BE NEWS

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WHAT'S NEXT FOR I&L – RESET, RESURGENCE OR REINVENTION?

Leading industrial and logistics figures discussed the outlook for the sector at a recent roundtable debate hosted by Dentons

INDUSTRY GUESTS:

Sally Bruer, head of EMEA logistics and industrial and retail research, Cushman & Wakefield

Alex Coulter, partner, Dentons

Jonathan Gardner, chief operating officer, Mirastar

Kate Howe, development director, Tritax Big Box

Alina Iorgulescu, portfolio manager, CBRE Europe Logistics Partners, CBRE IM

Bonnie Minshull, head of London, SEGRO

Bridget Outtrim, director, South East industrial, head office London, Savills

Logan Smith, head of European logistics, Hines

Simon Creasey, head of content, *BE News* (chair)

After soaring to new heights during the pandemic, leasing activity in the industrial and logistics (I&L) sector appears to have plateaued.

In 2024, UK take-up in the sector reached 32.7m sq ft, compared with 32.6m sq ft in 2023, according to Cushman & Wakefield. Activity in the second half of the year fell to 12.6m sq ft – 23% below the five-year pre-pandemic average and 27% down on H2 2023.

Investment volumes have also remained sluggish over the past 12 months, affected by a combination of macroeconomic and structural factors.

The question is: what lies ahead for the rest of 2025? Is the sector poised for a reset, a resurgence or a return to pre-pandemic norms?

To answer this, *BE News* gathered a panel of top industry players at the London offices of debate sponsor Dentons to explore the major challenges and emerging opportunities shaping the market, from investor sentiment and development strategy to evolving occupier needs, energy pressures and the growing impact of technology.

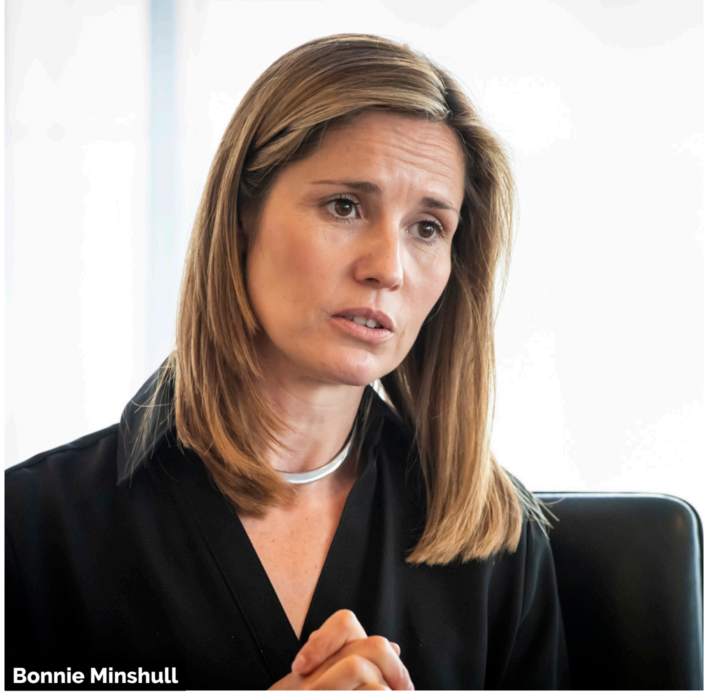
To kick things off, the panellists discussed how the first six months of the year had gone for their businesses on the investment and leasing front.

"The mantra for 2024 was 'survive till '25'," said Mirastar's Jonathan Gardner. "We're in the period after a big correction, which is going on longer than anyone would like. It is just flat."

He added that deals were still happening, but activity remained subdued. "I cannot point to a handful of stuff I have got under offer in the first half of this year, but there is more life in the occupational market," he said.

"Although there is not a flow of lettings anywhere, it has not got worse this year. The signs are that it could get better, but it is not going to bounce back."


Alex Coulter


Bonnie Minshull

'Cheeky offers' on space

SEGRO's Bonnie Minshull admitted the REIT had received "a few cheeky offers" on space during Q1 and Q2, but she concurred with Gardner's assessment that leasing activity was not particularly buoyant in H1 2025.

"I do not think we are going to see a massive sudden [uptake]," she said. "It is going to be a slow recovery this year. And dare I say it, this the new normal. If you look at the pre-pandemic stats, we are tracking at an average level.

"Obviously, we will continue to monitor and review what US president Donald Trump is doing. Before the tariffs, we were thinking businesses are going to have to start making decisions [about taking space], because there is only so long they can put it off. What we are seeing at the moment is consolidation activity."

Cushman & Wakefield's Sally Bruer said the market was closely watching the "fluid" tariff situation, but added she was confident trade deals would be struck between the US and other countries, which would bring some degree of clarity to global markets.

"Our expectation is it will start to correct by the year-end," she said. "It might not be back to where it was – the 2% to 3% effective tariff rate – but it will be much lower than currently.

