

The size and make-up of the UK warehousing sector – 2021



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Foreword



In 2015 UKWA commissioned Savills to undertake a comprehensive review and analysis of the size and make-up of UK warehousing market. Since that time, few of us could have foreseen the seismic changes that would transform our society and have such huge impact on our industry.

The new report for UKWA from Savills, which compares the latest statistics to data from six years ago, reveals the urgent requirements for more warehousing and the need for fundamental change in land use planning.

Key points include a rise of 32% overall in the number of warehousing units, a trend towards bigger warehouses, with an astonishing rise of 242% for units of 1m+ sq ft and, most telling of all, a radical change in the occupier profile of warehouses. While back in 2015, high street retailers were the dominant occupiers, now the leading occupier group is 3PLs, with increased occupation levels of 42% and – no surprises here – online retailers, who have increased warehouse occupancy by a staggering 614%!

Clearly, in the last twelve months both Brexit and the global pandemic have driven and amplified the core changes. In particular, the massive acceleration of e-commerce and home delivery. As Savills notes in the 2021 UKWA report, research from Prologis indicates that for every extra £1bn spent online, a further 775,000sq ft of warehouse space is needed to meet the new demand.

This change in shopping habits looks set to stay, and as retailers move from high street premises to online channels to serve consumer demand for home delivery, more fulfilment and distribution facilities will be needed to support the new normal.

Our sector is currently the fastest growing in the economy, and it is essential that the Government recognises this and shapes planning policy accordingly. While we hear a great deal about building 250,000 new homes each year over the next five years, the fact that this will create a million new delivery points seems to have been largely overlooked.

It is high time for warehousing to be baked into planning policy, in the same way that GP surgeries and schools are an accepted part of infrastructure planning.

As Kevin Mofid, Head of Industrial Research at Savills, says in the report summary, the growth of the UK warehousing sector over the last six years should be seen as a nationwide success story. The sector has been pivotal in supporting the growth of online retail and the delivery of thousands of new jobs, and it will continue to be in the spotlight as the global economy recovers from the effects of the pandemic.

This important new report for UKWA from Savills provides a powerful evidential basis for our continued calls for land use reform and creates a clear case for putting warehousing and logistics at the heart of future planning. ■



Our 2015 report identified just over 1500 individual warehouse units used for storage and distribution, which accounted for almost 428m sq ft of warehouse space. Since 2015 this figure has risen by 32% and now stands at 566m sq ft, a rise of 138m sq ft over six years.



The trend for larger warehouse units has seen the average sized unit increase from 217,000 sq ft in 2015 to 340,000 sq ft in 2020. In the corresponding period, the average eaves height of warehouses has increased from 11m to 14m.

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Methodology & Caveats

To prepare a dataset for our 2015 report, Savills worked with UKWA to analyse data from a number of proprietary and secondary data sources, including the Valuation Office, to build a comprehensive database of warehouse units in Great Britain over 100,000 sq ft.

Since 2015 Savills has maintained this database to be able to provide up to date information on the size and make-up of the UK warehousing sector.

In the six years since our initial report, 444 warehouses have been added to our database either through speculative construction or build-to-suit transactions.

