

*Occupier and investment market trends in the Scotland logistics and industrial sector.*



knightfrank.com/research

# LOGIC: Scotland Q2 2022

**Research, September 2022**



# MARKET OVERVIEW

*Take up in the Scotland industrial market is being held up by a lack of immediately available stock and low development activity, resulting in continued rental growth.*

**502,300 sq ft**  
Occupier take up  
H1 2022

**£280 million**  
Investment total  
H1 2022

**9.7%**  
Prime annual rental  
growth

## Take up hampered by a lack of available stock

The first half of 2022 recorded 502,300 sq ft of industrial and logistics occupier take up in Scotland (units over 50,000 sq ft). While this is notably below H1 2021 volumes, the reduction in take up this year reflects the shortage of good quality stock available in Scotland, while a number of significant deals in 2021 boosted the overall total, including the 550,000 sq ft build to suit unit signed to HarperCollins. Take up in Scotland over the past four quarters amounted to over 1.2 million sq ft, with a good mix of occupiers taking space. Manufacturing occupiers accounted for 36% of activity over the period, with distribution firms comprising a further 35%.

## Shortage of good quality, modern industrial buildings

The total supply of available units over 50,000 sq ft stood at 2.9 million sq ft at the end of Q2 2022, 10% lower than the previous quarter. However, the vast



SCOTT HOGAN, ASSOCIATE,  
SCOTLAND COMMERCIAL

“Demand from both distribution and manufacturing firms for industrial units in Scotland remains active. At the same time, a shortage of both prime stock and speculative development has resulted in a dampening of occupier transaction activity in the first half of 2022, as well as creating rental pressures across the key centres. The development market is responding which should improve the options available for occupiers who are currently faced with obsolete and unsuitable stock.”

of these available units over 50,000 sq ft consist of second hand units unsuitable for occupier requirements. Occupiers continue to seek good quality, modern and more energy efficient industrial buildings, of which there is a severe shortage. The vacancy rate in Scotland at the mid-point of the year stood at 4.6%.

## Development activity held back by build cost uncertainty

Speculative development in Scotland for units over 50,000 sq ft remains very limited, though there are a number of schemes in the planning pipeline. While appetite for development exists and the availability of land has improved, concerns over build costs remain an issue. Just one speculative building over 50,000 sq ft is under construction; 55,745 sq ft at 75 Stanley Street, Glasgow.

## Investment activity above five-year average

The volume of industrial investment in Scotland for the first half of the year totalled £280 million, 54% higher on an annual basis. Looking at the 12-month period to end-June 2022, £498 million was invested, 50% higher than the five-year rolling annual average. Just under half of the capital deployed over the past year was from overseas investors, with UK investors accounting for a further 33%.

The weighted average yield recorded for assets transacted across Scotland over the past 12 months was 5.3%. This is down from 5.9% in the same period last year and is 320 basis points lower than five years previous. A key investment deal in the first half of the year was the sale of Westway Industrial Park, Renfrew, acquired by Ares Management LP for £110 million.

## Rental Levels & Outlook

Much like the rest of the UK, the lack of good quality stock in Scotland and low levels of development activity, coupled with sustained levels of demand for stock, are creating inflationary rental pressures. Prime rents in the Central belt for units over 50,000 sq ft increased by 9.7% over the past year, to £8.50 psf, while prime rents in Aberdeen stood at £8.00 psf in Q2. Looking to the remainder of the year, average rents in Scotland are forecast to increase by 4.1% for 2022, with higher growth expectations for Edinburgh, at 6.1% (RealFor).

