

SOUTH COAST INDUSTRIAL MARKET PULSE Q4 2025

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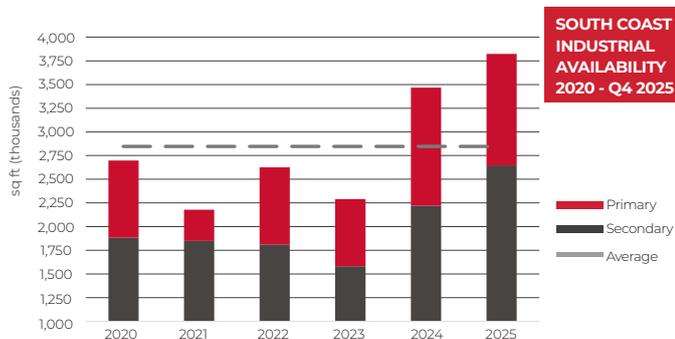
The final Bank of England meeting resulted in an interest rate cut of 0.25 percentage points, reducing the rate to 3.75%. This followed the uncertainty of a highly publicised budget, reflecting a gradual approach from the MPC in reducing rates through the course of 2025 as inflation fell towards their 2% target. Further interest rate cuts remain in the balance, as the committee's reduction in December was agreed by a narrow majority.

Supply has reduced against the previous quarter but remains above the 5-year average. The reduction in supply is primarily weighted towards prime rather than secondary stock. There were close to record levels of take-up during Q4 when compared to previous quarters. Annually, take-up was above the 5-year average, more akin to levels seen in 2023. Interestingly, the volume of deals was lower, 51 fewer than the previous year, but with the average deal increasing by 58%. This reflects a shift in occupiers completing larger transactions than those seen during 2024. This results in an increase of 376,540 sq ft of take-up against the previous year. This highlights the importance of delving into the statistics, which LSH's dedicated and award-winning Industrial & Logistics team are happy to oblige.

Enquiry levels increased during Q4, reflecting a trend of positive occupier sentiment witnessed in the latter stages of the year. Headline rents have been cemented through multiple transactions at £14.50 psf for prime mid-box units across the region, with £14.75 psf achieved on the sub-20,000 sq ft range at Kingsbridge's BREEAM Outstanding development at Ferne Park, Segensworth.

AVAILABILITY

- Supply levels on the South Coast stand at 3.82 million square feet at the end of Q4, showing a reduction from Q3 (-1.12%) but marking an increase of 10.29% year on year. Availability remains above the 5 year average, with the notable increase being secondary stock.
- Prime stock reduced by 93,990 sq ft (-7.39%) against Q3 and by 70,762 sq ft YoY (-5.67%). Secondary stock increased by 50,690 sq ft (1.95%) against Q3 and by 427,464 sq ft (19.26%) YoY. This highlights growing levels of take up for prime stock, with occupiers having greater choice between higher levels of supply.
- Historically, supply reduces during Q4; however, secondary levels continue to rise YoY while prime supply reduces. This supports our evaluation that prime stock continues to be in higher demand than secondary, even with greater competition and more competitive terms available in the secondary market.
- At quarter end, 66 units were under offer, totalling 666,992 sq ft (17.44% of total supply), with prime supply accounting for just under half of those under offer across 13 units.
- Fifty one new properties entered the market during Q4, totalling 572,316 sq ft, comprising 4 prime units and 47 secondary. Notable prime listings include Unit 17, East Horton Business Park (2,215 sq ft) in Fair Oak and Units 20 & 21, Glenmore Business Park in Southampton (995 sq ft & 1,352 sq ft).
- Notable secondary additions include the detached warehouse at Test Lane, Nursling (56,252 sq ft) and Warehouse K, Western Docks, Southampton (26,137 sq ft).
- Supply levels within Southampton and Romsey account for almost 40% of total supply, with Eastleigh/Chandlers Ford and Portsmouth being significantly lower.



The vital statistics have been summarised below:

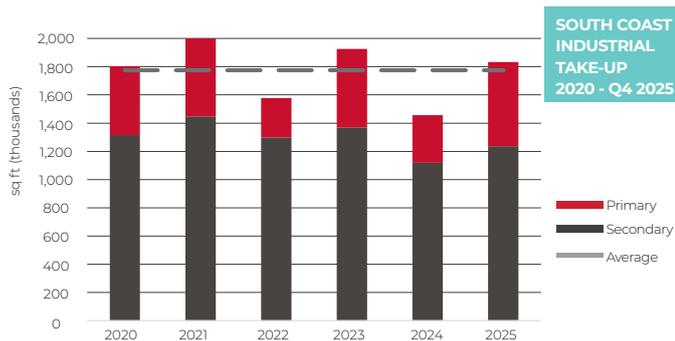
	Q4 2025 (sq ft)	Q3 2025 (sq ft)	% Change	% Change Y-on-Y
TOTAL STOCK	3,824,559	3,867,859	-1.12	10.29
PRIME STOCK	1,117,137	1,271,127	-7.39	-5.67
SECONDARY STOCK	2,647,422	2,596,732	1.95	19.26

