

Press Release 2023



SMALL IN SIZE, BIG IN DEMAND! - SUB 5000 FT² INDUSTRIAL MARKET COMMENTARY'

The industrial property market has shown notable resilience throughout 2023, with sustained demand for small units and a continued lack of supply due to limited new build stock being brought forwards in the sub 5,000 sq ft market. Investors continue to be drawn to the sector's stability, with vacancy rates remaining low and rents remaining robust despite the challenges in the wider economy.

Given the fledgling nature of many of the occupiers in the sub 5,000 sq ft market, we see strong demand for properties which can offer shorter, more flexible leases incorporating tenant break options which allow occupiers to expand or contract should their property needs change. Landlords who own property in the small industrial sector are well served to offer simple lease agreements to give occupation quickly to tenants who can otherwise become frustrated by delays in prolonged legal negotiations.

Viability of new-build industrial developments offering small units to cater for local demand continues to be challenging given the level of build cost and uncertainty over long term values. As such we expect the mismatch between supply and demand to continue, which will only serve to keep rents at sustainable levels and marketing periods low. Since the 2030 Agenda for Sustainable Development was announced in 2015, up to date regulations have seen developers take on increased costs as they have needed to incorporate eco-friendly materials and technologies into their practices to construct energy efficient, environmentally friendly properties. These measures, while crucial for long term environmental benefits, pose financial challenges to developers.

There is an increasing demand for owner-occupied industrial units below 5,000 sq ft due to growing interest from small, local businesses seeking designated spaces. Entrepreneurs are increasingly opting to own rather than lease, driven by stability and long term cost benefits. The market for freehold industrial units continues to be scarce, further provoking copious demand for the units which are being brought to the market. Furthermore, as the industrial property market is a focal point for investors, it is becoming increasingly difficult for small businesses to secure and occupy these properties against the capital of investors.

For further information, please contact Guy Mills on 07887 787 884 or guy.mills@fhp.co.uk.

ENDS

Guy Mills
November 2023

Fisher Hargreaves Proctor Limited is the region's leading commercial property consultancy.
Visit our website: www.fhp.co.uk

To find out more please call:

Nottingham | **Birmingham** | **Derby**
0115 950 7577 | **0121 752 5500** | **01332 343 222**

Nottingham Office
10 Oxford Street | Nottingham | NG1 5BG

Birmingham Office
122-124 Colmore Row | Birmingham | B3 3BD

Derby Office
North Point | Cardinal Square |
10 Nottingham Road | Derby | DE1 3QT