CUSHMAN & WAKEFIELD

MARKETBEAT

LOGISTICS & INDUSTRIAL

Q2 2026

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FURTHER POLITICAL CHANGE

The UK is set to enter another political era, with Andy Burnham's replacement of Kier Starmer as the leader of the Labour Party and incumbent Prime Minister making him the 7th Prime Minister in 10 years. Although financial markets often react adversely to political disruption, early announcements and signals from the incoming Prime Minister point to a doubling down on efforts to support re-industrialisation and further devolution. For the logistics and industrial sector, this is likely to further emphasise and enhance the transmission of last year's Modern Industrial Strategy, offering the potential for further structural upside across regional markets. However, investors and developers will also be mindful of potential down-side risks, particularly around recent comments that point to advocacy for higher business rates and comments in support of a structural reform of existing fiscal policies and tax systems. These announcements may serve to further unsettle financial markets, should the Treasury and OBR react adversely during the first few weeks and months, likely to further prolong development and investment market recovery.

SUSTAINED DEMAND FROM CHINESE ECOMMERCE BUSINESSES INTENSIFIES COMPETITION

The rapid expansion of Chinese e-commerce platforms continues to play an important role in market dynamics and is an increasingly important source of occupier demand across the UK logistics market. Having accounted for approximately 3.2 million sq ft of take-up during 2025, H1 take-up has already totalled 2.7 million sq ft, placing the sector on course to comfortably exceed a total of 4 million sq ft in leasing activity this year. Driven by increasing tariff pressures in North America, intense domestic competition and the attractiveness of the UK consumer market, operators are continuing to invest heavily in domestic fulfilment infrastructure. The UK's high levels of digital adoption, strong consumer spending base and role as a gateway into European markets remain key attractors for Chinese Ecommerce and 3PL businesses.

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KEY TAKEAWAYS

- Occupational demand reaches 12.4m sq ft during Q2, taking the rolling 12 month total to 41.5m sq ft, and well ahead of long term averages.
- 2.9m sq of mid box deals recorded, as SME's look to progress relocation, upsizing, and supply chain diversification despite uncertain macroeconomic picture.
- Rental growth continues to moderate as big box annual rental growth falls to 3.9% from 4.2%. Despite this, improving fundamentals continue to support a robust rental growth outlook.
- Investment activity falls to £1.1bn during Q2, with total H1 volume at its lowest since 2013 as pricing challenges persist despite strong investor conviction.
- Political change, re-surfacing inflation, and ongoing conflicts continue to weigh on decision making across the sector.

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ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
+2.0% RETAIL SALES VOLUMES	▲	▲
+1.08% GVA T&S	▲	▲
-0.08% GVA MANUFACTURING	▼	▲

(Average weekly sales volumes NSA, GVA YoY Change)

SUPPLY CHAIN INDICATORS

	YOY Chg	12-Month Forecast
1.25 SC PRESSURE INDEX	▲	▲
101.7 GOODS TRADE BAROMETER	▲	▶
2,500 BALTIC EXCH. DRY INDEX	▲	▶

Source: ONS, MOODYS, NY FED, WTO

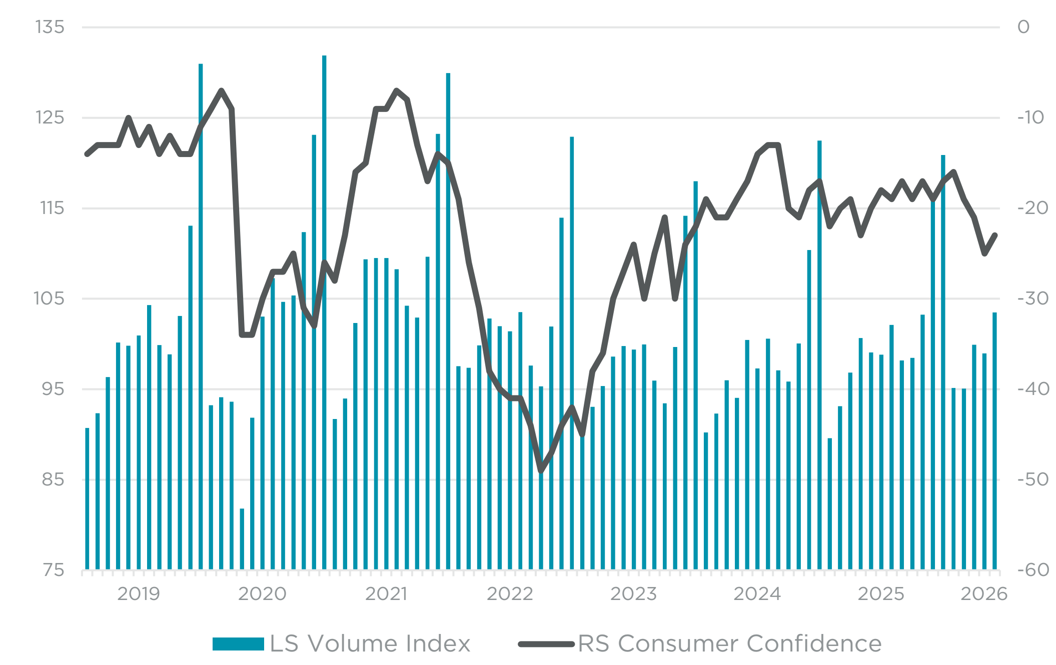
ECONOMY:

Modest economic growth continues to return to the UK economy despite a challenging macroeconomic picture and multiple ongoing global conflicts. Real domestic product is estimated to have grown by 0.7% during the 3 months to May 2026, representing the sixth consecutive three-month improvement. Whilst recent improvements in economic growth have largely been driven by the services sector, both production and construction output have remained in positive territory over the last three months. Businesses will continue to monitor re-surfacing inflationary risk, as despite the May annual CPI rating remaining below 3% many commentators anticipate an acceleration in inflation throughout the remainder of 2026. Consumer market resillience continues to support retailer trading conditions, with both retail sales values and volumes continuing to improve on 2025 figures.

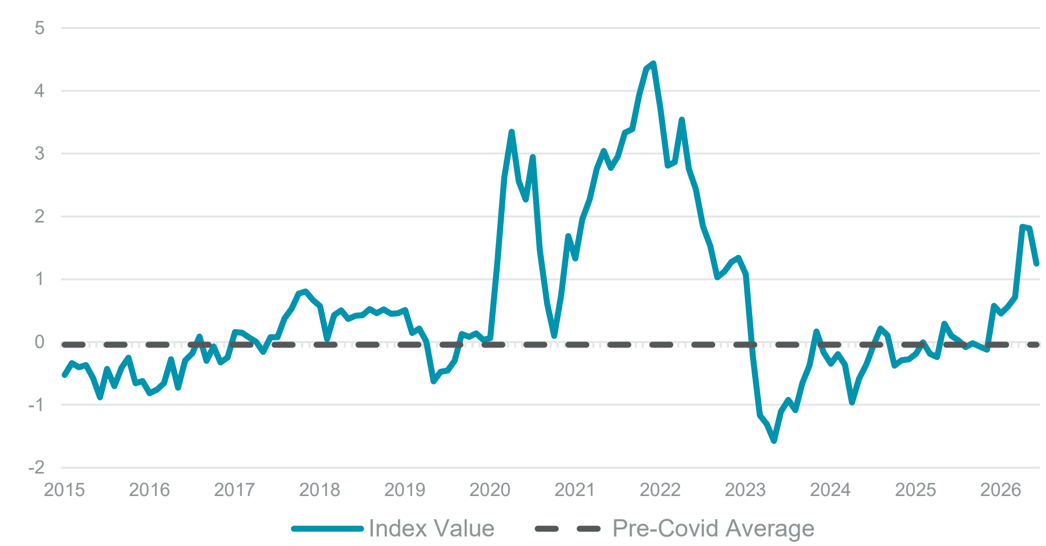
SUPPLY CHAIN:

Disruption to global supply chains continues to induce uncertainty and supply chain risk across global markets. Although shipping lines have demonstrated considerable flexibility in navigating the current geopolitical landscape, capacity remains constrained for some trade lanes, whilst other lanes continue to see significant bottlenecks. Whilst the macro picture continues to point to significant challenges, global trade volumes remain resilient, highlighting the need for greater supply chain agility. Increasingly these factors are continuing to induce inflationary pressures across a wide range of supply chains, and in turn are accelerating the need for diversified, and in places re-shored supply chains. As well as geopolitical tensions, environmental events such as the recently confirmed El Nino continue to weigh on import intensive industries, heightening the need for supply chain contingency and risk mitigation. For the logistics and industrial sector, these trends continue to support demand for warehouse space, particularly among occupiers looking to increase levels of stockholding and strength supply chain security in order to mitigate against supply chain risk.

