BIG THINGS IN SMALL BOXES

The leading report on the sub-100k sq ft Industrial and Logistics market

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BIG THINGS IN SMALL BOXES

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Foreword by Jason Rockett

Managing Director, Potter Space.

More than ever, we need to harness small to mid-box as the engine of growth.

The UK Government has set out clear ambitions through its Modern Industrial Strategy and planning reforms to drive economic growth. However, by not recognising the important role the small to mid-box sector must play in enabling large scale economic expansion, do these measures go far enough?

Welcome to our market-leading research: BIG things in SMALL boxes (BTISB) 2026. This is our fourth edition, focusing on the small to mid-box (sub-100k sq ft) industrial and Logistics (I&L) property sector.

Commissioned by Potter Space and conducted by Savills, BTISB provides crucial insights into this often overlooked but highly significant economic segment for industry stakeholders, policymakers and businesses. This report differs from previous years by including valuable insights from David Smith, economics editor, The Sunday Times, Clare Bottle, CEO of UKWA, as well as the real business stories of Falcon Contract Flooring and Lodi UK and their search for space.

The I&L market as a whole contributes £128bn to the economy each year. 4.5m people are employed in I&L units. Sub-100k sq ft specifically makes up 95% of all units. It is unmatched in its occupier diversity, hosting businesses ranging from last-mile logistics to aerospace and specialist R&D.

Previous reports explored historic stock supply and quality challenges, the spectre of suppressed demand holding back growth and the looming EPC cliff edge. We offered solutions revolving around planning reform, support for sustainable stock and increased industry collaboration. We have continued to champion the sector and long called for it to receive the recognition and policy support it deserves.

Recently, we have seen positive signals from the Government as part of its pro-growth economic agenda. The National Planning Policy Framework (NPPF) emphasises facilitating the needs of a modern economy, including identifying suitable locations for freight and logistics. This sits alongside the Government's Modern Industrial Strategy, which acknowledged the role of I&L in supporting key growth sectors.

We welcome these announcements and believe they demonstrate positive intent. The small to-mid box I&L sector could be an essential tool in the Government's ambitions to grow the economy, but there needs to be change, otherwise this pro-growth rhetoric will be meaningless.

Our latest report revisits the chronic undersupply of small to mid-box space and the missed opportunities it represents. Despite challenging economic and political conditions, demand from businesses has been resilient and a lack of supply remains an issue. This year's data shows that if the supply of small to mid-box hadn't been constrained, businesses would have taken 35% more space across the country over the past decade, which equates to a shortfall of 60m sq ft and a loss of £3.3bn in direct GVA to the UK economy.

The Government needs to be bold when addressing the planning obstacles holding back the sub-100k sq ft market.

We urgently require a collaborative approach where planning committees, local councils, Mayoral authorities and national policymakers understand and adopt policies to support the growth of the small to mid-box sector. Not in competition to other land uses but as part of a coordinated strategy to deliver growth. To do this they need the correct tools.

We are calling for Employment Land Reviews (ELRs) to incorporate small to mid-box for Local Plans. ELRs need to estimate future demand for small to mid-box, and a more sophisticated approach to predicting employment demand needs to be adopted. It already exists, as demonstrated by Savills' research methodology.

It's 18 months since our 2024 report in which we asked for clarity and guidance on Minimum Energy Efficiency Standards (MEES) proposals first outlined in a 2021 consultation. Yet the Government remains silent on its direction of travel. If it doubles down and commits to its proposed deadlines, next year around 40% of small to mid-box units will not achieve an EPC rating of C or higher By 2030, 79% of the sub-100k sq ft premises will not achieve EPC B rating. There needs to be a delivery framework with realistic timeframes set and sufficient funding to deliver the governments aspirations.

Ultimately, the sub100k sq ft I&L market needs a coherent policy framework, clarity on proposed regulatory changes, targeted support to renew ageing stock and a planning system equipped to enable growth.

More than ever, we need genuinely joined-up thinking across the public sector to ensure national strategy results in national and local action plans. Shaping this transition will be input from private sector delivery partners who will invest, build and eventually generate the economic growth from small to mid-box.

Executive Summary.

Small to mid box industrial space is the backbone of the UK's economy, supporting high growth industries, SMEs, and millions of jobs. However, undersupply and lack of policy support are constraining its potential. This report highlights the market realities, risks and opportunities, and the critical interventions required to ensure the sector can continue to drive innovation and national and regional prosperity.

1.

Sub-100k sq ft industrial and logistics space is critical national economic infrastructure.

Units below 100k sq ft make up 95% of units within a £128bn I&L market. They form the operational backbone of SMEs that drive productivity, employment and regional growth. Despite this, the sector remains underappreciated and misunderstood within national infrastructure and economic policy.

2.

The small to mid-box sector is an integral component of the Modern Industrial Strategy.

The UK Modern Industrial Strategy identifies eight growth industries, including advanced manufacturing, clean energy, life sciences and defence. Each relies heavily on I&L space for a range of uses: prototyping, R&D, specialised storage, maintenance and distribution, for example. The sub-100k sq ft sector plays an integral role and must be acknowledged as enabling infrastructure.

3.

There is a supply and demand imbalance in every region.

Availability in the sub-100k sq ft market has sat below the 8% market equilibrium rate for over a decade and is currently at 6.1%. National demand is suppressed by 35%, rising to over 50% in some regions. This indicates that businesses are ready to expand but are being held back by lack of suitable premises.

The current level of suppressed demand equates to around 60m sq ft of space nationally, which if it had been let could have facilitated 48,000 jobs and £3.3bn of GVA between 2014 and 2024.

4.

Undersupply has driven strong rental growth.

Rents have grown by 79% since 2014, outperforming inflation and other commercial property sectors. This reflects a supply-constrained market with resilient occupier demand.

Rising rents combined with increased NI contributions, wage growth, utility costs and business rates intensifies pressure on occupiers, especially SMEs, and increases the importance of delivering new, high-quality space.

5.

Planning, land allocation and infrastructure constraints are limiting delivery.

Planning delays, under-resourced local authorities, grid capacity constraints and a lack of foresight in employment land reviews that fail to account for suppressed demand are all restricting supply, thus undermining economic delivery at a local and national level.

6.

The EPC 'cliff edge' represents the most immediate systemic risk — and opportunity.

Only 21% of sub-100k sq ft stock is expected to meet proposed EPC B standards by 2030, placing up to 79% of space at risk of becoming unlettable without intervention. While challenging, this transition also presents a significant opportunity to modernise stock, meet occupier expectations for high-quality premises and future-proof the sector with the right policy support.

The report closes with a series of recommendations that Potter Space believes would support a better and more economically productive sector.
These include:

- **Recognise the importance of facilitating the sub-100k sq ft sector in the Freight and Logistics plan to support supply chain resilience and economic growth.**
- **Building on the proposals in the NPPF, ensure Local Plans address historic supply constraints by accounting for suppressed demand and prioritise specific employment allocations for sub-100k sq ft premises.**
- **Provide clarity, direction and support on the proposed upcoming MEES deadlines alongside financial support for 'fabric first' retrofits of existing I&L premises and EPC improving works.**
- **Introduce reforms to the grid connection queue and strengthen grid capacity to match the power demands and ensure more resilient, future ready estates.**

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Clare Bottle
CEO of the UKWA.

At the United Kingdom Warehousing Association (UKWA), we believe warehousing is more than just space. It is national infrastructure. From micro-units on industrial estates to multimillion-square-foot distribution hubs, warehousing underpins every part of the UK economy.

Yet it is the small and mid-box segment under 100,000 sq ft that remains the most overlooked, despite playing a disproportionately vital role.

These units represent around 95% of all I&L properties by number, and are typically located close to population centres, often in places where 'big box' development isn't feasible or appropriate. They provide essential employment land, supporting SMEs across sectors as diverse as food production, precision engineering, last-mile logistics, and e-commerce fulfilment. In this sense, the sub-100k sq ft warehouse is not a niche, but a backbone of industrial resilience and local opportunity.