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TAKE-UP

- Take up for Q4 2025 totalled 611,636 sq ft, rising by 216,027 sq ft (54.61%) on Q3 and 277,299 sq ft (82.94%) year on year. A total of 66 transactions completed during the quarter (+14 on Q3 and 13 YoY), with the average deal size increasing to 9,267 sq ft, up 21.8% on Q3 and 119% YoY.
- Prime take-up totalled 270,927 sq ft, an increase of 256,760 sq ft (1,812%) on Q3 and 177,761 sq ft (190%) YoY. During Q4 2025, there were 11 prime transactions, with an average deal size of 24,630 sq ft. For context, Q3 2025 saw only 5 prime transactions with an average deal size of 2,833 sq ft, while Q4 2024 recorded 18 prime transactions averaging 5,176 sq ft. This level of prime take-up has been driven by a number of larger transactions, with four deals alone accounting for 187,027 sq ft.
- Secondary take-up totalled 340,709 sq ft, a decrease of 40,733 sq ft (-10.68%) against the previous quarter but an increase of 99,538 sq ft (41.27%) YoY. During Q4, there were 55 secondary transactions with an average deal size of 6,195 sq ft. For comparison, Q3 2024 saw 47 transactions averaging 8,116 sq ft, while Q4 2024 recorded 61 transactions averaging 3,954 sq ft.
- A total of 197 transactions were completed in 2025, down from 248 in 2024, with the average deal size increasing from 5,875 sq ft in 2024 to 9,308 sq ft in 2025. Overall take-up of 1,833,605 sq ft is similar to 2020. This represents an increase of 376,540 sq ft on 2024, which recorded the lowest level of sq ft transacted but the highest number of deals. This reflects the shift in occupier demand, with a greater level of activity in the mid-box sector.



The vital statistics have been summarised below:

	Q4 2025 (sq ft)	Q3 2025 (sq ft)	% Change	% Change Y-on-Y
TOTAL STOCK	611,636	395,609	54.61	82.94
PRIME STOCK	270,927	14,167	1812.38	190.8
SECONDARY STOCK	340,709	381,442	-10.68	41.27

Significant Occupational Transactions:

Property	Size (sq ft)	Landlord	Tenant	Terms	Rent (£psf)
Unit 5 Mountpark, Southampton	74,390	Aviva	Muc Off	10 years	£14.50
Unit 3 Ferne Park, Segensworth	54,239	Kingsbridge	Kelvion	15 years	£14.25
Unit 3 Sopwith Park, Segensworth	32,195	Aviva	Kraken Technology	9 years	£14.50
Unit 7 Langstone Park, Havant	26,113	XLB Estates	Fugro	10 years	£13.75

ENQUIRIES

- Enquiry levels in Q4 2025 were up on the previous quarter (28%) and on Q4 2024 (15%). This represented an increase across all size ranges, with the most significant rise being in units above 30,000 sq ft, resulting in total enquiries exceeding the quarterly average.
- The total number of enquiries during 2025 was lower than in 2024 (-22%), when a higher volume of deals was recorded, but enquiry levels remained above those seen in 2023 and 2022.

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INVESTMENT COMMENTARY

- While Budget uncertainty remained a feature of the wider economic backdrop, Q4 marked a clear rebound in activity, driven by renewed portfolio investment and record volumes in South East multi lets.
- Industrial volume rebounded to £3.9bn, the strongest quarter since Q4 2021 and 56% above the five-year average. This lifted total annual volume to £8.7bn, up 4% on 2024, although despite the strong year end, it remained 14% below the five-year average, reflecting a quieter first three quarters.
- Q4 performance was fuelled by record portfolio investment, with £2.2bn transacted across 13 deals. This was anchored by Tritax Big Box REIT's £1.0bn acquisition of the Project Centurion portfolio from Blackstone, the second-largest industrial transaction ever recorded.
- Distribution warehouses dominated in typical fashion, with volume reaching £2.6bn—more than four times the volume of Q3 and 71% above the five-year average. However, South East multi-lets stole the headlines, achieving a record £956m, boosted by Sixth Street's £345m acquisition of the C6 Industrial portfolio. In contrast, regional estates recorded £375m of volume, 30% below average.
- On the South Coast, the team at LSH were involved in the sale of three multi-let estates in Q4, all of which completed in the week before Christmas. These included the off-market sale of Phase 2 Adanac Park, Nursling, for £30.5m, reflecting a NIY of 5.1%, on behalf of Oceanic Estates to CBREIM. In addition, two sales were completed for Columbia Threadneedle: Solent Gate, Fareham, sold to Clipstone for £9m, and two units on Mitchell Way, Portsmouth, sold to Caisson Barwood for £4.25m.

CONCLUSION

- Rental growth on the South Coast continued to strengthen through Q4, with multiple transactions supporting prime rents of up to £14.75 psf. The depth of demand for high-quality space suggests further upward pressure, and we anticipate prime rents reaching £15 psf during 2026, particularly within the larger multi-let and mid-box sectors.
- This rental performance has been underpinned by a series of notable prime transactions across the region. Kingsbridge Estate's two lettings at Ferne Park, Segensworth, and XLB's pre-let at Langstone Park, Havant, clearly demonstrate that occupiers remain willing to pay a premium for best-in-class product. These schemes combine strong ESG credentials, including BREEAM and EPC enhancements, with high-quality business park environments and on-site amenities, factors that continue to resonate with occupiers. Aviva Investors have mirrored this success through their comprehensive refurbishment programme, elevating returned secondary stock to a standard capable of achieving rents comparable with prime space.
- Looking ahead to 2026, the outlook is increasingly positive. With fewer barriers to occupier decision-making and a more stable economic backdrop, we expect momentum to build further. The South Coast's fundamentals, its skilled labour force, established defence and manufacturing base, and port-centric economy, remain key drivers of sustained demand. With second-hand supply levels expected to ease and limited new development in the pipeline, a tightening of prime availability is likely if current demand levels persist, supporting continued rental growth into the year ahead.

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