

UKWA REPORT 2024

THE SIZE AND MAKE-UP OF THE
UK WAREHOUSING SECTOR

In Association
with Savills

savills

Foreword

by Clare Bottle



This latest report from Savills on the size and structure of the UK warehousing property market is key to celebrating 2024 as The Year of Warehousing, providing powerful evidence of the critical importance of our sector not only to supply chains, but to the UK economy and to our national lives.

The picture is of sustained growth, continuing demand and the adaptability to respond to changing social and supply chain trends, from online shopping to near shoring.

The report states that, “The role of the warehouse has never been more important, and the amount of warehouse space needed continues to rise.” This is in part because warehouses have become central hubs of supply chain activity, absorbing tasks traditionally undertaken upstream by manufacturers and downstream by retailers. Goods are not just stored in warehouses, but are reworked, assembled, personalised, packaged and dispatched. Warehouses manage returns, repairs and recycling, and have become a vital part of the circular economy.

These activities require more space, more people and more technology. At the same time, global geopolitical events, most recently the Red Sea attacks, have underlined the potential instability of long supply chains, leading to an increasing number of manufacturers holding more inventory closer to consumer markets to shore up supply chain resilience. These twin pressures are driving not only the proliferation of warehouses, but growth in the

physical dimensions of buildings. In the decade since Savills produced our first report, development of warehouses of over 1 million sq ft has risen by a staggering 345%.

Interestingly, 3PLs remain the leading warehouse occupier group in 2024, with online retailers accounting for the largest increase in occupation by a huge margin. This points to a need for more warehouses built close to population centres and alongside motorway corridors, to meet the ever shorter delivery demands of online consumers.

We have a considerable challenge ahead. While warehousing is seeing tremendous growth and a continued demand for space, we are still grappling with a planning system that is not fit for purpose, and local authorities averse to granting permission for the construction of large buildings like warehouses.

There is also an acute shortage of both high quality buildings and potential development land, yet the current government remains over-focused on delivering residential housing supply, to the detriment of the supporting infrastructure that can bring economic and societal benefits, such as local employment.

With a general election in prospect, it is vital in The Year of Warehousing that we communicate effectively our sector’s role in the national economy and look to a future government for the recognition and support we deserve. This timely report helps arm us with the tools to achieve that aim.



Methodology and 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 continue to provide up to date information on the size and make-up of the UK warehousing sector.

Background

The last update to this report was released in 2021, just over a year after the onset of the Covid-19 global pandemic. In the three years from 2020, take-up records were set and then broken, and the availability of warehouse space shrank to the lowest levels ever recorded. The pandemic situation shone a light on the importance of supply chains and the role that warehouses play in them. As the world moves on from the pandemic, many of the issues remain as topics of conversation for boardrooms around the world, particularly around supply chain resilience and the shift towards net zero. The role of the warehouse has never been more important and the amount of warehouse space needed continues to rise. This research helps the industry and policy makers quantify how important the sector is.