Crucially, this segment aligns with what a modern industrial strategy should prioritise: agile, energy-efficient, well-located facilities that enable productive work, regional regeneration, and low-carbon growth.

Yet policy recognition remains patchy, and the risk of inaction is growing. The UKWA has long argued that warehousing should be recognised not just as a subset of commercial property, but as strategically important infrastructure in its own right, essential to national resilience and deserving of distinct treatment in policy and investment frameworks alike.

This is particularly urgent in the small and mid-box market, where the pressures of ageing stock, restrictive planning, and affordability risks are beginning to bite.

That's why UKWA welcomes this fourth edition of BIG Things in SMALL Boxes. It continues to shine a spotlight on the small and mid-box segment with insight, rigour and a sense of purpose. That purpose is shared by Potter Space, which has been a longstanding supporter of UKWA and an early advocate for raising the profile of this often-underappreciated part of the sector. The company's vision, reflected in this report, is rooted not just in property metrics, but in long-term value creation for customers, communities, and the UK economy.

The message is clear: if the Government wants a modern industrial strategy that truly delivers, small-box warehousing must be at its heart.

Economic Context.

The UK economy has experienced slow growth (Fig.1.1) and has lagged behind the Eurozone since the 2008 financial crisis, with recovery diverging further since Brexit. As of late 2025, the UK has had lower growth than 24 of 27 EU countries.

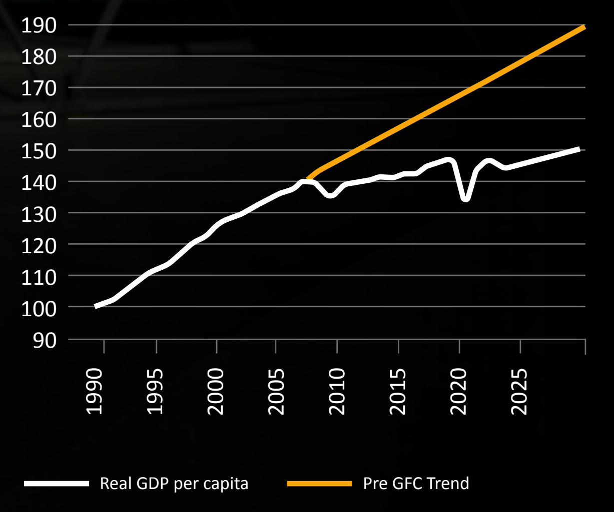
This has highlighted the UK's ongoing 'productivity puzzle', a term used by economists to describe the failure of the country to return to pre-financial crisis levels of productivity, or economic output, even during periods of economic growth.

Reversing this slowdown is essential to support stronger economic growth for the UK. This report argues that sub-100k sq ft I&L can help with this because:

- It facilitates economic productivity across the country, being more geographically diverse than big-box I&L.
- It creates essential homes for SMEs, which employ more than 53% of people in the UK.
- It facilitates supply chains across every business sector in the UK.

Economic growth has almost flatlined in the UK since 2008 global crisis.

Fig.1.1
Growth in Real GDP per Capita - UK



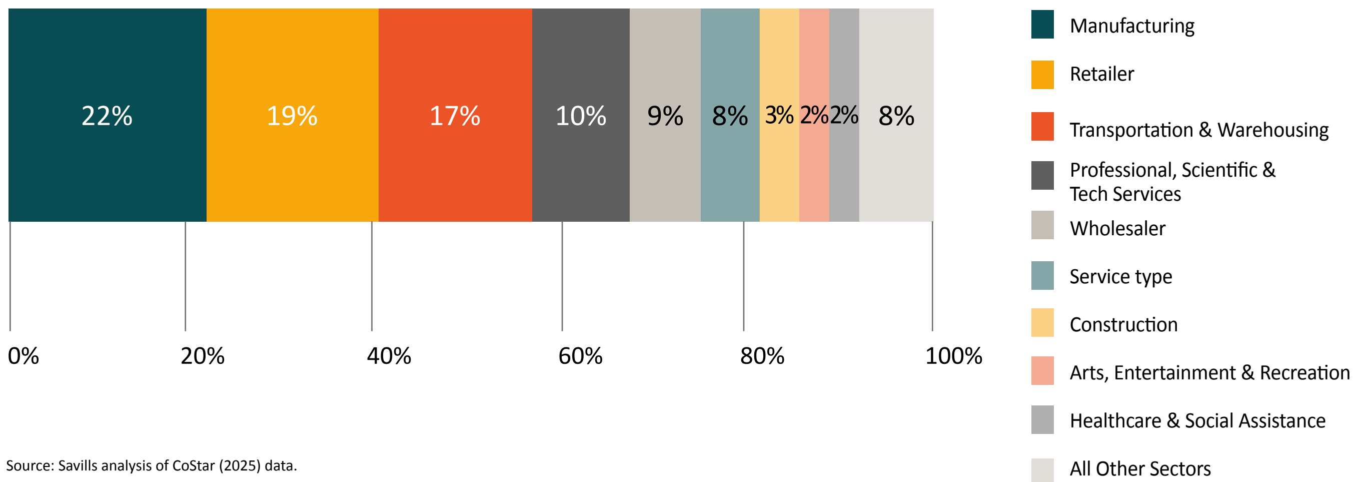
Sub 100k I&L is an engine of economic growth.

The small to mid-box market brings together an unusually wide mix of occupiers, building formats and locations, creating a segment that is both resilient and indispensable, yet often overlooked.

It is everywhere:

- **95% of units** in the I&L property market are sub-100k sq ft.
- Since 2020, **every sector has leased I&L floorspace below 100k sq ft** (see Fig 2.1)

Fig 2.1
Floorspace Leased by Sector (2020-2024)



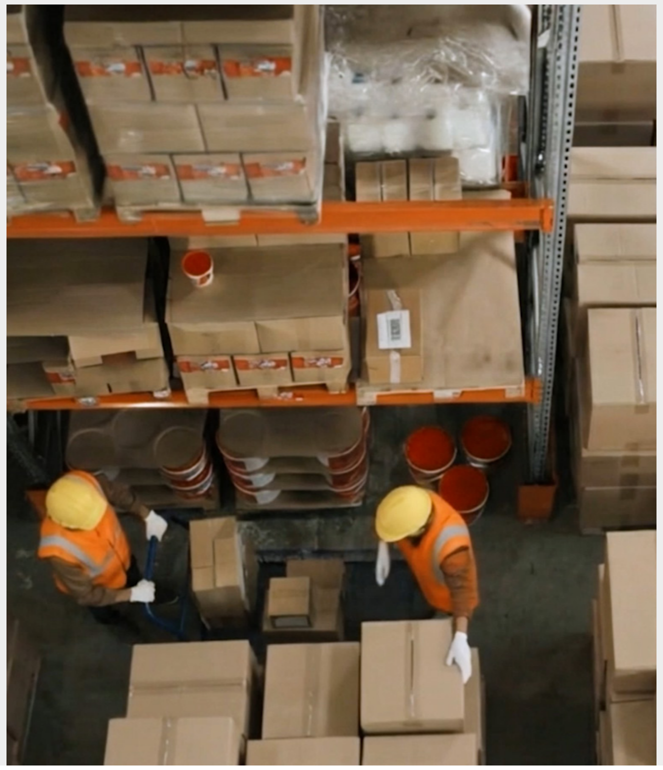
Source: Savills analysis of CoStar (2025) data.

