TRITAX BIG BOX®

POWER ON

As occupiers seek to address labour issues and mitigate rising employment costs, technology and working environment are in focus. We explore what this means for the future of logistics real estate, including for power resilience and amenities.

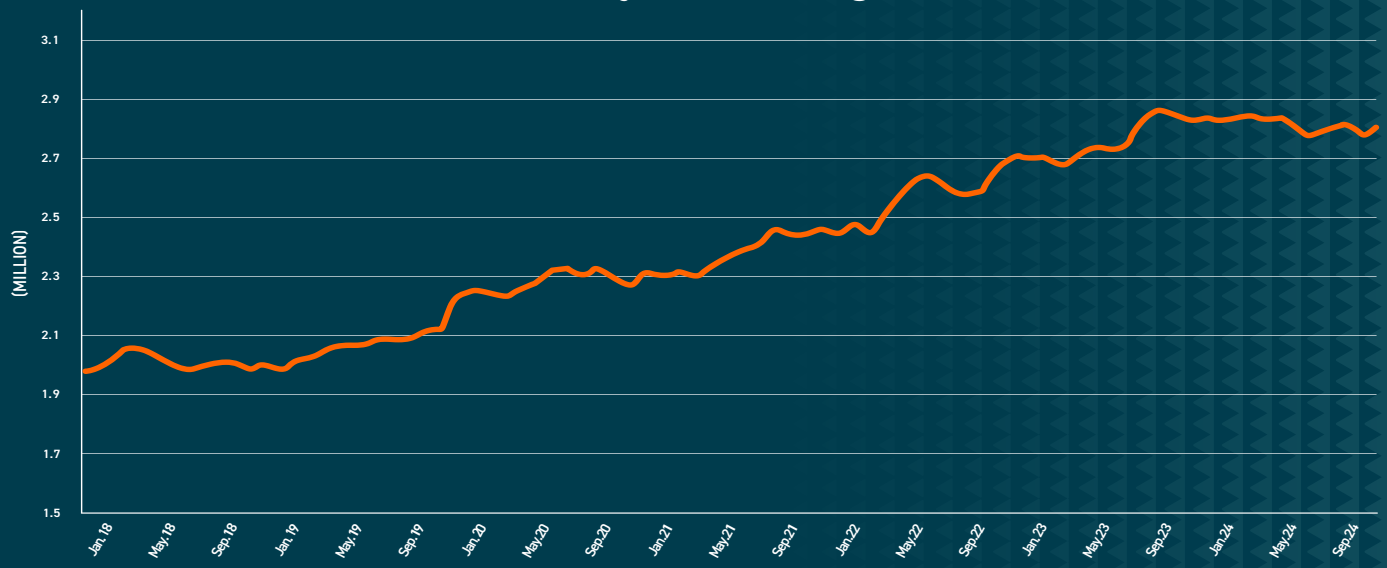
THE LABOUR MARKET ISN'T WORKING

To adapt a famous advertising slogan, data suggests that the UK labour market isn't working. Unlike the seminal poster, this phenomenon is politically agnostic. ONS figures show that since Covid, and across different governments in office, the percentage of the working age population (16-64) that is economically active has declined, not helped by the rising number of people who are long-term sick. Competition for labour across many parts of the UK is high, while productivity growth is sluggish/deteriorating.[1]

This situation is compounded by recent increases in employers' NI and the minimum wage. A number of UK companies have publicly estimated the individual labour cost impacts of higher NI. These range from around £50m to £250m. For all, the cumulative effect of higher labour costs will ripple through the supply chain.

These pressures are being felt in the warehouse/logistics sector. In our *Future Space* survey, 62% of occupiers said that labour costs were impacting their business (up from 41% in 2023), with labour sourcing an issue for 34%. Labour was also an issue for those looking to secure warehouse space, with 41% citing it as a challenge, up from 24% in 2023 and 30% in 2022.

Economically inactive: Long-term sick



Source: Office for National Statistics

ADDRESSING THE ISSUE

So, what's the solution for occupiers of logistics real estate?

1 Higher levels of technology adoption to help mitigate labour challenges and improve productivity

Given increased labour costs, payback timescales for this investment are radically improving, and a recent British Retail Consortium survey found that almost one-third of respondents said that rises in NI would lead to further automation.[2] This sentiment was reflected in 2025's Q1 trading updates, which shared a common refrain — higher staffing bills from April; more technology investment.

Labour-enhancing technologies such as automation are, however, energy intensive. A large-scale, fully automated warehouse might use five times the electricity of a traditional warehouse on a per square foot basis[3]. Moreover, these increasing demands sit within a broader drive towards electrification. Many occupiers are in the process of fleet transition: electrifying LGV fleets and trialling HGV electrification. Meanwhile, to meet net zero carbon objectives, occupiers are seeking full electrification and existing gas infrastructure is being phased out.

The net result is that for long-standing occupiers, current and potential grid energy requirements are likely to be far greater than when they initially took the building. For all occupiers, the pressure on power resilience is increasing significantly.