# OCCUPIER MARKET

**1.2 million sq ft**

Occupier take up  
(last four quarters)

**36%**

Manufacturing  
take up  
(last four quarters)

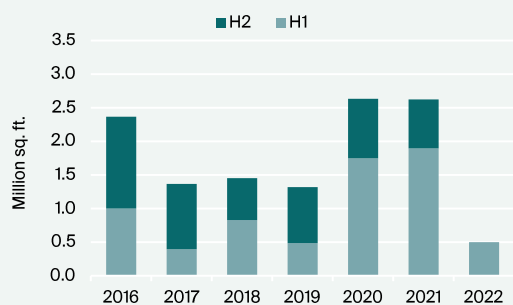
**£8.00 psf**

Prime rents

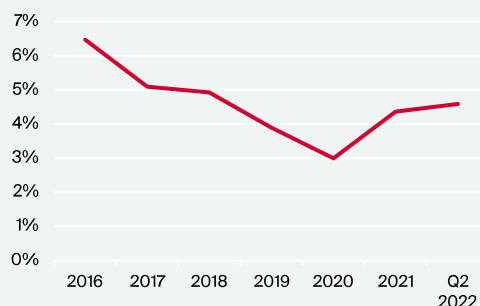
**4.6%**

Vacancy rate

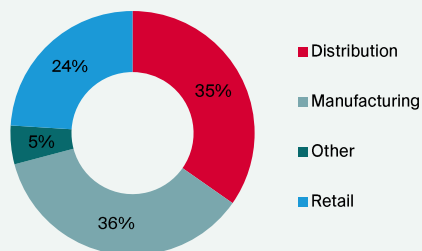
Take up (sq ft)



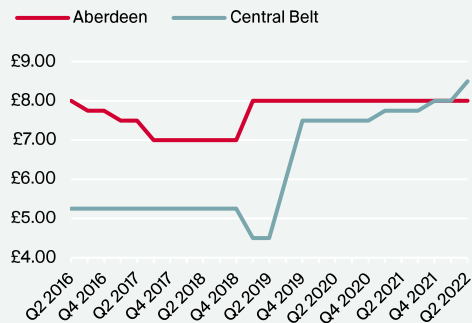
Vacancy rate (%)



Take up by sector (sq ft)  
Q3 2021 - Q2 2022



Prime rents (£psf)



## KEY OCCUPIER DEALS H1 2022

PROPERTY	SIZE (SQ FT)	OCCUPIER	RENT (OR PURCHASE PRICE)	COMMENTS
7 Murraysgate Industrial Estate, Bathgate	105,823	Window Supply Company Ltd.	£3.64 psf	Second-hand
6 Brittain Way, Motherwell	67,689	Brewdog	-	Second-hand
Porterfield Road, Renfrew	66,643	Bullet Express	£5.24 psf	Second-hand
211 Maclellan St, Glasgow	65,836	Life Technologies Ltd.	£5.63 psf	Second-hand