It provides high quality jobs

- Analysis of Office of National Statistics Multipliers show that **every 10 jobs** in the industrial sector creates a **further 10** throughout the supply chain[1].
- Sub-100k sq ft units are seeing **increasing office co-location** as a way of consolidating business operations,reducing costs and improving efficiency.
- In the last 5 years, office space comprised, on average, 12.1% of total floorspace of each unit compared to 10.8% a decade previously.
- This represents approximately 3.6m sq ft of additional office floorspace being delivered in sub-100k sq ft I&L units over 2020 to 2024.
- A result of this is a diversifying skill set amongst employees, with professions such as marketing, data, accounting and finance now based on I&L premises.

Its diversity drives economic resilience

- A broad occupier base - from manufacturing and scientific firms to recreation, healthcare and construction - makes the market more adaptable than big box logistics (see fig 2.1).
- A wide range of unit types enable the sector to support both established and emerging industries.
- The sector's locational diversity across areas such as transport corridors, urban edges and innovation hubs supports regional economies nationwide.



It incubates entrepreneurship

- Like sub-100k I&L, **SMEs are essential to the UK economy,** making up 99% of all businesses and employing around half of the private sector workforce.
- SMEs support the supply chains of larger companies.
- Smaller businesses require high quality, well-located, flexible and affordable space for operational success, often found in the sub-100k sq ft sector.

It's essential to Government growth ambition

- The I&L property sector has a prominent role in providing fit for purpose premises for the eight key industries named in the Modern Industrial Strategy.
- For example, 28% of the advanced manufacturing sector's inputs come from the I&L sector.
- Particularly thinking about sub-100k sq ft spaces, these are where early stage innovation, prototyping, and technical development routinely take place, key functions of modern industrial economy.

I&L, and the sub-100k sq ft market, is an enabler of the Modern Industrial Strategy. Ignoring the sector's requirements creates a disconnect between policy intent and the real operational environments that businesses in the strategy actually rely on.

Without explicit recognition, revised planning policies, investment frameworks, and local delivery systems are less likely to treat small and mid-box space as essential infrastructure. Bridging this gap would not only strengthen the Strategy's credibility but significantly improve its chances of being delivered on the ground.

1. ONS (2025). Employment multipliers and effects in the UK 2022.

How small boxes can help cure the UK's economic ills.

By **David Smith**

Economics editor, The Sunday Times.

The UK is one of the most regionally unequal countries in the world. One way of measuring that is by looking at productivity, the ultimate driver of competitiveness, prosperity and economic growth. Official figures show that London's productivity, measured by output per hour worked, is 28.5% above the UK average, while the Southeast, excluding London, is 7.7% above that average.

More to the point, London's productivity on the same basis is more than 50% higher than the weakest parts of the UK, which are Wales, the Northeast and the once highly productive East and West Midlands. Digging a little deeper, it is not hard to see the reason for these differences, which are holding back the wider economy.

Put simply, the most productive parts of the country have more businesses per head of population; what is known as greater business density, and official figures back this up. London has 1,436 businesses per 10,000 people, followed by the Southwest, 1,163, the Southeast, 1,135 and the East of England, 1,102. Everywhere else is well below 1,000, with Wales on just 742, the Northeast 744, Scotland 786, the Northwest 823, Yorkshire & the Humber 895, Northern Ireland 905, the West Midland 918 and the East Midlands 984.

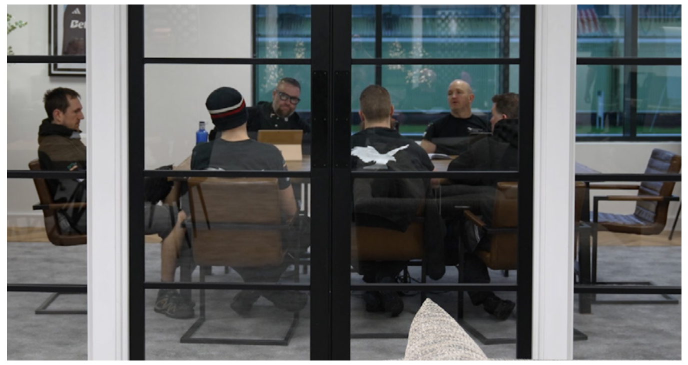
Businesses need premises in which to set up and expand, and this report highlights the contribution that sub-100k sq ft units, the "unsung heroes" of economic and business development, make to this process. They are the lifeblood for small and medium-sized firms, the backbone of the economy and the drivers of employment.

It also highlights, however, that there is a much bigger contribution that these vital cogs in the wheel can make. There is significant suppressed demand for such units, which have maintained very low availability rates through the recent troubled and turbulent times for the UK economy. Savills' measure of suppressed demand in the sub-100k sq ft sector is 35% nationally, rising to 55% in the East of England and 61% in the East Midlands.

"Demand could have been over 50-60% higher in these regions if supply wasn't such a constraining factor," Savills concludes. "While it may not be possible to meet the full needs of sub-100,000 sq.ft sector in these regions given the competing priorities for scarce land, it does help to demonstrate the significantly higher contribution the sector could make to these economies in terms of investment and job creation."

It is hard to disagree with that. While very large warehouses have a contribution to make, it is important that the business ecosystem is not allowed to become unbalanced, and that SMEs are not held back by lack of space in which to build their businesses and contribute to local and regional growth and productivity.

It's not all bad news. Far from it. This report highlights the contribution that the sub-100k sq.ft sector makes to the economy, and its value as an investment opportunity. The frustration is that with a fair wind the sector could be doing much more to help solve the UK's national and regional economic problems.



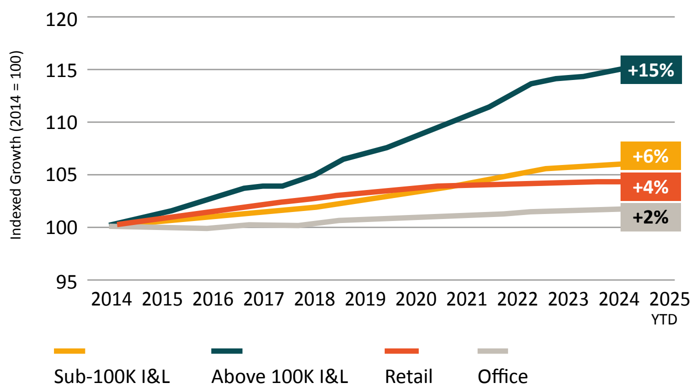
Supply and demand dynamics in the sector.

To ensure I&L and the sub-100k sq ft sector can fulfil its role as an enabler of the Modern Industrial Strategy and support sustained growth, it is essential to understand the current market dynamic through key supply and demand metrics.

Inventory growth has been low, and lags behind big-box

Inventory growth in the sub-100k sq ft sector (Fig 3.1) has increased by only 6% over the last decade, significantly below the 15% growth seen in units over 100k sq ft. This reflects developer prioritisation of big-box schemes, which have historically offered stronger viability profiles related to ease of pre-lets and better construction economics. A lack of new inventory means that businesses are relying on a restricted pool of aging stock that may not reflect the needs of modern occupiers. Operational efficiency, sustainability, and locational preferences can all be negatively affected in this scenario.

Fig 3.1
Indexed inventory growth is just a fraction of larger I&L units



Source: Savills analysis of CoStar (2025) data.

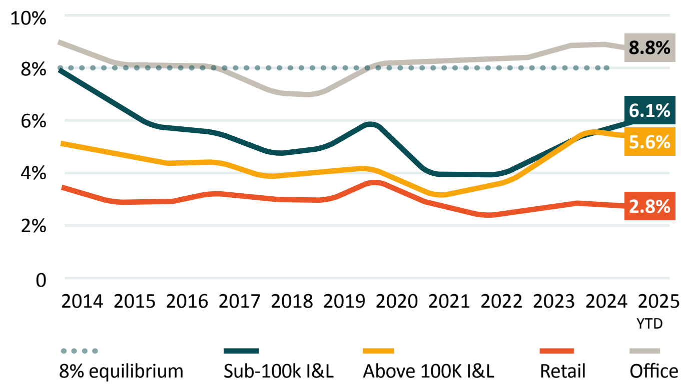
Availability remains low and demand resilient despite macroeconomic shocks

Small to mid-box has maintained a low national availability over the last decade (Fig 3.2). It is currently at 6.1% and has been below the 8% equilibrium level which is widely accepted as the balance point for a well-functioning market with the flexibility needed to facilitate expansions, relocations and new businesses.