In the decade since our first report, warehousing has grown by

61%

and in the last three years alone by

22%

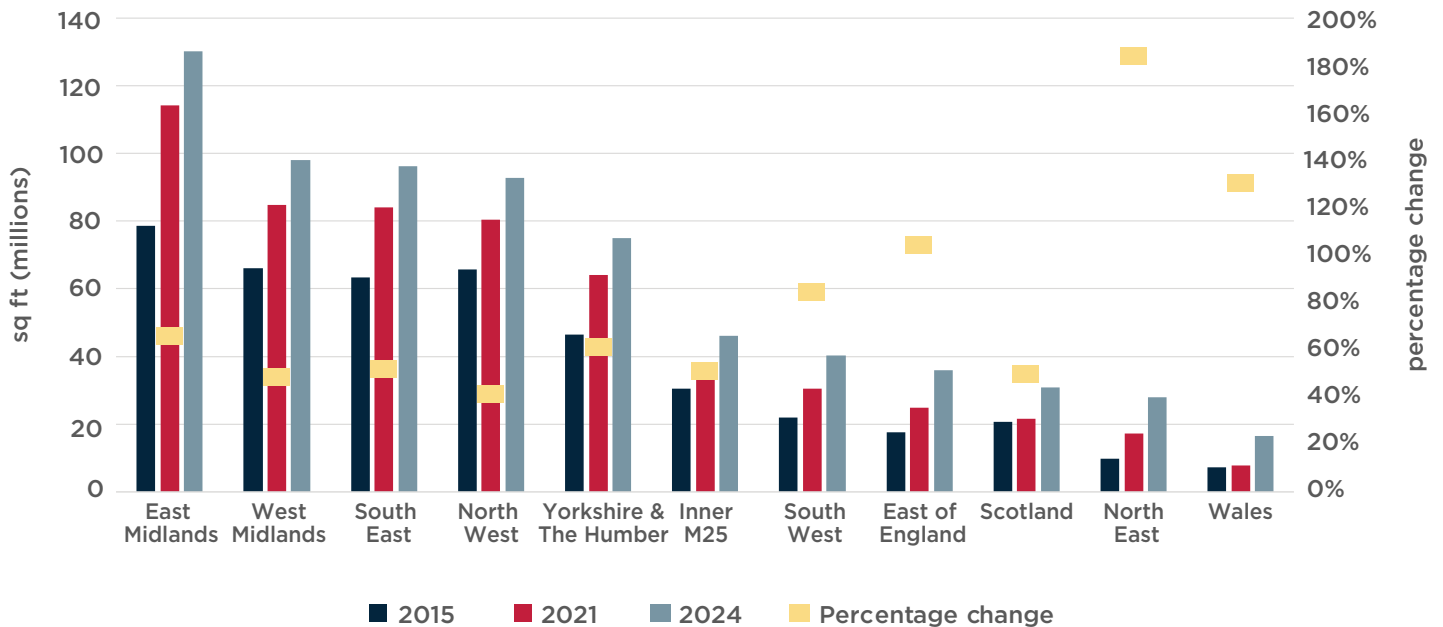
The UK Warehousing Sector

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. By 2021 this figure has risen by 32% and stood at 566m sq ft, a rise of 138m sq ft over six years, and made up of 746 new units. In the three years since our last edition in 2021 the market has grown by 22%, a rise of 124m sq ft and now stands at just shy of 690m sq ft.

The role of the warehouse has never been more important and **the amount of warehouse space needed continues to rise**

Location

Warehouse stock by region



At a regional level there have been many interesting developments in the total stock picture. As was the case in 2015, the East Midlands remains the largest market for total warehouse inventory, having risen 66% and now accounting for 130m sq ft of space, a rise of 51.5m sq ft.

The other core markets, which straddle the motorway network in England, have also continued to see growth. On average the West Midlands, South East, Yorkshire and the South West have seen growth of 61%.

One anomaly in the core markets has been in the North West, however, where the total stock has risen by just 41% and now stands at 92.7m sq ft. This correlates

with data from Savills regarding land supply for future warehouse development, which highlights the fact that the Northwest has the lowest amount of development land allocated of all of the core markets.

Whilst the core regions have continued to see growth in the amount of warehouse space developed over the last decade, the out performance, however, come in the more peripheral markets.

The continued spread eastward of the Golden Triangle continues to be proven in our data, with the East of England seeing growth of 104%, now standing at 36m sq ft, up from 17.7m sq ft in our first edition.

The Golden Triangle has continued to spread eastward, with the amount of warehouse space developed increasing by **104% over the last 10 years**

Occupier Mix

In order to analyse the market by the type of companies that occupy warehouse space we have grouped companies into different categories, such as 3PL, retailer or manufacturers. However, there are companies that do not fall neatly into our categories, such as waste management companies, data centre operators or film studios. Combined, these “other” companies account for 121m sq ft of warehouse space in the UK, a rise of 15m sq ft since 2015.

Taking the remainder of the sample, a number of interesting trends can be identified since our 2015 report. For example, back in 2015, High Street retailers were the dominant occupier of warehouse space, accounting for 84m sq ft of the database. Since 2015 they have increased their total footprint by just 15% and now account for 97m sq ft of warehouse space. The leading occupier group in 2024 remains the 3PL sector, which has increased the amount of warehouse space occupation by 70% and now accounts for 128m sq ft of stock.

The largest jump, however, has been by online retailers who have increased their warehouse footprint from 8m sq ft to 69m sq ft, a rise of 813%. This should come as no surprise given the structural change we have witnessed in the retail sector, amplified by the pandemic. However, the pace of growth has fallen as the sector has become more mature, adding 17m sq ft of space since 2021. However, with online retail forecast to keep growing over the next decade, we can be sure to see this segment of the market continue to grow.