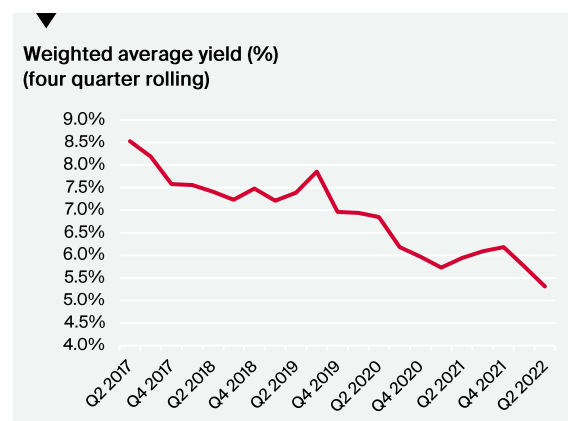
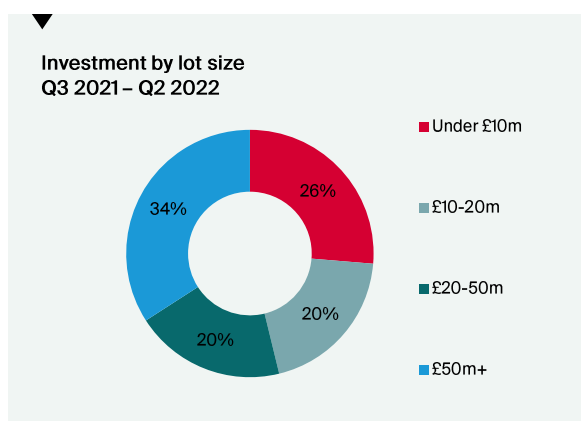
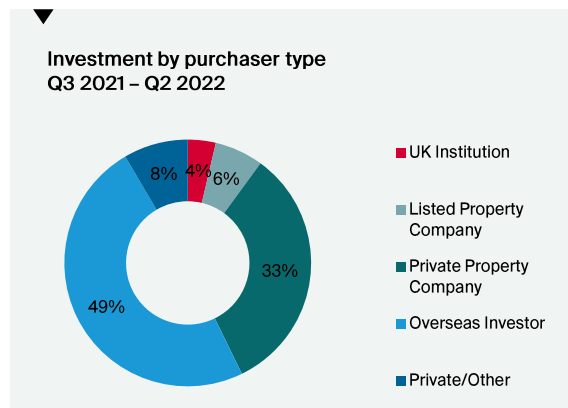
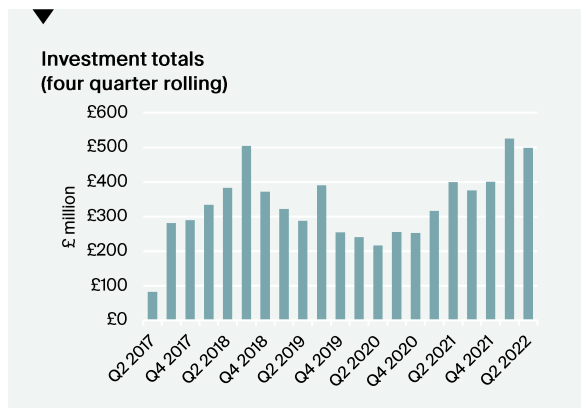
# INVESTMENT MARKET

**£498 million**  
Investment total  
(last four quarters)

**£9.2 million**  
Average lot size  
(last four quarters)

**49%**  
Overseas capital  
(last four quarters)

**5.3%**  
Average yield  
(last four quarters)



## KEY INVESTMENT DEALS H1 2022

PROPERTY	TOWN	PRICE	YIELD	PURCHASER	VENDOR
Westway Industrial Park	Renfrew	£110m	-	Ares Management LP	Canmoor Asset Management
Cultins Road	Edinburgh	£34.4m	4.21%	ICG Real Estate	Hines UK
149, Newlands Road	Glasgow	£32.5m	5.01%	Realty Income Corporation	Celeros
Brittain Way	Motherwell	£12.3m	3.43%	Fiera Real Estate	Private

Source: Knight Frank, Property Data

## CONTACTS

### LOGISTICS & INDUSTRIAL RESEARCH

**Claire Williams**

claire.williams@knightfrank.com

+44 203 897 0036

**Deirdre O'Reilly**

deirdre.oreilly@knightfrank.com

+44 203 995 0785

### SCOTLAND COMMERCIAL LOGISTICS & INDUSTRIAL AGENCY

**Scott Hogan**

scott.hogan@knightfrank.com

+44 1224 415 956

### SCOTLAND COMMERCIAL CAPITAL MARKETS

**Euan Kelly**

euan.kelly@knightfrank.com

+44 131 222 9631

---

#### Methodology

This report has been prepared by Knight Frank Research.

Data and information within this report have been provided by Knight Frank occupier and investment teams across the Knight Frank UK network. Third party data sources are also utilised.

For the purposes of this report, take-up figures refer to spaces of 50,000 sq ft or more, that are let, pre-let or acquired for occupation.

Availability refers to all space available for immediate occupation as well as space under construction (built speculatively) that will be available for occupation within the next 12 months.

Investment figures refer to industrial property purchases where the primary motivation is the generation of income. Acquisitions for occupation are excluded. Land sales are included, where the end use of the land is known.

---

**Knight Frank Research**  
Reports are available at  
[knightfrank.com/research](https://knightfrank.com/research)



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2022 This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.