Availability has been restricted for more than a decade, indicating that despite macroeconomic shocks, such as the cost-of-living crisis, occupier demand has been high.

As a result, occupiers may have experienced prolonged searches for suitable premises. This can significantly restrict business growth. For example, SMEs unable to expand their customer base or take on more employees without the right space, in the right place.

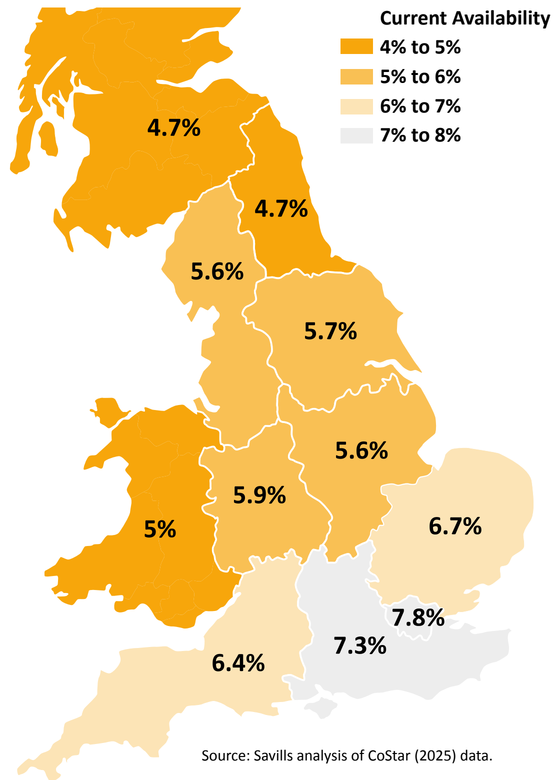
Fig 3.2
Availability in the Sub-100k sector has closely mirrored the strong performing large I&L sector (2014 to 2025 YTD)



Source: Savills analysis of CoStar (2025) data.

The national low availability rate within the small to mid-box market is not based on a few regions, but rather consistent low availability below the 8% equilibrium across the country (Fig 3.3)

Fig 3.3
Availability with the Sub 100K I&L Sector (2025 YTD) is low across all regions

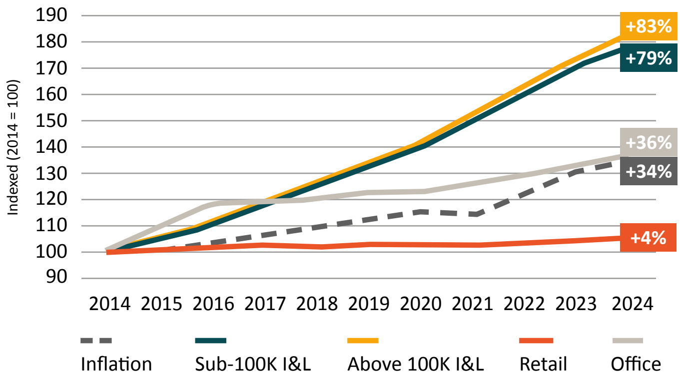


Source: Savills analysis of CoStar (2025) data.

Rental growth signifies a supply constrained market

Rents have risen by 79% since 2014, outpacing retail, office and inflation (Fig 3.4). This sustained growth supports the position that this is a supply constrained market.

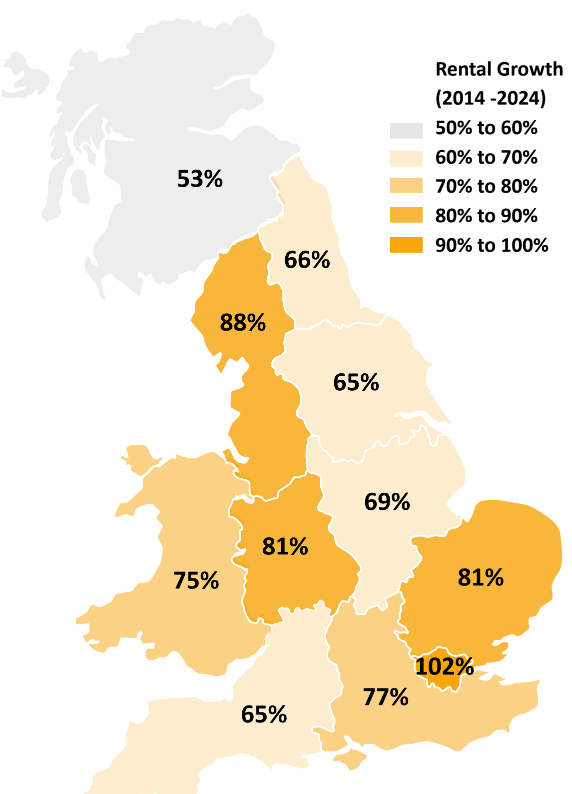
Fig 3.4
Indexed rental growth within the Sub-100k sector has outpaced inflation (2014-2024)



Source: Savills analysis of CoStar (2025) data.

These rental growth levels indicate strong demand and constrained supply. When demand, in the form of occupiers wanting to lease space, is higher than available supply, rents rise as occupiers compete with each other. This is true across all regions (Fig 3.5).

Fig 3.5
Strong rental growth within the Sub-100 I&L sector (2014-2024) is low across all regions



Source: Savills analysis of CoStar (2025) data.

Higher rents alongside inflated power costs, higher business rates, increased NI contributions and rises in the National Minimum and National Living Wages are creating an affordability crisis for businesses. A consequence is those searching for new premises are likely to have increasing challenges to find something that sits within their budget.

Demand has been suppressed

An additional, and commonly overlooked, dimension to supply and demand is the concept of suppressed demand. At a national level, from 2014 to 2024, demand has been suppressed by 35%. This means that had it been available, businesses would have taken 35 % more space. In other words, businesses in the sub-100k sq ft I&L sector have actively sought 35% more floor space than was taken over the last decade but weren't able to find premises that met their needs, at an affordable price, in the right locations.

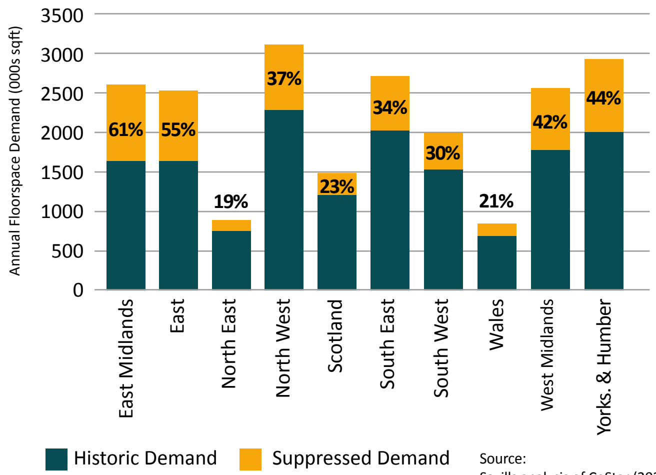
This hidden shortfall has had a profound economic impact. It equates to an additional 60m sq ft of space, which could have facilitated 48,000 jobs and £3.3bn of GVA into the economy between 2014 and 2024.

Real businesses, with real requirements, were unable to expand, relocate or invest because suitable premises simply did not exist. The opportunity cost is substantial.

The issue also becomes self-compounding. Planners, policymakers and investors are unlikely to take suppressed demand into account when forecasting for the sector, because it doesn't feature in traditional data sources like transaction data and pipeline analysis.