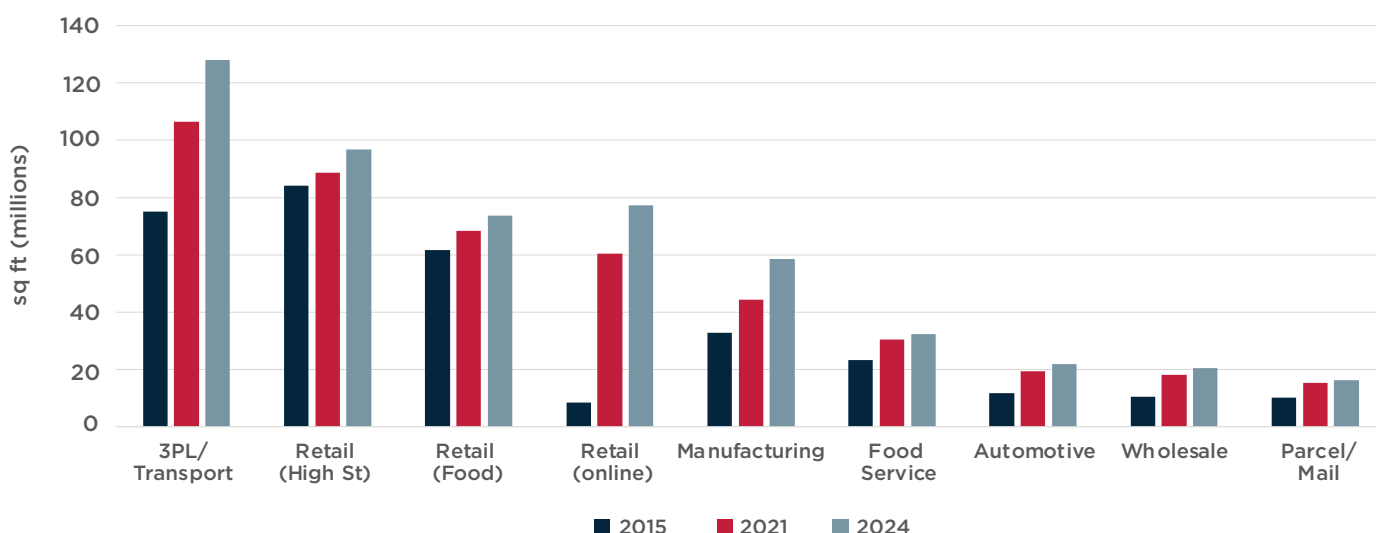
The largest increase in occupation is by online retailers, who have increased their warehouse footprint from 8m sq ft to 69m sq ft, a rise of

813%

Given the continued pivot away from traditional bricks and mortar retailing, it is interesting to note that the least growth since our original report has been in the High Street retail sector, with just 15% growth since 2015, and now accounting for 97m sq ft of warehouse space.

Since the pandemic, much has been made of the concept of near/re-shoring as supply chains continue to adapt to global instability. This is highlighted by our data, which shows that since 2021 the sector that has seen the most growth is manufacturing, which has risen by 32% and now accounts for 58.5m sq ft of warehouse space. We expect this element of the market to continue growing as companies look to bring elements of their manufacturing processes closer to home.

Who occupies warehouse space?



Warehouses are getting larger in size and scale



How big are warehouses getting?

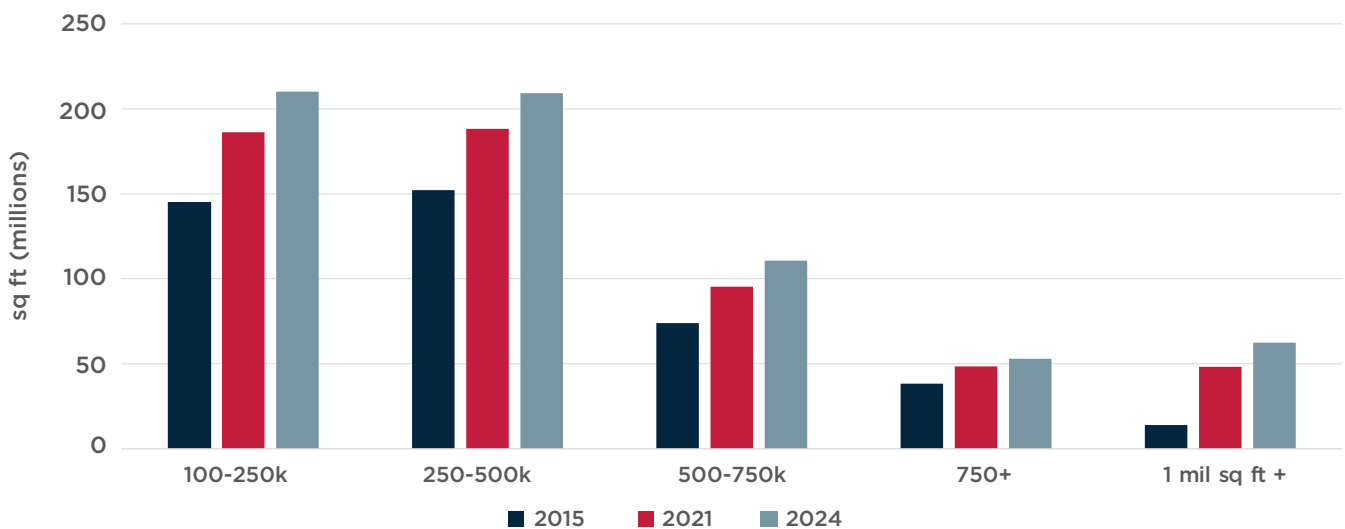
Since our last report in 2015 there has been a clear trend showing that warehouses are getting larger in size and scale. Whilst warehouses under 500,000 sq ft still account for the majority of units, making up 65% of the stock units, warehouses over 1m sq ft now make up 10% of the stock, up from just 3% 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 14m sq ft of the total stock; in the years since, this has risen by 345% to 63.5m sq ft.