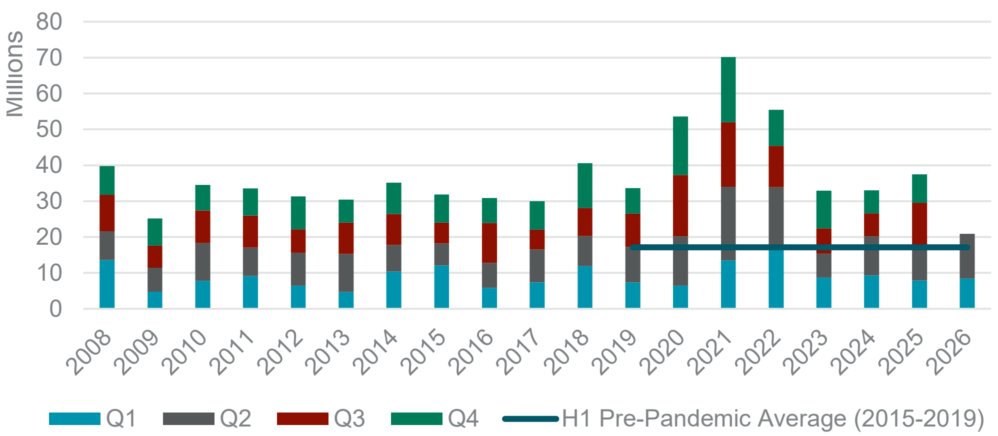
RETAIL SALES VOLUME & CONSUMER CONFIDENCE



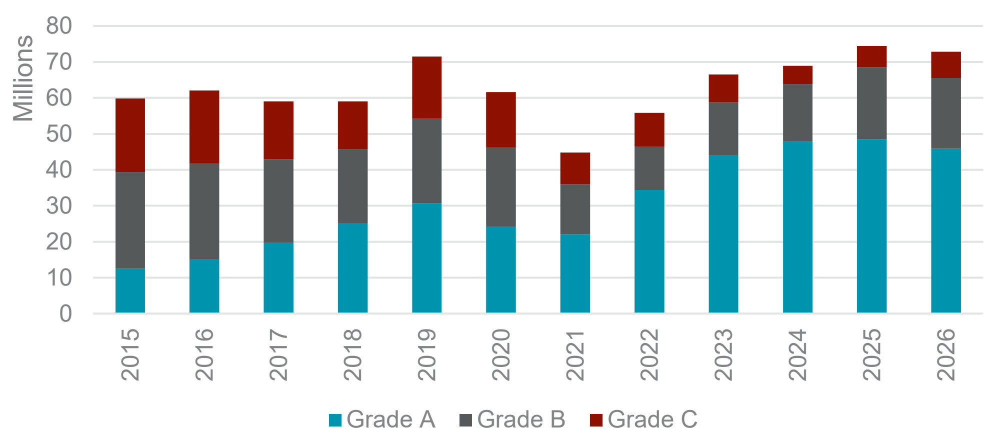
SUPPLY CHAIN PRESSURE INDEX



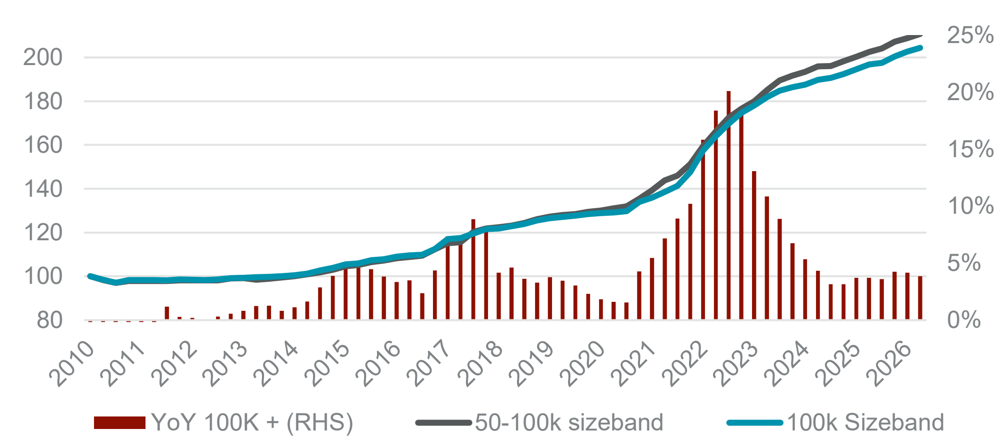
TAKE-UP



AVAILABILITY (BY GRADE)