Regional mapping demonstrates this isn't a case of one area skewing the national picture, but each year between 2014 and 2024, there is some level of suppressed demand across the country and all regions missing out on floorspace growth (Fig 3.6).

Fig 3.6 Regional inventory growth and suppressed demand with the Sub-100K I&L sector (2014-2024)



Source:
Savills analysis of CoStar (2025) data.

In the South east, average annual suppressed demand is at 34% which equates to the region missing out on 689,400 sq ft of floorspace growth. Similarly, in the North West, where suppressed demand is 37%, it could have seen its floorspace grow by 837,600 sq ft each year if it was able to meet the demand.

Together, the data reflects a market that has been consistently held back by low availability. The years of suppressed demand reveal just how many businesses have been unable to find space that works for them. This is true across the country, with no region appearing to have a well-functioning and balanced market dynamic.

The primary constraining factor on the market is supply, which represents both an opportunity and a problem to be solved.

Clearly demand is there, and it is deep and durable demand. But it's important that there is a proper understanding of the barriers preventing supply coming forward. This enables the conditions to be created that could unlock the market and translate this into growth across the UK.

Mark Powney
Director of Economics, Savills Economics.

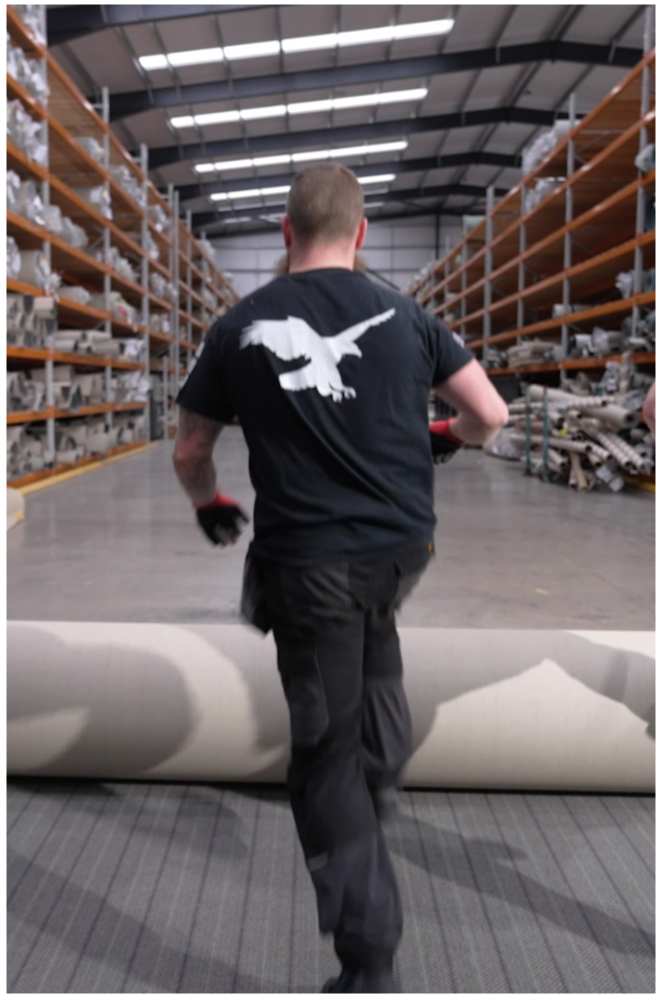
Savills Economics developed the suppressed demand methodology to address limitations of traditional forecasting approaches, which project historic patterns forward and replicate past supply constraints. These methods overlook occupiers who could not occupy or expand due to limited land availability, resulting in systemic under-provision across local authorities. The Savills approach quantifies unmet demand that would have occurred if suitable land and units been available, providing a more accurate picture of true need.

The sub-100k I&L market generates around 62% of all I&L business rates and underpins a large proportion of the UK's manufacturing and logistics operations. However, we identify suppressed demand equivalent to roughly 35% of historic net absorption, showing that many businesses are "making do" with inadequate premises, limiting their productivity and growth.

Recognising suppressed demand strengthens the case for treating I&L as critical national infrastructure. It reinforces the need to support the sub-100k sq ft market by requiring local authorities to plan effectively for business needs in their area to support their local economy. This includes recognising the particular locational needs of the sub-market, and realising the importance of the sub-market in supporting supply chains to facilitate the Government's Industrial Strategy for a strong and growing British economy.

BIG voices in SMALL boxes:
The effect on real businesses.

The experiences of real occupiers are central to understanding what this market delivers, and what is at stake when supply falls short. Here we feature two case studies, from Falcon Contract Flooring and Lodi UK, that show how a lack of available sub-100k sq ft units can delay investment decisions, restrict growth plans and limit operational efficiency. Their stories demonstrate that supply constraints are not an abstract statistic, but a barrier to the ambitions of thousands of UK businesses.



Falcon Contract Flooring
Carpet & Vinyl Specialists

Small to mid-box and changing business priorities at Falcon Contract Flooring

"I started Falcon in 1985 with two people and a van in Kidderminster," recalls founder and MD Charles Hassall. "Back then, space was whatever we could park up in." Fifteen years later, that scrappy startup had become a business with momentum. Moving into a 6,000 sq ft unit in Dudley by 2000 proved a turning point: "That was our first real platform. It helped us cross £1 million in revenue and showed me how the right building accelerates a business."

But growth also changed business priorities. "I didn't want colleagues facing long commutes, and we needed headroom to expand," Charles says. After exploring alternatives, Falcon stepped up to a 10,000 sq ft unit in Bromsgrove, then added a second unit a year later. "Running across two sites kept us moving for six years, but it added friction. I knew we'd only unlock the next phase with a single, consolidated base."

That conviction drove a three-year search culminating in a move to 30,000 sq ft at Potter Space Droitwich. The specification matched the ambition: 10-metre eaves, multiple roller shutters, and a yard built for articulated lorries. "Before, we could only load one van at a time. Now we can load 20 simultaneously," Charles says. The impact went beyond logistics: "When people visit, they say, 'This is impressive.' Everything, from the IT to the boardroom, to our training suite, reflects who we are."

Looking ahead, Charles is planning the next chapter. "Within five years we aim to double our footprint to 50,000-70,000 sq ft. The goal isn't size for its own sake; it's the space to scale sustainably, serve customers better and keep our culture intact."

Lodi UK

How Lodi UK overcame space constraints to enable expansion

Lodi UK's journey began two decades ago with a single small unit in Dudley. Growth was organic, and over time, the pest control product supplier expanded by leasing adjacent units, knocking through walls to create makeshift connections. What started as a practical solution eventually became a logistical headache.

Looking back on the challenges, Lodi UK's property strategy lead, Tim Downing said: "It was really inefficient. The floor plates didn't work properly, racking was compromised, and the office was on the other side of the service yard. It was chaotic."

Lodi UK outgrew its patchwork premises. The challenge was finding a new home that could support future growth without disrupting the workforce. "Most of the team had a ten-minute commute," Tim explains. "They've been with the business for years, so staying local was a priority." The search began in Kingswinford and Dudley, gradually widening to Telford and Worcester.

Finding the right building was far from easy. Lodi UK needed 25,000–35,000 sq ft, but most available stock was decades old and heavily refurbished. "You'd turn up and it was demoralising," Tim says. "New stock at that size was almost non-existent - everything new was 100,000 sq ft plus." At one point, Lodi UK even considered developing its own site.

Potter Space Droitwich offered a solution: a modern unit in a well-connected location close to the M5, with a secure environment and flexibility to adapt. Lodi UK worked with Potter Space to extend the office space in the unit from 1,500 sq ft to 6,000 sq ft to accommodate product development, training and technical support.