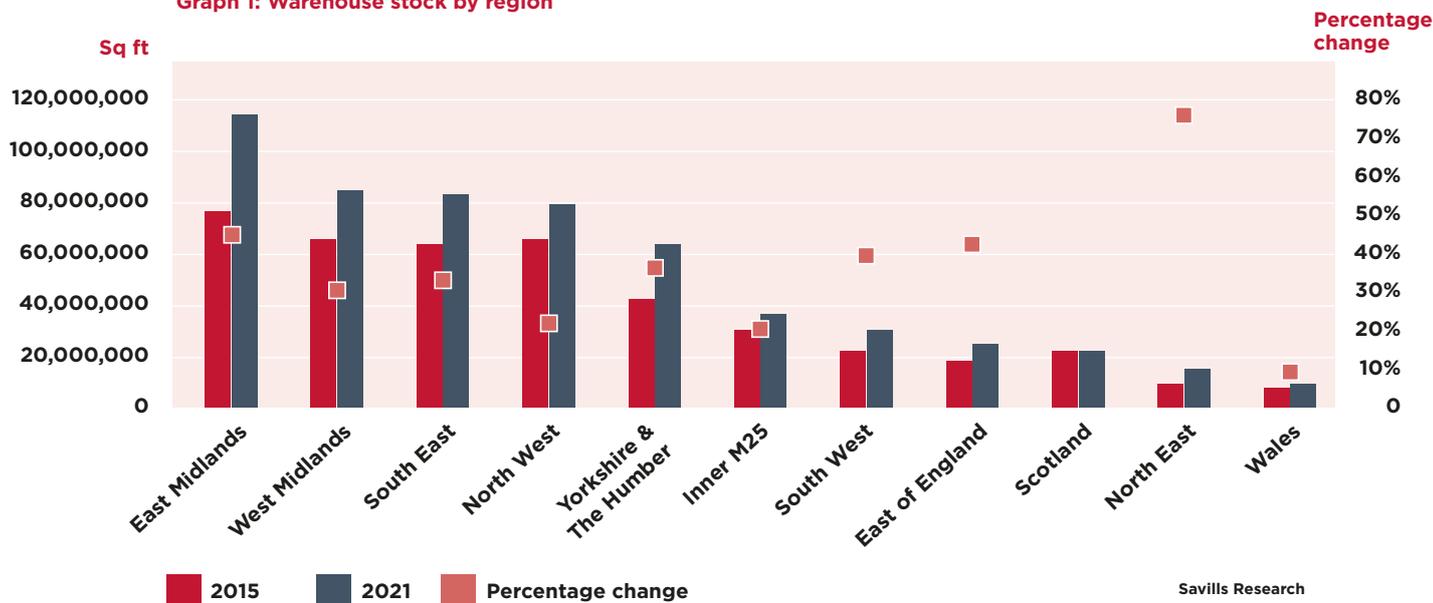
The UK Warehousing Sector

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Location

At a regional level, however, the picture is slightly more nuanced, with different regions seeing larger rises than others. For example, in the East Midlands, the region which already had the highest amount of warehouse stock in the UK, the position has been amplified further as the total amount of warehouse space has risen by 45% and now stands at 114m sq ft.

Graph 1: Warehouse stock by region



Coming from a lower base, with just 10m sq ft of warehouse space identified in 2015, is the North East, where stock levels have risen by 75% to stand at 17m sq. This has been driven for the most part by a number of large scale fulfilment centres opened by Amazon.

Perhaps surprisingly, given the propensity for higher land values and rental levels, is that total stock levels have increased by 27m sq ft in London and the South East, reflecting a rise of 29%. This means that the South East of the country now has over 120m sq ft of warehouse stock.

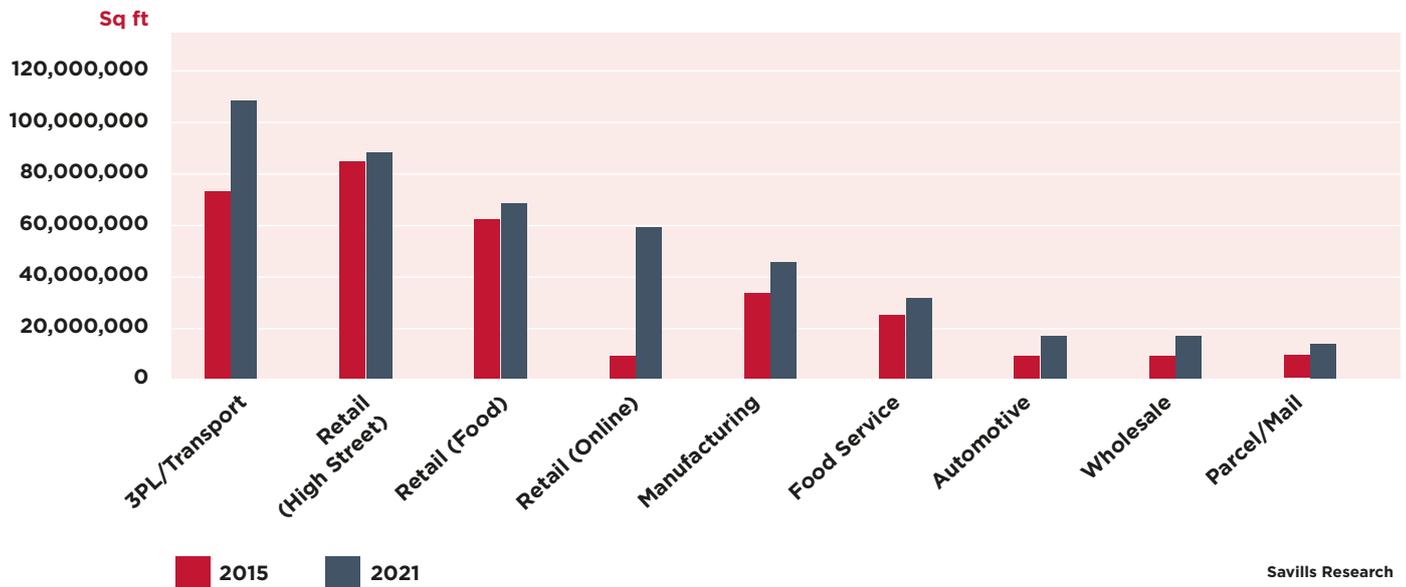
Looking at the East and West Midlands clearly demonstrates the continued importance of the “Golden Triangle.” This makes up 35% of the total warehouse stock in the country. There has, however, been a noticeable shift in the centre of gravity eastwards, with the total stock rising in the East of England by 41%, compared to 28% in the West Midlands.