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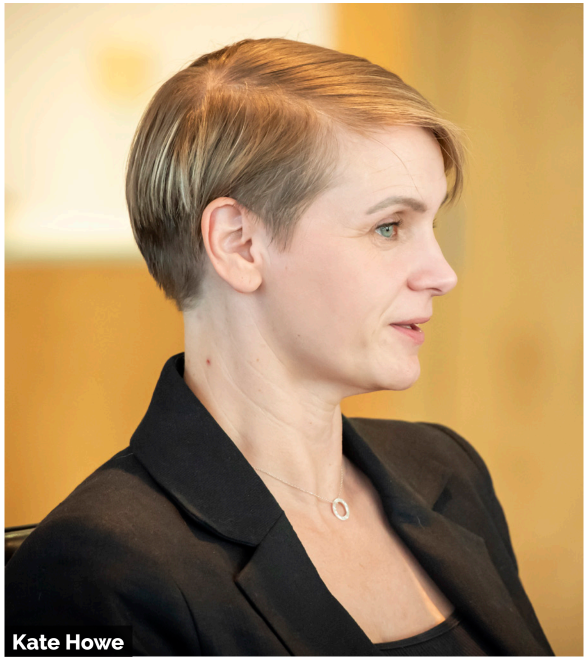
>
> *Bonnie Minshull*

"It takes a lot of effort, and the problem is that businesses don't have certainty to be able to act, so the easiest thing is to do nothing, which drags everything out."

Rather than looking at what is going on in the US, the UK needs to look at its own shores, where there remain a number of issues, said Savills' Bridget Outtrim.

"We've heard all of the talk about Trump, tariffs and uncertainty, but one thing for sure is Rachel Reeves, our own chancellor, has piled costs on to occupiers," she explained. ▷



Kate Howe

Jonathan Gardner

Bridget Outtrim

Outtrim said some of the slowdown in tenant leasing activity in the UK was "because they're hurting". She added: "There are too many costs, and it creates an environment where they don't want to expand or make up further investments. We can blame Trump, but we don't need to go off these shores to know why we've had a slowdown in occupier activity."

More challenges ahead

Dentons' Alex Coulter said that in addition to challenges at home and abroad, the sector also faces pressure from rising operational costs, including labour and energy – "and there are others around the corner, like business rates".

Tritax Big Box's Kate Howe said the company had witnessed a slight uptick in third-party logistics leasing activity in the first half of the year, due to "people outsourcing that risk, making it a contract risk rather than their own internal financial risk".

On the occupational front, the panel was asked to highlight the main challenges they were facing at the moment.

Gardner summed it up as "helping with fit-out". As a result of the increased levels of automation and technology used by modern occupiers of I&L units, the cost of fitting out space is rapidly growing, with some fit-outs far exceeding the cost of constructing the building in the first place. "Landlords are going to be asked more frequently: 'How can you help us with this?'" he cautioned.

Outtrim said this type of request should be expected in "the current difficult market". She added: "The more we can do for tenants to help them overcome hurdles, which includes the capital cost, will help us to let buildings."

Fit-out costs are a growing challenge, but so too are the cost and availability of power, which have become a major priority for tenants. As Hines' Logan Smith said: "It's

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>
> *Jonathan Gardner*

Logan Smith

Alina Lorgulescu

always been a box that a buyer would check, whether you're buying land or a building, and the final check is: what's the power?

"There is not a logistics developer on planet Earth right now that looks at the site and does not think in the back of their mind: can this be a data centre? Every single site; every farmer on this globe."

Power needs

Once it was availability of labour and site location, but now power is one of the key factors that must be considered within the context of any acquisition or site selection, according to the experts.

And it's not just about how much the current occupier of a building might use; developers and investors also have to consider the power needs of future tenants, said Smith. "Power has, in many ways, supplanted the ESG discussion," he added. "It is more about what is the whole power story with this? Is it a positive or a negative for the particular investment you are looking at?"

The single most limiting factor for whether a site could potentially be interesting to a data centre hyperscaler tenant is how many megawatts can be supplied to the site, said Smith.

Coulter said there was a balance to be struck between being power hungry and having green credentials. "The sustainability provisions are just standard in the market now," he explained. "Obviously there is dark green and there is light green, but I have not done a lease with nothing green in it at all for several years."

