeing considerable post-pandemic demand. This comes despite tariffs on UK exports imposed by the US administration providing barriers to future trade.

The combination of these tariffs being softened and industrial occupiers seeking to shorten their supply chain has led to an increase in logistics take-up. At least initially, demand has not dropped off as major industrial occupiers remain resilient. Q2 2025 demand was bolstered by large industrial occupiers, typically drawn towards the prime logistics regions of the Midlands, greatly exceeding average quarterly take-up in both the South West and in Yorkshire and the Humber.

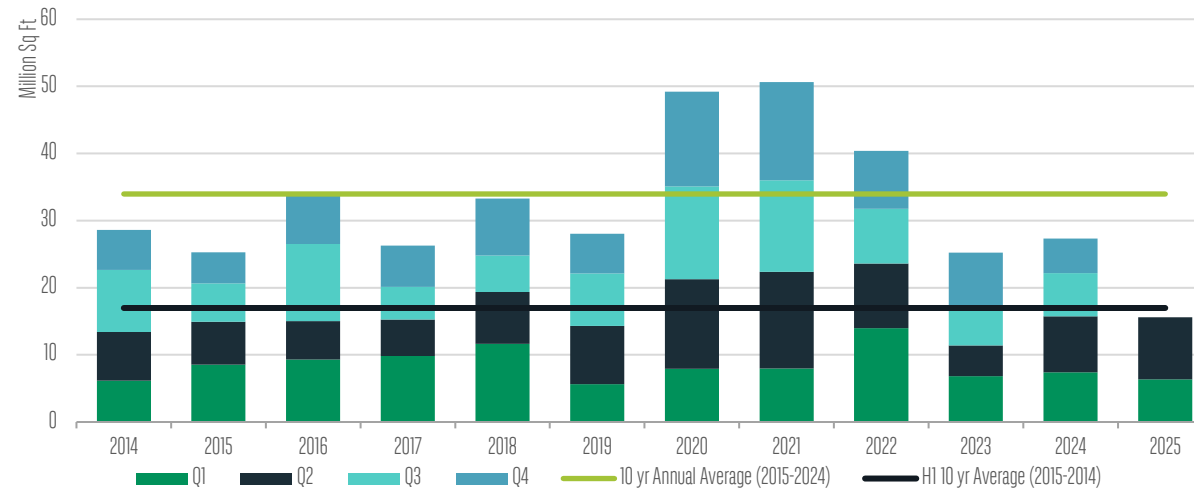
Yorkshire and the Humber's quarterly demand is the highest it has been since Q1 2023, and the H1 2025 total for the region has also outperformed. Already a hub for advanced manufacturing tenants, logistics operators have been attracted to the region's power supply, location and relatively cheap rents.

South West quarterly demand for big box space reached a 5-year high due to GXO taking 885,000 sq ft from Panattoni in Avonmouth to service their contract with Amazon. This is the largest speculatively developed unit in the UK. Two major lettings from UK supermarket chains, taking advantage of global access via Bristol ports, bolstered regional demand. M&S have taken 400,000 sq ft build-to-suit space at Axis South West and Waitrose have taken Mountpark 360, a speculatively developed unit which had sat vacant since 2021. UK grocery market revenue is forecast to continue growing this year, both in-store and online (ONS; Euromonitor).

Q2 2025 also saw a rise in the diversity of Chinese 3PLs taking space in the UK. Companies including JD.com and Top Cloud Logistics are completing significant deals at a faster pace than typical transactions as these companies aim to provide the logistical solutions to rapidly growing online marketplaces such as Shein and Tik Tok. These e-commerce sites have allowed cheap, mass-produced goods to enter the UK market. Chinese 3PL firms are diversifying their overseas assets so as to be less reliant on US supply chains in the wake of US tariffs, and also to reduce congestion at South East Asian ports.



UK Big Box Take-Up Falls Just Short of 10-year H1 Average



Source: BNP Paribas Real Estate

“Industrial occupiers have remained resilient despite challenging global headwinds, evidenced by demand in the sector in this quarter. Rather than indecisiveness, we are seeing signs of logistics firms eager to get deals over the line at break-neck speed in a market which has never been more competitive. We expect deals to continue to flow in H2 2025.”