The new facility ticks the key boxes: generous yard space for multiple articulated vehicles, separate car parking, and 10-metre eaves for efficient storage. Security was another priority after break-ins at the old site. "Droitwich gave us perimeter fencing, barrier control - the works," Tim notes. Early possession of the warehouse in September allowed operations to start while offices were under construction.

Potter Space Perspective: Richard Bousfield

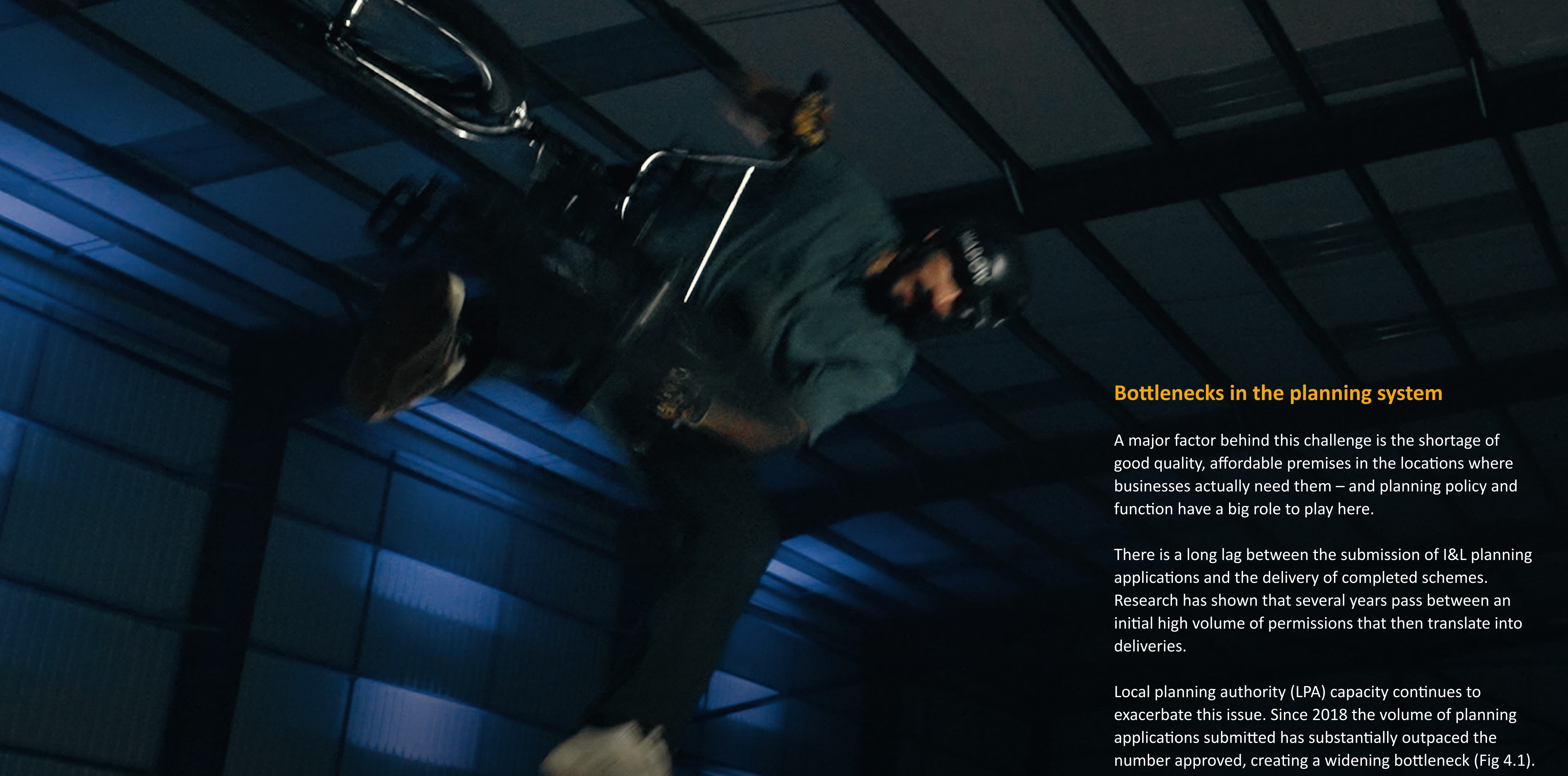
Property Director.

Our customers' experiences bring to life the truth that we see in the data: the availability of the right small to mid-box space is often the determining factor in whether a business can grow, consolidate operations, or even retain its workforce.

Falcon Contract Flooring and Lodi UK's stories also illustrate an emerging trend in the small to-mid box market where occupiers increasingly require warehousing and manufacturing space co-located with office space. In Lodi UK's case, they needed 6,000 sq ft of a 30,000 sq ft property. This reflects a growing shift in the type of employees which call a sub-100k sq ft unit home. Alongside traditional warehouse colleagues it is increasingly common to see professions such as data analysts, marketeers, HR and finance teams take office space with them.

Shifting employee characteristics is something the sector needs to recognise and is something we prioritise at Potter Space, through the modern designs of our units. These incorporate features such as increased natural light, ergonomic spaces, meeting and breakout zones and modernised IT infrastructure.

Local planners also need to recognise this shift as they look to capture the employment opportunities that dynamic small to mid-box units provide. No longer are they utilitarian, back office set ups, but a hub for a thriving, modern business .



What are the barriers to growth?

As the data demonstrates, the sub-100k sq ft I&L sector is well positioned to contribute directly and indirectly to economic growth. To understand why this contribution has not been realised more fully, it is important to consider the structural barriers that are still holding the sector back.

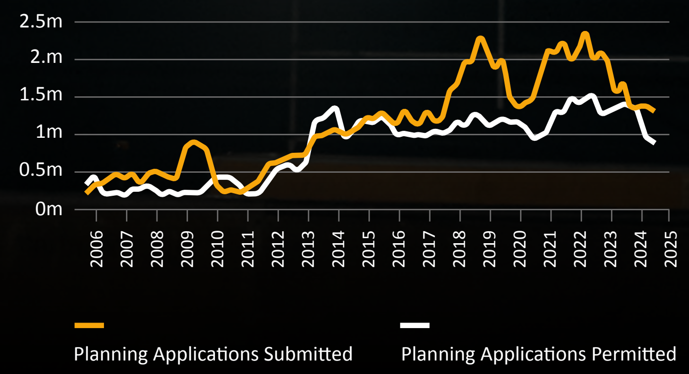
Bottlenecks in the planning system

A major factor behind this challenge is the shortage of good quality, affordable premises in the locations where businesses actually need them – and planning policy and function have a big role to play here.

There is a long lag between the submission of I&L planning applications and the delivery of completed schemes. Research has shown that several years pass between an initial high volume of permissions that then translate into deliveries.

Local planning authority (LPA) capacity continues to exacerbate this issue. Since 2018 the volume of planning applications submitted has substantially outpaced the number approved, creating a widening bottleneck (Fig 4.1). Findings from the 2025 Local Authority Planning Capacity and Capability Survey reinforce this picture: while some progress has been made since 2023, many LPAs continue to experience recruitment challenges, skills gaps and high workloads that constrain their ability to process applications efficiently[2].

Fig 4.1
UK Planning Applications and Permissions per Quarter (sq.ft) (2006-2024)



Source: Savills analysis of Glenigan (2025) data.

Potter Space Perspective: Jenna Strover

Head of Commercial Delivery.

Potter Space recently waited more than two years for a decision on a very straightforward extension to a business park. It was non controversial, policy compliant, attracted no objections and had no technical issues.

The Planning and Infrastructure Bill signals welcome intent to streamline the process, but the challenges run deeper. Planning teams need more capacity, better training pathways and stronger retention of experienced officers. Planning committees require training to support their decision-making, which should be non-political.

Undervaluing small to mid-box in planning policy also puts the Government and local authorities at risk of derailing ambitious housing targets. This is rooted in established evidence that for every new home built, around 69 sq ft of I&L space is required[3].