The number of warehouses over 1 m sq ft has risen by a staggering

345%

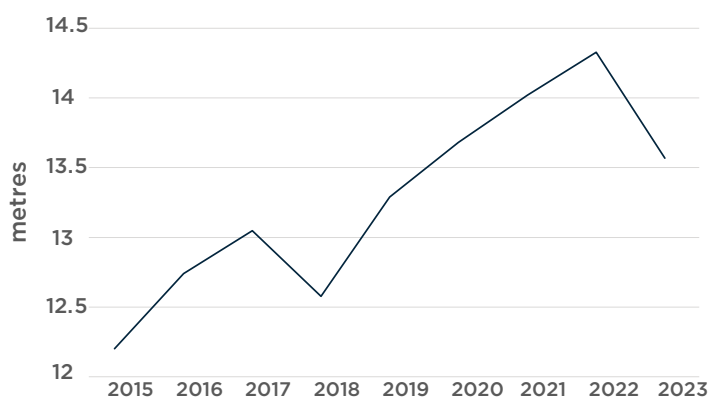
Warehouses are getting bigger



This trend for larger warehouse units has seen the average sized, build-to-suit unit increase from 297,000 sq ft in 2015 to 333,000 sq ft in 2023. This trend is likely to continue and will mean proposed sites for warehouse development will be built out at a faster rate than their predecessors.

One interesting development has been in regard to the eaves of newly constructed units. For speculatively constructed units the average eaves height has been steadily rising from an average of 12.2m in 2015 to a high point of 14.2m in 2022. 2023 however saw this average fall back to 13.6m, a possible explanation being the reticence of planning departments to approve planning permission on taller units.

Eaves height of newly constructed units



Where next for the warehousing sector?

If the last ten years in the warehouse sector have been characterised by growth, what do the next ten years bring for the sector?

According to Statista, online retail penetration is set to pass 30% in the UK by 2028, meaning we continue to expect online retailers to increase their share of the warehouse market. We are also starting to see evidence of a greater proportion of warehouse units being taken by manufacturing units, either for their wider supply chain or the undertaking of certain manufacturing processes. Countless survey data supports this trend, indeed the latest data from the Savills Future Space occupier survey demonstrates that almost 30% of occupiers are increasing their inventories and 20% are actively considering shortening their supply chains through near or reshoring initiatives.

However, whilst we remain confident of the continued growth story, the next decade will see greater emphasis on more strategic issues dominated by the ESG agenda.

The electrification of delivery fleets and warehouse automation will become more common, and warehouses will have to meet this challenge by providing enough power, a monumental challenge while the grid is constrained. This will lead to greater innovation, with onsite power generation such as roof-top solar. As the market evolves, we may start to see future hot spots emerge, where power availability in the grid is less constrained. However, warehouse operators will have to think holistically as

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shifting geographies may come with compromises such as increased transport costs or reduced labour availability.

We will also see greater emphasis on the ESG certification of warehouses through EPCs, or other schemes such as BREEAM or LEED. At the time of writing 66% of the warehouse stock in the UK has an EPC of C or below, and by April 2030 all units must have an EPC of B or above in order for a new lease to be signed.

More than ever, the challenge for warehousing will come on two fronts and policy makers should be mindful of both. Firstly, providing enough land via the planning system for the continued growth of the sector and secondly, ensuring that policy around existing units facilitates the upgrade of buildings to meet the ESG goals of the future.



UKWA is the leading trade organisation solely dedicated to warehousing. We help our members operate safely, ethically, and profitably, safeguarding industry standards and ensuring their views are represented clearly and effectively to government.

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