Occupier mix

To analyse the market by the types of company that occupy warehouse space, we have grouped companies into different categories, such as 3PL, retailer or manufacturer.

However, there are companies that do not fall neatly into these categories, such as waste management companies, data centre operators or film studios. Combined, these account for 114m sq ft of warehouse space in the UK.

Graph 2: Who occupies warehouse space?



Taking the remainder of the sample identifies a number of interesting trends since our 2015 report. For example, back in 2015 high street retailers were the dominant occupiers of warehouse space, accounting for 84m sq ft of the database. Since 2015 they have increased their total footprint by just 5% and now account for 89m sq ft of warehouse space. The leading occupier group in our 2021 survey is the 3PL sector, which in six years has increased the amount of warehouse space in occupation by 42% and now accounts for 106m sq ft of stock.

The largest jump, however, has been by online retailers, who have increased their warehouse footprint from 8m sq ft to 60m sq ft, a rise of 614%. This should come as no surprise, given the structural change we have witnessed in the retail sector. Indeed research from Prologis states that for every extra £1bn spent online a further 775,000sq ft of warehouse space is needed to meet the new demand.

Other notable sectors to see increase in warehouse space are the wholesale and parcel sectors, which have benefited from the continued shift towards online retail. These sectors have seen their footprints increase by 73% and 51% respectively.

The data also highlights the continued overall growth of the UK manufacturing sector, with warehouses operated by manufacturing and automotive companies increasing by 43% to account for 64m sq ft of our sample.

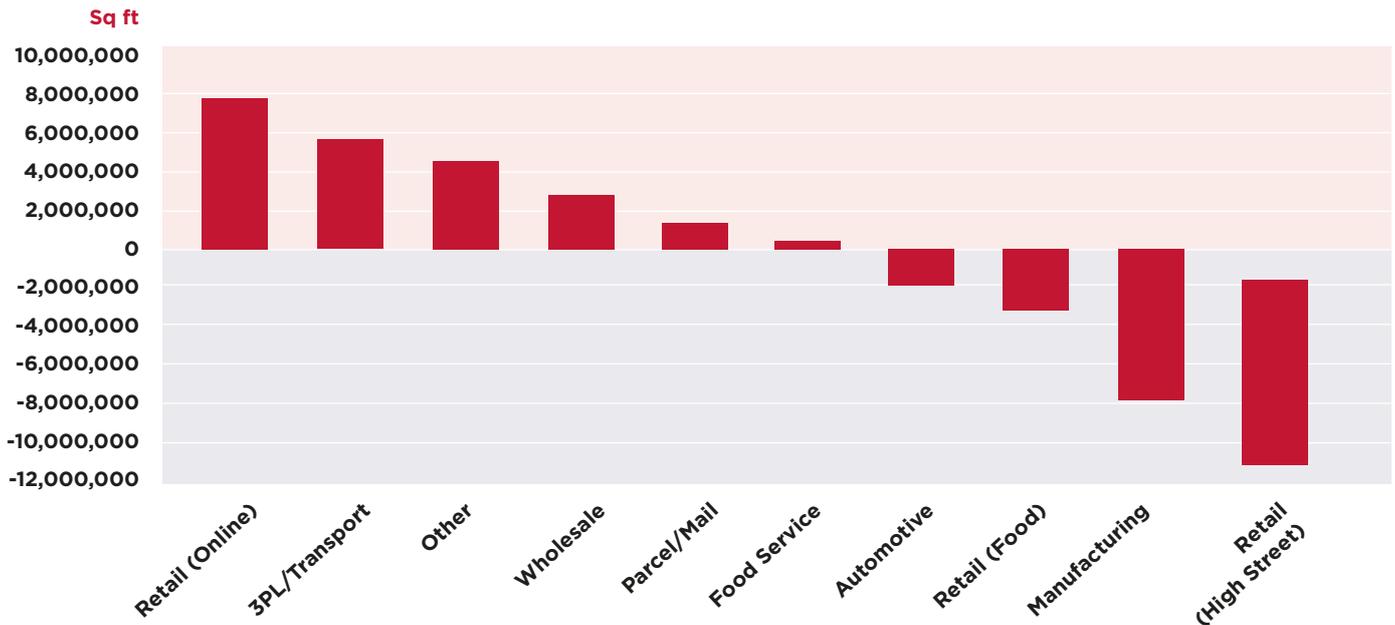
What has happened to second-hand warehouses?