Ben Wiley
Head of Agency





Q2 2025

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UK PRIME RENTS (£/sq ft)*

£25
LONDON & SOUTH EAST



Q/Q

£10.90
NORTH WEST



£0.15 Q/Q

£10.75
WEST MIDLANDS



Q/Q

*HEADLINE RENT IN UNITS OVER 100,000 SQ FT

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SUPPLY & DEVELOPMENT PIPELINE

Prime big box headline rents in Q2 2025 remained consistent in the West Midlands, underpinned by the JD.com deal at Apollo Ansty Park in Coventry. London and South East prime rents remain flat due to a lack of evidence of new headline rents being set. However, there has been some suggestion that rent-free periods in this region have grown. In the North West a new rent has been set due to an agreement to lease at Trafford 150 to an electric car company, in a deal brokered by BNP Paribas Real Estate.

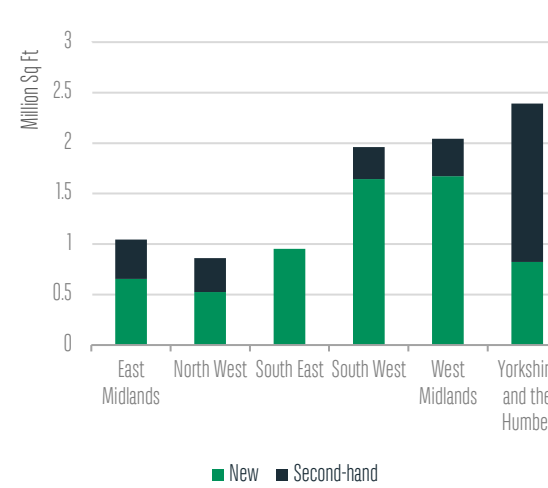
Continued rental growth is the sector is challenged by the increase in supply of available space, which has ticked upwards in Q2 2025 by c.1% to 60.3m sq ft in big box space. This is a 10-year high driven by second-hand space returning to the market, including 7.9m sq ft of grey space. Recently completed speculative developments include large units at Panattoni's sites in Milton Keynes and Sittingbourne and 761,000 sq ft at Magna Park, Lutterworth, pushing that availability higher. However, only 6.6m sq ft of big box space which is currently under development is expected to become available in the rest of this year, c.40% of which will be in the Midlands.

UK Industrial Supply of Units over 100,000 Sq Ft Reaches a 10-year High

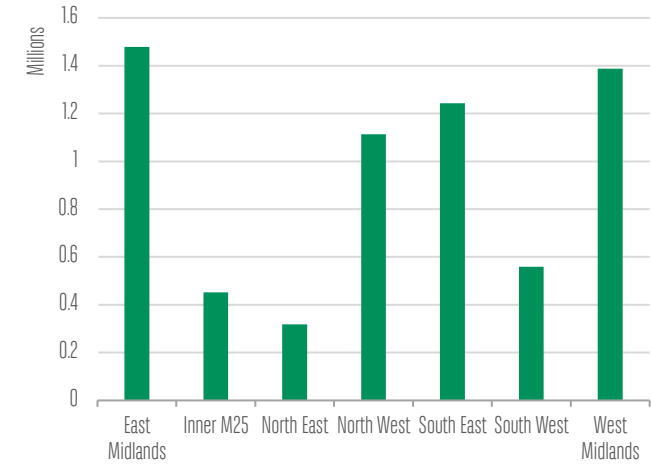


Source: BNP Paribas Real Estate

UK Regional Take-up over 100,000 sq ft, Q2 2025



UK Development Pipeline of Units over 100,000 sq ft**



**Expected to reach project completion by end of 2025 Source: BNP Paribas Real Estate



Source: BNP Paribas Real Estate



Q2 2025

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KEY TRANSACTIONS

INVESTMENT LOGISTICS

DATE	PROPERTY	TENANT	SIZE (SQ FT)	WAULT	RENT (£ PSF)	PRICE (M)	YIELD	PURCHASER	VENDOR
Apr-25	Expert Logistics Weston Rd, Crewe	Expert Logistics	387,666	2.65	£6.19	£42.00	5.23%	Sixth Street/Copley	Tritax
May-25	Tenax Cross Manchester	Oak Tyres UK	94,200	2.40	£6.29	£16.15	3.45%	Crossbay	Rosedale
May-25	Express Reinforcements Hayes	Express	52,016	8.50	£16.65	£16.25	5.00%	Mileway	Hermes
Jun-25	Salts Healthcare, Apollo Birmingham	Salts Healthcare	95,013	2.45	£9.12	£16.25	5.00%	M&G	Columbia Threadneedle