C&W PRIME AVERAGE RENT INDEX



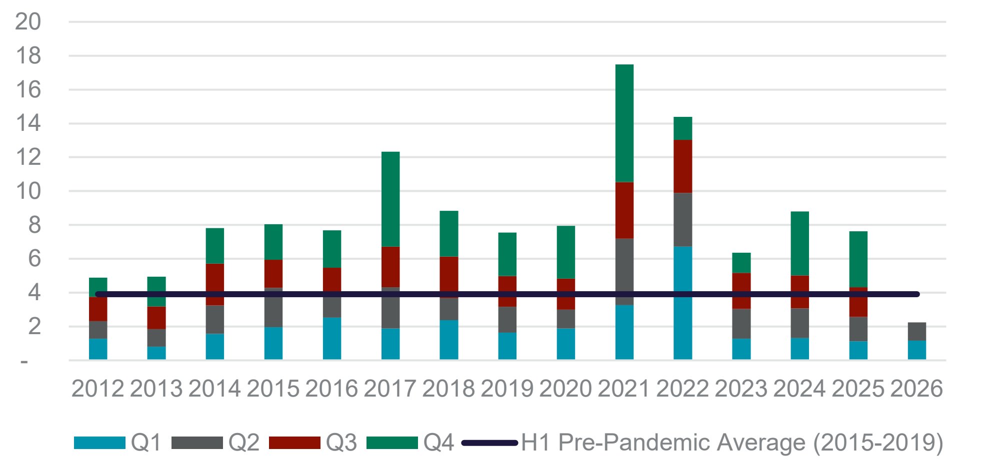
TAKE-UP: Occupier demand totalled 12.4m sq ft during the second quarter of 2026, marking an impressive 47% increase on the volume recorded during Q1 2026. In addition to a much-improved headline volume, a total of 80 transactions were recorded marking the highest number since Q2 2022. Notably, the quarter also saw a significant recovery in demand for mid-box space, with over 2.8m sq ft of space being signed for across 39 transactions. This improvement follows a 6-month slump for the mid-box market, with both Q1 2026 and Q4 2025 having seen mid-box take-up hover around 1.5m sq ft, 15% below the long-term average. Current demand continues to be driven by activity from the 3PL, Retail and E-commerce sectors, fuelled by increasing competition for space between new Chinese market entrants and existing players such as Amazon. Combined, these three segments have accounted for over half of take-up recorded during the last 12 months, with demand continuing to focus on expanding supply chain capacity within the Midlands and South East.

SUPPLY: Total availability fell to 72.9m sq ft at the end of Q2 2026, down from 79.0m sq ft at the end of Q1 representing a 7.7% contraction quarter on quarter. The fall marks the sharpest quarterly decline in availability since Q4 2021 and sees supply levels move away from a 15-year peak. This contraction reflects sustained occupier demand for high-quality space, which continues to erode overall supply and limit occupier choice in some regions. Grade A availability decreased by 5.0m sq ft over the quarter to 45.9m sq ft, a 9.9% contraction highlighting the continued lack of modern, fit-for-purpose stock. This shortage is becoming particularly pronounced for larger units, with 45.2m sq ft (62% of space) available within units of 250,000 sq ft and smaller. Over 8.7m sq ft of space remains under offer at the end of Q2, which is likely to support further supply side contractions throughout the remainder of 2026.