Since 2015 Savills has tracked 66m sq ft of new leases or sales for second-hand warehouses. Savills has compared the previous occupier of a unit with the incoming occupier, and while these transactions do not add to the total stock level it is interesting to note trends in the occupier mix that demonstrate how warehouse facilities are being used.

Following a number of high profile administrations such as Debenhams, Mothercare and Arcadia it comes as little surprise that High Street retailers saw the largest net decline of space in the second-hand market with their footprint decreasing by 10m sq ft over 6 years. Grocery retailers also saw the amount of space occupied decline by 3.5m sq ft over the same period.

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Graph 3: What has happened to second-hand units?

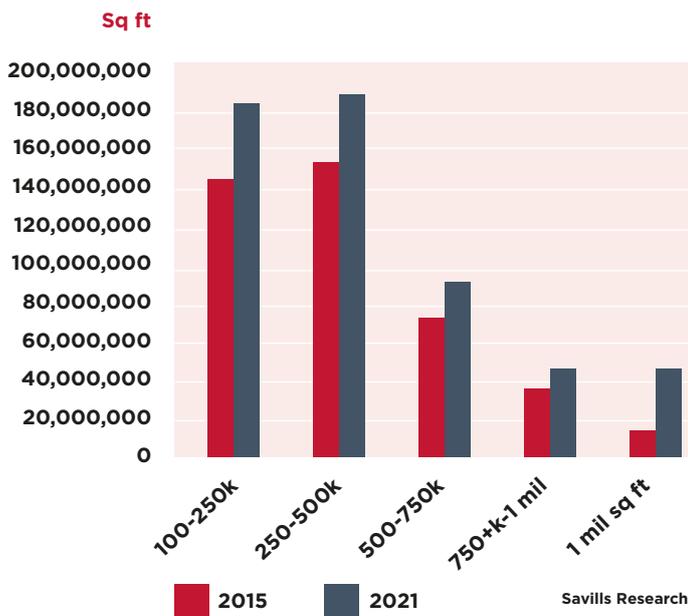


Savills Research

Following wider structural trends, online retailers have gained the most space in the second-hand market, accounting for a net change gain of almost 8m sq ft. Combined with the parcel and wholesale sectors, this rises to a net position of 12m sq ft of additional second-hand space let to companies operating in and around online retail.

The manufacturing and automotive sectors also saw the amount of second-hand space occupied decrease by 10m sq ft. However, it would seem manufacturing companies are actually “trading up” and moving from older premises to more modern facilities, as the numbers for their overall footprint have increased since 2015.

Graph 4: Warehouses are getting bigger



Savills Research

How big are warehouses getting?

Since our last report in 2015, there has been a clear trend showing that warehouses are getting larger in size and scale. While warehouses under 500,000 sq ft still account for the majority of units, making up 66% of the stock, units over 500,000 sq ft now make-up 34% of the stock, up from 30% in 2015.

Key to this has been the dramatic increase in units over 1m sq ft. In 2015 units over 1m sq ft accounted for just 14m sq ft of the total stock; in the six years since, this has risen by 242% to 48m sq ft and accounts for 9% of the total stock, up from 3% in 2015.

The trend for larger warehouse units has seen the average sized unit increase from 217,000 sq ft in 2015 to 340,000 sq ft in 2020. In the corresponding period, the average eaves height of warehouses has increased from 11m to 14m.

This is likely to continue and will mean proposed sites for warehouse development will be built out at a faster rate than their predecessors.

Where next for the warehousing sector?

The growth of the UK warehousing sector over the last six years should be seen as a nationwide success story as the sector has been pivotal in supporting the growth from online retailers, manufacturers and logistics companies, and has supported the delivery of thousands of new jobs.

The sector will be even more in the spotlight as the global economy recovers from Covid-19 and shoppers continue to spend online, while manufacturers look to store more inventory closer to home to avoid the supply chain disruption that has been experienced in more recent times.

Research from Forrester states that by 2025 online retail will account for 35% of all retail, which means that at least 64m sq ft of additional warehouse space will be needed for that sector alone.

A 2020 paper from Savills also suggests that for every additional £1bn invested in manufacturing processes, an additional 175,000 sq ft of warehouse space is needed in the wider supply chain.

Coupled with the fact that warehouses are getting bigger, this means that sites capable of delivering large scale warehouse space will be developed out much quicker than historical trends suggest.

It is therefore crucial that policy makers appreciate the size and scale of the industry in its present form, but also understand that all forecasts point to continued and amplified growth, which will require more land to be allocated for this critical use. ■

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