MULTI-LET

DATE	PROPERTY	SIZE (SQ FT)	WAULT (BREAK)	RENT (£ PSF)	PRICE (M)	YIELD	PURCHASER	VENDOR
May-25	Harp Trading Estate Manchester	78,131	4.72 (2.97)	£14.33	£16.80	4.33%	Argo	CBRE IM
May-25	Carters Lane Industrial Estate Milton Keynes	97,405	3.77 (2.27)	£7.13	£11.25	5.78%	Martley Capital/Greykite	Swiss Life AM
Jun-25	Spa Trade Park Tunbridge Wells	78,661	5.00	£7.13	£17.65	5.53%	Chancerygate / GIC	Delancey/Coal Pension Fnd
Jun-25	Crompton Fields Crawley	98,189	4.6 (1.9)	£11.74	£21.40	5.05%	Marchmont / Invesco	LondonMetric
Jun-25	Westwood Trading Estate Park Royal, London	125,000	3.00	£14.33	£55.00	3.05%	Valor REP	Car Giant Ltd

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Q2 2025

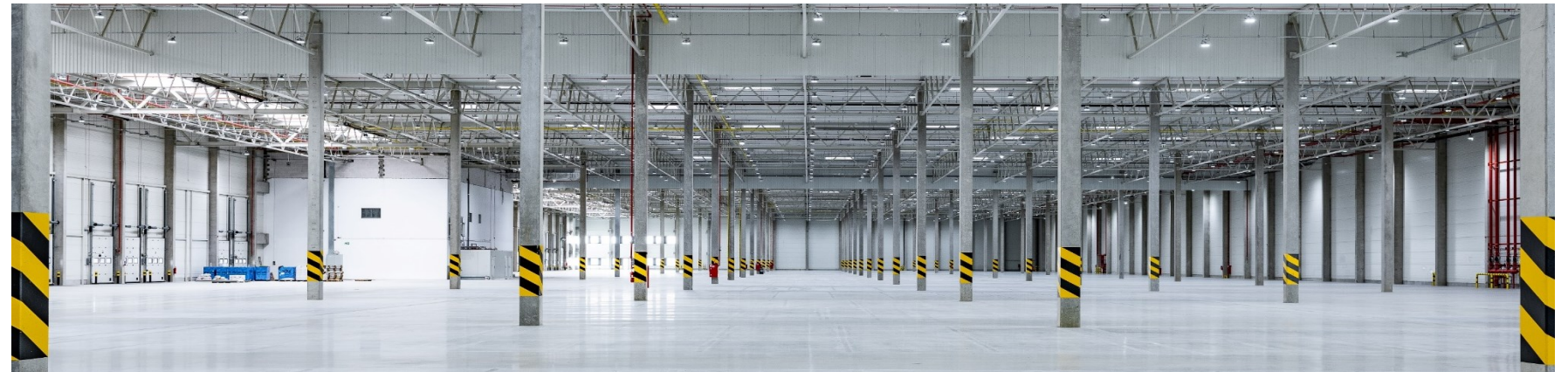
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KEY TRANSACTIONS

OCCUPIER

DATE	PROPERTY	TENANT	SIZE (SQ FT)	REGION	SECTOR	SPECIFICATION	DEVELOPER
May-25	Panattoni Park Avonmouth	GXO	885,000	South West	Logistics	Spec	Panattoni
May-25	Sherburn 550 Sheffield	ID Logistics	557,000	Yorkshire and the Humber	Logistics	Second-hand	Cain International
May-25	MK130 & MK220 Milton Keynes	JD.com	531,519	South East	Logistics	Freehold	PLP
Mar-25	Axis South West Bristol	Marks & Spencer	400,000	South West	Retail	Build-to-Suit	EDC
Mar-25	Mount Park 360 Avonmouth	Waitrose	360,000	South West	Retail	Spec	Affinius Capital



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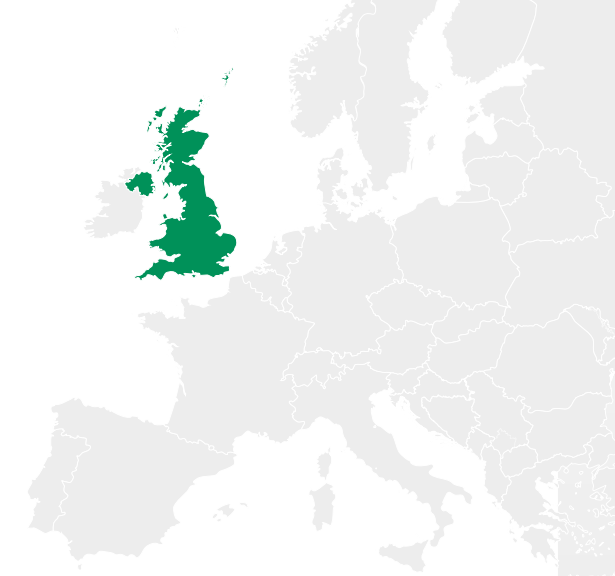
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