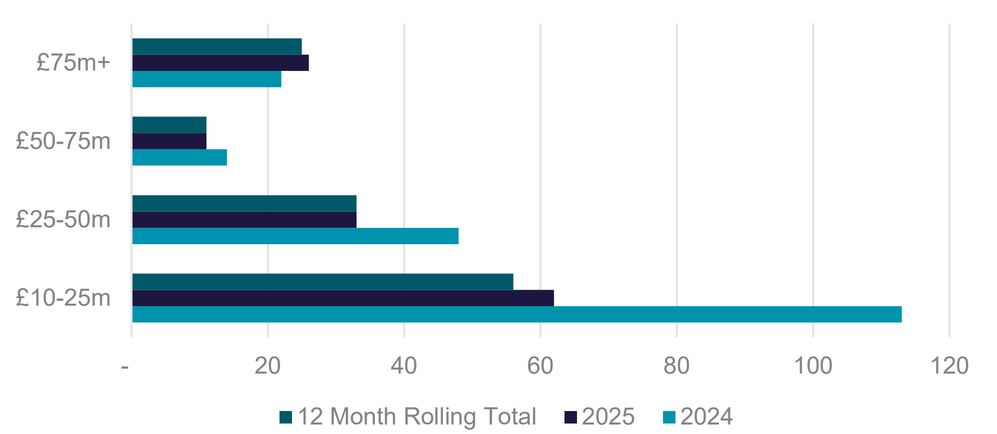
DEVELOPMENT: Development activity saw cautious improvement during Q2 2026, as developers looked to selectively progress sites and in places commit to new speculative construction. New starts breached 2m sq ft for the first time in over 18 months, albeit this volume was supported by three schemes over 400,000 sq ft starting construction. At present 7m sq ft is currently under construction and due for completion during 2026 and 2027. It is anticipated that total speculative deliveries for 2026 will total 9m sq ft, representing the lowest level since 2020 as developers continue to grapple with financial market volatility, and elevated build costs.

RENTAL GROWTH: Rental growth continues to persist across both the big-box and mid-box market, remaining robust and relatively stable as occupier market fundamentals continue to improve. Average headline annual rental growth for big-box units across the 71 submarkets tracked by C&W totaled 3.9% at the end of Q2, marking a slight deceleration from the Q1 figure of 4.2%. During Q2, 19 of the 71 big-box submarkets recorded rental growth, with the average uplift measuring 3.2% across these submarkets. Average headline rental growth for mid-box units fell to 4.1% at the end of Q2, decelerating slightly from the 4.2% recorded at the end of Q1. A total of 22 of the 71 submarkets saw rental growth during the quarter, with the average uplift measuring 3.4%.

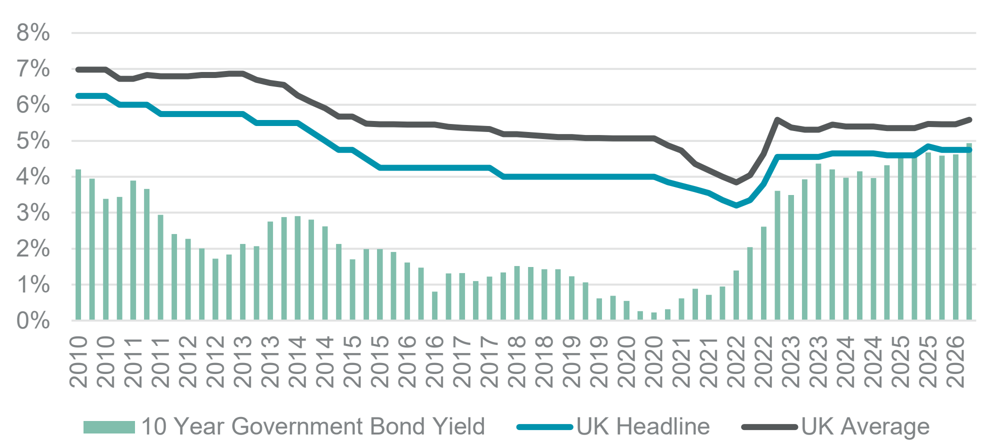
INVESTMENT VOLUMES (£BN)



NUMBER OF DEALS BY LOT SIZE



PRIME YIELD BY TYPE



INVESTMENT VOLUMES:

Investment into the UK Logistics and Industrial sector fell to £1.1bn during Q2 2026, as UK real estate markets continue to grapple with financial market volatility, the absence of a unified outlook, and in places a lack of institutional grade prime product. The Q2 result see's total H1 volume fall to £2.2bn the lowest H1 on record since 2013, and 42% below the 5-year pre-pandemic H1 average. Despite a contraction in the headline volume, some positivity can be taken from an improvement in the number of transactions recorded. A total of 43 transactions were recorded during Q2, up from 27 during Q1, with the number of portfolio deals taking place rising to 7 from 4. Activity continues to focus on prime markets such as the Midlands and South East where fundamentals remain strong and the pricing gap remains the narrowest.