We would like to see a more co-ordinated approach at national, regional and local Government levels and a more sophisticated approach to identifying employment need and associated land.

2. Local Authority Planning Capacity and Capability Survey 2025.
3. Knight Frank, 2025

Developer and investor sentiment

Sub-100k sq ft inventory growth over the last decade has lagged behind larger units despite there being strong demand for both asset classes.

This can be explained by developers and investors being drawn to the stronger viability profile of larger units. One reason for this is that per sq ft, larger units are cheaper to build than smaller units, require fewer parting walls, individual staff facilities and few utility connection points.

Larger units can be easier to pre-let, and the large customers letting them can be more resilient to economic headwinds.

There is a growing opportunity to increase the attractiveness of small to mid-box to investors by capturing the demand for co-located I&L and office space.

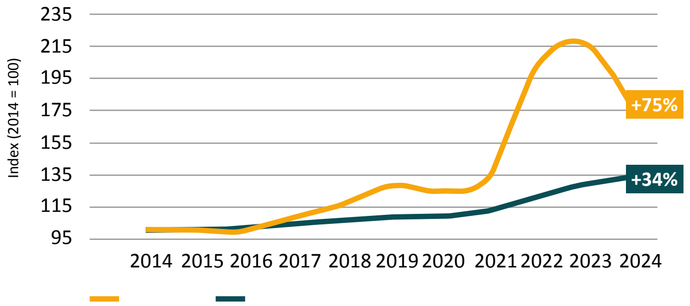
As this report, and the experiences of Lodi UK highlights, we see more occupiers consolidating office and I&L sites to streamline operations and manage costs.

Multiple wider business headwinds for occupiers

While rental growth is featured in this report as a positive metric for investors, it is hard to say the same for its impact on occupiers. Combined with energy costs, increased Living Wages, raw material costs and higher NI contributions, this creates a cash flow crisis for the SMEs that predominately populate the small to mid-box sector.

Electricity costs in particular have been major drivers of inflation (Fig 4.2). Whilst we are past the peak of 2023, we have still seen prices grow by 75% over the last decade, double the rate of inflation over the same period.

Fig 4.2
Electricity costs have significantly outpaced inflation



Source: ONS (2025) Consumer price inflation detailed reference tables

The business rate burden

The I&L sector overall has been a major source of business rates income over the last decade, contributing £6.4bn annually to local authorities.

Of this, the sub-100k sq ft sector is a major contributor at nearly £4bn, or around 62% of overall I&L business rates contributions in England and Wales.

In regions such as the East of England, North West and West Midlands it contributes over £400 million per annum, whilst in London it is over £650 million, equating to 82% of the total contribution from the I&L sector, well above its larger I&L unit counterpart.

This demonstrates small to mid-box I&L delivers an outsized impact on business rates. From 1 April 2026, these will change due to a national revaluation and higher business rates multiplier to all properties, with a rateable value above £500,000.

Although this might not impact all small to mid-box properties, it adds significant financial burden, and further mitigates the economic potential of the sector and its occupiers.

Stock quality challenges

A large proportion of the small to mid-box market is low quality with poor energy efficiency credentials, which has a number of implications for occupiers.

- Higher operating and energy costs.
- Difficulty securing contracts where occupier clients require contractors to adhere to strict sustainability criteria, including for their premises.
- Challenges attracting staff, as employees prioritise their workplace environment, which can be negatively impacted by poor quality units.

Building quality and environmental standards is a significant issue for the commercial sector and the Government and is a significant component of the Net Zero targets.

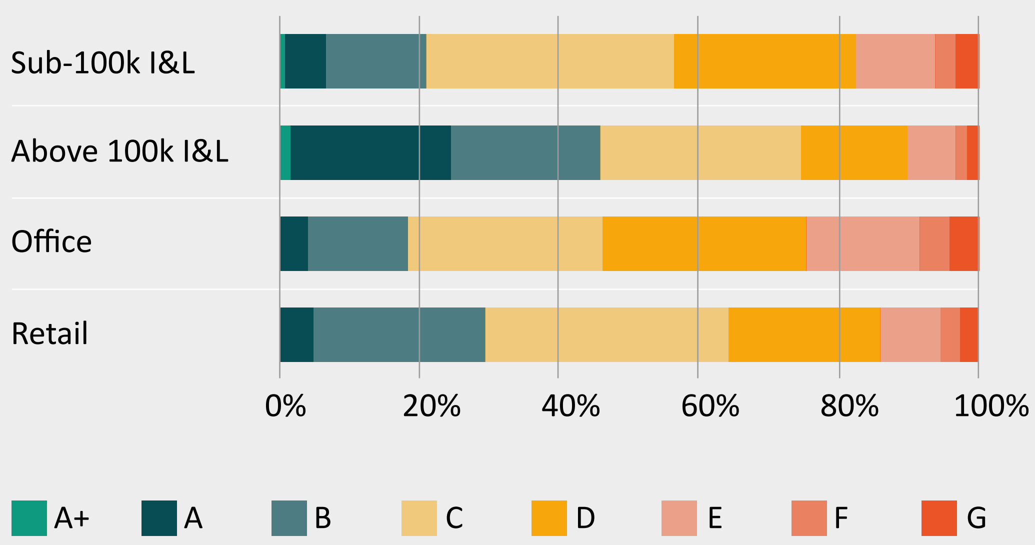
For I&L and the sub-100k sq ft market, the ongoing lack of clarity from the Government on MEES proposals will further compound the supply challenges and undermine economic performance.

The EPC issue: cliff edge or false deadline?

The UK Government's 2021 consultation on MEES proposed tightening requirements so that all non domestic rented properties achieve a minimum EPC rating of C by 2027 and B by 2030. A formal response to the consultation, originally expected in early 2025, has yet to be published. However, signals from the Department for Energy Security and Net Zero (DESNZ) indicate that this remains the preferred policy trajectory, creating continued uncertainty for landlords, investors and occupiers.

If implemented, these requirements would significantly tighten market supply. This impact would be particularly acute in the sub-100k sq ft I&L market, where only 21% of stock in England and Wales is expected to be compliant by 2030 (Fig 5.1), leaving 79% of units technically unlettable to new leases.

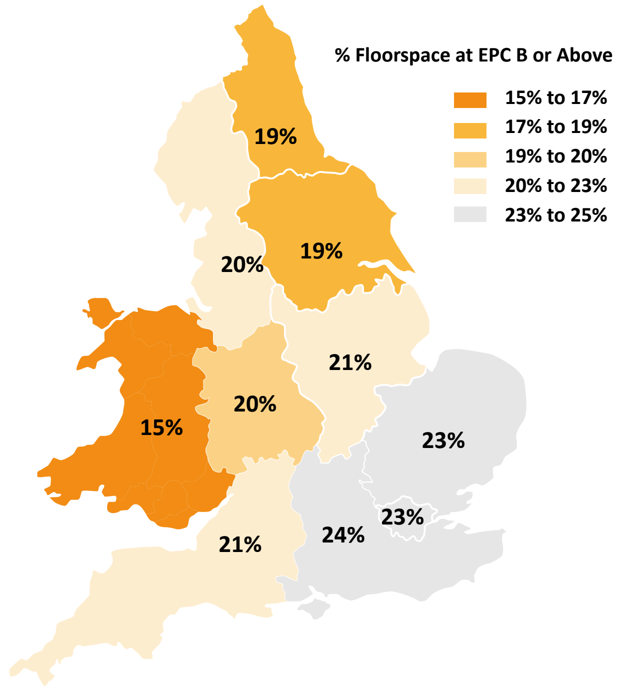
Fig 5.1
England & Wales EPC Rating Breakdown by Commercial Sector



Source: Savills analysis of EPC (2025) data

A regional analysis of EPC ratings (Fig 5.2) demonstrates that low quality stock and MEES compliance is an issue for small to mid-box units across the country.