Enhancing power resilience is not easy but broadly takes two forms. The first is energy cost reduction or smarter procurement. This is largely occupier-led but could include onsite generation, where real estate owners can potentially provide off-grid (renewable) energy provision at scale. The second is demand reduction, e.g., through building features like insulation, natural daylighting (reducing artificial light) and intelligent building management systems.

One-third of respondents said that rises in NI would lead to further automation[2]

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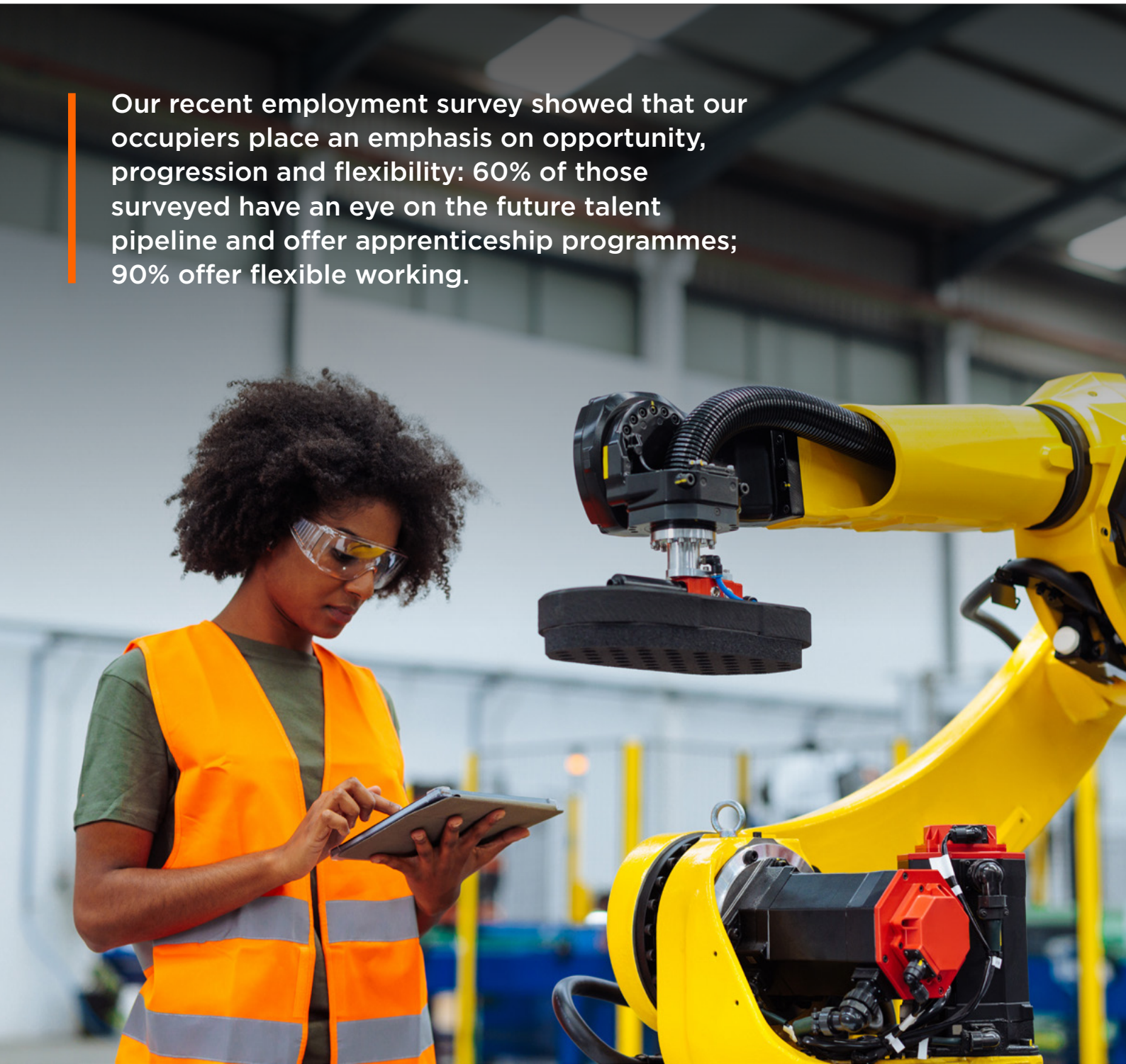
According to Automate UK, sales of assembly line robots to food and drink, logistics and consumer goods companies rose 31% in the first nine months of 2024.[4] Globally, the market for industrial automation is expected to grow by 10% annually — $234 billion in 2024 to $530 billion by 2033.[5]

2 Attracting (a changing mix of) labour to warehouse locations

Occupiers must implement/enhance measures to attract and retain labour in a constrained market. They also need to attract and retain a different mix of people as increased technology adoption shifts workforce composition to include higher-skilled labour, e.g., software and hardware engineers. Head office functions like HR, finance and IT are also increasingly onsite as companies consolidate properties.