Investor conviction remains robust and capital continues to target the sector, with a deep pool of investors continuing to actively seek appropriate opportunities to enter and expand exposure to the sector. However, such has been the current challenge of deploying into the sector, that market evidence is increasingly pointing towards an uplift in the level of off market activity taking place, as well as institutional investors aggregating lower lot size individual assets whilst faced with limited availability of prime sites of scale. For Value Add and Opportunistic investors, appetite remains, however the ability to deploy capital remains increasingly varied.

YIELDS & PRICING:

Further financial market volatility and limited capital market market evidence continues to weigh on the pricing of Logistics and Industrial assets in the UK. Average prime headline yields softened by 12.25BPS during the quarter with the average yield across the 71 submarkets now at 5.59%, and approximately 25BPS softer than a year ago. The shift in pricing comes, as a result of continued volatility and with markets having seen 10-year government bond yields edge closer to 5% in recent months. Despite the resillience of the occupational market, the modest outward movement in yields is primarily reflective of a normalisation and re-alignment in pricing expectations across the market, in the face of the ongoing changes within capital markets.

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, political change, and any impact on global financial markets that may result from the US mid-term elections. While uncertainty surrounding monetary policy and macroeconomic conditions is likely to persist in the near term, improving visibility on the course of travel, are likely support transactional confidence. Debt availability continues to improve gradually, with lenders remaining active and competitive when underwriting well-let, institutional-grade assets.

REGIONAL OUTLOOK

Q2 2026

North West

Demand in the North West remains resilient, having seen 820,000 sq ft signed for during Q2 across 7 transactions and recovering on a quiet Q1. The market continues to see limited large scale regional distribution centre activity with just one deal for units in excess of 150,000 sq ft recorded. Demand continues to focus on a blend of both Grade A and Grade B space, owed to limited availability within some locations. Availability continues to contract as space is absorbed and investors look to re-cycle older stock through refurbishment.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£10.90 (11.22%)	10.93%	3.87m sq ft (-7.0%)	10.13m sq ft (-11.4%)

West Midlands

The Midlands continues to dominate leasing activity, owed to a strong wave of demand from new 3PL, Retail and Ecommerce entrants. Notably for the West Midlands, a notable uptick in take-up relative to recent years is helping to reset market dynamics. A total of 21 transactions provided a volume of 3.4m sq ft during Q2 provided the highest quarterly volume since 2022. The resurgence in demand comes as the regions larger available units have been quickly snapped up. Supply fell sharply as a result with 8.3m sq ft available.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£9.77 (6.50%)	8.68%	9.22m sq ft (59.8%)	8.31m sq ft (-17.2%)

South West & Wales

Demand within the South West and Wales remains strong, and continues to be bolstered by growth in key strategic industries such as Defence, Food Retail, and Advanced Manufacturing. Despite take-up remaining incredibly buoyant over the last 12 months occupiers continue to face limited choice, particularly for large and mid-box Grade A space. In places this has driven occupiers to pursue self-build or build to suit solutions.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£9.00 (4.45%)	8.67%	4.37m sq ft (68.3%)	9.75m sq ft (24.3%)

London

Following what had been a relatively busy Q1, occupier demand in London once again receded with just one deal recorded during the quarter. The region continues to see a polarisation of market conditions across its component submarkets, with notably higher levels of supply characterising the East, and low levels of availability characterising the West and North. Owed to slowing rental growth, the relative positioning against outer M25 locations continues to improve, and will in-turn encourage higher levels of occupier demand.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£20.38 (1.75%)	8.07%	0.93m sq ft (250.2%)	3.54m sq ft (-12.4%)

Using this map:

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

5 year compound annual growth rate big box

H1 12 Month Take-up volume sq ft and % change vs H2 2024

Total availability volume sq ft and % change year on year

North East

Demand in the North East continues to be impacted by the persisting lack of modern Grade A supply, with occupiers continuing to face limited choice within the market. In recent quarters deals to national and international occupiers such as Amazon, Wolseley, and Martin Broer have continued to reaffirm the regions attractiveness, however, less than 3m sq ft is available within the region of which over 50% is located within units of less than 150,000 sq ft.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£8.25 (3.13%)	8.45%	0.87m sq ft (14.4%)	2.96m sq ft (66.7%)