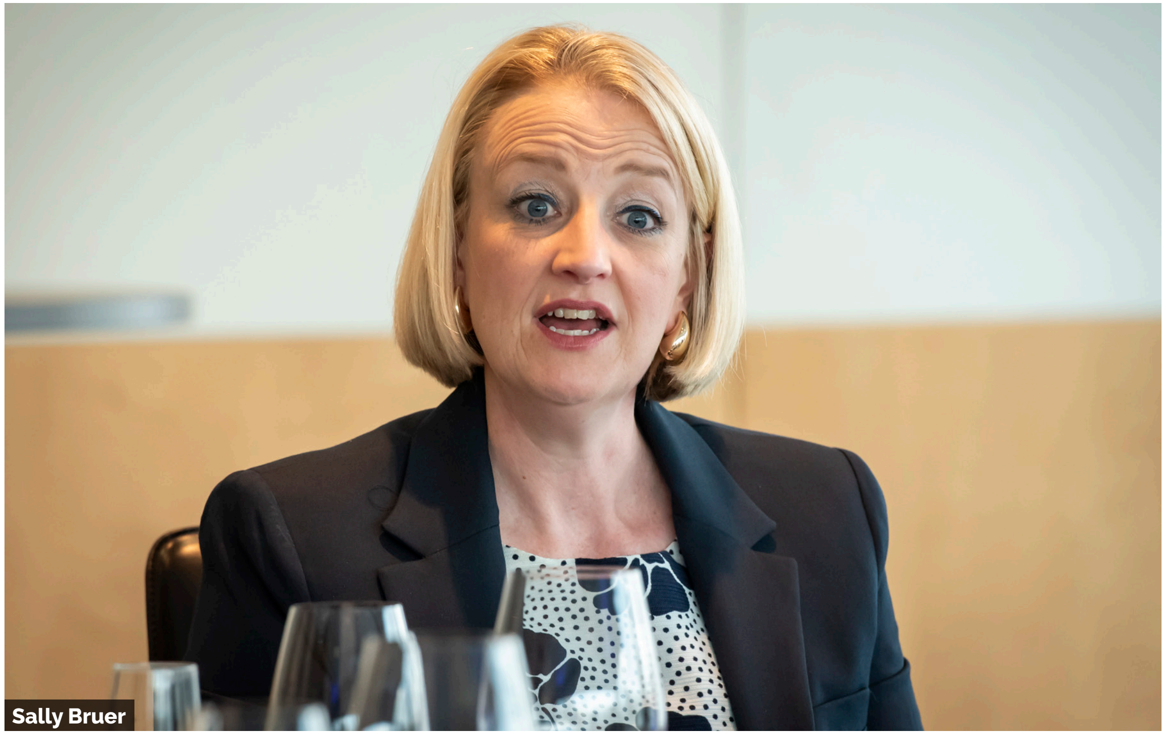
On the financing front, when companies go for a green bond, there has been a major shift in the requirements, said CBRE IM's Alina Iorgulescu. She added: "Three years ago, the criteria was you need to have a BREEAM certificate. Two years ago, it was a BREEAM certificate and you had to be in the top 15 ESG efficiency rankings for that country. Now, companies need to be aligned with a taxonomy report on consumption."

These requirements mean landlords must think carefully whether to take a certain type of tenant, said Iorgulescu. "If I do take a tenant, I potentially cannot finance it with my green bond. Then what do I do? Every year this bar gets a little bit higher because that is the demand for investors," she explained.

The conversation then returned to what lies ahead for the I&L sector over the coming months – reset, resurgence or reinvention.

We have had a reset and we are settled, said Howe, adding: "It is almost business as usual, and it will be a protracted time where it is quite tough."

Opportunities are going to come around and with the government spending announcements, including on areas such as defence. Howe said: "It will be interesting to see how they affect the market and the players in it. Technology and automation are standouts given we are seeing technology



Sally Bruer

> ***It's not revolution; it is evolution. And we have to keep pace with that***
>
> *Sally Bruer*

advance at an unprecedented pace, and that revolution is [fascinating] to monitor."

The sector needs to think about its evolution, added Bruer. "We've talked a lot about ESG, global dynamics, local dynamics, capital, technology and power requirements – all of it is evolving at the same time and quickly," she said.

"It's not revolution; it is evolution. And we have to keep pace with that and ensure we are educating and leading so the built environment is able to answer the questions that are being asked from the operational businesses and the capital requirements."

While accepting the I&L sector was not immune from wider macroeconomic issues, Coulter said it was "part of the heartbeat of the nation" and was "well placed to march on from this lacklustre period into a more positive environment".

Core capital

On the deals front, Coulter said those he was currently involved with were value-add or core-plus, "but it would be good to see some core capital come in and wash through the system, which is my hope for the next year, although it might not be until 2027".

Iorgulescu said the industry had been stress-tested by events since 2020. "The data about what worked and what did not work is there, so there is optimism about the outlook," she added.

From an occupational viewpoint, Outtrim said one of the greatest challenges she faced in her work at the moment was affordability, particularly in London where prime rents "for some large buildings' rent rolls [stood at] £3m-plus".

She added: "Occupiers are pushing back, hence the moving out. But I draw hope that the strength in our sector lies in the diverse range of occupiers.

"If one sector cannot afford it, then maybe another can. Today we have heard about laundries, film studios, a huge different array of occupiers, who are part of the wide tapestry of the economy that they operate in, and when some are down, others are going to be up." □