Safety is paramount but is now a baseline expectation. Site features can also play a role in enhancing well-being, which drives both retention and productivity. As well as natural light, breakout space (in- and outside) and amenities like showers, changing rooms and canteens are more valued than ever. Free EV charging, gyms and onsite recreational space, such as five-a-side football pitches, are next level.

Our recent employment survey showed that our occupiers place an emphasis on opportunity, progression and flexibility: 60% of those surveyed have an eye on the future talent pipeline and offer apprenticeship programmes; 90% offer flexible working.



SO, WHERE CAN THIS HIGH-QUALITY REAL ESTATE BE FOUND?

40% of the UK logistics real estate market has been built in the last ten years, helped significantly by a Covid-related development boom from 2021 to 2023, which saw nearly half of this stock complete.

During this period, high-quality developers have built with labour and power in mind. Despite significant advancement in base building specifications over this time, especially around energy efficiency, most of these buildings have the flexibility to accommodate significant future change.

Well-located buildings constructed to the highest technical specifications offer operational features including:

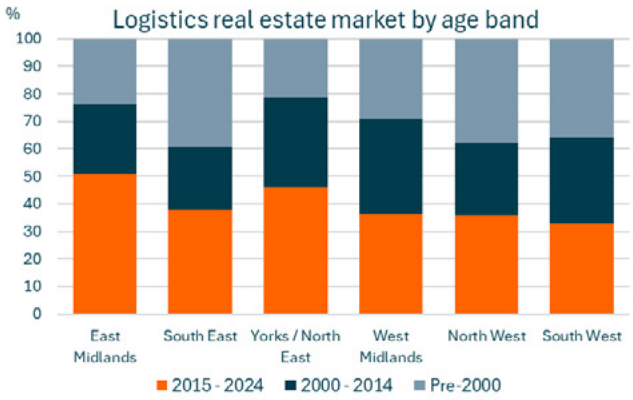
- Floor quality for robotics and loading capacity
- Eaves height to accommodate tech-based systems such as the use of high bay racking and automated retrieval processes, and/or mezzanine floors
- Appropriate power supply (including renewable energy solutions) and resilience
- Seamless Wi-Fi coverage to facilitate extensive use of sensor tech and supply chain software and analytics
- Roof loading and layout to facilitate solar PV and rooflights
- Large service yards, safe building access, high-quality office build-outs
- Scope to accommodate enhanced employee amenities

The remaining 60% of the market should not be discounted but needs careful assessment by both occupiers and investors. Some buildings will not be fit for the future, but many are — evidenced by the high proportion of occupiers renewing or extending leases.

Retrofitting or upgrading for power resilience, for example, is rarely straightforward. It may necessitate (among other things) lease modifications; new private wires; negotiating additional substation capacity; agreements for excess solar to be fed back into the grid and shared with other estate/nearby users; or insurance modifications. All of which involve multiple parties (e.g., occupier, building owner, power supplier) whose priorities or timings may not align. But, while certainly challenging, this also creates the scope for the best asset management teams to add significant value — for occupiers and investors alike.

Occupiers are increasingly tracking their energy use intensity (or EUI) as a metric. This is calculated by energy used in a year divided by gross floor area (kw/m2). Building owners can encourage collaboration and data-sharing across their portfolios to help occupiers benchmark their performance and share best practice.

Typical energy intensity range for ambient distribution warehouses: 75–80 kw/m^2.



Geographically, the East Midlands — the UK's largest logistics market — has the highest proportion of modern space: 51% of stock is less than 10 years old. Yorkshire and the North East are similarly modern (46%). In other regions, around one-third of stock falls into this category.

The South East, South West and North West have the highest proportion of older, pre-2000 stock at between 35% and 40%. Many of these buildings have the advantage of being well located, but the scope to add power resilience, support more technology adoption or provide the level of amenities needed by many occupiers could be limited. More ambitious projects to overhaul existing sites/buildings will likely be needed.

High-quality logistics real estate is critical UK infrastructure, helping to plug the labour gap by (1) providing power resilience for the adoption of ever more technology (2) enabling UK companies to offer attractive work environments in a constrained market and for a shifting mix of people.

These priorities will continue to drive demand for logistics real estate. Our *Future Space* survey shows that real estate change is driven by the need to solve a number of critical business issues, of which utilising more technology and adding automation is one: 28% are looking to realign their warehouse networks over the next three years, up from 17% in the prior year. New space has accounted for two-thirds of logistics real estate demand since 2010, and so bringing forward well-located, newly developed buildings is important.

The four Ps — power, people (labour), planning and (as ever) place (location) — are priorities for logistics occupiers and, by extension, for investors looking to future-proof their assets. Buildings must meet these requirements today, with the flexibility to accommodate more change tomorrow.

WANT TO FIND OUT MORE? GET IN TOUCH:

Henry Stratton

Head of Research, Tritax Management LLP

henry.stratton@tritax.co.uk

Mark Fergusson

Head of Client Engagement, Tritax Big Box

mark.fergusson@tritax.co.uk

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3 Internal data

4 https://www.theguardian.com/business/2025/jan/21/robot-packers-and-ai-cameras-uk-retail-embraces-automation-to-cut-staff-costs

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