

Inside Stories

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Rental growth in the UK industrial and logistics sector is set to continue to outpace both the office and retail sectors over the next five years, according to the latest research from Knight Frank.

The agency's 2022 UK Logistics Market Outlook Report reveals that industrial rents are expected to rise an average of 4.2% each year over the next five years, compared with 1.7% a year for offices and 0.6% for retail.

Greater London is expected to continue to lead the UK market according to Knight Frank, with average rents forecast to rise 8.7% in 2022, with double-digit growth predicted for areas of intense demand and short supply. This follows a record-breaking year in 2021 where prime London rents rose 25% for units over 50,000 sq ft.

Smaller units recorded even stronger growth, with prime rents for units sub-20,000 sq ft rising 56% over the year.

Claire Williams, industrial and logistics research lead at Knight Frank, said: "Confidence in continued rent growth, and increasing macroeconomic volatility, will continue to drive investor appetite for both value-add and long-income strategies. However, it is the middle-ground assets with unexpired lease lengths of 10-20 years that look to present opportunity for relatively attractive returns."

"With prime yields for long-income assets now at circa 3% and interest rates rising, investors will need to be mindful to protect their exit values. Improving sustainability standards are heightening the risk of obsolescence and investors will be keen to avoid this. Installing sustainable design features could also unlock access to cheaper, green finance and thus help mitigate against the rising costs of finance."

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