Fig 5.2
Regional Proportion of Sub-100k I&L Floorspace at EPC B or Above (2014-2024)



Landlords will need support to upgrade buildings and maintain an infrastructure that can support the modern industrial economy that is envisioned by the country's leadership.

Potter Space is fully aligned with EPC reform ambitions, but the gap between the scale of the requirement and the support available remains an issue.

Upgrading older stock is often technically possible, but it brings major challenges around occupier displacement and viability. In some cases, improvements designed to secure a better EPC rating, such as the removal of heating, can unintentionally reduce the usability of the unit for the very businesses it is meant to support.

There is currently no practical roadmap towards MEES improvement. Achieving compliance at scale will require coordinated planning, clear guidance on achievable timescales, and Government backing for both owners and occupiers.

Sustainability is more than just EPC. Opportunities such as widescale rooftop solar panels should be fully integrated into the sector's decarbonisation strategy and could be a valuable asset to support clean energy in the UK.

Meeting EPC requirements shouldn't be about quick fixes, but about creating modern, future-ready industrial space that supports both economic growth and the transition to net zero.

Power Availability

A growing constraint on small to mid-box development is limited capacity within the National Grid. Insufficient grid capacity creates delays, higher costs and uncertainty for businesses seeking to expand or relocate.

Power availability challenges are compounded by the way information about the grid is currently accessed. Developers are typically required to pay upfront for grid capacity surveys simply to understand what power is available in a given location, adding time and cost at the earliest stage.

Where minimum guaranteed capacity cannot be confirmed, speculative development is often paused or abandoned. This limits forward planning and contributes to slower unit delivery. This is particularly true of new small to mid-box units where budgets are more limited.

How to unlock the opportunity.

This latest edition of BIG Things in SMALL Boxes provides a clear assessment of barriers in the sub-100k sq ft I&L sector which, across the UK, are preventing its role as an enabler for the Government's growth plans.

Supply constraints clearly illustrate this as it is leaving occupiers in unsuitable premises with their growth restricted, productivity reduced, job creation limited and staff retention hampered. All of these misaligns with national economic priorities and places a drag on successful delivery of the Industrial Strategy.

Until supply and demand are better balanced, and the quality of stock is fully addressed, the sector will be unable to make the economic contributions it is capable of.

While owners and developers have an important role in the future of the small to mid-box market, they cannot address the scale of the challenge alone. Modernising older stock and ensuring the right space is available in the right locations requires increased capabilities, resources, technical expertise and access to funding.

Collaboration is essential. Knowledge sharing, practical guidance and collective representation can help the sector understand its responsibilities and navigate this transition. More broadly, the industry must work together to create, and advocate for, the conditions that support long term economic growth.

Potter Space has identified a series of targeted recommendations where focussed efforts could create the biggest impact in overcoming these barriers and unlocking economic contributions of small to mid-box.

1.

Embedding sub-100k sq ft within national and local economic infrastructure policy

The contribution of units below 100k sq ft remains under represented in national and local policy frameworks, despite its central role in supporting employment, supply chains and economic resilience.

To address this gap, warehousing, as part of the freight and logistics sector needs to be recognised as a critical component of the modern economy to enhance planning, policy and strategy. Clearer policy recognition would help create a more stable environment for investment and enable more effective long term decision making.

2.

Upgrading and decarbonising existing stock

A large share of the UK's small to mid-box units will require modernisation to improve energy and performance standards and meet planned MEES regulations. Coordinated industry efforts can help streamline this transition by establishing shared retrofit frameworks, enabling collective procurement of energy-efficient technologies, and improving access to benchmarking tools that support informed investment decisions. Meanwhile Government needs to provide realistic deadlines, alongside guidance and support to help owners reach the expected standard in good time. We would suggest support takes the form of measures such as:

- Targeted grants for LED lighting, roof insulation and heating upgrades.
- Tax relief in the form of full expensing or accelerated capital allowances for EPC improving works.
- Encouragement and incentivisation of solar PV panels.

3.

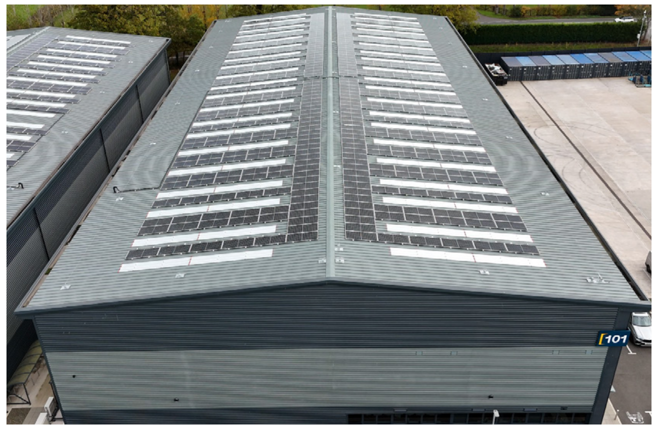
Strengthening grid capacity and energy infrastructure

Rising power requirements and existing network limitations mean that industrial growth increasingly depends on energy infrastructure that can support electrification, automation and renewable technologies.

Infrastructure providers and Government have a central role in improving grid transparency, reforms to the connection queue and investing in reinforcement. In tandem, landlords and developers can plan future sites around clear capacity information, enabling more resilient, future-ready estates.

Grid capacity and infrastructure improvements are a critical component of the UK's sustainable energy agenda. The small to mid-box market can provide sustainable power, through rooftop solar photovoltaic (PV) panels. There is over 201m sq m of roof space on units under 100k sq ft in the UK, which has the ability to provide up to 11.6 TWh annually. This capacity is broadly equivalent to the solar capacity of the UK grid in 2023 and could be enough to power over 4.3 million homes. Ongoing improvements in battery design and energy storage capacity will accelerate this further.

Capitalising on the opportunity of rooftop PV will help address the energy efficiency improvements needed in small to-mid box and provide another angle for how the sector can support the needs of a modern economy.



4.

Aligning planning and land supply with real demand

Chronic undersupply across all regions demonstrates the need for planning decisions and land allocations that reflect true demand for units below 100k sq ft.

Developers, investors and industry bodies can supply the evidence base required to shape effective Local Plans, while planning authorities, with support from central Government, must ensure that employment land allocations and planning capacity keep pace with economic need.

We would like to see the most straightforward planning applications streamlined or outsourced, and mandatory training for LPA members so they can better understand the function and the importance of small to mid-box I&L alongside housing. We would also ask that Local Plans account for suppressed demand when allocating employment land, and that they include allocations for sub-100k sq ft land specifically, as well as mixed unit size schemes to support the easing of supply constraints.

At Potter Space we will continue to champion small to mid-box and call for the urgent reforms needed to drive sustained growth and prosperity.

Potter SPACE

Home for business

About Potter Space

Potter Space is a property company specialising in the industrial and logistics sector. The company owns, develops, and operates high-quality industrial and logistics spaces in key locations across the UK. The Potter Space portfolio encompasses over 1.7 million sq. ft of existing commercial space and 250 acres of land primed for strategic development. These parks boast excellent connectivity via road, rail, and potential waterways to key cities and ports.

As a family-owned company with a 60-year legacy, Potter Space has built enduring relationships with its customers, operating at near 100% occupancy with many long-standing partnerships. The company is home to diverse businesses spanning sectors such as manufacturing, e-commerce, and consumer products.

Potter Space believes that the sub-100k sq ft, or small to mid-box market, is an unsung hero within the Industrial & Logistics (I&L) sector. The company continues to invest in understanding and championing this area, recognising its importance to the UK economy.

Sustainability is at the forefront of Potter Space's development strategy. The company aims for a minimum BREEAM 'Excellent' accreditation on all future buildings, prioritising sustainability, biodiversity, health, and wellbeing across all its business parks.

savills

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Potter SPACE

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