FUTURE SPACE SHOWS IMPROVING OCCUPIER SENTIMENT, DIVERSE DEMAND DRIVERS AND ONGOING SUPPLY CHAIN EVOLUTION

- Occupiers see market conditions as slightly improved compared to six months ago, but face diverse and evolving operational challenges, with cost of labour the most significant.
- Drivers of demand for logistics real estate are multifactorial (beyond pure business expansion).
- Tech adoption and fleet evolution are strategic priorities, with implications for power availability, quality of real estate and ESG.
- Top locations for new requirements: South East, East Midlands and West Midlands.

28 January 2025

The eighth annual *Future Space* report was conducted in the final quarter of 2024 by supply chain market analysts Analytiqa on behalf of Tritax Big Box plc, owners of the UK's largest logistics investment and land development portfolio, and international real estate advisors Savills. It canvases the views of 330 occupiers, institutional investors and developers on the key trends and factors affecting the future of industrial and logistics space over the next 12-24 months and beyond.

Henry Stratton, Head of Research, Tritax Management LLP, comments: "More change is coming with ongoing supply chain networks evolution. We're seeing occupiers continue to realign their logistics real estate networks and consolidate their physical footprint. Ongoing labour challenges are likely to fuel further technology and automation adoption – increasing power demands and the criticality of adequate capacity and reliable supply, as well as demand for high-quality modern logistics facilities."

Andrew Blennerhassett, associate in the Savills research team, adds: "While occupiers appear more optimistic than last year, a recovery in 2025 looks set to be led by the investment markets. The majority of investors expect volumes to rise this year, with a focus on best-in-class units in top locations. Investors also ranked pricing aspiration as the most important factor when considering acquisitions, and much will depend on the pricing gap between purchasers and vendors, which has consistently hampered investment activity since 2022. Crucially, investors appear to be settling on a consensus for prime yields, which we believe reflects a narrowing in the pricing gap."

Key highlights for occupiers:

Occupier confidence has improved, with sentiment becoming more favourable heading into 2025.

- 39% see market conditions as more favourable than the prior six months, up from 22% in 2023. This reflects the improved but still uncertain macro-economic backdrop.
- This may also relate to the timing of the UK budget announcement and changes to employers' NI (which have a direct and indirect cost impact on businesses), which fell in the survey period.

Drivers of demand are multi-factorial. Business growth is important, but not the whole story.

- 40% of occupiers expect to take more space over the next two years and only 6% to take less – with the South East, East Midlands and West Midlands the top three locations.

- Occupiers typically identify 2 to 3 key factors – including business growth, expansion into new sectors, network consolidation, increasing automation, holding more stock and improving ESG – as influencing the decision to take new space.
- 'Business growth' was the commonly cited reason (63% of occupiers), but even those selecting this usually identify 1 to 2 additional drivers. This suggests that demand for space will continue to be supported by a wide range of strategic priorities.

Top of mind for occupiers – labour challenges and power availability.

- Occupiers face a diverse range of evolving operational challenges. When asked about the key factors impacting their business, nine issues (from rising costs to net zero carbon transition) were selected by at least 20% of occupiers. Labour costs are now the most significant factor, highlighted by 62% (2023: 41%); with labour sourcing an issue for 34%.
- Power availability has also climbed the agenda, as occupiers are increasingly conscious of the need to obtain adequate, reliable power supply. 36% cite this as a as a barrier to securing future space, compared to 11% in 2023 and 7% in 2022. This increase reflects the challenges of existing infrastructure, ongoing fleet evolution, and the rising adoption of power-intensive technologies like automation and AI.
- Labour challenges are likely to fuel higher levels of technology and automation adoption – further increasing power demands and the criticality of adequate capacity and reliable supply, as well as demand for high-quality modern logistics facilities.

Automation and tech continues to grow in importance and will drive supply chain evolution over the next three years.

- Automation and tech remain a top priority (40% and broadly unchanged from last year) with 38% intending to improve corporate-level supply chain visibility and invest in supply chain software/analytics.
- More change is coming that will drive future activity in real estate markets: 28% are looking to realign their warehouse networks (up from 17%), while 24% are consolidating their physical footprint (up from 18%). 20% of manufacturers and retailers expect to re- or near-shore some part of their supply chain in the next three years.
- 25% say they intend to increase the quantity of stock – unchanged from last year and up from 20% in 2022. This is noteworthy as a 'reset' from pandemic levels might have been expected. This lasting pandemic-related shift from JIT ('just in time) to JIC ('just in case') could suggest a structural change.

ESG themes – clean, green and a good canteen.

- When asked which technologies and themes will be most important in terms of impact over the next five years, the top four responses centred around decarbonising/greener transportation.
- Occupiers want tangible and measurable ESG initiatives. Carbon performance and renewable energy (onsite generation and storage) were ranked first and second in importance by 61% and 52%, respectively. Building environmental classifications scored lower, suggesting a priority shift towards securing detailed, data-led building performance over certification/compliance.
- 40% of occupiers ranked 'Staff wellbeing infrastructure' as first and second. This includes facilities such as a good onsite canteen, changing facilities and natural daylighting, and likely reflects the importance of attracting and retaining people in a highly competitive labour market. **ENDS**

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Notes to editors:

Occupiers accounted for 38% of the 330 survey responses, with the remaining 62% split between investors, developers and other key industry players. Our occupier sample comprises a range of sectors – from automotive and grocery to parcel delivery, manufacturers and online-only retailers – giving us a broad view of the industry.

About Tritax Big Box plc:

Tritax Big Box REIT plc (ticker: BBOX) owns, manages and develops supply chain infrastructure that is critical to the UK economy. The company has the UK's largest logistics investment and development portfolio, providing businesses with the space to succeed.

Using its sector specialism and deep market insights, BBOX proactively manages high-quality logistics assets, typically let on long-term leases with upward-only rent reviews, majoring on locations that have good access to power, connectivity and people. BBOX has market leading ESG credentials, delivering sustainable real estate solutions and capitalising on the significant opportunities arising from structurally supported occupational demand and limited supply of modern logistics real estate in the UK.

The Company is a real estate investment trust to which Part 12 of the UK Corporation Tax Act 2010 applies, is listed on the premium segment of the Official List of the UK Financial Conduct Authority (Ticker: BBOX) and is a constituent of the FTSE 250, FTSE EPRA/NAREIT and MSCI indices.

See www.tritaxbigbox.co.uk for more information.

About Savills:

For over 160 years, Savills has been helping people thrive through places and spaces.

Listed on the London Stock Exchange, we have more than 40,000 professionals collaborating across over 70 countries, delivering unrivalled coverage and expertise to the world of commercial and prime residential real estate.

By applying world research data and trends to local and global settings, we're able to empower our clients with insights from the forefront of the industry – bringing their aspirations to life through innovative, tailor-made solutions.

Whether we are working with a global corporate looking to expand, an investor seeking to sustainably optimise their portfolio, or a family trying to find a new home, we help our clients make better property decisions.