Yorks & Humber

Q2 saw occupier demand reduce within Yorkshire and Humber, following what had been a busy Q1 in which over 1.4m sq ft was signed for across 9 deals. Four deals were recorded during the quarter including two deals at Interchange 38 in Barnsley. Despite an unusual quarter for the region improved levels of supply, resilient occupier demand are expected to support market performance throughout the remainder of 2026.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£8.83 (2.91%)	7.16%	3.43m sq ft (23.5%)	9.93m sq ft (37.5%)

East Midlands

An impressive total of 25 deals were recorded within the East Midlands during Q2, providing a total take-up of over 4.5m sq ft. Take-up during the last 12 months now totals 12.2m sq ft, with the East Midlands seeing the highest level of take-up amongst all other regions. Deal activity continues to be driven by large scale 3PL, and Retail businesses, with demand continuing to favour a blend of newly completed speculative space, and well specified second space. Supply contracted sharply as a result of such strong demand, whilst a muted development pipeline continues to support a strong rental growth outlook.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£9.44 (0.67%)	8.27%	12.22m sq ft (26.1%)	11.69m sq ft (-28.1%)

South East & East

Occupier demand remains resilient within the South East and East, with 12 deals recorded during Q2 2026. A total volume of 1.5m sq ft represents a strong recovery versus the low volume recorded during Q1. Demand continues to focus on Grade A space, which accounted for 70% of demand during the quarter. Healthy supply levels, and resilient occupier demand are expected to support market performance throughout the remainder of 2026, and underpin robust rental growth expectations.

Prime Rent	5 Year CAGR	12 Month Take-up	Total Availability
£12.67 (2.81%)	6.84%	6.21m sq ft (6.6%)	27.02m sq ft (12.2%)

MARKET STATISTICS Q2 2026

Region	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	3,542,696	2,521,133	-	51,209	926,816	29.00	4.75%
South East & East	13,509,025	9,633,779	570,647	1,535,371	6,208,617	23.75	5.20%
North West	10,129,831	5,511,938	494,688	818,056	3,868,281	12.00	5.00%
West Midlands	8,314,233	5,879,541	1,930,410	3,420,889	9,219,244	12.00	5.10%
East Midlands	11,688,707	7,609,801	1,537,254	4,569,178	12,219,207	10.50	5.35%
Yorks & Humberside	9,925,055	7,161,545	490,771	258,323	3,434,223	9.75	5.45%
South West	5,410,865	4,106,373	1,579,625	1,542,017	3,079,587	10.25	5.40%
North East	2,961,444	1,777,933	-	65,092	870,930	8.25	6.00%
Wales	4,338,566	557,978	397,000	159,547	1,285,681	9.00	6.25%
Scotland	3,050,751	1,136,429	-	-	450,879	9.75	6.30%
UK Total / Average	72,871,173	45,896,450	7,000,395	12,419,682	41,563,465	12.47	5.46%

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

KEY LEASING TRANSACTIONS Q2 2026

Address (building name/park)	UK Region	Tenant	Size (Sq Ft)	Classification
MPN761, Hunter Blvd, Lutterworth	East Midlands	Bleckmann	761,361	Spec (Newly completed)
Rugby 673, 661 Castle Mound Way, Rugby	West Midlands	ID Logistics	673,270	Existing
S545, Panattoni Park Swindon	South West	MoD	545,414	Spec (Newly completed)
Fradley 437, Former ASOS unit	West Midlands	M&S	437,054	Existing
OXW327, Trafford Park	North West	OHS	327,000	Existing

**Renewals not included in leasing statistics*

KEY INVESTMENT TRANSACTIONS Q2 2026

Property Name	Region	Buyer/Seller	Sqft	Price
Springbox Portfolio,	Various	ICG / Equities	997,799.00	£200,000,000
MPN 761, Lutterworth	East Midlands	Bleckmann / Marq Logistics	761,361.00	£76,136,100
Fradley Park,Lichfield	West Midlands	Marks & Spencer / ASOS plc	153,750.00	£67,500,000
Cathedral Hill Industrial Estate, Guildford	South East	Schroders / Diageo	95,613.00	£39,000,000
Park Royal Industrial Centre, London	London	CLIPSTONE / Bloom	30,428.00	£18,250,000

Source: RCA & C&W 2026

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